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CORPORATE PARTICIPANTS

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

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

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

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

CONFERENCE CALL PARTICIPANTS

Beatriz Bomfim de Abreu *Goldman Sachs Group, Inc., Research Division - Research Analyst*

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

William Barranjard

PRESENTATION

Operator

Good afternoon, and welcome to the Vinci Partners Fourth Quarter and Full Year 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.

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

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

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

Thank you, Anna. Good afternoon, and thank you all for joining our call. We are very pleased to join you all today as we announce results for the fourth quarter and full year of 2022. Vinci posted adjusted distributable earnings of BRL 55.8 million in the quarter.

For the full year of 2022, adjusted distributable earnings totaling BRL 247.7 million or BRL 4.47 per common share, an increase of 9% in our cash earnings per share when compared for the full year of 2021. Our business model has once again proven its resilience while navigating through more turbulent and uncertain markets. Vinci was able to generate substantial amounts of cash flow backed by predictable FRE with an added contribution from our liquid investment portfolio.

As a result, the company will be able to maintain a meaningful dividend distribution to its shareholders. We announced a quarterly dividend of $0.17 on the dollar per common share in the fourth quarter totaling $0.71 in the full year, representing a compelling dividend yield while we undergo a fundraising cycle that can drive significant growth for the following years.

Vinci ended the fourth quarter with BRL 63 billion in assets under management, up 10% year-over-year, driven by fundraising across private market funds and the acquisition of SPS in the second half of the year. In 2022, we started a fundraising cycle for private market products raising close to BRL 6 billion in new capital subscriptions over the year, which alongside the acquisition of Vinci SPS, represented roughly BRL 8 billion in new long-term AUM for Vinci. This cycle of fundraising will drive long-term growth and is expected to allow us to push margins higher as these funds carry a higher fee rate than the current blended average fee for Vinci.

And on top of that, long-term lockups that directly contribute to our fee-related earnings stability and predictability. This quarter, we activated BRL 1 billion in commitments from BNDES as we anticipated in our last earnings call, being BRL 500 million for VICC, our climate change fund in infrastructure and another BRL 500 million for Vinci Credit Infra, our infrastructure debentures fund in credit, which had already an anchor commitment signed from a local institutional player in the first half of 2022.

These investments reinforce Vinci's position as the one-stop shop and partner of choice for institutional investors in Brazil as relevant institutional players continue to increase their exposure to alternatives. We believe that should be an important trend going forward given that institutional players are still extremely under-allocated to alternatives locally.

Moving on to our REITs. Despite facing a challenging fundraising environment following a sharp interest rate tightening cycle in Brazil, we were able to raise approximately BRL 800 million across 2 existing products while also launching 2 additional products, increasing diversification and allowing us to better tackle market opportunities and leverage our fundraising capabilities. We will continue to rely on our highly experienced team to be creative in a tougher environment, while we position ourselves for a new window of opportunities in REITs. If you look at the trend between 2019 and 2020, we raised roughly BRL 3 billion across only 4 REITs at the time.

We have now 7 REITs across our real estate and credit segments, a vast diversification that can be an important contributor to our AUM growth when we encounter more favorable market conditions for primary capital raises. This year, we faced several market challenges, not only in Brazil but worldwide, with central banks around the world pursuing a tightening cycle in interest rates. In Brazil, we have the benefit of being ahead of the global curve with room for easing rates over the next few quarters. However, we still face volatile public markets in a harsh environment for fundraising throughout the year on top of mark-to-market effects that also impacted our AUM numbers.

Nonetheless, we have been experiencing a favorable market for capital deployment across the platform. This has led to an exciting pipeline of opportunities to continue to deploy capital as we enter 2023 in several of our investment strategies. In private equity, our new vintage within our flagship strategy, VCP IV announced this quarter, its first investment, a controlling stake in Arklok, a leading Hardware-as-a-Service company in Brazil. In our private equity impact strategy, VIR, we are seeing an exciting pipeline of investment opportunity and its fourth vintage is already 50% invested. VIR IV is an exceptional investment base aligned with its strong performance may anticipate its fifth vintage from originally in 2024 to the back half of 2023.

