GCM Grosvenor Third Quarter 2021 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 third quarter 2021 earnings call. Today I am joined by GSM 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 the 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 actually results, performance or achievements to be materially different from any of our expectations of future results.

Please refer to the factors discussed in the risk factor section of our 10-KA for the fiscal year ended December 31, 2020, our other filings with the Securities and Exchange Commission, and our earnings release available on the public shareholder section of our website.

These factors could cause actual results to differ materially from those indicated by the forward-looking statements on this call. We'll also refer to non-GAAP measures that we view as important in the performance of our business. A reconciliation of non-GAAP metrics to the nearest GAAP metric can be found in our earnings presentation and earnings supplement, both of which are available on the public shareholder section of our Web site.

Our goal is to continually improve how we communicate with and engage with our shareholders. 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. And thank you to all of you listening for your time and interest. The third quarter of 2021 was a strong one for GCM Grosvenor. We enjoyed good investment results, fund raising and business performance. As a result, our outlook with regard to the remainder of 2021 and 2022 is constructive and our board has increased our quarterly dividend 11% from 9 cents per share to 10 cents per share. The dividend is payable on December 15, 2021 to shareholders of record on December 1, 2021.

Our assets under management, fee-paying assets under management and contracted not yet fee- paying assets under management increased 20%, 13% and 19% respectively as compared to the third quarter of 2020. Our fee-related revenue and Fee-Related earnings grew by 11% and 21% respectively as compared to the third quarter of 2020 and 10% and 22% in comparison to the nine-month period ended September 30, 2020. Our fee-related earnings margin for the third quarter of 2021 was 36% compared to 33% in the same quarter a year ago.

For the fourth quarter of 2021, we anticipate that growth in our fee-related revenue will approximate 5% compared to the third quarter of 2021 with resulting 2021 full-year fee-related earnings coming in moderately above the high-end of our 15% to 20% expected range. With regard to 2022 and our fee-related revenue and fee-related earnings we expect growth in fee-related revenue of 12% to 15% as compared to 2021. And growth in fee-related earnings of 20% to 25% as compared to 2021. To achieve that result, we need to close 2021 in accordance with our current plan, experience flat net flows for Absolute Return Strategies in 2022 with 2022 Absolute Return Strategies performance in line with our normal run rate performance assumptions.

In addition, we are assuming private market fund raising in 2022 which is consistent with the fundraising levels of 2021. It is worth noting that 2022 fee-related earnings growth of 20% to 25% would exceed that of our original merger presentation. Obviously if we do not achieve our projected investment performance or fundraising goals our numbers will vary.

As we have said before, due to the nature of the crystallization and realization of performance fees, it makes the most sense to focus on our fourth quarter and full year results with regard to adjusted EBITDA and adjusted net income. That said, we are pleased that adjusted EBITDA and adjusted net income increased by 12% and 16% respectively compared to the same quarter last year, with increases of 24% and 38% for the 9-month year to date period.

Importantly, as of September 30th, 2021, we enjoyed $44 million of unrealized annual performance fees eligible to be realized in 2021. This means that we would have received $44 million of annual performance fees in addition to the $9 million we've already collected this year had September 30th been the end of the year. In the third quarter we saw continued strong investment performance across private market strategies. The firm's share of investments and unrealized carry at NAV stood at $410 million as of September 30th, 2021, an increase of 17% from June 30th of this year and an increase of 125% from September 30th of 2020.

Turning to fundraising, we saw strong fundraising momentum across the business. In the third quarter we raised $3 billion of new capital, bringing our year-to-date fundraising to $7 billion. As a reminder, we said last quarter that we thought fundraising in the second half of the year would exceed the $4 billion raised in the first half of the year. Clearly the third quarter was a strong step in the right direction. It is worth noting that as of the end of the third quarter, our pipeline stood at a similar size to our July 1st, 2021, pipeline, despite having successfully closed on $3 billion of fundraising. Through yesterday, we've raised approximately $1 billion in the fourth quarter, and we continue to see opportunity for the remainder of the year and into the future.

