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PRESENTATION

Operator

Good afternoon, and welcome to the Vinci Partners Third 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 these 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. Vinci Partners announced today remarkable results for the third quarter of 2021. Fee-related earnings reached BRL 63.1 million, an increase of 74% year-over-year, a continued progress in FRE results. FRE margin reached 53.5%, over 300 basis points higher than 2020 full year's margin. Distributable earnings totaled BRL 61.7 million or BRL 1.09 per common share, up 137% year-over-year. We ended the quarter with BRL 58 billion in AUM, with private market strategies and IP&S accounting for almost BRL 3 billion in net inflows in the quarter. These results built upon an amazing first half of 2021, and showcase our long-term growth trajectory.

Shifting to dividend distribution. From this quarter on, we will start distributing quarterly dividends. For the third quarter, the company declared a dividend of $0.16 on the dollar that combined with share repurchase represented 100% of distributable earnings. Our business model is extremely capital-efficient, which enable us to deliver strong organic growth, while still paying out a relevant portion of our cash earnings to our shareholders. All these great results are a consequence of what we believe to be the key attribute of our business model and the principal message of our call, which is resilience.

We are delivering outstanding results while facing some quite volatile market conditions in Brazil. And one of the main attributes that make Vinci so resilient is diversification. We have built one of the most diversified and complete platforms for alternative investments in Brazil, enabling us not to only go through, but to expand our business even during more or challenging macro scenarios. As an example, from 2014 to 2016, Brazilian GDP dropped by 7%, and Vinci grew its AUM by 10%, and this was in a time when interest rates were in the low teens.

We believe that the core strength of Vinci remain unchanged, and we allow the business to thrive even in periods of heightened market volatility. This core strengths include: our AUM and revenues are well-diversified within our 7 different asset management strategies in addition to our financial advisory business. Our proprietary funding base relies on 5 different groups of investors from retail to institutional. Approximately 50% of this capital carries formal long-term lockups. We have a leading and extremely well-recognized private markets platform. And at last, a one-of-a-kind IP&S segment that differentiates Vinci and has been a major source of growth inside the firm this past year.

On the other hand, the current scenario has a short-term impact on fundraising for liquid strategies, with volatility impact a more pro-cyclical investor type. In addition, our public market vehicles also present additional challenge going back to market in such conditions. Nonetheless, we raised over BRL 350 million this quarter for one of our REITs, VISC 11, through a pioneer paying kind all-stock transaction in the REIT market. This will pave the way for additional transactions using the same structure, which allow us to grow AUM in our listed business, even when primary issuance is temporarily more challenging.

Some parts of the business should actually benefit from the current market scenario. First, our investment income as we currently carry an asset-sensitive balance sheet. Vinci currently carries approximately BRL 1.5 billion in cash with over 85% exposed to fixed income products. Therefore, financial income is set to become a relevant driver to distributable earnings in the mid to long-term, with the rise in the interest rates, until proceeds from the IPO are gradually shift from cash allocation into private market funds' GP commitments.

We are also very excited for our prospects in private credit fundraising. The team is in the process of putting out a new listed product, and we expect significant demand for credit products going forward. We believe this to be a great opportunity in the marketplace, with traditional credit values still holding most of the market share in credit in the country. Due to our diversified platform, we can mitigate risks by not being too concentrated in a single asset class, and we benefit from the growth tailwinds of at least one of our segments, as we are seeing this year with IP&S, private market funds and the advisory business. Our management team remains confident that we will continue to grow our platform and generate attractive results for our shareholders.

Moving on from this quarter financial results, I'd like to share with you 2 exciting news for Vinci. First, we are proud to announce that Vinci Partners is the first Brazilian asset manager to receive the Woman on Board CEO. Woman on Board is an independent initiative that seeks to recognize value and publicize the presence of women on boards of directors or corporate advisory boards. As we talked about in our last earnings call, the independent part of our Board of Directors is composed by 4 independent members out of a total of 8 seats, with 2 of them being women, since we appointed Ms. Sonia Favaretto to our Board in August 2021. We are extremely active on our ESG commitment, and have installed an ESG committee reporting to the Board of Directors with Ms. Favaretto as its chairperson.

