Conference Title: Petershill Partners 2022 Interim Results (As of 30 June 2022)

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Operator: Good day, everyone and welcome to Petershill Partners H1 2022 Interim Results Conference Call. At this time, all participants are in a listen-only mode. I would like to advise all parties that today's call is being recorded. I'd like to remind you that during this call, a number of forward-looking statements are made, which could differ from actual results materially and Petershill Partners assumes no obligation to update these statements.

No assurance can be given that any particular expectation will be met, and you are cautioned not to place undue reliance on forward-looking statements. A replay of today's call will be available on the Investor Relations section of the website, along with a copy of the interim results release and presentation. Petershill Partners PLC commenced conditional trading on the London Stock Exchange on 28th of September 2021, on which date the initial acquisition of the portfolio of partner firms by the company was completed.

Financial results are presented on an IFRS basis, but alternative performance measures are used to reflect the underlying information and metrics that the management and board used to track the performance of Petershill Partners. For completeness and transparency, this document provides results for interests in the partner firms in aggregate, including operating metrics for periods prior to the initial acquisition date presented as if the company's assets as at the time of the IPO had been owned by the company during the historical period presented.

As a reminder, certain key operating metrics including AUM partner, private markets, secured carried interest, and investment capital reflect data reported to the operator on a three-month lag. Presenting today to discuss the company's results for the period ended 30th June 2022, are

Ali Raissi and Robert Hamilton Kelly from London, co-heads of the Petershill Group at Goldman Sachs. After the speakers' presentation, there will be a question and answer session.

With that, I will turn the call over to Ali Raissi.

Ali Raissi: Hello, everyone. I'm Ali Raissi, co-head of the Petershill Group at Goldman Sachs. And thank you for joining us today. Turning to page three, we're pleased to deliver interim results for the first half of 2022. With a delivery of plan and performance in an uncertain environment, we believe these results demonstrate key characteristics of our firm and our partner firms in terms of resilience, strong relative performance, capital returns, and successful delivery of M&A.

To each of these points, our aggregate total AUM increased 42% over the last 12 months to $266 billion as at the first half. Partner distributable earnings grew to $397 million, up 28%, almost all of which is dollar denominated. Our corporate profit margin was 90% adjusted EBIT in the first half, almost all of which was free cash flow. But importantly, the company continued to demonstrate a resilient model of gaining access to the growth of the private alternatives industry, a stable capital base with 8.1 years weighted average duration.

Seeking to manage risk with diversification across 23 partner firms, including one additional acquisition made post this period in Q3. A follow on funding of additional capital and an existing partner firm. Demonstrating the benefit of multiple engines of growth and strong positioning in a more nuanced fundraising market, we're updating 2022 guidance to approximately $50 billion in organic growth fee paying AUM raised from our previously communicated 40 to $45 billion, which itself was more than two times the amount raised in 2021 and with significant visibility across ten partner firms raising new funds and new products.

On the back of these results, the board has approved an interim $40 million dividend or 3.5 cents per share in line with our guidance. The metrics you see here sit at the heart of the company. Petershill Partners has demonstrated fast growth both by organic and acquisitive means with significant margin and free cash flow generation anchored on a stable, long duration capital base, diversified across 23 partner firms and over 200 fund products.

However, this half did see a reduction in shareholders' equity from $5.3 billion to $4.9 billion. The change in this IFRS measure reflects an increase in blended discount rates used to derive the valuations of our underlying partner firms. Discount rate increased from 15% blended to 17% blended, and it results in a book value per share of 425 cents per share or 349 pence. Robert will talk about this in more detail later on in our presentation.

Flipping to Page six. An overview of Petershill Partners. I want to spend a moment to speak about the nature of the business. Our company gives investors access to management fees, performance fees and investment income related earnings from across $266 billion of partner firm AUM. This is a diversified, resilient model driven by 23 engines of growth. Our 23 partner firms who operate predominantly across the private markets.

We seek partnerships with independent, high quality firms, with management teams aligned through retaining substantial economics in their own businesses. Independent partner firms at the heart of our company and the success of our Petershill strategy over the past 15 years. Management's ownership is a critical element in maintaining their focus, alignment and longevity.

