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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Patria Investments Fourth Quarter 2020 Earnings Call. (Operator Instructions) I would now like to hand the conference to your speaker today, Josh Wood, Head of Shareholder Relations. Please go ahead, sir.

Josh Wood - *Patria Investments Limited - Head of Shareholder Relations*

Thank you. Good afternoon, everyone, and welcome to Patria's Fourth Quarter 2020 Earnings Call. Joining on the call today are our Chief Executive Officer, Alex Saigh; and our Chief Financial Officer, Marco D'Ippolito.

After market closed today, we issued a press release and earnings presentation detailing our fourth quarter and full year 2020 results, which you can find posted on our Investor Relations website at ir.patria.com or on Form 6-K filed with the Securities and Exchange Commission.

Any forward-looking statements made on this call are uncertain, do not guarantee future performance, and undue reliance should not be placed on them. Patria assumes no obligation and does not intend to update any such forward-looking statements. Such statements are based on current management expectations and involve inherent risks, including those discussed in the Risk Factors section of our Form F-1 registration statement filed with the SEC in connection with our IPO as well as our Form 20-F annual report to be filed next month.

As a foreign private issuer, Patria will report financial results using international financial reporting standards, or IFRS, as opposed to U.S. GAAP. Additionally, we will report and refer to certain non-GAAP measures, such as fee-related earnings and distributable earnings, to help investors better understand our business alongside similar companies in our industry. These measures should not be considered in isolation from or as a substitute for measures prepared in accordance with IFRS. Reconciliations of these measures to the most comparable measures calculated in accordance with IFRS are included in our earnings presentation.

Please note that we are reporting results for the fourth quarter and full year 2020, which preceded our initial public offering, and Patria was a private company for the entirety of these reporting periods.

As a quick overview of the results, Patria generated $16 million in IFRS net income in Q4 2020 and $62 million for the full year 2020. On key non-GAAP measures, fee-related earnings were $20 million for Q4 2020 and $71 million for the full year. Using our post-IPO share count, after-tax distributable earnings per share were the equivalent of $0.15 per share for Q4 2020 and $0.52 per share for the full year.

The first quarter of 2021 will be our first reporting period as a public company, and thus, our variable dividend payment will begin based on those results.

With that, I will now turn the call over to our Chief Executive Officer, Alex Saigh. Alex?

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Thank you, Josh, and good afternoon, everyone. We are thrilled to be here with you today on our first earnings call as Patria begins this new chapter in our journey. For 30-plus years, we have served our clients and LPs by delivering strong investment performance, which resulted in significant growth for our firm and recognition as a clear leader in private markets investing in Latin America.

Now with our initial public offering, we offer that same commitment to value creation for our shareholders, and we believe Patria has a very compelling opportunity as we look to the future. We greatly appreciate the support of investors who participated in our IPO or invested since then and the confidence you have placed in our firm and our management team.

Today, for the benefit of anyone who may be new to our story, I want to spend a few minutes introducing you to Patria and how our differentiated approach to investing in Latin America sets us apart. I will also provide some perspective on the current macro environment and the very attractive secular trends and opportunities that can drive significant growth for Patria looking forward. Marco, our CFO, will then discuss recent results as well as the important key metrics we will share with you on a regular basis to help understand our overall business performance.

But first, I wanted to take a moment and recognize the key pillar of success for our firm, our people. Over the last year, in particular, Patria and companies across the globe have been challenged like never before. When faced with the onset of the coronavirus pandemic early last year, our first priority was the safety and health of our employees, and we quickly transitioned through a remote working environment. In every area, our professionals showed the ability to improvise, adapt and maintained the same standards of excellence in our business operations. Without a doubt, our employees are our greatest asset, and I'm incredibly proud to lead the world-class team that we have built at Patria.

Now, how did Patria grow into what we are today? Our roots date back to 1988, when we were effectively an investment banking partnership with Salomon Brothers. Our first private equity fund was raised in 1997, which shifted the firm's focus to alternative investments and set us on the 20-plus year course to where we are today.

For the last decade, we have enjoyed a fantastic partnership with [Blackstone], the firm which truly sets the bar for our industry on a global basis. This relationship really helps to institutionalize our firm and prepared us in so many ways to navigate the road ahead. As last year ends 2020, our assets under management were $14.4 billion, representing nearly a 20% annualized growth rate since 2009.

Our 2 flagship asset classes, private equity and infrastructure, account for more than 90% of our current AUM and drove this growth with substantial scaling in each new fund vintage. We have been diligent about not just growth but smart growth at a rate where we have confidence in our ability to deploy capital efficiently and successfully. Our AUM is comprised of capital from the most sophisticated institutional investors across the globe with over 80% of commitments coming from outside Latin America and including 10 of the world's 20 largest pension funds and 6 of the 10 largest sovereign wealth fund.

