GCM Grosvenor Fourth Quarter and Full Year 2022 Results
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GCM Grosvenor Speakers:

- Stacie Selinger, GCM Grosvenor, Head of Investor Relations
- Michael Sacks, GCM Grosvenor, Chairman and Chief Executive Officer
- Jon Levin, GCM Grosvenor, President
- Pam Bentley, GCM Grosvenor, Chief Financial Officer

PRESENTATION

Stacie Selinger: Thank you. Good morning and welcome to GCM Grosvenor's Fourth quarter and Full Year 2022 Earnings call. Today I am joined by GCM Grosvenor's, Chairman and Chief Executive Officer, Michael Sacks, President, Jon Levin, and Chief Financial Officer, Pam Bentley.

Before we discuss this quarter's results, a reminder that all statements made on this call that do not relate to matters of historical fact should be considered forward-looking statements. This includes statements regarding our current expectations for our business, our financial performance, and projections. These statements are neither promises nor guarantees. They involve known and unknown risks, uncertainties, and other important factors that may cause our actual results to differ materially from those indicated by the forward-looking statements on this call.

Please refer to the factors in the risk factors section of our 10-K, our other filings with the Securities and Exchange Commission and our earnings release, all of which are available on the public shareholders section of our website. We'll also refer to non-GAAP measures that we view as important in assessing the performance of our business. A reconciliation of non-GAAP metrics to the nearest GAAP metric can be found in our earnings presentation and earning supplement, both of which are available on the public shareholders section of our website.

Our goal is to continually improve how we communicate with and engage with our shareholders, and in that spirit, we look forward to your feedback. Thank you again for joining us, and with that, I'll turn the call over to Michael.

Michael Sacks: Thank you, Stacie.

During the fourth quarter of 2022, our financial results were in line with or moderately exceeded the expectations that we communicated on our last earnings call. Despite a challenging backdrop, we performed well for clients while raising $1.5 billion of capital to achieve total funds raised of $7.8 billion for the year. Our private markets verticals continue to grow with Q4 private markets management fees, excluding catchup fees rising by 10% over the fourth quarter of 2021, and 14% for the full year 2022. Fee-related earnings for the full year increased by 7% while FRE margin improved by 100 basis points. As was the case for the entire category, adjusted EBITDA and net income were lower than the prior year due to the capital markets environment.

On a bright note, during the quarter, we were pleased to launch a new and important specialized fund, Elevate, with a $500 million anchor investment. As with our investment in Grosvenor Insurance Solutions, we believe that the Elevate strategy, as part of a broader sponsor solutions category provides the firm with a lot of promise and Jon will take you through that in his remarks. Looking ahead, the continued growth of our private markets management fees combined with our strong fundraising pipeline, including our five private markets specialized funds in market, leave us confident that we can compound Fee-Related Earnings in 2023 and beyond at mid-teens rates.

While forecasting incentive fees is always a challenge, the earnings power represented by our Absolute Return Strategies performance fees combined with our significant carry asset, give us confidence that we have similar strong rates of growth in adjusted EBITDA and Adjusted Net Income over time. For 2023, we can achieve these objectives with lower levels of total fundraising than we saw in 2022. That said, like last year, we believe total fundraising in ‘23 will be weighted towards the back of the year and will exceed or equal 2022 levels.

Overall, we expect full year 2023 growth in private markets management fees in the mid to high teens over 2022. For Q1 2’23, we expect continued strong private markets management fee growth, excluding catchup fees of 11% to 13% over Q1 of 2022 with overall private markets management fee growth a couple of points below that due to minimal expected fund closings in the quarter. Due to the backend waiting of our fundraising, the limited Q1 catchup fees, the full effect of the 2022 absolute return strategies results, and the timing of certain compensation related expenses, we expect Q1 Fee-Related Revenue and Fee-Related Earnings that are both slightly lower than Q4 of 2022.

