GCM Grosvenor Second Quarter 2026 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

Operator: Good day and welcome to the GCM Grosvenor Second Quarter 2026 results webcast. Later, we will conduct a question-and-answer session. If you are interested in asking a question, please ensure you dial in using the numbers you have been provided for this call and press star one on your keypad to join the queue. If anyone should require operator assistance, please press star then zero on your telephone. As a reminder, this call will be recorded. I would now like to hand the call over to Stacie Selinger, Head of Investor Relations. You may begin.

Stacie Selinger

Thank you. Good morning.

Before we discuss our 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 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 filings with the SEC related to these statements.

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 measures to the nearest GAAP metric can be found in our earnings presentation and earnings supplement, both of which are available on our website.

Thank you again for joining us, and now I'll turn the call over to Michael Sacks, our Chairman and CEO.

Michael Sacks

Thanks, Stacie, and thank you to all listening to this second quarter 2026 earnings call.

I am pleased to report that GCM Grosvenor had another strong quarter, both generating returns for our clients and growing revenue and profits for the firm and our shareholders. We ended the second quarter with $97 billion of Assets Under Management and $78 billion of Fee-Paying

Assets Under Management, an increase of approximately 13% for each from a year ago. Constructively, all investment strategies and all investor channels contributed to that growth.

During the quarter, as expected, we saw an increase in fundraising from the first quarter's $1.5 billion to $2.3 billion in the second quarter, bringing first half fundraising to approximately $3.9 billion. Importantly, those results were again broad-based across the platform. We continue to expect second half fundraising to exceed the levels experienced in the first half and are pleased to report that our pipeline remains full.

Credit was the largest contributor to second quarter fundraising, accounting for more than $900 million of the $2.3 billion raised in Q2, making credit $1.4 billion of the first half's $3.9 billion of fundraising. Jon is going to go into some detail on our credit vertical in his remarks.

It's worth mentioning that the individual investor and insurance channels were significant drivers of fundraising, representing 23% and 18% of our year-to-date fundraising against the 5% and 4% of AUM they represented respectively at the start of the year. As you know, both channels are areas of focus for us.

From a revenue and profitability perspective we saw second quarter Fee-Related Revenue grow by 11%, Fee-Related Earnings grow by 21% and adjusted net income grow by 22% as compared to the second quarter of 2025.

On the last couple of earnings calls we have been asked about the impact of AI disruption generally. We have maintained that we have more upside from AI disruption than risk associated with it and noted that we have some direct exposure to disruptors. We continue to believe that. Last quarter we were specifically asked about SpaceX and we said that we thought that in the wake of a successful IPO it would likely be appropriate to address that exposure. And so I want to do that now.

GCM Grosvenor, in our ARS and Private Markets portfolios, through primary fund allocations to managers, direct investments into dedicated vehicles, and secondary market share purchases, invested approximately $150 million in SpaceX, a conservative sum for our capital base. The average cost of our investment is approximately $6.37 per share, and as of last week's market close those investments had a value of approximately $3.5 billion, split fairly evenly between ARS and Private Markets portfolios.

While these gains have not yet been realized and generally remain subject to lock up, that investment is the largest single issuer gain in the history of the firm.

For the overwhelming majority of our SpaceX exposure, the timing and form of exit is controlled by underlying managers. Should we receive shares in a distribution we will decide on a course of action in real time based on facts and circumstances.

The SpaceX investment is a good example of the strength of our origination platform and the breadth and quality of opportunities we can bring to investors as well as the way our various verticals strengthen and enhance the whole of our firm for our investors.

We are of course pleased with this investment thus far. Given the magnitude of the SpaceX success, real-time versus one-quarter-lag timing differences in mark-to-market policy between ARS and Private Markets, and stock price variability, we feel it is important to highlight for all of our constituents, ARS returns, both inclusive and exclusive of SpaceX impact.

For the quarter our ARS multi-strategy composite delivered gross returns of approximately 14% inclusive of SpaceX and 10% excluding SpaceX. Year-to-date, those numbers are 15% and 11%. It is worth noting that excluding SpaceX ARS performance is very strong on both an absolute and relative to peer and benchmark basis. Pam will talk in a bit about how to think about SpaceX with regard to annual ARS performance fees.