Another vertical with compelling room to deploy capital is Vinci SPS, and we are thrilled with the outcome of this transaction so far. SPS vintages continue to deliver strong performance and the third vintage has already called 1/3 of its capital commitments in a little over than 1 year from its inception. We expect to start fund raising its fourth vintage between the end of 2023 and the beginning of 2024.

Finally, Vinci Credit Infra is now in a position to start deploying capital and accruing fees as this fund only charges management fee on invested capital. Credit spreads have increased recently in light of tighter credit conditions, allowing the fund to build a good quality portfolio of superior risk-adjusted returns.

Let me now turn to our view regarding our business outlook and our platform development. Since our IPO, we have been focused on skewing our firm to develop its capabilities and continue to improve our market-leading team with the aim on developing new products, driving strong risk-adjusted performance and ultimately drive growth across the platform. We believe we have been able to hit several of these objectives, and we are proud of what we have accomplished since becoming a public company.

At the time of the IPO, we had a total of BRL 49 billion in AUM against our year-end BRL 63 billion figure. This is almost 30% expansion achieved against a backdrop of a historical rise in local interest rates in volatile global markets. Now our focus will be reaping the benefit of our investments in the platform, focusing on efficiency to deliver growth with strong margins.

We are also acutely aware of macro disturbance and how they could affect our business. Giving worldwide challenges with higher level of inflation and interest rates, we are enhancing our cost consciousness and focusing on efficiency this year, looking to drive increased productivity across the platform. While we keep focusing on efficiency and productivity, we are still active in growing our business in both organic and inorganic effects. We are seeing a number of high-quality firms facing headwinds, raising capital in a challenging environment. And this should make a way for conversations around partnerships that would allow value generation for all the parties involved.

Our strong cash balance also adds flexibility around new structuring as was the case with our transaction with SPS in 2022. We have a very active sourcing on the corporate M&A front and are looking into several different opportunities for potential acquisitions, focusing on recurring FRE growth and client base expansion, which we believe can be an interesting complement to our cash deployment on top of our CEDAE location to proprietary private market funds. We believe there is significant room to grow FRE by acquiring smaller private market-oriented managers that are under scale in this tougher macro environment, especially in perpetual capital products, which can be highly synergistic to our current product offering.

To finalize my remarks, let me spend some time and provide an update on our efforts into our new retirement service vertical, VRS. In the end of November, we published a press release announcing that Vinci has been approved by the Brazilian superintendency for private insurance, SUSEP, to operate life insurance and open-ended pension plans in Brazil. SUSEP's approval was an important milestone for VRS as we are now set to launch our product and start fundraising.

Before going to the product characteristics, we would like to cover why we are increasing our investment into the pension plans industry. Currently, we have BRL 3.5 billion within our Investment Solutions platform, which a product stamped as pension plan products. In this fund, we are the active manager of the product, which is distributed and remains under custody of a partner regulated insurance company.

With VRS, we will also have the opportunity to become the custodian of the assets and, thus, allow us to access another pool of fees. VRS will provide service in addition to our current pension plan funds, increasing our contact points with clients and our ability to fundraise from this pool of capital. We believe there are 3 main reasons to access this market: First, it's a sizable addressable market with more than BRL 1 trillion in AUM and double-digit growth over the last years. While liquid markets have struggled with outflows, the open-ended pension plans posted another year of inflows in 2022.

Second, close to 90% of the industry is in the hands of the incumbent banks. This has a direct connection to one of Vinci's growth opportunities, the capital decentralization from incumbent banks. This has been attested by recent pension plans portability numbers as we are seeing a significant number of flows from traditional banks to independent insurers. And third, there is a lack of independent alternative players offering open-ended pension plans. Currently, in Brazil, this number is a low single-digit number of relevant players.

The market has several barriers of entries caused by expertise and restructuring requirements. SUSEP has a number of requirements that's only sizable and consolidated players can address, which plays Vinci in a unique position to capture a relevant portion of the industry.