Finally, we are thrilled to share with you the official launch of Vinci's first ever marketing campaign built on the pillar reputation as the best investment. The project reinforced some of our main values: transparency, solidity, ethics and consistency, which together build up our most valuable asset, our reputation. The campaign has as protagonist 2 Brazilian personalities that have apparel with the Vinci values: the singer, Maria Bethania, who has a consistent and successful trajectory; and the equestrian athlete, Olympic and World Champion Rodrigo Pessoa.

In addition, we are also modernizing our brand and visual identity in line with this new moment of growth, always in the best Vinci style. The campaign's content and advertising has been launched in all major advertising outlets in Brazil. We are very encouraged by the feedback of the project so far, and expected to consolidate Vinci as a reference for alternative investments in Brazil. I would like to thank you all for the continued support and interest in Vinci Partners.

And with that, I will turn it over to Bruno to go over our financial results for the quarter.

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

Thank you, Alessandro, and good afternoon, everyone. Starting on Slide 9, we go over AUM roll forwards for the quarter and year-to-date. We ended the third quarter with BRL 58 billion in AUM, driven by strong fundraising of BRL 2.6 billion in the quarter. Our private market strategies raised approximately BRL 600 million of long-term commitments, with highlights to our real estate and infrastructure strategies.

In real estate, our shopping mall REIT VISC raised BRL 364 million through a paying kind stock transaction, as Alessandro mentioned before. In infrastructure, we carried out the second closing of VIAS, our water and sewage strategy. The fund has raised so far BRL 384 million. We launched a new strategy within our IP&S business called Vinci Strategic Partners or VSP. The fund is focused on private market allocation, and raised BRL 61 million in this first round of funding. We expect to continue fundraising for this strategy throughout 2022. Our IP&S business is currently composed mostly of liquid allocations. With VSP, we are adding a new capability within the firm, which we believe opens a highly relevant addressable market for us, where very few players have the track record, knowledge and experience as Vinci does.

Additionally, we had BRL 2 billion in net inflows during the quarter, most of it coming from IP&S exclusive mandates, with BRL 1.9 billion raised in the quarter, while fundraising for credit funds accounted for BRL 223 million. AUM was impacted by negative BRL 1.6 billion from funds depreciation coming mostly from public equities, following the 12% decline in the IBOVESPA index in the third quarter.

Moving on to Slide 10. We can see that Vinci continues to display solid trends in AUM growth against the previous year. AUM grew 19% against the same year ago period, as we continue to expand our platform by raising new funds and creating new strategies and investment opportunities. Long-term AUM with at least 5 years of lockup represents roughly 50% of total AUM. Perpetual capital almost doubled in just 1 year, primarily due to success in our leases fund strategies, and currently represents 25% of long-term AUM.

Furthermore, our AUM remains broadly diversified by duration, asset class and distribution channel, as shown on Slide 11. 43% of total revenue so far this year 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 public market vehicles.

We reached BRL 36 billion in performance eligible AUM, as you can see on Slide 12. This quarter, aside from IP&S mandates, we generated performance primarily through funds with no high watermark, such as our sovereign wealth mandate in public equities, given the overall decline in local markets during the quarter.

On Slide 13, we go through our fee-related revenues composed of management and advisory fees. Management and advisory fees totaled BRL 118 million in the quarter, representing an increase of 64% year-over-year. Management fees were up 30% year-over-year, driven by our strong growth in fee-earning AUM across private market funds and IP&S. Financial advisory contributed with revenues of BRL 25 million in the quarter, adding up to BRL 47 million in the year-to-date. Advisory fees are up 105% when compared to last year's 3 first quarters.

This has been a very strong year for financial advisory, and the group has driven important upside to our results due to a much stronger deal activity in 2021. Our advisory team has had an exceptional year, and we believe several of the recent close mandates represent an expansion of the team's core capabilities. An example is advisory service to early-stage and venture capital type companies, which positions us well in a growing market in Brazil.

Turning to Slide 14. We go over operating expenses for the quarter. Total operating expenses were up 57% year-over-year and 49% on a comparable basis to 2020 expenses pre-IPO, where we removed BRL 2.9 million in costs related to being a public company. These costs include the change in the company's compensation structure, hirings for board members and support teams in accounting and shareholder relations, and some third-party services such as Nasdaq listing fees and others. Additionally, during this quarter, we had BRL 2.2 million in expenses related to the company's new branding project.