Our LPs are loyal with more than 60% investing with us for more than 10 years, and they also invest across our platform with nearly 80% of commitments from LPs who invest in more than one product. The only way to generate and maintain that level of LP loyalty is investment performance, and Patria has demonstrated a rare ability to deliver consistent performance in the Latin American market. [Fund] net IRR since inception on a cash weighted basis is 16% for our flagship private equity strategy and 6% for infrastructure. In Brazilian reais, those same returns are 22% for private equity and 19% for infrastructure.

We attribute our performance to a time-tested investment approach, which we believe is key to success in the region. Our strategy targets resilient sectors, producing stable goods and providing essential services with a low correlation to GDP growth, health care, logistics and transportation, power and energy, food and beverage, data infrastructure and agribusiness. We focus on operational leverage and value creation, and our returns are generated using a little or no debt, which is a stark contrast to the default assumption of our industry. We also practice gradual and disciplined portfolio construction, staging capital deployments into investments over time, which mitigates foreign exchange and execution risk and allows our investment teams to concentrate capital in our biggest winners over the life cycle of a fund.

Portfolio company leadership is also critical to our strategy, and we take a very hands-on approach in this regard. More than 50% of our partners and managing directors have executive experience within our portfolio companies. Over multiple fund generations, this rapid growth in investment strategy has delivered exceptional returns for our LPs and generated high demand when our funds come back to the market.

With that perspective in mind, where are we today? And what opportunities lie ahead? In terms of macro environment, private capital continues to benefit from tailwinds across the globe, driven by abundant liquidity in the financial markets and an ever-present search for yield and higher returns amid a historically low interest rate environment. These trends in Latin America are even more pronounced, and we believe the region is still in the early stages of a secular transformation as the penetration of private markets relatively to GDP is still quite low compared to the more mature markets around the world. The private market asset base in Brazil represents only about 2% of the Brazilian GDP compared to about 8% globally and between 10% to 30% in developed economies such as Canada, Singapore, the United States and the United Kingdom.

Regarding the investment environment in Latin America today, we believe attractive opportunities remain intact in our target sectors despite the news of turmoil that tends to dominate recent global headlines. We correctly forecasted that the adverse shock of the global pandemic would affect our core geographies comparatively less than developed regions like Europe, meaning a less severe economic downturn and a faster recovery. By maintaining a disciplined investment approach, we were able to benefit from widespread prices locations and make very attractive portfolio investments. Our thematic focus on basic human needs, like health care, food and basic infrastructure, also made our portfolio particularly resilient in a time of crisis.

To be clear, the pandemic and related economic impact is still far from over. And the response to the crisis in the region was, in many ways, inadequate. But the launch of COVID vaccination programs, like in Chile and now in Brazil, is a critical step in the right direction. Additionally, structural reforms, including laws granting autonomy to Brazil Central Bank as well as growing infrastructure concessions in Colombia and Brazil, are all positive news for our investment risk outlook and hence had a strong pipeline of investment opportunities. Against this backdrop, I believe that Patria is well positioned for success in the years to come.

Our strategy for future growth is 2-pronged. First, we want to continue the strong growth trajectory of our established flagship businesses, private equity and infrastructure. I mentioned that these funds have scaled impressively in private vintages. We believe that trend can continue with strong growth in the overall private markets AUMs in the region even if we make conservative assumptions about Patria's market share. Our reputation was built with investment success in these businesses, and we will remain highly focused on delivering returns to our global LP base and attracting larger amounts of capital through our highly sophisticated fundraising organization.

Second, given the financial deepening taking place across many countries in Latin America, we also have a compelling opportunity to grow our newer strategies targeted at local investors. With interest rates in Latin America falling even more sharply than the rest of the world in recent years, there is a significant search for yield among local, high net worth and retail investors and a booming appetite for liquid products like REITs and core infrastructure as well as credit products.

Just last week, in fact, we announced the closing of our first core infrastructure fund, a publicly traded evergreen vehicle that is fee-focused and will target high-quality operational power generation and transmission assets in Brazil. These strategies account for just over $1 billion in AUM, but we believe there is a sizable opportunity to proceed.

If we are successful in executing both our flagship business and key growth areas, we believe there is a significant potential for shareholder value creation. Through growing our base of fee earning AUM, we can drive operating leverage for the firm and grow our fee-related earnings, which is a highly valued and predictable earnings stream.

