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PRESENTATION

Operator

Good afternoon, and welcome to the Vinci Partners Second Quarter 2022 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 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, Private Equity Chairman and Head of Investor Relations; and Sergio, Chief Financial Officer. Earlier today, we issued a press release, slide presentation in 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 some non-GAAP measures and you 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. We are extremely pleased to join you all today as we announce results for the second quarter of 2022. Adjustable distributable earnings totaling BRL 61.1 million in the second quarter or BRL 1.10 per common share when adjusted for nonrecurring expenses related to our corporate M&A activities incurred in the quarter. This represented an increase of 11% year-over-year.

Vince announced a quarter dividend of $0.17 on the dollar per common share. Since our IPO, Vinci had distributed $1 per common share to shareholders as dividends, proving our resilience and ability to generate significant amount of cash flow even in the most challenging macro scenarios. Considering yesterday's closing share price, Vinci Partners stock is currently trading at close to 6.5% last 12 months dividend yield. The yield is secured by a highly visible management fee-driven revenue stream in a very conservative investment policy on our balance sheets cash position.

We continue to deliver solid results quarter after quarter, thanks to our asset-light and diversified business model, which translates into substantial amounts of cash flow and an attractive dividend distribution to our shareholders. Vinci ended the second quarter with BRL 60 billion in assets under management or BRL 62 billion proforma considering our recently announced transaction with SPS Capital.

AUM expansion in the quarter is a result of BRL 4.6 billion in total fundraising coming from both private and liquid sides of our business. Fundraising comes from all across our platform, also more reinforcing the diversification of our business. The second quarter is an evident example of the power of this diversification when we have different pools of capital working together and contributing to our AUM growth.

Our IP&S business raised BRL 2.4 billion in AUM in the quarter. This AUM came from different parts of capital, a combination of our pension plan products and the activation of new exclusive mandates. Even during a challenging market for inflow in liquids, our IP&S strategy continues to raise capital, given the differentiated product offering and allocation services Vinci provides.

In private markets, we raised BRL 2.9 billion in new capital commitments this quarter with highlights to our private equity and credit strategies. In private equity, we started fundraising for VCP IV, the fourth vintage of our flagship strategy. The fund was activated as of June 23, with close to a 100% of capital commitments raised so far being re-upped for existing LPs from previous vintages.

The first round of commitments represents a key milestone for VCP IV, as it enable us to leverage our extensive pipeline of opportunities and deploy capital into investments that will build upon our track record, effectively contributing to fundraising efforts in following quarters. All management fees charged for VCP IV subsequent closings will retract to the start of the fund in June 2022. We are working on this fundraising window for VCP IV's first close until September and subsequent closes should be held over the next 12 to 18 months.

Moving on to our private credit segment. We are pleased to announce the official launch of its new strategy, Vinci Credit Infra, a fund designed to invest in infrastructure debentures focusing on high-grade credit assets in accordance with superior ESG guidelines. The credit team have the first closing for this product with a total of BRL 900 million fundraise, coming mostly for an anchoring local institutional investor. We will now broaden the fundraising effort to other local pools of capital.

The launch of Vince Credit Infra marks a decisive turning point for our private market segment. AUM for our credit strategy has grown by 75% over the last 12 months with the launch of 2 new products, the first listed vehicle with perpetual capital, VCRI and Vince Credit Infra mentioned before. This move increases our product offering private market opportunities and solidifies our position as the player of choice for alternatives in Brazil. This quarter is particularly important as it marks the starting point of our previous announced BRL 10 billion total target fundraising efforts across our private market strategies.

On top of fundraising for private equity and credit that have impacted us over the second quarter, Vinci been selected by BNDES for seed investments of up to BRL 500 million each in 2 of our products across credit and infrastructure. In total, the BNDES news represent up to BRL 1 billion in future commitments for these 2 new strategic initiatives. Particularly for VICC, our new product in infrastructure, BNDES commitment, increased visibility on the activation of the fund in the second half of the year.

