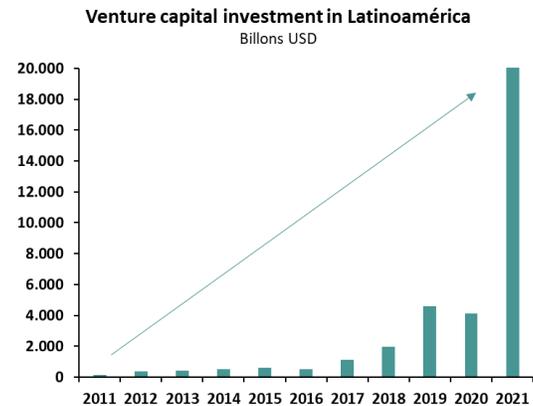


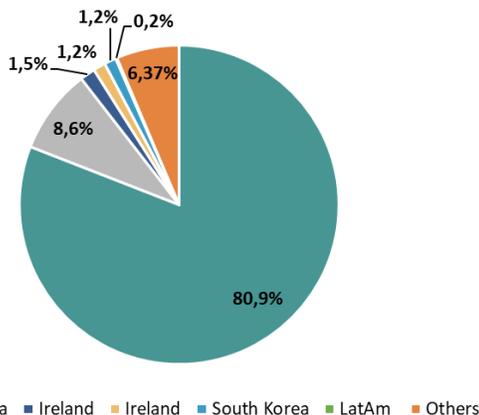
Innovation and Mega Trends in Latin America: Positive Signs

In recent times, greater dynamism in Latin America's innovation sector could mean a change in the region's perennially lagging position in this field at a global level.

We are undergoing a fourth industrial revolution, mainly driven by digital developments, social changes, and environmental factors, and it is changing the way the world works: how we live, work and relate to each other. MSCI indices divide these main trends into four categories: Environment & Resources, disruptive technology, Healthcare, and Society & Lifestyle.



MSCI ACWI IMI Innovation Composition



Where does Latin America stand in this area? In recent years, the region surprisingly reported an increase in companies considered unicorns¹, with 47 companies qualifying. However, there is still a long way to go, as this only comprises a 0.2% share of the innovation index (MSCI ACWI IMI Innovation).

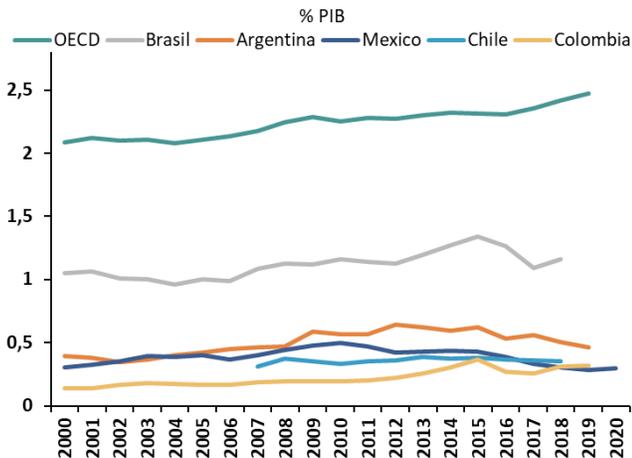
At the level of thematic indices, the weight of LatAm is divergent: 0.9% in mobility (MSCI future mobility), 0.6% in smart cities, 0.3% in food revolution, and 0.2% in millennial generation.

At a country level, Brazil stands out from the rest. It is the most participative of the themes mentioned above and has the highest weighting among Latin American countries.

The region's leading weaknesses include low investment research and development levels and stagnant productivity. The Global Innovation Index 2020 (WIPO, branch of the UN) argues that Latin America lags in policies to promote collaboration with universities and foreign companies, and that intellectual property laws are deficient. The report also mentions the low development in human capital (education) and small amounts of published academic documents.

Source: MSCI

Investment in I + D of Latinoamérica



Source: OCDE data.

¹ Unicorns are companies that reach a valuation of at least USD 1 billion without being listed on the stock exchange.

