

PERFORMANCE OF BRAZILIAN PRIVATE EQUITY AND VENTURE CAPITAL FUNDS FROM 1994 UNTIL 2020

June 2022



DATA

- We selected all funds (FIPs) listed in Comissão de Valores Mobiliários (CVM) that are classified as Private Equity and Venture Capital by ABVCAP. Dataset is complemented with funds from Spectra-Insper database, which includes Brazil and Latin America funds with Investments in Brazil. Fund of funds, real estate, infrastructure funds and FIPs used as investment vehicles of family holding were excluded.
- We use financial statements data from CVM to calculate net performance measures for each FIP. Data from Spectra-Insper database is provided by general partners and we only use net performance measures.
- **381 funds** raised between 1994-2020. **272 are FIPs** and **109 are funds from Spectra-Insper database**. **289 are Private Equity funds** and **92 are Venture Capital funds**.
- We aggregated FIPs used as investment vehicles for **five offshore funds** into portfolios that represent the underlying funds' investments in Brazilian companies.

PERFORMANCE METRICS

- We estimated cash flows of capital calls, capital distributions, investments in portfolio companies, divestments, dividends, other proceeds, fees and market value of the fund's equity based on the information in the FIPs' financial statements in December 2020.
- We estimated the following metrics for net returns: **Total Value to Paid-in (TVPI)¹**, **Distributed to Paid-in (DPI)²**, **Internal Rate of Return (IRR)** and **Public Market Equivalent (PME)³**.
- We converted the monthly cash flows from BRL to USD using the monthly average bid exchange rate quoted by the Brazilian Central Bank for the performance metrics in USD.

¹ TVPI = (Sum of all Capital distributed + Portfolio Market Value in 2020)/(Sum of all Capital Called)

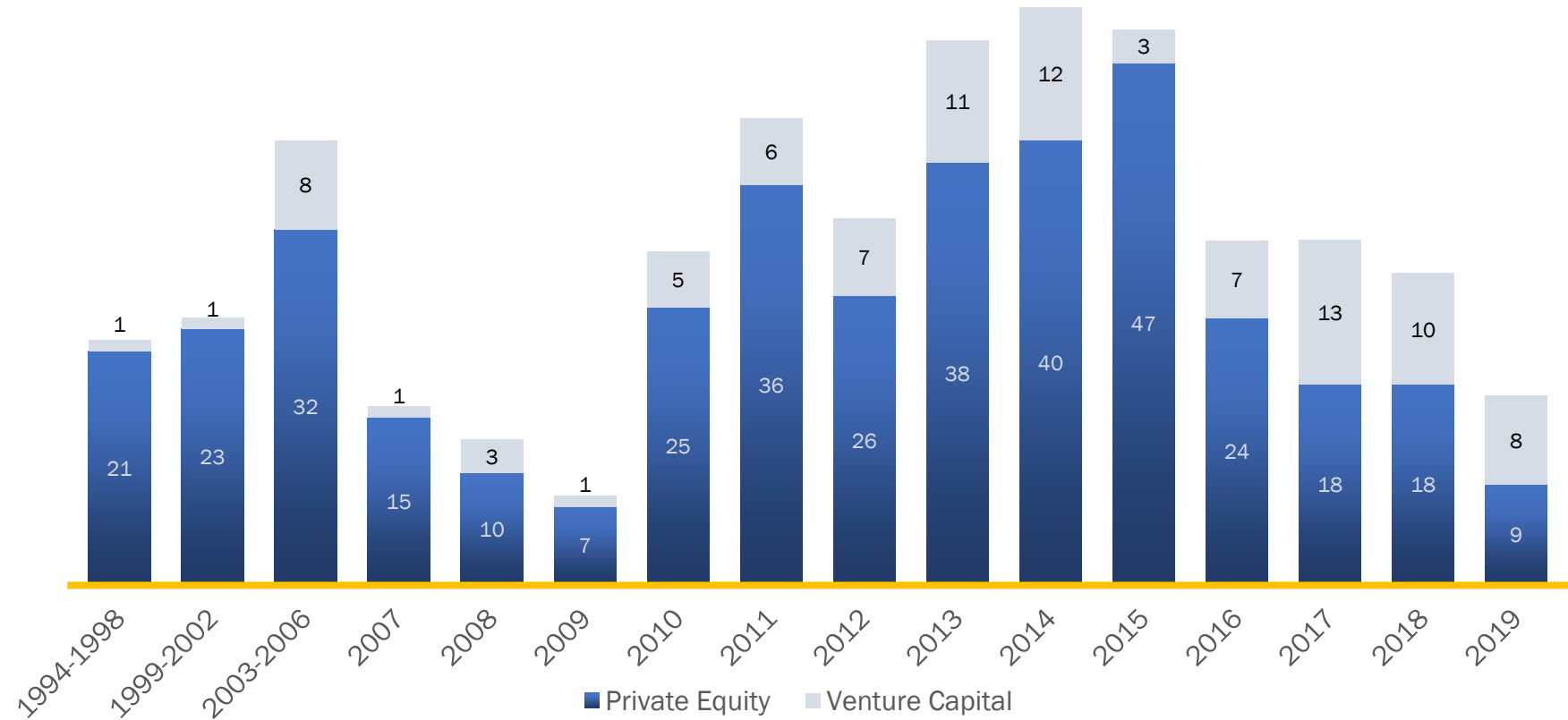
² DPI = (Sum of all Capital distributed)/(Sum of all Capital Called)

³ PME was calculated as the sum of the net present value of cash inflows (distributed capital) and the net present value of portfolio market value in December 2020, divided by the net present value of cash outflows (sum of capital called). To estimate the net present value of each cash flow, we used the return of the benchmark between fund inception and the dates of the respective cash flows.

