PitchBook

Q2
2023

US

Public PE and GP Deal Roundup

Contents

PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Dylan Cox, CFA Head of Private Markets Research

Institutional Research Group

Analysis

Tim Clarke
Lead Analyst, Private Equity
tim.clarke@pitchbook.com

Garrett Hinds
Senior Analyst, Private Equity
garrett.hinds@pitchbook.com

Jinny Choi
Analyst, Private Equity
jinny.choi@pitchbook.com

Kyle Walters
Associate Analyst, Private Equity
kyle.walters@pitchbook.com

Data

TJ Mei
Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Report designed by **Joey Schaffer and Jenna Pluimer**

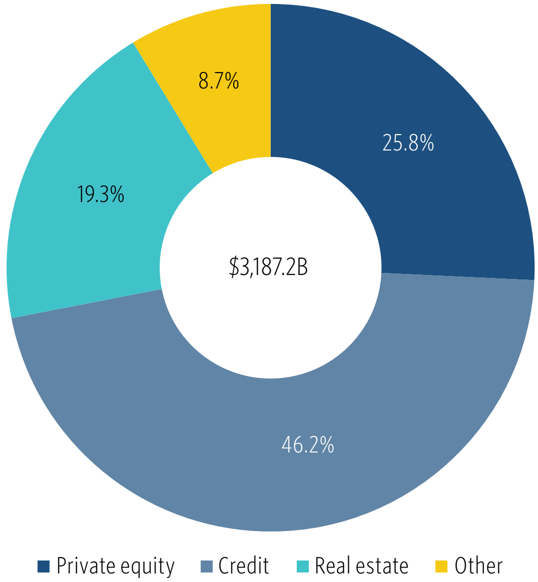
Published on August 30, 2023

Click here for PitchBook's report methodologies.

Note: "PE" has a specific meaning for the seven major public alternative managers referenced in this report.
1. Blackstone and Carlyle: "Corporate PE" as defined in company reports.
2. KKR: "Traditional PE" as defined in company reports.
3. Apollo: "Flagship PE" and "European principal finance" as defined in company reports.
4. Ares: "Corporate PE" and "special opportunities" as defined in company reports.
5. TPG: "Capital" and "growth" as defined in company reports.
6. Blue Owl: "PE" represents PitchBook estimates of ownership stakes held by GP Strategic Capital funds in managers primarily engaged in PE buyout and growth equity strategies.

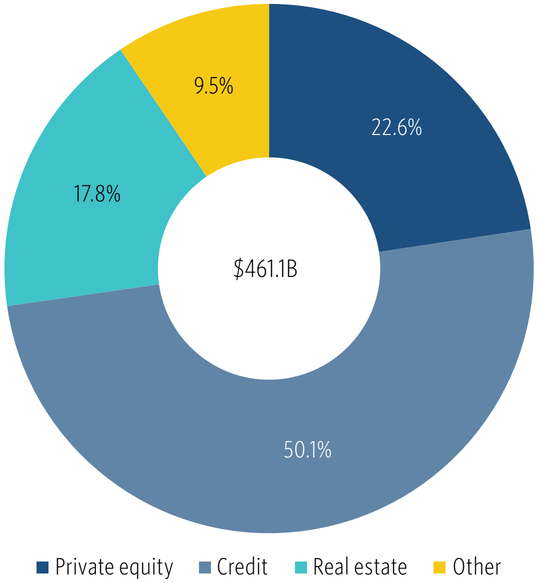
Key takeaways

Share of AUM by strategy*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

Share of TTM fundraising by strategy*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

GP deal activity picks up. After a slow start, GP stake and M&A activity in the alt manager space pulled even with totals from 2022. Control transactions accounted for 45.0% of deal count, the highest share in more than a decade. TPG's $2.7 billion blockbuster deal for Angelo Gordon led among control deals, while Blue Owl's GP stake in Stonepeak, an infrastructure specialist with $55.7 billion in AUM, was the main highlight among noncontrol deals.

PE performance hangs in. In Q2, the top-seven US-listed alt managers all posted positive returns in their respective PE portfolios, with the median gross return at 3.1%. This marks the third consecutive quarter of low single-digit positive returns. On a TTM basis, these same managers posted a median gross return of 9.0%, slightly below the 13.0% total return on the S&P 500 during the same span.

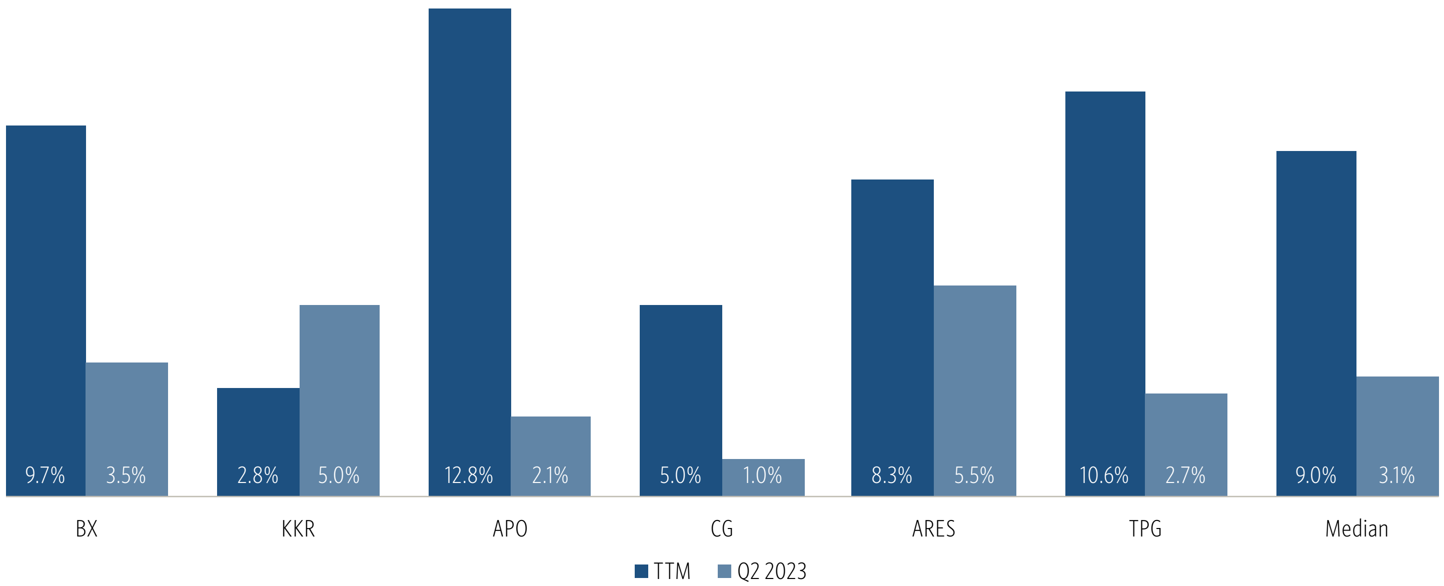
PE capital deployment remains soft, with TTM value down 22.3% YoY. Still, there are signs of improvement as Q2 deployment figures were higher QoQ for most of the public PE firms. With interest rate volatility moderating, we are seeing buyers able to creatively piece together deal funding and sellers more comfortable marking to market their valuation expectations. Taken together, we expect to see higher deployment levels in the second half of 2023.

PE fundraising remains challenging. PE fundraising rebounded from a very weak Q1 but is still down 57.4% YTD. Total fundraising across all strategies of the top-seven public PE firms combined for $106.7 billion in Q2—a 6.4% increase from Q1. This ended a three-quarter skid of sequential declines. However, on a TTM basis, most managers are still tracking well below their prior TTM run rates. Apollo led the group with $35.0 billion in gross inflows in Q2, while Blackstone secured $30.1 billion, which was sufficient to push it over the $1 trillion AUM milestone.

Which mega PE firm will enter the S&P 500 index first? Following S&P Dow Jones Indices April 17, 2023 announcement that companies with multiple share class structures would again be eligible for inclusion in the S&P 500 index, both Blackstone and Apollo have emphasized their readiness. Blackstone believes it is the largest company by market capitalization not part of the index and that inclusion would benefit its shareholders. Apollo stated on its Q2 earnings call that it now meets all eligibility criteria for index inclusion after posting four consecutive quarters of positive GAAP earnings.

Private equity performance

Gross PE returns/appreciation by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

The top-seven US-listed alternative (alt) managers all posted positive returns in Q2 for their respective PE portfolios. The median gross return measured 3.1% for the quarter. This marks the third consecutive quarter of low single-digit positive returns, each building on the last, after two negative quarters in Q2 and Q3 of 2022. On a trailing 12-month (TTM) basis, these same managers posted a median gross return of 9.0%, slightly below the 13.0% total return on the S&P 500 during the same span.

Reflecting on the close of its tenth flagship buyout fund, Apollo declared the "end of an era" for private equity and the strong tailwinds that powered it over the last decade or more. The firm has been hedging its bets on PE for some time, concentrating instead on income-oriented alternatives and a more value-oriented approach within PE itself.

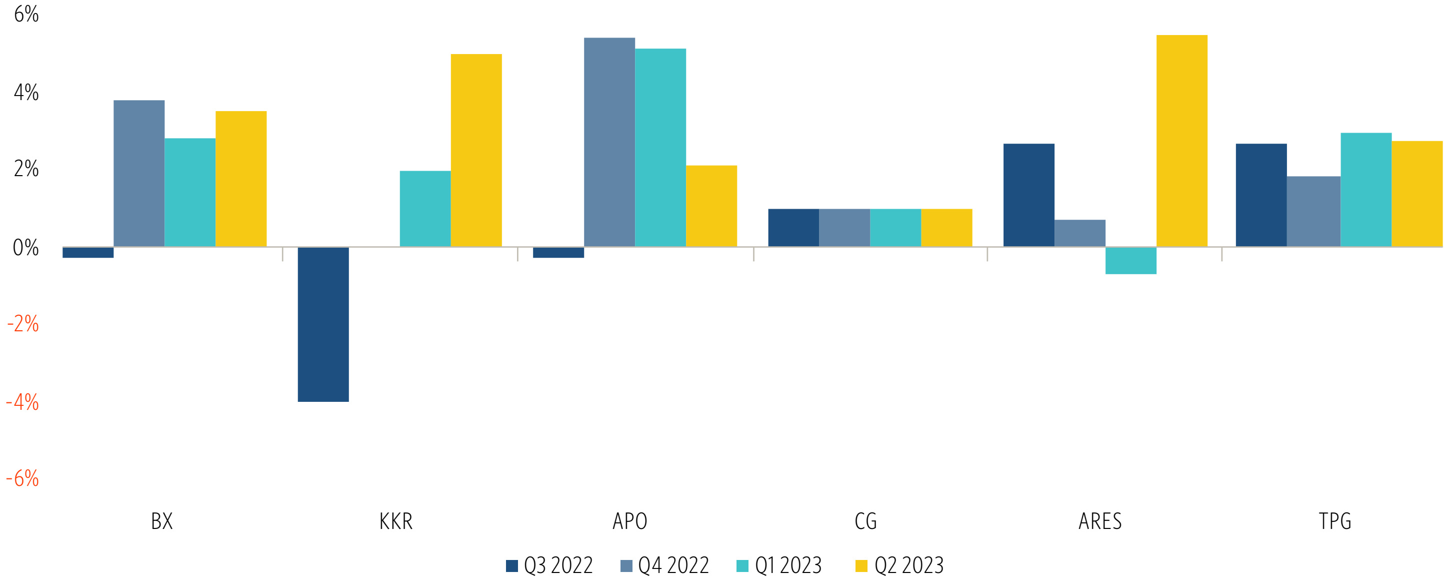
In commenting on the performance of their underlying portfolio companies, most managers asserted that they continue to see good revenue and EBITDA growth despite the macroeconomic backdrop. Blackstone indicated 12% revenue growth while Ares grew EBITDA by 11% YoY and kept valuation multiples flat QoQ. Carlyle saw 10% EBITDA growth, although it warned of more difficulty passing on increased costs to consumers. Blackstone noted that it is seeing signs of slowing inflation and interest rates, and valuations are stabilizing as a result.

