GCM Grosvenor 2023 First 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 First Quarter 2023 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 or 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 earnings 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.

The first quarter of 2023 marked the fourth consecutive year with significant first quarter volatility and market dislocation. From COVID to Meme stocks, the war in Ukraine, the Silicon Valley Bank and Credit Suisse. The first quarter of each of the last four years has been tough for investors. Through each of these periods. GCM Grosvenor has enjoyed relative stability in our portfolios for clients and in our business for team members and shareholders.

The strength of the alternative asset management strategies generally and the strength of GCM Grosvenor's broad based, diversified solutions approach specifically shines during volatile times. As such, our confidence in the value proposition we bring to clients and in the value of our firm for shareholders remains strong.

In the first quarter, we performed in line with the guidance we provided on our last earnings call. We raised just under $1 billion in a tough fundraising environment. Importantly, our private markets verticals continue to grow at double digit top line rates, with private markets management fees, excluding catch-up fees growing 13% year over year. Private market strategies now comprise roughly 70% of our total AUM.

Due to the impact of 2022 on Absolute Return Strategy fee paying AUM, overall Fee-Related Revenue was roughly flat in Q1 compared to a year ago. As we expected, Fee-Related Earnings and Fee-Related Earnings margins were both slightly lower than a year ago. Our recent ARS performance has been competitive with regard to peers and relevant indices and delivered the best first quarter we've had in some time.

Capital markets and transaction activity levels continue to be depressed, which we believe is a significant driver of the overall alternative space right now. In the first quarter, less than 1% of our beginning quarter private markets fee paying AUM was distributed to clients. That compares to an average of almost twice that rate for the previous nine quarters. As a result, incentive fees were low, which was an important factor in year over year adjusted EBITDA and adjusted net income levels.

Across the industry, the low levels of transaction activity result in less capital being returned to LPs. That's putting pressure on investor liquidity and slows the timing of new commitments. We believe the flywheel will improve when transaction levels pick back up.

Looking forward, for the second quarter, we anticipate private markets management fees, excluding catchup fees will grow in the high single digits year over year and Absolute Return Strategies management fees will be roughly flat compared to Q1 ‘23. The result will be a Q2 FRE that's pretty similar to Q1 ‘23.

For the full year compared to 2022, we continue to expect double digit Fee-Related Earnings growth with expanded margins.

While sales cycles have been stretched somewhat, our fundraising pipeline remains strong. As we saw in ‘22 and ‘21, we expect the back half fundraising will exceed first half fundraising this year. Our unrealized carry continues to represent significant upside to recent revenue levels, although we make no prediction as to the timing of realizations.

We remain set up well for the intermediate and long-term. For 2024, we continue to see solid double digit Fee-Related Earnings growth on reasonable fundraising assumptions with some continued Fee-Related Earnings margin expansion. Perhaps more than anything, we're excited about deploying our approximately $10 billion of dry powder in what we believe will be a more advantageous investment environment than we have seen in a while.

Although the macro environment remains challenging, we feel fortunate that we enjoy great client relationships, adding value to client portfolios, our growing generating cash, paying a healthy, safe dividend and buying back shares. It's a pretty good picture in a tough environment and it's a direct result of the efforts our team and our broadly diversified client first solutions approach bring. We have a strong business with significant opportunity and upside, and we look forward to generating returns for all of our constituents going forward.

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

Jon Levin: Thank you, Michael.

I will spend a few minutes going into a bit more detail on our capital formation results and strategy. The breadth, depth and flexibility of our platform enables us to credibly compete for nearly any mandate available to an alternative solutions provider, which makes for a very large total addressable market.

As Michael noted, the environment at this particular moment in time is challenging, but we do not see the secular tailwinds behind long-term demand for alternatives abating. If anything, the relative outperformance of alternatives compared to other asset classes has only heightened long-term investor demand. In fact, mature investors to alternatives are employing creative and flexible strategies around their target asset allocations to ensure that they are able to continue deploying capital in this market.

History has proven that remaining committed to a programmatic approach to alternative investing adds value over time. In addition, there continues to be an attractive opportunity set to grow with newer allocators to alternatives such as insurance companies and retail investors. Against that backdrop, we continue to be bullish on the long-term demand for alternatives.

Now to our fundraising. Over the last two years, our fund raising has been characterized by three main themes. First, the ‘double mix shift’ in our business toward private markets and fee accretive strategies. Second, the success with which we've expanded our existing client relationships into new areas. And third, increasing momentum in new geographies and channels where we've made investments.

