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VINP.OQ - Q2 2026 Vinci Compass Investments Ltd Earnings Call

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PRESENTATION

Operator

Good afternoon, and welcome to Vinci Compass second-quarter 2026 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 Castro - *Vinci Compass Investments Ltd - Investor Relations Manager*

Thank you, and good evening, everyone. Joining us today are Alessandro Horta, Chief Executive Officer; Bruno Zaremba, President of Finance and Operations; and Sergio Passos, Chief Financial Officer.

Earlier today, we issued a press release, slide presentation, and our financial statements for the second-quarter 2026, which are available on our website at ir.vincicompass.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 Compass fund.

On results for the second-quarter 2026, Vinci Compass generated fee-related earnings of BRL88.7 million, or BRL1.35 per share, with an FRE margin of 32.5%; and adjusted distributable earnings of BRL63.3 million, or BRL0.96 per share. We declare a quarterly dividend of $0.17 per common share, payable on September 9 to shareholders of record as of August 23.

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

Alessandro Horta - *Vinci Compass Investments Ltd - Chief Financial Officer, Global Head of Real Assets*

Thank you, Ana, and good evening, everyone. Thank you for joining us today. The second quarter marked another important step in Vinci Compass' journey as the leading full-service alternative asset manager in Latin America. Over the past few years, we have consistently executed on a strategy built around three pillars: expanding our investment capabilities, increasing the scale of our platform, and building a more diversified and resilient business.

This quarter reflects tangible progress across each of these fronts, and I am particularly pleased to announce today the signing of an agreement to acquire Navi's Real Estate funds. Navi's Real Estate platform spans six funds across multi-strategy and residential strategies, with four vehicles listed on the Brazilian Stock Exchange and/or the CETIP.

After closing, which we expect to happen during the fourth quarter, the transaction will add approximately BRL800 million in assets under management, concentrated primarily in perpetual and long-term lockup vehicles.

Strategically, the fit couldn't be better. The transaction deepens our presence in the multi-strategy real estate segment by adding scale to one of our smaller strategies across the REIT business, spanning across real estate and credit. This is significantly important in the REIT market as larger funds tend to benefit when it comes to follow-on offerings once markets are supportive when compared to smaller funds. The transaction also broadens the range of solutions we can offer our clients, and it strengthens our ability to compete in a market where scale, distribution, and specialized investment expertise carry increasing weight.

Together with our existing funds, this brings our pro forma real estate AUM for the second quarter of 2026 to approximately BRL7 billion, of which BRL750 million now within multi-strategy, giving us a stronger foundation from which to grow the business over time. It also reinforces Vinci Compass' role as a consolidator of high-quality investment franchises across Latin America, and it reflects the discipline we bring to every opportunity we pursue, seeking those that are strategically compelling, financially attractive, and highly complementary to what we already do.

Moreover, this transaction speaks to a defining characteristic of our model. Over the years, we have invested in building a scalable organization underpinned by deep investment expertise and a robust corporate infrastructure. That foundation allow us to absorb a meaningful volume of additional assets while leveraging the resources we already have in place.

Another important milestone was the successful closing of our combination with BACS Asset Management in early June, adding BRL4 billion in AUM across credit and equities. By combining our asset management capabilities with BACS's extensive corporate and retail distribution network, we took an important step towards building a scaled and increasingly relevant asset management platform in Argentina, one that's well-positioned to benefit from the ongoing transformation of the country's financial system and the growing demand for more sophisticated investment solutions.

We remain constructive on the long-term outlook for Argentina, supported by the evolving savings dynamics in the region, rising financial penetration, and a growing need for scale and efficiency. Against this backdrop, the combination enhances our ability to capture attractive growth opportunities across mutual funds, money market products, dollar-based strategies, and alternative investments, while strengthening our position in a market that is still in the early stages of consolidation.

Since announcing the transaction, we have been very pleased with the reception from clients and partners, and we are already seeing early signs of that enthusiasm beginning to translate into inflows, which we expect to build over the second half of the year. Taken together, BACS and Navi capture something we have consistently emphasized to investors, the strategic benefits of our platform compound as we grow becoming more powerful with scale.

Alongside these developments, our existing businesses continued to perform well, reinforcing the strength of the platform we have built over many years. In the quarter, we had BRL13 billion in capital formation and appreciation, with close to BRL1 billion in new commitments across our newest vintages currently in the fundraising phase, SPS IV, MAV IV, Lacan IV, and VSP II.

Looking at the fundraising pipeline going forward, we are very excited about a strong and well-diversified set of flagship strategies in the market during the second half of 2026, such as COPCO, VIR5, Credit Infra, and further commitments in VSP II, SPS IV, and Lacan IV, spanning our credit, real assets, private equity, and Global IP&S segments. The breadth and quality of this pipeline reinforce our confidence in the growth ahead, and Bruno will walk you through it in more detail shortly.

Supporting this extensive product suite, the macro environment across Latin America remains constructive in general, though still marked by volatility. Political uncertainty has started to ease in some markets, with recent market-friendly election outcomes in Peru and Colombia. Mexico, in particular, remains an important growth lever for Vinci Compass.

During the quarter, we saw a strong momentum in our short-duration strategies with over BRL440 million in inflows into our Mexican credit funds. It also remains one of the most compelling structural opportunities in the region. Following the pension reform, mandatory contribution rates are set to rise towards 15% by 2030, and we expect the AFOREs system to keep growing meaningfully over the coming years.