TPG set the highest bar with 22% average revenue growth for its portfolio companies, which it attributes to having younger companies after selling mature holdings. It indicated a very active add-on program for what remains. In contrast, Blackstone said it had done very few add-ons and was relying instead on organic growth.

Several firms touched on different approaches to driving sustained growth in their PE portfolios. TPG emphasized strategic add-ons and investment. KKR spoke about its broad-based employee ownership programs. Blackstone and Carlyle plan to use the transformative power of AI to create operational efficiency, growth, and scale in the longer term across hundreds of portfolio companies. No specifics were given, although Carlyle appointed a new Chief Information Officer and Head of Technology Transformation to spearhead the effort.

Firms also addressed the stress points in their leveraged holdings. Blackstone indicated a 1% default rate in its own portfolio, well below the 2.7% industry average and 3% long-term average for leveraged loans, owing in part to long-term

Quarterly gross PE returns/appreciation by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

hedges that provide protection on floating-rate loans but primarily due to double-digit revenue growth as previously mentioned. Blue Owl, a major direct lender, said it did not see any meaningful change in its internal watch list, nonaccruals, or requests for amendments during the quarter.

KKR rebounded from a string of negative returns and TTM performance, returning 5% in Q2 and 2.8% for the trailing 12 months. The firm pulled up from its previous write-off, Envision Healthcare, which filed for bankruptcy after struggling with high labor costs, a contract dispute with UnitedHealth Group, and a public fight over federal legislation on billing patients.

Apollo's growth strategies, which include PE buyout and lend-for-control debt strategies, had big returns in Q4 2022 and Q1 2023 in excess of 5%, which likely aided the final fundraising push for Fund X. Returns moderated in Q2 to 2.1%. On a TTM basis, Apollo is leading the group with a 12.8% gross return. TPG's private equity strategies, which are made of TPG Capital and TPG Growth, returned 2.7% in Q2. Its TTM return ticked up to 10.6%.

Blackstone's corporate PE portfolio posted a 3.5% return in the first quarter of 2023, which brought the portfolio's TTM performance to 9.7%. Operating companies reported robust revenue growth of 12% YoY, along with expanding margins overall, driven by organic growth.

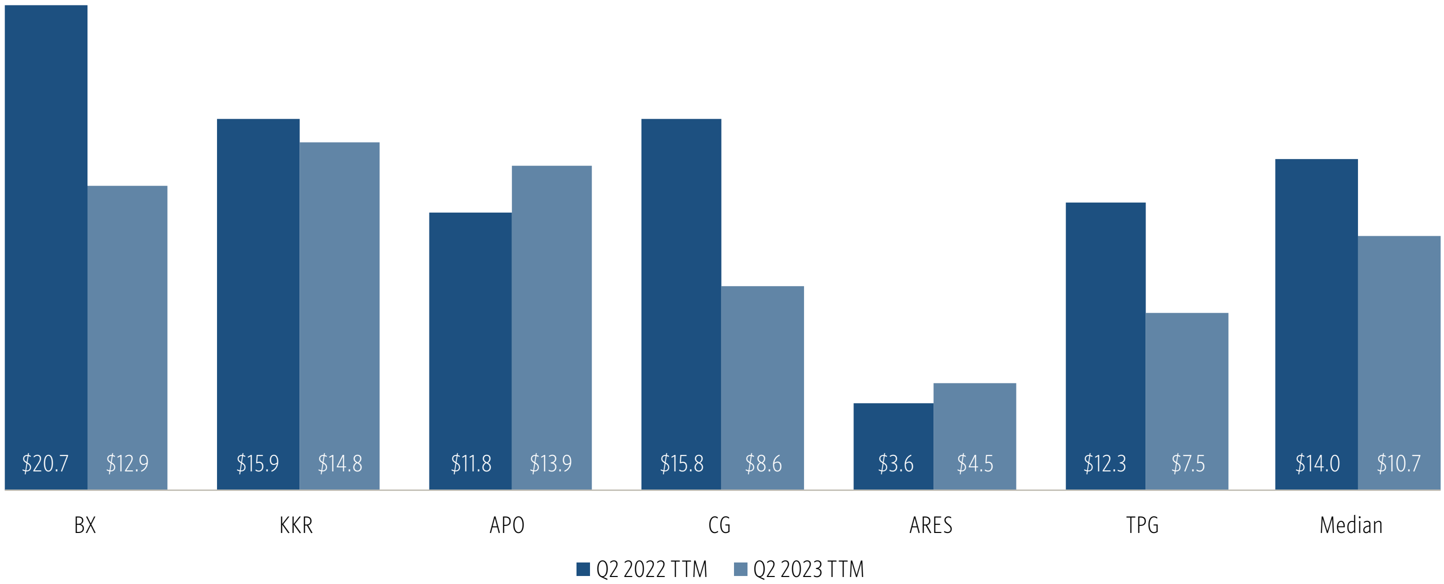
While Blue Owl does not directly manage a private equity strategy, its GP Capital Strategy funds offer indirect exposure. Approximately 50% of the GP stakes it has acquired since inception are primarily PE managers. Blue Owl reported inception-to-date returns on Funds III, IV, and V of 31.2%, 76.6%, and 52.9%, respectively, on a gross basis and 23.8%, 48.9%, and 27.7%, respectively, on a net basis as of June 30, 2023. For its private-credit funds, Blue Owl indicated a gross return of 4.3% in Q2 and 18.9% over the last 12 months.

Ares delivered a positive 5.5% return in its PE strategy—a considerable improvement from last quarter's decline of 0.7%. Management attributed the gains to continued EBITDA growth in its portfolio and upside on the June 29, 2023 IPO of Saver's Value Village, a portfolio company of Ares Private Equity Group since 2019.

PitchBook

Deployment

TTM PE deployment ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

PE deployment continues to be soft as of Q2 2023 close, down 22.3% YoY TTM. Still, most of the public PE firms increased deployment levels in Q2 relative to Q1 2023, which we believe bodes well for the second half of 2023. After the steep interest rate hikes of 2022 pushed up financing costs and drove a wedge in valuation expectations between buyers and sellers, transaction volumes slowed. Recently, with lower US inflation, interest rate volatility has also moderated. With a more predictable outlook for rates and broader acceptance of the new normal rate environment, we believe buyers and sellers are in a better position to converge on valuation expectations, creating a favorable setup for increased dealmaking activity in H2 2023.

Deal momentum increased during Q2 as Blackstone stepped up to deploy $7.8 billion, a dramatic increase from its Q1 deployment of $0.4 billion. TPG also increased deployments to $1.6 billion, up roughly $1.0 billion versus Q1. The third-largest increase came from Apollo, deploying $3.5 billion, a $900 million increase relative to Q1. Taken together, this supports recent comments from the largest investment banks suggesting that the bottom is in for dealmaking activity.

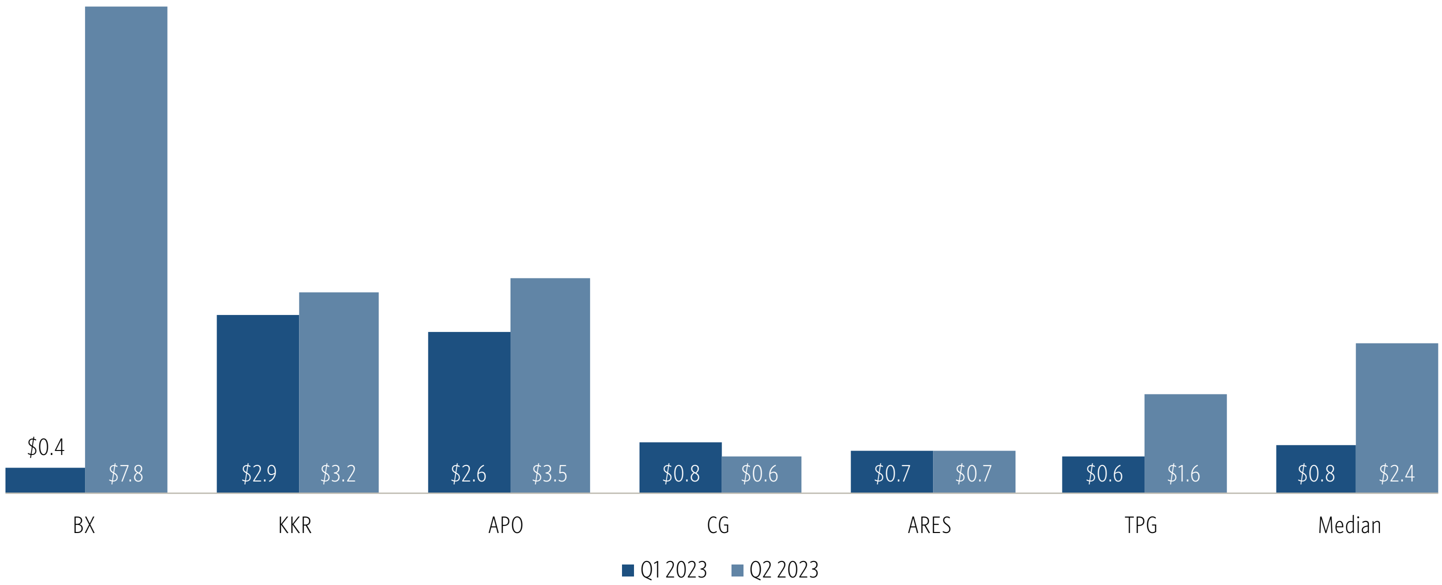
Blackstone's $7.8 billion of PE deployment in Q2 2023 was its largest quarterly PE spree since Q2 2021. Several outsized deals occurred in the quarter, including the $4.6 billion acquisition of CVENT. Blackstone will hold a majority stake, and the deal was funded with a minority investment from the Abu Dhabi Investment Authority, a partial-equity roll-forward from seller Vista Equity Partners, and a non-investment-grade bond issuance. With the higher financing costs, these creative funding approaches are critical to getting deals closed.

In May, Apollo stated that its deal pipeline was 3x greater than it was at the same point in 2022.[1] This showed through in Q2 as the firm signed five deals for the quarter, including the $5.2 billion take-private of Arconic. Apollo, along with Ares, were the only two PE platforms to deploy more capital in the last 12 months versus the prior TTM period.

KKR deployed $3.2 billion during Q2 and $6.1 billion YTD. Deployment during the quarter was driven by core private equity and traditional private equity across Europe and the US. KKR holds roughly $100 billion of dry powder, which is diversified across the firm's strategies, and it continues to

1: "First Quarter 2023 Earnings," Apollo Global Management, May 9, 2023.

Sequential PE deployment ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

see opportunities for deployment as the markets remain dislocated. KKR remains value focused in PE and is taking advantage of corporate carveouts and take-privates.

