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Moderator: **Gurjit Kambo**

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Operator: Good day, everyone. And welcome to Petershill Partners' full-year 2023 results call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. I would like to advise all participants 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 a residence of any jurisdiction were to attend this conference call would constitute a violation of relevant laws of such jurisdiction. Now I would like to hand the conference over to Gurjit Kambo, Head of Investor Relations for Petershill Partners. 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' full-year 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 am joined by Ali Raissi-Dehkordy and Robert Hamilton Kelly, co-head of the Petershill Business Unit within Goldman Sachs Asset

Management and Adam Van De Berghe, who is responsible for the CFO function for Petershill Partners.

Ali and Rob will provide a business update and some market context followed by Adam who will run through our full-year 2023 financials and forward guidance leaving sufficient time for Q&A. With that, I'll turn the call over to Ali.

Ali Raissi-Dehkordy: Hello, everyone. Thank you for joining as we present our full-year 2023 results. To summarize the year, our partner firms experienced good asset raising and growth in fee-paying AUM against a challenging market backdrop. The lower market activity did however impact our earnings.

But we believe the company remains well positioned as activity recovers supported by robust aggregate investment performance across our partner firms. We delivered strong operating cash flows with a stable balance sheet, which has supported higher capital return in a slower year for M&A. Turning to page four, I'll provide a summary of our results during the year and Adam will provide further details later.

As we previously announced in our AUM update in January, our partner firms continued to raise fee-eligible assets at or above target sizes and on time, totaling $23 billion during 2023, which was a good outcome given a tough backdrop. Our AUM and fee-paying AUM increased by 7% and 14% respectively over the last 12 months.

Our partner firms, however, were not immune to the volatile year for global markets with wide swings during the year contributing to a slower pace of capital markets' activity contributing to the company's lower earnings in 2023 versus the prior year. We ended the year with reported partner FRE of $203 million, down 5% year on year, but in line with our revised guidance.

Total income for the year was $319 million and was lower versus the comparable period predominantly due to lower partner realized performance revenues reflecting the lower realization environment across the industry. We retain a high bar for acquisitions. And whilst we did not close on any deals during 2023, we continue to view M&A as a facilitator for growth.

And since the yearend, we have completed on two transactions which we will discuss later. The board remains resolutely focused on capital management. The board has proposed a final dividend of 10.1 cents per share taking the full year 2023 dividend per share to $0.15 compared to 14.5 cents in 2022 consistent with our progressive dividend policy.

We have completed around $32 million of the $50 million buyback. And today, the board has announced it is considering launching a tender offer of up to a $100 million of the company's shares. We expect a decision to be made by the end of April so that an approval can be sought at the forthcoming AGM.

Turning to page six, I want to spend a moment to speak on the impact of the macro uncertainty on activity across the private market industry, which has created some allocation challenges. We are seeing a more bifurcated asset raising environment with momentum at large-scale solutions providers at one end and specialist managers at the other end.

During 2023, across the industry, asset raising declined by 18% with deployments down 36% and exits 10% lower compared to 2022. While there was a sequential improvement in activity over the course of 2023, we would be reticent on calling a recovery too soon. But we view the company as well positioned when activity does pick up.

Now turning to slide seven; despite the industry headwinds, our partner firms successfully raised $23 billion of fee-eligible assets on track relative to both size and timing. Private equity was the largest contributor to asset raising, reflecting our partner firms' greater skew towards private equity, but our partner firms also saw good momentum in private credit.

To highlight a few partner firms, we saw strong contributions from A-KKR with the Flagship Fund VII raising $4.4 billion, an increase of 52% versus its previous fund. And STG closing on $4.2 billion in its Flagship Fund VII more than double the size of its Fund VI. On slide eight, we show that the scaling up of funds was not confined to growth in 2023, but as being consistent over time.