And we also look to make new acquisitions and grow the footprint of the business over time. And we work extensively with existing partner firms to help them grow and develop. Regarding our earnings model on page seven. Petershill Partners revenue model is in line with other private focused alternative asset management firms. Our revenues consists of management fees, performance fees, and investment income.

However, in our case, these are generated across 23 independent partner firms managing $266 billion of assets under management across a whole host of funds and strategies. This gives us diversification and resilience to not rely on any one brand, one fund or one strategy. The majority of our revenues are recurring stable management fees from funds with a weighted average duration of 8.1 years.

On page eight, we have multiple drivers of sustainable growth. The industry, partner firms, value creation, and inorganic growth. Even if we were to never make another acquisition, our industry has demonstrated robust double-digit growth and our partner firms have demonstrated outperformance in growing faster than the industry. This has been shown this year through the strong progress year to date against our gross fee paying asset raise guidance, and I'll speak to that shortly.

We also add value through working actively with our management teams on capital formation, business development, and using our capital and follow-ons to develop their business. We also have a long track record of targeted, repeat, accretive acquisitions. We'll look to continue to operate in a capital efficient form making acquisitions, but also returning capital when appropriate, as demonstrated by our return to shareholders this year.

On page nine, we can see that we're tracking well against our goals and targets set for 2022. The first half of 2022 resulted in $36 billion of gross fee paying AUM, raised against our full-year guidance of $40 to $45 billion ahead of expectations and reflecting the quality of our partner firms. As a result, we're increasing our full-year guidance to $50 billion organic aggregate fee paying AUM raised.

And we maintain our medium-term growth expectations of growing above the industry growth rate. We maintain our guidance of $100 to $300 million of annual acquisitions across three to six transactions a year. Following our first half reporting, we delivered on $100 million in one follow-on acquisition in Q3. Importantly, consistent with our previously communicated focus on the private markets, the acquisition was related to a private capital firm.

Following a busy and successful period, we're announcing a $40 million interim dividend in line with guidance, maintaining the progressive dividend policy that we indicated at the time of the IPO. We're also maintaining our guidance for the company of 85% to 90% corporate EBIT margin, highlighting the efficiency and profitability of our business model. As at first half 2022, we have a 90% adjusted EBIT margin. I want to spend a moment to talk about two of our key growth drivers in 2022 on page 10.

One, our ability to add value to our existing partner firms through our GP services business and two, our ability to source and acquire interest in new high quality portfolio firms. Starting with our ability to add value. GP services is effectively our operating partner platform within the Petershill business where we work with the management teams of our partner firms on growing and developing their businesses.

Over the first half of 2022, we delivered on 115 projects in aggregate across capital formation and product development, portfolio company services, and operational improvements. Importantly, our GP services team doesn't only add value to existing partner firms but also helps us to position as an attractive partner for future acquisitions. Regarding acquisitions, following the end of the reporting period, we completed on an additional transaction.

And while we maintain our target guidance of three to six investments per annum, we continue to be highly selective with high quality businesses and using underwriting that is cognizant of the changing macro environment, as is reflective of a program that has now been investing for 15 years across multiple market cycles, and we'll speak to that in a little bit more detail later. As you can see on the chart on the bottom right, organic growth has been a key driver in our AUM increase of over 13% during the first half.

On page 11, just to discuss our earnings briefly, you can see that we've been able to achieve the meaningful growth in 2022 with distinctive and highly diversified revenue base. Across our $266 billion of partner firm AUM, no single fund represents a greater than 5% of total AUM. In addition, the aggregated capital base has a duration of 8.1 years. It's diversified across sectors and strategies, with 91% of our partner firms headquartered in North America positioning the firm well geographically.

In the bottom right here, we also show a bridge between fee paying AUM and total AUM, which highlights the strong investment performance of our partner firms. Now moving to page 12, we'll talk a little bit about our clear focus on CAPEX like M&A. Looking at these acquisitions in more detail, we've been very active but also selective and targeted for our acquisitions.

In particular, we invested in firms that specialize in sectors that we specifically identify as being some of the most attractive sectors for future growth, including mid-market buyout, healthcare and tech enabled businesses. In Q3 of 2022, we completed one follow on acquisition and Kayne Anderson real estate.