As we have been mentioning in the last few calls, we were in the process of launching a new branding project targeting domestic investors looking to raise brand awareness. This resulted in Vinci's first marketing campaign, which has been officially launched in Brazil and all major media outlets, as Alessandro mentioned. We are extremely satisfied with the campaign's impact this far, and look forward to strengthening our brand's recognition as the leading alternative asset management brand in Brazil.

Despite the new listed company costs and the branding project, expenses are growing at a slower pace than our revenues, which translates into FRE margin expansion. On Slide 15, we present our fee-related earnings. FRE was BRL 63.1 million or BRL 1.12 per share, representing an outstanding increase of 74% year-over-year. Our FRE continues to be the core indicator of our business, as management fees continue to grow alongside our strong fundraising. In the year-to-date, FRE was BRL 168.5 million, an increase of 48% year-over-year.

In the FRE bridge chart, we present the breakdowns of our fee-related revenues and expenses. Comparable FRE margin would have been 58%, 5 percentage points higher than our reported FRE margin for this quarter of 53%, and 8 percentage points higher than FRE margin for the third quarter of 2020. We believe this information is interesting to show the operating leverage of the platform in a year of strong AUM growth. Both our new public company costs and the onetime strategic branding effort have represented headwinds for stronger margin gains this year, although we have been able to significantly grow FRE margins in 2021 versus the last year despite these effects, considering the positive trends in AUM growth so far, combined with higher fees coming from advisory.

Next, in Slide 16, PRE was BRL 3.8 million in the quarter, up 192% year-over-year. This increase was primarily driven by higher performance fees contribution from IP&S international mandates, which were realized this quarter. We also had performance fees coming from our sovereign wealth mandate in public equity that charge performance based on pure alpha generation.

Our international mandates and IP&S have been a major source of upside in performance fees in the year-to-date, representing 50% of all performance revenue generated by the company in the last 3 quarters. We believe this business line has great potential to grow, not only in terms of AUM, but as a source of future performance fees, in addition to our domestic IP&S business, our liquid and private market strategies. In the year-to-date, PRE totaled BRL 21.3 million, up 83% year-over-year.

Shifting to Slide 17, we go over our realized GP investment and financial income for the quarter. We had BRL 1.7 million in realized income this quarter coming from gains from our proprietary GP commitments in private market funds and/or cash allocated in our liquid fund portfolio. The liquid funds portfolio underperformed the CDI quarterly return in the third quarter by 1.1 percentage points, a consequence of the extremely volatile market and widening of the interest rate curve in Brazil.

The portfolio's exposure to fixed rate bonds at about 35% of total allocations suffered negative mark-to-market effects, as interest rates began their rising cycle in Brazil. Despite this impact, the portfolio outperformed the IMAB index by 1.7 percentage points, as most of it today is invested in floating rate bonds. Even as we face short-term impact in our fixed bond portfolio from the widening interest rate curve, we expect financial income to benefit from the recent increase in rates as most of our cash allocation or about 85% of the total are exposed to fixed income products. Therefore, once the interest curve settles after this initial widening, we should start earning bigger interest on our cash balance.

Turning to Slide 18. Distributable earnings were BRL 61.7 million in the quarter or BRL 1.09 per share, up 137% year-over-year. This exceptional result was boosted by the growth in management and advisory fees, combined with realized performance fees coming from international IP&S funds in the quarter. In the year-to-date, distributable earnings totaled BRL 163.7 million or BRL 2.89 per share, up almost 90% year-over-year. We are also expanding our D margin significantly, reaching 47% at the end of the quarter, up 12 percentage points year-over-year.

Finally, in Slide 19, we show our cash and investment balance. We finished this quarter, the third quarter of 2021, with a total of BRL 1.47 billion in cash and net investments or BRL 25.94 per share. Today, our cash and investment balances are comprised primarily by fixed income and liquid funds, and will gradually be shifted into private market GP fund investments, as capital commitments are called into the coming years. In the third quarter, we committed BRL 36.1 million to our private market funds, with highlights to new credit funds VCS, which is in the early stages of fundraising, and to VSP, our new strategy for private market allocation in IP&S.

Total capital call during the quarter reached almost BRL 40 million, coming primarily from VCS in credits and new strategies in Infra and real estate, VIAS and VFDL. So far, the company has committed BRL 302 million into private market funds, with about half of that capital having been called by the funds. For more detail, please see Slide 32 of this presentation.

With that, I'll turn it over to Sergio to go through our segments.