If we take our five largest private market firms by ownership weighted AUM, these firms have seen their flagship funds scale up on average by just over 80%. We believe this reflects the attractive growth in specialist mid-market managers and strong investment performance, which has led to aggregate partner firm AUM CAGR over the past five years of 24%.

Turning to investment performance; on slide nine, we show our partner firms in aggregate have delivered robust returns on both an absolute basis and relative to benchmarks, which underpins our confidence that the company is well positioned for long-term growth.

We also provide some additional color on the investment performance for our five largest private market partner firms, which highlights that they have delivered an average net IRR of around 22% in their flagship funds. With approximately 800 basis points of outperformance against the benchmark, we view this as strong alpha in a competitive environment.

I will hand over to Rob to provide some commentary on partner firms' highlights during 2023 and since the start of 2024 and some context on long-term industry growth trends.

Robert Hamilton Kelly: Thanks, Ali. And good morning, everyone. Turning to slide 10, I wanted to take a moment to highlight the momentum and milestones across some of our partner firms during 2023 with successful asset raising highlighted from STG, A-KKR, industry ventures and Harvest.

The key theme is that given their quality, our partner firms have been able to raise assets on time and above their target in a very tough fundraise market. Our GP Services team has been very active with around 470 engagements over the course of 2023, which is around 50% higher than the prior year.

There continues to be strong engagement relating to capital formation, but we're also seeing a broadening out of engagements. For example, with greater dialog around topics such as investment portfolio services, helping to generate returns in their underlying assets. Partnership and alignment with our GPs remains a core tenant of our business model.

The pickup in numbers is impressive, as in most cases it reflects management teams reaching out to us to help, showing the value attributed and the impact we're able to make. On slide 11, I wanted to highlight the momentum we've seen across our partner firms since the start of the year.

We've seen active engagement across asset raising with Wind Point Partners closing at its hard cap for Fund X of $2.3 billion exceeding the fund's $1.7 billion target. We have recently seen Francisco Partners announce the $1.2 billion acquisition of Jama Software and realizations by Arsenal and Arlington during February.

The momentum is encouraging, although, it's clearly early in the year. Turning to M&A by the company; we've completed two transactions in the first quarter of 2024. And these reflect a focus on realizing assets at a strong value versus NAV and discipline in acquiring assets.

Firstly, we acquired additional interest in three partner firms in a secondary transaction from a financial investor for $55 million at a discount of around 16% to the December 31st 2023 carrying value, essentially increasing exposure to FRE at a discount in partner firms that we know well.

Secondly, we sold a partial interest in PRE and investment income in A-KKR back to management for $35 million at a slight premium to the December yearend carrying value.

Turning to slide 12, despite the challenging market conditions during 2023, the long-term industry growth dynamics remain attractive in our view. The industry remains extremely cash generative with high-profitability margins and strong-value creation in private markets with firms remaining private for longer.

We do expect to see greater bifurcation in asset raising with growth in large-scale solutions providers and specialist mid-market firms. And our partner firms are typically in the latter category and have continued to raise funds above target and on time. We've started to witness greater consolidation with interest in specialist mid-market firms from both alternative asset managers and from traditional asset managers seeking to accelerate and diversify their growth.

We think we stand to benefit from this trend over time. The long-term growth in the industry remains positive with assets over the next five years expected to grow by around 10% per annum and reaching around $19 trillion. The strongest growth is expected in North America, which is the core market for most of our partner firms.

We expect continued growth from institutional investors in the medium to long term, but see additional opportunities from the wealth and retail channels which remain significantly underallocated to alternative assets with an estimated low-single-digit percentage allocated to private markets currently.

Whilst macro and market uncertainty clearly present industry challenges, periods of market dislocation can bring about opportunities leading to strong vintage fund performance. We believe our partner firms are well positioned sitting on around $83 billion of newly-raised capital over the last 24 months, delivering strong investment performance and exposed to the attractive mid-market segment.

