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Moderator: **Gurjit Kambo**

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Operator: Good day, everyone, and welcome to Petershill Partner First Half 2023 Result Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there'll be a question-and-answer session.

I would like to advise all parties that today's call is being recorded and by remaining on the line you are representing to the company and Goldman Sachs that you are located outside of the United States and are not a US person as defined under regulation as of the US Security Act of 1933. Or you are a qualified purchaser as defined under the US Investment Company Act of 1940 and that you are not located in or resident of any jurisdictions where to attend this conference call would constitute a violation of the relevance law of such jurisdictions.

Now I would like to hand the conference over to Gurjit Kambo, Head of Investor Relations for Petershill Partner. Please, go ahead.

Gurjit Kambo: Good morning, everyone. A very warm welcome to you and thank you for joining us today to discuss Petershill Partners First Half 2023 Results. Before we begin, I'd like to remind you that during this call we may make a number of forward-looking statements which could differ from our actual results materially, and Petershill Partners assumes no obligation to update these statements.

A replay of today's call will be available on the investor relations section of our website along with a copy of our preliminary results and presentation. Today I'm joined by Ali Raissi-Dehkordy and Robert Hamilton Kelly, Co-Head of the Operator of Petershill Partners, as well as Adam Van de Berghe, the CFO for the company. Ali will start by providing a business update and some market context followed by Adam who will run through our first half 2023 financials. We'll wrap up by providing some concluding remarks and outlook leaving sufficient time for Q&A. With that, I'll turn the call over to Ali.

Ali Raissi: Hello, everyone. Thank you for joining as we present our first half 2023 results. Turning to page four, I will provide a summary of our performance during the first half of the year and Adam will provide further details later. As we previously announced in our AUM update in July, our partner firms continued to raise fee-eligible assets totaling $14 billion in the first half, and our AUM and fee-paying AUM increased by 13% and 7% respectively over the past 12 months.

However, our partner firms were not immune to the slower pace of deployment and realizations seen across the industry, which resulted in lower earnings in the first half of 2023 versus the comparable period in 2022. We reported partner FRE of $99 million down from $110 million in the first half of 2022 reflecting a subdued backdrop for transaction fees, net of fee offsets, the slower pace of deployments, delaying the activation of fees on successor funds launched by our partner firms, and higher expenses reflecting the broader inflationary environment and investments in the growing teams and talent at our partner firms.

Total income of $138 million down from $171 million was principally due to lower partner realized performance fee revenues, in addition to the lower FRE highlighted. Our earnings are principally cash-based reflected in the strong cashflow conversion, which supports future growth and capital return. The board has approved an interim dividend of 4.90 cents per share in line with our policy of the interim dividend being one-third of the prior full-year dividend. Around a quarter of the $50 million buyback has been completed and the board and the operator remain focused on capital management in the current slower M&A environment as we continue to be very selective.

Turning to page six, I want to spend a moment to speak to the impact of the macro uncertainty on market activity across the private market industry, which has created some allocation challenges, particularly for mature investors. During the first six months of 2023, asset raising declined by 28% versus the comparable in 2022 with the number of funds raised down by 45% over the same period.

The backdrop was more challenging for industry deployment and realizations both declining 48% during the first six months of 2023 versus the comparable in 2022. We have started to see some signs of a pickup in capital market activity with a particular focus on post-summer activity, although we believe it may still be too early to draw conclusions of an inflection point.

Now turning to slide seven, the short-term industry challenges have impacted our partner firms by one, subdued realization environment, deferring the generation of performance fees from our private market funds, and two, slower pace of deployment, which delays the timing of activation of fees on new funds whilst cost increases are incurred ahead of fundraising and fees switching on. The combination effectively deferring and impacting our FRE growth, which Adam will discuss in more detail later.

We continue to view Petershill Partners as well positioned for the long-term growth, which is reflected in our partner firms in aggregate raising long duration fee eligible assets of $14 billion during the first half of 2023, which we believe reflects the benefit of having exposure to a diversified group of partner firms across asset classes and strategies. The aggregate relative performance of partner firms remains strong and our firms have a track record of successfully scaling successor funds, which they have demonstrated with $74 billion of capital raising since 2022.