TPG also spoke to the increased opportunity set in take-privates and carveouts, noting that TPG Capital, its PE flagship, recently closed three corporate carveouts and a proprietary partnership in addition to announcing one take-private deal. In the first month of Q3 2023, TPG announced a $6.5 billion take-private of New Relic, a cloud-based performance management and observability software, together with Francisco Partners. The firm also closed its investment in OneOncology in Q2, jointly with AmerisourceBergen, and is already finding opportunities to expand the platform. TPG Capital invested $1.4 billion in the quarter, which was up 156.3% YoY, as it capitalized on the currently attractive environment. TPG Growth deployed $131 million, and Impact deployed $531 million.

Ares' corporate PE group deployed a modest $700 million during Q2 2023, flat QoQ, with several deals in the consulting & professional services space. Ares is in the minority among peers, which are engaging in higher TTM deployment as of Q2 2023.

Carlyle posted another quarter of suppressed PE deployment, totaling $600 million in Q2. The $1.4 billion in PE deployment in H1 is well below Carlyle's typical pace, as market conditions continue to hamper dealmaking. The firm has been very selective about where it deploys capital and expressed the view that interest rates are likely to stay higher for longer versus what investors currently anticipate. The firm has been more active in deploying capital through its global credit and global investment solutions platforms.

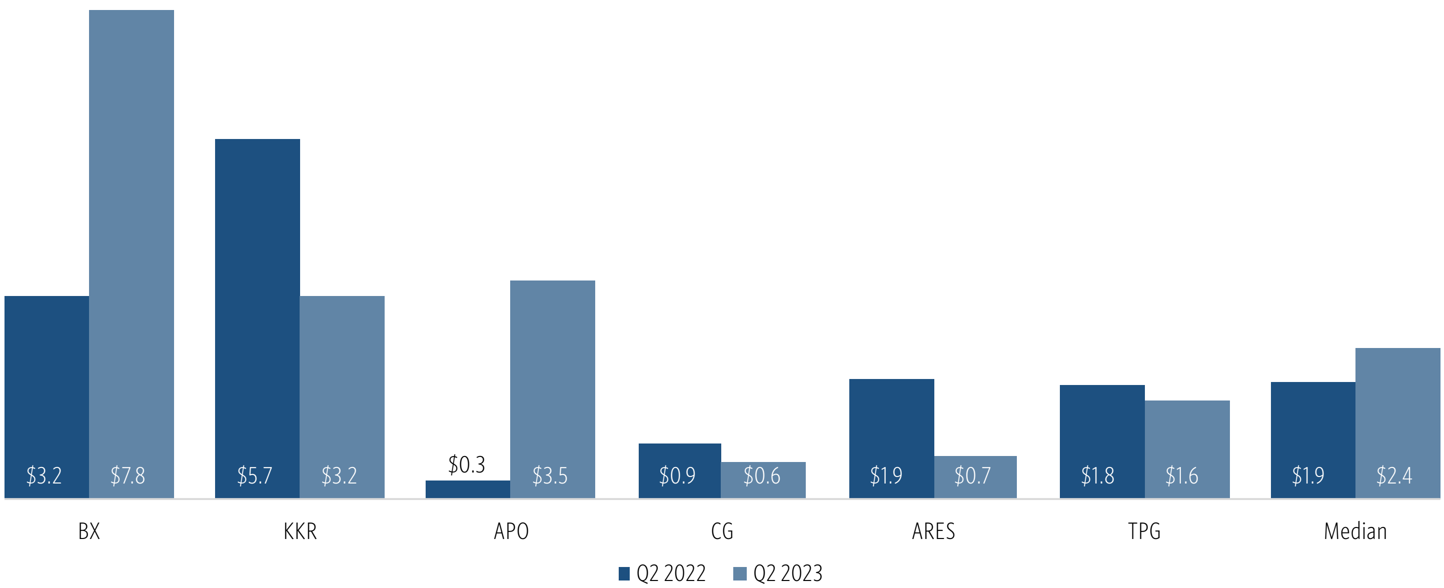
Private credit reflects subdued deal activity

Credit originations continued to slide in Q2, reflecting the overall slowdown in equity deployment by PE sponsors. At Blue Owl, originations have fallen by roughly half to $3.4 billion in Q2 and $14.6 billion TTM versus $7.6 billion and $28.9 billion, respectively, in the prior TTM period. New commitments and deal flow were stalled somewhat by the Silicon Valley Bank crisis, but conditions have since recovered. On the day of its earnings report and well into Q3, Blue Owl announced it had led the unitranche loan backing the $6.5 billion take-private of New Relic by TPG and Francisco. The loan, reportedly worth $2.4 billion, ranks among the largest private-credit deals ever.

Despite soft deployments, the pipeline continues to build for several of these managers across the credit landscape. This should allow for these firms to deploy more capital into their current credit strategies while exploring others, such as partnerships with regional banks. Blackstone is partnering with banks and other originators that are facing greater lending constraints but want to continue to serve their customers in areas like home improvement, auto finance, and renewables. Blackstone has closed or has in process five of these partnerships totaling $6.0 billion with plans to add more. Asset-backed finance is another area of focus for several managers.

On the credit side, Ares noted that with the slower deal environment, PE firms are looking inward to invest for growth in their existing portfolio companies and seeking credit as a funding source for offensive and defensive investments. Ares is stepping up to lend to these PE-backed companies because it has a more opportunistic approach to underwriting and benefits from its expertise in running a corporate PE strategy in-house. Additionally, Ares stated that its alternative credit platform is well positioned to partner with regional banks, helping them to retain relationships while enabling access to a larger funding pool.

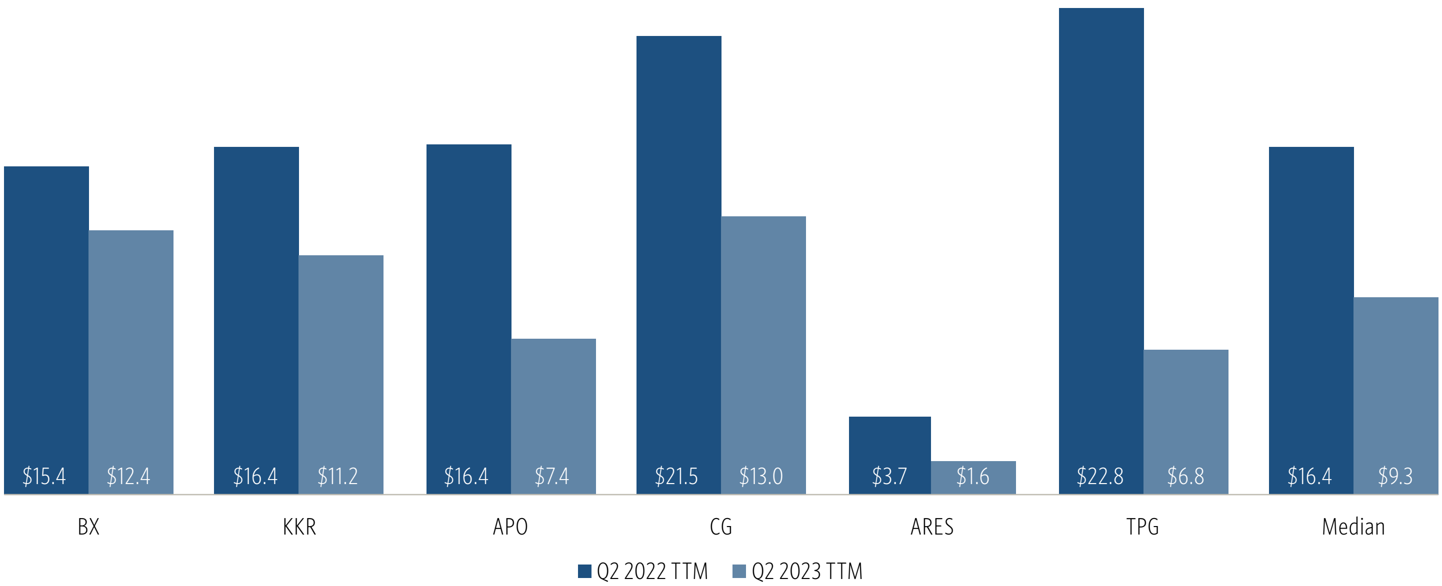
Year-over-year PE deployment ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

Realizations

TTM PE realizations ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

Realizations for the public managers remain stunted amid continued market challenges. PE realizations were down YoY for all six managers as monetization opportunities diminished. However, some firms were able to secure attractive monetization activity in Q2, with Carlyle, KKR, and Ares seeing slight QoQ growth. While PE realizations for Carlyle doubled from Q1 to Q2, reaching $2.6 billion, the firm expects realizations to level out in the back half of 2023. Still, some firms had a more positive outlook and alluded to a slight rebound in market activity that could lead to more realizations in the second half of the year.

KKR's realizations grew 46.1% QoQ, but the firm noted that activity has been muted in the current market. Nonetheless, the firm shared that it has visibility on at least $350 million for monetization-related revenue in the second half of the year and that there could be more outsized returns when capital-market activity rebounds. KKR pointed to $10 billion in embedded gains on its balance sheet, up from $3.7 billion a few years ago, demonstrating the firm's ability to create meaningful revenue in the future. KKR also noted that the markets seem to be thawing, which could create some monetization discussions.

Ares benefited from the IPO of Saver's Value Village in the final days of Q2, which was oversubscribed and priced above the expected range. While a majority of proceeds were a primary share sale by the company, Ares exited around $124 million of its position. The IPO gives Ares the flexibility to potentially reduce its holdings after lockup periods begin to expire, roughly six months after the initial trading day.[2, 3]

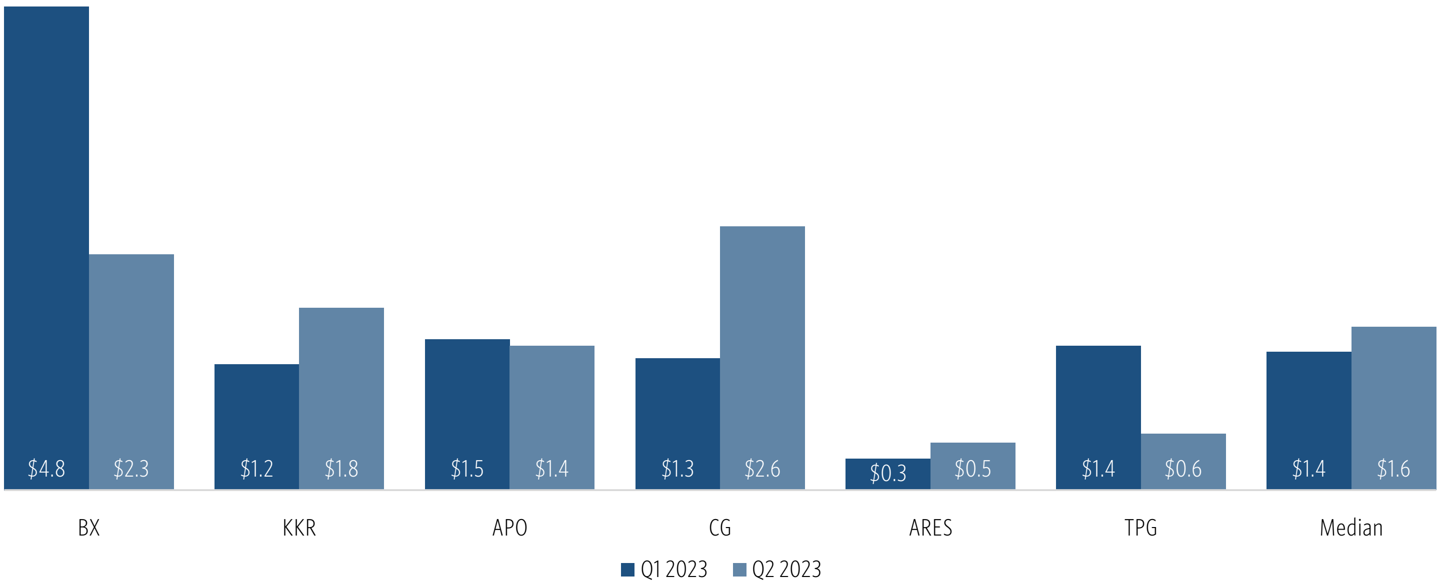
Apollo's PE realizations were down roughly in line with the industry at -55.0% TTM versus prior year. Much of that was by design, with management stating, "monetization activity from sizable flagship private equity funds (Fund VIII & IX) remains prudently delayed amid equity market volatility."[4] Funds VIII and IX still have approximately 20 active investments and are entering years six and nine of their respective fund lives. Apollo's high mix of perpetual capital could alleviate the urgency to exit holdings were it not for the fact that virtually all of those vehicles deploy strategies