Finally, there are signs that inflation is moderating and an expectation that rates may begin to decline as we progress through 2024, which may be able to create a more supportive environment. Although, clearly changing marketing conditions can take time to translate into asset realizations in our financial results. With that, I'd like to hand over to Adam to run through full-year results.

Adam Van De Berghe: Thanks, Rob. And good morning, everyone. Turning to page 14; our aggregate AUM grew to $304 billion, representing a growth rate of 7% year over year. Aggregate fee-paying AUM grew to $221 billion, a 14% growth rate year over year. We were pleased with our partner firms' demonstration of strength in asset raising in what was a challenging period for our industry.

Fee-related earnings were $203 million, down 5% year over year. Partner-realized performance revenues were $55 million, 58% lower year over year, reflecting a slower realization environment. Consequently, our adjusted profit after tax was $200 million with an adjusted tax and tax-related expense rate of 19%.

The board has recommended a final dividend of 10.1 cents per share, increasing the full year dividend 3% year over year to $0.15 per share. The board has also announced they are considering a tender offer for up to a $100 million of the company's shares. Now let's look at each of these in more detail.

On page 15, we see fee-paying AUM growth of 14%, which was supported by new fee-eligible assets raised during 2023 and previously announced AUM not-paying fees switching on during the year. Total AUM stood at $304 billion, up 7% year over year. And our partner firms had $8 billion of AUM not-yet-paying fees, which we expect to become fee paying over the course of 2024.

Our ownership-weighted fee-paying AUM and ownership-weighted total AUM stood at $28 billion and $37 million respectively at the end of 2023. Turning to page 16; our partner firms' gross management fees were $356 million translating to growth of 6% year over year, resulting from the increase in fee-paying AUM we experienced.

Transaction fees, net of offsets was negative $6 million compared to a positive $5 million in 2022 due to the slower transaction environment resulting in net management fee growth of 2% over the year. On the right side of the page, you will see that gross management fees have grown 22% over the first two full years since our IPO developing broadly in line with aggregate fee-paying AUM.

On page 17, we break out the year-over-year change in partner fee-related earnings. Partner fee-related expenses were $147 million growing 14% year over year. The slower transaction environment led to an $11 million decrease in net transaction fees year over year. Altogether, our partner fee-related earnings were $203 million for 2023.

Our partner FRE margin was 58% for the full year and broadly stable with the first half. Turning to page 18, partner-realized performance revenues were $55 million, representing 13% of total partner revenue. $10 million of the $55 million was attributable to absolute return.

Partner-realized performance revenues were impacted by the slow recovery in the realization environment and lower performance in the absolute return strategy compared to the prior year. Our share of partner private markets accrued carried interest increased to $615 million, indicating that the year-over-year revenue decline we experienced was attributable to a slower realization in environment, but that underlying performance was positive.

Realized investment income was $34 million for the year. On page 19, 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 year end was $5.3 billion, increasing 6% compared to the prior year.

Our investments are skewed towards private markets with the fair value of the investments in private markets 9% higher year on year, partly driven by higher multiples on comparable businesses and modestly lower-weighted average discount rates. The weighted average discount rate used in determining the fair value of our private markets fee-related earnings was 13% compared to 13.3% in the prior year.

The weighted-average discount rate used in valuing our private markets PRE was unchanged year over year at 25.2%. The fair value of our investments in our absolute return strategies declined year over year by 13%, reflecting lower performance in 2023, which reduces net asset values of the underlying funds and therefore future earnings expectations.

We also experienced a successful restructuring to a pass-through model by a partner firm in our absolute return strategy in line with larger-scaled managers. The new model shifts a portion of the partner firm's FRE towards cash flows that the partner firm categorizes as PRE. We estimate that cash flows from partner-distributable earnings to be broadly similar.

This restructure results in a negative impact to the fair value in the near term, but creates the potential for long-term growth in cash flows. Turning to page 20, we ended 2023 with cash of $305 million. We also have a revolving credit facility of $100 million, which we opened during 2023. We did not draw on it during the year and it has no balance as of the yearend.