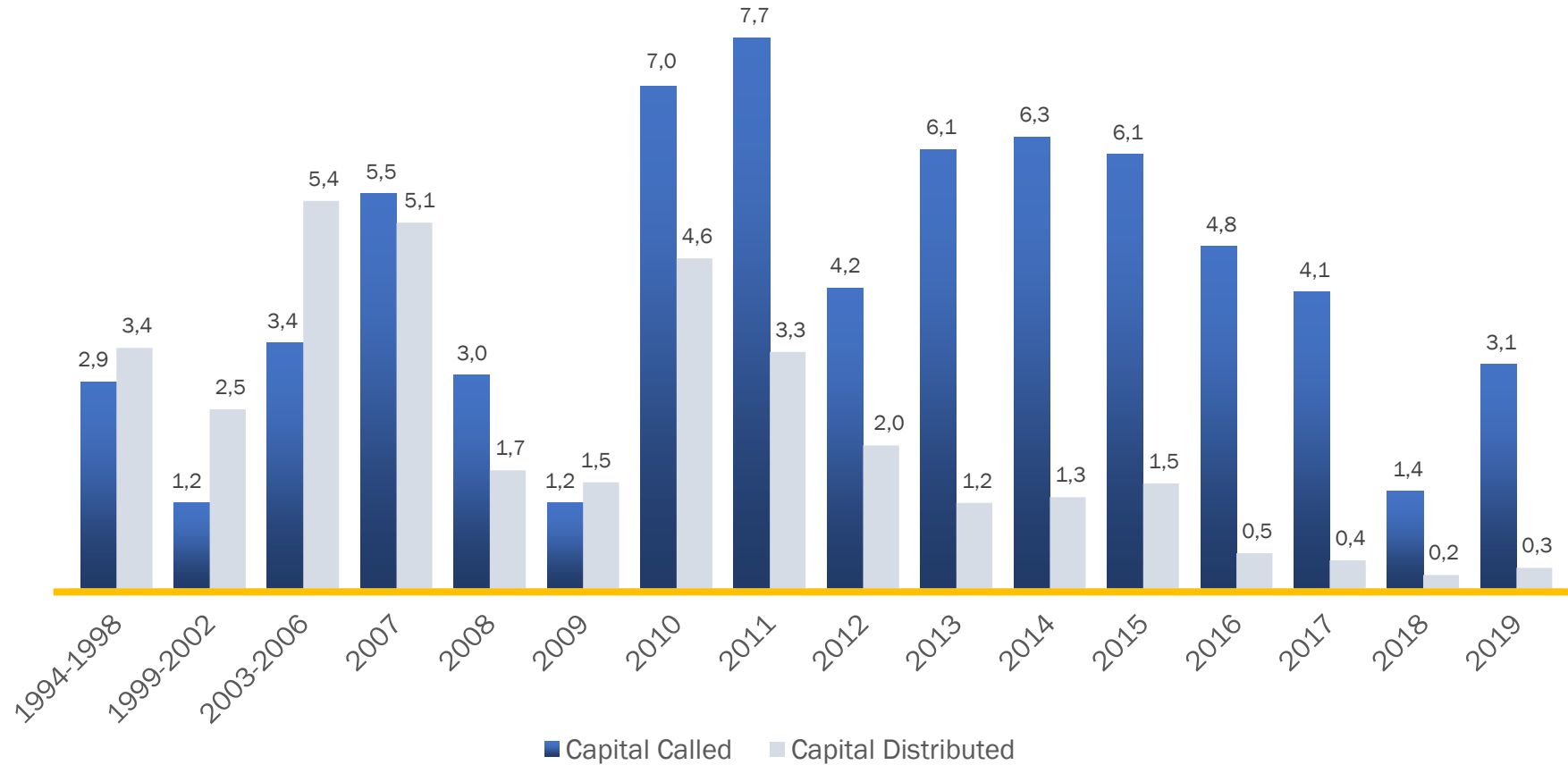
HIGHLIGHTS

- Private Equity (PE) and Venture Capital (VC) were a profitable investments despite of the Brazilian economic turbulence and currency devaluation.
- The average net TVPI in BRL was **1.93** and net IRR in BRL was **17.5%** p.a.
- The average net TVPI in USD was **1.55** and net IRR in USD was **11.2%** p.a.
- Investments in PE and VC funds **outperformed Ibovespa, MSCI EM and CDI** (Brazilian libor).
- Brazilian first quartile funds have results in line with world first quartile funds.
- Venture capital funds outperformed private equity funds in the last decade.