While Jon will delve a bit deeper on fundraising, investing activity, and investment performance in a moment, I do want to mention two fundraising-related items. The first is that as of today we have raised approximately $2.2 billion since launching the four private market specialized funds that are in market. That is up from approximately $1.7 billion at the end of the third quarter.

The second relates to the $500 million Structured Alternative Investment Solution that just closed this week. This effort was led by GCM Grosvenor Insurance Solutions in close collaboration with our strategy and investment teams. It saw us begin a number of new insurance company relationships and it supports our confidence in GCM Grosvenor Insurance Solutions going forward.

I would like to quickly call your attention to slide 8, which is new and provides an overview of our Absolute Return Strategies vertical. As you can see, this vertical has performed well over the last year, with solid investment performance, stable fee rates, and 12% growth year over year in fee-paying AUM and management fees. We saw $476 million of contributions to Absolute Return Strategies fee-paying AUM in the third quarter against $391 million of redemptions and $110 million of distributions for a very modest net outflow of $25 million.

Importantly, as we saw in prior periods this year, fee rates were higher on inflows than on outflows, which means run rate revenue increased modestly from flows before the positive impact on compounded. Slide

8 highlights the ability for the Absolute Return Strategies vertical to grow in a flat flow environment, and I think is likely a better result than the market expected 1 year ago.

I want to mention that we recently published our 2021 Impact Report in conjunction with our 15th and Annual SEM conference. The report is available on our website and reflects the ways in which we embrace our core values for the benefit of all of our constituencies. Culture is important to us at Grosvenor, whether a culture of compliance, a culture of excellence, or a strong culture of service to our clients, and our Impact Report is a good way to get a sense of that.

In closing, we leave the quarter pleased that we continue to meet or exceed the metrics we have communicated to shareholders and remain optimistic with regard to our prospects for the remainder of the year and for 2022.

And with that, I'll turn the call over the Jon.

Jon Levin: Thank you, Michael. I'll begin my remarks on slide six. We've experienced persistent and strong growth in our assets under management, fee-paying assets under management, and contracted but not yet fee-paying AUM. As you know, these are the metrics that in combination with stable fee rates and expanding margins fuel our earnings-powered growth.

Our total AUM has grown at a 10% compound annual growth rate since 2018, and the combination of our FPAUM and CNYFPAUM has compounded at a similar figure. As you are all well aware it's been a healthy environment for Private Market alternatives over the past few years, and our business has benefitted from that backdrop. We've had a 16% compound annual growth rate in Private Market AUMs since 2018 with growth occurring in each of our Private Market sub-strategies. From a composition standpoint, it's worth noting that Private Markets represents 62% of our firm assets under management as of the end of the quarter as compared to 54% at the end of 2018.

Michael already spent time on Absolute Return Strategies where the earnings power has likewise increased from growth in both fee-paying AUM, which drives managements fees, and AUM eligible for annual performance fees. We continue to believe that having expertise across the full alternatives landscape better positions us to serve our clients and win mandates. Reflective of this value proposition, the new capital raised this quarter, and this year has been highly diversified across channel, geography, investment vertical, investment implementation style, and fee rate. Notably, more than 50% of our assets raised this quarter came from clients outside of the United States.

And as we've discussed our recent hires in Canada and Europe, along with our already strong presence across Asia, set us up well for continued future success internationally. As you will see on slide 12, Private Markets drove more than three quarters of fundraising this quarter, benefitting from the strong tailwinds I mentioned. Within that, Infrastructure was the most significant contributor, and we believe we have a meaningful addressable market in that strategy. Finally, we continue to see support from both existing clients, which is always job number one, as well as new clients.

As you know the foundation of our business continues to be partnering with our clients through customized separate accounts, which represent three quarters of our current AUM and are highly tailored to a client's unique needs and circumstances. Through customized partnerships, we've become deeply embedded in the client's overall investment activities and are viewed as an extension of staff. We have a track record of successfully expanding our customized programs, and cross-selling between our verticals. As of quarter end, more than 48% of our top clients work with us across multiple verticals up from 36% a year ago. Customized separate accounts are key to our ongoing growth but as we've discussed in the past, we also see a significant opportunity from scaling our specialized funds.