Aligned with the vast market opportunity, VRS has been set up to assure strong competitive advantages that positions our product offering with a differentiated approach from that of our competition. We have developed a tailor-made asset allocation algorithm based on many factors, including individuals retirement goals, risk appetite, objectives, et cetera, and it is customized for a full life cycle and backed by solid risk tolerance metrics.

Moreover, VRS will provide an annual review to clients as priorities and targets may evolve through our investors' lifetime. To enhance the offering for our customers, we have developed a one-of-a-kind technological experience supported by a user-friendly digital platform and a tech adviser mechanism to assist our clients.

Our goal is to have the best solution in the industry, which will ultimately simplify the most complex process for pension beneficiaries. The product suitability is based on a customized experience that we have 2 positive outcomes for users. First, it will shrink the gap between customers' expectation and results as our asset allocation approach diminishes the impact of short-term volatility focusing on long-term returns. And second, a tailor-made investment portfolio will ultimately increase efficiency as we will allocate capital through different type of funds depending on market condition and investors' preferences.

It should also be a driver to reduce client's cost, and we will offer low-cost passive funds as a part of the product's matrix. We start fundraising efforts, leveraging our proprietary high net worth individual investor base, expanding over the next quarter to selected corporate pension plans, a segment with over BRL 100 billion of addressable market, which has, in addition to the large current capital pool, a tremendous growth opportunity.

We will keep updating investors on our quarterly calls as the business evolves and new milestones are achieved. To finalize my remarks, I would like to stress the following: it's in challenging environments that we set ourselves apart from the competition. Our highly diversified platform, both in product offering and client base provide us the stability to continue to deliver solid results in a still challenging capital raising market. We are excited about our potential long-term growth and continue to position the platform to capture this opportunity.

With that, I will 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 11, we will cover AUM trends for the fourth quarter and full year 2022. Vinci ended the quarter with BRL 63.1 billion in AUM, up 10% year-over-year. Here, we post strong growth in our credit strategy, growing its AUM by 72% when compared to the end of 2021. The growth in credit was driven by the launch of Vinci Credit Infra, our new strategy focused on infrastructure debentures with a long-term oriented structure. The fund has shown great demand from institutional investors who committed BRL 1.3 billion to the new strategy so far.

We will continue to fundraise for this product throughout 2023. Another highlight this year was the further development of the partnership between our credit and real estate teams, launching 2 new perpetual REITs, 1 exposed to the agribusiness sector, a leading sector of the Brazilian economy and the other focused on MBS instruments.

These 2 new funds were able to raise capital in a tough market environment and broaden our product offering in listed perpetual vehicles. Combining these 2 new REITs with creative (inaudible) kind operations in our offices and shopping mall REITs, VINO and VISC, we raised approximately BRL 800 million in perpetual capital through 2022. In infrastructure, our climate change fund, VICC, signed its first commitments, including an anchor investment from BNDES for BRL 500 million. VICC is expected to hold a first close in the first quarter of 2023 and continue to fund raise throughout the year.

The fund will start to earn fees beginning at the first close and following capital raises should accrue retroactively management fees. Another important contributor to our AUM growth in 2022 was the acquisition of SPS Capital, adding long-term capital in a new vertical to our platform. At the end of the year, long-term capital comprised over 50% of AUM, resulting in a more predictable revenue stream for management fees. We will keep actively pursuing opportunities to add long-term capital to our AUM, be it organic or inorganic.

Moving on to Slide 13. We go over accrued performance fees in our private market funds. Performance fee receivable increased to BRL 167.5 million in the fourth quarter, an 8% increase quarter-over-quarter. The VCP strategy currently accounts roughly 90% of accrued performance fees, representing an appealing upside for future performance fees.

At the end of the quarter, Vinci had BRL 11 billion in performance-eligible AUM coming from private market funds. Still an investment period that can further contribute to our accrued performance fees as these funds enter their divestment periods.