In addition, the structural nearshoring trend reflected in recent record foreign direct investment reinforces our long-term conviction in the market. In Brazil, the current interest rate environment continues to create attractive conditions for disciplined capital deployment in private markets, as elevated rates support more compelling entry valuations and allow us to negotiate downside protection structures, including hybrid debt and equity solutions that enhance risk-adjusted return potential.

At the same time, still elevated real interest rates, a more cautious monetary easing cycle, and election-related fiscal uncertainty continue to impact risk appetite, broader M&A activity, and liquidity events, which may affect the timing of certain realization and deals.

In private equity, we had some important liquidity initiatives in early 2026 through the listing of Agi, a reverse IPO of CBO into OceanPact, and the sale of Mundo do Cabeleireiro. We continue to maintain a meaningful pipeline of potential divestment opportunities for the second half of the year. In corporate advisory, a constructive environment could gradually translate into higher deal activity. Against this backdrop, the team is working on an extensive pipeline of opportunities for the second half of 2026, which we expect to materialize as market conditions improve.

At this point, we expect that the second half of the year will be better than the first half, revenue-wise, with some mandates expected to close in the next six months. Moreover, external fundamentals remain supportive, with strong trade flows, resilient commodity exports, and a stable currency backdrop. With the Brazilian real and regional currencies continuing to benefit from these external fundamentals, we could reopen room for an improvement in domestic assets.

A relevant factor during the quarter was the strong supply of IPOs and follow-on offerings tied to artificial intelligence and the broader technology sector in the US. Enthusiasm around AI remains one of the main drivers of the US market, but the sheer size of these transactions requires meaningful capital absorption. As a result, some investors have reduced positions in other markets to participate in these deals, putting pressure on assets outside the technology sector.

Encouragingly, this dynamic appears less intense going forward. The most recent AI and technology-related offerings do not seem to carry the same extraordinary volumes observed earlier, suggesting that the technical pressure from capital rotating out of other markets may begin to ease. In this context, our equity segment could be a beneficiary of this rotation.

Turning to a brief snapshot of our financial performance. This quarter, we posted higher management fees with an initial one-month contribution for BACS as well as organic growth across credit and Global IP&S. Fee-related earnings reached BRL89 million in the second quarter of 2026, up 36% year over year with an FRE margin of 33%, up 450 basis points year over year.

In the second quarter '26, year to date, FRE margin reached 34%, up 580 basis points year over year. This profitability expansion reflects the operating leverage of our platform as revenue growth from both recent acquisitions and organic fundraising continues to outpace the growth in our cost base. We remain firmly on track toward the 38% FRE margin target by 2028 that we laid out at our Investor Day.

As we have been highlighting over the past communications, distributable earnings naturally carries more volatility, and this is particularly true at this stage of our cycle as we accelerate capital calls into our proprietary funds, which will impact our short-term financial income.

During the quarter, we called approximately BRL56 million, bringing total capital called from our IRA commitments to over BRL960 million, or roughly 65% of our BRL1.5 billion in total commitments. As this capital is deployed, it temporarily reduced the short-term financial income we earn on our cash, which weighs on distributable earnings in the near term. This, however, is a natural and intended feature of our model.

Capital invested today into our own funds is designed to generate management fees, carry capital gains as these funds mature and begin returning capital. In that sense, once again, I would like to highlight the long-term value embedded in our balance sheet. We currently hold approximately BRL890 million in long-term proprietary funds on our balance sheet, which is not fully reflected in our distributable earnings, and by consequence, at this stage, constitutes a hidden asset in our business. We expect this value to translate into meaningful distributable earnings in the coming years as capital begins to flow back to us.

That same focus on building durable long-term value is evident across our funds. In infrastructure, VICC closed the acquisition of a stake in Faro Energy, one of Brazil's leading distributable generation solar platforms. The transaction gives the fund exposure to a scaled and highly contracted portfolio with operations across multiple Brazilian states, while also providing a meaningful pipeline for future expansion. Importantly, the investment aligns well with VICC's strategy of building exposure to essential infrastructure assets supported by long-term contracted cash flows and secular trends linked to the energy transition.

We believe this deal further reinforces our team's ability to deploy capital in sectors where operational expertise and active asset management can create substantial long-term value.

Another important development within our infrastructure platform relates to the International Airport of Rio de Janeiro, Galeão. As previously disclosed, Vinci Compass expects to receive between BRL90 million and BRL100 million net of taxes and associated expenses from the identification associated with the airport's concession process. This amount should be recognized during the second half of 2026 and will impact our distributable earnings. Beyond its financial contribution, this outcome reflects the value generated by our infrastructure team prior to the auction, including involvement in the negotiation and structuring the new regulatory model.

To conclude, what we find most compelling is the alignment between where our platform is today and where the structural opportunity's heading. The demand for alternatives across Latin America is accelerating. The region stand out as a stable and diversified destination for global capital, and we have spent years building the platform, the talent, and the execution capabilities required to capture it. Each transaction we complete adds scale, deepens our capabilities, broadens the solution we can offer our clients, and reinforces our ability to compound value.