In aggregate, since the IPO, we've now invested a total of $558 million across six transactions, which we expect to be 11% accretive to earnings in 2023. For fiscal year 2022 to date, we've invested a total of $100 million in one additional transaction as compared to our full-year guidance of 100 to $300 million. This transaction took place since the 1H period and so we'll cover it in more detail at a later period.

One point to note is that Petershill Partners generally makes these new acquisitions alongside the private funds, which will result in a lower blended ownership for the new transactions relative to the 19 partner firms that the company started with at the time of the IPO. But with the same governance rights and protections. But this has allowed us to create an incredible amount of diversification across the business. And I'll talk on that on page 13.

Looking at the diversification of the underlying partner firm level, our 23 partner firms each run multiple vintages of funds over different time periods, with a total of 204 funds across 76 different strategies. In addition to managing diversified and complementary strategies, we believe some of our partner firms were amongst the strongest performing firms in their respective sectors in 2021. Harvest, Accel-KKR, Clearlake, General Catalyst, and Francisco Partners are examples of partner firms that have each won prestigious industry awards in their respective sectors on the back of similar awards in prior years. As you see from the capital raising chart, Petershill Partners has benefited from partner firms who have raised capital in every single vintage and year for the last decade.

We think this really stands out, particularly as you see how this translates to diversification across vintages for our business. While performance and quality of our underlying partner firms were critical drivers of our success in the first half, we believe they may make an even bigger difference in the future, where we may enter a period of greater differentiation in a market where strong and well positioned firms have an opportunity to outperform their peers.

With that, I'd like to hand over to Rob to review our interim 2022 results in more detail.

Robert Hamilton Kelly: Thanks, Ali. This is Rob Hamilton Kelly, co-head of the Petershill Group at Goldman Sachs. On page 15, we look at the management results, which are important to us as it's what we focus on in running the business and it reflects true operating performance of the company. We stripped out non-cash IFRS line items and we start with partner DE, or total income, of $169 million for the first half or $397 million on a last 12-month basis, up 28%.

After operator and corporate costs, we made $152 million of adjusted EBIT for the first half and 90% corporate operating margin and $135 million of adjusted profit after tax for the period. The company's key characteristics are then high 28% growth, robust profitability with a 90% margin, durable 8.1 year capital, and risk management with diversification across 23 partner firms.

Note, we also had $22 million of non-recurring exceptional relating to the debt refinance, which we show at the bottom. This was based on reconstituting the debt structure from a pre to post IPO appropriate form, so we'd not expect any costs of this magnitude in future debt raises. Turning to page 16, our AUM growth is reflected both in total, AUM growth at 42% and fee paying AUM growth at 34%.

Total AUM is important for us for performance fee generation and fee paying is important for us for FRE, or recurring revenue generation. This also played out in revenue growth, with 28% increase in partner distributable earnings and 26% growth in the management fee portion of this to $227 million. If we turn to page 17, this page underpins the quality of our revenue streams. And here we look at the basis of our $227 million in partner net FRE on a last 12-month basis.

We have strong consistent partner FRE margin at 66% in line with 2022 guidance. Partner management fee rate of 1.54% on the last 12-month basis and 13.8% blended FRE ownership drawn from across the diversified partner firms. Note that our first-half management fee rate is a little lower than guidance based on the timing of fees and AUM movements, but we expect this to lift in the second half.

Ownership was stable on organic basis but blended lower as we made new acquisitions at the end of last year. We continue to focus on last 12-month metrics here rather than too much on only one quarter to quarter of variability. Turning to page 18, many firms have talked to 2021 as an exceptional PRE or carried interest realization year. But you see here that while numbers have normalized a little, our high quality diversified portfolio continue to generate good partner PRE revenues of $139 million on a last 12-month basis and $47 million to the half year.

This has been driven by continued outperformance of our PE firms versus benchmarks or the 23% aggregate realized net IRR and 75% of products above benchmarks. This also led to a steady increase in a crude PRE to $700 million as the first half results. And this, as a reminder, doesn't run through our PNL until realized but is a good leading indicator. You'll see in the bottom right a steady increase in our performance fee eligible AUM, to $241 billion. And that again is a good forward indicator.