Through continued strong investment performance, we can also deliver significant performance fees as our portfolios exit over time. With our variable dividend policy, those earnings streams will be largely shared with our shareholders at approximately 85% of distributable earnings, making Patria a compelling holding for both income and growth-minded investors alike.

Now putting that altogether, I speak to you today with a great pride in Patria's achievement to date and a real sense of excitement and determination as we enter this new phase of our journey. Please note that we take great care in our role as fiduciaries of our shareholders' capital, and we look forward to communicating with you every quarter about our results and key developments for the firm.

Helping me in that effort is our Chief Financial Officer, Marco D'Ippolito, who is a 16-year veteran of Patria, and I am thankful for his leadership through our IPO process. I will now pass the call over to Marco to provide more depth of our recent financial results and key metrics. Marco, please?

Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

Thank you, Alex, and good afternoon to everyone on the call. Patria's IPO was a challenging but very important project to position our firm for future. And I very much appreciate the hard work of the many people, internal and external, who made it all possible. In a way, we have been preparing for this for many years by building a world-class platform, and going public was a natural path for us. We feel the offering was a great success with strong demand from a diverse range of investors, and we look forward to building our shareholder base as we tell our story.

Our results for the fourth quarter and full year 2020 are consistent with the statement provided in the recent development section of our F1 filing in advance of our IPO in January. After-tax distributable earnings were $20 million for Q4 2020 and $70 million for the full year.

Fee-related earnings is a key focus of our management of the business given the value placed on this measure by investors, and we have high visibility on FRE growth based on the stability and structure of our fee revenue. We generated fee-related earnings of $20 million in Q4 2020, up 20% from $17 million in Q4 2019. The increase for the quarter is primarily a result of the higher fee revenues driven by capital deployment on our latest funds as well as lower personnel expenses. For the full year 2020, fee-related earnings totaled $71 million, up 13% from $63 million in 2019.

Management fees grew 8% year-over-year from $105 million to $113 million as a result of an active investment and fundraising pace during the year. The incentive fees of $3.5 million were above our expectation with outstanding performance from the Constructivist Equity Fund, which applies our private equity investment strategy, to publicly listed companies. That fund yielded 19.8% in 2020, an impressive return well above the local benchmarks. However, the incentive fees were down from $18 million in 2019 because of a one-off reorganization event that triggered a cumulative incentive fee realization. As a result, our total fee revenues were down slightly from $119 million in 2019 to $115 million in 2020, but that decrease was more than offset by the lower expenses driven by lower incentive fee compensation as well as a beneficial impact of the currency movement for our nondollar-denominated expenses. This result in the year-over-year fee-related growth of 13%, as mentioned with an FRE margin of 62% for 2020. As we look to 2021, we expect continued strong fee revenue growth as we deploy capital, offset partially by post-IPO adjustments to our compensation structure. We expect the net result to be solid FRE growth on a nominal basis with an FRE margin in the mid-50% range.

Now let's turn to net accrued performance fees. This metric represents the balance of the performance fees that would be realized net of investment team compensation if all investments were liquidated at a current valuation. The accrual is based on unrealized investments, which are subject to future valuation impact, but it provides the best indicator for near- to medium-term performance fee realization.

We have provided you with some details in our presentation to give a better sense for the fund level drivers. It is important to note that as Latin American investors, many of our portfolio investments are denominated in local currencies, while our flagship private equity and infrastructure funds are denominated in U.S. dollars. Therefore, the fund returns as well as the net accrued fee can be affected by currency fluctuations. Despite substantial Latin American currency depreciation against the dollar in 2020, the overall operating performance of our portfolio was actually very resilient. As a result, our accrual held up very well against the currency headwind with $276 million at year-end 2020, down only slightly from $292 million at year-end 2019.

As you can see on the presentation release today, about $238 million of the $276 million of net accrued performance fees are in 2 funds: Private Equity Fund III and V. Note that our funds utilize European model waterfall distribution for carried interest, meaning all contributed capital plus the preferred return hurdle must be returned to LPs before any accrued performance fee can be realized.

You can observe the levels of capital return in the funds performance table shown in our presentation. The $55 million net accrual in Private Equity Fund III is supported by only one remaining investment, which is publicly traded, as well as receivables from prior realized investments. We have already realized 1.8x the invested capital in that fund.

For Private Equity Fund V, the $183 million net accrual is supported by 9 unrealized investments, and the fund is already market at a gross multiple of 2.4x with a net IRR of 36%. Additionally, one of the largest holding in Fund V just recently filed for an IPO.

We remain confident that we can realize performance fees in these funds during 2021, but the exact timing and mix will be driven by the best investment decisions for our LPs. Our core business model is based on seeking to deliver exceptional returns to our fund investors. And if we succeed in that, the related performance fees will ultimately accrue and monetize to our shareholders over the life of our funds.