Vinci Compass enters the second half of 2026 from a clear position of strength. We are executing with discipline against the priorities we laid out on our Investor Day, strengthening our regional presence, scaling our highest growth strategies, and allocating capital with rigor. Above all, our focus remains on creating long-term value for our clients, shareholders, and partners. I have never been more confident in our ability to deliver it.

Thank you all for joining us today. I will turn the call over to Bruno.

Bruno Zaremba - *Vinci Compass Investments Ltd - President of Finance and Operations*

Thank you, Alessandro, and good evening, everyone. We're very encouraged by the extensive fundraising pipeline we have in place for the second half of the year, supported by the combination of an expanded distribution footprint and a more comprehensive product suite following our recent acquisitions and fund launches.

Starting with credit, the strategic combination with BACS is a great example of this. What excites me the most is the highly complementary nature of the two platforms. Together, we now manage over BRL8 billion in Argentine funds, mostly across credit, with a smaller portion in equities. Through this transaction, Vinci Compass gain access to the extensive corporate and retail distribution networks of BACS and Banco Hipotecario, meaningfully strengthening our local capabilities in Argentina.

We expect this to translate into inflows over the coming quarters, supported by the positive feedback and momentum we are seeing from local investors, whose profiles are gradually shifting from defensive wealth preservation strategies towards more active investment positioning.

The Navi Real Estate Funds acquisition reinforces our full-service platform from a different angle. By expanding our footprint into the multi-strategy real estate segment, we unlock a new fundraising channel for Vinci Compass through an already sizable vehicle that gains immediate relevance in that market. Following closing, expected in the fourth quarter of 2026, our multi-strategy real estate vertical will hold approximately BRL750 million in AUM.

As we often say, smaller funds without scale struggle to grow and lose relevance with distribution platforms. By building vehicles with sufficient critical mass for organic growth, we gain relevance in the short term, accessing new pockets of capital and position ourselves to scale further as market conditions for REITs become more favorable. On that note, we remain attentive to the potential reopening of market windows as the Brazilian easing cycle advances, which could create a more favorable environment to raise capital for REITs.

As a reference, during the last easing cycle, we successfully raised BRL1.2 billion in a single quarter. And as you know, REITs remain one of the most attractive investment vehicles for individual investors in the Brazilian capital markets.

Turning now to AUM and our fundraising efforts during the quarter. We reached the milestone of $70 billion of AUM, an increase of 5% quarter over quarter on a dollar basis. In Brazilian reais, it represents BRL361 billion of AUM, with BRL13 billion of capital formation appreciation, including close to BRL1 billion in capital subscriptions across closed-end funds.

The second quarter reinforced the strength and resiliency of our diversified platform, with BRL17 billion in appreciation. This is a clear demonstration that we have reached the scale and product quality that allows the platform to compound and perform consistently on its own.

In real assets, we continue to see capital subscription during the quarter across Lacan IV and our opportunistic fund targeting the warehouse sector in Brazil. In Lacan IV, we continue to see strong engagement ahead of the fund's final closing by the end of the year. Commitments in this type of strategy tend to build at a more measured pace, reflecting the nature of institutional investor profile, the recent European summer period, and the time required to finalize legal documentation.

Currently, the fund has already attracted strong interest from new investors, many of which have advanced in their internal processes and are now moving towards signing. This is exactly the kind of momentum we have been signaling over the past quarters.

European institutional demand in particular has stood out. Interest has been strong enough that a group of European development financial institutions named themselves a DFI consortium and chose to advance in a coordinated manner, sharing due diligence efforts as they progress towards their approvals, which we see as clear evidence of their conviction in the strategy. At this point, and with this overwhelming international support, there is high probability that Lacan IV will hit its hard cap.

Moving on, let's turn to our Global IP&S segment. It is worth taking a step back to recall that the largest portion of our AUM comes from third-party distributions business, which is comprised of our TPD Liquid and TPD Alternative sub-strategies. While funds in TPD Alternatives are structured as long-term closed-end vehicles under a capital subscription model, we classify them as inflows in our AUM roll forward rather than under capital subscription. As a result, the net inflow lines reflects a combination of capital subscription and capital returns from TPD Alternative funds, together with inflows and outflows from other sub-segments such as TPD Liquid, Global Solutions, and Multi-Strategy.

During the quarter, we saw continued inflows into TPD Alternative with approximately 70% coming from Chilean institutional and high net worth investors, and the remainder distributed across other geographies, including Brazil and Mexico. These inflows reflect our ongoing efforts to provide local investors with access to top-tier global GPs in the alternative space, with most of the capital allocated into global private equity secondaries and technology-focused growth equity strategies. These inflows were offset by capital return from TPD Alternative funds and by some rebalancing within TPD Liquid. The capital return was meaningful and represents a positive outcome for our clients, which we would expect to be reinvested and recycled into other products over time.

On the liquid side, the movements this quarter reflect two main drivers. Part came from our Chilean pension fund clients and related to local regulatory limits on offshore exposure, which require them to rebalance when strong appreciation pushes their holdings above permitted thresholds. And part was related to a specific external asset manager that underperformed during the quarter. We therefore see these flows as a natural part of the business rather than a cause for concern, and we would expect this dynamic to be increasingly mitigated over time as we continue to broaden our client base and diversify our fundraising geographies within TPD business.

Looking at TPD Alternative going forward, the fundraising environment remains quieter with capital raising periods for global funds extending beyond historical patterns, which naturally leads to investors to defer commitments toward later closings. As a result, we would not expect meaningful alternative flows in the third quarter.

