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PRESENTATION

Operator

Good afternoon, and welcome to the Vinci Partners First Quarter 2021 Earnings Conference Call. (Operator Instructions) As a reminder, this call will be recorded.

I would now like to turn the conference over to Anna Castro, Investor Relations Manager. Please go ahead, Anna.

Anna Luiza de Castro Santos - *Vinci Partners Investments Ltd. - IR Manager*

Thank you, and good afternoon, everyone. Joining today are Alessandro Horta, Chief Executive Officer; Bruno Zaremba, Head of Private Equity and Investor Relations; and Sergio Passos, Chief Financial Officer.

Earlier today, we issued a press release, slide presentation and our financial statements for the quarter, which are available on our website at ir.vincipartners.com. I'd like to remind you that today's call may include forward-looking statements, which are uncertain and outside of the firm's control and may differ from actual results materially. We do not undertake any duty to update the statements. For a discussion of some of the risks that could affect results, please see the Risk Factors section of our 20-F.

We will also refer to certain non-GAAP measures, and you'll find reconciliations in the release. Also note that nothing on this call constitutes an offer to sell or solicitation of an offer to purchase an interest in any Vinci Partners fund.

With that, I'll turn the call over to Alessandro.

Alessandro Monteiro Morgado Horta - *Vinci Partners Investments Ltd. - CEO & Director*

Thank you, Anna. Good afternoon, and thank you all for joining our call. This was the first quarter for Vinci Partners as a public company after our IPO earlier this year. We were able to generate very strong results as we continue to deliver solid returns for our fund investors. Nonetheless, the current market valuation of our stock, in our view, does not represent the actual value of our platform, our existing investments and our very significant growth opportunities across the firm.

So in addition to announcing our quarterly results, we are also initiating our share repurchase program of up to BRL 85 million, which has been approved by our Board of Directors. We are committed to delivering shareholder value, and this buyback program authorization reflects the Board's confidence in our current prospects and long-term growth. We believe that this program represents an accretive opportunity to deploy cash from our results in a way that should benefit our shareholders. Bruno will discuss the repurchase plan in more detail in a few moments.

On to our financial results. Vinci Partners reported excellent results for the quarter with IFRS net income of BRL 47 million, fee-related earnings of BRL 50 million or BRL 0.88 per share and distributable earnings of BRL 47 million or BRL 0.83 per share. Our business is profitable and growing with strong operating leverage. Long-term FRE and distributable earnings margins continue to expand, and our relative fixed costs over AUM are decreasing year-after-year.

We ended the quarter with BRL 55 billion in AUM, which represents 45% growth year-over-year. Our very expressive AUM growth this quarter was a result of primarily 2 factors. First, we have probably one of our best quarters for fundraising in private market strategies. We raised almost BRL 2 billion through 5 different fundraisings, of which 2 are new strategies we are very excited about in the real estate and infrastructure segments, for which we will continue to raise capital throughout the year.

We also had the final closing for our private equity impact-focused fund, Vinci Impact and Return IV or VIR IV, that reached the fund's hard cap of BRL 1 billion in the quarter, making it the largest impact-oriented fund in Brazil. VIR IV is extremely relevant to Vinci in 2 different levels. This fund raise represents BRL 1 billion of additional long-term high-quality capital for our private market strategies and a new avenue of growth inside the firm.

Additionally, VIR IV marks an important milestones within Vinci's ESG efforts. Since our company's inception, we were very conscious about the adoption of responsible investment and ESG integration in our investment decision process, being a PRI signatory since 2012. And we remain one of the few alternative asset managers in Brazil with an impact-oriented private market strategy and an active ESG committee within our Board, which really set us apart from competition.

Another very important avenue of AUM growth was our IP&S business that raised over BRL 3 billion during the first quarter of 2021. We have been very active in fundraising for new separate mandates for institutional clients, for which we provide allocation service ranging from specific mandate in predetermined asset classes or even the client's entire portfolio. We continue to see a very material opportunity for growth in this business, and we still face very low competition in Brazil for this type of service.