This month marks the two-year anniversary of our first earnings call as a public company, and it is worth reflecting on our performance over that period of time. Since going public, we've raised $17 billion of new capital, of which $9 billion was in fee accretive strategies such as co-investments, secondaries, and direct investments. With more than $10 billion of dry powder across strategies as of yearend, our fundraising success leaves us enthusiastic about our ability to capture investment opportunities and generate alpha for clients.

During the last two years, we have grown both private markets fee-paying AUM and management fees by 32% with private market strategies now comprising 63% of our fee-paying AUM up from 54% just two years ago. We believe that this double mix shift the movement towards more private markets AUM and more fee accretive strategies will continue to be a driving force of value creation going forward. In addition to the growth we have achieved, we have made strategic investments in our business to capture white space and lay the groundwork for continued growth in the coming years. Our offices in Toronto and Frankfurt, our new efforts in insurance solutions where we've already seen results and our new sponsors solution efforts all provide significant opportunity.

Our Fee-Related Earnings margin increased from 31% two years ago to 36% at year end, as we realize the scalability and operating leverage embedded in our business. We believe we have continued room to expand in that regard. Our existing clients are re-upping at higher rates and in greater amounts, and we are growing our specialized fund franchises with successor funds achieving a larger size and scale than their predecessors, all while bringing new funds to market.

Finally, we have made good on our commitment to return significant excess cash to our shareholders. Since going public two years ago, we have paid 74 cents in cumulative dividends per share, increasing our quarterly dividend four times from 6 cents to 11 cents per share. As of Friday, our annualized quarterly dividend yield was 4.7%. In addition, we've returned $44 million of capital through share and warrant repurchases. We have managed our share count and as Pam will describe, we intend to significantly mitigate any dilution associated with our LTIP and stock-based compensation going forward.

In closing, despite last year's tough environment, we are proud of our results both last year and over our first two years as a public company. We delivered value for our clients despite a powerful paradigm shift, significant market losses and record-setting volatility. The value proposition for clients and the strength of our business model have shown well. While the opportunities for clients and shareholders in 2023 and beyond are as compelling as they have ever been.

Importantly, investor demand for alternatives remains strong. We continue to believe that our stock represents good value, and we look forward to delivering for all of our stakeholders going forward.
And with that, I will turn it over to Jon.

Jon Levin: Thank you, Michael.

Our $7.8 billion of fundraising in 2022 was once again noteworthy for its high level of diversification across strategy, clients, and geography. Private markets, which now represent 69% of total AUM, represented 93% of fundraising in 2022 and was diversified across each of private equity, infrastructure and real estate. This year, 56% of private markets capital raised was in fee accretive strategies such as co-investments, secondaries, and direct investments. Notably, we reached the final close of our Secondary Opportunities Fund, GSF III, which at $972 million was 38% larger than its predecessor fund.

As with past years, our existing clients were a key driver of capital formation, contributing 85% of new commitments in 2022. Our clients' validation of our value proposition, especially against a difficult market, is not only rewarding, but a strategic advantage as investors currently have a high bar for where they commit their capital. Importantly, many of these new commitments were to new programs or new strategies as clients expanded the scope of their relationship with GCM Grosvenor into new areas. Our ability to evolve and expand with our clients has been and will continue to be one of the strongest drivers of our future growth.

A perfect illustration of this phenomenon was the launch of our new Sponsor Solutions strategy in the fourth quarter. The first initiative in this category is our Elevate strategy, which will focus largely on seeding, small, emerging, and diverse private equity managers in which was launched with a $500 million investment from the California Public Employees Retirement System. CalPERS has been a GCM Grosvenor client for over a decade, and we're very excited to be expanding our long-standing relationship with their team with the new Elevate strategy.

The Sponsor Solutions category is also a fantastic example of the extension possibilities of our platform and our ability to build on our existing strengths. Our expertise investing in small, emerging, and diverse managers is already a key differentiator for the firm. We have invested in small and emerging managers for 30 years, culminating in nearly $18 billion of assets under management as of year-end, and have had a dedicated effort investing in diverse managers for the past 20 years with more than $13 billion in assets under management.