On a year-to-date basis, approximately one-third of our fundraising has been in specialized funds, meaning they are growing at a faster rate than their current share of AUM. We've talked before about our six identified private markets specialized funds. And to date, we've raised $2.2 billion across those vehicles.

Notably, it won't be until 2024 that all six of those funds are done with fundraising, and we also expect to launch additional products on top of those six that we previously identified. We're excited to see our recent investments and our business development team have a positive impact on our fundraising momentum.

The $500 million Structured Alternatives Investment Solution, which will invest across multiple of the firms' specialized funds, is a good example of human capital investments in our business driving growth and opportunity. We anticipate building on the recent success of this vehicle and expanding similar offerings to investors in the coming year. What is clear to us from this effort is that there is ample opportunity to add value to the insurance industry.

Another area where we are seeing accelerating growth and significant growth potential is in the non-institutional capital space. Today we offer our products and solutions on six platforms. Non-institutional capital comprised of approximately 5% of our current AUM but has represented approximately 10% of capital raising year-to-date, meaning, again, that the growth in this channel is outpacing its current share of capital in our firm. Importantly, despite this growth, we still believe we are long origination of investment opportunities. What we mean by that is that we have ample manufacturing capacity to continue to scale the business.

Our vast footprint and sourcing network is a cornerstone of our success. Year-to-date, we've reviewed more than 2,500 opportunities across the platform. With regards to investment activity, I mentioned the breadth of our sourcing network, but the third quarter was a very active one in terms of deployment. In the quarter, we invested nearly $3 billion of capital across 117 investments bringing year-to-date capital deployment to nearly $9 billion. We've also seen strong performance across the verticals. Trailing 12-month net performance for Absolute Return Strategies was 14% as of September 30. Annualized net performance over the last three years was approximately 7%, which we are very pleased with on both an absolute and relative basis.

As a reminder, in addition to creating a favorable backdrop for asset raising, strong performance compounds our Absolute Return Strategies fee base and directly increases our management fee earnings power. Within Private Market strategies, we saw a 17% increase in gross unrealized carry compared to the second quarter, which speaks to the significant appreciation our clients experienced on their investments during that period.

Now, I'll turn the call over to Pam to talk about our financial performance in more detail.

Pam Bentley: Thank you, Jon. Turning to slide 10, we continue to execute on our plan and deliver a strong value proposition, generating asset growth at attractive fee levels and enjoying continued fee-related revenue growth. In addition, our earnings expansion outpaced our revenue growth as we unlock our embedded operating leverage and scale. Michael and Jon covered our asset growth in detail, so I won't address that other than to say we're very pleased with both the pace and trajectory of capital formation.

With regards to our fees, our fee rates have continued to be very stable across the business, a sign of our value proposition resonating in the market. We continue to experience a mix shift towards higher fee activities such as co-investments, direct investments, and secondaries. Consequently, we are seeing an accelerating positive trend in our management fee earnings power. Our fee-related revenue this quarter increased by 11% over the third quarter of 2020. Part of this was driven by catch-up management fees from our private market specialized funds, which were $1.7 million in the third quarter. Based on our current pipeline, we expect catch-up management fees to be higher in the fourth quarter. As Michael mentioned, we expect growth in fee-related revenue in the fourth quarter inclusive of catch-up management fees to be about 5%.

Moving to incentive fees, we realized $29 million in carried interest this quarter. And as we noted last quarter, while carried interest is realized throughout the year, we typically earn the majority of our annual performance fees in the fourth quarter. The earnings power of our incentive fees continues to increase, providing us with significant upside and flexibility which I will address in a moment. Taking fee-related revenue and incentive fees together, the firm's adjusted revenue increased 16% compared to the third quarter of 2020 and 24% on a year-to-date basis.