We've talked about the ‘double mix shift’ on many of these calls, but it's one of the most important things to understand about our business. 87% of the capital that we've raised over the last two years was for private markets. And of that, 60% was raised in fee accretive strategies, which we define as co-investments direct investments and secondaries. This has had a material impact on our business composition. As of the end of the first quarter, private markets now comprises approximately 70% of our total AUM, which is a significant increase from 59% of our total AUM at the end of 2020.

Within private markets, infrastructure has been the most significant growth driver. Over the last two years, we've raised more than $5 billion for infrastructure programs. As investors continue to appreciate the strategy's cash yield generation, long dated capital appreciation and inflation protection. Our significant and broad experience in the infrastructure space positions us well to pick up further market share in this area.

Turning to the second driver of our fundraising, we have very successfully expanded our existing client relationships through re-ups and extending those relationships into new strategies. Over the past two years, 21% of our fundraising has been cross-selling to our existing clients. Approximately 50% of our top 50 clients work with us in multiple strategies, and approximately one third of our top 50 clients have programs in both Absolute Return Strategies and Private Markets.

Interestingly, while the majority of our fundraising over the past few years has typically come from our existing clients, 63% of our first quarter fundraising came from new clients, which brings me to the third fundraising driver.

As you know, we've been investing in new channels and geographies over the past few years, which we believe will drive significant future growth. Most recently, we announced the opening of a new office in Sydney, Australia. While it takes time for any new efforts to scale and reach their full potential, we're encouraged by the early signs of the investments that we've been making.

Similarly, over the last few years, the insurance and non-institutional retail channels began to demonstrate their potential as strong contributors to fundraising. Nearly 20% of our flows over the last two years came from these channels combined, and given each represents very large total addressable markets. We expect these channels to be meaningful contributors to our fundraising going forward. Our deep and broad manufacturing platform, strong existing client relationships and focus on growing channels provide us with ample opportunities to deliver stability and growth as we move forward.

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

Pam Bentley: Thanks, Jon.

We are well positioned as a management fee-driven balance sheet light business and our strength, stability and scalability have continued to serve us well amidst challenging markets.

Assets under management increased to $75 billion in the quarter, a 5% increase from a year ago and a 2% increase from the fourth quarter. Fee-Paying AUM increased 3% from a year ago and 2% from the fourth quarter. Private markets continued to be the primary driver of Fee-Paying AUM growth, increasing 12% from a year ago from a combination of fund raising and deployment. Nearly $1 billion of contracted not yet fee paying AUM became fee paying in the quarter.

Although Fee-Related Revenue was effectively flat on a year over year basis, private markets management fees experienced healthy growth of 11% year over year, which was offset by 22 market impacts on Absolute Return Strategies management fees.

Excluding catch-up fees, private markets management fees increased 13% from the first quarter of 2022, which was on the high end of our guidance. In the second quarter, we anticipate modest specialized fund closings and we do not expect any material catch-up fees. Therefore, second quarter private markets management fees absent catch-up fees are expected to grow in the high single digits as compared to the same quarter a year ago.

As we foreshadowed on our last call, Absolute Return Strategies management fees declined slightly this quarter versus the fourth quarter of 2022. Given Absolute Return Strategies, Fee-Paying AUM was relatively flat in Q1. We expect second quarter ARS management fees to be roughly the same as this quarter.

We realized $5.8 million of incentive fees in Q1, the majority from carried interest. As Michael mentioned, the realization environment continues to be challenging and until markets, inflation and interest rates settle out, M&A volume is likely to be muted. That said, our carried interest earnings power continues to improve. As of quarter end, we have $804 million in gross unrealized carried interest across 135 programs. The firm's share of which is $376 million. The firm's share of unrealized carry has been steadily increasing and when transaction volumes return, we believe carry will contribute meaningfully to our earnings.

Our annual performance fees are tied to Absolute Return Strategies, investment returns, and typically crystallize in the fourth quarter each year. Given the impact of 2022 performance on high watermarks combined with solid performance in Q1, our 2023 performance fee earnings potential is approximately $16 million, assuming an annualized 8% gross rate of return for multi-strategy and 10% growth rate of return for opportunistic investments for the remainder of 2023. This compares to $29 million of performance fee earnings potential if all portfolios were at high watermark.