We have consistently believed that there's a significant, too frequently overlooked, opportunity to generate exceptional risk-adjusted returns by investing in small, emerging, and diverse managers. And as you'll see in our public disclosures our track record and diverse managers exceeds that in private equity investors more broadly. As a result of our longstanding leadership, we have built a fantastic network of relationships and a reputation as a preeminent source of capital for any new investor looking to launch a fund.

The Elevate strategy is a natural extension of these efforts. We are leveraging our existing expertise in partnering with successful firm founders early in their life cycles, to make catalytic seed investments structured as minority investment partnerships that enable managers to scale successfully while generating compelling returns for our investors. This product is also an example of extending into adjacencies that enable us to leverage the existing platform resources to a large degree. The Sponsor Solutions category will be led by a new senior partner and one of our existing senior partners who is moving roles.

Last quarter, I discussed the significant value inherent in our customized separate account relationships, which were 74% of assets under management as of year-end. We are constantly in dialogue around new potential customized separate accounts, which represent 78% of capital raised in 2022, and will continue to be an essential growth driver going forward.
While we do not anticipate meaningful specialized fund closings in the first quarter, we expect specialized funds to have a greater impact to our 2023 fundraising and results as the year moves on.
With that, I'll turn the call over to Pam.

Pam Bentley: Thanks, Jon.

The strength and scalability of the GCM Grosvenor platform were evident in our 2022 results and remain the key factors driving our growth in 2023 and beyond. In the fourth quarter, Private Markets was again our primary area of growth with Private Markets Fee-Paying AUM up 11% from a year ago. Excluding the impact of catchup fees, which were $1.6 million in the quarter, Private Markets management fees increased 10% from the fourth quarter of 2021. For the full year 2022 Private Markets management fees increased 12%, and while we are satisfied with this growth, given the challenging market backdrop, we expect to exceed that growth rate in 2023.

For Q1 2023, we expect continued strong Private Markets management fee growth, excluding catch up fees of 11% to 13% over Q1 2022. As we foreshadowed on our last call, Absolute Return Strategies management fees declined half a percent this quarter as compared to the third quarter of 2022. Given the 2022 starting point of ARS fee-paying AUM, we expect ARS management fees in Q1 2023 to be slightly down on a sequential quarter basis. We realized $7.2 million of incentive fees in the quarter, the majority from carried interest. While we cannot predict the timing of when a more active transactional environment will resume, our carried interest earnings power continues to improve.

As of year-end, we have $789 million in gross unrealized carried interest across 131 programs, the firm share of which is $368 million. Despite the market environment, this figure is 11% higher than a year ago, given the outperformance of our private market portfolios versus the public markets. Our annual performance fees are tied to ARS investment returns and typically crystallized in the fourth quarter each year, given 2022 public market impacts and the high water marks of our ARS funds, our 2023 performance fee earnings potential, assuming an 8% gross rate of return for multi-strategy and a 10% gross rate of return for opportunistic investments is approximately $17 million, which compares to $30 million if all portfolios were at high watermark.

Turning to expenses, Fee-Related Earnings compensation in the quarter was approximately $38 million, down slightly compared to the third quarter as we finalized year-end results and made our discretionary compensation decisions. Consequently, we expect fee related earnings compensation in the first quarter of 2023 to generally be consistent with the first quarter of 2022. Other than strategic investments in the business, we do not expect significant headcount growth over the coming year. We continue to focus on alignment of our team's compensation with the performance of the business through the use of stock awards to both reward and retain our talent. As we have said before, this tool was one of the factors that made coming public attractive.

We have two basic prongs to our approach to stock-based awards. First, we want to continue to use our LTIP to align and incentivize our employees, and we grant restricted stock with varying vesting periods to provide both current reward and long-term retention. In 2022, we granted $4.5 million restricted shares to employees.

Second, we have and will continue to buy back shares to offset dilution from stock-based compensation. As of year-end, we had more than $45 million remaining on our stock buyback authorization. Non-GAAP general and administrative and other expenses were approximately $19 million in the fourth quarter, up modestly from the third quarter. We expect a slight sequential increase in this figure in the first quarter of 2023 and continue to tightly manage expenses despite inflationary pressures.