Now turning to asset under management. Our total AUM was $14.4 billion at year-end 2020, down slightly compared to $14.7 billion 1 year ago. We had $1.4 billion of inflows from fundraising activity, and our portfolio companies continue to perform well. The slight decrease overall was driven by the negative impact from foreign currency translation as well as outflows attributable to divestment activity.

The current total AUM is comprised of $8.6 billion of fair value in our current portfolio; plus $5.8 billion of uncalled capital, a portion of which is already committed to existing investments. Fee earnings AUM, which reflects the basis on which we earn management fees, reached $7.7 billion at year-end 2020, up 12% from $6.9 billion over a year ago. Perhaps the most important message to take away is that our fee-earning AUM and our fee revenue are very durable and sticky.

Since our flagship funds are denominated in U.S. dollars, currency translation has only minimal impact on fee earnings AUM, and more than 70% is contracted for over 5 years. Virtually, all our AUM is held in either traditional long-dated closed-end funds or in evergreen style vehicles, which are effectively permanent capital. None of our AUM is subject to unrestricted quarterly redemption, which we believe limits short-term risk to management fees in times of market volatility. Pending fee earnings AUM of $3.6 billion reflects commitments that have been secured but have not yet started to earn management fees. Our latest flagship private equity fund charges fees as capital is deployed or reserved for deployment, and we currently have more than $2 billion of uncalled capital in that fund to drive revenue growth.

Now on fundraising and portfolio activity. We raised $1.4 billion in 2020, driven by the final closing in Infrastructure Fund IV as well as additional fundraising for our locally targeted REIT vehicles. In our closed-end flagship funds, we deployed nearly $1.5 billion in 2020, driven by Private Equity Fund V and VI and Infrastructure Fund IV. Specifically, we continue to invest in our core sectors like health care and agribusiness, in private equity and renewable energy and toll roads and infrastructure.

We also realized $1 billion during the year for the fund investors driven by exits in Private Equity III and IV and Infrastructure Fund II and III. Successful divestment activity included a partial exit of Hidrovias do Brasil in one of the largest IPOs in Latin America in 2020; and a full exit for Argo, an electric power transmission company at a gross multiple of 4.4.

While 2020 was a very successful year for Patria, we're even more excited about the future. Let me put a finer point on the key items that should drive our growth over the next few years. First, we have highly visible fee revenue growth to be driven by $3.6 billion of pending fee-earning AUM that will be activated when invested. I noted that we deployed $1.5 billion in 2020, and we believe we can continue at a healthy pace in 2021. For our latest private equity fund, Fund VI, further deployment will also bring us closer to raising our next-generation fund. We scaled Fund VI by 50% compared to Fund V, and our goal will be to scale it again.

Second, while timing of realized performance fee is difficult to predict, we believe we are near a significant turning point in this earnings stream and remain confident in realizing performance revenue in 2021. Portfolio company operating performance is strong, and we see good environment for public listing and exit. As you follow our metrics each quarter, the net accrued performance fee balance will be a helpful indicator of the potential future cash earnings, and the detail by fund can cash light on the maturity and readiness for realization.

Third and finally, we have a real opportunity to be an innovator for private markets in the region, and our country-specific strategies can be a key growth engine for the firm. Our first infrastructure core product announced last week is just the latest example in a growing suite of products, which already includes our Constructivist Equity Fund and our growing family of REITs. There is also significant white space in credit where private markets AUM globally continues to catch up to demand.

Looking beyond Brazil, we believe we can also replicate some of these strategies in other Latin American countries, such as Chile, Colombia, Peru and Mexico. With our IPO, we now have capital and equity currency to pursue M&A opportunities, where there is a compelling strategic fit. While we will be very patient and deliberate, we do believe there is an attractive environment for consolidation in the regional industry, and Patria is positioned better than anyone to be the protagonist of that story.

Now in closing, we express again our sincere appreciation for the support of our investors and our excitement for the road ahead. We hope that even more of you will join us in that journey. We look forward to interacting with you here each quarter, and we will always strive for transparent disclosure and communication that helps you understand and evaluate our performance.

Thank you for joining us. And with that, we will open up the line to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question will come from the line of Craig Siegenthaler from Crédit Suisse.

Craig William Siegenthaler - *Crédit Suisse AG, Research Division - MD*

I wanted to see if you could provide us an update on the M&A outlook now that you have a valuable currency in the pack stock you can use to finance a transaction.