The combination of strong second quarter investment performance and positive net ARS inflows drove a 22% year-over-year increase in ARS Fee-Paying AUM as of June 30th, and our ARS pipeline remains full.

Investment results were also strong across Private Markets strategies, without the benefit of the SpaceX IPO marks, where private equity, infrastructure, real estate and private credit all delivered positive quarter-over-quarter performance.

We remain long origination with considerable operating leverage, meaning our sourcing capacity meaningfully exceeds our current investment pace, leaving substantial room to scale activity without sacrificing selectivity.

The middle market, the area of private markets where we primarily operate, has held up better than the broader private equity market. While deal activity and realizations are not yet firing on all cylinders, we see the opportunity for a pickup in activity and acceleration of realizations going forward. The precise timing of that is not predictable.

Importantly, as we have discussed in the past, we have a high ratio of firm unrealized carry relative to market cap, meaning that as the realization environment improves there is significant upside to our earnings.

We remain confident in our ability to achieve the profitability targets we laid out at our investor day and think that our durable, highly visible management fee growth, significant upside from embedded incentive fee earnings, full fundraising pipeline across verticals, operating leverage and dividend provide an attractive value proposition for shareholders today and over the long term.

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

Jon Levin

Thank you, Michael.

Today, I will cover our credit platform, which is one of the fastest-growing areas of our business and an increasingly important differentiator for the firm with clients.

As of quarter-end, our credit platform managed nearly $18 billion of assets. The credit vertical was the largest contributor to fundraising in the quarter, reflecting strong client demand in what has been frankly an uncertain credit environment. That to me is a great endorsement of our capabilities. We raised over $900 million for credit strategies in Q2, doubling what we raised in Q1.

During the quarter, we successfully closed our inaugural credit secondaries fund, which raised approximately $1.2 billion across the flagship fund and related vehicles. We're pleased with that outcome, but believe it is just the beginning of what can be a huge opportunity for us. Secondary markets develop, of course, after the formation of the primary market but as the primary market matures, the secondary market growth almost always grows considerably faster than the overall category. And when you think about the total addressable market here, it is important to remember that the overall size of the credit markets far exceed that of the private equity market. So being early and meaningful in a category with such massive growth opportunities is an exciting opportunity for the firm. Providing liquidity to the private credit markets through purchasing other investors' positions in funds or specified assets, at a discount to market, is a huge opportunity.

Not all of the headlines surrounding private credit this year have been positive. Certain parts of the market, particularly direct lending, have experienced increased scrutiny around valuation, exposure to software categories, leverage levels and liquidity, particularly in the evergreen semi-liquid market. Fortunately, our exposure to those more challenged areas is relatively limited. What continues to resonate with clients is the highly diversified and flexible nature of our credit platform.

From an investment perspective, our competitive advantage begins with sourcing and broad coverage of the market. Across our global platform, we review approximately 1,400 investment opportunities annually, spanning virtually every corner of the private credit market. That breadth of sourcing allows us to identify attractive opportunities across primary funds, co-investments, secondaries and direct transactions, which we then combine into client portfolios diversified across strategy, sub-strategy, geography, vintage year and industry. The result is portfolios with dozens of underlying investments rather than concentrated exposure to a small number of transactions or a specific part of the credit market.

Equally important is the flexibility of how we deliver those investments to clients. Every client enters the credit market from a different starting point. Some have mature credit programs and are seeking complementary strategies or specialized exposures. Others are entering private credit for the first time and need assistance designing an allocation from the ground up. Our platform allows us to partner effectively with both types of investors.

A couple fundraising examples from this quarter illustrate that flexibility.

First, in credit co-investments, we expanded our relationship with a long-standing institutional client by developing a strategic partnership designed to accelerate deployment into credit co-investments. The program combines our sourcing capabilities with the client's own deal flow and includes both discretionary investments as well as client-originated opportunities, enabling the client to pursue attractive opportunities that otherwise would have been difficult to execute on. The result is a highly tailored solution that leverages the strengths of both organizations.

A second example highlights the range of our broader capabilities, of which credit is an important piece. We were selected by an institutional investor making its first allocation to private markets. Rather than starting with a single strategy, we designed a customized program providing diversified exposure across both private equity and private credit. The solution incorporated co-investments and secondaries alongside fund investments to accelerate deployment, reduce the J-curve and provide immediate diversification.