Our fee related earnings margin expanded to 36% in 2022 from 35% in 2021. We anticipate continued long-term fee related earnings margin expansion in 2023 and beyond. To reiterate, we anticipate private markets management fees will grow in the mid to high teens and 2023 resulting in fee related earnings growth in the mid-teens.

While we are not immune to the impact of the current market environment, our track record of strong performance, the scale and diversification of our platform combined with the strength of our team and culture, provide us with great confidence. We remain focused on delivering long-term value to our clients and shareholders.

Thank you again for joining us, and we're now happy to take your questions.

Operator: Thank you. And if you would like to ask a question at this time, please press star one on your telephone keypad. If you are using a speakerphone, please ensure your mute function is turned off. Again, that function is star one. Our first question will come from Chris Kotowski with Oppenheimer

Chris Kotowski: Hi. Good morning, and thanks for taking my question.

I wanted to start on the Elevate Program. And first, I was wondering, has there been any precedent in your experience where you, obviously not on this scale, but where you had an anchor tenant of this nature come in with a big commitment? And is there any way to think about how the ultimate fund resulted - that resulted compared to the initial commitment?

Michael Sacks: Sure. So, the short answer is we have had large anchors that have helped to launch funds in the past, and all of our specialized funds that we've launched have turned into, I know the right word franchises, if you will, Chris. And have then gone on to Successor Fund II and Successor Fund III, et cetera. So we are incredibly excited about Elevate and we're excited about it on a few different levels.

One, to start with, an anchor of that size and that quality and caliber is a terrific thing, and we think it will get attention in the marketplace and it will enable us to have this first fund be larger in terms of its size than simply the anchor investor. We're not putting a number on that, we don't do that, but we do, and Jon did mention in his remarks, we will be raising money for this fund for the next 18 to 24 months.

Second, we think the fund itself is a fantastically exciting fund that is addressing a real need in the market, which is seed capital and all kinds of other support for new, small, emerging, and diverse managers to launch private equity firms. And we think that there are - there's ample opportunity for us to deploy the capital there to generate very good returns on that capital. And on behalf of our investors in Elevate to own interest in new private equity sponsors that will grow and turn into terrific, valuable businesses. And as you know, we have been in the business of allocating capital to early-stage fund one private equity managers in the small, emerging, and diverse manager space for a long, long time, decades. And so we feel very confident in our ability to deploy the capital wisely. And we know that the returns available to the capital, when you get that right, are outsized. So, we're very excited about it.

And the last point I would just want to reiterate on Elevate, which Jon touched on and tried to talk about in his comments. It is a sponsor solution program where we are delivering value to sponsors. And we believe that there are other ways that we can deliver value to sponsors over time and other opportunities. And we're excited about building out sponsor solutions broadly defined as we move forward into the future. So it was a terrific, very bright spot in the fourth quarter, and we're thrilled to have that fund in the market this year, which is not something that we had communicated about prior. And we think it's a very positive development for the firm and for our future.

Chris Kotowski: Yeah. You said you'd be fundraising for eight months or so. Presumably, it turns on before that time, but financially speaking, it's probably not an event for 2023 numbers. Am I thinking about that right?

Michael Sacks: No. And that - the fees for that fund have turned on already on January 1st so we will enjoy some revenue from that fund from the anchor investor in 2023. And the structure of that fund is it's a fee on committed capital with a catch-up, so as we raise money for that fund, those fees will go back to January 1st.

Chris Kotowski: Brilliant. Okay. That's it for me. Thank you.

Operator: And our next question will come from Jeff Schmitt with William Blair.

Jeff Schmitt: Hi. Good morning. The infrastructure fundraising was pretty strong in 2022, I think it was around 27% of the total. And then you'll be in the market, this year you are right now at the Diversified Infrastructure Fund, labor infrastructure is supposed to start up at some point this year. So I'm just thinking about the inflation-protected characteristics of those strategies. Are you seeing competitors get more aggressive there and raise additional funds or do you think there could be a potential upside to your fundraising for those funds this year given demand?