However, aspects highlight the recent progress in new innovative companies in different disruptive industries. Brazil leads the way, followed by Argentina and Mexico. Brazil is the largest economy in the region, allowing for economies of scale in the development of new products, both for direct consumers and in B2B consumption. In addition, the region has experienced an increase in *venture capital* investments, favoring growth.

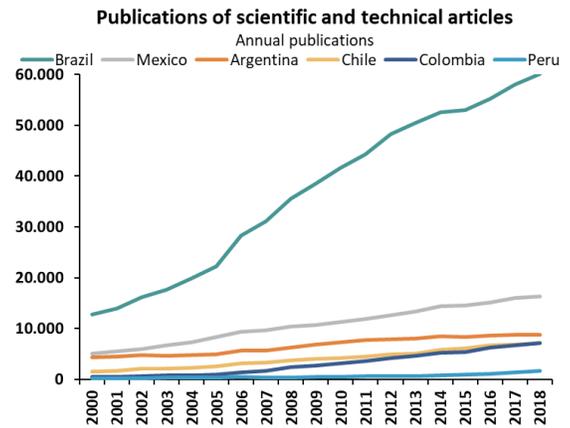
Among the prominent Latin American unicorns are:

Digital Economy:

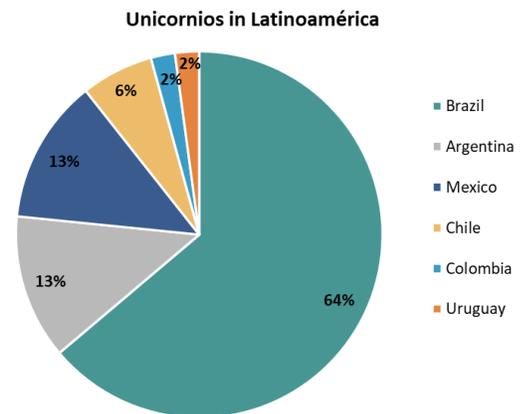
- > **Mercadolibre** is an Argentinian company that became the first unicorn in Latin America in 2007 and is now listed on the Nasdaq for a value close to USD 35 billion. The company revolutionized digital commerce in LatAm, delivering various product categories and innovating new payment methods.
- > **VTEX** is a Brazilian e-commerce platform that allows direct trade with customers, B2B, marketplace and omnichannel and reached a valuation of USD 1.7 billion in 2020. Nevertheless, now has a market cap close to USD 918 million.

Fintech:

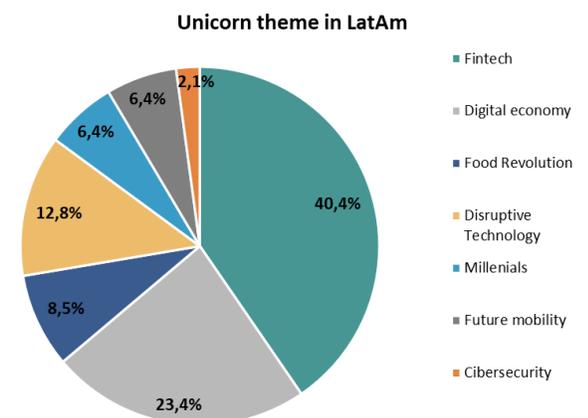
- > **Nubank** of Brazilian origin, it is the largest digital bank in the world outside Asia and the largest fintech in Latin America. In just six years it became the sixth largest bank in Brazil, after becoming a unicorn in 2018. In December 2021 it debuted on the New York Stock Exchange, after reaching a market value of USD 41.5 billion. However, now has a valuation close to USD 18 billion.
- > **Ualá**, the Argentinian mobile application of financial management linked to a Mastercard prepaid card that allows users to make financial transactions, such as transferring money, making payments, among others. In addition, it got a valuation of USD 2,45 billion in 2021.
- > **Bitso** is the largest digital platform in Latin America for buying, selling and using cryptocurrencies, with a market reach of Argentina, Brazil and Mexico. It became a unicorn in May 2021 after reaching a valuation of USD 2.2 billion. In addition, it announced the launch of its new "Bitso Alpha" application for trading cryptocurrency assets on the Android operating system.