2: "Prospectus 22,291,666," the Securities and Exchange Commission, June 28, 2023.
3: "Savers Value Village Closes Initial Public Offering," Paul, Weiss, n.d., accessed August 19, 2023.
4: "Apollo Reports Second Quarter 2023 Results," Apollo, August 3, 2023.

outside of PE, such as private credit and real estate. The firm is active as a solution provider to other PE sponsors dealing with maturing funds, providing partial exits through hybrid strategies such as structured equity/debt, for example.

After bucking the trend and seeing an uptick in realizations in Q1, Blackstone's PE realizations dropped by 51.3% QoQ in Q2. However, Blackstone believes it is well positioned for an acceleration in realizations over time. TPG also saw low realizations for the quarter, declining 60.2%, but stated it was comfortable with this slow pace. The firm had been a significant net seller in 2020 and 2021 in a deliberate attempt to take advantage of attractive multiples, and now the opposite is true. Currently, the firm has flipped to be a slight net buyer but continues to selectively monetize investments and has several processes under way that the firm hopes to report on soon. Lastly, Blue Owl's GP Strategic Capital (GPSC) strategy distributed $409 million during the quarter from its economic interests in GP franchise investments, half of which are PE managers, and $1.9 billion in the TTM.

Sequential PE realizations ($B) by manager*

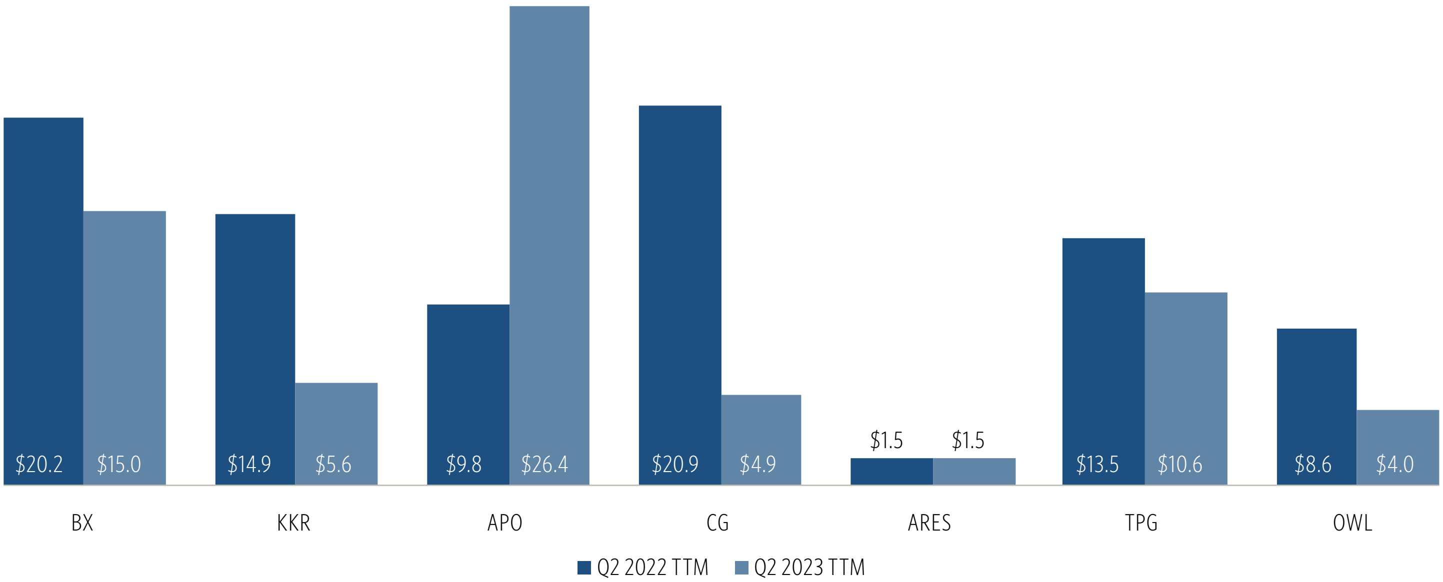


Source: Company reports • **Geography:** Global
*As of June 30, 2023

PitchBook

Fundraising

TTM PE inflows ($B) by manager*



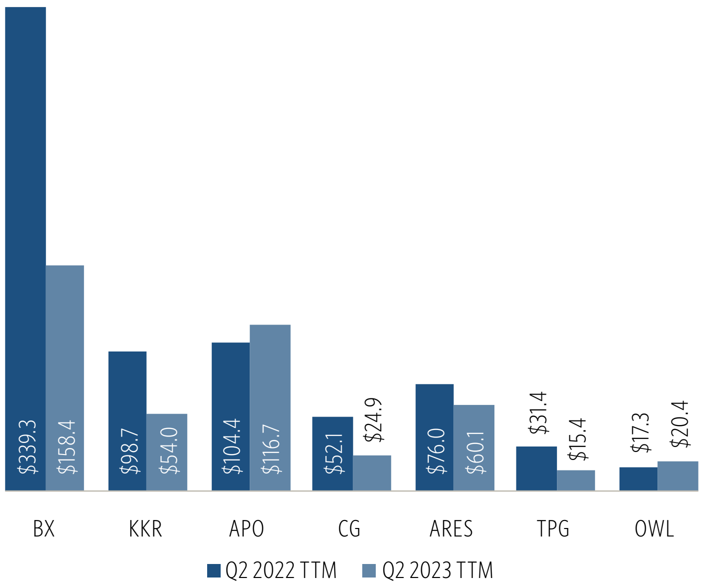
Source: Company reports • **Geography:** Global
*As of June 30, 2023

PE fundraising

The challenging fundraising environment continues for private equity, with most managers saying it will persist through the year's end. PE fundraising by the seven-largest public alt managers rebounded from a very weak Q1, but it is still down 57.4% YTD when compared with the first half of 2022. All managers saw TTM declines in fundraising for their respective PE strategies, with the only exception being Apollo, which saw PE fundraising surge to $26.4 billion in the TTM, $20.0 billion of which came from its latest buyout flagship. Four of seven public alt managers had flagship PE funds in the market, with Apollo electing to close Fund X at the end of Q2 after 12 months of fundraising. The fund finished with a final kick of $4 billion in the quarter but still closed $5 billion shy of its initial $25 billion target. The remaining three PE flagships (Blackstone IX, Carlyle VIII, and TPG IX) raised $1.8 billion collectively for another lackluster quarter of megafund activity, stalling out at roughly two-thirds of their targets after 14 months to 28 months in the market.

By contrast, private-credit fundraising continues to attract solid inflows and gain share from private equity and other private market strategies for these large, diversified alt managers. Over the last 12 months, private credit accounted for 50.1% of all fundraising across the seven firms and reached 46.2% of total AUM. That share expanded to 57.5% of total fundraising in Q2 2023.

TTM gross inflows ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

PitchBook

Firmwide fundraising

Total fundraising across all strategies and seven firms combined for $106.7 billion in Q2, a 6.4% increase from Q1. This ended a three-quarter skid of sequential declines. However, on a TTM basis, most managers are still tracking well below their prior-year TTM run rates, with the exception of Apollo and Blue Owl, which still have positive momentum. Apollo led the group with $35.0 billion in gross inflows in Q2, overtaking Blackstone at $30.1 billion. However, $18.7 billion of Apollo's inflows can be sourced to Athene, which has regular outflows in the course of doing business.

Ares was not far behind with $17.4 billion in Q2 fundraising, a modest acceleration QoQ and YoY. The firm attributed that growth to investors consolidating with scaled credit managers. Ares has 30 different funds in the market at present, including its inaugural credit secondaries fund and its third infrastructure secondaries funds.

Carlyle expects to exceed last year's fundraising total of $29.9 billion, which implies a stronger back half of the year, primarily in strategies other than PE. Other managers are in a deeper hole with fundraising down 36.9% through the first six months of the year.

TPG reiterated its $23 billion to $24 billion target in flagship fundraising across its four legacy strategies of buyout, growth equity, real estate, and climate, marking a 19% step-up from predecessor funds. At the same time, it is launching first-time funds in adjacent strategies to demonstrate a more innovative approach in a crowded market as noted in the later strategy expansion section.

Blackstone's TTM fundraising is down by more than half from Q2 2022. Demand is highest in private credit, which accounted for 40.5% of total inflows in Q2. Blackstone's AUM also grew fastest in private credit, up 11% versus 6% overall. With $362 billion combined AUM in credit—particularly real estate credit—Blackstone has entered partnerships with banks that are facing greater capital constraints to originate loans for their customers.

Perpetual capital and private wealth update

Perpetual capital continues to be the fund vehicle of choice among the large publicly traded alt managers. Their indefinite life alleviates the need to sell assets within a prescribed time frame, and they allow for a more accelerated realization of performance fees and more recurring revenue, an attractive quality for any publicly traded company. Alt managers are consequently transitioning to perpetual fundraising and AUM as fast as the market will allow. Institutional investors are likely to resist this change and stick with finite term funds. Where perpetual structures have gained strong traction—not to mention spectacular growth—has been in private wealth and the insurance client channel. In Blackstone's case, perpetual capital has grown at a CAGR of 43.1% for the five years ending June 30, 2023 versus 17.9% growth in total AUM.

Blue Owl boasts the highest share of AUM in perpetual capital at 79.2%, or $118.6 billion total. The firm took a different path to achieving this high mix. Approximately half can be traced to legacy Owl Rock and Oak Tree offerings for individual investors. Its top-selling perpetual vehicles in Q2 included its ORENT (triple net lease), OCIC (private credit income), and OTF (technology finance) series of open-ended trusts and funds. The firm also reported a much smaller subscription-to-redemption ratio of 6-to-1 as opposed the 2-to-1 industry norm. Most retail perpetual vehicles are semiliquid with limited redemption rights subject to caps or intervals.

The balance of Blue Owl's perpetual capital primarily resides in its $50.2 billion GPSC family of funds. These funds mostly comprise institutional investors seeking to gain minority interests in GP franchises. Given the passive nonvoting nature of these minority interests, these and other GP stake funds have indefinite life.