This positions us well to make investments in new partner firms while also returning substantial capital to shareholders in 2024. On page 21, the company is underpinned by the strong free cash flow generation. And our capital allocation continues to support our progressive dividend policy, finance growth and provide optionality for additional capital return as evidenced through the announcement today that the board is considering launching a tender offer of up to $100 million of the company shares.

We expect a decision to be made by the end of April so that approval can be sought at the forthcoming AGM. We did not undertake any new M&A during 2023. However subsequent to the yearend, as we mentioned earlier, the company completed two transactions accretive to the net asset value, which align with our FRE-centric nature.

The combination of these transactions which were done at favorable prices tilts earnings' potential towards FRE. On slide 22, we turn to our financial guidance and outlook. Consistent with our AUM update in January, we reiterate our guidance for organic gross fee-eligible AUM raise in 2024 of $20 billion to $25 billion, which we expect to be equivalent to $2.5 billion to $3 billion in ownership-weighted gross fee-eligible AUM.

Total realizations during 2024 are expected in the region of $5 billion to $10 billion. We expect FRE between $200 million and $230 million for the full-year 2024. This range reflects the restructure to the pass-through model by one of our absolute return strategies I mentioned earlier.

For comparison purposes, if the pass-through model had been in place for all of 2023, we estimate our 2023 FRE of $203 million would've been approximately $15 million lower with some offset of higher PRE. We expect PRE as a percentage of partner firm revenues to fall between 15% and 30% in 2024.

This range is slightly wider than our medium-term outlook reflecting the ongoing recovery and realizations still underway. We continue to expect the company's adjusted EBIT margin to be in the range of 85% to 90%. Finally, we expect M&A between $100 million and $300 million having already completed $55 million this year.

We continue to identify and evaluate attractive acquisitions within the fastest-growing areas of the alts industry where we can be the most impactful with our capital. We believe the fundamental attractions of Petershill 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 and AUM growth, which continues to strengthen the foundation for higher fees. With that, we thank you for joining the call. And we'd like to open it up to questions.

Operator: Thank you. 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 the question. We'll take our first question. David McCann from Numis, your line is open. Please -- please.

David McCann: Yeah. Good morning, everyone. So yeah, thanks for that. Yeah, three technical ones for me, and one more strategic one. So firstly on the technicals, the other Opex looked like it fell about $2 million year on year. And there's only $3 million in the second half versus $8 million in the first half. What was that and what is the outlook for that line item?

Secondly, effective tax rate. It moved obviously around quite a bit half on half, obviously quite high in the first half, low in the second. Can you just update, does the guidance of $0.12 to $0.14 still stand looking forward? And is there anything else particular to call out within the movements in the year that's just gone?

The balance sheet looks like the divestment fee accrual has more than doubled. When the portfolio values have obviously stayed broadly stable, what's driven that? Then on the more strategic one, yeah, Adam just touched on it at the end there. Obviously guidance range with PRE is quite wide for the current year.

Yeah, if there's a signal that you are hoping and maybe expecting the private markets industry to see recovery and deals to obviously get done this year, and if that is the case, that should obviously point towards the upper end of that band. But obviously reflecting that that might not happen, there could still be roadblocks ahead and therefore 15% is obviously in there.

Yeah, just maybe some color around the signaling as to what that's meant to be showing would be useful. Thank you.

Adam Van De Berghe: Thanks, David. This is Adam. I'll take the first three questions, and then turn it over to Rob for the last one, Ali and Rob. So on your first question just on operating expenses year on year, you are right. The operating expenses this year are lower than last year. I think combined, both the director's fees and operating expenses are about $13 million give or take.

Given that the company's now had a couple of full years of operations, we do view this as a bit more of what we think the stable line of expenses are give or take in terms of just normal uplift from general increases in operating expenses. But we think obviously that number's come down from prior years into a bit more of a normalized state now that the company has been operating for a bit.