Michael Sacks: We're enthusiastic about the LIF fund, we're enthusiastic about the Diversified fund, and importantly, we're enthusiastic - we remain enthusiastic about our separate account infrastructure vertical

where we've raised a lot of money over the last couple of years. And we don't see any change at all in demand for infrastructure, it remains very strong. And in fact, we don't see any demand change at all in demand for alts, I think it remains very strong. We have seen a slowdown a little bit in fundraising just due to the macro environment, and as much as anything, the decline in traditional assets and the decline in transaction levels. And I think as transaction levels come back, the whole space kind of loosens up and you start to see fundraising pick up.

I think we got so used to infrastructure dominating the fundraising for four quarters or six quarters or whatever it was that over the last couple of quarters where private equity has kind of taken the lead, it's a question, well, what about infrastructure? But that should not be a question. There's a lot of demand out there and we have a great team, and we have raised a bunch of money over the last couple of years, and we're going to continue to do that this year.

Jeff Schmitt: Okay. And then on the adjusted EBITDA margin, it's fairly flat for the year, which is a pretty good result, I guess, given the drop in revenue. But how should we think about that margin in a more normalized environment, just in terms of its run rate and how much future expansion is sort of dependent upon revenue growth?

Michael Sacks: Well, so it's a great question. We feel it's very hard, as Pam noted, to predict carry levels. They are very much correlated with transaction activity levels, and transaction levels were down significantly last year in light of just the general macro and capital markets environment.

Our belief is that as rates stabilize and transaction levels resume, and we feel like we're seeing some green shoots there and that's kind of starting maybe to pick up a little bit. We're not making sharp timing predictions, but we believe very - there's a very real asset there for us and that asset has maintained its value. And as transaction levels pick up, we'll start to see more carry come in, and obviously, the difference between our FRE and our adjusted EBITDA is a result of our incentive fees, our carry, and our performance fees in ARS, and we've got great earnings power there.

So, it's hard for us to predict when that will come but it will come and the earnings power and the asset underlying the carry is there and is intact and grew slightly. And we know that that will return, it's just a question of when. And when it does, that is a good thing for our growth in EBITDA, gross and net income, and for our margins in that regard.

Jeff Schmitt: Okay, that makes sense. Thank you.

Operator: And our next question will come from Ken Worthington with JP Morgan.

Ken Worthington: Hi. Good morning, and thanks for taking the questions.

So, I wanted to dig into the fundraising environment for the private markets business. Sort of as we transition from Q4 to 2023. So, have you seen a change in the environment as we sort of transition? And I think in the last call, you expressed confidence that fundraising would be higher in 2023 than in 2022 and in the comments today, you sort of added the qualifier, bigger or equal to 2022 levels. So, are you feeling a little less confident?
And I guess the kicker here is on CIS III and MAC III, which have their final closes this year. I think fundraising needs to accelerate for you to reach your prior targets for those funds. Is that something you feel confident in, or if not, can fundraising be extended to sort of reach your prior targets?

Michael Sacks: Yeah. So thanks for the question, Ken. I think that specifically, just first to just clarify what we said in the call was that our FRE goal of mid-teens, FRE growth for 2023, we can achieve with even less fundraising than we had last year. That was really to provide context for all of you in terms of what we need to do to make that mid-teens number. That was not in any way intended to be an indication of what we think will happen, and in fact, we do think we'll have more fundraising in 2023 than we had in 2022. And I think that's very important that you hear that, that was in no way an effort to tell you what we

think is going to happen. It was more an effort to kind of give you an appreciation for what's needed for us to make our mid-teens FRE growth.

And our own view is that demand for Alts has remained strong, nobody's moving away from the strategies, nobody's changing kind of - lowering where they want to see Alts in their overall balance sheet allocation. You have had - you had a slowdown last year and it was really related entirely to kind of the macro capital markets environment, and importantly, to both the dual factors of denominator on significantly reduced long stock, long bond portfolios. And it was related to the reduced transaction levels which means that cash flows are coming back from the portfolio are down so people kind of slow down a little bit in terms of making new commitments. And our view is that as transaction levels increase, you'll see everything loosen up and you'll see commitments to new funds and to new programs increase as well. And that's our outlook.

