

GCM Grosvenor 2025 Third Quarter 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 2025 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 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 10-K, our other filings with the Securities and Exchange Commission and our earnings release, all of which can be found 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 measures to the nearest GAAP metric can be found in our earnings presentation and earnings supplement, both of which are on our website.

Thank you again for joining us, and with that, I'll turn the call over to Michael to discuss our results.

Michael Sacks: Thank you, Stacie.

We are pleased to report another strong quarter for GCM Grosvenor, led by strong investment performance, strong fundraising and financial results that exceeded expectations. For the quarter, our Fee Related Earnings, Adjusted EBITDA and Adjusted Net Income were up 18%, 16%, and 18%, respectively, as compared to the third quarter of 2024 and the results are similarly favorable on a year-to-date comparison.

We're also seeing strong momentum sequentially, with third quarter Fee Related Earnings and Adjusted Net Income growth of 13% and 16% over the second quarter of 2025. Our Fee-Related Earnings margin for the quarter was 45%, which is approximately 350 basis points higher than it was in the third quarter of last year.

We ended the quarter with a record \$87 billion of assets under management, a 9% increase compared to the end of the third quarter of 2024.

Investment performance remained solid across each of our business verticals. Absolute Return Strategies has delivered particularly strong performance to clients, with our multi-strategy composite generating a 14.2% gross rate of return over the last 12 months. In addition to the strong ARS performance, we also enjoyed year-over-year portfolio appreciation across each of our private markets strategies. Looking ahead, our teams remain focused on investing client capital and deploying our \$12 billion of dry powder.

On the capital formation side, our positive fundraising momentum continues. Year-to-date we've raised \$7.2 billion, higher than our total fundraising for the full year 2024. Over the last 12 months we've raised \$9.5 billion, the highest trailing-12 months fundraising period on record for Grosvenor. Infrastructure and credit led our growth during that period.

Jon will cover fundraising drivers and pipeline shortly, but I do want to note that in the quarter we closed on a \$490 million collateralized fund obligation that will be invested in private credit secondaries. Beyond the management fees that we will receive from this vehicle going forward, we generated \$2 million of transaction fees that were recognized in the third quarter. Importantly, in general, activity levels are high and our pipeline remains quite full.

Our gross unrealized carried interest balance stands at an all-time high of \$941 million, up \$32 million or 4% from the end of the second quarter with approximately 50% of that belonging to the firm. During the quarter we realized more than \$24 million in carried interest, which is the highest level of quarterly realized carried interest we've seen over the last 2 years. While carry realizations are clearly trending in the right direction and we are optimistic about 2026, it's worth noting that typically the third quarter carry realizations are seasonally the highest of any given calendar quarter.

A few weeks ago, we hosted our 2025 Investor Day and we were thrilled to welcome investors and analysts to hear directly from the leaders who drive our business every day.

The goal of the day was to provide a comprehensive look at GCM Grosvenor, who we are, how we've evolved, and where we're going. Our team led by Stacie Selinger and August Klatt did a great job putting that day together. The deck and video are available on our website, and I think they are helpful in understanding the company. That said, I do want to highlight a few of the key themes we covered.

First, we made clear that GCM Grosvenor is central to the alternatives ecosystem, bringing more than five decades of innovation, execution, growth, and relationships to bear across private equity, infrastructure, credit, real estate, and absolute return strategies.

Second, we showed that our investment platform is broad, built for performance, and importantly, highly scalable. Across the firm, we have the capacity to deploy multiples of our current capital base using our existing investment engine. That scalability, combined with a rigorous and repeatable investment process, has produced attractive risk-adjusted returns for clients in each of our verticals.

Third, our growth outlook is compelling across each of our investment strategies. Each of our verticals – from credit, to infrastructure, to real estate, to private equity and absolute return strategies – has a path to substantial AUM growth over the next five years.

We highlighted the fact that our team's execution over the last 5 years has translated into earnings growth, with Fee-Related Earnings having grown more than 90% since 2020. Importantly, we spoke about our path to double 2023 FRE to more than \$280 million by 2028 and to drive 2028 Adjusted Net Income per share to more than \$1.20 per share.

We also announced an increase in our quarterly dividend to \$0.12 per share, reflecting continued confidence in our growth trajectory and our strong free cash flow generation.

Finally, the day underscored what truly differentiates GCM Grosvenor – our client-first culture that is rooted in teamwork and alignment and is a key competitive advantage delivering high re-up rates and significant growth.

