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THE CLOVE

Introduction

The etymology of the word “Clove”, or “Cravo” in Portuguese, which scientific name is [Dianthus Caryophyllus](#), comes from the combination of the words “God” and “flower”. In Ancient Greece, cloves were used to make ceremonial crowns in honor of the gods. In the Middle Ages, cloves would be used for marriage celebrations, for their symbolism of longevity. In Catholic tradition, cloves first appeared in the world when Mary shed her tears on the earth in the act of crucifixion of Jesus. Cloves blossomed from them. As it varies greatly in colors and carries a great mythological significance, this plant is, in most cultures, a symbol of good luck. That is, it has the gift of attracting blessings and victories.

table; to the large corporations, who already recognize us as external partners for innovation; and the rest of the agents who have in some way joined us through our journey. Thank you!

Let us go back to the clove and the reason for starting our letter with this allusion. Unlike our last missives, in which we lectured on topics outside of Fuse, at this moment, we want to turn “inward” and talk about the principles and values that were our “cornerstone” in the creation of the company in November 2019, and that have become even stronger in 2020. After all, changing a bit the beautiful quote of the American writer and futurist Alvin Toffler who said that “if you don’t have a strategy, you are

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“Important principles may and must be inflexible.”

Abraham Lincoln

Our dear readers must be wondering why we started our last letter of 2020 with such allusion to the clove. Before we explain it, let us take a break and thank everyone who has been with us in our first year of life. A difficult cycle, with a pandemic never seen before has stimulated us to make certain reflections, which consequently promoted several lessons. We wanted to thank our investor, who take part of our day-to-day operations, bringing in complementary experiences and closely tangibilize our mantra of turning a liability (the investors) into an asset (business partners); to our investees, which have seen Fuse as a strategic partners and not just an investor; to the companies that, even though we did not always bet on them, have always brought something new and different perspectives to the

part of someone else’s strategy”, we also believe that either you own your principles and values or make sure that you are part of someone else’s. And we, here at Fuse, follow the principles of the Clove (captivation, resilience, animation, values and organization), which we will explain in detail below.

1. Livro escrito por Daniel Simons e Christopher Chabris busca destrinchar seis ilusões do dia a dia que influenciam a vida das pessoas. A obra foi uma continuação do experimento homônimo dos dois professores de Harvard.

Captivation

The Ben Franklin effect is a psychological phenomenon in which the act of doing someone a favor makes you like them more. In the field of psychology, this phenomenon is understood as “cognitive dissonance”, and refers to the need of the individual to seek coherence between his cognitions (knowledge, opinions or beliefs). Dissonance occurs exactly when an inconsistency occurs between the attitudes and behaviors that an individual believes are right and the acts actually practiced.

Leon Festinger¹, an American psychologist born in 1919 in New York City, is known as the father of the theory of cognitive dissonance. In his fine work entitled *When the prophecy fails*, from 1956, he proved his thesis through empirical evidence. After reading in a local newspaper that a group of people were predicting a storm of great proportions that could destroy the Earth, Festinger, along with other researchers, infiltrated the group and began to map the behaviors perpetrated there. When the prophecy turned out to be false, the group did not admit its faults. On the contrary, they began to seek explanations for the non-realization of the omen. Therefore,

honored, the other responded quickly and, at this moment, a rapprochement and a subsequent and unexpected friendship was created that lasted throughout his lifetime.

In this year of Fuse, we have already come across different types of investors, from individuals to resource managers, through single and multi-family offices. All of them have a focal point that is the understanding that the technology industry must be evaluated and understood. However, the difference between these agents is that some of them are already moving, while others, despite being aware of this need have not yet found an ideal way to act. Therefore, the first focal point of Fuse is to captivate this investor and act precisely in this cognitive dissonance between having to understand and not knowing how to do it. Since its foundation, Fuse has always had the intention to present a different stance compared than the conventional Brazilian Venture Capital. Like the others, we always aim for financial returns in line with top Venture Capital, but our differential is that we also seek to make this inherent knowledge of the sector more natural.

“Investing in knowledge always yields the best interest.”

Benjamin Franklin

the discrepancy between what the group believed and the reality caused Festinger and the researchers to begin to elaborate on the aforementioned theory.