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

Thank you, Bruno. Turning to our segment highlights. As you can see in Slide 21, the strength of our business, as Alessandro stated in his prepared remarks, relies on the platform's diversification. 47% of our FRE in the year-to-date is coming from our private market strategies, followed by liquid strategies with 21%, IP&S with 17% and financial advisory contributing with 15%. The same level of diversification is reflected in our segment distributable earnings, except for IP&S that increased to 23% of segment fee with its contribution in performance fees this year.

Moving on to each of the segments, starting with our private market strategy on Slide 22. FRE in the third quarter was up 7% year-over-year, following the strong growth in fee earning AUM. Total AUM grew 16% year-over-year, and fee-earning AUM grew by 19% in the same period, highlighting important fund raises across our [4] strategies within private markets, such as the final closing for VIR IV, follow-on offerings in listed products across real estate and infra and the launch of new strategies like VFDL and VIAS.

Our deployment capabilities remain extremely strong in our private market strategies. Our flagship strategy in private equity, VCP III, recently announced its fifth investment with the acquisition of Farmax, a leading Brazilian cosmetics platform, resulting in a 71% allocation of the funds commitments. The fund is expected to close its sixth transaction soon. In addition, VCP III has formally passed its success of fund allocation threshold, which means we are in a position to come back to mark with VCP IV.

VIR IV also closed an acquisition recently, which we announced through press release last week, an investment in VerdFrut, a Brazilian company focused on fruits and vegetable markets in the northeast region. This transaction marks the fourth investment for VIR IV, resulting in a 33.5% broad allocation of its capital commitments. Our closed-end private market funds continue to deliver outstanding returns, VCP III, its current market at a 51% gross IRR in reais, and 36% gross IRR in dollars. FIP TransmissÃ£o in infrastructure is marked at a gross IRR of 78.5% in reais, and almost 60% in dollars.

Turning to Slide 23. Liquid strategies FRE was up 60% year-over-year, with the strong increase in management fee revenues, with the end of the revenue sharing agreement with GAS Investimentos by late 2020, which is the driver behind the expansion in average management fee. Performance-related revenues were down 41% year-over-year due to lower contribution from performance fees, since most of our liquid funds carry a high water marker benchmark, and with the markets going down, are not able to charge performance fees. The only exception is our sovereign wealth mandate, which was the main contributor to performance revenues in the quarter. AUM and fee on AUM were down 17% year-over-year, following significant market depreciation in the quarter.

Moving on to our IP&S business on Slide 24. Following exceptional growth in fee-earning AUM of 59% year-over-year, FRE was up 75% year-over-year. VIE posted an -- a big jump, up 346% year-over-year, driving by very strong performance in our international separate mandates that was realized this quarter.

Finally, in Slide 25, our FRE for financial advisory totaled BRL 15.2 million in the third quarter. And year-to-date, advisory contributed to the company's FRE with BRL 25 million, an increase of 95% year-over-year, a consequence of the much higher deal activity in 2021. As we go through our segments, it becomes evident that FRE and distributable earnings momentum is happening across all our business segments despite short-term market volatility. We believe the broad platform we have at Vinci puts us in a great position to continue with the positive momentum despite the recent market volatility in the country.

Once again, we would like to thank you for joining our call and your interest in our company.

With that, I would like to open the call for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Ricardo Buchpiguel from BTG.

Ricardo Buchpiguel - *Banco BTG Pactual S.A., Research Division - Research Analyst*

Congrats on the good results. I have only one question. We saw a good resilience in terms of AUM in this quarter despite of the market conditions and the worst macro environment, and was maybe helped by good inflows and fundraising, and also potentialized by the diversification of the AUM. With that in mind and considering the further deterioration of the macro scenario you could see in the coming quarters, how can we expect this behavior for AUM growth fundraising ahead? And also, if you could comment a little bit more about how you're seeing investors' appetite for new funds in private markets and other more riskier type of vehicles?

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

Okay. Thank you for the question. I will start answering you, that's Alessandro, and then if Bruno or Sergio would like to complement, also, I will let them jump in if it's necessary. So as you saw, we have been able to -- of course, we suffered in terms of market-to-market, especially on the liquids side of the business, but we have been able to compensate that with the inflow that kept the average that we saw during this year of around BRL 1 billion a month of net new money.