These examples exhibit that we are not tied to a single product or implementation style. Instead, we begin with the client's objectives and then utilize the full toolset we have as a platform to deliver a solution that best fits the needs. We believe our position in delivering those solutions for clients has never been stronger.

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

Pam Bentley

Thanks, Jon.

Fee-Paying AUM grew a healthy 13% year-over-year, ending the quarter at $78 billion. Contracted Not-Yet-Fee-Paying AUM grew to $9.7 billion, up 11% from a year ago, which provides a strong foundation for continued organic growth as that capital is deployed and converted into Fee-Paying AUM over the coming years.

Private Markets management fees this quarter continued to benefit from solid fundraising and investment activity, and increased 10% over the second quarter of last year. As we look ahead to the third quarter, we expect Private Markets management fees to increase in the mid-single digits year-over-year. As a reminder, based on the timing of our specialized funds in market, we are not expecting material catch-up fees in the back half of the year.

Absolute Return Strategies had another outstanding quarter driven by strong investment performance combined with positive net inflows. ARS management fees in the quarter increased 11% year-over-year. ARS management fees are primarily charged in advance, so given the strong second quarter investment performance, we expect third quarter ARS management fees to increase by approximately 10% sequentially, which would equate to a nearly 20% growth rate year-over-year.

Total Fee-Related Revenue for the quarter was $111 million, an increase of 11% year-over-year, reflecting solid management fee growth across both Private Markets and Absolute Return Strategies.

Turning to expenses, we remain disciplined in managing our expense base while investing thoughtfully in the business.

FRE compensation and benefits totaled approximately $38 million during the quarter, and we estimate FRE compensation to be $1 million higher in the third quarter.

Q2 Non-GAAP General, Administrative and other expenses were almost $22 million, in line with our expectations. While we continue to invest in technology, including AI initiatives across the firm, we remain focused on driving operating leverage and expect G&A expenses in the third quarter to remain relatively consistent with Q2.

Putting these factors together, Fee-Related Earnings for the quarter were $50 million, representing growth of 21% year-over-year, and our FRE margin was 45%. We believe there is significant scalability embedded in our business and remain confident in our ability to further expand margins over time.

Turning briefly to incentive fees, investment performance across the platform remained strong. We earned approximately $7 million of annual performance fees in the first half of the year, and we estimate based on recent ARS investment performance we have approximately $35-40 million of unrealized annual performance fees. The majority of our performance fees crystallize in the fourth quarter, so the amount of performance fees ultimately realized will depend on ARS investment performance in the second half of the year, of which SpaceX is an important driver.

Specifically, as Michael discussed, SpaceX has been a great investment for the firm and is a terrific example of our origination power. We made investments across many different ARS and private market portfolios that were appropriately sized for the risk at the time and we have generated billions of dollars of profits for our clients. Given the current size of the position, you can expect some variability in our unrealized incentive fees as the price moves. The $35-40 million of unrealized performance fees I mentioned assumed a $110 share price for SpaceX. That number would be higher as of the end of last week. Each additional $10 movement in SpaceX's share price is worth about $4 million of performance fees. Ultimately, performance fees will fluctuate based on broader ARS investment performance for the year.

As of June 30th, gross unrealized carried interest was $965 million, with $493 million attributable to the firm's share. A variety of factors can cause fluctuations to our unrealized carry balance from quarter-to-quarter. Our Private Markets portfolios are marked on a one-quarter lag, meaning that next quarter's unrealized carry balance will reflect valuations as of June 30th. For example, the SpaceX exposure in our Q2 unrealized carried interest was marked at $84 per share, so we could see a meaningful increase in our unrealized carry next quarter due to our SpaceX exposure, again given the one-quarter lag.

Our balance sheet remains strong, providing us with significant financial flexibility. We are maintaining our quarterly dividend of 12 cents per share while also investing in the long-term growth of the business and opportunistically repurchasing shares. We continue to actively manage dilution through our buyback program, repurchasing 1.6 million shares for approximately $17 million during the quarter. We have $55 million remaining in our buyback authorization.

Overall, we are pleased with our results for the second quarter and first half of the year. Accelerating fundraising, strong investment performance, expanding management fees, growing embedded incentive fee earnings and ongoing operating leverage, position us well for the balance of 2026. We remain confident in both our near-term outlook and our long-term financial objectives.

Thank you again for joining us today. We'd now be happy to take your questions.