On slide eight, I want to take a moment to highlight the momentum and milestones from a select group of partner firms during the first half of 2023 with successful asset raising highlighted here from STG and AKKR as well as deal and realization activity highlighted for Clearlake, Francisco Partners, Harvest, and ACP. We have also seen a pickup in activity since the end of the half, which I'll note when I discuss the outlook. In addition, our GP services team has been in active engagement with our partner firms with over 280 engagements over the course of the first six months of 2023.

There continues to be strong engagement relating to capital formation but also increases in activity relating to investment portfolio services. We also had our inaugural firm infrastructure and operations forum, convening CFOs and COOs of our partner firms across the platform and covering a series of topics ranging from hiring through to developments in fund facility use for private capital firms.

Turning to slide nine, the market backdrop has been challenging during 2023 and whilst it is difficult to know with certainty when conditions change, we continue to view the long-term industry growth dynamics remaining attractive. There are signs that inflation is moderating and we're getting closer to the peak and interest rates, which we believe may reduce market uncertainty and lead to a pickup in capital markets activity. The alternative asset management industry remains highly cash-generative with high profitability margins and strong value creation in the private markets environments with firms remaining private for longer.

Despite a slowdown in industry asset raising during 2023, as you've seen from our partner firms, established top-performing managers continue to raise funds and the long-term trend for growth in the industry remains positive. With continued expected growth from both institutional investors in the medium to long-term, but also growth from new distribution channels such as the wealth management and retail channels which remain significantly under[-allocated to alternative assets.

Finally, during periods of market dislocation, there are opportunities for our partner firms to seize that can lead to strong vintage fund performance for which our partners now sit on around $74 billion of newly raised capital over the last 18 months. With that, I'd like to hand over to Adam to run through the first half financial results.

Adam Van de Berghe: Thanks, Ali. And good morning, everyone. The company delivered steady results in the first half of 2023 amid the banking crisis and resulting market volatility. Our partner firms continued to lift their AUM as you've heard Ali mention, growing 13% over the past 12 months. Fee-paying AUM was up 7% over the past 12 months, driving management fees of 8% in the 12-month and 6% for the six months ended 30th of June excluding transaction fees and offsets.

Our FRE was lower during the period, predominantly due to subdued transaction fees net of offsets. As noted previously, we expect transaction fees to vary and are dependent on market activity while both the FRE and margins were lower when compared to the first six months of 2022, we did see margins stabilize over the last 12 months at 59%. The adjusted profit after tax was $69 million and the adjusted earnings per share was $.06 cents, which were both impacted by lower PRE.

Our tax and tax-related expenses for the six months was approximately $33 million and was comprised of approximately $17 million in current tax and $16 million reflecting one-half of the expected annual payment under the tax receivables agreement. The payment in 2023 is expected to be similar to the payment in 2022. The current tax of $17 million includes approximately $10 million related to estimates from the prior year.

When compared to the first half of 2022, a greater proportion of the company's income was derived from management fees and interest income, which is taxed at a higher rate than performance fee income generally is. During periods of lower performance fees, the adjusted tax and tax-related rate will typically be higher overall. The board announced an interim dividend of 4.90 cents per ordinary share in line with our policy of the interim dividend being one-third of the prior final year dividend. Our cashflow conversion continues to be strong as the majority of our earnings are cash-based supporting our progressive dividend policy.

On page 12, we see fee-paying AUM and ownership-weighted fee-paying AUM growth of 7% over the past year. Since the year-end, we saw modest growth in fee-paying AUM from $194 billion to

$196 billion as fee-eligible AUM raised has yet to become fee-paying. At 30th June, our partner firms had $28 billion of AUM not yet paying fees. The largest component relates to Francisco Partners, which is scheduled to be activated during September. As these fees switch on, they will drive future FRE growth. Total AUM of$ 300 billion is up 13% year on year.

