

09 Oct 2020 | Upgrade

## Fitch Upgrades Vinci Energia Sustentável FIDC to 'AAf(bra)'

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Fitch Ratings-Bogota-09 October 2020:

Fitch Ratings has upgraded the National Fund Credit Quality Rating of Vinci Energia Sustentável Fundo de Investimento em Direitos Creditorios (Vinci Energia Sustentável) to 'AAf(bra)' from 'AA-f(bra)'. The fund is managed by Vinci Gestora de Recursos Ltda.

The Credit Quality Rating upgrade is driven by the portfolio's improved underlying credit quality, as reflected by the funds' current portfolio, which is close to completing its ramp up with a portfolio concentrated on assets rated 'AAA(bra)' and the 'AA(bra)' scale, under a more diversified issuer base. The rating process also contemplates the investment guidelines.

Vinci Energia Sustentável is a Fundo de Investimentos em Direitos Creditorios (FIDC). Although Fitch normally uses its "Global Structured Finance Rating Criteria," which yields an opinion on the relative ability of an entity or transaction to meet financial commitments, the absence of a fixed- or defined-rate of return and subordination under Vinci Energia Sustentável makes the use of "Bond Fund Rating Criteria" more appropriate in this case. Under this criteria a Fund Credit Quality Rating (denoted with an 'f' suffix) measures vulnerability to losses as a result of credit defaults and is primarily influenced by a portfolio's weighted average rating factor (WARF).

### KEY RATING DRIVERS

Fitch has upgraded the National Fund Credit Quality Rating to 'AAf(bra)' from 'AA-f(bra)' reflecting a portfolio composition consistent with this rating in terms of its weighted credit quality and maturity profile at September 2020. The rating action is driven by a greater level of issuer diversification within the portfolio as a result of an increase in the number of issuers to 19 while considerably decreasing top-five issuer concentration, thus limiting its sensitivity to Fitch's concentration stress testing.

The rating takes into consideration the fund's investment stage, as the fund has passed its second year of the initial three-year investment period, having invested 90% of committed capital and not expecting to raise additional capital over the short term. Fitch expects the portfolio's metrics to be stable over the intermediate term.

Asset Credit Quality

The Fund Credit Quality upgrade is driven by an improvement in issuer concentration to 47.1% as of September 2020 from 92.9% in the top five issuers in September 2019. While issuer concentration remains elevated, the fund is resilient to Fitch's concentration stress tests used to gauge the fund's sensitivity to downward rating migration of top issuers, limiting concentration risk for the current rating scale. Under the fund's internal guidelines, issuer concentration is limited to no more than 20% of the fund's net worth after the initial investment period of three years. The fund is prohibited from using leverage per its guidelines. The rating is also supported by the portfolio's underlying credit quality as measured by its WARF, as 41.3% of the portfolio's investments were rated 'AAA(bra)' and the minimum credit quality of assets was 'A+(bra)' as of the review date.

Vinci Energia Sustentável has an intentional high industry concentration, as it was created to invest in infrastructure debentures, focusing on clean energy projects. As of September 2020, over 78.4% of the portfolio was constituted by energy debentures as estimated by Fitch. The coronavirus pandemic and the measures taken by governments to contain the virus create, in the short term, an uncertain environment. However, the agency does not expect the pandemic to result in significant rating actions on Fitch's rated Latin American energy projects, as mentioned in "Latam Energy Project Ratings Remain Largely Unaffected by Coronavirus." Vinci Energy has not been affected during the crisis, as the credit ratings of current holdings have not seen negative actions and because the fund structure is not subject to investor redemptions.

Furthermore, in light of the coronavirus outbreak, Fitch has performed additional stress tests based on Fitch's baseline and downside stress scenarios. These stress tests included downgrades on issues in the fund's portfolio and indicate that the fund's credit quality is stable under these additional stress tests. Fitch will continue to monitor the evolution of economic activity and government restrictions, monitoring the severity and duration of the effects of the coronavirus pandemic and impact on the fund's credit profile.

#### Fund Profile

Vinci Energia Sustentável was designed by Banco Nacional de Desenvolvimento Economico e Social (BNDES) to promote investments in environmental issues and sustainable development. The fund will pursue these objectives by investing in infrastructure debentures in accordance with Law 12.431 (Lei 12.431 de 24 de junho de 2011), which, has a primary focus on clean energy projects. The fund has committed capital of BRL500 million, and as of end-September 2020, total assets managed stood at BRL488 million. The fund has an initial term of 15 years.

Structurally, Vinci Energia Sustentável is an FIDC. The constitution, administration, and operation of the fund are regulated by Brazil's Comissão de Valores Mobiliários (CVM) and Conselho Monetário

Nacional (CMN). Additionally, the fund adheres to local requirements and guidelines established by CVM with respect to segregation of assets.

#### Investment Manager

Fitch considers Vinci Gestora de Recursos Ltda. to be suitably qualified, competent, and capable of managing the fund, based on its ample experience analyzing, managing and monitoring infrastructure projects. The company was established in 2009, owned by Vinci Partners. In March 2017, BNDES chose Vinci Partners to be the manager of Vinci Energia Sustentável based on its technical and commercial analysis. As of the end of August 2020, Vinci Partners managed approximately BRL32 billion, placing it 22nd among the largest companies by AuM in Brazil, according to ANBIMA's Investment Funds Management Ranking.

#### RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-- The rating could be upgraded if the WARF is consistently maintained at a higher rating level.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

-- The ratings may be sensitive to material changes in the fund's prospectus, as well as material changes in the fund's credit quality or market risk profile. A material adverse deviation from Fitch's guidelines or investment policy for any key rating driver could cause Fitch to downgrade the ratings. For example, if credit deterioration occurs, such that the weighted average credit factor increases beyond criteria levels for the current rating under based and stressed scenarios, the rating may be downgraded.

#### SOURCES OF INFORMATION

#### SURVEILLANCE

Vinci Partners provides Fitch with portfolio level information on a regular basis, including details of the portfolio's holdings, credit quality and transactions, to maintain the fund's ratings. Fitch monitors the portfolio's credit composition, the credit counterparties used by the manager and the overall market risk profile of the investment to conduct surveillance against ratings criteria.

#### REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Vinci Energia Sustentavel Fundo de Investimento em Direitos Creditorios; National Fund Credit Quality Rating; Upgrade; AAF(bra)

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

[Bond Fund Rating Criteria \(pub. 22 Jul 2019\)](#)

[Metodologia de Rating de Fundos de Títulos \(pub. 14 Aug 2019\)](#)

### **Additional Disclosures**

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