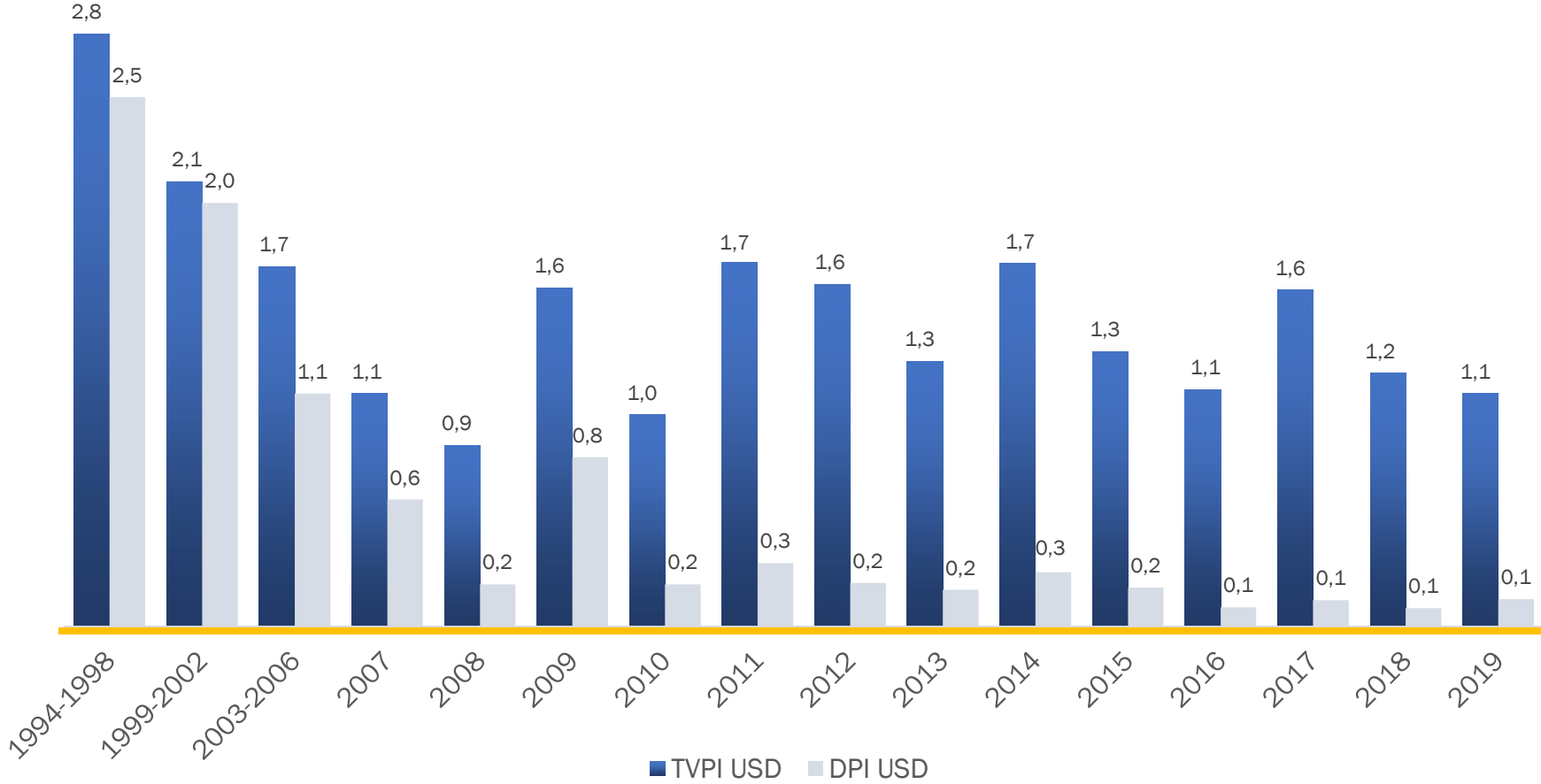
NUMBER OF PRIVATE EQUITY AND VENTURE CAPITAL FUNDS BY VINTAGE



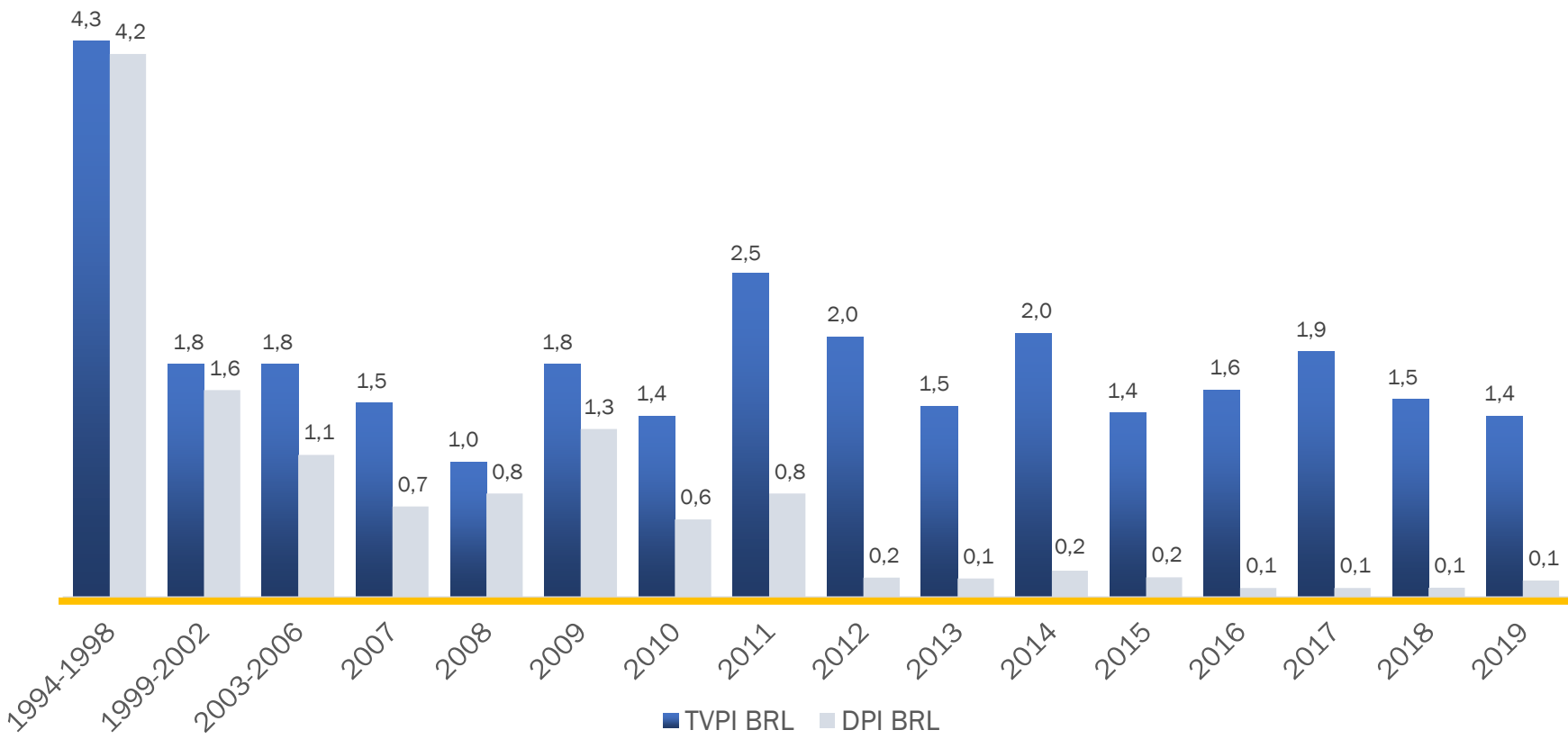
AMOUNT OF CAPITAL RAISED AND DISTRIBUTED BY FUNDS' VINTAGES (IN USD BILLION)