Within Multi-Strategy, our Verde flagship fund is seeing meaningful engagement from a broad base of clients, including pension funds and multi-family offices, which could translate into positive inflows in the second half of the year. In fact, in July, the strategy already received an inflow from a multi-family office we had been engaging with since the beginning of the year, and we are in final discussions on the first commitment from pension funds into the flagship. This remains a key priority for the third and fourth quarters.

Shifting to equities. We saw inflows into our LatAm UCITS vehicles from clients across the region, reflecting the impact of our sustained efforts and improving performance being recognized by the market. These were offset by outflows in our Brazilian products, primarily reflecting the more cautious domestic backdrop of still elevated real interest rates and election-related uncertainty.

In addition, this was compounded by strong global demand for AI and technology-related offerings, as Alessandro detailed, which temporarily drew capital towards that sector. We believe our Brazilian equities funds stand to benefit as local flows return. Specifically, one of our current fundraising efforts is directed towards local pension funds, the RPPSs, to raise capital for our Verde Equities strategy where we expect inflows to begin to materialize by the fourth quarter.

Switching gears to credit, which continues to be one of our fastest-growing AUM franchises. AUM surpassed BRL42 billion, up 15% quarter over quarter and 40% year over year, supported by BRL4 billion from the BACS acquisition and BRL2 billion from capital formation and appreciation. This performance reflects the continued diversification of our platform across local-to-local and cross-border strategies, reinforcing our position as a one-stop shop across Latin America.

Since closing in June, we have been consolidating BACS results into our FRE, and we expect a tailwind on margins in the second half as our Argentinian operations carries a higher margin than that of the entire company, which translates into a positive mix impact to consolidated numbers. We continue to see full-year FRE margins in the mid-30s range.

Within our closed-end funds, we raised close to BRL550 million across SPS IV in opportunistic capital solutions, MAV4 in agribusiness, and FAI Peru, our private credit strategy focused on confirming factoring and trade receivable financing.

SPS IV secured commitments from investors in the United States and Uruguay, further validating the strategy's differentiated proposition and capitalizing on its strong track record. We continue to see encouraging fundraising momentum and expect additional commitments ahead of the fund's final closing later this year.

In agribusiness, we successfully launched MAV IV and achieved the fund's fundraising target through local Brazilian intermediaries, highlighting the strength of our distribution capabilities and the continued investor demand for agribusiness products.

In Peru, fundraising activities remained solid. During the quarter, FAI Peru secured additional commitments, reflecting the continued demand for private credit solutions and further reinforcing our position in the market. Building on this momentum, we expect to launch FAI II by year-end, while continuing to advance fundraising efforts for PAPCO II, our flagship senior secured lending strategy, which has been generating strong interest among institutional investors.

In parallel, we are broadening access to our credit platform through new fund formats. In Chile, we have just launched VCCL, our first proprietary semi-liquid credit fund, an important milestone that brings our institutional credit capability to a wider client base in a very accessible format with higher liquidity.

Consistent with what we have discussed in previous quarters, this launch is aligned with our strategy of expanding into semi-liquid structures, a segment that has been growing demand globally and that we believe represents an attractive long-term opportunity across the region. We were pleased to see this thesis validated almost immediately, with the fund securing its first commitments in July, a strong early signal of the appetite we expect this format to unlock across the region.

In Brazil, our co-managed credit fund with Verde continued to attract growing interest from a diversified investor base, and we expect fundraising activity to accelerate in the third quarter. More broadly, infrastructure credit remains one of the most compelling opportunities in the market, supported by resilient fundamentals, sustained demand for incentivized debentures, and increasing investor interest in long-duration real asset strategies.

In this context, Vinci Credit Infra, our flagship infrastructure credit strategy, remains well-positioned, with a portfolio focused on high-quality infrastructure assets across sectors such as renewable energy, transmission, and sanitation, supported by an ESG framework. We continue to see positive investor engagement and expect additional commitments over coming quarters.

Turning to Colombia, COPCO, our first private credit strategy in the country, focused on senior secured lending, is also advancing very well. At this point, we expect the closing to happen in the second half with a few hundred million dollars in commitments, a sound fundraising performance given its first-time fund nature.

Our next generation of private credit strategies in Peru also has been generating constructive discussions with local investors. We believe this momentum reflects the strength of our regional franchise, built over many years of local presence and relationships, and is further evidenced by our ongoing engagement with developed finance institutions.

Going back to COPCO, this product underlines exactly the rationale behind the Compass combination. The combination of leading commercial penetration across Latin America with Vinci's know-how and track record of structuring alternative products led to the development of a strategy that should be a meaningful contributor to the economics of our Colombian office. We expect to lean on this experience to develop additional Vinci Compass alternative offerings across the region.

Taken together, these efforts highlight the breadth and increasing relevance of our credit platform across Latin America. With fundraising progressing across liquid, semi-liquid and closed-end strategies, a growing regional footprint and multiple products gaining traction simultaneously, we believe credit continues to stand out as one of the most attractive, scalable growth drivers within Vinci Compass.

Stepping back, what this extensive pipeline truly reflects is the strength and ambition of the franchise we have built over the years. Across private equity, real assets, equities, credit, and global solutions, we have created a uniquely diversified, integrated, and connected platform, one that allows us to seize differentiated opportunities and to be a true partner to our clients across the full investment cycle.