We touch on PRE guidance later on while it's a slower realization environment than last year and so some carry may be delayed into next year, the fundamental performance and the returns of our partner firms remain strong. Turning to page 19. If we pivot to the balance sheet, you can see that we ended the half year with significant cash balance of $593 million or $512 million pro forma for deferred acquisition costs.

Following the end of the reporting period, we're pleased to announce the successful private placement of $500 million of senior unsecured debt raised across tenures ranging from seven to 20 years and reflecting a higher rating of A - and a lower spread relative to the $350 million of paper that it replaced. This transaction extended the weighted average duration of our debt to 11.2 years.

To diversify our maturity profile, lift our rating, and narrow the spread during a period of greater market uncertainty, reflects excellent understanding and support for our business from our credit partners. And we thank them for their partnership. While we don't look to time these things perfectly, the team executed this well to lock in a 5.6% fixed cost of this debt ahead of the recent increase in 10-year treasury yields.

Turning to page 20, our capital allocation can finance growth in the business as well as deliver significant cash return to shareholders and is overseen by our independent board. The new addition to this page we highlight on the left-hand side the 97% free cash flow conversion of our adjusted EBIT. We continue to see good opportunities for the hundreds of $300 million of annual CAPEX like M&A, and the company has maintained its guidance relative to this.

We maintain our leverage target of under 1.5 times last 12-month EBIT for long-term planning and capacity to go up to three times last 12-month EBIT to digest acquisitions. We have a focus on capital efficiency and so maintain our progressive dividend policy and will return $40 million in the interim 2022 dividend and as we announced earlier in the year, launched a $50 million share buyback program with $14.3 million having been repurchased during the first half and the remainder to be completed in the second half.

The company is underpinned by this excellent free cash flow generation and that gives us flexibility and efficiency in our financing. Turning to page 21 with a highlight of a couple of key balance sheet metrics, we see the balance sheet continues to be focused by the fair value of partner firm investments, which we fair value under IFRS. It gives a balance sheet value of $4.9 billion or 425 cents or 349 pence per share.

In the appendix, we have more detailed breakdown of values as per the notes to our financial statements. I note that the vast majority of value is in private capital firms, and we look at these on a mix of multiple and discounted cash flow basis. For management fee-based earnings, we use a weighted average discount rate of 13.2% and for performance-based income there is a 24.4% discount rate.

I note these significantly higher than most estimates of our cost of equities on listed liquid business. The $100 million decline in fair value of private market assets was driven by this increase in blended discount rates from 15% to 17%, while operational performance and outlook remained unchanged in the aggregate.

With that, I'd like to hand over back to Ali.

Ali Raissi: Thank you, Rob. 2022 has been an important year and we've hopefully started to demonstrate the value and differentiation of our approach. We have clear strategic direction and goals for Petershill partners for 2022 and the years ahead. And on page 23, I'll spend a moment to talk about them. We aim to continue to support our partner firm development and growth in a robust and repeatable framework through our value-added GP services.

We aim to continue to identify attractive acquisitions and partnerships and access the fastest growing areas of alts where we can be most impactful with our capital and our partnership services. We aim to be highly efficient with a focus on returns for shareholders. More broadly, but also note that as the first full year post IPO, we continue to have a significant focus on broadening the market understanding of the company.

On page 24, I'll spend a moment to talk about some of the key themes we see going forward. While there are macro uncertainties, our business is well positioned both geographically with a focus on North America and through our revenues, primarily driven in US dollars, as well as in terms of structure and exposure with our 23 engines of growth. The impact of the nuanced fundraising environment as investors digest the capital raising needs of the industry and navigate the core themes of inflation and capital returns this year.

But it is also important to put this in the context of prior periods. Inflation is forecasted to normalize in 2023. Our business is designed for diversification, and we have partner firms who are well positioned for an inflationary environment. Private market, fundraising and investing activity has continued amid higher uncertainty, and we're pleased with the progress our firms have made year to date against our guidance.