As far as MAC and diversified infrastructure, that fundraising does need to accelerate. We do have the pipeline to do that. I think it's a natural expectation in a slower environment where people want to wait a little bit to sign their subscription documents, that you'll see bigger closes towards the end of the period. And we do have a nice solid pipeline across the firm in all the verticals and for those specific efforts as well. And so we do expect to have some productive fund closings for both of those funds this year.

Ken Worthington: Okay, excellent. That was super helpful. Okay. Catch-up fees, how should we think about catch-up fees this year versus last year if all goes according to plan? So, fundraising is a bit backend loaded sort of suggests that these catch-up fees will be more robust in the second half of the year. To help us sort of level set, how should we think about 2023 versus 2022 just on catch-up fees?

Michael Sacks: We expect they'll be higher. MAC has catch-up fees, and as we just talked about, we expect some good closings for MAC this year. The Elevate fund I mentioned earlier started on January 1, and so the extent you raise money there in Q3, Q4, you're going to have catch-up fees there. And then LIF will - the labor infrastructure will have a first closing at some point and then have a little bit of catch-up fees as well. Those are the three of the five funds in the market that have catch-up fees, and we think they will generate catch-up fees this year that will equal or exceed the catch-up fees of last year.

Ken Worthington: Okay, great. Thank you.

Operator: And once again, if you do have a question, please press star and then one on your telephone keypad. And our next question will come from Adam Beatty with UBS.

Adam Beatty: All right. Thank you and good morning.

A couple of questions on Elevate and Sponsor Solutions, more broadly. First, just in terms of mechanics, wondering how either the fund or the firm more broadly expects to balance the eventual need for the return of LP capital from the fund with perhaps the need for longer-term maybe even permanent financing on the part of the issuers in question. It seems salient given Grosvenor's own history.

And then more broadly, just wondering about what you're seeing in the issuer market there, are, in terms of capital formation, are small firms being formed at the same rate as before or a little bit less given some of the environment and the challenges? Thank you.

Jon Levin: Adam, this is Jon, happy to take that one. I think you can think of these investments out of the Elevate strategy as being kind of multifaceted partnerships with the sponsor talent. And the way that can look is they won't all be equal, but you could have investments in the funds themselves, you could have co-investment relationships with those managers, it's possible you could have financing for the management company or the GP itself. And then in return, part of that economic package would also be a minority interest, whether those are revenue shares or equity interest in the managers themselves.

I think for the bulk of the capital, whether that's the investment in the fund or co-investment or financing at the management company or GP level, that capital would be coming back over the course of the duration of a private equity life in due course. And so, the LPs of our fund would have their capital back and the remaining interest would be a cash-flowing interest in the form of revenue share or equity participation that, to your point, could last for a long duration. But at that point, it is cash flow and capital coming back after having had all your invested capital back. So, we think that's a good profile for investors in this type of strategy.

I think on the second part of your question, there is certainly some cyclicality that exists always in the form of new fund launches and that has some relation to general capital markets environment, general correlation to the denominator effect of things of that nature. But the reality is we have a huge sourcing network, a huge investment funnel, and if we're thinking about doing 8 to 10, 8 to 12 deals over 3-4 years, that's plenty of time and a small enough number that we feel like we can be highly, highly selective and partner with the right firms in their launches.

Adam Beatty: Perfect. Thank you, Jon. Appreciate the detail. And then maybe just a quicker one on the fee AUM backlog particularly the portion of that that is charged on deployed or invested capital, I think it's $4.7 billion. Just either historically or in your budgeting or what have you. How long do you think, given the funds set up right now, how long do you think it would take to deploy that as that or like a one-year or two-year kind of time frame, or what are you thinking there? Thank you.

Jon Levin: We've generally said that it's rateable over a few-year period of time. There could be some that is a little bit longer but that's generally the guidance that we've given on that front..