We hope that for those of you who participated, or subsequently dove into the materials, it was clear that we are well-positioned strategically, financially, culturally, with multiple growth engines, a scalable operating model, and a clear line of sight to meaningfully higher earnings and cash flow in the years ahead. We have a high degree of confidence that we can compound value for shareholders over the long term.

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

Jon Levin: Thank you.

As Michael noted, I will focus my remarks this quarter on our strong fundraising results and healthy pipeline of activity.

We covered this during the Investor Day, but the beauty of our business is the many ways we have to win with all types of clients. Our business diversification in terms of geography, asset type, client type, and implementation style is reflected in the diversification of our fundraising results.

Looking at fundraising over the last twelve months, a few things I'd call out:

First, infrastructure and credit together accounted for nearly two thirds of our capital raised. These strategies are where we're seeing the highest demand in the market. In infrastructure, we benefit from the market tailwinds, generally, and our broad platform that offers various strategies and numerous vehicles to meet the unique needs of investors. In credit, our success is rooted in helping investors access the markets that they don't necessarily have the ability to access on their own, which means strategies outside of traditional direct lending and investment implementation styles outside of regular way fund investments. Our direct-oriented strategies in both infrastructure and credit are driving a significant percentage of our growth.

Second, Absolute Return Strategies generated \$1.5 billion of fundraising over the last twelve months. As Michael shared, the pipeline here is the best it's been in years on the heels of very strong investment performance. While we aren't changing our flat net flows budgeting assumption, the backdrop for ARS is increasingly encouraging and we believe we can compound AUM growth through strong performance.

Finally, insurance clients accounted for approximately 14% of capital raised over the last 12 months and 40% of Q3 capital raised, driven by the almost \$500 million collateralized fund obligation that will be invested in private credit secondaries.

Looking ahead to our pipeline, I want to emphasize the strength and predictability of our separate account business. We are perpetually in the market raising separate accounts from existing investors through re-ups and from new investors. If we do our job well, taking care of our existing clients, re-ups and cross-selling into new strategies are our best sources of new capital.

As is usually the case, we are also in-market with several specialized funds.

We held our first close of our private equity secondaries fund GSF IV. We also held the first close of our inaugural real estate fund, REV, which now allows us to offer our real estate investment strategy in specialized fund form, expanding our addressable market for that strategy. One particularly interesting note on REV is that one of the primary anchor investors in the first close is an RIA. We're also preparing to launch the fourth vintage of our diversified infrastructure fund Critical Infrastructure Strategies IV, CIS IV, which will hold its first close in the coming months.

We also are successfully executing on our growth plans for the individual investor channel. Our distribution joint venture Grove Lane is rapidly ramping up with new hires and has already sourced dozens of new relationships for the firm year-to-date, around 40 of which have already contributed to an investment product. Flows for the infrastructure interval fund are increasing week-over-week, and the traction is very encouraging for what we believe is a highly differentiated product in the market and a significant opportunity for us over the long term. We are also preparing to launch a fund for private equity assets in the coming months, which will follow a similar model to CGIF and, we believe, also has differentiated positioning given its expected high diversification and middle-market focus on co-investments.

So, the punchline there is that we have a clear strategic plan and now it's a matter of executing well. Something we talk about a lot as a team is the importance of relentlessly focusing on execution - for our clients, as investors and as business owners.

And with that, I will turn it over to Pam.

Pam Bentley: Thanks, Jon.

We are pleased with our third-quarter results, which Michael highlighted and I will cover in more detail.

Given our strong fundraising and investment performance this quarter, Assets Under Management grew to \$87 billion and Fee-Paying AUM grew to \$70 billion, a 9% and 10% increase year-over-year, respectively. Our Contracted-Not-Yet-Fee-Paying AUM grew 17% year-over-year to \$9.2 billion, providing a foundation for continued organic growth as that capital converts to fee-paying AUM over the next few years.

Private Markets management fees year-to-date and for the quarter grew 10% and 7% year-over-year, respectively from a combination of solid fundraising and conversion of Contracted-Not-Yet-Fee-Paying AUM.

Absolute Return Strategies continued its strong investment and business performance. ARS management fees for the quarter grew 6% year-over-year. Our multi-strategy composite returns were a strong 3% in the third quarter, putting year-to-date gross performance above 9%.