We have been receiving a lot of interest on VICC, which will be our first climate-driven fund and the BNDES anchored investment has a substantial positive impact on critical mass for the fund. We are very happy with the continued advance of ESG-driven initiatives at Vinci. BNDES also approved a seed investment for VINCI Credit Infra, which will be activated in the fund second close expected to take place in the second half of the year.

With all that said, which has begun what we believe to be a very successful fundraising cycle for private market strategies, which will be extremely significant for future FRE results and expansion of the platform across the alternative asset space in Brazil. In addition to fundraising for closed-end funds, we continue to present substantial long-term opportunities within our platform to raise capital for other strategies.

As an example, our listed vehicles, including REITs in real estate and listed funds in credit and Infra are all fully invested and with an extensive pipeline for deployment, Thus, as soon as market conditions improve, we should expect funds to come back to market with follow-on offerings. The same goes for our liquid strategies, which have remained resilient in terms of outflows over the last 12 months despite massive redemptions in the local market.

According to public data disclosed by ANBIMA public equities and hedge fund managers has suffered close to BRL 100 billion in outflows only during the first half of the year. Our liquid products have also again proved the resilience of the overall Brazilian tendency for outflows, giving our long-term oriented investor base as we attest once again the value of our proprietary distribution channels, strong relative performance and direct relationship with investors.

We believe the rising interest rate cycle to be towards its end and expect to see improvement in local markets as a consequence. As has been the case in prior cycles, we have once more been able to post AUM growth on the back of an interest rate tightening cycle and are now well positioned to capitalize over the coming easing cycle, with a broadened mix of products, attractive long-term track records and a strong brand.

Now let me spend some time on our recently announced transaction with SPS Capital, our first M&A transaction since the IPO. At the end of July, we announced the acquisition of SPS Capital, one of the top independent special situations asset managers in Brazil with BRL 2 billion in assets under management. I would like to highlight 4 key pillars of this transaction. First, the acquisition of SPS, we enhance the platform's reach by adding a new strategy in which we currently do not operate.

Second, we are bringing a high-quality team with extensive experience and track record in the special situation sector in Brazil. We believe the combination of SPS track record in the special sits segment with Vinci distribution capabilities present a grand opportunity for fundraising across new vintages and complementary products. I had already mentioned the breadth of our product offering, and this adds an additional relevant layer to that. In addition, the complementary investment experience the SPS team brings to Vince will allow us to work on a collaborative fashion across our existing private market verticals to develop new investment solutions for our clients. This is especially true for the entire credit segment in Brazil, where the different angle brought by the SPS team will allow us to further enhance our penetration in this growing segment of the market.

A third highlight of this transaction is the strengthening of our FRE as we are adding to our platform long-term AUM with extremely attractive fees. The transaction is immediately accretive on a low to mid-single-digit DE per share with an increase to high single-digit accretion in the medium which should come by investing current undeployed capital as there is a management fee step up when capital is deployed. There are additional upside from new products, good will amortization and additional fund raise for the current flagship strategy. At last, we see a substantial long-term upside coming from performance fees from Vintage III and future funds. All vintages are performing well ahead of the benchmark with total track record posting above 20% net IRRs.

To finalize my remarks, I would like to reinforce the following message. Since our IPO in the beginning of 2021, we have been facing a challenging macroeconomic scenario with rising interest rates and inflation. This was a phenomenon experienced not only in Brazil, but in the whole world. We continue to deliver solid results and a resilient growth in the period despite headwinds pointing the opposite way, a testimony to the power of our platform.

The Brazilian Central Bank indicated that the rising cycle has come to an end, and we should expect interest rates to reach neutral levels over the next 3 years. Our inflation projections are going towards the same direction with a significant reduction in local inflation rates [is due] in 2022, implying a good outlook for an easing interest rates cycle to start in coming quarters. Brazil already withdrew all fiscal stimulus, be ahead of the global curve and it's experiencing several upward GDP growth revisions unlike the rest of the world.