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Thank you, and I hope you are -- you and your family are well as well. This is Alex Saigh speaking. Well, we have been talking to several potential candidates. As Marco described. We have now the primary offering to give us now additional weapons, as you may, for the acquisitions. We have no MoU signed, anything in that nature. But we are looking forward to actively pursue acquisitions, as mentioned during our IPO roadshow and now by Marco, our CFO. So unfortunately, I cannot disclose anything further than that, but this is a significant and important part of our expansion, and we look forward to continue pursuing this strategy in the near future.

Craig William Siegenthaler - *Crédit Suisse AG, Research Division - MD*

Great. And then just as my follow-up, I know most of your clients are actually outside of Brazil. But inside of Brazil, when I think of some of your newer products, the REIT, the CEF, the credit strategies, can you help us think about these businesses and how much they could fund raise, let's say, this year?

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Well, thank you again for the follow-up question. Yes, we're very excited, as I mentioned, with our Brazil-centric strategies. As you can see, we have launched these products 3, 5 years ago targeted to the -- mostly to the high net worth and mass affluent Brazilians. We have -- so those are our main clients for these products. Of course, we use distributors to reach out to these clients.

We have been doing a lot in that front. As you can see in the past, in 2020, for example, we did do follow-on offerings for our REITs. We did then early in 2021 raised our first core infrastructure fund. So we are very, very active in that front, launching several products and should continue with the same pace as you saw, as you probably noticed for 2020. It's hard for me to give you a prediction, a number. But definitely, we are very excited with these new activities, and our products have been very well accepted by our clients.

Operator

Our next question will come from the line of Mike Carrier from Bank of America.

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

This is Dean Stephan on for Mike Carrier. I think you guys touched on this a bit in the prepared remarks. But just given some of the macro uncertainty in Brazil and some expectations for higher rates, do you expect this to have any impact to fundraising or performance fees either in the near or the longer term? And how high would interest rates have to rise in order to cause a more meaningful fundraising headwind moving forward?

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Thank you, Dean, and I hope you and families are well as well and in this crazy times here. But on the interest rate side, as you know, interest rates are historically low in Brazil. Very recently, they have been raised to 275% per year. And I'll ask our head economist, Luis Fernando is here on the call, to comment his view on the macro side.

On the effects of our business, we don't see a major negative effect. We have been fundraising, not only ourselves, but our industry in the last years when interest rates in the region and in Brazil were higher than the current interest rates. To give you an example, our real estate investment trust industry in Brazil went from BRL 1 billion of AUM in 2009 up to over BRL 120 billion in 2019. So in a 10-year period, that asset class grew the industry as a whole in Brazil by 120x. And interest rates during that period, 2009 to 2019 were a lot higher than today.

Most of these products are traded on an inflation plus basis. For example, some of our REITs are yielding inflation plus 6%, inflation plus 8% per annum. So if you do have inflation picking up, then you have interest rates picking up in the region. But we -- as our products do yield inflation plus, for example, our real estate investment trust and recently now our infrastructure core products, that's how we sell them, how -- that's how the industry sell these products. They have this inflation protection. So it's a real -- actually, interest rates is above inflation, the 6% to 8% that I mentioned for some of our REITs.

So that actually protects the product. And therefore, here, that's why my answer that, of course, the rise in interest rates up to a level does not affect the growth of our industry as I mentioned about the real estate investment trust industry growth in the past 10 years. But I can invite my Head economist here and partner, Luis Fernando, to mention his view on inflation and interest rates for the economies here in the region for this year and next year. Luis, please.

Luis Fernando Lopes - *Patria Investments Limited - Partner and Chief Economist & Strategist*

Of course. And again, Luis Fernando Lopes, I'm Head Economist and partner for Patria. The scenario of high interest rates in Brazil actually was not unexpected for us. It was part of our macro scenario for Brazil. Since last year, we've been advocating that the economic downturn in Brazil would be much smaller than consensus. The recovery, much faster than consensus. On the flip side of this scenario is that inflation pressure would emerge sooner than market consensus expected, and we are forecasting interest rates to start rising Brazil in the first half of the year, which did happen.

So Central Bank started with a strong tone. The idea is basically, they want to stabilize inflation expectations, and then what we expect here is a correction of a macroeconomic distortion. We have the short end of the Brazilian curve shows nominal interest rate around 2%. And inflation, the 12-month trade inflation is already north of 5%. So actually, we have real negative interest rates. Central Bank is going to correct this.

But in terms of further steps, we think the Central Bank will continue to tighten throughout 2022 but -- sorry, 2021, but probably there will be no need to further -- for a further monetary tightening in 2022. So basically, all the adjustments will take place this year enough to check inflation, enough to deliver something close to the inflation target in Brazil this year, which is 375%, and also enough to stabilize the currency, which is an important development.