Turning to page 13, I would note that over 80% of the assets raised were in private equity, which has the highest management fee rate across asset classes. Two notable partner firms closing funds in the first half included AKKR that closed on a combined $5.3 billion representing a 51% increase over the successor funds, and STG raising $4.2 billion, an increase of 110% compared to the prior vintage. Despite the challenging market backdrop, strong-performing firms are still able to raise and scale fund sizes.

On page 14, management fees excluding net transaction fees increased 6% year-over-year, broadly in line with the increase in ownership-weighted fee-paying AUM. Net transaction fees during the first half were around $9 million lower than the first half of 2022 reflecting a softer environment for capital market activity. This period of lower net transaction fees led to overall net management fees coming in flat year-on-year. The partner blended net management fee rate over the last 12 months was 133 basis points, around eight basis points lower than 2022.

We can attribute half of that decline to lower net transaction fees and the remainder due to business and asset mix. Blended partner firm FRE ownership in the first half was 13.6%, broadly stable compared to 2022. We would anticipate the ownership percentage to decline as fees yet to turn on are in partner firms where we have lower ownership stakes.

On page 15, first half FRE of $99 million decreased year-over-year reflecting stable net management fees reduced by higher partner firm costs due to partner firm fundraising, team expansions, and the shift in the inflationary environment year on year. The increase in costs and subdued net transaction fees were the contributing factors for the decline in FRE margins in the first half of this year compared to the first half of 2022.

However, the cost growth was already evident during the second half of last year with costs in the first half of this year, broadly stable with the second half of last year, which saw the FRE margin also stabilizing at 59%. FRE excluding that transaction fees during the first half increased 2%.

Turning to page 16, the realization environment across the industry was particularly muted with realizations during the first six months of 2023, down 48% compared to the same in 2022. For Petershill Partners, this backdrop resulted in $15 million of partner realized performance fees during the first half of 2023 compared to $47 million in the prior comparable.

The largest contributing asset class was private equity with absolute return strategies, typically crystallizing performance fees during the second half of the year. Over the last 12 months, partner realized performance fees for $101 million or 22% of total partner firm revenues. Accrued PRE of $608 million at the end of June was broadly stable versus the year-end. Whilst this doesn't run through our P&L until it is realized, it is a good indicator of our partner firm's ability to generate future PRE.

In the bottom right chart, you'll see a steady increase in performance fee-eligible AUM to $274 billion, which also supports future potential PRE generation. Investment income of $11 million during the first half of 2023 was broadly flat compared to the first half of 2022.

On page 17, you can see our balance sheet is primarily comprised of the fair value of our investments in partner firms. The fair value of investments at 30th of June was $5 billion and broadly stable compared to the year-end. Our weighted average discount rates used in our valuations were relatively unchanged from the year-end.

Turning to page 18, we had cash of $478 million down from $581 million at the end of December, principally reflecting the $125 million final dividend that was paid earlier this year. Petershill Partners continues to experience strong cash conversion of its income.

On page 19, the company is underpinned by the strong free cash flow generation, and our capital allocation can support our progressive dividend policy, finance growth, and provide optionality for additional capital return as evidenced through two buybacks announced since the IPO. To date, the company has completed around one-quarter of its $50 million buyback program announced earlier this year. We take a long-term view with our partner firms as we look ahead.

While the near-term market uncertainty has led to some volatility in their earnings, the base of stable fee-paying AUM and diversification among our partner firms provides what we believe is a platform for future growth. We anticipate the fee-eligible AUM rate is for all of 2023 to be $20 to $25 billion. While there does appear to be signs of a pickup in investing activity, we expect the softer environment we are currently in to delay the activation of fees on some of the funds at our partner firms through the remainder of the year, which combined with anticipated lower net transaction fees in the second half, we now expect our FRE range to be $190 million to $210 million for the full year.