Turning to Slide 14, we will cover our fee-related revenues. Revenues from management and advisory fees totaled BRL 104 million in the quarter. Management fees accounted for roughly BRL 100 million in the quarter, up 9% year-over-year. This increase was a result of the fundraising experienced across our private market strategies over the year and the impact of Vinci SPS following the acquisition closed in the third quarter of 2022. We should see a continuing positive trend coming in the next few quarters with new capital raises in our closed-end products in private markets, aligned with capital deployment in Vinci SPS and Vinci Credit Infra. Both have significant dry powder to allocate this year.

Total fee-related revenues were BRL 393.5 million for the full year, down 8% year-over-year due to a reduction in advisory fees in the year. As for management fees, they were up by 3% when compared to the full year of 2021.

In Slide 15, we present our operating expenses for the quarter and full year. Total expenses accounted for BRL 56.3 million in the quarter, down 4% year-over-year. In the full year, total expenses were BRL 208.5 million, down 5% year-over-year. Excluding bonus compensation, fixed and variable expenses for the full year increased 7% year-over-year following inflationary pressures on fixed costs and our investments in VRS.

As mentioned by Alessandro, challenging market environments require even more attention to our overall efficiency. With that said, while expenses remain well paid in 2022, we will enhance our cost consciousness, focusing on protecting margins and accelerating operating leverage once our revenues reaccelerates. We believe we have opportunities to be more productive across the firm, while maintaining a superior service to [ROPs].

Moving on to Slide 16. We will go over our fee-related earnings for the quarter. FRE totaled BRL 51.3 million or BRL 0.93 per share in the quarter, down 5% year-over-year due to a stellar fourth quarter 2021 for our advisory vertical. Bear in mind that our core business remains healthy -- with healthy trends and growing. Advisory fees will carry a significant amount of seasonality as we highlighted a few times in previous earnings calls.

In addition, higher interest rates also play a role in M&A and capital market activities as transaction usually grow in periods of looser monetary policy. This characteristic is currently being offset by stronger returns in our cash balance.

Coming back to the core asset management business. If we consider only the FRE from our Asset Management segment, excluding FRE for advisory and our investments in VRS, which did not exist in 2021, we posted an FRE increase of 22% year-over-year, an acceleration in the fourth quarter when compared to the rest of 2022. As we have been communicating, we expected growth to accelerate in the back half of 2022, as private market fundraises gained traction and Vinci SPS had a full quarter impact in our FRE. In regard to the full year 2022, given the Advisory segment had an outstanding performance throughout 2021, the year-on-year comparison also carries the defect on top of the VRS investments, which was not present in the prior year.

As previously mentioned last quarter, we should continue to see growth for our core business FRE over the next quarters, due to some key factors. First, we will continue to fund raise for private market funds throughout the year. These funds carry higher fee rates than the average fee rate of the platform, and in some cases, such as VICC and VCP IV, we have retroactive fees to start of the funds. Second, we have funds that charge higher fees over invested capital such as Vinci SPS funds and Vinci Credit Infra. As they increase their capital allocation during the year, we should see an increment in fees. Both still have significant amount of dry powder to deploy.

Third, as already covered by Alessandro, we are starting to raise capital for VRS and should see revenues coming from this segment in the next few quarters. This new AUM should begin to offset the run rate cost for the segments. We are now also working with the possibility of potentially anticipating the launch of VIR V and Vinci SPS IV to the back half of '23, depending on how capital allocation opportunity develop for current vintage funds. And finally, potential additional M&A opportunities and a big focus company-wide on productivity and efficiency could also present further FRE expansion drivers. The combination of these factors creates a solid base for FRE growth in 2023, irrespective of a significant improvement in market conditions.

Moving on to margins. FRE margin was 49% in the quarter, up 1 percentage point when compared to the same period last year. For the full year, FRE margin was also 49%. When we adjust the margin to disregarding investment in VRS, FRE margin would have been 50% for the full year compared with 52% for the prior year.

Shifting to Slide 18, we go over our realized GP investment and financial income. Vinci had BRL 17.7 million in realized GP and financial income this quarter, down 18% year-over-year due to realizations in FIP Infra Transmissão that occurred in the fourth quarter of 2021. As we anticipated last quarter, we had a stronger-than-usual performance in our financial results due to local markets positive traction over the third quarter. In the fourth quarter, we faced a more challenging market environment with future interest rates widening considerably which impacted our liquid portfolio. This resulted in a more modest financial result in the quarter when we compare results with the third quarter.