Turning to our expenses, our compensation strategy is rooted in fostering alignment between our employees, clients, and shareholders. Fee-Related earnings compensation in the quarter was approximately $40 million, down slightly compared to the first quarter of 2022. As a reminder, FRE compensation is typically elevated in the first quarter, so, we do expect it to marginally decline in subsequent quarters.

As we disclosed last quarter, in ‘22, we granted 4.5 million restricted shares to employees, of which 3.2 million vested in the first quarter, resulting in stock compensation expense of $26 million. Importantly, we have and will continue to buy back shares to minimize dilution from stock-based compensation. This quarter we repurchased approximately 2.9 million shares or $23 million of stock and have approximately $23 million remaining in our stock buyback authorization, which we continue to put to work. We expect stock compensation expenses in the second quarter to return to normalized levels, coming in below what we saw in the fourth quarter of last year.

As expected, non-GAAP general and administrative and other expenses increased sequentially from the fourth quarter to $19.7 million. We continue to tightly manage expenses despite inflationary pressures and expect this figure to remain stable in the second quarter.

From a capitalization standpoint, we continue to be balance sheet light and our cash generation is comfortably in excess of our current dividend, as we have said in the past. We anticipate growing our dividend over time as our Fee-Related Earnings increase.

To that point, I will end by reiterating our confidence in achieving our long-term growth objectives. We remain focused on unlocking the full potential embedded in our platform to generate long-term value for our clients and shareholders.

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

And we're now happy to take your questions.

Operator: Thank you. And as a reminder, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. If you're using a speakerphone, please ensure your mute function is turned off. And again, that is star one. We'll pause for a moment. And we'll now take our first question from Bill Katz from Credit Suisse.

Bill Katz: Okay. Thank you very much for the question and the company call out. So, Michael, maybe a question for you or Jon. Thanks for the updated guidance. If I just look at the guidance year-on-year of fee-related earnings growth of sort of teens, say 15%, something in that ballpark, it would impute to a pretty significant second half of the year ramp given what you sort of mentioned about the second quarter. So, can you just help walk us through the ins and outs as you think about the second half of the year FRE trajectory? Thank you.

Michael Sacks: Sure. Thanks for the question. So we said on this call, FRE growth for the year - double digits. I think we had said last quarter mid-teens. So double digits is a bit more conservative than mid-teens, reflecting the environment we're in. But when we build these numbers and we talk to you about them, we're doing a granular bottom-up build with visibility into our pipeline. Sales cycle is a little longer now, which we've talked about, but we continue to believe second half fundraising will exceed first half fundraising. And we think that the timing of specialized fund closes and some catch-up fees, and such, will get us to that double digit FRE growth this year.

Bill Katz: Okay. Thank you. And this may be a quick follow-up for me. Jon, you mentioned sort of three different areas of opportunity to grow. I was wondering if you could maybe double click into the insurance and the retail and just sort of talk a little bit about what you might be doing incrementally to accelerate opportunity into either insurance or retail. Thank you.

Jon Levin: Sure. Bill, nice to talk to you this morning. I think what it comes down to fundamentally, as I noted on the call, is you have investors that are more mature allocators to alternatives and they're likely at, or near, or slightly exceeding their asset allocation and therefore, they're employing these creative strategies or slowing down a little bit, whatever it might be. But to make sure that they can remain committed to their alts programs because maintaining that programmatic approach as opposed to taking years off or taking vintages off has never proven to be a good idea historically. And then you have a different category of investors, where insurance companies might be an example, where retail investors might be an example, where particular idiosyncratic balance sheets around the world might be an example, that are still below asset allocation in terms of where they want to be from a goals perspective for their alternatives program. And this is a great time to be building an alternatives program in light of what I think is going to be an interesting investing environment.

And so what we've done is just made sure that we have the resources necessary to cover those channels. You know we've made an investment in a number of people as well as, I would call, some technical expertise a few years ago to cover the insurance segment where people tend to be below where they'd like to be long-term from an alternatives perspective. Similarly, I've made sure that our coverage of the wirehouse channels, in particular, is up to speed with what we think the opportunity set there will be over time. And so really, it's about people at the end of the day, and just making sure that you have the focus, the product design, and the technical expertise to cover the different channels where they're under-allocated to alts and want to be building it secularly over time.

Michael Sacks: Bill, it's Michael. Just echoing Jon's comments. I don't think we see a channel and I don't think we see a geography where people are moving away from alts at all. So we think, given where those channels are in our total AUM, we're going to see those channels grow – those investors that you ask about – grow as a percent of our total. But all the channels remain committed to alts – they remained pretty appreciative of alts over the last year and a half or so in terms of how things have shook out. We don't see any change to the intermediate term or long-term demand really anywhere. And I think that's an important point to make sure everybody hears.