We anticipate PRE as a percentage of partner firm revenues for 2023 to be below our medium-term target of 20% to 30%. While we have seen M&A this year in the GP stakes market in general, we continue to be highly selective on new acquisitions and have not completed any acquisitions during the first half of 2023 despite undertaking due diligence on a number of potential new partner firms. Consequently, we expect acquisitions to be at or below the bottom end of our medium-term guidance of $100 to $300 million per year. With that, I'll hand it back to Ali to provide some concluding remarks before we open up to questions.

Ali Raissi: Thank you, Adam. Before closing, I wanted to share a few thoughts on strategy and outlook. On slide 22, I'd like to highlight that since the end of June, we've seen a pickup and deal activity across a number of our partner firms. To mention a few, we've seen Francisco Partners together with TPG complete the $6.5 billion acquisition of New Relic, are quite acquired an ownership interest in clean energy systems and we've seen some realizations from the likes of Clearlake, STG, and AKKR. Consequently, there are some signs that activity has started to improve voting well for the medium term.

On slide 23, I'll make a few comments about our continued focus on our long-term strategic goals. We aim to continue to support partner firm development and growth via a robust and proven framework through our value-added GP services. This year, this has seen us undertake and engage on over 280 projects and engagements with our partners.

We aim to continue to identify and evaluate attractive acquisitions and access the fastest-growing areas of the Alts industry where we can be the most impactful with our capital. Over the last half year, this has meant that we've evaluated numerous opportunities for the company, but we've held a very high bar for new acquisitions. We also aim to be highly efficient with a focus on shareholder returns and we've demonstrated this since the IPO through increasing dividends and the implementation of our buyback programs. More broadly, we continue to have significant focus on broadening and deepening market understanding of the company.

Moving to page 24, to conclude. The market backdrop during the first half of 2023 was challenging and this has impacted transaction activity, realizations, and deployment of new funds, hence deferring and impacting the earnings of Petershill Partners during the period. We expect to see stabilization in FRE during the remainder of 2023 and a return to FRE growth in 2024 as firms turn on fees from funds raised in prior periods with cost growth moderating and the environment for transaction fees improving.

We believe the fundamental attractions of Peterhill Partners remain strong providing a diversified exposure to a growing cash-generative, highly profitable industry with long-duration locked-up capital. The company continues to demonstrate strong cash generation, supporting future growth, and capital return to shareholders. With that, we thank you for joining the call and we'd like to open up for questions.

Operator: If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for question. We'll take our first questions from Hubert Lam. Your line is open. Please, go ahead.

Hubert Lam: Hi, good morning. Thanks for taking my questions. I've got three of them. Firstly, can you give us your expectations on fund activation in the second half? It seems like it slowed since your previous update or you've been more cautious, so how much of that $28 billion fee-eligible AUM you've raised, you expect to activate in second half? I know you mentioned Francisco Partners, but how about the rest? Second question is on FRE margin, it's continued to be below 60% I guess on the back of higher costs as well as lower fees.

What's your guidance for the rest of the year and also into 2024? Do you think it can get back to your previous guidance of about mid-60s? And last question is on M&A. As you said, it's been slower for you despite other GPs out there doing deals recently. Why do you not see the same opportunities? What valuations are you seeing and if you do continue to wait, what is your plan for the higher cash accumulation you'll have? Thanks.

Ali Raissi: So morning, Hubert. And thanks for the questions. I'll take questions one and three and then I'll ask Adam to take two afterwards. So maybe just first on the fund activations. Around $17 billion of that $28 billion of AUM not yet earning fees is expected - is switching on this month, which is the Francisco Partners raise that you mentioned. The remaining amounts really going to be determined by the pace of deployment of predecessor funds and as we've kind of seen that's somewhat going to be dictated by the broader macro environment of opportunities and transaction activity.

However, and I think given we're already in September and we've had the summer period, we expect some of that to be skewed to FY24. In terms of the question around the slower M&A environment, I'd note that we've actually been very, very active and we've looked at a lot of different opportunities. Pretty much everything that we've seen go through the market right now. There is a bit more activity that you've noted recently which I think is more control-type transactions and I think that that bodes well for us because that's always been a use of capital that we provide partner firms is that M&A and consolidation.