Central Bank is not targeting the currency itself. But it's of course, if the currency continues to depreciate and continues to be significantly undervalued, which is the situation right now, that doesn't help the inflation to check inflation. So probably, we are going to see also some currency stabilization, which is probably likely to be good news for the rest of our businesses as it became -- because we have a significant part of our revenues that are dollar-denominated.

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

I think, Dean, just to comment here, sorry, what Luis Fernando just mentioned, a slightly higher interest rate actually stabilizes the currency, which is your -- was the second part of your question, because it does attract investors to invest in the region and to invest in interest -- in fixed income-related instruments, stabilizing the currency, which means not further devaluating the currency, which then helps our business as far as performance fees are concerned.

So this move that -- from the Central Bank this week in Brazil, the Brazilian Central Bank, was positive news for us, to be honest. And I think that now we -- going into the negative real interest rate scenario is not very healthy. So they had to correct it, and we were expecting this rise. And that's actually positive, not only for our Brazil-centric businesses, again, they are inflation protected because they are priced at inflation plus, but also for the performance fees of our longer-term private equity and infrastructure funds because it stabilizes the currency. So in our view, of course, given a level, we think that what was done by the Brazil Central Bank was positive to us, not negative.

Operator

Our next question will come from the line of Tito Labarta from Goldman Sachs.

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

My question is somewhat similar to the previous question, but more just thinking about the market moves we've seen and some of the weakness in the market. How that could impact your ability to realize performance fees this year? And also with the pipeline of IPOs, it's been pretty strong in Brazil, but perhaps that gets delayed a little bit. So how do you think about the performance fees and the sensitivity to the movements in the markets that we're seeing?

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Well, I think we have -- again, I think we're pretty, I think, positive about what's going on. I think we have not seen any major impact in our fundraising or actually in our businesses. I think if -- Luis or Marco, do you guys want to further comment on that as well?

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Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

Yes, sure. Tito, this is Marco. So we continue to have a healthy accrual if you find our presentation, BRL 276 million, after a year where the Brazilian real depreciated 30%, or almost 30% is pretty healthy, and that shows how resilient our business are; in addition to that, how much value we are adding in Brazilian reais to the portfolio that has exposure in Brazil.

So we remain very positive and confident that we are going to generate the realized performance fee. The exact timing and mix in between funds is very hard to predict, where we will be always acting in the interest of our LPs. But as far as company performance is concerned, and you can tell that by looking at the charts that we showed on the presentation about the value that is being created, not only that, but the other shot that it would encourage you to look at is the performance of the funds, you can tell that the businesses are reacting very positively both on a relative and an absolute basis in a year like 2020.

Luis Fernando Lopes - *Patria Investments Limited - Partner and Chief Economist & Strategist*

And from my corner, just to add a little bit, what just Marco -- this is Luis Lopes, sorry to -- I forget to make myself clear here. Basically, if you take the impact of the recent high interest rates, we are talking about, again, the short end of the Brazilian yield curve. So this is interest rates for the next 3 to 6 months.

If you go to the long end of the curve, though, interest rate there already at 8%. So if you discount values, the net presence value discounted by the long end of the curve, which is already 8%, so doesn't -- shouldn't change that much because the rise interest rate was pretty much price being already. So I think there will be short-term volatility in the market. The stock market may be a little bit surprised by the Central Bank move.

But in terms of the net impact on the market as a whole, we don't expect a sharp deterioration because the basic drivers of growth in Brazil remain the same, and those part of the store that we cannot control. For example, on commodity prices, they are distributing pretty well. So we expect some noise in the short term but nothing in terms of -- nothing dramatic in terms of fundamentals and then the prospect for exiting through IPOs. Also, the capital markets remains pretty much the same.

Operator

And our next question will come from the line of Domingos Falavina from JPMorgan.

Domingos Falavina - *JPMorgan Chase & Co, Research Division - Head of Latin America Financials*

Actually 2 questions here. The first one is higher rates have been supportive of the BRL, and you guys have carried -- computed in dollars. So I actually thought the opposite if higher rates could support more FX. And if you guys have any kind of estimates as far as the impact on, I guess, on like 5%, 10% BRL appreciation and how that feeds into your accrued performance?

And the second is a very simple question, actually, on Slide 13, it might be something I'm missing. But on the bottom left, you basically have inflows, outflows, valuation impact in currency. And in inflows, there is a negative 40 million instead of a positive. This is only the table has negative inflow. And given you separated FX, I'm not really sure it's under the infra and quarter-on-quarter. I'm curious to know what exactly is the negative inflow number.

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Okay. Domingos, thank you very much for the question, and I hope you are well. This is Alex here. I'll answer the first part of the question, and then I'll turn it over to Marco to answer the specific number that you just mentioned there.