This concept became known as the “Ben Franklin effect”, and its origin is quite curious and worth commenting. Benjamin Franklin had a strong opponent in the Pennsylvania Assembly. He, by the way, had no shame in demonstrating his displeasure publicly. This animosity did not go unnoticed by Franklin, but the way he solved this quarrel is to say the least, curious. The politician decided to ask his opponent for a favor, and since he knew that he was dealing with an opponent of a high intellectual level, he asked him for a rare book from his private library. Faced with this unusual request, and feeling

Above all, we seek to captivate and delight our customers and investors, delivering knowledge far beyond our borders. In this one year of life, this was very evident in forums and conversations we made about some specific sectors that invariably generated essential insights for our investor to take to your company - in the case of a family office - or to your portfolio - in the case of a manager and/or analyst. We are enthusiasts of the philosophy of the old film roll, which was made by the sum of several photos. A long-term value aggregation is built by the sum of several short-term value aggregations.

To captivate and delight in order to solve this cognitive dissonance is a constant mission within the team, and it is precisely our multidisciplinary approach that has allowed us to successfully perform

1. Leon Festinger was a New York City psychologist who became famous for the development of The Theory of Cognitive Dissonance. Festinger held a bachelor of science degree from the City College of New York in 1939. After graduating, he entered the University of Iowa and received his Ph. D degree in 1942.

this task. We three-generation team, which, in such a dynamic and fast world, creates an important differential with distinct points of view. Our team has been an investor and analyst of companies, with visits to large institutions, so it carries with it the investment DNA that makes Fuse much more collaborative with its investments. These experiences allow us to generate fluidity of communication with investors. The Fuse team has also already undertaken and knows very well the difficulties that entrepreneurs go through on the other side of the table.

Therefore, thank you also to the Fuse team. We will keep going strong in our task to captivate and delight all the agents who join us. Adding more and more value is a structural obligation and not a cyclical one.

Resilience

Lernean Hydra, in Greek mythology, was the monster son of Typhon and Echidna, who inhabited a swamp by Lake Lerna. Hydra had a dragon body and serpent heads. According to the legend, every time the heads were cut off, they regenerated. Therefore, Lernean Hydra has always had its name associated with issues related to resilience.

The word “resilience” comes from Latin, *Resilire*, which means to refuse, to turn back. In psychology, it means returning to the previous state. In physics, it refers to the ability that a material has to withstand large impacts of temperature and pressure, deform completely, but, little by little, being able to recover and return to its former form.

Thus, resilience is the ability that a material has to deform completely, almost “die”, and then going back to what it was before and rebuild itself. Originated from physics and psychology, this term gained shape, and was integrated in the field of humanities. Today, a resilient individual has the ability to cope with problems, adapt to changes and overcome obstacles. All this without going into a psychological, emotional or physical breakdown.

On the other hand, we believe that resilience is a characteristic that can be widely developed, and we, at Fuse, stimulate this evolution every day. Be more water and less rock, because it is the element that best adapts to adversity.

“It’s not about whether you get knocked down. It’s about whether you get up.”

Vince Lombardi

First of all, *stay flexible*. Resilient people always work on the assumption that they may have to face difficulties at different stages in their lives. In this way, they can quickly adjust and find ways to continue pursuing their goals.

Keep in mind that it is always important to *learn lessons*, especially those that are derived from complicated situations. Thus, much more than finding culprits for a given situation, you should understand the reasons why you are experiencing this difficulty and what you can do to avoid it in the future. As Nassim Taleb² brilliantly explains in his 2012 book *Antifragile: Things that Gain from Disorder*, antifragility occurs when an individual becomes stronger when he or she is exposed to stress conditions.

Have a *positive attitude* and always think about what you can do to solve a problem. Resilient people are rarely paralyzed by negativity, and focus on rationally solving the problem. In this sense, a research from Stanford University revealed interesting points. When analyzing, with an MRI machine, the mathematical skills of 240 children aged seven to ten, while they solved arithmetic problems, it was found that the students who liked the subject the most were the ones who did best. So far this is no news, given that the correlation between aptitude and pleasure is quite clear. It is only natural that you like to perform tasks for which you have talent. However, the resonance images revealed that the hippocampus of the brain, linked to memory and learning, was significantly more active in children with positive attitudes towards mathematics. The authors’ conclusion was not only that children like

2. Nassim Nicholas Taleb is a Lebanese-American author, essayist, statistician and risk analyst. A mathematician by training, he resides in the United States, the United Kingdom and Lebanon, and is known for being a financial market megainvestor, being a professor at the Polytechnic Institute of New York University and president of the investment firm Empirica. He also acts as an advisor to the Universa group.

the subjects at which they are good, but also that liking these subjects seems to make their brains work better.