All of that reaffirm that we are very confident in Vinci's ability to continue to grow, become more diversified and be a leader in the development of the alternative asset management industry in Brazil. We have several bottom-up drivers with several relevant closed-ended funds starting the funding cycle in addition to the acquisition of another asset allocation platform in SPS.

The opportunity ahead of us continue to be very significant with the currently small penetration of the alternative asset management class in the Brazilian market, presenting a major opportunity to us, an opportunity that's currently being explored by a limited number of competitors. The performance we had since the IPO have been raised or acquired over BRL 12 billion of AUM in the last 18 months, solidifies our position as a leader in the transformation ongoing in the local asset management industry.

With that, I'll turn it over to Bruno to go over our financial results.

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

Thank you, Alessandro, and good afternoon, everyone. Starting on Slide 9, we go through AUM roll forwards for the quarter. Vinci ended the quarter with BRL 60 billion in AUM, up 5% year-over-year. During the second quarter, we raised BRL 4.6 billion with BRL 2.9 billion coming from our private market strategies. We started fundraising efforts for VCP IV as Alessandro previously mentioned, and we'll continue to do so for the next 12 to 18 months with all fees being charged retroactively to the fund start date. This quarter, we had another transaction affecting our AUM in private equity. We absorbed a nonfee earning vehicle from the structuring of Evino's investment, our final investment in our third vintage flagship fund, VCP III. Lastly, our credit segment launched its new product, Vinci Credit Infra, raising BRL 900 million backed by an anchor commitments from a local institutional investor. This fund has also been approved for a BRL 500 million commitment from BNDES, which will impact the fund's second closing expected for the second half of this year.

Moving on to the liquid side of the business. Vinci reported a BRL 1.7 billion net inflow in the quarter, driven by strong fundraising in our pension plan strategy within IP&S. As we have stated in prior calls, we believe Vinci has a great long-term opportunity to grow in private pension allocation in Brazil, and we will continue to look for ways to capture this opportunity. Our liquid strategies AUM remains resilient while navigating through this turbulent market scenario, having witnessed small outflows against what has been substantial market redemption cycle. However, the negative market performance has impacted us in a different way. Our AUM was impacted by depreciation of BRL 1.7 billion in the second quarter coming from the mark-to-market effect of liquid funds tied to the Bovespa index, which dropped almost 20% intra-quarter. So far, the index has recovered about 10% with a better environment for local markets, and we should see a positive mark-to-market impact on AUM for liquids in the third quarter if markets continue to perform better.

Moving on to Slide 11. We go over Vinci's AUM proforma after the acquisition of SPS Capital. SPS will represent our eighth Asset Management division and the fifth within our private market segment, consolidating our position as a one-stop shop for alternative investments in Brazil. This is one more step in our journey of diversification since the inception of Vinci. With SPS, we have addressed the strategic and important gaps in our asset management portfolio that we can now grow into synergistic and complementary funds like we historically did in other private market strategies. SPS AUM of BRL 2 billion is distributed across 3 vintages. Funds have a long-term structure up to 8-year of lockup and carry attractive private market style fees higher than our current average fee rates. The transaction with SPS is accretive to reach in all fronts, adding a high visibility, long-term FRE-oriented product with great margins. Additionally, there is significant upside for PRE in the long term, starting Vintage III and subsequent products.

Moving on to Slide 13. We go over accrued performance fees in our private market funds. Performance fee receivable increased to BRL 146.1 million in the second quarter, a 40% increase quarter-over-quarter, driven primarily by appreciation in our VCP III strategy that currently totals BRL 126 million in performance fees or 86% of total fees. Vinci has BRL 9 billion at the end of the quarter in performance eligible AUM coming from private market funds still in investment period that can further contribute to our accrued performance fees as these funds entered their divestment periods. In addition, we expect SPS capital products to add to the private market's performance potential over time.