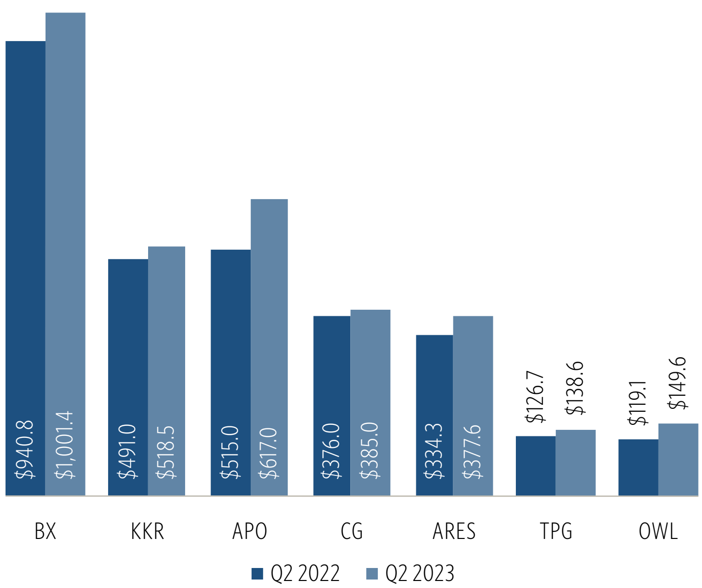
As institutional fundraising has become more crowded, retail has come to represent a greenfield opportunity for many firms. Blackstone has led the pack with a total of $240 billion in private wealth AUM, approximately half in perpetual vehicles. Blue Owl regularly raises approximately half of its capital from retail, including $1.8 billion in Q2. Apollo expects to launch one to two retail-focused products per quarter and is targeting a sum in excess of $6 billion this year. Ares reported $475 million from its fundraising in Q2. Carlyle has three products in the market covering $5 billion in assets. KKR, which already manages $50 billion in private wealth assets, began fundraising for two new private wealth strategies focused on PE and infrastructure, which have raised $1.9 billion.

Insurance channel update

For several managers, the insurance channel remains instrumental in diversifying and bolstering fundraising capabilities. Blackstone saw inflows from this channel total over $15 billion YTD, with more than $7 billion raised in Q2 and more than $4 billion of that coming from the firm's four-largest insurance clients. The firm currently has $174 billion in AUM

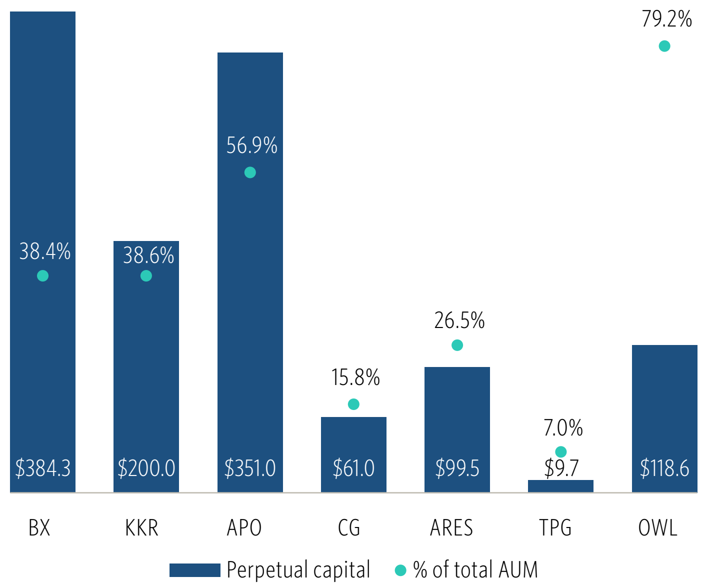
PitchBook

Total AUM ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

Perpetual capital ($B) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

from the insurance channel, with the goal to reach $250 billion over the next four years. KKR's insurance segment, Global Atlantic, has also seen strong growth, with its AUM doubling from $72 billion to $144 billion since its acquisition in mid-2020. Carlyle continues to scale its insurance solutions business, specifically Fortitude, which now holds $55 billion in AUM and makes up 80.3% of Carlyle's perpetual capital AUM. Insurance drove $18.7 billion in total inflows to Apollo, offset by $9.1 billion in outflows.

Apollo achieved the second-highest concentration in perpetual AUM, now 56.9% as of Q2 2023. The firm has relied mostly on its insurance segment to get there, co-founding US annuities leader Athene 14 years ago, and supplementing it with Athora's founding nine years ago to focus on Europe, then taking full control of both companies in 2022 and expanding into other lines of insurance such as reinsurance where long-term liabilities match up well with the perpetual capital structure. Similar to retail vehicles, these pools of money are open-ended, buying in at NAV, and have indefinite life with a semiliquidity option to allow for periodic policy surrenders and claims. Spread-related earnings boomed from Apollo's insurance segment in Q2, growing 52.2% YoY and reaching two-thirds of total operating income and 54.3% of gross inflows. Insurance assets dominate Apollo's perpetual AUM at $309 billion, or 87.8% of total AUM. It hopes to supplement that with nine perpetual vehicles in its retail channel by year-end, but unlike Blue Owl where retail is the main driver, insurance is the main source of perpetual capital growth at Apollo. That said, only a portion of that capital is invested in alternatives, 6% in the case of Apollo's Athene, though it adds significantly to the origination platforms that also support Apollo's alts business.

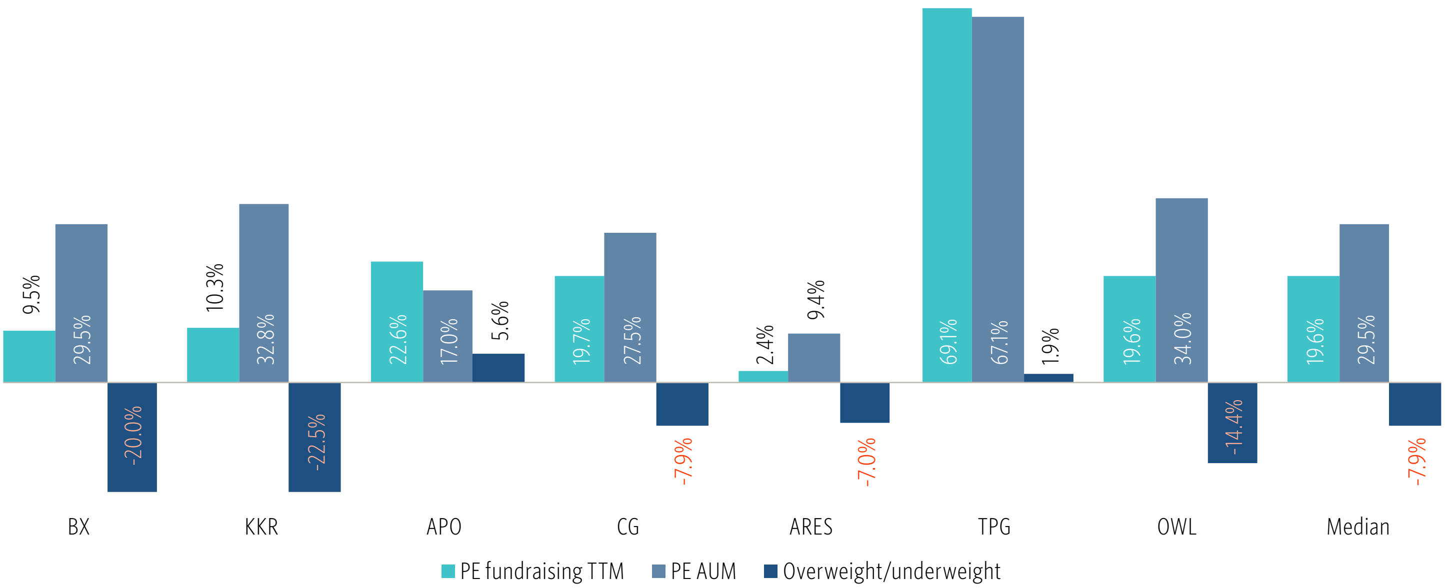
Insurance platforms by manager*

Firm	Insurance platform	AUM ($B)	Share of total AUM	TTM inflows ($B)	Date acquired	Ownership
Apollo	Athene, Athora	$309.0	50.1%	$55.0	January 3, 2022	100.0%
Blackstone	4 core minority investments	$174.0	17.4%	$23.0	N/A	N/A
KKR	Global Atlantic	$144.0	27.7%	N/A	February 1, 2021	63.3%
Carlyle	Fortitude	$55.0	14.3%	N/A	March 31, 2022	71.5%

Source: Company reports • **Geography:** Global
*As of June 30, 2023

Strategy expansion

PE fundraising share relative to PE AUM share*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

Diversifying into new strategies and channels has been a key driver of growth and stock performance for the major alt managers. A constant refrain on earnings calls is to recite strategies that did not exist five years ago. KKR is a case in point. Approximately 90% of TTM fundraising occurred in strategies outside of traditional PE, including 50% from strategies that did not exist five years ago. As it has diversified, management fee growth has accelerated to 24.0% per annum in the five years ending 2022.

That innovation continued into Q2. For its wealth channel, which KKR believes it can ramp up to more than 30% of total inflows in future years, the firm launched two new strategies focused on private equity and infrastructure, raising $1.9 billion in fresh capital to date. The firm also expects to launch a new retail business-development company later this year focusing on direct lending and asset-backed finance (ABF).

Other firms are also active in the ABF space, partnering with or taking share from banks due to new regulatory constraints. Ares' alternative credit funds acquired a BankWest portfolio in June 2023 consisting of $3.5 billion in commitments and $2.1 billion in funded investments. Blackstone announced that it either has executed or has in progress $6 billion in partnerships with multiple banks. Angelo Gordon, soon to be part of TPG, launched an ABF fund targeting $1 billion, and Apollo is believed to be preparing its own ABF fund launch at $5 billion.[5] With $45 billion of its $78 billion in private-credit AUM tied to asset-backed finance, KKR positions itself as the current leader in the ABF space.

Many firms are expanding rapidly in Asia. Ares announced its acquisition of Crescent Point Capital, an Asia-focused PE firm with $3.8 billion in AUM. The acquisition bolsters Ares' existing Asia-Pacific presence by adding direct sourcing capabilities across credit, PE, and real assets. Global Atlantic, KKR's insurance arm, announced a strategic partnership with Japan Post Insurance. This supplements the reinsurance deals it has with AXA Hong Kong and a Singapore-based insurer. KKR believes that its Asia business, which includes the KJR Management real estate investment trust business it acquired a year ago, will one day rival its US business in size.

On the heels of its announced acquisition of Anglo Gordon last quarter, TPG emphasized organic growth initiatives this quarter from several first-time funds, which are targeting $2.6 billion

5: "Q2 2023 Earnings Call," TPG, August 8, 2023.

collectively. The firm's inaugural European and North American GP-led secondaries fund had a first close of $750 million and has already completed four deals. Its inaugural life sciences fund closed on $250 million initially and has completed two investments. TRECO, the firm's private real estate and credit strategy, is closing in on $750 million. And while not launched yet, TPG expects to expand shortly into climate infrastructure given the opportunity set and deal flow from Rise and Rise Climate funds.

Blue Owl is the latest to push into GP-led secondaries and continuation funds. The company foresees a very large and fast-growing market where combined GP and LP demand will significantly exceed supply. Unlike other firms that have acquired secondary managers, Blue Owl is developing this capability in-house. It plans to leverage their expertise and active network, taking stakes in GPs and making loans to GP-backed portfolio companies. The company indicated that 150 managers would be the initial focus for this new strategy with an emphasis on single-asset continuation funds, and it would begin investing before year-end.