This quarter's fundraising is a clear result of the power of our brand in Brazil of how we can launch new strategies and raise long-term capital. We just started a new branding project that will take place throughout the year with one of the most respected marketing agencies in Brazil, looking to increase brand awareness, especially among retail investors.

The retail channels that we access through allocators and distributors in our public market vehicles have been growing at a very accelerated pace, representing currently 20% of our AUM. We took on this project, looking to improve our communication with this type of investor, expanding our distribution capacity and reaffirming our position as the top-of-mind brand for alternative investments.

Moving on to our view regarding the local macro scenario, we believe that despite some recent volatility, Brazil continues to be an extremely healthy and supportive environment for growth in the alternative asset management industry. We have been impacted in this first quarter by a second wave of COVID-19 cases in Brazil, but COVID vaccinations have been accelerating as the priority group which includes citizens of 60-plus years and other special situations should be fully vaccinated with both shots in a couple more months.

Both the population and the state and municipal governments have adapted to the pandemic, which allowed the economy to be less impacted in the second wave when compared to the first wave in 2020. Furthermore, new COVID cases have been improving markedly over the past few weeks, and the restrictions rolled out during the month of March are starting to be eased back.

As for interest rates, as you can see in this chart displayed in Slide 6, long-term real interest rates continue to be at low historical levels at the current 4% rate. We continue to hover at levels that are around all-time lows, and this continues to drive reallocation in local assets from fixed income into alternative asset management classes. What we are seeing now is really a transformation moment for us in our industry that has developed into a financial deepening revolution for all types of investors.

Even with the expected rise in short-term rates starting to take place, we believe that at these current levels, the scenario continues to be quite constructive as institutional investors are still way below their actuarial targets and need to seek alternatives for diversification in their asset bases to improve yields in their portfolios. This is also true for individuals who are facing negative after-tax short-term real rates and negligible long-term real rates. We have not seen any change in the decision-making process of these investors so far. And we continue to benefit from local trends as our AUM continues to grow at a very rapid pace and Vinci continues to gain market share.

Analyzing macro asset allocation figures, Brazilian AUM has more than doubled in the last 5 years, and we are seeing a significant change in investor profile with asset allocation moving away from fixed income into other investment classes. Even with an 11 percentage point decrease in relative allocation since 2015, fixed income still represents the biggest proportion of Brazilian capital allocation, leaving great room for growth in alternative investments.

Allocation to assets, excluding fixed income in Brazil, has been growing at a 21% CAGR since 2018 as we see the direct effects of the financial deepening revolution taking place locally. As a comparison, Vinci's AUM has been growing at a 41% CAGR in the same period, with first quarter 2021 year-over-year growth accelerating from that already high rate of growth. We believe we have been very successful in growing our business over the years, growing our market share in all investment classes. And we believe there is yet great room to grow within this large addressable market that is still in fixed income products.

We believe we are only in the beginning of the shift of capital flows from fixed income towards alternatives. And Vinci Partners is the only Brazilian asset manager that has expertise in all the key alternative asset classes, which put us in a unique position to capture this movement in asset allocation.

In addition to local trends, we also have access to our global capital pool that is currently substantially underrated in Brazil in our opinion. Currently, offshore institutional investors represent roughly 25% of our AUM, and we see room for this fundraising vertical to grow. The combination of presenting a complete alternative asset management offering, sound governance and institutionalization and strong risk-adjusted returns in our products puts Vinci in a privileged position to be the partner of choice for offshore investors looking to deploy capital in Brazil. We are confident that we have the tools to seize this immense opportunity we see currently in Brazil as we continue to provide the best returns and investment opportunities for our limited partners, which translate into results for our fellow shareholders.

And with that, I will turn it over to Bruno.

Bruno Augusto Sacchi Zaremba - *Vinci Partners Investments Ltd. - Head of Private Equity & IR*

Thank you, Alessandro, and good afternoon, everyone. On Slide 8, we'll walk through some of the financial highlights for the quarter. Fee-related earnings were BRL 50.2 million for the first quarter or BRL 0.88 per share, a 13% increase year-over-year and BRL 157 million over the last 12 months, up 25% year-over-year. Vinci generated distributable earnings of BRL 47.2 million in the quarter or BRL 0.83 per share, up 41% year-over-year and BRL 139.8 million over the last 12 months, up 17% year-over-year. As Alessandro mentioned, total AUM reached BRL 55 billion as of the end of the first quarter, an increase of 45% on a year-over-year basis.