Turning to slide 11, we are very pleased to see the investments we've made in recent years continue to drive growth in our assets under management and financial performance. As Michael noted, on a year-to-date basis our fee-related earnings, adjusted EBITDA and adjusted net income all increased, illustrating the continued positive momentum of our business. We also saw continued improvement in our fee-related earnings margin, which was 36% this quarter, and we expect modest further expansion in this margin through the rest of the year. Our positive margin growth is the combined product of the scale embedded in our business and our continued discipline in managing expenses.

In the third quarter, fee-related earnings compensation decreased slightly relative to last quarter. At the same time, our discretionary cash base incentive fee related compensation, which relates to both realized carried interest and performance fees, increased this quarter as we continue to further align our compensation structure of our senior professionals with our investment performance. In the third quarter, the firm retained approximately 63% of the incentive fees received after contractual carry obligations with the remaining 37% anticipated to be paid out from our discretionary incentive fee related bonus pool. Specifically, this quarter, the firm's share of incentive fees, before our incentive fee bonus pool, was $9 million and the incentive fee bonus pool estimate was $3.4 million. As I mentioned, the majority of our annual performance fees are typically realized in the fourth quarter so you can anticipate some seasonality in our incentive fees and incentive fee related compensation next quarter.

As of September 30th, the firm share of unrealized carried interest grew to $297 million an increase of 179% from a year ago. Importantly, as you can see on slide seven, the firm share carry varied by vintage, ranging from 20 to 40% for older vintages and approximately 50% in recent years. Consequently, the firm shares incentive fees before any discretionary incentive fee bonuses will continue to grow as more recent funds where we retained 50% of any carry realizations start to mature.

Over the longer term this bodes well for the firm’s margin and earnings. For 2022, based on potential realizations of both carry and run rate performance fees, we anticipate retaining 50 to 60% of our share of these incentive fees than of any discretionary incentive fee related bonuses.

Turning to our expenses, general and administrative cost decreased slightly from last quarter to $16.5 million in the third quarter, coming in lower than we anticipated as the spread of the COVID-19 Delta variant delayed a broad return to travel. Already we’ve seen travel start to resume in the fourth quarter. So we anticipate modest increases in G&A relative to the levels we experienced in the second quarter.

Turning to slide 13, the business continues to generate strong cash flow and our cash balance at quarter end was $120 million. Our $25 million stock and warrant repurchase program remains in place and we have spent $7.5 million of this amount through the end of October. We have often cited strong free cash flow generation and the ability to return capital to shareholders as attractive features of our business. Last quarter we increased our dividend to 9 cents per share and this quarter we are again increasing our dividend to 10 cents per share, which will be payable on December 15th to shareholders of record on December 1st.

We continue to be excited by the positive trend of the business and the significant earnings power we are creating. Thank you again for joining us and we’re now happy to take any questions.

Operator: Thank you. If you would like to ask a question, simply press the star key, followed by the digit “1” on your telephone keypad. Also, if you’re using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, press star, one at this time. We’ll pause for a moment. And we’ll first hear from Chris Kotowski of Oppenheimer.

Chris Kotowski: Yes, good morning. Thanks for taking my question.

I wonder if you could start on the – flush out a bit more the $500 million alternative strategies fund that – or vehicle that you are able to raise. Is it – can you just, kind of, describe – is it, kind of, normal fee structure and, you know, what should we expect the life of that to be, when does it get turned on? And also, I guess, just in general, is it replacing other vehicles that used to – that insurance companies used to invest in with GCM or is this completely new and incremental?

Michael Sacks: Thanks, Chris. It's Michael and I'll try to take that. So, first, it's not replacing anything. It's new. It's an effort that was led by GCM Grosvenor Insurance Solutions and our strategy and investment teams. And, to me, it represents a quick start out of the gate in terms of the future of GCM Grosvenor Insurance Solutions and the – it's reassuring to me in terms of the prospects for that effort that we announced and just really began.