Turning to Slide 15. We will cover our fee-related revenues. Revenues from management and advisory fees totaled BRL 96 million in the quarter, up 6% quarter-over-quarter. Most of the fundraising across private market strategies and a significant amount of the capital raised in IP&S was activated in our AUM towards the end of the second quarter and will start to positively impact revenues in a more significant way starting the third quarter. Total fee-related revenues were down 5% year-over-year as a result of the capital return in FIP Energia PCH in infrastructure during the first quarter of 2022. Another significant impact on management fees year-over-year was the local mark-to-market correction, which resulted in over BRL 1.7 billion in AUM depreciation in the quarter. Since fees are charged over funds NAVs, we had a significant impact over management fee revenues in our liquid funds when we compare to the fees charged over the same quarter of last year, with the Bovespa trading at around 130,000 points, almost 30% higher than the closing levels of this year's second quarter.

In Slide 16, we have our operating expenses for the quarter and year-to-date. Total expenses accounted for BRL 50.5 million in the quarter, down 6% year-over-year. In the year-to-date total expenses were BRL 98.6 million, down 5% year-over-year. Excluding bonus compensation, fixed and variable expenses increased slightly year-over-year due to the inflationary pressure on fixed costs, the return of traveling expenses to pre-pandemic levels and the investments currently being made in our Vinci retirement service vertical, which we expect to contribute to revenues in 2023.

Moving on to Slide 17. We go over our fee-related earnings for the quarter and year-to-date. FRE totaled BRL 46.9 million or BRL 0.84 per share in the quarter. Overall trends started to reaccelerate with FRE up 7% quarter-over-quarter with increases in management and advisory fees. As previously mentioned, we should expect the majority of the impact in management fees from the recent fundraisings to translate into our FRE results starting in the third quarter as most of the AUM was activated at the end of the second quarter. In addition, we expect contribution from the SPS acquisition to positively impact FRE growth in the last quarter of the year once the transaction is closed. We continue to expect the transaction to close by the end of the third quarter of 2022.

On a year-over-year basis, FRE was down 15% as a result of lower levels of management fees following the previously mentioned capital return of FIP Energia PCH and the depreciation across liquid strategies and the previously mentioned cost pressures. FRE was BRL 90.7 million or BRL 1.63 over the year-to-date, down 14% year-over-year, driven by higher levels of advisory fees in the first half of 2021 when the team closed pre-IPO advisory for B3 listed company Espaco Laser. FRE margin was 49% in the quarter, down 6 percentage points when compared to the same period of last year, impacted partially by higher fixed costs following the rising inflation rates and previously mentioned investments behind Vinci retirement services, combined with capital return and mark-to-market effects on revenues.

Our investment in VRS has cost us approximately 200 basis points in FRE margin headwinds this quarter as we develop the team and product line to be rolled out in 2023. As we expand the platform through organic and inorganic growth over the next quarters, margin should have a positive bias as fund raises that are in the pipeline carry substantially higher fees than our current average fee. In addition, the consolidation of SPS Capital, which carries a higher FRE margin than our current margins should also positively drive margins in coming quarters.

Moving on to Slide 18. We go over performance-related earnings. PRE was BRL 2.4 million in the quarter. Over the year-to-date, PRE totaled BRL 4.6 million, down 74% compared to the same period of the year before, a combination of 2 factors. In the second quarter of 2021, the platform was positively impacted by an extraordinary unrealized performance coming from our IP&S international exclusive mandates. Most of our liquid funds haven't been able to charge performance fees with the correction in local markets in 2022 due to their high watermark causes. This is affecting the entire industry in Brazil as high watermark classes are common in liquid funds locally.

Shifting to Slide 19, we go over realized GP investment in financial income. Vinci had BRL 25 million in realized GP and financial income this quarter, up 71% on a year-over-year basis, coming from gains in our liquid funds portfolio and dividend distributions from company's proprietary position in listed REITs. Financial income continues to be an important component of distributable earnings in 2022. As we have discussed in the past, we expect this to remain a relevant trend in coming quarters. In the medium to long term, we should see financial income component in our distributable earnings gradually migrating towards FRE results as we deploy capital into our private market products and leverage fundraising for these products.