Our fee earning AUM ended the quarter at BRL 52 billion, growing even faster, up 48% year-over-year, with much of it related to the private market capital subscriptions and net inflows seen across our IP&S business. Performance fee-eligible AUM totaled BRL 35 billion at the end of the quarter and represented nearly 70% of our total fee earning AUM.

Let me now touch on the rationale and details for the share repurchase program we announced today. We are long-term believers in our business and continue to be focused on how to further strengthen it. Our desire is to continue building our shareholder base and our presence in the market as a public company. In addition, all partners are and will continue to be shareholders of the firm for the long term given the lockups agreed upon during the IPO process.

We're fully aligned with other shareholders to generate returns while investing in Vinci Partners' stock. Our platform is diversified and presents many different growth avenues. We have grown our company against a backdrop of cyclical market volatility in Brazil since our foundation in 2009 and have been able to demonstrate its resiliency over time. As Alessandro mentioned before, we have not seen any relevant change in the current market scenario that could justify our opportunity being any different than a few months ago, and the acceleration of our AUM growth in the first quarter of '21 is a testimony to that.

Finally, our business model has a unique combination of growth with notable trends in local asset migration towards our product offering, in addition to substantial opportunity to further grow our already relevant international client footprint, visibility with substantial amount of our FRE coming from long-term locked-up capital, performance fee upside as we currently have approximately BRL 7 billion of private market strategy funds that are maturing and could generate substantial PRE income years and having all those positive characteristics while also generating substantial amounts of free cash flow.

Therefore, we have decided to implement a repurchase program of up to BRL 85 million as we believe this repurchase will be substantially accretive to long-term shareholder value. We will finance the buyback program with cash balances derived from our distributable earnings, which is not expected to have a material impact on capital levels and should also be in accordance with our previously announced policy of semiannual dividend distributions of at least 75% of distributable earnings. We expect the buyback capital to come from the unallocated portion of our distributable earnings and effectively allow us to return 100% of our free cash flow generation to shareholders during the program.

Moving on. In Slide 10, we present the AUM roll forwards for the quarter. We had inflows of BRL 4.2 billion in the quarter across our liquid strategy and IP&S businesses. These include the BRL 1.4 billion net proceeds from the IPO and BRL 2.9 billion inflows from IP&S in our hedge fund segments. Outflows totaled BRL 2.1 billion in the quarter, of which BRL 1.1 billion are from a withdrawal of a sovereign wealth fund exclusive mandate that does not pay management fees. More than half of the quarter's outflows do not represent a relevant impact to our management fee revenues.

This outflow is a realization of gains achieved by a tactical allocation made by this institutional investor in the public equity segment when the Brazilian stock market reached record low levels during the COVID-19 pandemic last year. This mandate still represents a relevant part of our equities AUM, and at this time, we do not expect any other significant outflow. AUM also benefited from almost BRL 1 billion in appreciation during the quarter primarily from our private market funds.

I would like to go in more detail regarding fundraising for our private market strategies. As we show on Slide 11, this was a remarkable quarter for fundraising in our illiquid strategies. We raised almost BRL 2 billion in our private equity, real estate and infrastructure segments, which is an outstanding result for just 1 quarter and reinforces the strength of Vinci Partners' brand and fundraising efforts for private market strategies in Brazil. All the products we put out in the quarter had very successful capital raises, with most of them being oversubscribed.

This represents almost BRL 2 billion of additional very high-quality capital with long-term to perpetual lockups that translate into management and potential performance fees for Vinci. We have been raising VIR IV over the past year. And during the quarter, the fund reached its hard cap, becoming the largest impact private equity fund in Brazil with BRL 1 billion in commitments. We also carried out 2 follow-on offerings in our listed fund strategies with VILG and VIGT that together represented almost BRL 1 billion of additional perpetual capital. We expect to continue to have opportunities to raise capital for our perpetual vehicles throughout 2021. Finally, we launched 2 new strategies, VFDL and VIAS, for which we intend to raise an additional BRL 1 billion combined until year-end 2021.