More importantly on page 25, we believe that Petershill Partners has been built to be well positioned in a changing fundraising and operating environment. Diversification across strong partner firms means no reliance on a single raise. Our largest underlying fund continues to represent 5% of AUM. Long-term fee-related earnings-centric model provides resilience against challenges to realizations for performance and gives visibility to the majority of our revenues and exposure across macro real assets credit speaks to a resilient model positioned well for inflation and rising rates.

The operator cost model, primarily driven as a percentage of revenues and partner firm’s structure margin protections, speaks to more visibility and stability around our costs. The potential GDP decline in Western economies has highlighted the importance of the recession risk that we face today. Petershill Partners benefits from 91% of assets under management headquartered in North America, with more limited inflation outlook and risk management through diversified footprint of exposure.

The majority of our revenues are also US dollar base as I touched on earlier. On page 26, as we've noted, while it has been a nuanced fundraising environment, we believe that Petershill Partners approach, the diversification partner firm quality, and resilience has been a differentiator in 2022. We expect partner fee paying assets to be over double the level raised in 2021 at circa $50 billion across a range of 10 partner firms, new and existing strategies with $36 billion already raised in the first half of 2022.

This is a significant step up versus the $20 billion raised in 2021. And while it's tougher to assess the potential reductions in fee-based AUM, we guide to five to $10 billion of realizations. And this compares to $5 billion realized in the first half of 2022. To conclude our outlook and guidance for

2022, we'll turn to page 27. We're confident around capital raising for 2022, as demonstrated by our updated organic growth guidance of around $50 billion.

We maintain our acquisitions target of $100 million to $300 million per annum invested across three to six investments. We also maintain our guidance on a progressive dividend policy as well as our corporate margin guidance of 85% to 90% EBIT margin. We maintain our guidance for FRE margins to 65% to 70% and our FRE ownership to 13% to 14%.

It's worth spending a moment on noting that any change to this guidance is not driven by a change on a like-for-like partner firm margins, but rather a change in the mix and relative contribution of partner firms, each with different expense margins to the overall mix. We've also updated our PRE revenue mix to 15% to 20% for fiscal year 2022. This is reflective of an expected slowdown in performance fee realizations, which are clearly linked to exits, some of which we've already seen being delayed until markets stabilize.

Nevertheless, we do maintain our medium-term guidance of 20% to 30% of overall revenues. While we don't issue specific ongoing guidance, we'd also note that we expect light additional investment income revenue in the second half due to limited planned asset sales from the partner firms that generate these. Finally, tax and tax equivalent costs are maintained at 12% to 14% for the medium term.

And with that, we thank you for joining the call, and we'd like to open up now for questions.

Operator: Thank you. If you would like to ask a question, please press star one on your telephone keypad. Please ensure the mute function on your phone is switched off to allow your signal to reach our equipment. If you find your question has already been answered, you may remove yourself from the queue by pressing star two. But again, please press star one to ask a question. We will take the first question from Hubert Lam from Bank of America.

Hubert Lam: Hi. Good morning. I've got a few questions. Firstly, can you talk about the M&A environment for GP stakes? You've done a deal recently, but you're currently at the low end of the acquisition range. Do you expect more this year and what are valuations like for the GP stakes? Second question is on fundraising guidance.

You raised that this year to 50 billion. What type of products and which part of firms are seeing stronger inflows that led to the higher guidance? And the last question is, given the higher fundraising in 2022, what does this mean for 2023 fundraising? Are they accelerating fundraising near term and should we expect a slower pipeline to next year just because of the front running? Thank you.

Ali Raissi: Hey, Hubert. I'll have a crack at some of those and then have Rob also chime in. First on the M&A environment on GP stakes. We've maintained our guidance for three to six transactions this year, $100 to $300 million, as you have seen from the transaction that we did post the period we're at the $100 million level. I think I'd generally observe that we're being highly selective, our underwriting is reflecting the environment, both in terms of fundraising and in terms of performance.

But we've been now doing this for 15 years, and what we see ourselves as being really impactful in these periods is as a strategic partner, we're also helping partner firms navigate this operating environment, and that has actually made us be a more sought after partner. So we're maintaining guidance and the types of firms continue to be focused on private capital markets.

And in terms of pricing, I'd just generally observe that maybe the bid ask spread has narrowed a little bit, but our underwriting has also been reflective of a more challenging environment as well.