And it's probably a faster, you know, start than I would have thought. It is full fee capital largely private markets. It is long term and – it is long term and it's probably easiest to think about it as a – you know, any type of a structured approach like a collateralized fund obligation or something just to, kind of, what does it look like in terms of duration and – but that is full fee capital, it's new. And frankly, from my perspective, the most, you know, constructive thing about it – fees will start to turn on as early as – as early as this quarter and mainly in the fourth quarter. But what I really like about it is it's got us working with a good significant number of new insurance company partners, clients, you know, already. So – and then, that – as we mentioned, you know, those who, kind of, looked at it, but couldn't get themselves together enough time to be there for this one, but are interested in working together in the future. So, it's – we feel really good about it, and view it as just a positive development.

Chris Kotowski: Okay, great. And then, maybe you said it and I just missed it, but were there catch-up fees this quarter? And I think Pam said we expected some – you expected some in the fourth quarter. And I was wondering, is that what is the primary driver of the expected roughly 5%, you know, fee revenue growth in the fourth quarter? Is it primarily the catch-up fees or, kind of, underlying fees?

Michael Sacks: Pam, you can take that, Pam. But I would say that fourth quarter growth is obvious. It's a combination of, you know, fundraising and specialized fund closes in Q4 that do have catch-up fees. But it's also just, you know, solid compounding on higher fee-paying AUM at the beginning of the quarter, you know, relative to the beginning of the prior quarter and positive performance in ARS as well. But, Pam, I don't know if you want to go back to the script comments.

Pam Bentley: Hi, Chris. Thanks for the question. The fees – the catch-up fees in the third quarter were $1.7 million, and as I indicated, they'll be slightly higher in the fourth quarter and are part of that 5% expected growth number that we mentioned.

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

Michael Sacks: Thank you, Chris.

Operator: And next, we'll hear from Jeff Schmitt of William Blair.

Jeff Schmitt: Hi. Good morning. Just touching on the $500 million Structured Alternative Solution, obviously, great start for this newer unit. What type of additional demand are you seeing out there from insurance companies? Do you have some initial thoughts on, sort of, where that unit might go from a fundraising perspective? I mean, it's early, but just curious, kind of, initial thoughts, but knowing that…

Michael Sacks: Yes. It's early. I think Jon addressed our – you know, our aspirations for this unit, you know, in the last quarter when he, you know, said he thought it could be a very significant, you know, part of our business going forward. And so, I think everything we've seen so far reinforces our decision to invest in this space, and you saw earlier in the week we announced another hire inside GCM Grosvenor Insurance Solutions, senior hire. We're thrilled about that.

And we intend to continue to invest in that effort. It – we think there is real opportunity there. And, as I've said, I'm not sure – we thought we'd get out to – you know, we'd always talked about seeing this contribute next year, and it's obviously starting to contribute faster than that. And we – you know, we're engaging with that channel in ways that we never have before, and we are seeing, you know, various types of opportunity, frankly, well beyond structured solutions. So, you know, just a normal custom separate account solutions opportunity, and we are – we are enthusiastic.

Jeff Schmitt: Okay, great. And then, the – just looking at the private market fee-paying AUM, I think it stands at around $31 billion. Can you discuss how much of that is specialized funds now? I think you've mentioned $2.2 billion has been raised in this, sort of, newer tranche of funds. So, does that bring the total, you know, to around $7 billion or $8 billion? And I'm just thinking how does that compare from the beginning of the year, you know, and how much of a higher fee rate does that come in, you know, just in terms of the mix there?

Michael Sacks: Sure. I don't know if Stacie or Pam, if you have the AUM or the FPAUM number for the specialized funds. Obviously, the number that we cited was the fundraising number this year, you know, in an effort to – it's the first time we've done that, and we've heard the request to do that. We wanted to stay away from specific fund reporting until the funds are closed, but we did want to be responsive to the question set on how fundraising for the in-market funds are going. And I don't know, Stacie or Pam, if you have the FPAUM number for private market specialized funds compared to private markets.

Pam Bentley: Hi, it's Pam. We do not publicly disclose the breakout of our private markets fee-paying AUM between the specialized funds or the separate accounts as something we are considering for the future. But, at this point, we have not done that today. But the $2.2 billion number that Michael referenced in his comment is the fundraising for this year.