Adam Beatty: Okay. Sounds good. Thanks very much.

Operator: And our next question will come from Michael Cyprys with Morgan Stanley.

Michael Cyprys: Hey, good morning, thanks for taking the question.

I was hoping to dig into the absolute return business in terms of the fundraising outlook there. So, I was just hoping you could comment on what you're seeing in the marketplace in terms of LP appetite for absolute return strategies, particularly in light of the strong outperformance versus broad benchmarks last year in that strategy, what do you expect in terms of gross sales into 2023?

Are there any particular strategies where you're seeing more demand versus less demand and any sort of expectation around redemption trends as well? Thank you.

Michael Sacks: Thank you, Mike. I think that the demand there is in - the demand for specific strategies is mixed. So, you'll see people that have an interest in credit-oriented strategies. Commodities had a great year last year; you're seeing people talk about whether they want to shift capital toward those strategies. That space is so diversified in terms of the number of strategies that take place underneath and the ability to have funds and separate accounts that focus on different strategy sets and have different makeups that there's always a level of demand.

We have said for a long time that we think we're not - we don't think you're in a strong net inflow environment, we think that the asset class is kind of growing through compounding but not through incremental allocations to the asset class. And I think we believe that continues to be kind of the overarching theme there and don't see any real change in that kind of macro picture for demand for hedge funds. I do think that when you have an environment like we had last year, people will tend to use liquid strategies and liquid portfolios for liquidity. That maybe is obvious, that - in terms of saying that.

But I do think you see people that can take a little money from ARS to fund some things elsewhere in their Alts book that they want to keep funding and want to keep doing, but they've over-allocated Alts because of the denominator effect and that's a place for some liquidity, and we suspect that will abate somewhat this year. And in general, we have in our ARS strategy, which we talk about as kind of one

vertical, there are a number of different approaches inside of that some of which had very good results last year, and we would expect some of those to experience some growth this year while others could see redemptions. But on a net basis, we're actually budgeting for some modest redemptions this year, more modest than last year, and not seeing a major increase in the balance sheet allocation writ large to hedge funds.

That said, Mike, I do want to just mention that we talk a lot about ARS and you know that we feel like our ARS vertical doesn't necessarily get the respect that it deserves. And in a weird way, the performance of the portfolios last year certainly showed the value of the ARS strategies to clients as compared to traditional strategies. But equally important, I think from a firm value perspective, you look at kind of what did the assets of the ARS strategies do and what did the revenues do. And you think about that as compared to traditional asset management, which is the comparison we've always tried to make, that let's not be focused - so worried about hedge funds and let's think about it in comparison to traditional asset managers. And if you look at the revenue last year and what the revenues did last year compared to traditional asset management firms, it was a much better business to be in last year than to be a long-only traditional manager. And we believe that will continue to be the case over time.

Michael Cyprys: Great. Thank you. And just a follow-up question, circling back on Elevate, so with that, you're launching a fund strategy - a fund vehicle around a strategy and capability that you guys have had for some time now.

So just curious if, as you kind of look at your separate account capabilities and investments, if there are other types of strategies that you guys already have today that you might be able to bring to the marketplace and package in a co-mingled fund. Just how do you think about that sort of growth opportunity there on the fund side, taking what you're already doing in different pockets on the separate account side?

Michael Sacks: Yeah. We have a lot of manufacturing capability and a lot of origination capability that we believe we can grow and we can grow both in a custom separate account and in specialized fund form. And we have that in the impact space, we have that in the sponsor solutions space. We've been pushing in the insurance channel for a while, there are co-mingled fund products that can make a lot of sense for that channel. And so structured products that can make a lot of sense for that channel. So I think that we are sort of long origination and long manufacturing and we have a lot of ability to add new funds and new strategies over the next several years. You've seen us do it over the last couple of years and I think you'll continue to see us do it as we move forward.

Michael Cyprys: Great. Thank you.

Operator: Thank you for participating in today's conference. This does conclude today's program. We hope everyone has a great day.