Moving on to Slide 12, we can see that the platform continues to display positive AUM growth against the same year-ago period across all segments. One key point to highlight is the growth in our long-term AUM that includes funds with lockup periods of at least 5 years to quasi-perpetual funds. This grew by 43% year-over-year and currently represents approximately half of our total AUM base.

Our perpetual capital AUM more than doubled in just 1 year primarily due to the success of our listed fund strategy and currently represents 25% of long-term AUM. Furthermore, our AUM remains broadly diversified by duration asset class and distribution channel, as is shown on Slide 13. About 45% of our net revenues were sourced from private market strategies, with management fees typically based on long-term capital commitments, thereby mitigating redemption and mark-to-market risk.

In terms of distribution, local and offshore institutional clients account for about 60% of our AUM, with the remaining 40% well balanced across high-net worth individuals and our high-growing retail dedicated distribution channels, allocators and distributors and our public market vehicles.

Turning to Slide 14. We wanted to give a little bit more detail on how our performance AUM is distributed across the platform and the different ways we charge fees. Our performance fee-eligible AUM currently totals BRL 35 billion or 70% of our fee-earning AUM. 2/3 of this AUM is currently generating performance fees. This includes mostly our liquid strategy funds and IP&S business and some private market funds during divestment period. Most of the funds in liquid strategies and IP&S charge performance fees based on the funds' returns over their hurdle rate or benchmark with a high watermark clause. This is an exception for our sovereign wealth fund mandate, which represents about BRL 5 billion of our equities business AUM at the end of the quarter and that can charge performance fees regardless of market's performance. It is a pure alpha mandate with no high watermark feature.

Within our private market strategies, about BRL 7 billion in AUM comes from preferred return-type funds with carried interest that are still in investment periods. We raised about BRL 10 billion in private market strategies over the last 5 years. So most of this new AUM is still maturing. And they will be able to charge performance fees as they return capital to investors in the coming years.

To put this potential in context, our latest flagship private equity fund, Vinci Capital Partners III, is currently marked at over 47% IR in reals and 25% IR in dollars, which bodes extremely well for future potential performance fee realization. There is strong optionality in the platform coming from potential future realization of performance fees.

Finally, we have some private market funds that should contribute to realized performance in the short term, as is the case for infrastructure private equity style fund, FIP Infra, for which we have booked in our balance sheet unrealized performance of BRL 28 million. For this fund, we also have a total GP commitment and co-investments that is currently marked at fair value or BRL 28.3 million, so when the performance is realized, it should also impact our GP investment income positively. We expect the realization of FIP Infra to take place in 2021. Our performance recognition is very conservative as we book unrealized performance in our private market funds only where there's a very high probability for realization of that performance as is currently the case of this infrastructure fund.

At the end of the presentation, you can find investment track records for all of our flagship funds in private markets, liquid strategies and IP&S. And with that, I'll turn it over to Sergio.

Sergio Passos Ribeiro - *Vinci Partners Investments Ltd. - COO & CFO*

Thank you, Bruno. In Slide 15, we can see that our fee-related revenues continued to expand alongside AUM growth. Management and advisory fees were BRL 97 million in the quarter, representing an increase of 23% year-over-year. Management fees, having been the main contributor to revenues, accounting for almost 80% of total net revenues over the last 12 months and have grown 30% year-over-year. As we have mentioned in our 20-F and during our IPO process, management fee revenues during 2019 were benefit by an extraordinary revenue recognition coming from the management fee catch-up charged on last closures of VCP III.

This was fully charged during the first and second quarter of 2019 and not through the fundraising period of VCP III. This affects the base of our first quarter 2020 last 12 months numbers favorably. We are showing 19% growth over the last 12 months of the first quarter 2021 against the prior year period on an adjusted basis. But adjusting for the VCP III catch-up revenue, this growth would have been a much higher 31% figure. The main reason for this growth rate was growth in fee-pay AUM.