Bill Katz: Thank you both.

Operator: Thank you. And we'll take our next question from Chris Kotowski from Oppenheimer. Please go ahead.

Chris Kotowski: Yeah. I was wondering if you could comment a bit on the trends we see in equity-based comp. It looked like an outsized step-up in the first quarter, and I'm wondering what your expectation for the full year is and what the dynamic underlying that was.

Michael Sacks: Thanks, Chris. Pam touched on that in her comments - we expect that will come back in line for the remainder of the year. When we came public, we had an LTIP. The ability to have a stock-based comp pool to align the interests of our team and our investors, our shareholders was something that we were enthusiastic about and we want to use that LTIP. And frankly, I think that our net use of those

LTIP shares has probably been below what we would have thought it would be at the time of coming public, in the sense that I think we still have quite a large number of shares in that LTIP.

So, I think we'll continue to use those and we'll continue to focus on managing dilution, from that LTIP. And so far, I think we're doing a quite good job of that and we're able to use the LTIP, but to minimize dilution for shareholders, which is what we like. We do have some capital left in our share buyback, but at some point, we'll probably need to increase our authorization there in the future so that we can continue to buy in shares and minimize dilution.

Chris Kotowski: Yeah, I guess related to that, I was kind of wondering – I mean, I realize it's only a penny, but the dividend was a penny above your adjusted net income for the quarter and it just seems like the dividend speaks for an awful lot of your kind of base level of cash flow. And would some of that be better allocated to incremental share buybacks or is the dividend kind of sacrosanct?

Michael Sacks: Well, there's pretty good room in our dividend relative to our base level of cash flow now and we have been buying back shares. And I do think, at these levels, we like buying back shares. And as I said, we're likely to increase our authorization there and make sure we're directing significant capital to buying back shares and to managing any dilution from stock-based comp and from the issuance of those LTIP shares, both short-term and longer-term. But we do have room in that dividend and we've emphasized the safety of that dividend and we continue to emphasize the safety of that dividend.

Chris Kotowski: Okay. Then last question for me is, I'm curious, was there – just in terms of the fundraising kind of tone and conversations, was there a change after the collapse of Silicon Valley or do people kind of hold that off as something that's separate from these kinds of allocation decisions and that's something happening over in the banking system and doesn't really affect us? Or did that have an impact?

Michael Sacks: I don't think we've seen an impact that's directly related to Silicon Valley Bank or to Credit Suisse. I think in general – and we did this obviously intentionally to highlight the levels of volatility that we've seen in the first quarter of each of the last four years. And I think in general, when we see that type of volatility and we see the change in rates that we saw over the last 12- 15 months, and importantly, the lower levels of transaction activity, so the lower levels of distributions which we touched on in our prepared remarks. That just general volatility. When are rates going to kind of peak out? Where are we on inflation? Are transaction levels going to return to kind of more normal levels and distributions going to pick up again? Those are definitely having a bigger impact on the sales cycle, the timing of the sales cycle, I think, than any specific volatility event like an SVB. But importantly, we don't see any change in investor plans over reasonable time periods.

So I hope that answers your question. But I don't think it's a SVB thing and it doesn't help in terms of just high volatility, but it's not a direct correlation. And as we said, the transaction levels and the distribution levels are as significant as anything.

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

Operator: Thank you. And we'll take our next question from Adam Beatty from UBS.

Adam Beatty: Thank you and good morning. I just wanted to ask about the outlook for deployment, given kind of the challenging backdrop right now. And specifically, there's a pretty big chunk of AUM not yet paying fees that will start building on deployment. So just wanted to get your thoughts on the deployment

opportunities you're seeing across various asset classes and how maybe that lines up with the undeployed AUM that you have. Thank you.

Michael Sacks: Sure, distribution levels were down. Deployment was actually pretty healthy. And as we've mentioned - our investment teams - they're enthusiastic about the opportunities they're seeing now and the opportunities they think are coming, to deploy capital at good rates of return, deploy capital in the credit space at good rates of return. And so, they're enthusiastic with regard to what's coming there. And I do think, in terms of these general sort of sales cycle conversations, I think there's a fairly acute awareness on the part of investors that the opportunity set, in terms of putting money to work, is better than it was a year and a half ago, and that they don't want to miss these vintages. So they may come in on the back end of a fundraise or something like that. But in general, the sales cycle stretched I think, for sure, but people want these vintages and people are excited about putting money to work and that was our comment on the $10 billion of dry powder.