Robert Hamilton Kelly: And then Hubert just touched on fundraising for 2023 and ahead, I'd say as reflected this year, fundraises from private capital firms are scheduled in some cases many years in advance.

And I think the $50 billion guidance we've given for this year in what is a more challenged fundraising environment really reflects the strength of our businesses, their ability to raise capital through any market cycle. I think we reiterate our medium-term guidance of growth above the level of the alternatives industry and then as we come towards year-end, we'll put out more specific 2023 and forward guidance as well.

Hubert Lam: Thanks. And also, any color in terms of the type of products, asset classes that are seeing the stronger inflows that led to the higher guidance?

Robert Hamilton Kelly: Yeah. So it's broadly diversified. So we've mentioned it's across 10 different private capital firms and that incorporates both mid-market private equity, which is the core of that, and real estate as well. I think the thing we'd highlight in the private equity side is that there's some notions of larger firms or brand name firms finding it easier to raise it in this environment.

What we actually see is firms with the strongest reputation, performance, therefore pricing power are the ones who are still able to raise capital in this market and we see that reflected in the increase in our fundraising guidance. And as you know, many of our firms have been around on average for about 20 years and so our partner firms have strong and long reputations and brands behind them.

Hubert Lam: All right. Thank you very much.

Ali Raissi: Thank you, Hubert.

Operator: The next question comes from Arnaud Giblat from BNP Paribas.

Ali Raissi: Morning, Arnaud.

Arnaud Giblat**:** Good morning. I've got one question, please. Could you discuss for us how your financial criteria to do acquisitions might have evolved in light of you using higher discount rates to value your current stakes and in light of the 40% discount to fair value your stock trades on? And more specifically, is there anything you can say about the valuations paid for Kayne Anderson? Thank you.

Robert Hamilton Kelly: Yeah. Absolutely. So there's obviously both the financial criteria and then qualitative criteria in making the new acquisitions I'd say in terms of both aspects, we're very cognizant of the overall environment and the macro conditions that surround them. I think you've seen us make one acquisition in the post-results period and we maintain our guidance.

But as Ali said, we're being highly selective and that's both in terms of the quality and outlook for firms as well as the pricing that we're looking at transactions on. And so that is being cognizant of a higher overall discount rate environment as we look at these new acquisitions as well.

Arnaud Giblat**:** Great. Thanks.

Operator: We will now take the next question from Luke Mason from BNP Paribas. Please go ahead.

Luke Mason: Yeah. Morning, guys. Sorry, double holding the questions there. But just first question, just following up on the [inaudibl**e**] around capital allocation, I guess with your share is trading at like a 40% discount to book now, how do you think about doing more buybacks in the future? Obviously, you've got the one progressing at the minute. Just thinking around the value creation from buybacks versus doing new deals and the pricing around those.

And then just secondly, on the mid-market focus of your firms versus other publicly listed firms, how do you think that compares in terms of deal activity, fundraising of new strategies if they're raising first-time funds? Is that going to be more difficult, just how to think about a comparison versus some of your mid-market firms versus larger listed Petershill?

And then just thirdly, on fund performance of partner firms. We're not at the end of Q3 yet, but just thinking about valuations of underlying portfolio companies and what are you expecting to see from fund performance in the coming quarters from your partner firms. Thanks.

Ali Raissi: Okay. Hi, Luke. I'll just take those in order. On the M&A theme and your observation of the discount to fair value. Look, I think what we've been able to demonstrate is a accretive transactions in high quality firms that are growing rapidly. And so some of this is a longer-term perspective. Clearly, capital allocation, buybacks, dividend policy and the use of the cash is all a matter for the Board.

And so, as you also observed, they decided on enacting a buyback with some of that excess profits that we saw earlier on. But it's clearly something that is in the tool set. I think your question on the larger listed peers, maybe just to expand on what Rob said previously, I actually think this is a differentiating environment that focuses on a quality premium.

So you saw 10 partner firms raise capital across both existing funds. And to that point, these aren't first time funds. These aren't new funds. These are call it the fourth, fifth, or sixth flagship of a series that have been running for 20 years. And so they have a long and consistent demonstration of excellent track.