In Slide 16, we give a little more detail regarding our expenses for the quarter. Total expenses had an increase of 52% year-over-year during the first quarter '21. This is primarily due to new recurring costs related to becoming a public company, totaling about BRL 3.3 million. These new costs can be segregated in 3 categories. The first and most relevant, representing 40% of new recurring costs related to becoming a public company are third-party service providers fee such as auditor fees, NASDAQ listing fees and others.

Additionally, as a public company, we had to make some adjustments in our structure. We hired new members of our Board of Directors. And we also had to make some new addition in our support teams, like the shareholder relations team and additional people for financial reporting. At last, as we stated in our F-1 during our IPO process, we adjusted the company's compensation structure to a regular G&A compensation style after the IPO, which impacted personnel costs.

So when you look at our expenses line, bonus related to management and advisory fees grew at a 24% rate year-over-year, in line with the growth seen in fee-related revenues. Performance compensation is directly linked to performance revenues. So when we have a quarter with a bigger contribution from performance, we should see bigger compensation as well.

We also had an additional BRL 1.6 million expense in the quarter related to a new branding project that Alessandro mentioned in the beginning of our call, targeted mainly towards our retail-dedicated distribution channels. We initiated this project during the quarter, and it should take place throughout the year. Both our new public company costs and onetime strategic brand effort will present headwinds for stronger margins gains this year, although we do expect to be able to grow FRE margins in 2021 versus last year despite this effect if the current AUM growth trends continue.

An additional comment. Our Board of Directors just approved a stock compensation plan, representing 5% of the company's total stock. On this first tranche, we will allocate approximately 2.8% of the shares for senior employees at Vinci at a strike of $18 per share at the company's IPO price. This plan will take place 3 years from our IPO date, with a 1-year maximum deadline for full exercise.

Turning to Slide 17, we present our fee-related earnings. FRE was BRL 50.2 million or BRL 0.88 per share, representing an increase of 13% year-over-year. Over the last 12 months, FRE was BRL 157 million, an increase of 25% year-over-year, which would be even greater considering the catch-up effect from VCP III in private equity. Our FRE continues to be the core indicator of our business as management fees continue to grow alongside our strong fundraising.

In the FRE bridge chart, we present a breakdown of fee-related revenues and expenses. Disregarding additional costs for the quarter, our comparable FRE margin would have been 57%, 5 percentage points higher than our fee margin for the quarter of 52% and 50 basis points higher than FRE margin for the first quarter 2020, which was positively impacted by lower-than-usual third-party expenses.

In Slide 32 in the presentation's appendix, we break down our expenses for the quarter in comparison to the same period last year. For the full year 2020, FRE margins reached 50.5% as this atypical quarter was normalized throughout the remainder of the year.

Next, in Slide 18, PRE was BRL 6.7 million in the quarter, most of it coming from our international IP&S business, which was up BRL 9.2 million year-over-year. This increase was primarily due to a bigger contribution from performance fees in our IP&S business in the first quarter of 2021. Additionally, PRE in the first quarter of 2020 was impacted by a reversal effect since we had provision performance fee as negative unrealized performance in the quarter.

During the last 12 months, PRE was still at BRL 6 million, up 2% year-over-year. It's important to mention that our PRE has a seasonal effect since most of our liquid funds charge performance semiannually, usually in the second and fourth quarters of the year.

Next in Slide 19, we present results from our GP commitments in private market funds. We broke down the exposure and results between our GP investment income, which reflects the returns of capital allocated to our illiquid funds, and financial income, which is the result of our liquid allocations. Total portfolio returns reached BRL 5.6 million in the quarter, representing an increase of 536% year-over-year as we had a relevant increase in financial income due to the impact from the deployment of the IPO proceeds. As discussed in our last call, we designed our liquid portfolio to allocate our balance sheet capital until resources are called into our illiquid funds. This portfolio was designed for a target return of CDI plus 2% per year, while we also display low volatility.