Adam Beatty: Excellent.

Jon Levin: And Adam, I would just add to what Michael said. I think one thing to remember about our business is a lot of what we do are separate accounts, as you know, 75% of our assets under management. And in those separate accounts, often what we're doing is helping institutions with a programmatic approach to their alternatives so that they are diversified by vintage, they're diversified by geography, or diversified by company, or asset type, etc. And so one of the great value propositions that we bring is just making sure that we are a consistent deployer to the alternative space. And of course, as Michael said, on the margin, the ability to deploy more in an environment where the opportunity set is even more interesting, is certainly something that we're seeing right now and you're hearing a lot of folks in the industry talk about.

Adam Beatty: Makes sense. Thanks for adding that, Jon. And then turning back to retail a little bit, I think in the past you've talked about how institutional clients really appreciate the distinctive feature of Grosvenor in having the absolute return and the private market strategies. Just wondering how that plays in the retail space in terms of gatekeepers and folks deciding what to put on the shelf, whether you've had positive feedback as to being able to offer those two differentiated strategies. Thank you.

Michael Sacks: In all of our verticals, including absolute return, there are a number of different approaches in a number of different funds, and we do have some ARS funds that we think have appeal in that retail channel and appeal to retail investors and that we are working pretty hard on and we think have some opportunity for us going forward. I think in general, in the absolute return space, it's a little bit more of a market share conversation than it is an overall growth conversation. That said, there's pretty good penetration. So, if you have good product with good track record, which we do, we think we have opportunity.

Adam Beatty: Perfect. Thanks, Michael. Much appreciate it.

Operator: Thank you. And we'll next go to Kenneth Worthington from JP Morgan. Please go ahead.

Alex Bernstein: Hi, this is Alex Bernstein on for Ken. Thanks for taking my question and good morning. Maybe you just wanted to double click on the fundraising and really the mix this quarter. You spoke about this a bit in the call and it's also in your release, and the numbers are pretty dramatic in terms of the change. If you look at total AUM, for example, being 61% from the Americas. Yet if we look at it from this quarter, it was really only 25% and it looks like EMEA was the big driver. Just going through earnings more broadly in the space, we've definitely seen and heard that, it sounds like some other geographies, specifically the

Middle East and Asia, it looks like from an institutional LP perspective, there may be more capital to deploy there. So I just wanted to maybe double click on that topic and get a better understanding of what you're seeing and what's the big driver of that number coming in from EMEA this quarter, which seems different than what we've seen in some other places?

Michael Sacks: Sure. Thanks for the question. As we've said, we really see the demand and the appreciation and interest in alts strong everywhere. I think when you have a separate account business, like we do, that has large separate account relationships, fundraising can be lumpy. And so I would think that the phenomenon that you're asking about for the first quarter isn't really related to demand or long-term attractiveness or opportunity set or pipeline. It's a bit more random relating to just timing. That said, there are certain areas of the world that are – markets in Asia, markets in the Middle East as you point out, that are strong. And so we would anticipate continuing to raise significant capital globally in all of those markets.

Alex Bernstein: Helpful. Thank you. And just as you think about continuing to sort of build out the platform, you mentioned an office in Sydney. Is there anything we should be thinking about on the expense side of the equation as relating to that? Have most of those investments already been made? Are those folks already sort of up and running? Just trying to think about the potential additions they can add to the top line relative to when the investment was made and how much more investment we expect may be required. Thanks again.

Michael Sacks: We can always make good investments that we think are related to top line and to generating revenues. I think when Pam talks about what we see for the rest of the year, we're baking in a granular bottom-up build with regard to where we think we will be or won't be investing for the rest of the year. When we touch on what we see for 2024, it's the same thing in terms of baking that in bottoms-up granular, including investment spend for people to help us grow. And so I feel like we're being smart about that, careful about that. I think we're managing headcount and costs well in this environment. And we spend an awful lot of time talking about that in this environment. So you should assume that we're paying close attention there and that's kind of baked into our numbers, so to speak.

Alex Bernstein: Understood. I appreciate the responses.

Operator: Thank you. As a reminder, if you would like to ask a question, please press star and then one key on your telephone keypad. We'll take our next question from Michael Cyprys from Morgan Stanley.