An additional use of capital selective M&A as was the case of acquisition of SPS Capital, which had an initial cash component. In the second quarter, Vinci committed an additional BRL 537 million across private market products. This capital will be called over time as funds deploy capital into new investments. With these more recent commitments, we have reached almost BRL 1 billion of IPO proceeds committed to private market funds, leveraging the capital we raised in the IPO to fund additional AUM growth and FRE expansion.

Turning on to Slide 20. We go through our adjusted distributable earnings. Adjusted distributable earnings totaled BRL 61.1 million or BRL 1.10, up 11% on a year-over-year basis, boosted by realized gains from our financial income. Adjusted DE totaled BRL 118.8 million, BRL 2.13 in the year-to-date, up 16% when compared to the same period last year. Adjusted DE margins posted another quarter of expansion with 49% in the second quarter, an increase of 5.3 percentage points year-over-year.

We expect to continue to add shareholder value by expanding the shift to earnings results over the quarters as a combination of organic growth through fundraising across our platform and inorganic AUM expansion through acquisitions such as the transaction with SPS Capital. We still have fully deployed listed products that are set to come back to market as soon as market conditions improve and liquid funds that remain resilient, facing a challenging market but are well positioned to further grow in a more stable scenario. In summary, our platform is highly diversified and ready to capture opportunities to enhance long-term value creation to all our stakeholders.

Finally, Slide 21, we show our cash and investment balance. We ended the second quarter with BRL 1.4 billion in cash and net investments or BRL 24.37 per share or approximately $5 per share in cash.

And 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 23, our platform remains highly diversified, which we believe to be main contributor to the resilience of our business. 53% of our FRE in the year-to-date came from our property marketing strategies, followed by IP&S with 22%, liquid strategies with 21% and financial advisory contributing with 4%. The same level of diversification is reflected in our segment distributable earnings.

Moving on to each of the segments, starting with our private marketing strategies on Slide 24. FRE totaled BRL 24.3 million in the quarter, down 16% over the prior period, driven by a combination of the following factors: a one-off, advisory fee contribution in real estate during the second quarter of 2021 and the successful capital return was BRL 1.1 billion in FIP Energia PCH during the first quarter of 2022. The infrastructure vertical is in the process of raising a new strategy, VICC, which we expect should be more than compensate management fee revenues for this recent capital return.

Segment distributable earnings were BRL 57.3 million over the year-to-date, an increase of 6% compared to the same period last year, boosted by higher contributions from dividend distribution and our proprietary position across listed REITs. Total AUM was BRL 24 billion for the end of the quarter, up 16% year-over-year, driven by strong fundraising in private equity and credit strategies. As previously discussed, most of these capital raises were activated at the end of the quarter. Therefore, we should start to see a positive impact from management fees across private marketing strategies for the third quarter going forward.

Moving on to Slide 25. We go over results for liquid strategies. Fee related earnings over the year-to-date totaled BRL 19.9 million, down 14% when compared to the same period last year. This decrease was driven by the mark-to-market effect in liquid strategies AUM during the first half of 2022, have a direct impact on management fee revenues. Despite the depreciation effects, our liquid strategy funds have not been suffering from significant outflows, which means the decrease in AUM is mostly from the observed market correction. As the Bovespa recovers in the future, we should also see a positive impact on our liquid AUM. Our stickier and proprietary built investor base has proven once again to be valuable assets to our platform. While the Brazilian asset managing industry experienced strong outflows, our open-end funds remain resilient with low levels of redemptions.

Moving on to our IP&S business on Slide 26. FRE totaled BRL 11.5 million in the quarter, up 24% on a quarter-over-quarter basis due to our strong fundraising in the pension plan strategy. As Bruno anticipated, when talking about PRE results, we had an extraordinary unrealized performance revenue booked in the second quarter of 2021, coming from international separate mandates, which did not occur in the second quarter of 2022 and impacted our PRE results for IP&S. Segment DE totaled BRL 11.9 million in the quarter, down 18% year-over-year, primarily due to higher levels of PRE in the second quarter of 2021.