In terms of the second question, the effective tax rate, you are right. It was higher a bit in the first half. Maybe just as a reminder and I think when we issued the first half results, we did note about a one-time tax amount that was included in the first half as an estimate to actual from the prior period. And so we saw that bit more normalized in the second half.

I would also just to take a step back for a second in terms of taxes, our tax rates on fee-related earnings that tend to run through our US subsidiary, our tax debt, higher normalized corporate tax rates ballpark around 25%. Whereas tax rates on performance fees that generally go through the Cayman subsidiary are significantly lower.

So the composition of revenue as a percent of total between FRE and PRE can also cause the blended tax rate to be higher or lower. So effectively when PRE as a percentage of revenue is lower, we might expect a slightly higher tax rate. And likewise as PRE is higher, we would expect a lower overall effective tax rate.

Our medium-term guidance has not changed however. On your third question, the divestment fee accrual, as you can see the fair value of the investments did increase north of $200 million since the beginning of the year. And that was predominantly in the second half of the year. So the accrued divestment fee is really based on the fair value of the assets in excess of their cost.

Of course, that's on an asset-by-asset level. And so that increase is a bit commensurate with the increase we saw in the fair value.

Ali Raissi-Dehkordy: Maybe on your fourth question, David, just to talk about the PRE guidance. You're absolutely right. It is a wider range. And maybe that's a little reflective of the fact that we've started to see some activity, but it continues to be a market where there's macro uncertainty, other uncertainty around there.

And so we could equally see that activity go down over the course of the year. The wider range reflects a little bit of the bookends that might occur if that activity goes back to what we'd expect as the medium-term activity levels or if it continues at the lower rate we've seen over the course of the last year and a bit.

Operator: Once again, if you would like to ask a question, press star one. We'll take our next question, Angeliki Bairaktari from JP Morgan. Your line is open. Please go ahead.

Angeliki Bairaktari: Good morning. And thank you for taking my questions. Out of the $20 billion to $25 billion of fundraising, fee-eligible AUM raise that you are targeting for this year, can you tell us how many firms are expected to contribute to this number, to this range? Because I think you mentioned in your release that 18 firms contributed to the raise in 2023.

So I was just wondering whether we should expect a similar number or perhaps a smaller number for 2024. And then with regards to consolidation in the industry, you did touch upon that a little bit in your opening remarks. And we do hear more and more larger private market managers acquiring smaller firms, in particular either in the infrastructure or the private debt space.

So I was wondering, you obviously own quite a lot of those mid-cap firms that could become potential targets. Have you seen any increase in intensity of approaches from potential buyers for these assets? And would you consider exiting perhaps some of your minority stakes in those firms? Thank you.

Adam Van De Berghe: Angeliki, thank you. It's Adam. I'll take your first question and then I'll turn it over. So on the $20 billion to $25 billion in fundraising, we continue to expect that to be fairly diverse across the partner firms. We expect that to be at least 10 partner firms this year raising $20 billion to $25 billion.

Ali Raissi-Dehkordy: And then Angeliki, so on M&A, I think you're right. There's definitely a consolidation trend in the industry with larger firms looking to build out their range of products and solutions for clients in some cases organically, in some cases through M&A. And I think goes across infrastructure, private credit, and also real estate where we've seen transactions in the wider market.

We think our firms are incredibly well placed to benefit from that. And at any point through the cycle, we do sometimes see approaches to individual firms. Although, there can clearly be no certainty that anything happens. We view these things as a both strategic and financial investor, where certainly if we think it's an attractive combination then we're generally supportive of those types of activity.

Angeliki Bairaktari: Thank you. And if I may follow up just on the fundraising point. I think perhaps towards the second half of last year, I remember there were some press articles about Clearlake launching its next vintage. Is there anything you can share on whether that vintage has actually now been launched and is currently in fundraising?