On the performance fee, if you look at the past, in 2020, I think being a good year for us to talk about this, and we have that shown on Slide 9 of our presentation. You can see that our performance fee, the accrued performance fees for the year of 2020 was really resilient from USD 292 million to USD 276 million when the currency devalued from BRL 4 to the dollar to BRL 5.2 to the dollar. That -- because what happened there, you can see in the slide, you have a lot -- some of the companies that actually did very well, mostly the resilience exposed to the -- companies exposed to resilient sectors like health care and agribusiness, et cetera, that did actually do -- did very well during the coronavirus months.

If we do go the opposite way and we have a strengthening of our local currency here in 2021, now that can actually add to the effect that our companies continue to perform well in '21. There's no reason why they changed their performance trajectory because they performed well in 2020, and we had so many years of lockdown -- so many years, I'm sorry, so many months of lockdowns and so many months of confusion because of the coronavirus, and you have this kind of performance that you can see in Slide #9.

We come into 2021, companies continue to perform well. We -- hopefully, we're going to have a second semester in '21 better than the second semester in 2020 now with the vaccination programs in the region, et cetera. And in addition to all that, if the currency appreciates, I think we know it's really positive for us.

And that's what -- I tried to say that in my previous answer. When interest rates in Brazil do go up slightly as they did this week, actually, it's -- in our view, it helps stabilize the currency and even actually supports a strengthening of the currency. Everything else, of course, stable. The political side of the region and whatever, other things are stable, we can actually -- we can see a stabilization or even a depreciation of the currency given where most of us see kind of a weakening of the U.S. dollar in the next coming months or years.

So that's on our side here on the performance fee side. Hopefully, I answered your question. I'll turn to Marco, our CFO, here to answer your second question, please.

Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

Domingos, and again, thank you for your question. Just to add to what Alex said, a good segue to that is an indication on how Brazil and our performance fee and generation of performance fee is really looking at this year. If you look at this year and you see how much the currency depreciated and how much resilient the performance fee was. I think it's a good segue to think about how resilient the business is.

As for your specific question, the inflows, and I invite you to take a look at -- and of course, I can give you more details on that. On the note, you see that the inflows of the fee earnings AUM, it's a combination of different numbers. And if you note, there is -- between parenthesis that there is a very specific note on deployment and reserves. If there's any increase or decrease of reserves that may, in a situation where the number is very small, create a positive effect to the inflow with a negative effect to the inflow, which is a little bit awkward, but it is correct. And I can follow up with you later on to give you the precise details on how these figures work.

Domingos Falavina - *JPMorgan Chase & Co, Research Division - Head of Latin America Financials*

Okay. Just broadly speaking, what's the reserve?

Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

So if you think about the fee earnings AUM as the capital that is eligible to charge fees, every time that we are committing capital to an investment and we have firm commitments and reserves for investments, this is the amount of fees that we're making out of the fee earnings AUM. So if there's any change for any reason in the reserve, that may produce a negative effect.

Domingos Falavina - *JPMorgan Chase & Co, Research Division - Head of Latin America Financials*

So basically, like you're shifting something that earn fee to a new market, to a new investment that doesn't earn fee. So you're reserving on the site.

Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

It's not exactly this. It's we are reserving capital for certain investments. And if for any reason, we are not deploying that capital, that produces a negative impact. I'll be happy to follow up on the very specifics of this mechanics.

Operator

(Operator Instructions) Our next question will come from the line of Robert Lee from KBW.

Robert Andrew Lee - *Keefe, Bruyette, & Woods, Inc., Research Division - MD & Analyst*

I apologize if you maybe have mentioned this early on. I got on the call a bit late. But can you maybe update us on maybe a little bit more near term kind of pretty far through the quarter in addition to the core infrastructure? Can you maybe update us on what your current plans are? Are there other things you've kind of listed products that maybe you've kind of filed for and maybe if you have a sense of kind of the current commitments you may have and our unfunded that we should expect to kind of flow through over the next several months or quarters? Just trying to get a sense of kind of the near-term kind of new business flow.

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Well, thank you, and thanks for asking if we are well. We'll all well and safe here, I hope you and your family as well. And thanks for taking the time actually to participate in our call. This is Alex Saigh, again, here, the CEO. I think on the first part of the question, and then the second part of the question, I'll turn to Marco to give you the amount that we still have to charge fees, the uncalled, which we call them here, as you know.

First part of the question is, we have -- I can't give you actually a number, as you probably know, but we're very excited with the Brazil side of the story here. To give you a perspective of color on -- you know that we have listed equity product, we have REITs and we have now an infrastructure, core infrastructure listed product. And we are raising money currently for all of these strategies, all of these families of funds.