Turning to Slide 27, we cover our results for financial advisory. FRE for financial advisory was BRL 3.3 million in the quarter, representing a 525% increase over the prior period. Revenues for financial advisory carry a certain level of seasonality. And although uncertain to predict advisory fees should be more modest in the third quarter as we expect to be more active towards the end of the year.

Finally, moving on to Slide 28, we go over results for the Retirement Services segment. Fee-related earnings for the quarter was negative BRL 1.7 million. And over the year-to-date FRE represents a negative BRL 3.1 million. As announced in our last earnings call, we are still in the process of structuring VRS. Therefore, we are only incurring expenses for the time being. Our expectation is that we will start from the reason for this segment in the beginning of 2023. Given the high expected growth nature of this new business vertical, we will continue to show this as a separate segment, thus investors can keep track of its development. That is for today's presentation. Once again, we'd like to thank you for joining our call.

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

QUESTIONS AND ANSWERS

Operator

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

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

I have 2 questions on my side. First, can you please talk about what you expect in terms of fundraising and inflows for the second half of the year, both in terms of private market and liquid strategies. And also, we saw a BRL 7 million loss in our GP investment income, mainly on realized impact. So I wanted to understand a little bit more what drove these impacts?

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

That's Alessandro. And I'll take the first part of your question, and I'll leave Bruno to cover about the investment on the unrealized results on the investment side. Talking about the fundraising for the second half of the year, we expect to continue the fundraising for the private market products. As Bruno said before during the presentation, we believe that we probably could have not closing for VCP IV during the second half of the year. So probably we'll have more on that front. Probably we will have the first closing of VICC. That's the other important product that we are launching, and we have a first closing probably in the second half of the year. Also, on the private credit, we'll have probably a few new closings and fundraising for our other products. So we are pretty much optimistic about the prospects on the private market side.

Talking about the liquid side. As you saw, we have been able to continue to raise money on the IP&S, so we have a very strong pipeline for IP&S that we probably activate new mandates during the second half of the year. And we are seeing a more benign environment for equities. So we are seeing that we are not having important redemptions, and we are starting to see net inflows. So we believe that the prospect for the second half of the year on the equity side also will be good. So we are pretty much optimistic about the fundraising activity during the second half on both fronts on the private side because we have a very strong pipeline of new products that will probably do subsequent closes or new -- or first closes during the second half and also on the liquid side.

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

This is Bruno. So the investment -- unrealized investment income mainly has to do with the GP commitment we did on our listed REITs. So there were a few opportunities of capital raising that happened in the course of the last quarters that were attached to transactions and that were levered with additional capital from the market. So we committed capital to those capital raises to anchor those capital raises and to anchor those transactions. And since then, what happened was that the exchange -- sorry, the interest rate in Brazil widened quite substantially. We obviously had the correction in the stock market, and those REITs are trading a little bit below the levels that we invested. So that's the unrealized explanation of the income statement. We obviously expect that over time, these prices are going to come back up and we're going to recover these losses.

Operator

And our next question comes from the line of Tito Labarta from Goldman Sachs.

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

Let's make sure we are not hearing you at this point. I think we can go to the next one, operator, probably.

Operator

And our next question comes from the line of Kaio Prato from UBS.

Kaio Penso Da Prato - *UBS Investment Bank, Research Division - Analyst*

I have 2 on my side, please. The first one is when could we expect this new fundraising, especially in the private market strategy to positively contribute in terms of net management fees going forward? And the second one, if I may. We saw an increase of almost 14% in (technical difficulty)

Operator

And our next question comes from the line of Kaio Prato from UBS.

Kaio Penso Da Prato - *UBS Investment Bank, Research Division - Analyst*

I have 2 on my side, please. The first one is when could we expect this new fundraising, especially in the private market strategies for next year, please?