As highlighted in the past, these movements are cyclical and we should see returns of at least 80% of CDI rate in the long-term return for our liquid portfolio, which has been the average return since our IPO. As of the fourth quarter, Vinci reached a total GP commitment of BRL 1.1 billion across private markets and closed-end products with close to 1/3 of these commitments already been called. The reminder will be called over time as funds deploy capital. We will continue to leverage our cash balance to raise new products across private markets.

Nonetheless, as Alessandro mentioned, we're closely monitoring opportunistic M&A transactions to accelerate FRE growth, adding value to our shareholders. Our strong free cash flow also played an important role delivering substantial value to our shareholders through share repurchases. Since the announcement of our first buyback plan in the second quarter of '21, we have concluded the repurchase of 1.8 million shares. We are announcing today an additional buyback program of BRL 60 million, which reflects the Board's confidence in the company's prospects and long-term growth by deploying cash from our cash earnings in a way that will benefit our shareholders.

Turning to Slide 19, we will go through our adjusted distributable earnings. Adjusted distributable earnings totaled BRL 55.8 million or BRL 1.01, down 19% on a year-over-year basis, driven by realizations in FIP Infra Transmissão, which occurred in the last quarter of 2021. Adjusted DE totaled BRL 247.7 million or BRL 4.47 in the full year, up 9% on a per share basis when compared to the last year. Adjusted DE margin was 48% in the full year, an increase of 2.7 percentage points compared to last year. We expect to continue to add shareholder value by expanding distributable earnings results over time as a combination of organic growth through fundraisings across our platform and inorganic AUM expansion through acquisitions, such as the transaction with SPS Capital, drive our FRE and ultimately, our bottom line.

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 22, our platform remains highly diversified, which we believe should be the main contributor to the resilience of our business. Disregarding the investments made in the VRS segment, 56% of our FRE over the full year 2022 came from our private market strategies, followed by IP&S with 21%, liquid strategies with 19% 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 markets strategies on Slide 23. FRE totaled BRL 33.7 million in the quarter, up 25% year-over-year, driven by the strong fundraising over the year and the incorporation of Vinci SPS. The biggest achievement across private markets this quarter was the signing of BNDES investment in Vinci Credit Infra and the VICC totaling BRL 1 billion in capital commitments. Both investments were activated in the fourth quarter, but we will start to have a positive impact on management fee revenues in 2023.

As predicted in previous quarter, we started to experience an increase in private markets average management fee rate. We should see continuous tailwinds to average management fee rates as we advance on fundraising and capital deployment over the next 2 quarters. Segment distributable earnings were BRL 134.3 million in the full year, an increase of 5% year-over-year, boosted by FRE growth.

Total AUM was BRL 28.7 billion for the end of the quarter, up 30% year-over-year, driven by strong fundraising across all private market strategies and the acquisition of Vinci SPS. Adding to the previously mentioned contribution from BNDES, we also had contributions throughout the year in our fourth vintage for our flagship private equity strategy, VCP IV.

Lastly, although facing an environment with high nominal interest rates, our REITs were resilient and raised close to BRL 800 million over the year. The success behind the capital raise was due to 2 factors: first, the partnership between our credit and real estate groups, launching REITs with exposure to private credit transactions, which are more appealing in this environment. Second, paying kind transactions for which we can raise AUM without having to access necessarily the primary markets, which has proven to be a valuable asset in tougher market scenarios.

Moving on to Slide 24. We go over results for liquid strategies. Fee-related earnings in the quarter of BRL 8.8 million, up 20% year-over-year. FRE over the year-to-date totaled BRL 38.3 million, down 10% when compared to last year. As a consequence of intra-quarter depreciation of AUM that impacted management fee revenues throughout the year and limited redemptions experienced in the beginning of 2022. Total AUM was BRL 10.2 billion at the end of the quarter with AUM being resilient compared to the Brazilian industry for liquid strategies. With public markets improving in Brazil, we should see a pickup in equity strategies from an inflow standpoint. Meanwhile, we will still rely on our sticky investor base to continue to provide stability to our earnings.