And we think that quality differentiation is going to be one of the things that investors really think about a lot more in these periods as they have to select who do they put their more limited amount of capital to. Hopefully the demonstration of some of that gross asset raise this year illustrates that they're going with quality and that at least with 10 out of 23 firms raising in this period, we think we have a decent group of partner firms who are performing well in this period. Maybe just to hand over to Rob for the valuation question.

Robert Hamilton Kelly: So it's really - the question really on performance of partner firms.

Ali Raissi: Yes.

Robert Hamilton Kelly: Sorry. Go ahead.

Ali Raissi: No, I just think some performance of partner firms, just given what we're seeing in the public markets, obviously there weren't a report yet for Q3. But just anything you can say in terms of outlook there.

Robert Hamilton Kelly: Yeah. Look, I break it both into performance of underlying assets and businesses that are owned, as well as actually the ability to realize gains on those assets, which is the most important aspect from the generation of performance fees side. I think what we've seen overall is its clearly a more cautious macro environment and folks are certainly aware of potential upcoming recessionary risk and obviously the already present impacts of inflation.

And so that's obviously a little bit balanced across our portfolio from some areas like credit and real estate that can do well in inflationary environments to other, more industrial mid-market private equity that can find more challenges. Overall though, as we look at our partner firms, we've seen the performance metrics hold up very well on both an absolute and a relative basis.

And then the other aspect that's maybe a bit differentiated in our footprint versus some of the other large listed alternatives businesses is a lot of our partner firms typically exit assets from strategic sales or sell to other buyout firms and have a much lesser reliance on capital markets, which have obviously been much quieter this year. And so we actually have the potential to see some good outperformance in terms of realization activity in the mid-market versus larger buyout firms that are much more wholly reliant on capital markets and IPO to exit position.

Luke Mason: Great. Thanks, guys.

Operator: The next question comes from Mike Werner from UBS.

Mike Werner: Thanks, guys. Most of my questions have been asked, but perhaps you could just give us a little bit of color with regards to your absolute return exposure. I know year to date it's been a bit of a tough market for absolute return funds. Obviously, that's speaking a generalization for the industry. So I'm just wondering how your partner firms within that asset class have performed in the first half or the first eight and a half months. Thanks.

Robert Hamilton Kelly: Thanks, Mike. Yeah. Look, I emphasized first, just the absolute return is obviously a relatively small proportion of the business and our AUM. Within that, as you say, there have been a number of firms in the industry that have felt some of the volatility in the markets. Within our own partner firms, I'd say we've obviously seen a couple of firms have weaker performance.

But if you think of the sizable firms in our absolute return book, including in the detail appendix, we show Caxton as one of our top five firms by AUM. In those macro firms, performance has actually been pretty good and flows as well this year. So I call it more of a mixed environment than necessarily one with just headwinds.

Mike Werner: Thank you.

Operator: We will take the next question from Yanni Legbelos from Kuwait Invest. Please go ahead.

Yanni Legbelos: Well, Ali and Rob. Hi. Good morning. I have two quick questions for each of you. For Ali, one, I noticed the upgraded fundraising guidance, but I also noticed that based on the previous quarter were basically flat. So we assume almost $15 billion to be booked in the second half of this year and I guess that includes Francisco Partners funds that closed in July above target. So that's the driver of the updated guidance.

And the second question for Ali is the deal that you closed in the summer. I know that you said that is in a private capital firm, but I didn't understand your comment about how much the listed entity participated in that in terms of 20% or more. And then the two questions for Rob are the IFRS impairment of assets because of the higher discount rate, why is that, who drives that, and what does that mean accounting-wise or tax-wise going forward?

Or do you expect that to reverse, let's say, in the next couple of quarters? And the last question maybe for Rob or either of you is regarding the buyback, what is the trading performance - call it price action - that you are looking for to trigger the rest of it? It's already still accretive to deploy it, and you have 70% left of it for the rest of the year.

I know that's a question for the Board, but if you're just talking accounting or accretion, why is it still accretive to do it, if you're looking for a trading signal? That would be interesting to think about as well. Thank you.