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

That's Alessandro speaking here. And on the first part of the question regarding when we start to kick in the revenues for the fundraising, we will start already on the third quarter because, for example, the some closings regarding VCP IV, for example, start charging from the first closing. Of course, as we do subsequent closings, we have [directly active], but will be booked in the quarters to come. That will be the reality for some of the other products, including VICC, for example, and even the credit fund that we start to invest. So we expect some of the -- of course, not the full effect, but we start having an effect of this fundraising already on the third quarter, okay?

And regarding the corporate expense is more like a seasonality. We are talking about expenses regarding to travel expenses because doing the fundraising of these products, we start traveling with the teams after the COVID, we start getting present -- in present with the clients. So we are traveling more regarding the fundraising, but it's not specific to any important expenses really more like seasonal. And of course, we have the decision, the correction of the compensation, the fixed compensation that kicked in also into this quarter.

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

Kaio, just to add to what Alessandro said, and going back to the prepared remarks, the fundraising that we had this quarter, they were very towards the end of the quarter, right? So we had the closing of VCP IV was at the very end of the quarter and the inflow that the strong inflow that we had in IP&S was also during the last month or the last half of the quarter. So the impact on these fundraisings, although we did see a mature impact in AUM at the end of the quarter. We did see quarter-on-quarter acceleration in FRE, FRE growing high single digits against the last quarter. We expect the [management's feedback] to be more pronounced in the third quarter than we signed the second. So that's -- I think that's another factor that I just referred to have in your mind.

Operator

And we have returning to the queue Tito Labarta from Goldman Sachs.

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

Sorry, I don't know what happened before. Just curious on the accrued performance fees seem to have some increase there in terms of the ability to realize performance fees sort of like for the rest of the year and going forward?

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

So the slide that we present on the accrued performance fees that encompasses basically our private market funds, right? So we have -- there are 2 main components. We have VCP III. VCP III, the fund is already within the carry parameters. So any increase in [MOC] going forward is going to impact positively our expected performance. And we have reached [for location in the funnel]. So now we have 100% of the capital being committed into portfolio companies. And this will likely mean as companies go and grow their equity value, we should be able to see this line going up. For VCP III specifically, we might see -- beginning of a capital return cycle, probably, let's say, between this year and next year, but for us to be able to realize the carry of that particular fund is going to take a little bit longer because we need to return 100% of the cost capital. So it takes some time before we're able to start monetizing on those performance fees.

The other component in that slide is our other assets in the infrastructure funds, transmission funds. And that asset is closer to being realized and that capital has already been returned. So what we have in that fund is only carry, right? So the point here is really monetizing the assets. It's something that we -- I think you remember, we had an impact in the fourth quarter of last year, which was the, let's say, the initial half of that fund being realized, and we expect this other asset to be realized in the next several quarters, probably between 2 and 4 quarters. We're going to be able to realize this last test in the fund, which will likely have a very interesting positive impact in our numbers.

Talking about the liquid side, we are a little bit dependent on performance of the market in the liquid side. As we have said in the prepared remarks, most of our funds in the liquid side, they carry a high watermark clause and obviously, the stock market is still substantially below the highs that we had last year. We are still about 20,000 points below the highs more or less, a little bit more than that. So although we are generating off in the funds for us to be able to trigger those performance fees we need to get to the high watermark of the funds. So that has some better components into it.

As we have seen in the past, when we look back into 2019, 2018, the liquid side of the business can be a material contributor to performance. So we saw very big numbers in '18, '19 coming from the performance side in liquids. That can resume at some point, but we would depend on a little bit better market environment for us to be able to trigger those high watermarks and be able to start charging performance again. So it would be a factor of some -- a little bit more recovery in the market. And if that happens, we should be able to start having more relevant performance from the liquids coming into the distributable earnings number of the company.

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 for any further remarks.

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

Thank you very much for your continued support and to attaining our call, and we are very happy with the results that we got during this quarter, and we are very optimistic for the rest of the year. So thank you very much, and have a good night.

Operator

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