Moving on to our IP&S business on Slide 25. FRE totaled BRL 9.7 million in the quarter, up 14% on a year-over-year basis. Segment DE totaled BRL 10.3 million in the quarter, up 9% year-over-year. Over the year, segment DE was BRL 43 million, down 19% due to the stronger year for international exclusive mandates contributing to performance revenues in 2021.

Turning to Slide 26, we cover our results for financial advisory. FRE for financial advisory was BRL 8.2 million over the full year 2022, representing a decrease of 77% compared to last year. This was a result of a record 2021 for the advisory business. As previously discussed in several quarters, revenues for financial advisory carry a certain level of seasonality and although uncertainty to predict, they should resume post impactful results when markets improve and [due] activity reaccelerate.

Finally, moving on to Slide 27. We go over results for the Retirement Services segments. Fee-related earnings for the quarter was negative BRL 1.5 million, and over the year, represented a negative BRL 6 million. As Alessandro mentioned earlier, we should launch the product this quarter. Therefore, we should start to see revenue contribution at some point this year, starting to offset our setup cost for the vertical. We are very optimistic and excited with the prospect of VRS, and we'll keep updating our investors as the business develops through the year. That's it 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) Our first question comes from Ricardo Buchpiguel from BTG Pactual.

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

Congrats on the results. I have a couple of questions here. First, can you please talk about how do you guys see the asset class mix that you have today? How -- if you believe you are too concentrated in a specific asset class, if you believe you want to develop another area or something like that? And also, can you please talk a little bit about your pipeline in terms of M&A and what types of eventual new segments would you be interested in looking into? And finally, we signed the results that there was a positive nonrecurring impact related to adjustments on contingents and considerations. So can you please provide more color on what these adjustments are?

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

Thank you, Ricardo. That's Alessandro here. I will pick up the first 2 questions, and I'll leave to Bruno to answer the adjustment. In terms of asset classes, we continue to believe that we have already a very important diversification. So we will continue to focus on the asset classes that we have. As we have been stressing doing the time that we have been a public company. Of course, the movements in terms of AUM, the growth changes on 1 asset class to another over time, but we believe that we'll grow all of them.

As you saw recently, we saw a pickup of activity of fundraising for private markets, be it private equity, infrastructure and private credit. A few quarters ago, we saw more in our investment solutions, but that will come and go in that way. But we still believe that we have around a very important diversification in terms of asset classes, and we should concentrate in these asset classes going forward.

Second, in terms of M&A pipeline, with the market, the conditions of the market that we have today, as we mentioned before, we are seeing a lot of good quality teams and firms with not so easy environment to fundraise. But we see that as an opportunity for M&A transactions. Right now, we have a very big pipeline and we are focusing more in long-term lockup type of products being perpetual capital or very long term. So we are right now focused on M&A activity more on the private market side. And the last question I'll leave to Bruno to answer.

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

Thanks for the question, Ricardo. Good to hear from you. So the nonrecurring impact that you mentioned that has impacted our net earnings number for the quarter was an adjustment on the obligation that we have that is attached to the SPS transaction. So there's a portion of that transaction, which is linked to stock issuances. So we had 2 components in that deal. We had a cash component at closing in the third quarter of last year, and we have an equity component, which is based on an earn-out regarding additional revenue generated by the company. So that earn-out was adjusted in the fourth quarter for the change in stock price of Vinci. So that's the impact that we had, the one that you mentioned.

Operator

Our next question comes from Beatriz Abreu from Goldman Sachs.

Beatriz Bomfim de Abreu - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Can you hear me well?

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

Yes, Beatriz. Go ahead.

Beatriz Bomfim de Abreu - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

I guess the first question would be, I noticed that there was an IP&S outflow in the quarter. If you could maybe talk a little bit about that, give us some color around what that was and your expectations for the segment going forward? If you expect any more outflows this quarter or in the next few quarters?