Ali Raissi-Dehkordy: Thanks, Angeliki. So we can't comment on active fundraisers just because of US regulations. But I'd say the press covers firms like Clearlake relatively accurately and well over time.

Angeliki Bairaktari: Thank you.

Operator: We'll take our next question, Andrew Shepherd-Barron from Peel Hunt. Your line is open. Please go ahead.

Andrew Shepherd-Barron: Good morning. Thank you. Yes, a couple from me, maybe three. First is on the share buyback. Do I take it that all the buybacks and the capital returns to date have been from the shareholders who took it in the IPO or have subsequently acquired rather than anybody holding through Goldman Sachs?

And what does the $100 million do? Would that also be likely to only come out of the free float? Because obviously, we're all looking forward to 2026 when things might or might not resolve, any color on that would be great. Second question from me is on secondary transactions. Obviously, you bought it at a discount that deal you talked about.

Have there been any secondary transactions in firms where you have a participation which you didn't participate in? Thanks. And actually yes, third one for me, if I may, which is I think that if I look at your valuations in terms of EBITDA multiples are still above what we see in the public market for non-large leaders. Could you make any comment about that and why that would be? Thank you.

Adam Van De Berghe: Maybe just to clarify on the buybacks to date those that have been in the market and managed by our brokers. So they would be participated in by shareholders in the public market. One observation I would make is that the private funds that represent around 76% of the shareholding have not participated in those buybacks to date.

And I'd say that probably gives an indication on their view of value. So at this point, I think buyback is something being considered in terms of form and timing. But we wouldn't be able to comment on who's going to participate in those and who would not. But the private funds have indicated their view on value in terms of their participation in prior buybacks so far.

On the secondary point, no. Do you have that [inaudible]? Do you mind repeating your second question?

Speaker: I think the question was just if anybody, any investors in the existing firms have done any secondary transactions that we've seen?

Andrew Shepherd-Barron: That you haven't participated?

Speaker: That we haven't participated in? I don't believe so, no. I think one of the benefits of being a capital provider and strategic partner in these businesses is when there are secondary opportunities, we will generally have a first option and first ability to participate in them. And we also have pretty decent insight on the firm.

So it's allowed us to in some cases continue to provide capital to firms. And we did that a number of times I think in 2022 with follow-ons in some of our existing partner firms.

Adam Van De Berghe: Yeah. And I'll take the third question around valuation and multiples. I think a couple of things, we'd probably observe. As I mentioned earlier, our portfolio was up about 6% call it over the previous year. I think in the second half of the year, we saw multiples in the alt sections, alt segment of public alts on average up close to 40%.

So quite a substantial increase in multiples in the public markets. We tend to be a bit more conservative when we see in that space. Two other aspects I've probably mentioned and we have some of these disclosures in our presentation in the details. But on the valuation of private markets, we tend to look at that more from an income and DCF projection. Our discount rate's around 13%.

On our absolute return, we do look at it a little bit more from a terminal and from a multiple perspective. And currently for 2023, our absolute return is about 7.7 for fee-related earnings and just 4.6 for PRE. That is actually roughly flat on FRE and down slightly on PRE. So we think still relatively conservative approaches to valuation. Thank you.

Andrew Shepherd-Barron: Okay, thank you very much.

Operator: Once again, if you would like to ask the question, press star one. We'll take our next question. David McCann from Numis, your line is open. Please go ahead.

David McCann: Yeah, thanks. Yeah, sorry to ask another one. Just actually a follow up on one of Andrew's questions there. Just on the discount rates slightly falling across the board, not all of them, but some of the key ones, and again, some of the multiples slightly increasing in the categories.

I know you mentioned there Adam, a 40% increase observed in public market comps in terms of multiples. Was that the main driver of those aggregate changes or was there anything mix related that you might want to draw out in there? What impacted the underlying US treasury discount rate playing that? And indeed, anything else that's relevant? Thank you.