We therefore enter the second half of the year with a remarkable pipeline and multiple initiatives already translated into results. And what excites us the most is that this is just the start. The opportunities ahead of us are the direct result of years of investment in our people, capabilities, products, and distribution. And as they continue to mature, we see an exceptionally attractive runway for growth.

The last point I would like to touch is our GP commitments. At this point, we are starting to have visibility on initial capital returns from this first cycle of investments. We expect some of our closing funds to start returning capital this year. This will not only allow the balance sheet to receive this capital back, restart earning short-term returns, and recycle it into new GP commitments, but also has the potential to impact favorably our realized IRE line.

We are very bullish on our prospects for the second half. With a strong product lineup, tailwinds from recent acquisitions, strong distributable earnings contribution from the Galeão transaction, and the beginning of a more meaningful GP commitment capital return cycle, we have a strong outlook for the remainder of the year.

With that, I will hand it over to Sergio to discuss the financial results.

Sergio Passos - *Vinci Compass Investments Ltd - Chief Financial Officer*

Thank you, Bruno, and good evening to everyone. The second quarter of 2026 reflected continued progress in our business, with management fees growing and our FRE margin expanding year over year. Let me start with our AUM.

We ended June with BRL361 billion in AUM, up 19% year over year and 4% quarter over quarter. The quarterly growth was driven by portfolio appreciation across Global IP&S and credit, and by the combination with BACS, partially offset by negative FX variation and by net outflows in our third-party distribution business.

On this point, it's worth highlighting that as Bruno detailed, a significant portion of the net outflows in Global IP&S corresponds to returning capital within our third-party distribution alternative strategy, where fees had been charged upfront. As a result, this AUM no longer carries recurring fees and the segment's management fee revenues should not be affected by these movements.

In the second quarter, management fees totaled BRL252 million, up 29% year over year. The increase was driven by inorganic growth from Verde and BACS acquisitions, contributing a full quarter and one month, respectively, as well as by continued organic growth, reflecting our successful fundraising efforts over the last 12 months.

Advisory fees totaled BRL9 million in the quarter, a decrease of 65% year over year. As we have highlighted in prior calls, upfront fees in our third-party distribution alternative business can vary significantly depending on the timing of commitments. As Bruno mentioned, the current environment for global alternative is characterized by longer capital raising periods, which naturally lead investors to defer commitments toward later closings. As a result, we do not expect meaningful alternatives flows in the third quarter.

Our corporate advisory segment also continued to reflect a slower environment for deal activity in the second quarter amid still elevated interest rates and election-related uncertainty in Brazil.

Looking ahead, we have a meaningful pipeline of opportunities for the second half of the year, and we expect a gradual pickup in deal activity by year-end. At this point, we expect a stronger second half of the year than the first half for the corporate advisory business. Altogether, fee-related revenues reached BRL272 million in the quarter, up 17% year over year, and BRL544 million in the first half of 2026, also up 17% year over year.

Turning to fee-related earnings, reaching BRL89 million in the quarter, or BRL1.35 per share, up 36% year over year on a nominal basis and 31% per share. Our FRE margin expanded to 33%, an improvement of approximately 450 basis points compared to the second quarter of 2025. This progression was driven by the acquisition of Verde, one month of BACS, and operating leverage embedded in our platform as revenue grows faster than costs, as well as the cost-efficient initiatives we implemented over the past year.

As we mentioned last quarter, the second quarter tends to carry high seasonal costs, particularly related to third-party service, such as legal and consulting fees. As a result, the fluctuation in our FRE margin compared to the first quarter of 2026 was expected as this seasonal cost materialized. It's also worth noting that BACS contributed only one month of results this quarter. Beginning the third quarter, we will benefit from its full-period contribution, which should further support management fee growth and reinforce the operating leverage of the business going forward.

Moving to performance-related earnings, our PRE. We recognized BRL4 million in the second quarter, primarily across credit, equities, and Global IP&S. In line with seasonality, both the second quarters of 2026 and 2025 benefit from performance fees generated by liquid funds across these strategies, though performance fee in equities were slightly higher in the second quarter of 2025, reflecting stronger local stock market performance.

Realized GP investment income totaled BRL90 million in the quarter, supported by REIT dividends and a real estate closed-end funds realization. This was partially offset by mark-to-market adjustments in real estate funds, which weigh on unrealized GP investment income and brought IRE to BRL1 million the period. While IRE can fluctuate from quarter to quarter, we continue to view our proprietary commitments as an important long-term driver to value creation for Vinci Compass.

Turning to realized financial income and consistent with the capital call dynamic we have been emphasizing around our IRA commitments. This line declines 63% year over year in the quarter as our capital calls reduce our cash positions. We expect it to keep trending lower as our proprietary funds mature towards the realization cycle. The minority interest line introduced following the Verde transactions reflect the portion of Verde's earning attributable to the remaining 49.9% non-controlling interest now also comprise the minority interest related to BACS.

Before turning to adjusted distributable earnings, a quick word on non-operational expenses. This quarter included some costs related to our M&A activities, mainly attributable to BACS. As a reminder, these are added back in our adjusted distributable earnings, which provide a cleaner view of the recurring earnings power of the business.