We continue to see a positive market for some of our strategies, especially as we mentioned, IP&S, credit and some of our private market strategies. On IP&s, it's clear that the trend that we saw so far of us winning mandates for a more complete asset allocation, both locally and internationally, it's still with some momentum. We saw a pickup of interest in our private credit products. And this is a consequence, of course, of assets migrating for more like fixed income type of assets.

And finally, we have been able to raise money in our private market strategies in very specific to add as in infra or even private equity, but specifically also creating new fronts to raise money in listed vehicles like we did in real estate this quarter, this last quarter, with transactions where we acquire assets issuing shares of the fund without accessing the market that's of course with this volatility, it's not so easy.

Having said that, of course, especially from the public equities and hedge funds, we see a more challenging environment, not just for our products that post interesting performance, especially in public equity in terms of our peer group, but because the overall market, as we saw, there is overall redemption of assets from these asset classes, and when we look for ANBIMA numbers and et cetera. We are not feeling that, but you to be probably a more challenging market. But we -- and we intend to compensate that with IP&S, private credit and some specific fundraisings in our private market strategies. Bruno, do you want to add on top of that?

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

Yes. Just to complement the answer of Alessandro. This is Bruno. We are in a position in the private market side where several of our funds are fully invested. So we have already announced that our REITs and the listed infrastructure fund, they are all fully invested. On top of that, we recently announced another signing in our flagship private equity fund, Farmax, and we expect a sixth transaction to also be added to that fund quite soon. So that would push the fund as well to close to a fully invested status.

So we have a position today where, cyclically, we're going to be looking into 2022 which will have the potential of being a heavy year for private markets on raising in big strategies for us, right? So VCP, the REITs, the infrastructure listed vehicle. We are rolling out a new climate change fund in infrastructure as well. There are several strategies that are coming back and the other ones that Alessandro already mentioned. So we do have initiatives that are lined up for 2022, that will work very hard to be able to compensate a temporarily weaker environment for the liquid side of the business.

Operator

(Operator Instructions) And this does conclude the question-and-answer session of today's program.

I'd like to hand the program back to Alessandro Horta for any further remarks.

We just got a question. Would you like to take it?

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

Yes, of course.

Operator

Our next question comes from UBS.

Unidentified Analyst

Just have a quick one on the management fee rate. So we see that net management fees reduced quarter-over-quarter. So I just would like to have more details on the trend. In terms of management fee rates, we saw a reduction, especially in IP&S. So just would like to get a sense from you, what can we expect going forward, specifically in the IP&S? And additionally, still on the rates, if this scenario, we see higher interest rates could enable you to have like higher net relevant fees across strategies going forward?

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

Thank you for the question. I think the rates regarding IP&S, what happened is that -- what -- we reamended normally, we start allocating this money over time, okay? So this starts with more like fixed income when we receive the mandate or very liquid assets, and we start allocating over time. And there is a composition of our fees that we can allocate to a certain limit in our own products that normally carries a high interest rates inside the fund of fund structure, for example, and we can allocate in one of our products and one of our division is inside the IP&S.

So what happened is that the average management fee rate start going up over time. So since we have been growing that during this time, we start to now lower a few Brexit and start growing over time. So when we grow AUM, normally, we reduce a little bit the (inaudible) and then start recovering that over time. So this is the question regarding management fee rates, regarding IP&S.

To your question regarding interest rates going up and that how that could interfere with the management fee rate. I believe that that, of course, takes out some pressure over reduction in interest rates, even though we're not feeling that. And there is some space, especially in IP&S, that was a very good point of yours, where we can charge marginally higher rates. And also, this is true for private credit where also that relates with high interest rates, so we can eventually have higher management fee rates. I don't know if Bruno or Sergio would like to complement.

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

No, just to complement Alessandro, that the average fee rates are numbers that we monitor all the time. So we see a very stable environment across the verticals. The only relevant change was the change that we saw in the liquids part of the business with the change in the association with GAS late last year that created a more significant jump up in the average fee rate for the liquid side. But other than that, the trends in management fees have really been very stable. Of course, the mix of the business changed a little bit this year with IP&S growing very strongly. But other than mix and this impact on the equity side with the GAS Investimentos dissolving the JV -- the dissolvement of that JV, the other trends are very stable.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Alessandro Horta for any further remarks.

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

Thank you very much for your continued support, as I said, in the interest in our company. So thank you for the attendance and all the support, and see you very soon. Any question that you have you may address to our Investor Relations group. Thank you.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.