And the second question would be around VRS. So you did mention you expect to launch this quarter, first quarter of '23, do you have any expectations as of now in terms of when you expect to breakeven in that segment? And also, what kind of management fee levels are you expecting from VRS?

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

Okay. Beatriz, thanks for the questions. This is Bruno. So I'm going to answer the first question, and Alessandro is going to tackle the second one. So in regards to IP&S, the outflow was concentrated in one commingled fund that we have in that segment. And the reason was basically the same reason why we had a little bit lower return on our assets in our liquid portfolio in the third quarter -- sorry, in the fourth quarter, which was the widening of interest rates.

So this fund is a fund that has usually positioned in short duration bonds. It's a quasi-fixed income fund that is looking to shorten or increase the duration of the portfolio, depending on the views on the market. But usually, it carries very short-term duration bonds. And with the widening in interest rates that we saw in the fourth quarter, the fund ran a couple of months or 2 or 3 months below the nominal CDI rates and that led to some redemptions.

I think we had the same effect in the third quarter, but due to a different reason, which was a couple of prints, monthly prints of deflation that we have that also hurt the short-term duration real interest rate bonds. So this fund was hit, let's say, a couple of quarters for different reasons in terms of performance. We saw some redemptions in the fourth quarter that we're very focused on this fund.

Now in the first quarter, we're already running above CDI in this fund. So the first couple of months, the performance is above 100% of CDI. So we expect that effect to now to become immaterial. And also regarding IP&S, we do expect to have some new mandates to come online eventually in the next few months, and those should also have a positive impact. We have won a few mandates that are going to be the -- those funds are going to be transferred to us in the next few months. So that should probably have a positive impact in IP&S inflows in the next couple of quarters, we expect that to happen. So -- and then I'll ask Alessandro to cover the second question.

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

Hi, Beatriz. Thank you for your question. Regarding VRS, as we said, we are very near the launch of the product, but we start especially through our high net worth kind of clients and also we -- later, we selected corporate. Having said that, that will mean that we will start with more wholesale type of clients instead of going more with through massive clients. So the idea to start slowly to test all the systems, to use the technology to make it everything ready is to have more and more transactions in our platform.

Having said that, our idea in terms of breakeven will be in 2024, maybe in the beginning of 2024, we will start in our view, already running a breakeven of VRS as a unit stand-alone.

Beatriz Bomfim de Abreu - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Perfect. And just a follow-up on that, if I may. Just in terms of management fee level if you guys are thinking something closer to an IP&S or something closer to liquid strategies given the client base.

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

That's a very good question. That will depend on the type of the mandate because inside VRS, we'll have 2 different sources of income, okay? The management fee itself and being an insurance company will also have the part of the insurance company that's already charged today in the scheme that we have on the funds that are related with pension plans. So we have these 2 type of revenues. Of course, one will be related with the insurance company itself and another one more like an asset management. And that will depend on the type of the mandate.

We'll have a lot of flexibility to build a kind of more like traditional portfolio that will carry, as you said, something more similar to IP&S, but we could have technically something more towards alternatives that will carry higher fees. And we use our own products and external products and also as maybe [ETF] to compose the overall portfolio of a client so that we have different components of this. If you allocate more like liquid stuff with more like an asset allocation point of view, we'll go for more like IP&S. But if you go more in the direction and the client wants on the alternatives, you have higher fees related to that.

Operator

Our next question comes from William Barranjard from Itaú BBA.

William Barranjard

So I have 2 questions here. The first one is regarding the realization of performance fees for 2023. So can you share with us how do you expect it to evolve earlier this year and then later second half of the year?

And the second question here is -- also regarding capital raise, so I would like to understand how you view which products should be easier or harder to grow and raise capital this year. And with that, if we should expect the increase in overall AUM being pushed mainly by the long-term part of the business. That's the questions.

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

Thank you for the questions, William. This is Bruno. So on the PRE side, we have, I think -- I made a comment in the past and just to reaffirm that there is an expected realization for '23 in the private side, which is our expected exit of the remaining assets in FIP Infra Transmissão, which is one of the funds that we have in the Infra side. And that asset is already booked in our income statement -- sorry, in our balance sheet, the expectation of that realization.