Stay [connected with friends and family](#). This is a type of relationship that we must always keep active, even with the rush of daily life. After all, when you are going through some kind of difficulty it is to them that you should turn to. Never hide and always accept help. Sometimes a word from someone who is not immersed in the problem can be very useful in solving it.

Find some habit to [release the tension](#). A routine that pleases you and serves as an escape from everyday tensions. In this regard, it is very worth reading the bestseller *The power of habit*, by Charles Duhigg, who has done extensive research on how habits work and, above all, how they can be transformed.

Finally, do things that [add meaning](#) to your life. This can be spending time with the family, volunteering, running a marathon or any other activity. Whenever you have a very well defined purpose, the stones in the way become smaller and smaller.

Animation

Paul Bloom³ is one of the greatest scholars of the nature of pleasure. His 2011 TED Talk, entitled, "The origin of pleasure," has over 2.5 million views and is filled with relevant content.

Paul Bloom is a psychologist of Canadian origin and is still professor of cognitive sciences at Yale University and the University of Arizona. His works have always been focused on the way children and adults understand the world physically and socially.

In his 2010 bestseller, *How pleasure works: the new science of why we like what we like*, Boom looks for reasons to like the things we do.

The author claims that pleasure is closely connected to the theory of essentialism. He argues that the notion of what really matters to the human being about an object, an activity or a person is not the most tangible, but rather, something deeper and invisible. In other words, the value we assign to a consumer product, for example, is based on something much greater than its looks. We thus consider its potential status symbols, its individual stories, how much we imagine other people think it is worth and so on. And it is exactly from these hidden properties that pleasure derives.

This, of course, is not to say that your tastes are not impacted by material issues. But in the case of a wine, an example always used by the author, the pleasure we feel with a glass is highly influenced by where we think it came from, how much we think it costs and all the storytelling behind it. In summary, a wine expert may say that the drink is excellent because of its rich texture, and the casual drinker may say that it is simply because they like the taste; however, both are wrong, or at least mistaken.

Paul Boom's essentialist thesis is even the origin of neuromarketing. Several studies have shown that our memory is very powerful and can often overlap with sensory experience, influencing our preferences and choices. In addition, several analyses show that the brain regions that control cognition and memory are highly influenced by the concepts that a brand can convey to consumers.

Our animation, our pleasure and our enthusiasm derive exactly from this thesis. Therefore, we believe that we, as investors, have a fundamental role in society. That is precisely what motivates us every day.

"That is why the first and most crucial skill you will learn on this journey is to develop your ability to choose choice, in every area of your life".

Greg McKeown

3. A Canadian psychologist, holder of a Ph. D degree in cognitive psychology from MIT, Paul Bloom is a distinguished professor of psychology and cognitive science at Yale University. With several works published in scientific publications such as *Nature* and *Science*, his research explores how children and adults perceive the physical and social world. He is currently studying how social cognition develops in infants, the theme of his latest book. A member of the American Psychological Society, in recognition of his contributions to science, he has received several honors, such as the Stanton Prize from the Society for Philosophy and Psychology and the Lex Hixon Prize for excellence in teaching.

We trust that our role is far above a passive capital allocation. In the Venture Capital market, especially in the early stage niche in which we operate, we have a function that goes far beyond investing resources. We foster an ecosystem, collaborate with startups that pass through our analysis filter and are 100% available to help entrepreneurs succeed. At the end of the day, we're just dream makers.

Today, we have an NPS (Net Promoter Score) of 8.8 on a total scale of 10, which we send to the entire startup base we analyzed. We are very concerned about this, and, even if we do not invest, we always want to add some kind of value to the entrepreneur. Not as a favor. It is our role. Just as an illustration of this thesis, 15% of our analyzed company pipeline comes from entrepreneurs in whom we do not invest, but helped in some way.

We are very active in fostering a robust ecosystem, because any help that the entrepreneur can get at this stage is of paramount importance. Even if it is a conversation or a piece of advice. With this in mind, for more than five years, Fuse partners have been collaborating with educational institutions in favor of a pro-entrepreneurship mentality. And we want more. After all, being in contact with these young visionaries can only benefit us.

With our investments, honestly, we do not see ourselves as an investor, but as a business partner. We are always by their side to collaborate in the good times, of course, but, especially, in the bad ones. We are sure that Fuse does not unilaterally choose in which entrepreneur/company we will invest; this choice is mutual. If the purpose of the entrepreneur is aligned with our purpose, our animation, our pleasure and our enthusiasm are endless. That is our essence.