For our listed equity fund, we are raising money every day. It's -- every day, we're out there, raising money for this fund since the inception of this fund. And if you look at how much we have raised in the past, you can have an idea of what we do in the future here. If you look into 2020, I think you can actually see how much we have raised for this fund. And this fund raises a little bit every day because that's how the mechanics of the fundraising of a listed equity fund, as you know.

On the REIT side, we are also very excited. We did a follow-on for our logistics REITs last year. And we, as you know, we intend to continue fundraise for -- we mentioned this during the IPO roadshow, do follow-ons for the current REITs. We have 2 thematic REITs. We have a corporate REIT. We have a warehouses REIT. As I mentioned, we did a follow-on for the warehouses REIT last year. We did also -- we did an IPO of our -- sorry, of our warehouses region. We did a follow-on for our corporate REIT. So we will continue doing follow-ons for these REITs, and it's part of our business. As I mentioned, we intend to do -- we intend to take public REITs with other themes, other thematic REITs, as mentioned during our IPO roadshow.

On the infrastructure side, we're very excited. We also mentioned that during the roadshow that we were looking to IPO, to list an infrastructure core product. We did early this year, and we intend to continue growing that fund and doing follow-ons. And there are other strategies that we want to have a core infrastructure IV listed as well.

And lastly, I did not mention the credit products. We are also growing that and looking for other strategies to continue to raise money. So it's very, very active, actually, and we're very excited with all this activity -- level of activity.

And looking into 2020, you can see more or less where we are. And now adding to the 2020, we have now the infrastructure IV. And so exactly, I can't give you a number, as you probably know, but it's very, very exciting time. And hopefully, we will continue with that excitement during this year. Thank you.

Marco, do you want to answer the second part of the question here and how much we have of unfunded, please?

Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

Sure. Thank you. And it's important to note that we are very excited with the fundraising of the local strategies. But you look at our financial phase as well, it is important to note that what really drives -- do you mind muting your line? It's making just a little bit noise. Thank you. And it's really the fee earning AUM that it's pending actually to compose our fee paying AUM, which is a $3.6 billion so this is very significant because it's capital that is contracted. It composes the base of our fee -- it will compose the base of our fee-earning AUM as soon as we deploy the capital. So that capital that is contracted is long term. It will compose the space. And if you combine that information with information that we have been historically deploying $1.5 billion, that is the number that we deployed for 2020, that gives you -- that's a good segue and gives you good visibility on what to expect in terms of fee earnings growth for our business. And that again composes 80% of what we are today, okay?

So that to mention that there is there is -- and given the $3.6 billion gives a fair visibility for the next couple of years. When you combine the information, and this is on the previous page on Page 11, to the fact that our latest fund are halfway through, if you add up the deployment and reserve capital for Private Equity VI and for Infrastructure IV, you're going to see that they are halfway through. And we're very confident that we will continue with the deployment phase and with the investment and commitment pace of these funds, which will then be a segue for the fundraising of the next family of flagship funds. So that gives a visibility on part of the second question.

And even -- and on the previous page, when you look at the uncalled -- with the breakdown of our AUM, you'll see that we have today out of 14.4, approximately 5.8 of uncalled capital. So that's -- that composes the dry powder of our funds and gives also a notion of our ability to continue investing and scaling up the current and new platforms.

Operator

Our next question will come from the line of Craig Siegenthaler from Crédit Suisse.

Craig William Siegenthaler - *Crédit Suisse AG, Research Division - MD*

Guys, just a quick one. On the AUM roll forward on Slide 13, can you just remind us what the fund's capital variation is, the $775 million for 4Q? Yes, that's it.

Alexandre Teixeira de Assumpção Saigh - *Patria Investments Limited - CEO, Senior Managing Partner & Director*

Marco, do you want to take this one?

Marco Nicola D'Ippolito - *Patria Investments Limited - CFO & Managing Partner*

Happy to. Give me 1 sec. So capital variation is the net change in the working capital at the fund level. So for instance, recycling or the use of credit facilities, so that's a miscellaneous of figures within the fund that we decided to carve out from the figures that we wanted to highlight that are really the ones that indicate the activity of the funds.

Operator

And I'm not showing any further questions in the queue. I'd like to turn the call back over to Josh Wood for any closing remarks.

Josh Wood - *Patria Investments Limited - Head of Shareholder Relations*

Thank you, Victor, and thank you to everyone for joining the call today. Our shareholder relations contact information is listed in our presentation as well as on our IR website. Please feel free to reach out to us at any time with questions, and we look forward to speaking with you here again next quarter. Have a good evening.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.