Given the market volatility in the quarter, we allocated the IPO proceeds conservatively. Therefore, at the end of the quarter, we still had about 82% of our cash allocated in fixed income investments. Since the end of the quarter, as we saw markets starting to recover, we accelerated cash deployment towards the target portfolio.

In terms of returns, we presented a quarterly track record of the proposed target liquid portfolio for the last 24 months on a quarterly basis. We do expect to see some minor volatility in the financial income throughout the quarters. As you can see in the back test, we have some quarters better than others. But in the long term, we expect to achieve returns at our targets of CDI plus 2% per year for the liquid portfolio allocation.

Turning to Slide 20. Distributable earnings were BRL 47.2 million in the quarter or BRL 0.83 per share, representing an increase of 41% year-over-year. Over the last 12 months, distributable earnings totaled BRL 140 million or BRL 2.46 per share.

Finally, Slide 21 shows our cash and investment balance. We finished the first quarter of 2021 with a total of BRL 1.45 billion in cash and investments or BRL 25.39 per share. Today, our cash and investment balance are comprised primarily by fixed income and liquid funds, although we expect to be gradually shifted into private markets GP funds investments as capital commitments are called in the coming years. As shown in the appendix, we ended the first quarter of 2021 with total GP commitments of BRL 179 million, of which BRL 24 million has been called and are currently valued at approximately BRL 40 million.

With that, I will turn the call back to Bruno.

Bruno Augusto Sacchi Zaremba - *Vinci Partners Investments Ltd. - Head of Private Equity & IR*

Thank you, Sergio. Turning to our segment highlights. As we have stated in our latest earnings conference call, we will start presenting this quarter FRE, PRE and segment distributable earnings for each of our segments. As you can see in Slide 23, almost 50% of our FRE and segment distributable earnings come from our private market strategies, followed by a 20% contribution from liquid strategies both in our FRE and segment DE. Our IP&S business represents 13% of FRE and 21% of our segment distributable earnings. As in this quarter, it had a bigger contribution on realized performance revenues. Finally, our financial advisory business accounted for 18% of FRE and 16% of segment distributable earnings in the quarter.

Moving on to each of the segments, starting with our private market strategies on Slide 24. FRE and segment distributable earnings were up 14% year-over-year due to the growth in fee-paying AUM we have seen over the year, with highlights from our fundraisings in our listed vehicles in real estate and infrastructure, the final closing of VIR IV in private equity and the first closings of our 2 new strategies, VFDL and VIAS.

Our private market strategy still have great room to grow especially across new strategies we are launching over the year, such as our new listed REIT that is currently going through an IPO process in the Brazilian stock market. We have also signed a joint venture recently for a new strategy in the agribusiness sector, which will be comanaged by our real estate and credit segments. Therefore, all around, great opportunities to continue to grow our business.

We are seeing great deal-making activity in our funds. Our private equity impact fund VIR IV has already deployed about 10% of its committed capital. And VIGT, our listed infrastructure fund, fully deployed the proceeds raised in its latest fundraising this year and already has a pipeline of potential assets that can lead to a follow-on offering for the funds.

Liquid strategies FRE was up 12% year-over-year, as you can see in Slide 25 while segment distributable earnings were up 20% year-over-year due to a bigger contribution of performance fees in the quarter compared to the first quarter of 2020 that had booked about BRL 1 million in unrealized performance.

Fee-paying AUM grew at a 40% rate year-over-year, with a significant portion coming from the sovereign wealth fund mandate that does not pay management fees we mentioned earlier on the call. Because of this effect, the average management fee rate decreased 7 basis points year-over-year. Over the next quarters, this effect will be lapped, and we should also see a positive effect on the average management fee rate coming from the end of the revenue share agreement with GAS Investimentos that happened at the end of last year.

Moving on to our IP&S business on Slide 26. AUM almost doubled since the first quarter of 2020, which translated into FRE growth of 71%. This quarter, the IP&S offshore mandates were the main contributors to realized performance revenues, bringing the IP&S PRE to BRL 5 million, which translated into 183% growth in segment distributable earnings year-over-year.