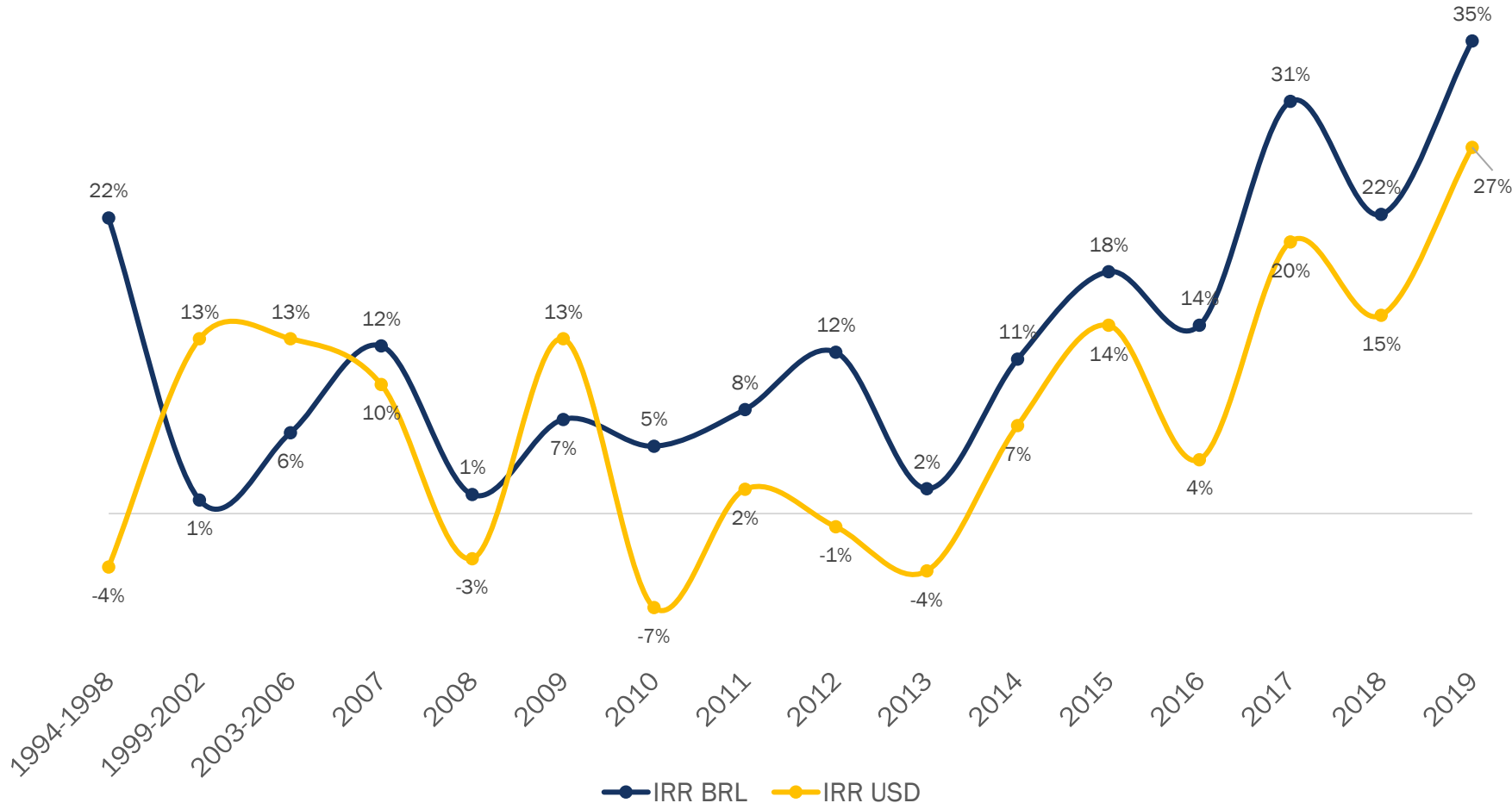
AVERAGE TVPI AND DPI BY VINTAGE IN USD



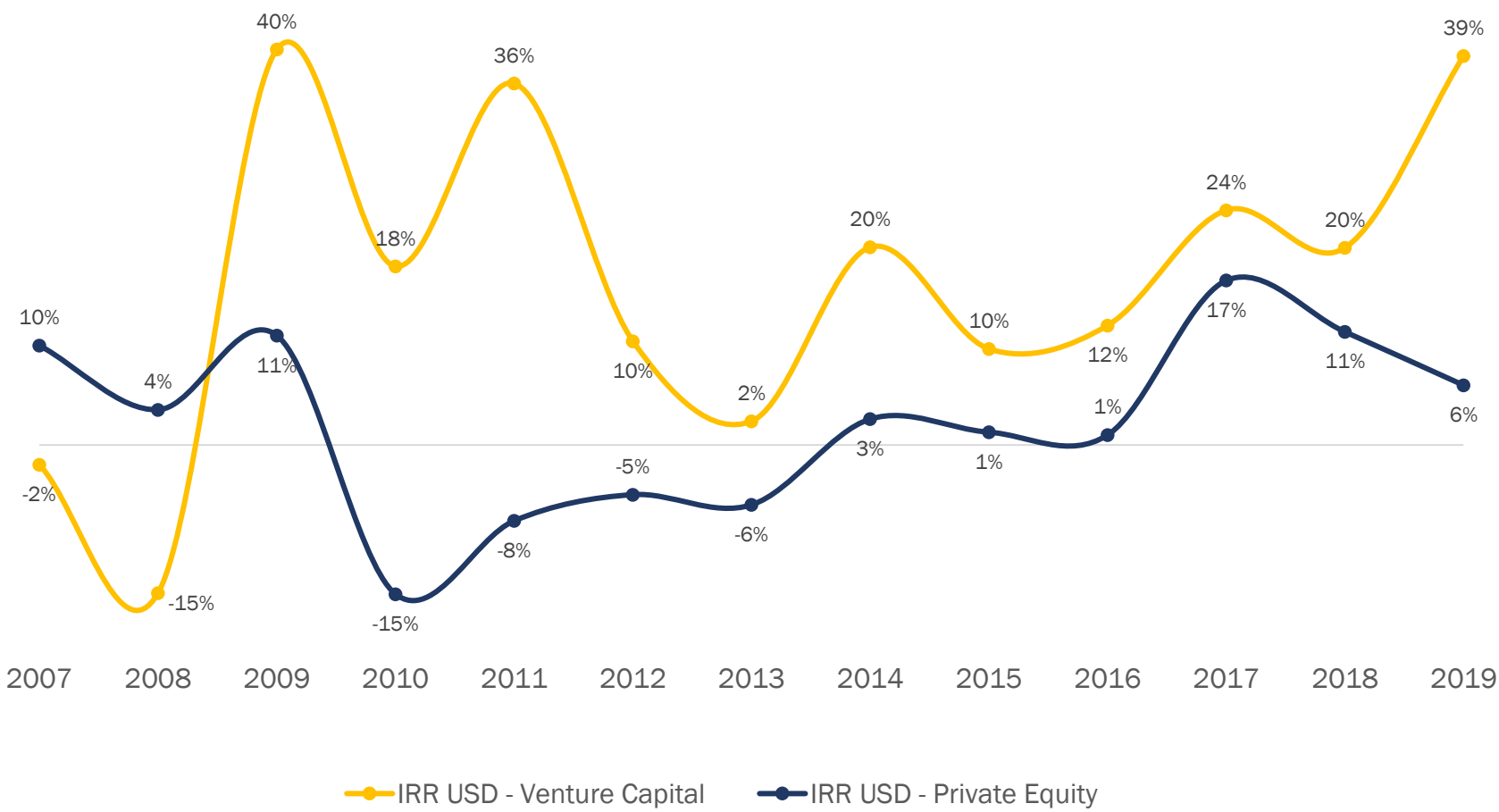
AVERAGE TVPI AND DPI BY VINTAGE IN BRL



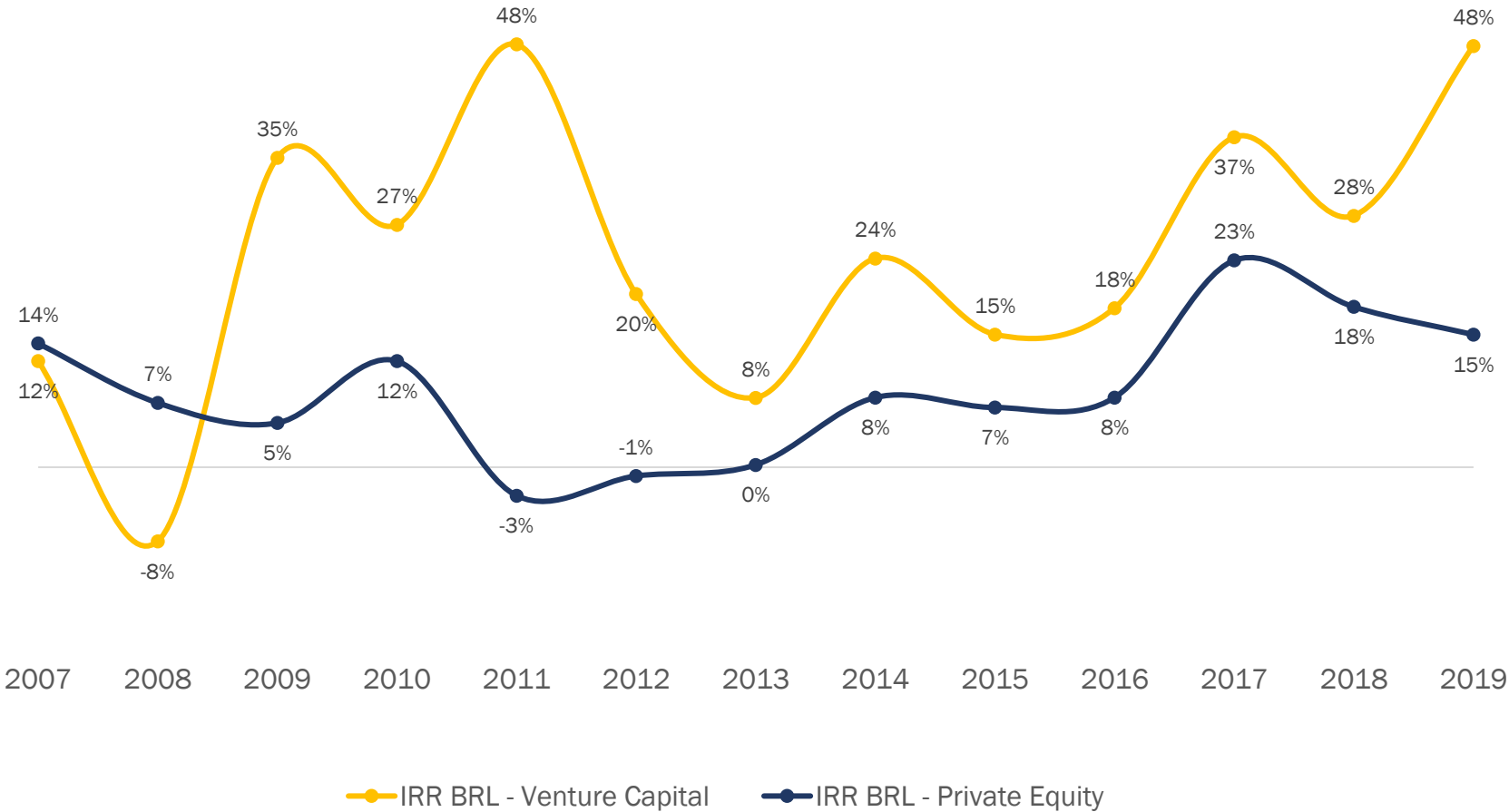
AVERAGE IRR BY VINTAGE



AVERAGE IRR BY VINTAGE IN USD





AVERAGE IRR BY VINTAGE IN BRL



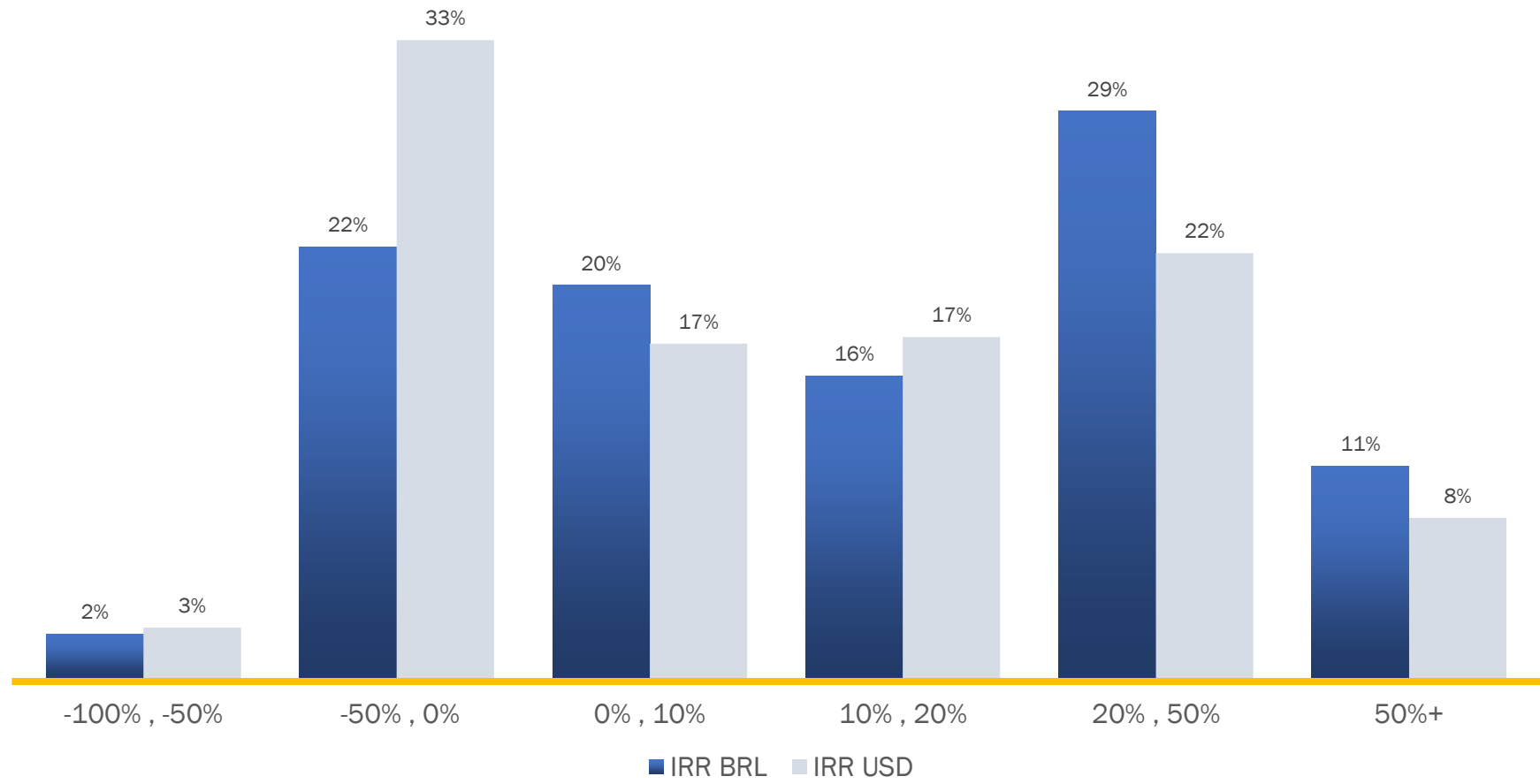
AVERAGE PUBLIC MARKET EQUIVALENT BY VINTAGES ACCORDING TO DIFFERENT BENCHMARKS



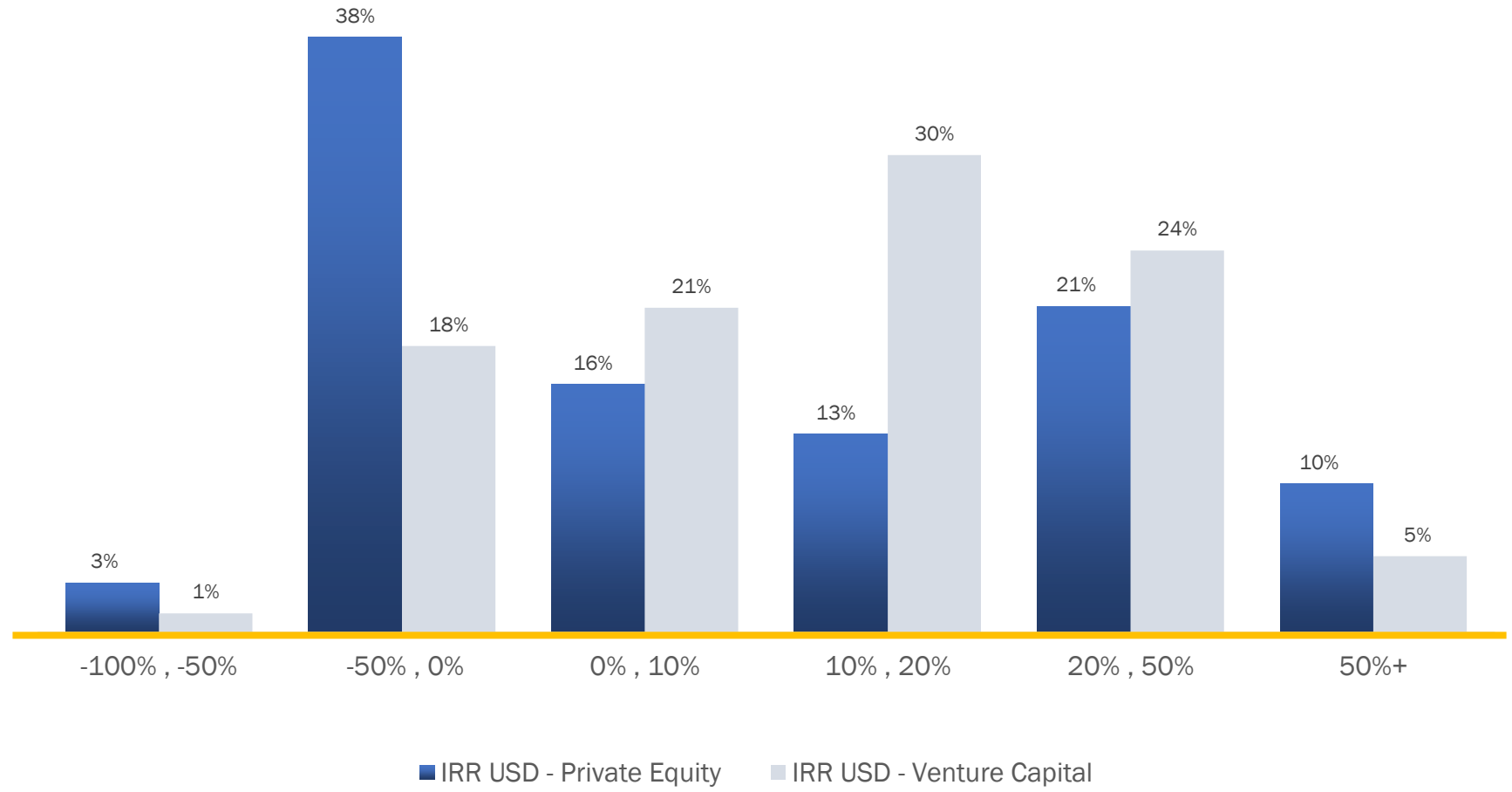
DISPERSION OF NET MOIC AND NET IRR

					
		TVPI BRL	TVPI USD	IRR BRL	IRR USD
①	Maximum	23.00	16.40	368.4%	307.0%
	Average	2.93	2.40	60.6%	52.2%
	Quartile Bottom	1.94	1.65	29.4%	24.0%
②	Average	1.60	1.35	21.6%	15.7%
	Quartile Bottom	1.31	1.09	14.2%	9.0%
③	Average	1.13	0.91	5.9%	1.0%
	Quartile Bottom	0.96	0.76	0.1%	-6.3%
④	Average	0.58	0.45	-18.4%	-24.4%
	Quartile Bottom	0.00	0.00	-70.7%	-100.0%
Mean		1.93	1.55	17.5%	11.2%