We have that in the slide that shows the future potential performance fees and also in the balance sheet. In this particular asset, we also have GP investments. So as was the case of the first assets that we realized in '21, the second asset will have an impact in both lines. So we're going to have an impact in PRE and also an impact in realized GP investments. That impact should be around BRL 15 million to BRL 20 million combined, the 2 impacts for our distributable earnings. There is significant demand for the asset. We are finalizing getting the required licenses for the assets to be fully approved by the regulatory body, but we have already received inbounds from strategic players.

So we feel confident that having the approval from the regulatory body, we should be able to move the asset quite easily, and that's expected to happen in '23. In regards to fundraising, we have discussed in the past few quarters, the target for fundraising in 2023 coming from our private market funds. We have all of them in the market today, the ones that we have mentioned. So we have the credit fund, we have VICC. We have private equity VCP IV. We should have also eventually the anticipation of VIR V and Vinci SPS.

My view today is that between all of these funds, what we're seeing most interest from LPs is in the climate transition fund. That has been a theme, really very strong team on a global basis. A lot of investors today, despite the fact that globally, we're seeing a little bit of a pullback in demand for private markets. This is an area of the market that we haven't seen that effect at all. So people are really still looking quite strongly into climate transition funds.

I think there's still a severe under-allocation to this thing globally. In Brazil, in our view, has a competitive advantage to answer part of this question, right? We have a very good geological and natural resources in the country. The load factors, if you look at load factors for renewable energy -- in Brazil, they are very, very differentiated when you compare to your peer, even American load factor.

So we can operate renewable energy in Brazil in a much more efficient way. So this has been one of the funds that we were seeing more traction. The other one that we're very excited about as well is Vinci SPS IV. So we're very happy with the partnership with the SPS Capital team. We are seeing a lot of anticipation in regards to Vinci SPS IV. We receive inbounds as well from local investors regarding the fund when the fund will come to market. Everybody wants to talk to us about the funds. So that's another product that we feel that once we have it online and available for investing, we also have potential impact, favorable impact to our AUM. I think for '23, as was the case of the second half of '22, we are going to see a protagonist from private markets, right? That's what we saw in the second half of last year.

Given the sheer size of the fundraise that we're going to pursue in these funds, I think it's very likely that we're going to continue to see protagonist from private market funds in '23 as well as was the case of the last few quarters of '22. We still have that target of BRL 10 billion. Now we are kind of halfway through a little bit less than halfway through, but kind of getting halfway through. And with what we're seeing from the market from a demand standpoint, I think we're going to probably hit that target by the end of '23. So that's -- that's what we see on that side. And obviously, we continue to hold, let's say, a positive outlook for improved fundraising for the liquid names in our portfolio as well. IP&S and equities are areas where we feel that we have an opportunity to raise money if the market conditions improve. And also talking about the REITs, right? I think we talked about that in the call today. The REITs will be a strong engine for us for fundraising eventually.

It's a group of products that when we had an open market we raised in a couple of quarters, BRL 1.4 billion in the first half of '21. That was the number that we raised. So it's -- and we had fewer REITs than we have today. So today, we have more products available for fundraising than we did have in '21. So we expect once the market has lower interest rates, hopefully, next year or by the end of this year when interest rates start coming down, and we have a more benign environment from an interest rate standpoint. This can be a group of products that can contribute quite meaningfully for the AUM of the firm from a fundraising standpoint. And on an ongoing basis, it can be a relevant contributor on an ongoing basis for us.

Operator

Thank you. That's all for today. I would like now to turn the call over to Mr. Alessandro for the final remarks. Please, Mr. Alessandro, you can proceed.

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

So I would like to thank you all for your support and confidence in the last 2 years since we've become a public company. And I'd like to share our optimism that derives from our very tested resilient model that we expect to continue to grow, at the same time, provide a very good profitability and dividend yield. So good night to you, and thank you all.

Operator

Vinci Partners conference call has now concluded. Thank you for attending today's presentation. You may now disconnect, and have a great day.