On that base, Vinci Compass generated BRL63 million in adjusted distributable earnings for the quarter, or BRL0.96 per share, bringing our first-half total to BRL126 million, or BRL1.92 per share. As anticipated, the year-over-year comparison was primarily impacted by lower realized financial income and softer advisory and PRE contributions, even as our FRE continued to grow meaningfully.

The growth seen in our FRE reinforced the scalability of our platform, while the successful closing of the BACS combinations and the recently announced Navi acquisition underscore the selective inorganic expansion that, together with organic growth and operating leverage, remains central to how we compound earnings over time.

As we look ahead to the second half of the year, we do so with fundraising visibility and additional earnings contribution expected from the acquisitions and initiatives already underway, leaving us well-positioned to continue creating value for our shareholders.

With that, I would like to open the call for questions. Once again, thank you for joining us this evening. Operator, please proceed.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ricardo Buchpiguel, BTG Pactual.

Ricardo Buchpiguel - *BTG Pactual - Analyst*

I have two here on my side. So first, could you comment on what drove the acceleration fee-related expenses this quarter, which grew around 5%? And could you help us understand how much of this is related to a one-off investment specific to this quarter? And what should drive the recovery in FRE margins to get to the mid-30s that you guys reiterated?

And for my second question, how much of the BRL5.7 billion in net outflow from IP&S was related to the capital returns you mentioned? And do you have a sense of how much of these capital returns are usually recirculated and should translate into future inflows in situations like this? Just wanting to understand if this should be a pickup in fundraising already for the next quarter or the second half of the year or should it be a longer cycle. Thank you.

Bruno Zaremba - *Vinci Compass Investments Ltd - President of Finance and Operations*

Okay, Ricardo. Thank you for the question. This is Bruno. So in your first question, the second quarter tends to be seasonally stronger for us in terms of expenses. We have some of the payments that fall into the second quarter, some of the service payments mainly, so service providers.

And in the second quarter, this time we had -- as we continue to improve the productivity of the platform and try to see where there is opportunity for us to improve the productivity, we had some cost reduction regarding to people as well this quarter, which we do not adjust as we had not adjusted in '25. So in the second quarter, I would say probably those were the two most significant impacts, this severance cost that we had in the second quarter related to some cost reductions that we did in people and also the seasonality nature of expenses.

When we look at the forecast for the second half, as we said in the prepared remarks, we continue to see FRE margins in the mid-30s range. I think now, as we also made a comment, there is also this tailwind from BACS consolidation, which will add to FRE margins as well.

So at this point, we see the numbers solidly in the mid-30s, right? Could be actually a little bit better. But that's the number that we're sticking to at this time.

Regarding your second question, on the outflows, I would say approximately one-third of the outflows were due to capital returns from the alternative TPD funds. What we see in the industry in this case, our main clients for this line of products are in Chile and Mexico, right? Although we also do have some exposure in Colombia, but the TPD markets, mainly the institutional investors in Chile and Mexico.

These investors, they are almost all of the time fully allocated. They do not carry cash positions in their balance sheet. They are usually fully allocated. So although we might have some fluctuation from quarter to quarter, as we did have, if you remember, I think we did have some fluctuation the first quarter of '25. We had some redemptions also in the first quarter of '25 in the TPD liquid side. We are seeing those redemption flows in the second quarter now of '26.

But given that they are fully allocated by nature and the growth rates of both the Chilean AFPs and the Mexican Afores are quite high, they are growing in the low- to mid-teens now given the contribution factors. Over time, the TPD line will be very positive for us. If you look at the organic growth that we had in TPD, in AUM, on a year-to-year basis, if you add inflows and appreciation, that organic growth is close to 20%.

So we expect that to continue to be the case as these institutional investors continue to grow their bases. And we might have these fluctuations from a quarter to the other, but the fundamentals for these two asset lines, both the TPD liquids and the alternatives, continues to be quite favorable for us.

Alessandro Horta - *Vinci Compass Investments Ltd - Chief Financial Officer, Global Head of Real Assets*

And Ricardo, that's Alessandro. Just to add on top of Bruno said, just to complement these outflows. This is very normal, as Bruno said, like the AFPs and the AFOREs rebalance the portfolio, especially after the growth because of the markets going on to the right direction.

And the majority of these outflows that we saw came from the liquid side. Of course, we have some capital returns, as Bruno mentioned, on the alternative side. But in terms of the outflows, they came from the liquid side, that this is like some of these investors, in a way, if you may, taking profits off a very benign market. And to Bruno's point, they will come back to rebalance the portfolios, and then you will see this fluctuation when the markets go in one direction or the other.

Operator

Fernanda Sayão, JPMorgan.

Fernanda Sayão - *JPMorgan - Analyst*

My question is on the recent acquisition of BACS and Navi. I was wondering if you could discuss how these should impact management fee revenues, FRE margins, and expenses. Anything you can share would be very helpful.

And you specifically mentioned that BACS has a higher margin. Would it be possible to quantify that? Thank you.

Bruno Zaremba - *Vinci Compass Investments Ltd - President of Finance and Operations*

Okay, Fernanda. This is Bruno. So BACS, to give you some sense, in June, the impact was about BRL4 million in revenue in the month of June. So as we consolidate the numbers going forward, I think that's a good run rate in terms of the revenue base.

The margin for BACS is higher than the average of the company. It's closer to 50%. So if you do the math between the two and the FRE that we have, the positive impact to us should be around 50 basis points, more or less, in terms of the tailwind for the second half.