Total management fees for the quarter were \$101.4 million, an increase of 7% year-over-year. We expect total management fees for the fourth quarter to be approximately \$1 million higher than the third quarter.

Our year-over-year Fee-Related Revenue for the quarter grew 9%, driven by strong business performance. As Michael noted, this quarter's FRR included \$2 million of transaction fees relating to the credit collateralized fund obligation. This will not be recurring next quarter. That said, we do expect to launch additional structured solutions in the future.

Turning to expenses, our compensation philosophy is centered on attracting and retaining top talent by aligning their interests with those of our clients and shareholders. We do this through a combination of annual and long-term incentives, including FRE compensation, incentive fee-related compensation, and equity awards. We remain disciplined in managing expenses and third quarter FRE compensation and benefits remained stable at just over \$37 million. We expect slightly lower levels of FRE compensation in the fourth quarter. Non-GAAP General, Administrative and other expenses declined from last quarter to \$20 million. We expect non-GAAP general, administrative and other expenses in the fourth quarter to return to the levels we saw in the first and second quarter of this year.

Pulling together these factors, our Fee-Related Earnings for the quarter grew 18% year-over-year, and our third quarter FRE margin expanded to 45%.

Turning to incentive fees, our gross unrealized carried interest balance increased to an all-time high of over \$940 million, and this quarter we realized \$25 million of total incentive fees, including \$1 million of performance fees and more than \$24 million in carried interest. Given our strong ARS investment performance year-to-date, we have approximately \$33 million in unrealized performance fees as of quarter-end, in addition to the \$7 million we've already realized this year. Third quarter carry realizations are generally seasonably higher and the improving realization levels are encouraging as we head into 2026.

Our financial position is strong, and our decision to raise our already healthy quarterly dividend to 12 cents per share reflects our consistent and growing cash flow generation. In addition, as of quarter end, we had \$86 million remaining in our share buyback authorization.

That said, our primary focus remains on strategically investing for long-term growth, and we remain confident in our goals to double our '23 FRE by 2028 and more than double our Adjusted Net Income per share over the same time period.

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

Operator: Thank you. If you would like to signal with questions, please press star one on your touch-tone telephone. If you're joining us today using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, that is star one if you would like to signal with questions. Our first question will come from Ken Worthington with J.P. Morgan.

Ken Worthington: Great. Thank you for taking the question.

I guess I'll try two. First on the CFO raise, you mentioned the \$2 million of fees up front. Are there ongoing fees for that product as well or is it the way it's structured, the fees just come in at

that upfront chunk? Then are these CFOs something you might regularly come back to market with more regularly, or is what we saw really a one-off this quarter?

Michael Sacks: Thanks for the questions, Ken. It's Michael.

The CFO is absolutely a regular, recurring management fee, with some carry building over time pool of capital. It's \$490 million raise, and we'll earn an annual management fee on that. Hopefully, we'll earn some carry on that as well. In addition to the normal fees that would accompany a \$500 million raise, there was an upfront fee and we specifically mentioned it so that when you saw it on the financials, you knew that was not recurring. We will start next quarter to enjoy management fees from that pool of capital. They will be recurring.

The second question is, yes, we do hope to – if I didn't say that, I meant to. We do hope from time to time, to launch other fund obligations. This is our second as market conditions, investor demand line up and make sense to do it.

Ken Worthington: Great.

Then just on ARS, you mentioned it, we see it, better tone around the business, good returns. We saw better flows to start the year, it's been quiet since, and we're going into what is typically the seasonally weak 4Q when we see bigger redemptions. I guess the question is, if things are going well and things feel good, why isn't this yet being seen in the net flows picture. How is 4Q shaping up given it's seasonally a weaker quarter, but the environment feels better and you're doing better. How do we add those up?

Michael Sacks: Jon maybe you can talk a bit more about pipeline. What I would say, Ken and we talked about this at Investor Day. There's no question that the interest level is higher and the opportunities for us to drive flows are higher. That is a fact. I don't know, Jon, how much detail – we're not going to make news, but go ahead.

Jon Levin: Yeah. I would just step back, Ken, and say, we've obviously held to the convention from a budgeting, forecasting and guidance standpoint we've had, frankly, since we went public five years ago. We've been wrong about that in both directions but kind of not really wrong about that in the aggregate.