Perhaps the biggest ambition was expressed by Apollo. While it builds on strategies already in place, it envisions partnering and expanding into more markets previously dominated by banks. Apollo broadly defines private credit as everything on the bank balance sheet. That includes the $20 trillion ABF market, such as securitizing loans backed by real estate, autos, or credit card receivables, which has been well served by banks historically but now requires capital due to regulatory tightening. While it remains to be seen if this opportunity becomes mainstream in private-credit funds, it is a main area of focus for Apollo and other alt managers with capital-market businesses that can be dual purposed to originate investments for funds. Apollo's capital solutions business has grown to 17.4% of total fee-related revenue.

Industry-wide IRRs by strategy*

	1-year	10-year	5-year	3-year
Real assets	8.1%	7.0%	7.5%	13.0%
Private debt	2.6%	8.5%	7.3%	9.1%
Secondaries	2.0%	13.0%	15.0%	21.0%
Private equity	1.3%	15.0%	17.0%	23.6%
Real estate	1.3%	10.9%	9.7%	11.5%
Venture capital	-10.4%	15.7%	19.4%	24.6%
Private capital	-1.6%	13.2%	14.6%	19.5%
S&P 500	-7.7%	12.2%	11.2%	18.6%

Source: PitchBook • **Geography:** Global
*Preliminary as of March 31, 2023
Note: Returns are equal weighted and net of fees.

Product offerings by manager*

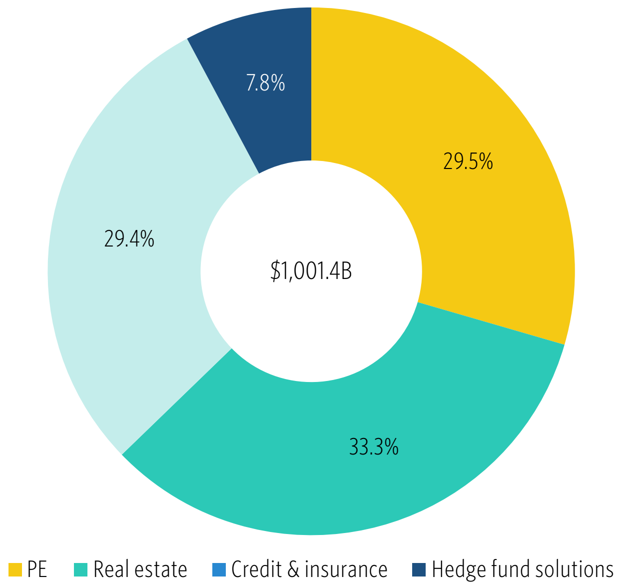
	BX	KKR	APO	CG	ARES	TPG	OWL
Real assets	✓	✓	✓	✓	✓		
Private debt	✓	✓	✓	✓	✓	✓	✓
Secondaries	✓		✓	✓	✓	✓	✓
Private equity	✓	✓	✓	✓	✓	✓	
Real estate	✓	✓	✓	✓	✓	✓	✓

Source: PitchBook • **Geography:** Global
*As of June 30, 2023
Note: Blue shading indicates a recently added strategy.

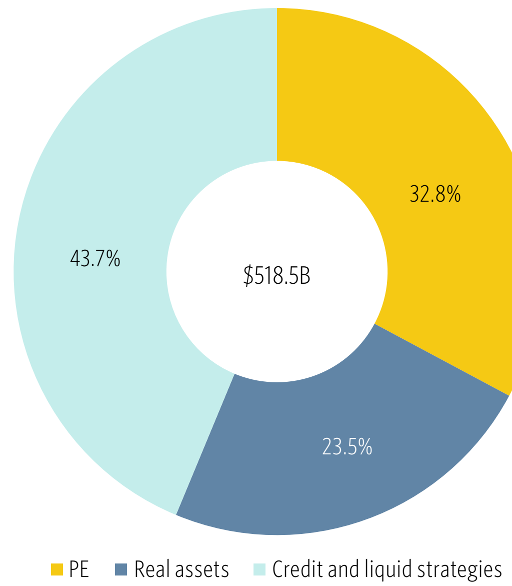
PitchBook

Share of AUM by manager and strategy*

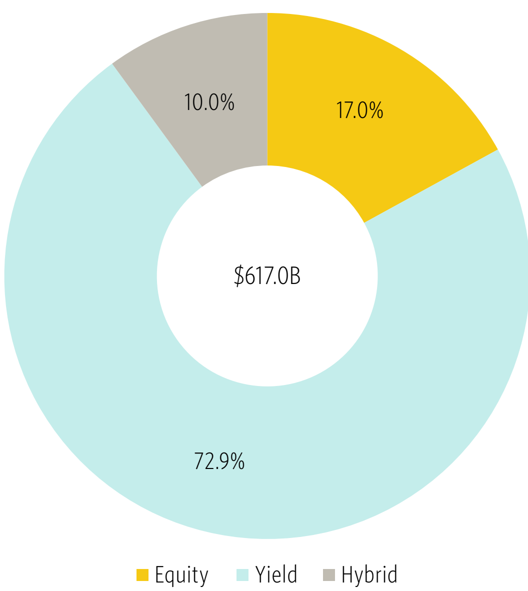
Blackstone



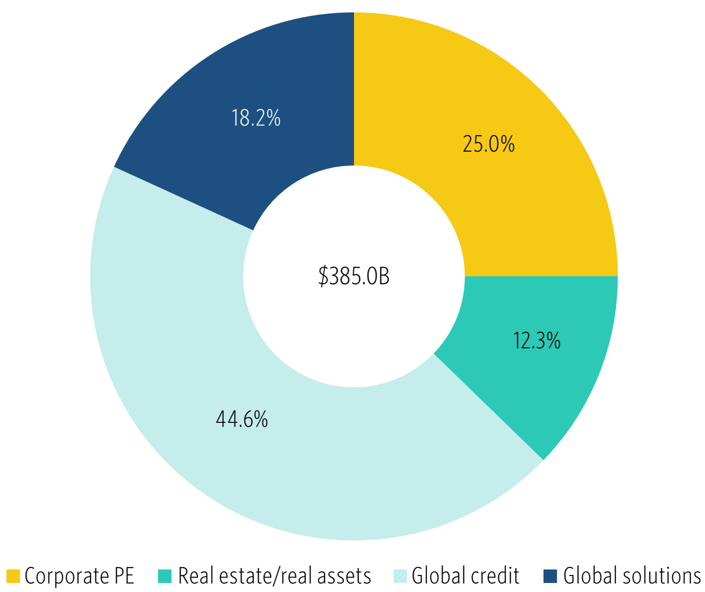
KKR



Apollo



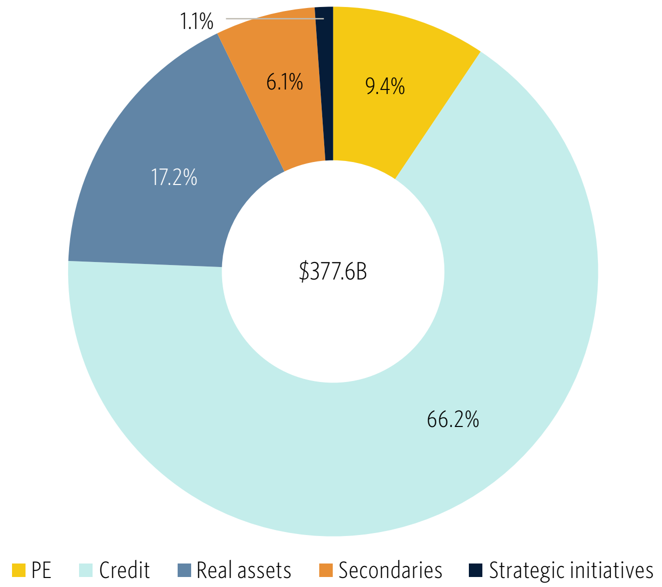
Carlyle



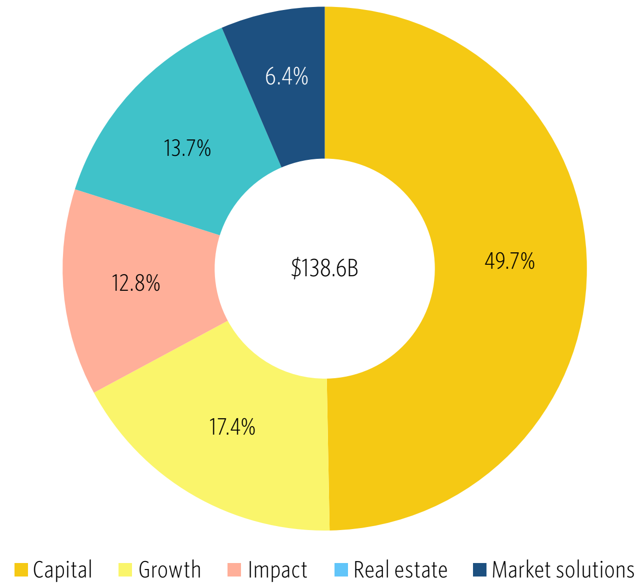
Source: Company reports • **Geography:** Global
*As of June 30, 2023