I think the other thing that's important to mention is even pre-BACS, Argentina was about 40% above budget for us, so the flows are very strong in the business in Argentina. Hopefully, with BACS, we have even more of that impact, but that's also another interesting information that we're seeing Argentina be very strong.

In the case of Navi, we calculated it's a much smaller business, right? So we're talking about BRL750 million AUM. Although the fees are good, they are around 1%. And as we mentioned in the press release, we are not bringing anyone from the original team, so the real estate team is going to manage this money. So it's fully incremental to us.

So this margin is going to be very high. Probably on the FRE line, probably -- I mean, in the 60%, 70%, right, after taxes and some bonus provision. So this should be also interesting for the platform, but the size is not very big. So it shouldn't move the needle as BACS will. But it's going to help. It's going to be incremental to us as well.

Operator

William Barranjard, Itaú BBA.

William Barranjard - *Itaú BBA - Analyst*

Also a follow-up on BACS acquisition and Argentina operation as a whole, right? On a more qualitative view, what are the integration milestones you expect for BACS, your operation in Argentina? Be it in terms of products, cross-selling opportunities, the KPIs you think are relevant there. Overall, wanted to grasp what is your view for Vinci Compass in Argentina.

And the second one may be quicker. On inorganic growth, beyond BACS, Navi, how active is the M&A pipeline if M&A continues, inorganic growth continues being one of the priorities ahead? Or are you shifting your focus to growth towards organic growth and working with all the suite of products you've already built in the past year since you've been listed? That's it. Thank you.

Alessandro Horta - *Vinci Compass Investments Ltd - Chief Financial Officer, Global Head of Real Assets*

Thank you for your question. That's Alessandro. So talking about BACS in a more qualitative way as you mentioned, you know that the Argentine market is still in the early days of gaining more traction on the asset management side. Our combination with BACS was a very, I'd say, good one in terms of not just about the products, but also about the channel of distribution. Our activity was more on the institutional side in BACS because of the relationship with Hipotecario. The liability side comes more from the retail/wealth management side.

So having said that, that was very, very synergic. We have been able to integrate smoothly. Of course, this is a merit of our team in Argentina that knew the partners of BACS for a long time. And also, our new partners, the Hipotecario group has been a very good surprise in terms of the way that we have been integrating with them.

The market today is very concentrated. It's more like public credit and fixed income in general, but we see a lot of opportunities to introduce more sophisticated and more specific and structured products to the Argentine market. So we are really very optimistic with the setup that we have, a very strong base from our Argentine operation also together with BACS.

But we think there is a huge opportunity for asset management in Argentina as the market continues to improve and to require more structured products. So we think that's a market that we are very well positioned in a very good situation to take advantage of the trends that we believe will happen there.

Talking a little bit more to your second question about the M&A activity or inorganic versus organic growth. We continue to have a very strong pipeline of inorganic possibilities. As we have been repeating here, our main focus would be to grow inorganic if the opportunity arise outside Brazil. It's more on the other countries in Latin America to reinforce our capabilities on the local markets. But there are not so many opportunities and it's very difficult to structure these deals, but we have a very strong pipeline on them.

And talking more about Brazilian opportunities, that's the case of Navi. We would be a little bit more opportunistic on that sense to look for more creative in terms of acquisitions, because as you know the asset management market in Brazil is passing an adjustment and for us has been very good because we have been consolidators of this market and continue to grow organically and also taking advantage of some opportunities. But we should be very careful to understand the drivers for each of the opportunities that we have in our pipeline.

So we will continue to focus on the organic growth but being very selective in the inorganic opportunities. I don't know if Bruno would like to add on top of that.

Bruno Zaremba - *Vinci Compass Investments Ltd - President of Finance and Operations*

Yeah. I think it was a good question from William to touch on a few additional points, which I think makes sense. As Alessandro said, M&A outside of Brazil, we are looking into those options to grow the alternative asset management base, and in Brazil, options that complement the platform.

And I think the Galeão inflow is going to increase our flexibility. I think it's a point that I would like to make, because we're going to receive a virtual equity injection of about BRL90 million to BRL100 million in the second half, most likely in the fourth quarter, which will add flexibility when we analyze these opportunities. We're going to have dry powder to perhaps pursue things that we feel make sense and that add value to the platform.

And the other thing that I would like to mention, I mean, even with all of the deals that we did, I think the base that we have created over these last few years with the movements that we did is already yielding a lot of positive momentum in the business, right? So if you look at the organic growth rates in some of our verticals, if you look at, I had mentioned already Global IP&S with almost 20% growth in AUM. Real assets, their organic growth in AUM year on year in the second quarter was about 40%; credit was about 30%.

And when you look at our FRE performance with no acquisitions, we had about high single-digit revenue growth, about flat expenses, and FRE growth of 35%. So the FRE growth of the platform without M&A in the second quarter was more or less the same growth that we had with M&A.

So I think to that end, I think M&A continues to be a way for us to branch out and complement the platform. But I think the presence that we have across the region is already strong enough to sustain the organic growth to us and to be meaningful value creators to the business on a go-forward basis. So I think those points are points that I think are important that we make, that the platform is already in itself without any additional M&A, generating a lot of value and growing quite handsomely in the second quarter.

Operator

Tito Labarta, Goldman Sachs.