If you look at the earnings presentation, for example, where we go through the flows picture and the supplemental information, you can look at nine months in 2024, you can look at the nine months year-to-date today, you can see how that's been an improving picture. If you look at year-to-date, absolute return strategies through the first nine months, when you look at contributions versus withdrawals, distributions are a little bit of an anomaly because those are sometimes self-liquidating vehicles. It's slightly a net positive.

So the trend and the attitude and the environment, because of performance, because of investor interest, all of that is better. As Michael said, I don't know that we're changing our Q4 picture. I don't think that there's much, it might be an accident in history. I don't think there's much seasonally that you should actually look into a ton around the ARS business for the vehicles that have liquidity quarterly, that could be any quarters activity.

I would say that you heard it, as Michael said live at the Investor Day. David Richter, who runs that business, is feeling very good about things. Michael, Pam and I are also feeling good about things, but also waiting to see that picture change before we change how we talk about the forecasting and the guidance around the business.

Ken Worthington: Okay. Great. Thank you very much.

Operator: And our next question will come from Bill Katz with TD Cowen.

Bill Katz: Thank you very much for taking the questions this morning.

Good morning, everybody. Michael, just unpack a couple of things on the realization outlook. Forgive me for not knowing this already, but why is the third quarter seasonally so strong? Then as you look into next year, where do you see the greatest opportunity for those realizations?

If I look at your disclosure, which is terrific, so thank you for that. A lot of it sits in funds 2017 forward. One of the themes we're hearing from some of your peers is there's still some vintaging, aging and seasoning that need to go on along the way. I'm just trying to triangulate between the very strong realization commentary and what might actually flow through the PNL as we look out to next year or so.

Thank you.

Michael Sacks: Yeah. The fact that the carry or the average distribution of the carry, if you will, has aged and it's in these 2017 plus buckets is somewhat, overwhelmingly a good thing for us. Let me just start with that. It's a good thing for us because when you have more recent vintages, these are – you have some carry that's got some value at a mark from 2008, but it hasn't exited yet. You're sceptical about when it's going to exit, etc.

You have carry in that '17 plus bucket that's normal, that's supposed to be there, that's healthy and that's good. You're confident that your marks are appropriate and conservative. That's very much live carry. The other reason that's a good thing is we own more of that. We own a higher percentage of that '17 bucket than we do the earlier buckets. Those are both good things for us.

I don't think we have any ability to generalize about when that carry might be realized or when it might accelerate aggressively. Our carry revenue experience is pretty much consistent with what you're seeing and what we're observing from a macro perspective across the industry. We are so well diversified in our carry on so many different lines that just when those realizations pick up and they have picked up. As they continue to pick up and they continue to accelerate, we will participate.

We can't look at one big deal that's going to generate carry and determine the outcome for a year. It's too diversified, which we think is a benefit for the stability and the strength of that carry, but it makes it harder for us to point to timing. The last thing is the seasonality of the third quarter is related to when tax carry is paid in the industry in general.

A lot of the carry that you see in the third quarter for most of the sponsors you follow will include tax carry distributions that they're receiving that tend to take place in that quarter to a greater degree than they do the rest of the year. The carry from actual exits is more random and spread throughout the year and doesn't necessarily have any predictable seasonality.

Bill Katz: Okay. That's helpful.

Maybe one for Pam and thank you again for taking the questions today. Just as I think through next year, can you give us a sense of how we should think about both stock-based compensation issuance, as well as maybe the direction for share count? Despite the buyback, it did go up pretty substantially quarter on quarter. Thank you.

Pam Bentley: Sure. Thanks, Bill, for the question. In terms of our stock-based compensation, expect it to be at similar levels or slightly higher, depending on the stock price at the time we grant any awards, generally, as part of our year-end compensation cycle. Don't expect any unusual anomalies.

What I would say on both share count and how we manage dilution there. From stock-based compensation and from stock-based awards, we've enjoyed less than 3% dilution over the last five years cumulatively. We're very actively managing dilution through both buybacks and settlement options to make sure that we're very diligent and careful around the share count.

The other item, as you may recall earlier this year in the summer, we raised \$50 million in proceeds from a strategic partner that invested in the business from a primary offering. That was the other, just less than 2% of dilution that you see in our numbers. Again, actively, we have \$86 million remaining in our buyback. We're going to continue to actively manage dilution through the buyback programs and really don't see any significant changes in the near term.

Bill Katz: Okay. Thank you.