Finally, in Slide 27, we can see advisory revenues for our financial advisory business, which is mostly in line with the same quarter the year before. In this quarter, we acted as an exclusive adviser to EspaçoLaser and its shareholders in its initial public offering in the Brazilian stock market or B3. The company was the first beauty service company to publicly list its shares in the Brazilian stock market.

With that, we thank you all for joining the call, and I would like to open it for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Tito Labarta of Goldman Sachs.

Daer Labarta - *Goldman Sachs Group, Inc., Research Division - VP*

A couple of questions. First, maybe if you can give an update on how you see the fundraising continue into 2Q so far, I guess, in April and May, if you can give any color on that.

And second question, in terms of your FRE margin, and you highlighted some additional expenses you're incurring. But how should we think about that FRE margin going forward particularly as you continue to grow and gain scale? Do you think that can expand this year? Or any color you can give on sort of the evolution of that FRE margin going forward.

Alessandro Monteiro Morgado Horta - *Vinci Partners Investments Ltd. - CEO & Director*

This is Alessandro. Thank you for attending our call. Taking your first question about the fundraising trends, we are seeing pretty much the same trends that we saw on the last quarter. So we believe that we continue to see a very strong trend both from the private market side, and this comprises all the different, I would say, private market strategies, private equity, real estate, infrastructure and also private credit; and also very, very strong activity, and we are gaining a lot of different mandates and competing for others in our IP&S division. So we are seeing pretty much the same trends, especially strong in private markets as a whole and in IP&S.

Talking about the FRE margin, to your point, we continue to see the trends of the FRE margins keep growing as we gather more AUM. Of course, as Sergio explained during the call, we had some effects this quarter. That's the costs that we had to incur related to being a public company. But going forward, of course, that will be no new situation because we will be a public company going forward. But we will continue to have an improvement that we expect over time in our FRE margin due to the gains of AUM.

Daer Labarta - *Goldman Sachs Group, Inc., Research Division - VP*

Okay. Alessandro, that's pretty clear. Maybe just a couple of follow-ups if I may. Just how about on the public equity side, you had some concerns there. But then do you think that outlook for the public equity side to improve on the fundraising? And just to be clear on those additional expenses, is this sort of like the new recurring level? Or should those continue to grow? Just to get a sense of how much of those recurring expenses will impact going forward now that you're public.

Alessandro Monteiro Morgado Horta - *Vinci Partners Investments Ltd. - CEO & Director*

Okay. I'll take the first question about the public equities fundraising, and Bruno will talk a little bit about -- more detail about the expenses. In terms of public equity, we are not seeing any redemptions -- important redemptions. But of course, the public markets have been a little bit more soft in terms of fundraising on the first quarter, as you saw, taking out the redemption that came from the sovereign wealth fund that Bruno explained.

But on average, the core of our AUM in public equity has been very stable and growing slightly but not so strong like the other asset classes. We are seeing the same trend still now in this quarter. So we will -- you'll see -- probably see the growth from AUM coming more from private markets and IP&S.

Bruno Augusto Sacchi Zaremba - *Vinci Partners Investments Ltd. - Head of Private Equity & IR*

Yes, Tito. And going to your question regarding the margins. So there were 2 effects that I would say in the first quarter. First are -- is that a new recurring level of expenses that we're going to have that impacted our first quarter 2021 number. So that will be the current -- the new level of expenses going forward. So if you look at second quarter, third quarter, we're only going to be able to lap that next year once we have a full year of expenses coming from public company costs.

And then the second point is that last year, the first quarter margin was seasonally very high. So remember that the year ended FRE margin was about 50%. We are -- for the first quarter, we did close to 52%. And I think if the trends continue in the same direction, we should be able to post a low 50s type of FRE margin so that's 51%, 52%, 53%. If AUMs continue in the right direction, that should be more or less the level for margins this year, right, so if the trends continue in the current pace that they are.

Operator

(Operator Instructions) Our next question comes from the line of Mike Carrier of Bank of America.

Dean M Stephan - *BofA Securities, Research Division - Analyst*

This is Dean Stephan on for Mike. Just given the announcement around the share buyback program, can you just provide an update on your capital priorities moving forward and how they may be split between buybacks, the semiannual dividend that you mentioned, potential M&A opportunities as well as investments in the business?