Source: Banco Mundial.



Source: LAVCA



Source: Sling Hub.

**Food revolution:**

- > **Creditas** is a financial services start-up considered the main secured credit line platform in Brazil, with a valuation of USD 4.8 billion (after raised capital in January 2022) and operates with four main products: property-guaranteed loans, vehicle-guaranteed loans, private payroll loans and vehicle financing.
- > **Rappi**, the delivery company became the first unicorn in Colombia in 2018 and currently operates in 9 countries in Latin America and got a market value of USD 5,250 billion in 2021. The app plans to boost its growth in the region by expanding its service offering through RappiMall, RappiCash, RappiAntojo, RappiFavor, RappiMobility, and RappiEntertainment.
- > **iFood** is a Brazilian food delivery application, and the largest delivery platform in Latin America. It operates in Argentina, Brazil, Colombia and Mexico. The company became a unicorn with a valuation of USD 3.5 billion and now the estimations indicate that could reach a valuation of more than USD 9 billion.
- > **Cornershop** was the first unicorn in Chile in 2020, the company operates through an application that manages the delivery of products from supermarkets and stores, and currently operates in Chile, Colombia, Mexico, Peru, Canada, Brazil, the United States and Costa Rica; reaching a valuation of USD 3,000 billion.
- > **NOTCO**, Chilean unicorn since July 2021 after being valued at USD 1,500 billion. The company is dedicated to the creation of alternative plant-based foods, and already boasts 5 main product options (Not Burger, Notmeat, Notmilk, Not-icecream and Notmayo) that are sold in Chile, Brazil, Argentina, Colombia, Mexico, the United States and Canada.

Disruptive Technology:

- > **Globant** is of Argentine origin and specializes in software development and in the design of digital transformations for companies, through a group of products that combine artificial intelligence, emerging technologies, and cognitive transformation. In 2014 it entered the New York Stock Exchange, and now has a capitalization of USD 7 billion, operating in 16 countries.
- > **KIO Networks** is a Mexican company that has 40 data centers offering personalized mission-critical information technology services, through the implementation of digital business models and the improvement of technological infrastructure. It currently operates in Mexico, Spain, Panama, Guatemala and the Dominican Republic.
- > **Mural** is an Argentine platform of virtual whiteboards and post-its that creates a visual collaboration workspace. The pandemic gave them a big boost in the market, allowing them to open offices in the US as well. It reached a valuation of USD 2 billion in 2021.

Ascenty, of Brazilian origin, is the largest data center infrastructure company in Latin America, offering connections with the main Cloud Providers (cloud platform) in the world.



Millennial Generation:

- > **Wildlife Studios** is a video game developer of Brazilian origin and was considered a unicorn at the end of 2019, and currently has a valuation of USD 3,000 billion. In addition, it has a portfolio of around 60 video games and offices in Argentina, Brazil, USA and Ireland.
- > **Gympass** is a Brazilian gym platform and offers a network of more than 50,000 gyms around the world to its members and became a unicorn in 2019.

Cybersecurity:

- > **Único** is a company that develops digital identity protection solutions and became a unicorn last year, currently valued at USD 2.6 billion. It is the first Brazilian company to offer solutions in facial biometrics and digital admission. It currently only operates in Brazil, with 3 branches located in Sao Paulo, Londrina and Porto Alegre.

Finally, although it is not yet listed as a unicorn, the Chilean company Fintual just raised USD 39 million in November 2021, led by Sequoia Capital. Sequoia Capital is a leading venture capital fund with almost 50 years of experience that has already invested in other regional unicorns, such as Despegar, Rappi and Nubank. The Chilean Fintech manages around USD 700 million among its 4 investment funds, with more than 72,000 clients in Chile and Mexico, which has quickly established it as one of the leading investment platforms in Latin America.

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