Tito Labarta - *Goldman Sachs Group Inc - Analyst*

A couple questions also, just I guess on the AUM. Very good growth in credit Global IP&S. Probably considering the rate environment, it makes a lot of sense.

Do you think that sort of is where the growth is going to continue? What about some of the other lines that are not growing? Do you think private equity that should continue to be fairly muted? Anything that could change that outlook there?

And how much does the mix also impact your margin a bit to some extent? And also, because the advisory was weak, did that also have a negative impact on that FRE margin? Thank you.

Bruno Zaremba - *Vinci Compass Investments Ltd - President of Finance and Operations*

Thank you, Tito, for the question. Yeah. So I mean, we have been talking about credit a lot. And I think, obviously, the rate environment helps in Brazil mostly. Not the case of the other countries. The other countries, the rates are much smaller already than here.

But I think there is a lot of product momentum. I think the rates help in Brazil, but we have a lot of product momentum outside of Brazil. I think COPCO in that sense is a good example, right? We had the visibility from Carla, who is the lead person on Colombia for us about demand from institutional investors on the private debt side. We went after capability to run a private credit product in Colombia, which we obviously didn't have at the time. And we are in line to have a closing of this fund in the third quarter of a few hundred million US dollars.

So as the case of COPCO, we have similar developments in other credit products outside of Brazil. And also, in Brazil, right? So in Brazil, we continue to see demand for new products. We actually approved a new product today in our product committee, which is a partnership with a bank where we distribute a product, which is a mix of two products that we have and could be a BRL1 billion product, I mean, in terms of the size of the distribution channel and what we see as potential.

So I think not only the rates environment, obviously in Brazil, you have here tailwinds in the case of this segment, but also really product proliferation and the ability to launch new strategies across other countries in Latin America.

Regarding the private equity business, I think we are in a hiatus now in terms of fundraising. VCP IV is still within the investment cycle, so we are not in a position now to raise another VCP fund. We need to fully invest VCP IV before coming back to market.

And we are in the final -- let's say pre-launch stages of VIR5. VIR5 is a fund that we expect to have a first close in the next several, I would say at this point in time, probably next several weeks. We already have aligned the anchor investors for that fund. So either in the third quarter or very early in the fourth quarter, we should have a first close for that fund. And then depending on how the VCP IV strategy performs in the next few quarters, we could have VCP5 coming back to market later next year.

So it's more of a life cycle issue in private equity. It doesn't necessarily have to do with demand. But we do have a private equity product coming online in the short term.

When you look at the growth components, I would say probably, given that private equity is less strong at this time, you have the growth coming from real assets, real estate, and IP&S. I would say probably would be net positive, very marginally net positive for us. I wouldn't say it's irrelevant impact.

And obviously, your last question. Corporate advisory is very important for us for the FRE margin. Because when we have results and revenues coming from corporate advisory, the leverage of that revenue is very high. So it really helps us dilute the fixed cost base of the company.

So the first half in that sense, we had, I think it was something around 550 or 540 basis points of margin expansion the first half, and that was without corporate advisory, because the first half corporate advisory number was very small. For the second half, we expect that number to improve. What we have now in terms of visibility is for low-teens, million BRLof revenue for the second half.

So that also goes into, I think it was Ricardo's earlier question regarding the visibility of the FRE margin. If we do have that corporate advisory revenue kicking in in the second half, and I would say the visibility at this point that we have for a big chunk of that revenue is quite high. That will also help us to drive that margin comfortably into the mid-30s or eventually a little bit higher, that we are seeing when we look at the models for the second half. But certainly, not having corporate advisory is something that hurts the cost dilution of the platform.

Alessandro Horta - *Vinci Compass Investments Ltd - Chief Financial Officer, Global Head of Real Assets*

Just to add on top of what Bruno said, just to add a very quick comment. Summarizing what Bruno said, I see to your question, two main products that we probably will see developing in short term on the credit side. That's the COPCO in Colombia, and also a final close until the end of the year, probably, or further development that's SPS IV. And also, we probably will see a final closing of the Lacan IV.

So we have been able, at the same time that we see the growth coming from IP&S and the TPD side and et cetera, we are seeing very interesting spots of capital falling into our strategies, both in credit, more structured ones, and also in reais. As Bruno said, what we see next for private equity is VIR5 that we'll see first closing very soon, and wait a little bit more to the flagship VCP5 when, of course, the fourth vintage is already invested.

Operator

I would like to turn the floor back to Mr. Alessandro Horta for the closing remarks. Please, Mr. Horta, you can proceed.

Alessandro Horta - *Vinci Compass Investments Ltd - Chief Financial Officer, Global Head of Real Assets*

Thank you very much again for your support, your interest. We are very, very optimistic that we have been able to deliver even against a backdrop of high interest rates, especially in Brazil. We think that soon we will have part of the, I would say, volatility coming from the political side that we already got results from Chile, Colombia and Peru recently.

We will, probably in our next meeting here for the third quarter results, already define the election in Brazil too. So even against this last month's political expectations and volatility from all of these countries, we have been able to continue to deliver growth. And even with the high interest rates environment, especially in Brazil.

So we are very optimistic moving forward. We are very comfortable within our platform. So I would like to thank you all again, and have a good night to you. Thank you.

Operator

Please, this concludes today's presentation. We thank you all for your participation and wish you a very good evening.