Ali Raissi: Thank you, Yanni. And maybe we'll take that in order. On the upgraded fundraising, you know the Francisco Partners raise, that's absolutely right. My general observation is that private equity capital raising isn't the monthly intake that you might have in long-only, you tend to have certain quarterly or period ended targets. And so with that, clearly, we did have a decent close on $36 billion in the first half.

I think with our guidance to get to about $50 billion that reflects some of the other asset raising that we see coming in around this period. But it's also not necessarily something that you might expect flows every month or every half quarter. On Kayne Anderson. Sorry, on the follow-on transaction, which was $100 million, that was in existing Petershill Partners partner firm in Kayne Anderson Real Estate.

And so the investment was $100 million in that firm by the company. And so I'd say that that's one of the differences we have in that in the follow-on transactions in existing partner firms, clearly the company participates sometimes at a different level.

Robert Hamilton Kelly: And just to be explicit on that. The follow on transaction was done purely from Petershill Partners. No other Petershill vehicle, Petershill IV did not participate because it was a follow-on. In an existing partner firm, you're right to say that in a new acquisition, partners generally makes those alongside the Petershill IV fund at about 20% of the aggregate.

If we turn to discount rates, so we mentioned that the fair value of the IFRS balance sheet positions, the blended discount rate moved from approximately 15% up to 17%. We think that is significantly higher than we generally observe discount rates being used on listed alternative asset managers. And so starts from a relatively prudent place that reflects the movements in long-term interest rates.

So think about it in the context of 10-year type rates as opposed to shorter terms. It has a few different aspects as you see flowing through the P&L in terms of the reversal of a couple of either tax or profit shared charges. But I think we put that in the context, obviously, if the fair values increased at the end of last year and say this is a reversal and moving down a little beyond that based on discount rates. But again, this just reflects the holding value of the assets.

The underlying operating performance and the outlook for the assets in aggregate is unchanged or has increased. And so the fundamentals of the businesses remain very strong. I think in terms of the buyback, I don't think it's so much in terms of what it's really anchored on. The year-end, as Ali mentioned, was both the return of some excess profits from last year, as well as just a signal in terms of capital efficiency.

I think we're still mindful about overall liquidity in terms of the stock. And so not wanting to take to reduce that liquidity significantly. But as Ali mentioned, it remains a tool in the toolkit of the Board over time.

Yanni Legbelos: Thank you both. That's very clear.

Ali Raissi: Thanks, Yanni.

Operator: As a reminder to ask a question, please press star one. We'll take the next question from David MacKinnon from Numis.

David MacKinnon: Yeah. Good morning, everyone. A couple for me. Slightly been absent, but just wanted a bit more color on the update. And just on the interim dividend, obviously, in my [inaudible] policy for the last year this time, it was much the progressive policy. Just thinking ahead to the year-end, how should we think about the dividend? Is it your intention that the majority of say, growth or earnings goes to the dividend, or is it split or the smaller rise perhaps in the dividend and more coming by [inaudible]?

Obviously, partly that's going to be opportunistic depending on share price and other factors. But just some color there, how do you think about that split? And then just a follow-up on the portfolio valuation, the interest rate sensitivity that you mentioned a couple of times, and a couple of questions in your remarks. If you were to mark to market today based on where recently since June, what would happen to portfolio as of today? Thanks.

Robert Hamilton Kelly: Thanks, David. So a couple of things there. I think in terms of the interim dividend, I just note that it's - as an interim dividend, it's really just a mechanical calculation based on a third of last year's. And then as you say, as we come towards year-end, the board will take a view on the full-year dividend for 2022. As we know, we view the dividend policy to be progressive.

There's no buyback policy or there's no buyback plan. It's just a tool within the toolkit that the board can look at in the context of overall capital allocation between acquisitions, dividends, and other returns of capital. I think in terms of rates, there's obviously been continued movement both in terms of central banks and short-term rates, slightly less movement in terms of long-term rates, which is obviously the governing factor as you think about the discounted cash flows, valuations of the assets on a long term basis.

Ali Raissi: Okay. I understand there are no more questions. I wanted to thank everybody for joining us today and also for the questions that you were kind enough to provide. And we're very happy to connect with you over the course of the next few weeks, should you have any more questions. And we appreciate your time. Thank you very much.

Operator: Thank you. That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.