And then related to that, on the buyback side, do you expect this to be more of a onetime authorization? Or do you expect to have a continual authorization moving forward?

Bruno Augusto Sacchi Zaremba - *Vinci Partners Investments Ltd. - Head of Private Equity & IR*

Okay. Thank you so much. This is Bruno again. So we made our commitment of distributing as cash dividends at least 75% of our distributable earnings, and we expect to continue to have that commitment. But we did have flexibility regarding the other 25%, right? So the idea was to take advantage of that excess 25%.

Now in a moment where we still have a very large cash balance from the IPO, that's going to be directed towards mostly funding of new private market funds. That is still unallocated, right? So it's going to take a few years for us to allocate that fully. So use that excess 25% of distributable earnings to buy back our stock, right?

So the way that we thought about this was to kind of look forward a few quarters in time in the amount of distributable earnings that we expected to post and then back that with that 25% to see what would be like a medium-term buyback that we'll be able to support with our own free cash flow.

So that's the plan for the current program. I think once this program is exhausted, we'll probably sit down again and rethink what will be the destination of that excess 25% distributable earnings that we have that is unallocated today. So that could be either refresh into a new buyback program or eventually pay it out as dividends, but that was more or less our line of thought in regards to the buyback.

In regards to the other capital uses, it really hasn't changed. So we are looking forward to deploying the capital on our public market funds. So if you look at the appendix today, we have about BRL 175 million of commitments to -- BRL 180 million of commitments to our private market funds. So the idea is to continue to roll out those commitments at that leverage ratio that we mentioned during our IPO process using about 5% of GP commitment on the total size, target size of the funds. And obviously, we continue to look for M&A opportunities as well in the market, trying to figure out if there's anything that might enhance the platform. So that also continues to be a potential use of the capital that we have in the balance sheet of the firm today.

Dean M Stephan - *BofA Securities, Research Division - Analyst*

Got it. That's helpful. And just as a follow-up, in the slide deck and in the prepared remarks, you guys highlighted the new branding project that started in 1Q and is expected to run through 2021. Can you just provide some additional detail on kind of what that project entails and what impacts that could potentially have to both revenues and expenses in the near and the long term?

Alessandro Monteiro Morgado Horta - *Vinci Partners Investments Ltd. - CEO & Director*

Okay. Thank you very much. That's Alessandro. The idea is that still today, we have the minority portion of our AUM coming from retail being directly through our listed funds that's traded in the stock exchange or through allocators and distributors. But this is growing over time with a large number of retail investors exposed to our brand. And we never communicated through marketing and branding directly to this public. And the idea that we have been developing is exactly how we tap this market in a better way through a branding and marketing project.

We expect this to be, of course, highly accretive in terms of the understanding of our platform and the understanding of our products and service to the retail client. We did some -- inside these costs, we had some kind of interviews and the understanding of how the public view ourselves today. And we got to the point that they know not so much of Vinci, just on the high level. So we decided to create this project exactly to create a deeper understanding of our brand. And we are very confident, and we believe that will translate in more revenues in the future as we believe that, that will translate in more AUM coming from this public that is the retail investor.

Bruno Augusto Sacchi Zaremba - *Vinci Partners Investments Ltd. - Head of Private Equity & IR*

Yes. And just to complement that, this is Bruno again. You asked a question in regards to the cost. So today, the visibility is for just a few million more in terms of expenses in the next few quarters. So we had, I think, BRL 1.5 million in the first quarter, and it's going to be a few million more spread throughout the next few quarters.

Operator

There appear to be no further questions in queue at this time. Are there any closing remarks?

Alessandro Monteiro Morgado Horta - *Vinci Partners Investments Ltd. - CEO & Director*

That's Alessandro. I just would like to thank you all for your patience and attention with us. We are very happy to deliver these results as our first quarter as a public company. And we expect that we will be able to deliver all the growth that we're expecting going forward. So I would like to thank you all, and good evening to everybody.

Operator

Now this concludes today's conference call. Thank you for participating. You may now disconnect.