Jeff Schmitt: Okay. And then, just one last on G&A. I think you've said, you know, it's down a little bit on the quarter due to low travel activity that should, sort of, move back up in Q4. You know, what type of magnitude should we expect there, I mean, with the delta variant going on, I mean, and travel seems to be still down? So, is that just, kind of, a modest increase? And any guidance you could give you 2022 for G&A as well would be helpful.

Pam Bentley: Sure. Yes, just a modest increase we would expect in the fourth quarter given continued, you know, lack of travel. But that is baked into our guidance that Michael mentioned that we expect to end the year slightly above our 15% to 20% FRE growth range. So, our expense growth is, kind of, baked into that number. Similarly, for next year, certainly expecting some return to travel and higher travel in '22, absent any further issues with the pandemic, so certainly expect that next year. And that's also, kind of, baked into our guidance for next year of the 20% to 25%.

Jeff Schmitt: Got it. Okay, that's helpful. Thank you.

Pam Bentley: Thank you.

Operator: And next, we'll hear from Ken Worthington of J.P. Morgan.

Ken Worthington: Hi, good morning. Thanks for taking my questions. So, appreciate the additional information on the private market side. I'm going to keep pressing here. You're in-market, I think, with four funds. I think the $2.2 billion was just funds raised this year on the four. I know Jon mentioned six as we look at over the next couple of years. Where are those funds right now in terms of assets relative to their collective targets? Are we getting to the point where those funds are pretty much done? Is there a lot of runway left in terms of fundraising those funds? But I don't know if we are, you know, 40% of the way to target, 99% of the way to target. If you could just help us there in terms of those products and how close we are. And I know you don't like to do it individually, but maybe you would do it collectively.

Yes. And then, the pie in the sky is the fundraising environment is fabulous. So, if you had targets, you know, is it possible that the fundraising environment is so good and you've got some really nichey, kind of, nice products in the set of four that, you know, the targets – the stated targets are conservative and maybe we should think of things being closer to the hard cap. So, any color on that element? But the first part I think is the more important one I'd love to catch.

Michael Sacks: Sure. So, what I was going to say was you pushed us on this, and we appreciate it truly, and you can tell we're responsive. And I will wish we would have connected, you know, prior because I think we could probably figure out a way to talk about the first question that you asked.

So, of the funds in market now, the four in market now, only one of them will have a final close this year. The rest of them, the remaining three will be in market for a while longer and, you know, are – and we have room to go in terms of achieving, you know, fundraising. And then, there are additional funds that come on into market next year and, you know, throughout next year and even I think, of those six that we've shown, they're all turned on by next year or very early in '23.

The – and, I think we probably can try to work out some metrics so that you can understand, you know, how much time is left and things like that. We don't – we don't have a good map way to tell you that now other than to say that we are – you know, we – three of the four will stay in market, will report out on the one that has a final close in Q4 in our next call. Three of the four will stay in market, the funds in market. It is, in general, a time where there's a tailwind in their strong pipeline. The funds in market, in particular, you know, our multi-asset class fund is, you know, the predecessor funds, experiencing extremely good results and, you know, so we're optimistic there.

But I think that the best way to, you know, think about what we've said today I think really relates to our fee-related revenue and our fee-related earnings views with regard to next year. And as we said, we achieved those rates of growth without an increase in fundraising relative to this year. So, I know this is not as precise as you would like. But we did say that, with similar levels of fundraising to this year, that's, kind of, you know, a couple of – some other assumptions, but similar levels of fundraising we get the growth. And we are, as you correctly point out, in a – in a good fundraising environment with a strong, you know, third quarter that we certainly will do everything we can to continue to roll forward.

Ken Worthington: Okay, great. And then, I'm trying to, kind of, do the postmortem on Mosaic and, Pamela, I'm not sure if this related to your comments. Incentive fee-related compensation was up this quarter, assuming I plugged the models – numbers and the model correctly. It looked like $3.4 million incentives fees themselves were just $300,000, again, assuming they're plugged in correctly. Is this related to how Grosvenor is treating the incremental earnings that are resulting from the repurchase of Mosaic? And was there a compensation payout this quarter on that earnings stream that was previously directed to Mosaic?