Values

Values are the set of characteristics of a particular person or organization, and determine how it behaves and interacts with other people, other organizations, or the environment.

If we look at the meaning of the word value, it alludes to merit, talent, courage and bravery. Therefore, we can state that human values are intrinsic moral characteristics in each individual. They derive from social and ethical values that, ultimately, are governed by rules that constitute healthy living within a society.

Among the most important values are respect among people, honesty, humility, empathy, a sense of justice and ethics. We cultivate them daily, always in search of excellence. We will explain each one briefly.

Respect is the ability to be considerate of other people's feelings. We always try to put ourselves in the shoes of our interlocutor to understand their point of view. And we believe that our multidisciplinary team, as already addressed earlier, manages to have a 360 degree reading and therefore respect the varied points of view and obviously aggregate them.

Honesty is a fundamental value for the human being and can greatly influence a person's life. To have honesty is always to act guided by ethics and truth, without ever stopping ourselves from speaking what must be spoken. We try, as far as possible, to justify the investments that did not suit the fund and explain why we did not do so. But this does not take away from us the responsibility to, even then, help the entrepreneur with what they need. And this ends up going back to the virtuous circle of doing good, because the entrepreneur who perhaps was not supported by Fuse, still sees our value and mentions us to their friends. As already mentioned, 15% of our pipeline comes from this reasoning above.

Humility is a very important virtue, as it means the ability to recognize failures and difficulties. This concept is about acting modestly, keeping it simple

and recognizing your own limitations. We encourage internally that we should not be afraid to make mistakes, we should be afraid not to learn lessons from our mistakes.

Empathy is the ability that a person possesses to perceive other people's feelings. We need to keep in mind that in a meeting with an entrepreneur, for example, in addition to evaluating a business, we can inevitably be impacting the lives of some people. In a bad and in a good way. From the moment we created the company, we thought about impacting in the good way. This means that, even if the business does not make sense for the thesis of the fund, it is part of our role to add to the life of the individual, whether by helping them to find their ideal business model, or showing solutions, presenting technologies etc. And when that becomes a purpose, not a favor, it becomes even more rewarding.

“What is important is not what happens to us, but how we respond to what happens to us”

Jean-Paul Sartre

We understand as a sense of justice the ability to assess a situation. After all, all the facts have three versions: yours, mine and the real one. As far as possible, we try to listen to all sides in order to better judge it. Unfortunately, it is not always possible, but we greatly stimulate the search for hidden values. We encourage behavioral science to understand what the parties said without meaning to.

Ethics is the gathering of principles that determine people's attitudes. Therefore, living ethically means living according to fundamental moral values. For us, it is non-negotiable. As we spread throughout the company, we do not unilaterally choose to invest in a certain company, as well as we do not unilaterally choose an investor or a partner to join the team. This option is reciprocal and the basis is always ethics, principles and values.

Organization

Priority should mean the “very first thing, the most important thing”. In the twentieth century, we pluralize the term and begin to talk about priorities. Illogically, we reasoned that by changing the word, we would be able to modify reality, and thus achieve several first things. Currently, this is exactly what companies and individuals try to do.

Through this reasoning, extracted from Greg McKeown's 2015 book *Essentialism: The Disciplined Pursuit of Less*, is how we will begin this last and very important part: organization. It is noteworthy that, among other things, we see the subject as a tireless search to list relevance and a continuous process of repetition of things. We will explain this in more detail below.

The volume of information grows every day. Due to technology, which connects everything and everyone instantly, we come to live with the problem of “infoxication”. Such a term is not new. It was created, in 1966, by the Spanish physicist Alfons Cornella to translate a disease caused by the sum of information. According to him, this disease has become an epidemic thanks to televisions, newspapers and video games. With this excess of news, information is not fully digested, causing anxiety, stress and all kinds of dispersion.

An article prepared by researchers at the Technical University of Denmark managed to translate this effect into numbers. The scientists studied data from Twitter between 2013 and 2016, Google Books, data from forty years of movie ticket sales and various other sources. In this context, the authors found evidence about the inversely proportional correlation between the amount of information and the attention devoted to them. In other words, the more content is produced in less time, the faster the exhaustion of collective attention.

By researching, for example, fifty global daily Twitter hashtags, the researchers found that the peaks became increasingly sharp and variable. In 2013, a hashtag remained in the top fifty for an average of 17.5 hours. In 2016, this average rose to “only” 11.9 hours. Which in fact corroborates the thesis of infoxication cited above.