In terms of why we haven't transacted, look, we've got a really high bar. I think we've now been doing this for our 16th or 17th year and there are points in the cycle where we see great opportunities. We evaluate everything that goes through the market and sometimes we just can't get there on our underwriting or on the pricing. So we have a high bar for these investments and I think it means that we'll continue to look at everything that goes through and if it achieves the threshold for the company, then I think we'll hopefully continue to add firms as we did in 2021 and 2022.

In terms of what we would look to do with that capital, I think the board has demonstrated a focus on capital efficiency and we've continued to show that through the dividend and the buyback programs that we've enacted. But it might be a little bit too early to call in terms of whether or not we end up having deal activity for this year and we'll clearly continue to monitor it and reflect on it later in the year. And then Adam?

Adam Van de Berghe: Yeah. Thanks, Hubert. So the FRE margin in the first half of 2023 was around 59% and that was broadly stable with the second half of 2022, so we've seen that stabilize over the last 12 months. I would note that over the last year, higher costs were driven by hiring by the partner firms as well as some inflationary pressures, some of which have softened but have not completely gone away. We believe that costs have stabilized over the period and I would say overall margins are expected to be somewhat stable, but net transaction revenues driven by the market environment could shift those slightly in either direction.

Hubert Lam: Great, thank you.

Operator: Once again, if you would like to ask a question, please press star one. We will take our next questions from Angeliki Bairaktari. Your mic is open.

Angeliki Bairaktari: Good morning -

Operator: Please, go ahead.

Angeliki Bairaktari: Good morning and thank you for taking my questions. First of all, with regards to the consolidation that we have seen in the private markets industry in particular in the infrastructure space recently, do you see any opportunities to actually realize any of your investments in GPs on the back of that trend? Ideally, at a higher exit point than the entry point, which could also send a signal with regards to the underlying value of all of those GP stakes.

Then with regards to the fee-paying AUM inflows, we saw only $3 billion of inflows in the first half. As some of these activations have been delayed, can you give us some guidance with regards to your expectation for the second half in terms of the fee-paying AUM inflows please? And then is it fair to expect some improvement of the blended partner firm management fee rate next year considering a large share of the not yet activated AUM is in private equity, which should earn a higher margin? Thank you.

Ali Raissi: Angeliki. Thank you, and good morning. Maybe I'll just touch on the consolidation point. I think it's a fair point and we've also seen consolidation both in terms of infrastructure firms and you'll note that we have a couple of infrastructure firms in our partner firm group. But also just more widely and we think this is just reflection of the attractiveness of sector specialists and high performing sector specialists as firms try to build out suites of capability. I think that's good for us clearly because we have a number of high-performing sector specialists but also some consolidators in the group.

Historically, the program on the private side has pursued realizations and transactions and I'd say that it's something that we always continue to evaluate in terms of good opportunities and clearly we do that for the public company as well. I'd note that on the private side of the program, we've had realizations as recently as in the last year and again at sort of positive references north of where we'd held those positions and also with some of the consolidators that you see in the market.

So clearly, I think that that's a theme that we've been able to take advantage of. It's something that we continue to look at for the public company. I'll hand it over to Adam to talk about the inflows and the blended.

Adam Van de Berghe: Sure. Thanks, Ali. So Angeliki, on your question about fee-paying AUM inflows and for the second half, it's difficult to put a precise number on that given the timing of deployment, that can trigger the recognition of that either just before the end of the year or just after the end of the year. However, we have noted that of our $28 billion of fee-eligible AUM, approximately $17 billion of that is expected to activate going into the end of the year.

In terms of blended partner net management fee rates, as we think about that, there's probably two things that can drive that. Number one is just a mix of the contributions from the relative partner firms and so as they're turning on revenues on their newer products, that will shift from the different firms that will shift our blended rates.