Adam Van De Berghe: Yeah. Thanks, David. I think the one thing I'd observe maybe about the slight reduction in discount rates, hence a little bit FA weighted average. We did see a considerable asset raising last year and obviously a lot of that came to fruition, funds activated. And now the future expectations of some of those earnings have become reality, which tends to -- sometimes you look at that from a lower-risk perspective.

Clearly in the market environment that also interest rates in general have tended to moderate. So the coupling of those aspects led to slight on a weighted average discount, a decrease in discount rates. I think from the multiples perspective, we do take into account to some degree where the public alts are trading, particularly when we think about some of the multiples and terminal multiple calculations.

But again, we tend to ground ourselves in our starting point and where we were both from a prior-year perspective. So we oftentimes don't necessarily see that type of -- take into account fully that type of movement.

Ali Raissi-Dehkordy: Hi, operator. Is there any more questions lined up?

Operator: Yes, we'll take our next question. Andrew Shepherd-Barron from Peel Hunt, your line is open. Please go ahead.

Andrew Shepherd-Barron: I figured if David's going to have another go, so might I. But just a quickie. On the tax rate, I don't think I'd quite understood that there was a significantly lower tax rate on PRE versus FRE. So is that going to carry on? Is that under threat at all? Should we just merely assume that, obviously you've talked about the blended tax rate.

But the individual, the breakdown in terms of percentage will carry on for let's say the next three to five years, something like that? Thank you.

Adam Van De Berghe: Thank you. So yeah, I'll just break down a little bit. So fee-related earnings which tend to mostly run through the US subsidiary are taxed at US federal and tax rates of close to 25%. Performance fees, which would mostly run through the Cayman subsidiary are taxed on a blend, low single digit rates.

We obviously don't know in the future where US corporate tax rates will go. So there's clearly risk to at any point that tax rates, statutory rates could change in the future. But by and large that's the general breakdown. What I would say from a blended perspective, clearly again is if the composition of revenue between FRE and PRE tilts more towards FRE in a year where we have lower performance fees, you'll see a higher blended rate. And likewise we saw last year slightly below our medium-term guidance given performance fees were higher relative to FRE.

Andrew Shepherd-Barron: Okay. Okay, thank you.

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

David McCann: Yeah, Sorry. [Inaudible] wrote for me another follow up actually on Andrew's one and indirectly my own one there on the tax rate again. So actually just to complete the picture. So you've obviously given us some indications there for FRE and PRE. But what about your own expenses?

Should we assume that that's close to the 25% rate? And then on the investment income, is that close to the PRE rate? And yeah, the half year and last year when we were talking about the tax rate again on the company when there was an unexpected large amount, you also referenced that there was a $31 million more or less fixed tax receivables agreement accrual within that running through the tax rate.

So these percentage rates you've quoted, are they inclusive or exclusive of that TRA[?] $31 million that you referred to in the past? Just so we can cover that up because I think, it's still a little bit uncertain I guess where we are. But there's a few bits and pieces out there, it'd just be good to nail it all down if you can. Thank you.

Adam Van De Berghe: Hey, David. Thanks. It's Adam. So I'll headline and just say that the guidance does include everything. There are UK taxes generally applicable to interest income. There are US taxes generally applicable to FRE, fee-related earnings. And there are some US taxes and UK taxes applicable to portions of PRE.

But on a blend, that is our overall medium-term guidance rate. Our own investment income, again, some of which may be subject to US taxes but it falls within that scope of that blended rate. And with the composition of PRE and FRE, that could move a little bit higher or lower on the blend. But that rate does encompass the tax rates in all the jurisdictions and structure.

David McCann: Thank you.

Operator: There are no further questions at this time. Yeah, Gurjit Kambo, I would like to turn the conference back to you for any additional or closing remarks.

Gurjit Kambo: Okay. Thank you everybody for your questions. And if you have any follow-ups, please do feel free to reach out to myself. Thank you. Have a good day.

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