Another very recurring theme when we talk about organization is the continuous search for the repetition process. To understand this subject, it is worth starting with the neuromuscular system. By way of information, the neuromuscular system is as if it were a message delivery. To voluntarily stimulate a muscle, our brain has to send a signal by a motor neuron to it.

Some people strongly contest the topic “muscle memory”, since this terminology implies that muscles can retain information, which is not true. Although they have no brains, with repetition, our brain can become more efficient at sending messages to the muscle. Repetitions make the neuromuscular system efficient, making movements smoother and more automatic. Therefore, the more repetitions we do, the stronger and more solidified our neuromuscular pathway becomes.

Let us use as an example NBA basketball star Kobe Bryant, who, to this day, is seen as one of the greatest advocates of the practice of tireless repetition, which is even part of his famous Mamba mentality. By way of illustration, it is worth mentioning a dialogue between Jamal Crawford, also a player, with the super star who died in January 2020:

“I remember before the 2009 season we went to train together in Los Angeles. I got to the gym early and he was already there. I didn’t quite understand what he was doing there repeating the same throw countless times, but I preferred not to bother. I was stretching, throwing lightly and waiting to hear my name quickly. Ten, twenty, thirty, fifty minutes passed. Nothing. One hour, two hours, two and a half hours. I decided to go there. I asked, ‘Man, why have you been training the SAME throw for almost three hours? I only see you from this very point of the court and your ball keeps falling. What’s happening?’. And then he said, “this throw, from this point of the court, has been bothering me a lot for two

months. I feel that the ball is spinning badly to the rim. So I’m trying to fix this. Could you give me another half an hour for me to solve this issue?’. At that moment I sat down trying to understand.”

Let’s go back to the case of Fuse, and how we see this process of organization in our daily routine. The search for relevance of tasks is a subject much debated internally and we seek to evolve in this area. As we discussed earlier, in this increasingly “infoxic” world, prioritizing is vital to the pursuit of productivity. Fuse, since its creation, has always seen the entrepreneur and the startup as focal points of our ecosystem. By putting efforts, especially, on these agents, all the others can benefit from it.

*“If we don’t set priorities,
someone will do it for us.”*

Greg McKeown

Our entire onboarding process of the companies analyzed is extremely organized and digital. From the acquisition of the company, through the registration of interactions and subsequent follow-up, it is all recorded on easy-to-manage platforms. It never hurts to repeat: In a world with excess data, having this information catalogued and easily accessible for future studies will be increasingly important. Incidentally, this is one of the topics that we study a lot here at Fuse in 2020, even becoming one of our investments in Fuse Capital Fund I.

In the same way that, for high-performance athletes, repetition helps the neuromuscular system, in the corporate world, the reality is very similar. Processes and repetitions are thoroughly trained so that the simple fact of doing a task becomes simple and automatic. The idea behind this is very clear, after all, we need to be prepared to execute these demands even in times of stress and difficulty.

Finally, we also like to look at this last point as an opportunity. We believe that we are living a unique moment in history, in which the technological advances we’re going through will influence humanity for centuries. Today, the world accumulates 44 zettabytes⁴ of data, 90% of which has been accu-

4. A Zettabyte is a unit of information or memory. It corresponds to 1,000,000,000,000,000,000 (1021) or 1180591620717411303424 (270) bytes, depending on the context.

mulated in the last five years. We are migrating from a society that consumes by necessity to a society that has a need for consumption. Anyway, the opportunity is there and we want to be a part of it.

Conclusion

Unlike the previous letters, in which we use the conclusion to synthesize the topic addressed and/or present those themes that could be discussed in the subsequent letters, in this we will use this space to thank again.

The year 2020 will forever mark the life of all of us, a year in which each individual had to live with great deprivations, be they of life or their right to come and go. Therefore, we want to leave on record our appreciation to the investors who believed in Fuse from day one. We are sure that we chose and were chosen by the best. We also want to thank every entrepreneur and investor with whom we had contact. Rest assured that from each meeting, from each exchange, we were able to extract a curiosity that we brought to Fuse. We want to thank, especially, the entrepreneurs of our investments. We have complete confidence that the choice was reciprocal.

One of the only certainties we have now is that better days will come and, as we talked about in previous letters, Fuse has arrived. And it's here to stay. After all, our purpose goes far beyond being "just" a Venture Capital.

"We always overestimate the change that will occur in the next two years, and we underestimate the change that will occur in the next ten years."

Bill Gates

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"From entrepreneurs to entrepreneurs"