Share of AUM by manager and strategy, continued*

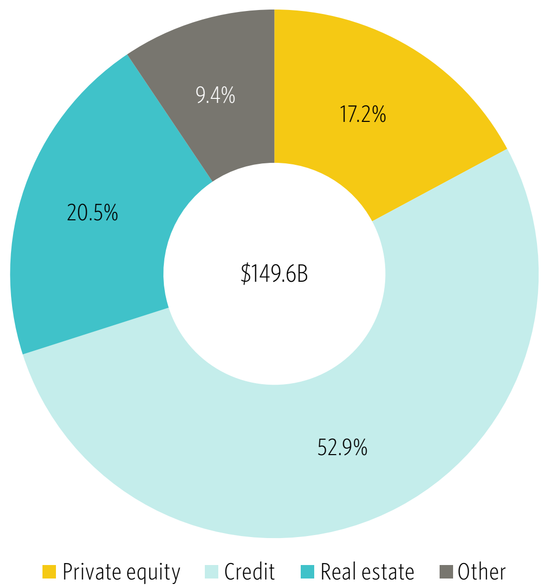
Ares



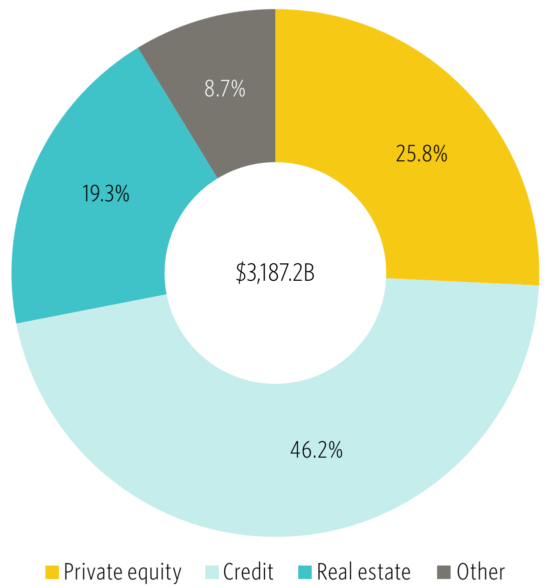
TPG



Blue Owl



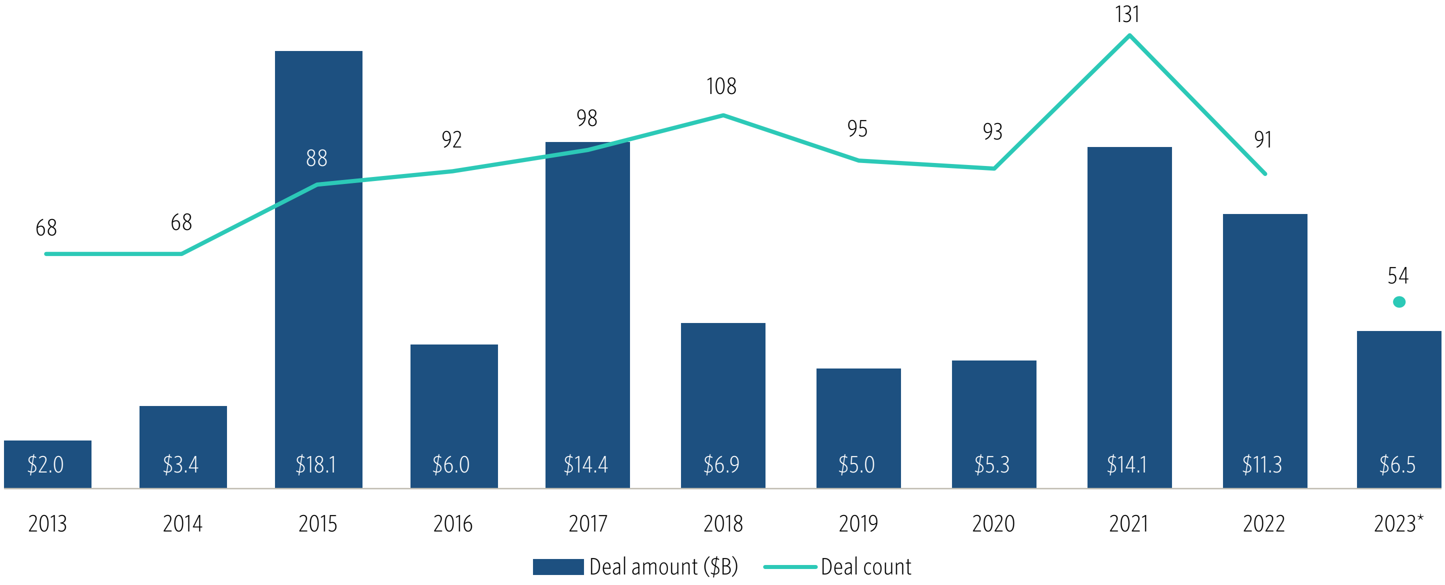
All firms



Source: Company reports • **Geography:** Global
*As of June 30, 2023

GP deal activity

Alternative asset manager deal activity



Source: PitchBook • **Geography:** Global
*As of August 1, 2023

Deal activity in the alt manager space is tracking roughly in line with last year's total of 91 deals announced or completed for $11.3 billion in disclosed value. We track both minority and control transactions as a means of gauging the consolidation prospects for the industry as well as investor sentiment overall for owning stakes in GP franchises. Q2 made up for a slow start to the year as deal count accelerated to 25 deals from 19 in Q1, followed by another 10 deals in the month of August. The share of control transactions expanded to 45.0%, which, should it hold, marks the highest share in more than a decade. While still early, this may indicate the beginning of a more pronounced consolidation wave, or that GP stake buyers are simply exercising more caution and selectivity.

In what was probably the largest GP stakes deal of the quarter, industry leader Blue Owl acquired a minority interest in Stonepeak, primarily an infrastructure and real-asset manager with around $55.7 billion in AUM. These deals are typically not disclosed regarding size and exact terms. This was Blue Owl's first equity investment in Stonepeak, and its 65th including follow-ons since the strategy's inception in 2010 when its funds were known as Dyal Capital. Blue Owl believes its market share of equity transactions larger than $600 million in alt GP franchises to be over 85%.[6]

Secondaries specialist firms continue to attract buyers interested in gaining exposure to the strategy's growth potential. Permira acquired European secondaries firm AltamarCAM Partners in Q2, drawn by the firm's secondaries returns in particular.[7] AltamarCAM will sell a 40% stake in its management company and allow four previous minority partners to exit their holdings.[8] In April, Hunter Point Capital acquired a nearly 25% minority stake in Coller Capital, one of the largest investors in the secondaries market. The acquisition was Hunter Point Capital's third asset-manager deal during the year, including its minority stakes in buyout firms Inflexion and L Catterton.

In M&A, TPG received Hart-Scott-Rodino Act clearance in July 2023 and expects to close its $2.7 billion merger with

6: "Apollo to Launch Private Fund in Asset-Based Financing Buildout," Bloomberg, John Sage, July 20, 2023.
7: "2023 GP Strategic Capital Outlook," Blue Owl, Michael Rees and Sean Ward, September 30, 2022.
8: Ibid.

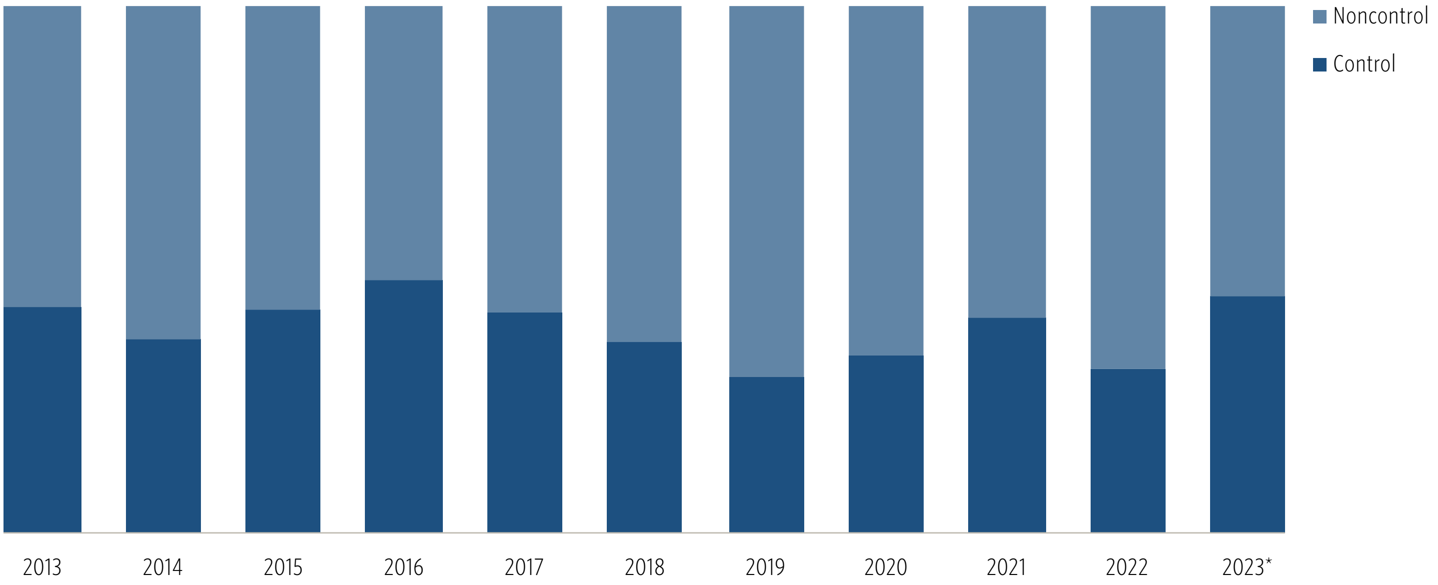
Angelo Gordon in the fourth quarter of 2023. Searchlight Capital announced its plans to acquire specialist alternative assets manager Gresham House for around $600 million, or 5.6% of AUM. Gresham House is one of the UK's leading asset managers in sustainable alternative-asset classes, an area of growing demand. Also notable was Mubadala's announced acquisition of Fortress Investment Group from Softbank. Fortress is a multi-asset manager with over $46 billion in AUM. Terms were not disclosed, although Fortress was last valued at $3.3 billion when acquired by Softbank in 2017.

Notable alternative-asset manager deals YTD*

Target	Lead investor/buyer	Deal value ($M)	AUM ($M)	Deal type	Manager style/specialty
Angelo Gordon	TPG	$2,700.0	$73,000.0	Acquisition	Private credit, real estate
Stonepeak	Blue Owl	N/A	$55,700.0	GP stake	Infrastructure, real assets
Fortress Investment Group	Mubadala	N/A	$46,000.0	Acquisition	Multi-strategy
Sculptor Capital Management	Rithm Capital	$639.0	$34,200.0	Acquisition	Hedge, real estate credit
L Catterton	Hunter Point Capital	N/A	$33,000.0	GP stake	Buyout, consumer focused
PAI Partners	Dyal Capital Partners	N/A	$29,000.0	GP stake	Buyout, France
Coller Capital	Hunter Point Capital	N/A	$27,300.0	GP stake	Secondaries
AltamarCAM Partners	Permira	N/A	$19,915.0	GP stake	Secondaries, Europe
Assured Investment Management	Sound Point Capital	$428.0	$15,200.0	Acquisition	CLOs
Sagard	ADQ, BMO	N/A	$14,500.0	Minority	Multi-strategy

Source: PitchBook • **Geography:** Global
*As of August 1, 2023

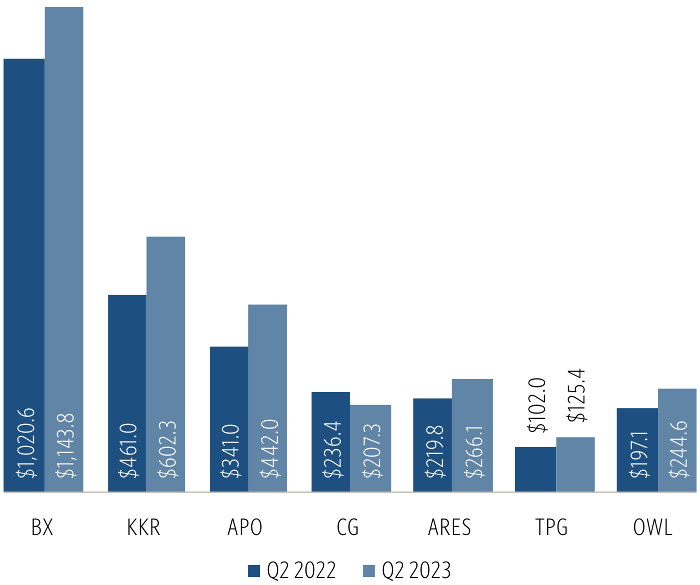
Share of alternative asset manager deal count by type