So where some managers are managing products that might be at higher rates and for example the private equity and others in private credit for example might have lower effective fee rates, that mix will drive that overall. The other component is really what we've seen this year, the net negative transaction revenues, and so as that number shifts, that will cause the blended rate to shift as well.

Operator: We'll take our next question from David McCann, your line is open. Please, go ahead.

David McCann: Yep. Good morning. Thanks for taking my questions. Three from me, please. So firstly, on the portfolio valuation, you mentioned it's broadly stable and we can also see, and I think you mentioned as well that you've basically used stable cost of equity and stable multiples broadly speaking within the mix. So I mean that also implies that you've got broadly the same cashflow projections and earnings projections for the relevant categories. The question there is does that not seem a bit at odds with some of the outlook you're given and the subdued environment, at least in the short term of some of these companies? I guess how can you justify keeping your cash flow projections the same? Question one.

Question two on the tax. I mean clearly high level, this came in an awful lot higher than the 12% to 14% guidance. You did give a couple of brief comments around that, Adam on the call, but I just wanted to dig into that a bit more detail. So it seemed part of it was due to the mix of PRE being lower, part of it was due to the tax receivables agreement. I think you also mentioned something around the forward-looking impact of that. So can you just confirm if the 12% to 14% range is still the right range for thinking about this going forward? And if PRE is a lower mix, what does that look like? And also can you just reiterate that guidance you gave about the tax receivables part of that? That would be helpful. That's question two.

And finally, a technical one. On slide 32, you've given partner management fee revenues there, there's no labels on this. Can you confirm this is last 12 months? It doesn't look like a six-month period revenue. Thank you.

Adam Van de Berghe: Thank you, David. I'll take the - on valuations, I would say you're right in that the valuation has been broadly stable. I'd note a couple of three things primarily. One, the majority of the fair value is derived using discounted cash flows and we have a blended rate of approximately 17%, which is relatively conservative. The valuations take a long-term view on cash flows, and so while the softer environment that we're experiencing may push certain revenues to the future in the near term, it doesn't necessarily materially reduce or change the overall picture on those cash flows.

I would also add that multiples have ticked up slightly. We've seen discount rates tick down slightly, but multiples have also ticked up slightly as well. And so the combination of these three factors have really resulted in roughly a 1% increase in the fair value. I would say another 1% increase has really come from additional fundings on balance sheet that we've done during the period.

On the tax question, the TRA payment that we expect to make for this year is approximately $31 million, and that's consistent with the last year. I would say there's probably three points just impacting, and I'll just - some of this I may have covered, but I'll just touch on three points on the tax.

One is, as I mentioned, the tax rate being lower for PRE predominantly against management fees, and so as we see that shift of PRE lower versus management fees in terms of overall, that will just lead to a blended higher rate. We've seen that lower this year in the first half compared to last year and our guidance expected to be below the medium-term target will lead to a higher mix or a higher percentage of management fee income. As I mentioned, the TRA payment. And so we've reflected approximately half of that estimated payment in the first half of this year, but for the full year, we expect it to be broadly similar to where we were last year.

The third item is really the one-time tax related to just a prior year estimate to actual. And what I would just elaborate a little bit more on that really has to do with just the estimate of the taxable income and the timing and finalization versus the final characteristics of the income for the prior year, so related to certain partner firms. And so we don't expect that to be recurring in the second half of the year. On your question on the chart, that's really the long-term - last 12 months through the 30th of June.

David McCann: Great, thank you. Just as a quick follow-up on that tax point, particularly the TRA point, so you've given the number for this issue, what would you expect for future years? That'd be useful, thank you.

Adam Van de Berghe: Yeah, we'd expect that number to be broadly similar in future years as we go forward.

Operator: Once again, if you would like to ask a question, please press star one. We will take our next questions from Luke Mason, your line is open. Please, go ahead.

Luke Mason: Yeah. Good morning, guys. First question is on fundraising or following up into 2024, so I mean, $20 to $25 billion gatherings for this year. How are you thinking about 2024? Should we see some bigger fundraisings coming back in terms of the cycle of fundraising for some of your larger partner firms?