Operator: Once again, if you would like to signal with questions, please press star one on your touchtone telephone. Again, that's star one if you would like to ask questions. We'll go back to Bill Katz with TD Cowen.

Bill Katz: Okay. Well, I'll hit star one again.

Just Jon, maybe one for you. You ticked off a fair amount of data or just details on the retail business, and I was trying to keep up with you. Could you maybe unpack a little bit of your disclosure? You mentioned that you're getting on to a number of additional distribution partnerships and that you're seeing really nice growth week-on-week. Can you provide maybe just level set of where you are in terms of AUM and what products specifically, you're in the market for? Just trying to make sure we have a full accounting of the opportunity set in front of us.

Jon Levin: Sure. Let me just start with level setting on some data. Some of the data, Bill has not obviously changed materially from a couple of weeks ago, when we had our Investor Day and had a few slides on this, just in case you want to go back to it after the call. It's about 4 billion of AUM today, just in general from the individual investor channel.

A pretty significant percentage of that has been capital that's been raised over the past several years. That capital that's been raised over most of the past several years has been for separately managed accounts for institutional 3C7 private closed-end funds largely across the wire houses.

What we've highlighted at the Investor Day, and what I tried to highlight on the call is, if you look and while it's not material yet to our economic profile, and as Michael has gone to pains to mention on many calls in the past, this is the type of thing that we're super excited about, is growing, but it will take time for it to really move our needle.

If you look over the more recent period of time, what's been exciting for us is the partnership with Grove Lane, which is meant to focus on RIAs. That partnership is less than a year old, and we have picked up another probably three or four dozen RIA relationships over the past couple quarters, which in a long sales cycle business is tremendous momentum to us, even if it's not huge dollars yet.

We are still marketing separately managed accounts, which we think will be a competitive edge for us in the individual investor channel. We're still marketing traditional closed-end private funds in that channel. As you know, we also launched our infrastructure interval fund, which goes alongside registered product that we have in the absolute return strategy space. That's very early days, but it's raising money every day and raising money through the RIA channels, both from our partnership with our distribution partner as well as through Grove Lane.

Then the other points that we mentioned at Investor Day or certainly mentioned on the call or mentioned right now, is that we expect to also follow on our infrastructure product with something similar in the private equity space. I just think it's all good. It's all investing more of our time and resources and all just building towards momentum and platform such that we can take advantage of what we see as our role in that ecosystem and the opportunity set in that ecosystem, which is to help individual investors build diversified portfolios across different market cap size, across different implementation styles to complement what they're already doing in the mega cap space.

Bill Katz: Okay. Thank you for taking the extra question.

Operator: And the next question will come from Tyler Mulier with William Blair.

Tyler Mulier: [Inaudible] the collateralized fund obligation raise from the private credit raise? It seems like the non-insurance raise would have been a little lighter. There have been notable bankruptcies in the credit space. I'm just curious if you've seen any concerns from clients or changes in the landscape there on private credit?

Thank you.

Michael Sacks: The first couple of words, Tyler, that you said didn't come through. But were you saying, excluding the CFO?

Yeah. I guess a couple of things. One is we're not seeing private credit slowing down. There's all this talk about credit quality. There have been a couple of high-profile credit issues. Those were all, or the biggest ones were credit issues where it wasn't strictly direct origination privates. There were plenty of traditional lenders in there as well.

We're just not seeing those issues. There's a lot of conversation there, but the asset class is growing, the allocations are growing. They're going to continue to grow. It's going to continue to be a fast-growing strategy for us. I would just say that pretty much every strategy goes through cycles where people are questioning its future and questioning what's happening.

These are just very good solid ways to invest, have been over very long periods of time through different cycles. That's not changing. You're in a major up trend, upswing in allocations to private credit. There was a significant amount of capital that came from insurers inside that structured product. We are still seeing a productive insurance sector, and we believe that the insurance sector also will continue to be productive as we go forward.

Is that helpful?

Tyler Mulier: Yeah. Thank you.

Operator: Thank you. That does conclude the question and answer session. I'll now turn the conference back over to you for any additional remarks.

Stacie Selinger: Thank you. Thank you for joining us again today. We appreciate all of the time and the interest. If you have follow-up questions, please feel free to reach out to our team. If not, we look forward to speaking with you again next quarter.

Thank you. Have a good day.

Operator: Thank you. That does conclude today's conference. We do thank you for your participation. Have an excellent day.