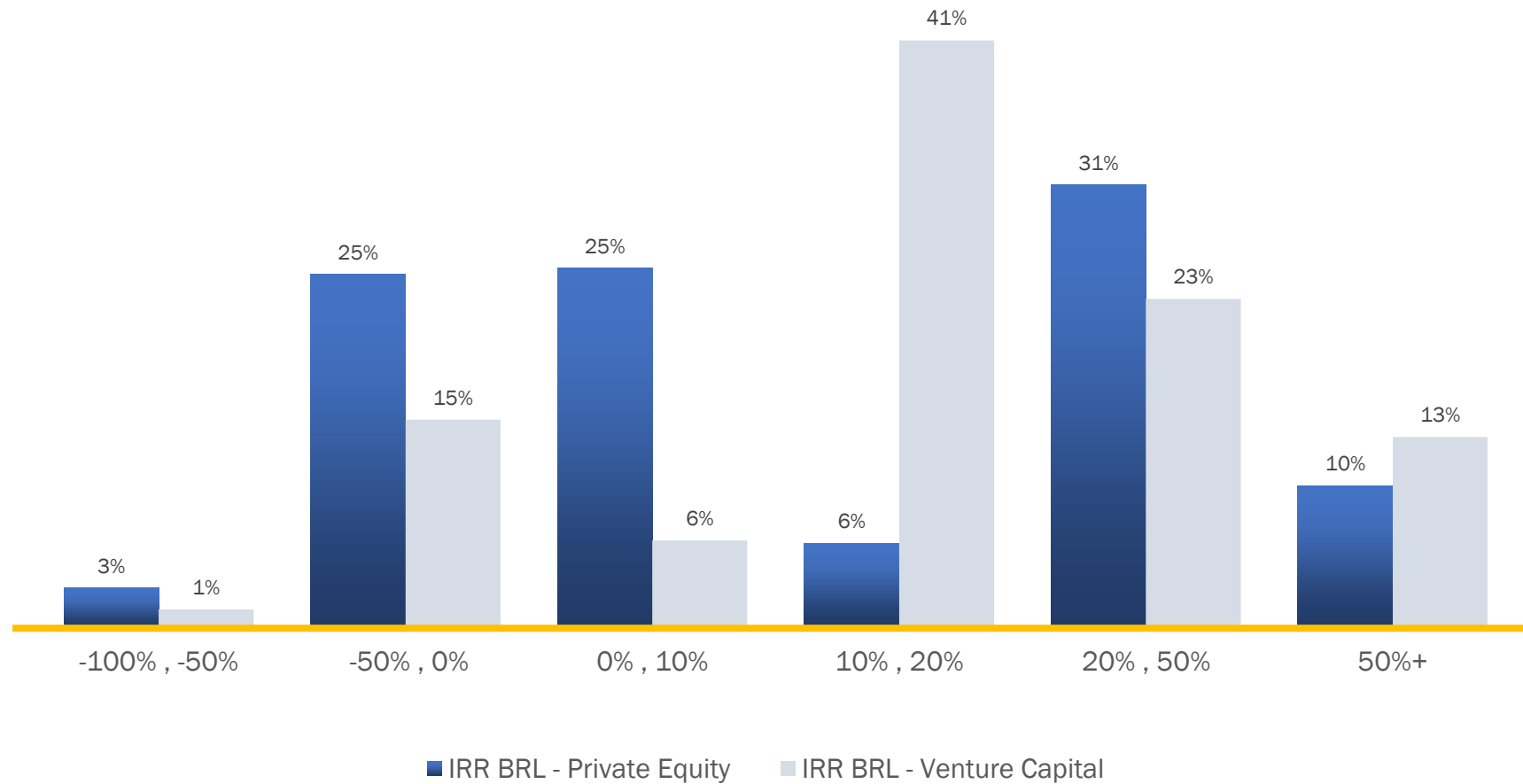
DISTRIBUTION OF NET IRR



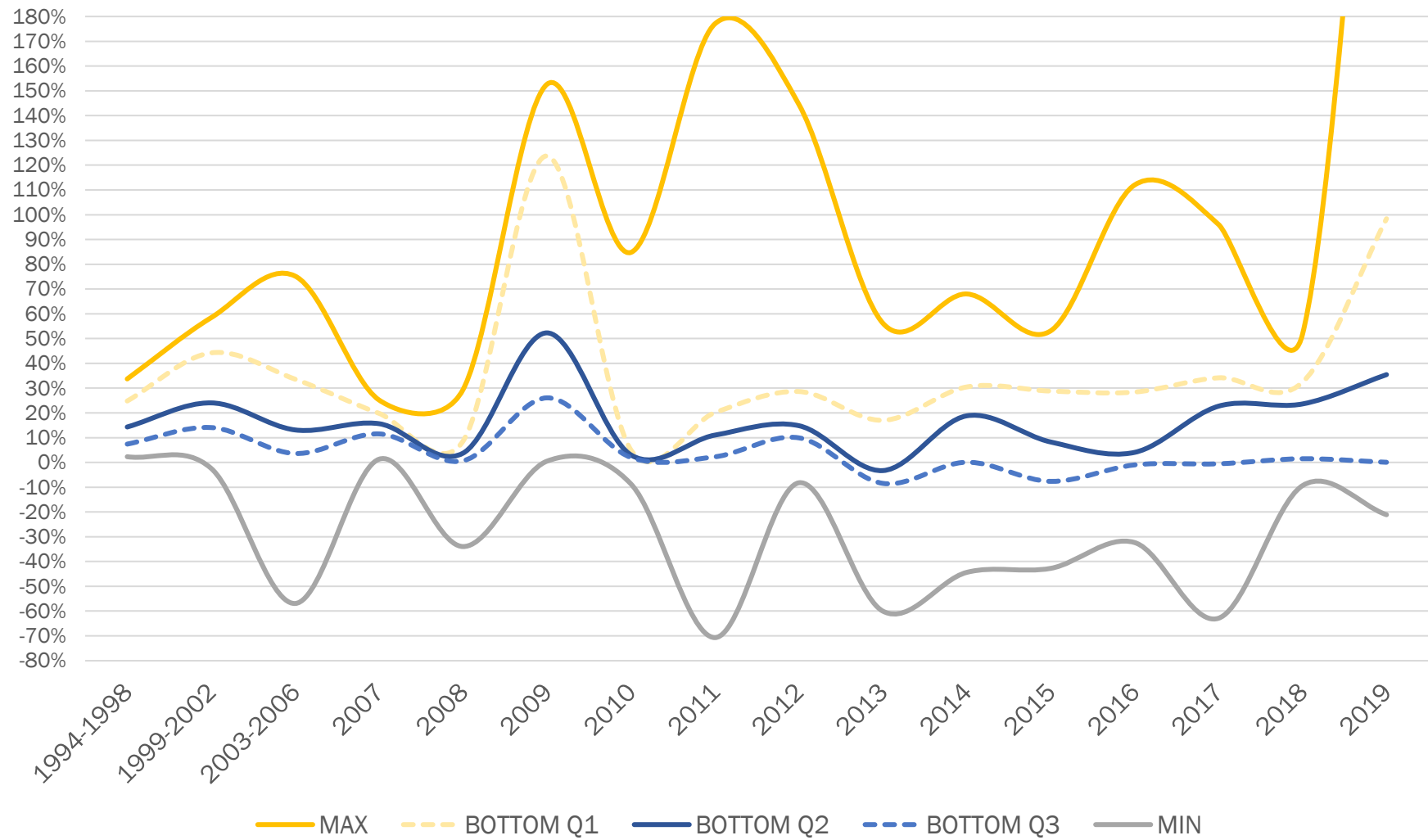
DISTRIBUTION OF NET IRR IN USD



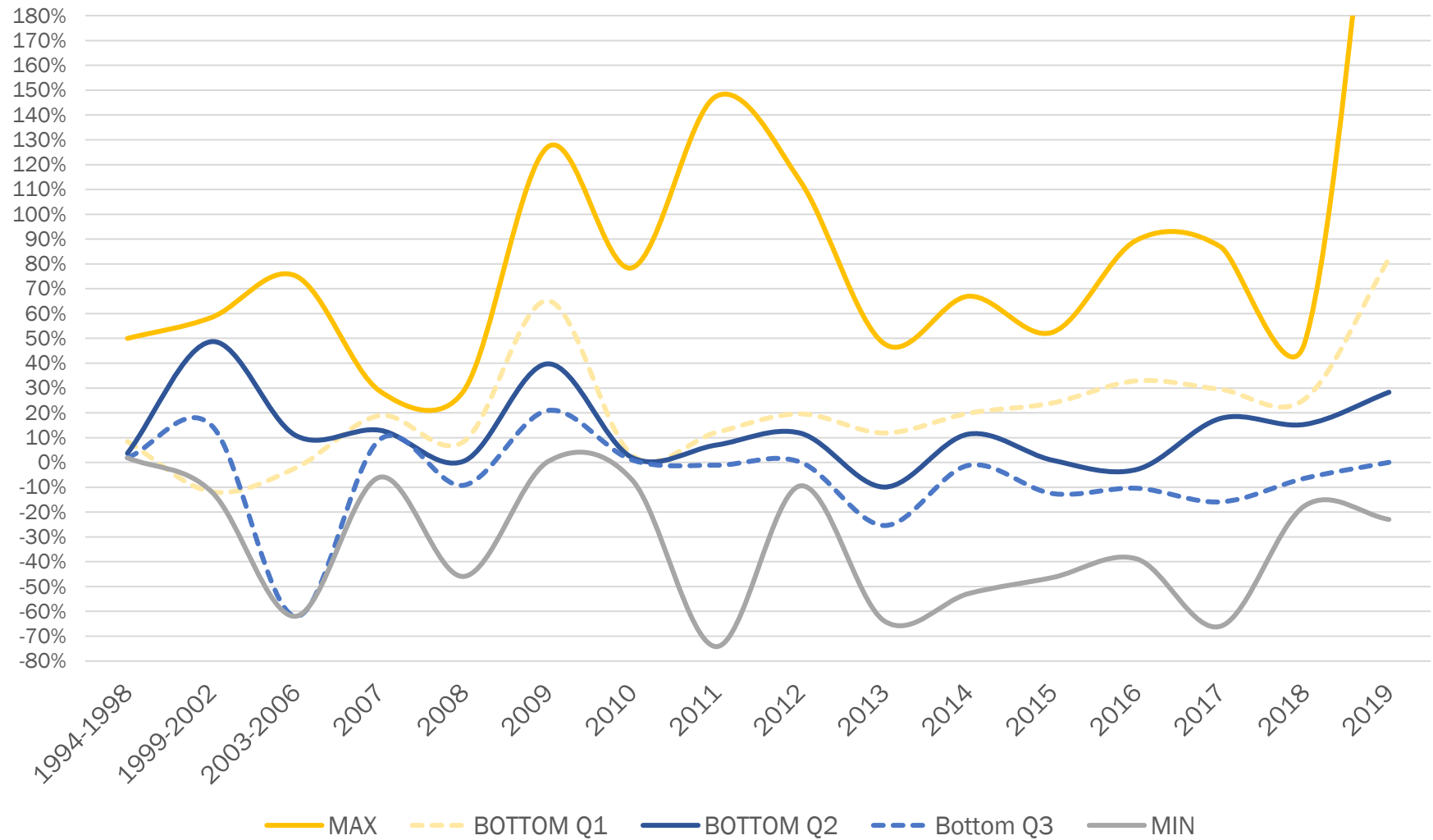
DISTRIBUTION OF NET IRR IN BRL



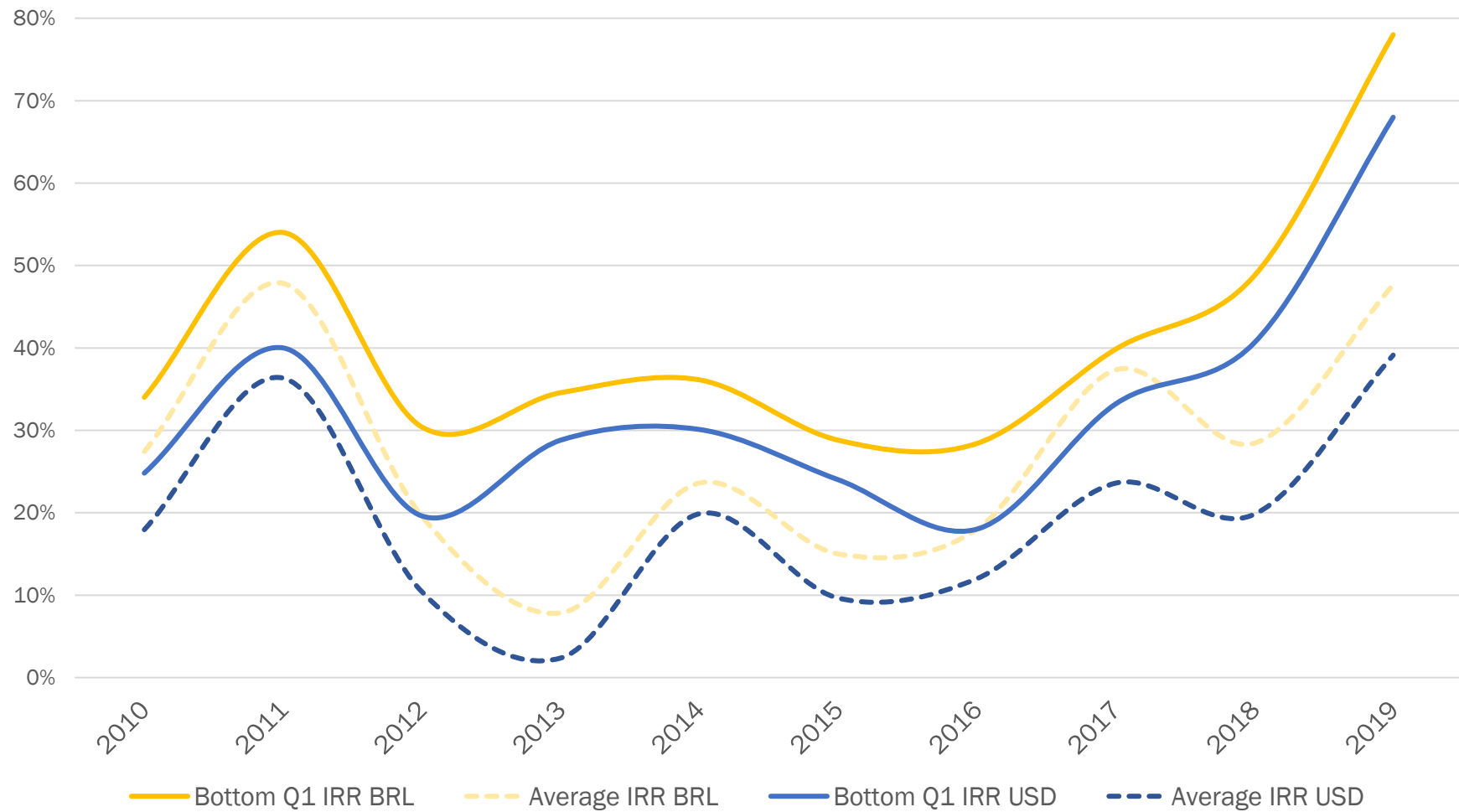
PERFORMANCE OF FUNDS' QUANTILES BASED ON NET IRR IN BRL



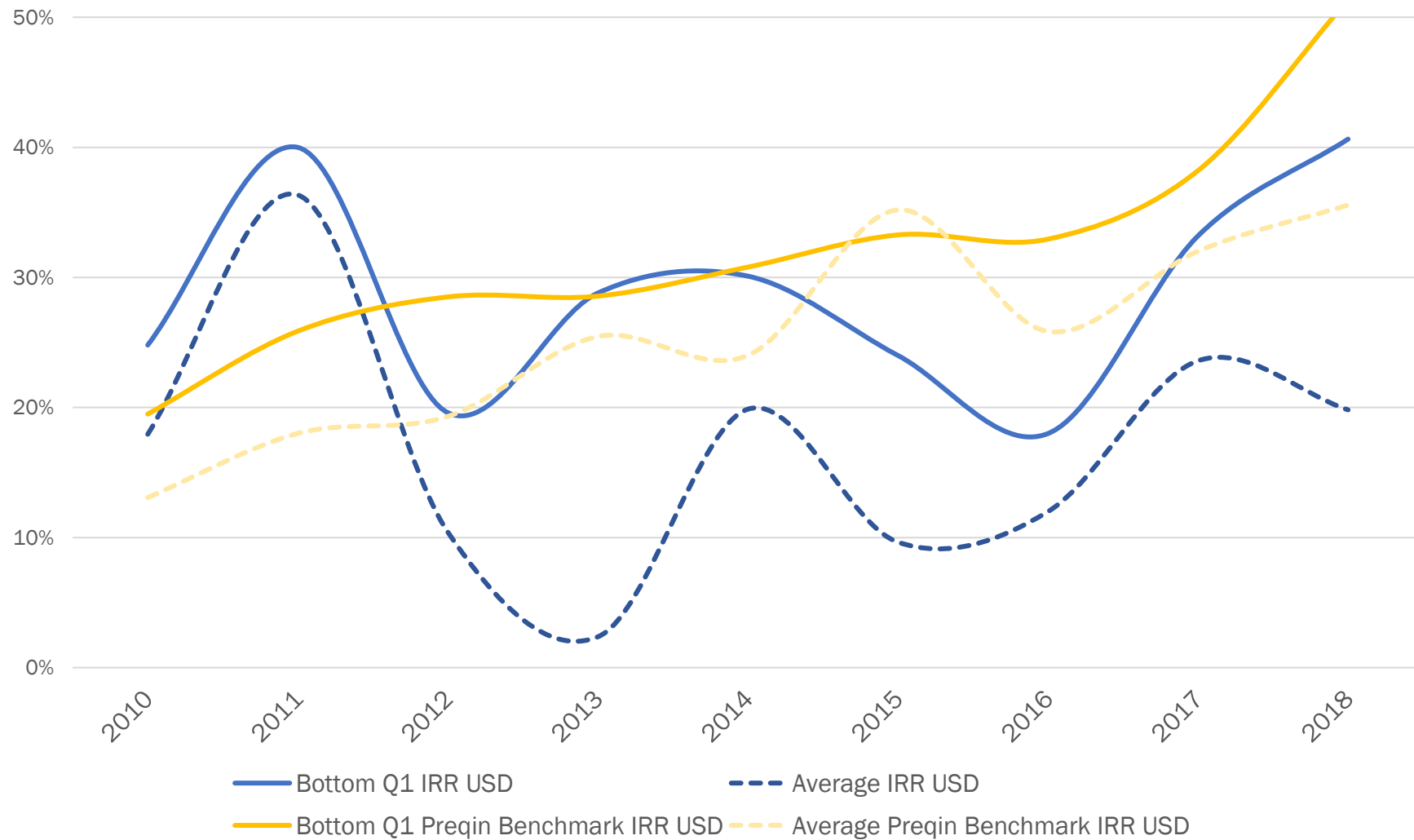
PERFORMANCE OF FUNDS' QUANTILES BASED ON NET IRR IN USD



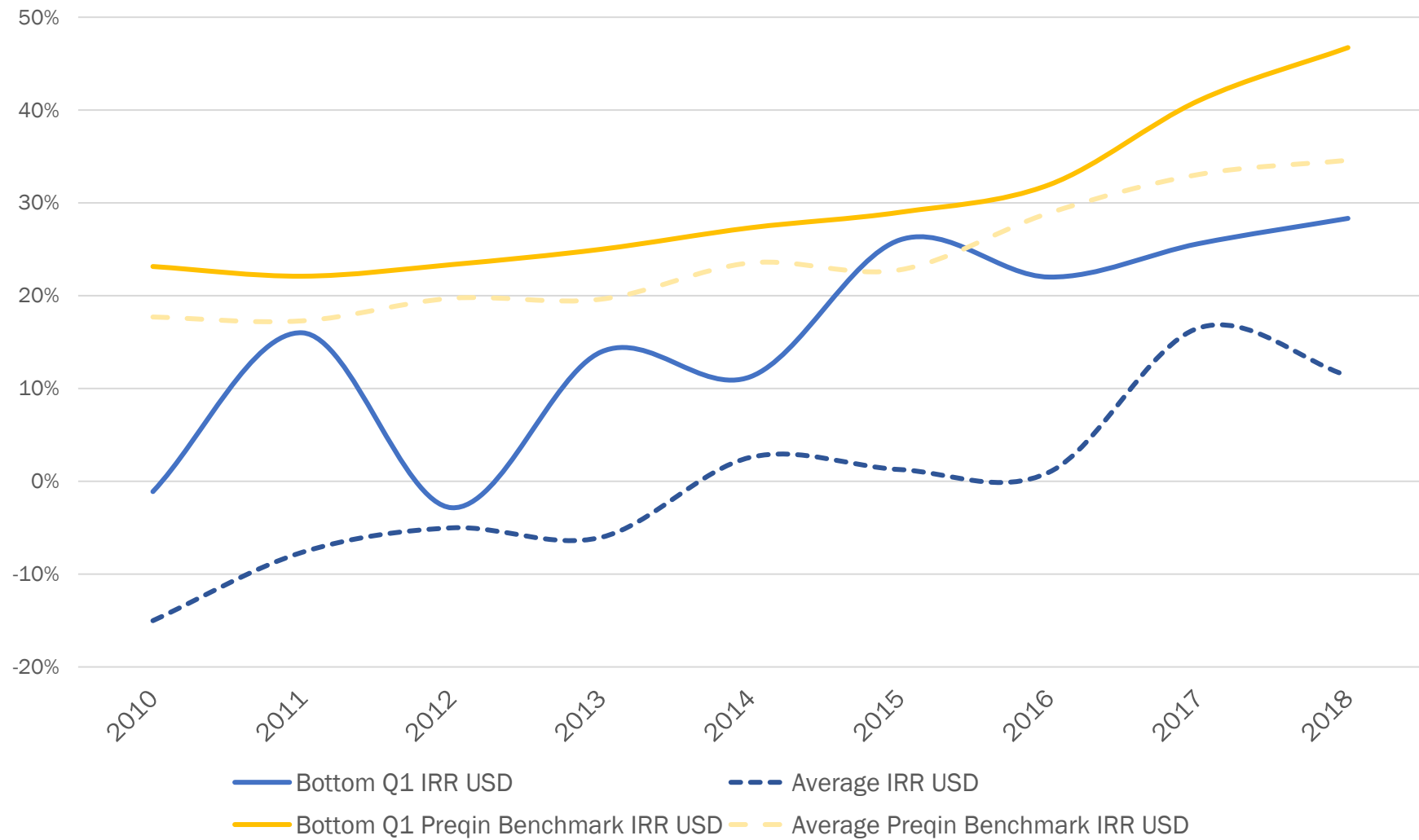
PERFORMANCE OF VENTURE CAPITAL FUNDS' BASED ON NET IRR



PERFORMANCE OF VENTURE CAPITAL FUNDS' BASED ON NET IRR



PERFORMANCE OF PRIVATE EQUITY FUNDS' BASED ON NET IRR



CONCLUSION

- 45% of the funds had a net TVPI in BRL higher than 1.5 (33% of the funds in USD).
- 47% of the funds had a net IRR in BRL higher than 15% (39% of the funds in USD).
- Despite the economic turbulence, funds were on average profitable investments in BRL terms. PE and VC funds outperformed equivalent investments when compared with Ibovespa, CDI and MSC EM.
- The difference between first quartile and bottom quartile in Brazil was 29% in BRL and 30% in USD.
- There is a group of experienced and skilled PE and VC fund managers in Latam. Top quartile funds had, on average, TVPI of 2.9 and IRR of 60% in BRL and TVPI of 2.4 and IRR of 52% in USD.

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