And then second question is on the FRE margin, so you talk about stability in H1 for the 59%, I think if we look at Q2, it dropped to 57%. So is that kind of the run rate level and how should we think about FRE margins moving as you get the activation of these larger funds like Francisco Partners come through in September? Should that bump them up again? So just some more detail there please.

And then just thirdly on the exit outlook, could you give more detail around the outlook more broadly? And then I think in the statement you say some recent realizations have been done at a premium to holding values for the underlying fund, so if you could just give any more detail on what you're seeing there, that'd be interesting. Thank you.

Ali Raissi: Thanks for the questions, and good morning. I'll take questions one and three and then we'll get Adam to comment on two. With regards to the pipeline for fundraisers for 2024, I think you're referring to some commentary around some firms speaking around fundraising in 2024. I think at this point it's too early to give any firm indication on who might be looking to raise larger funds in the market as a lot of that is going to depend on market macro backdrop and deployments that we see from the current funds. So we're not giving any guidance at this stage on 2024, but it sounds like you're also sort of hearing some of the same commentary.

With regards to realizations, I'd say that the private markets continue to be active. We have continued to see relatively sort of resilient pricing, but also a lot more focus on the long-term outlook and the long-term opportunity that the industry sort of has. In our own program, we've had realizations in assets that weren't part of SCO because they were acquired during the IPO, and in those situations we've had relatively strong realizations, premiums versus the prior NAVs that we were held at. And again, it's sort of reflective of the fact that if you have high-quality businesses that have good growth prospects, there are a lot of interested parties.

And in the case of the two transactions I was referring to, in one case we had repurchased by management, and in the other case we had a purchase from by listed alternative asset manager to Blue Owl purchase a firm called Oak Street Real Estate from one of our private funds. And we've had relatively strong activity there. If I've taken that realization is the wrong answer, but you're looking at AUM realization from our own partner firms. I would say that we've had - we're maintaining our guidance of five to $10 billion for the year and we've already seen $4 billion of realizations through the first half, so relatively on track there

Adam Van de Berghe: Just on your FRE margin question, so quarter-to-quarter the margin can vary a bit depending on the mix of the partner firm's contributions to the company. And so given that different partner firms have different relative margins, I would say that as funds activate and those revenues are generated, that would create some uplift in margins in general, but the mix relative contribution would also have an impact.

I think the thing to note for us around the margin is that we've looked at the costs as being relatively stable over the period. And so whether it's net transaction revenues that could create uplift or a little bit of downward pressure on the short-term margins or it could be new fund activations on the revenue side, that could also as well, but the mix of those will have an impact as well.

Ali Raissi: Sorry. And just to go back to question two, I think we also refer to this in the RNS, but in terms of $4 billion of realizations that we have seen, we've also seen them occur at premiums to their holding values. So we've seen our partner firms realize assets above where they were holding them as well.

Luke Mason: Okay, thank you.

Operator: We'll take the next questions from Alexander Bagwell, your line is open. Please, go ahead.

Alexander Bagwell: Morning. Three questions from me. The first one is would you be able to provide some feedback from any conversations you potentially had with your partner firms on the new rules or rule amendments announced by the SEC in August on the regulation of private fund advisors? The second one was I just want you to elaborate a little bit as to which of your firms you're expecting to raise in H2 this year.

And then lastly, I think you mentioned the drop in management fee margin was broadly sort of half transaction fees, half business, and asset mix. Does the latter category include low and negotiated or discounted management fees? Thanks.

Ali Raissi: I'll take - good morning. I'll take the first two questions. In terms of the new rules, I'd say that they were anticipated. Clearly, there'd been some concessions against versus the rules that were originally proposed back in February, 2022. These rules predominantly focused on providing greater disclosure including quarterly statements and annual audits, and they could end up being more onerous and much smaller GPs and could actually drive consolidation at that level across the industry.