Michael Cyprys: Hey, good morning. Thanks for taking the question. I wanted to come back to your commentary on the sales cycles extending. Maybe you could just elaborate a bit on which types of strategies and customer sets are you seeing that with more now versus less, how that's different versus maybe 3 or 6 months ago? And are there any particular areas where you're not seeing as much pressure on the sales cycle extending?

Michael Sacks: I don't think that there is a significant difference from three months ago. Maybe a little bit from six months ago. And again, importantly, we think it's a cycle timing difference and not an absolute demand difference. Clearly, as Jon touched on, infrastructure has seen a lot of flows and we think continues to see a lot – there's a lot of pipeline there and a lot of opportunity in the infrastructure space. And there's an awful lot of conversation around credit. We have $12 billion deployed in the credit space. We have ability to capture credit flows to the extent that credit is a place that people are leaning forward.

The issue, I think, Michael, is less about a specific strategy. So looking forward, we'd say credit will see flows and infrastructure will see flows. But it's really about just the level of flows and really about the timing

of those flows, and people wanting to come in at a later close as opposed to an earlier close and that sort of thing. The breadth of our platform enables us to raise capital really for whatever the investors are wanting to deploy capital for. And I think it's one of the great strengths of Grosvenor. So if it's credit and infrastructure, we'll capture flows; if it's private equity or ARS, we'll capture flows; if it's secondaries, we'll capture flows. So we feel very good about that. We feel like the value of the breadth of the platform comes clearer. We feel very good about our ability to capture the flows that are out there. And I just think the volatility and the liquidity have kind of stretched the timing writ large.

Michael Cyprys: Great. And just a follow-up question. You mentioned the re-up customers. Just to dig in there a little bit, as customers are coming back into your funds and renewing their separate accounts, what do those re-up rates look like today versus the past couple of years? And how much are customers increasing the size of their investment? How is that trending versus the past couple of years? Thank you.

Michael Sacks: They've been strong – re-ups have been and always are strong for us. Re-up rates have not diminished or not changed. And frankly, the re-up levels really haven't diminished or changed. Maybe there's a little bit of a slowdown there as the cycle has gotten stretched a bit. But people want to invest. They want to re-up. The important part of our separate account business that we try to hammer – 74% of AUM – is these are programs that the investors are committed to. They're kind of the base or the cornerstone of what they do in a lot of the strategies. Generally, they do other things on top of them or on the side of them. And our feeling is they're more likely to sort of trim around some of the other stuff that they do as opposed to their base or their core separate account activity.

So we feel that the re-ups are a great feature for us. And when we look forward and we look at re-up timing, that feels very good to us. And it's nice to know, frankly, that you've got that in terms of your ability to grow looking out one, two, three more years. And so that's a very nice aspect of our business. As Jon mentioned, it was nice in the first quarter to see a lot of our fundraising come from new investors. In general, we certainly hope you're hearing that we are confident and optimistic and feel good. But it has been a volatile period of time with significant change in just general market and economic activity levels. And we do think that transaction level and distributions are the important factor driving the market today.

Michael Cyprys: Great. Thank you.

Operator: Thank you. And we'll take our next question from Jeff Schmitt from William Blair.

Tyler Mulier: Hi, this is Tyler Mulier on for Jeff. I wanted to circle back to credit that you were just talking about, given the move in interest rates over the past year, Fed funds rates at the highest level since 2007. Could you give us some comments maybe on how we should think about the impact on client portfolios or would the benefit be offset by higher hurdle rates? We're seeing increasing demand maybe for specific strategies, like distressed. Thank you.

Michael Sacks: We feel that the improvement in the opportunity set has compensated – more than compensated for higher rates and for the ability to provide good opportunity for clients going forward. And so we don't see any issues there at all. As I said, people don't want to miss these vintages. They understand that this is a good time to be investing and are excited about it. It may be that credit gets more focused and more attention, and that is in part a function of some of the things that have taken place in the banking sector and the need for alternative credit/private credit going forward as the banking system adjusts to what's going on – what went on in the first quarter and has continued a little bit here into the second quarter as well.

That's all actually pretty positive for us. And really, the question is just the speed of commitments and the overall level of commitments as opposed to – and again, I know I'm hammering this, but we think that liquidity, more than denominator effect, which is a little bit what you're getting at – liquidity is probably a bigger issue than denominator effect in the timing of commitments.

Tyler Mulier: Great. Thank you.

Stacie Selinger: All right. Well, thank you again for joining us today. We welcome your follow-up questions and we look forward to speaking with you again next quarter.