Pam Bentley: Yes. The – what you see in the quarter, the majority of our incentive fees are related to carried interest that was a result of unwinding the Mosaic structure. And we are including in that $3.4 million – a portion of that relates to the carried interest realized in the quarter.

In the fourth quarter, as I mentioned, we expect that to predominantly be incentive fees related to the ARS performance fees that are expected to be realized. And we'll see that related incentive fee comp in the fourth quarter primarily relate to those performance fees. So, we – you should see – expect a similar level in the fourth quarter.

Ken Worthington: Okay. And so, just one follow up here – how should we think about this payout on what was formally going to Mosaic? What is the rationale of paying employees rather than letting all of that, you know, incremental earnings on what was essentially a financing fall to the bottom line? And then, in 1Q '21, you presented a slide on the value of the purchase of Mosaic, the carry relative to the purchase price, so like a valuation of six times. Did that slide incorporate a payout on these Mosaic earnings?

Again, I'm trying to reconcile everything, and I, sort of, assume that this would fall to the bottom line and it – and it appears to not be. So, I'm trying to do this postmortem. Thank you.

Michael Sacks: So – and I think that – I think that we've always accrued a discretionary cash bonus pool relative to firm share of – relative to firm share of incentive fees, both carry, some of which was at Mosaic and is not now, and performance fees. And we accrue that as we go through the year and we, you know, pay it out when we pay bonuses after the end of the year.

And we have – so, to a – to the extent that, you know, we didn't – we probably ate margin rather than dinged people when we did Mosaic. And we are – you know, we are able to get that – those Mosaic revenues back, but also, get some of the FRE margin back and, you know, realign comp through that. And where we're encouraged is that the firm share of carry, so not only are the performance fees in the ARS business growing, but the firm share of carry grows over – you know, as we look out over the next several years, we're still, kind of, burning off low firm share of carry.

So, that picture, in general, with a – with a bonus pool there will – you know, is a good positive picture as we look – you know, look forward. And if you want some help on, you know, your modeling, we'll – we will happily do that with you. But, in general, I think we've got, you know, growing firm share, growing – therefore, you know, growing EBITDA on top of growing FRE. And we've got a – you know, a greater alignment interest with our people and the actual performance and receipts of the firm.

Ken Worthington: Great. Thank you very much.

Operator: And as a reminder, if you'd like to ask a question or make a comment, press star, one at this time. We'll hear from Peter Kaloostian of Morgan Stanley.

Peter Kaloostian: Hey, thanks for taking my question. You mentioned 10% of capital raised year to date is from non-institutional clients. What products are driving those inflows and what new products can make sense for that customer set? And also, just a quick follow up. I think you mentioned you're on six platforms. How do you think about building out distribution teams to support that growth and the non-institutional customer set? Thank you.

Jon Levin: Sure. I'm happy to take that one. So, I think that the – in general, the way – when you ask about what the type of interest that you're seeing in the non-institutional channel, I would say that it's similar thematically to what you're seeing in the institutional channel. And I think part of the whole thesis of trying to drive alternative solutions to non-institutions is to allow those investors to have the same set of experiences and allow them to build portfolios that are similar to what institutions can access. So, clearly, you're seeing the interest being largely in favor of private market-type strategies. But I would say it's a similar mix, private market is the more liquid alternative than what you're seeing for the broader business.

I think in terms of building out the distribution and the – and the coverage there – definitely is an area where making some incremental investment we think would have a positive return on capital. We have people that cover those channels both in terms of what we would call an external sales perspective, as well as an internal sales perspective. And as we continue to see the assets that we raise there take up a greater share of AUM – so, we talked about 5% of AUM to 10% at close – we'll continue to, you know, make smart investment from a distribution standpoint.

Operator: And was there anything further, Mr. Kaloostian?

Peter Kaloostian: No, that's it. Thank you.

Operator: It appears there are no further questions at this time.

Jon Levin: Great. Thank you all for joining the call. We appreciate the questions and the interest, thank you very much.

Operator: That does conclude today's conference. Thank you all for your participation. You may now disconnect.