I think we have seen our partner firms leaning more on our GP services team to provide support and infrastructure, but it's probably also something that the whole industry is evaluating. I think in terms of that opportunity for M&A, that one observation I would make is that it's always been a use of capital that we provide for our partner firms. And so we also see that as a potential opportunity for some of our partner firms to grow their footprints.

Adam Van de Berghe: In terms of discounts on products and fee rates, we haven't across the board really seen our firms need to discount their fees in order to raise assets. The shift or our shift in blended management fee rates, it's more primarily to do with a combination of just net transaction revenues driven by the market environment as well as a shift in the contributions from different asset classes.

So private credit is an example, might have different rates than our private equity assets that partner firms are managing. And so that's predominantly the shift.

Ali Raissi: And maybe just to finish off on the H2 fundraising expectations, there are no real sort of single big firms that would sort of stand out in terms of that second-half fundraising. We've already crossed the $14 billion threshold. The target is maintained at $20 to $25 billion, so it's relatively sort of diverse across a number of firms.

Alexander Bagwell: Thank you.

Operator: We will take our next questions from Andrew Stefan Baron. The line is open. Please, go ahead.

Andrew Baron: Thank you. And thank you for taking my questions too. If I may. The first is just thinking about split between fee and performance-related earnings. Can you give us some idea, given your use of DCF substantial evaluation, how the NAV splits between the two percentage-wise? If I had to guess, I would've thought that PRE is about 20%, 25% of NAV perhaps, but probably not more given the discount rates you use. That would be my first question.

And secondly - and also related to that, I'm sorry, is that when you're looking at businesses today, my understanding in the past is that you've bought the same strip of both FRE and PRE. Buying today, think of rethinking it. Would you change that? Would you focus more on purchasing FRE? Comment on That would be great.

And my other question is just to follow up on the FRE margin question, which is, do you think that when things have normalized - to be discussed, do you think the margin can go back up to where it's - do you think it should be 65%, 66%? Or has something structurally changed in the industry cost structurally higher competition, et cetera? Thank you.

Ali Raissi: Sure. Thanks for your question. So on the first question; I'd probably refer to on our slide 31 where we've give a breakout of the fair value across private markets, absolute return, and investment capital. And we'll see that fair value related to PRE on private markets is about $1.3 billion, and the fair value for absolute return related to PRE is about $149 million, so we'll call that around $1.5 billion of the total. That is fair value for performance fees.

I'll touch on the FRE question as well. In terms of margin normalization, so we've certainly seen over the last 12 months costs relatively stable. That was, I think last year we saw in the second half upward pressure on cost driven by hiring ahead of some of the fundraising cycles as the firms have raised about over $70 billion in fee-eligible AUM between last year and so far this year. And of course, some higher compensation and operating expenses driven by some inflationary costs and a more fuller return to office.

I would note that overall where we sit now over the last 12 months at about 59% is a very good margin relative to the rest of the industry in terms of as we look forward, that margin will certainly be driven by transaction revenues as those begin to stabilize. And so we would expect some uplift in those as that normalizes.

Adam Van de Berghe: And maybe just to sort of touch on your question around acquisitions and bifurcating the ownership, it's definitely something we've looked at and have historically done. I think depending on the characteristics of the business, clearly, we also have a preference for FRE, and you'll see that in terms of our discount rates and in terms of how we've historically structured transactions.

The only note I would make is that we also look to have alignment with the principals who run these businesses, and so we want to make sure that the same incentive set that drives them, drives us, and sometimes that incentive set clearly features PRE.

Andrew Baron: Okay. Thank you very much. I haven't got as far as page 31. Thank you.

Operator: That concludes today's question-and-answers session at this time. I will turn the conference back to Gurjit Kambo for any additional or closing remarks.

Gurjit Kambo: Yeah. I'd like to thank you everybody for joining the call today, and if you have any further follow-up questions, please do reach out to me and I can take that offline. Thank you very much and have a good day.

Operator: This concludes today's call, thank you for your participation. You may now disconnect.