Source: PitchBook • **Geography:** Global
*As of August 1, 2023

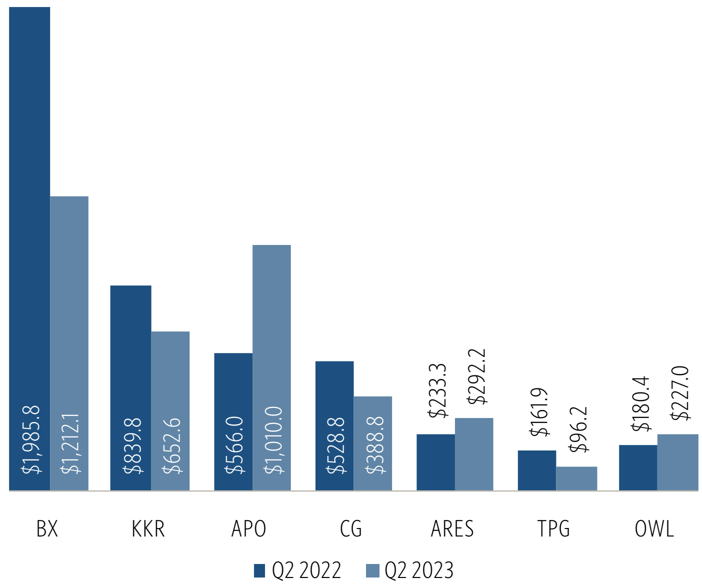
Operating results

Q2 2023 fee-related earnings (FRE) ($M) by manager*



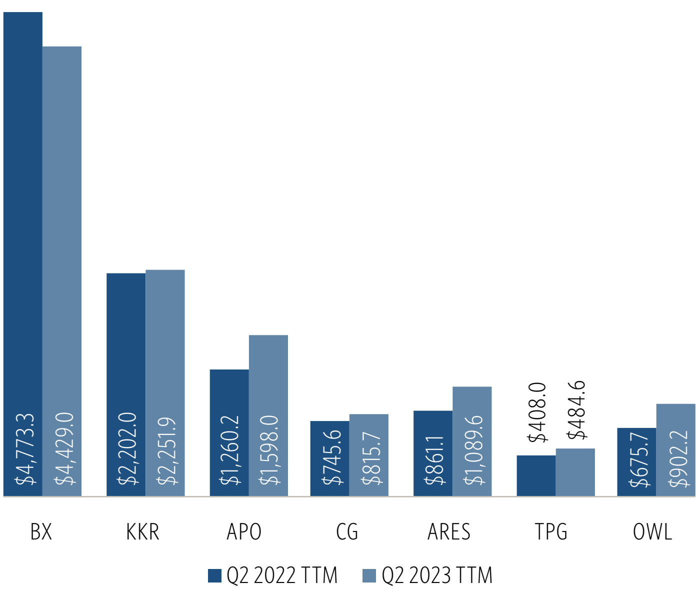
Source: Company reports • **Geography:** Global
*As of June 30, 2023

Q2 2023 distributable earnings (DE) ($M) by manager*



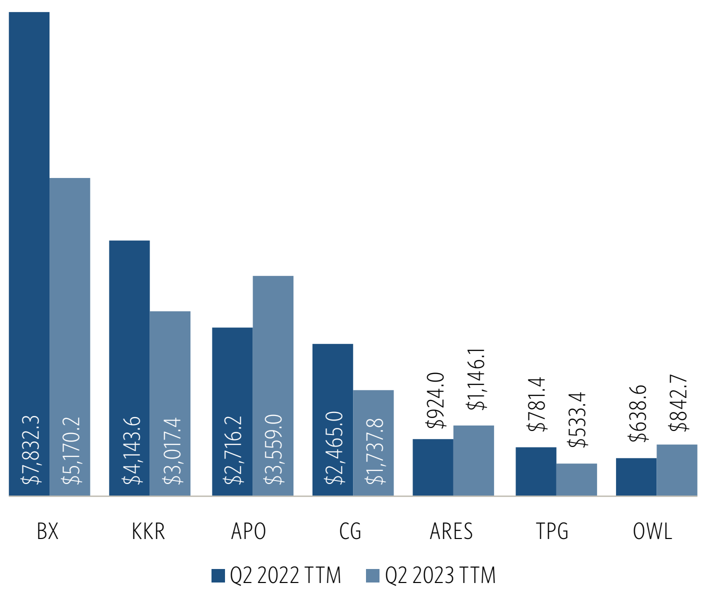
Source: Company reports • **Geography:** Global
*As of June 30, 2023

TTM FRE ($M) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

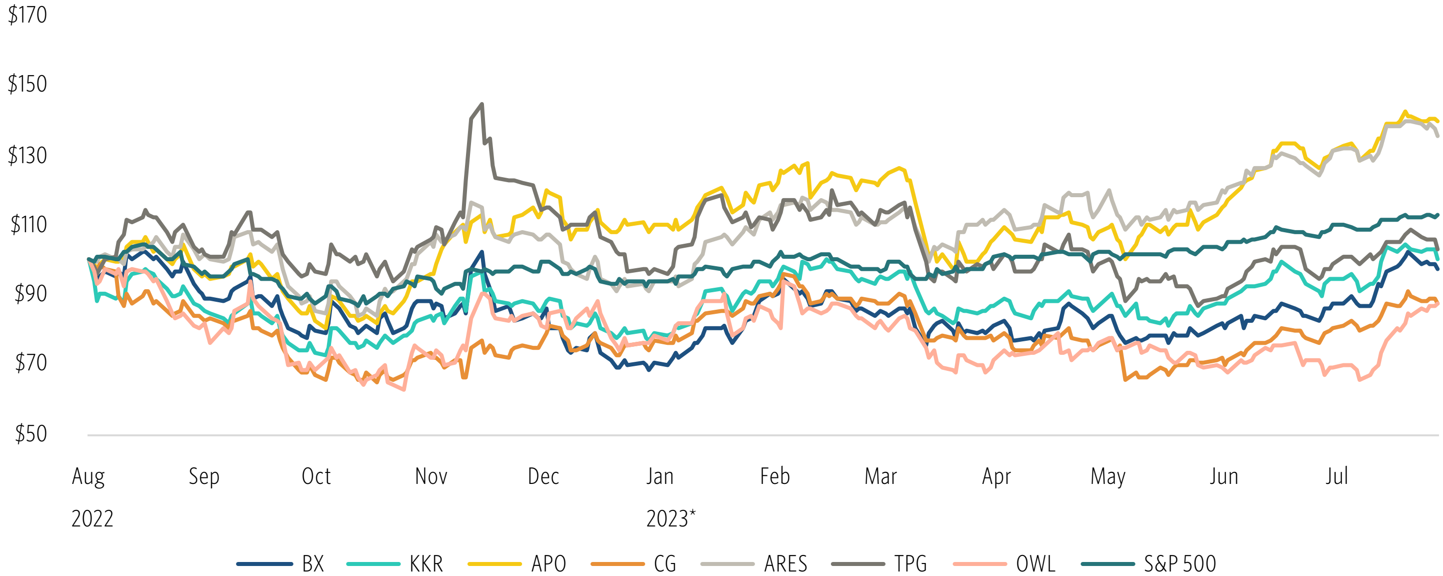
TTM DE ($M) by manager*



Source: Company reports • **Geography:** Global
*As of June 30, 2023

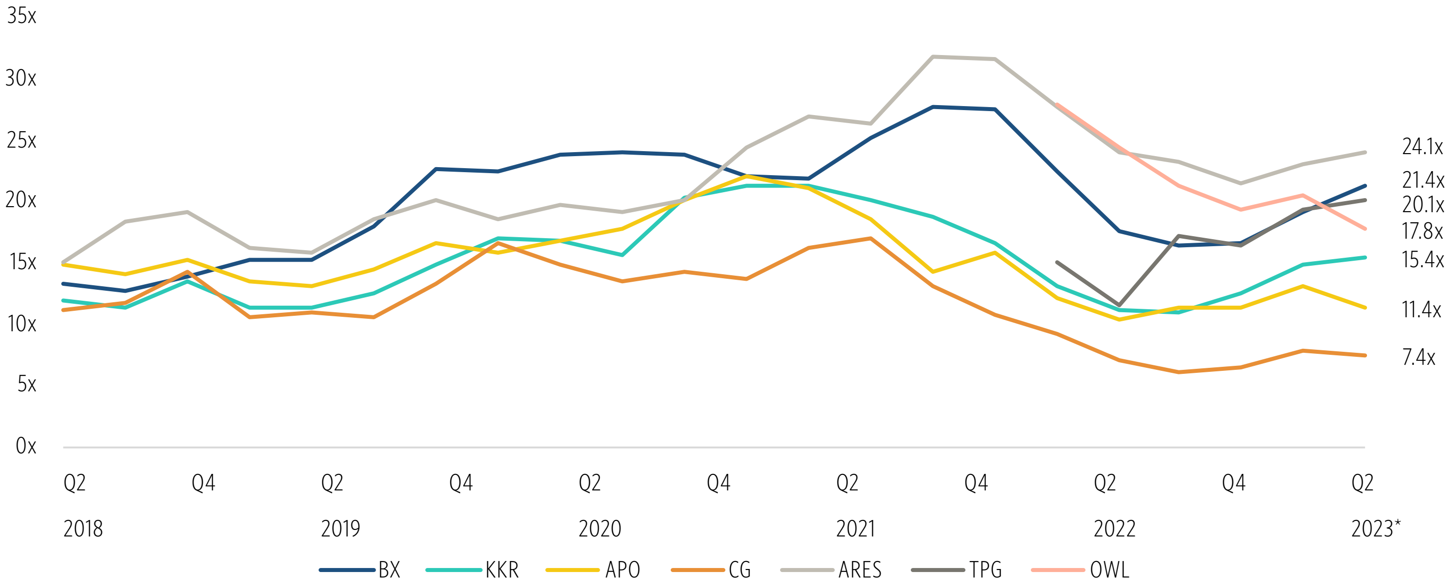
Stock performance and comps

One-year stock performance by manager (normalized to 100 on August 1, 2022)



Sources: PitchBook, Morningstar • **Geography:** Global
*As of July 31, 2023

Five-year price-to-DE stock multiples by manager



Sources: PitchBook and company reports • **Geography:** Global
*As of June 30, 2023

PitchBook

Alternative asset management comps*

Private equity and other									
Company	Market cap ($B)	Market cap as % of AUM	Price/DE		DE growth		DE per share		Dividend yield
			2022A	2023E	2022A	2023E	2022A	2023E	
Blackstone	$120,113.9	12.1%	19.1x	23.4x	8.4%	-18.2%	$5.17	$4.23	3.7%
KKR	67,356.1	13.2%	15.3x	17.7x	-12.2%	-13.5%	$3.90	$3.37	1.1%
Partners Group	27,237.8	20.1%	22.7x	22.1x	-23.5%	2.4%	$40.62	$41.60	4.3%
EQT	24,293.7	11.6%	31.9x	21.9x	-37.2%	45.8%	$0.63	$0.92	1.5%
Carlyle	10,661.8	2.8%	6.7x	9.6x	-13.4%	-30.1%	$4.34	$3.04	4.4%
TPG	8,175.1	6.0%	14.5x	21.3x	11.4%	-32.0%	$1.82	$1.24	3.9%
Intermediate Capital	4,874.7	6.1%	22.9x	14.7x	N/A	56.1%	$0.70	$1.09	5.2%
Bridgepoint	1,786.3	4.2%	15.6x	15.4x	20.0%	1.6%	$0.14	$0.14	4.0%
Median	$17,477.8	8.8%	17.4x	19.5x	-12.8%	-5.9%	$2.86	$2.14	4.0%

Private debt and other									
Company	Market cap ($B)	Market cap as % of AUM	Price/DE		DE growth		DE per share		Dividend yield
			2022A	2023E	2022A	2023E	2022A	2023E	
Apollo	$46,002.2	7.7%	15.0x	12.1x	18.9%	24.6%	$5.42	$6.75	2.1%
Ares	$30,205.3	8.4%	29.3x	26.4x	30.4%	11.3%	3.35	$3.73	3.2%
Blue Owl	$15,690.4	10.9%	21.1x	17.0x	22.3%	23.8%	0.53	$0.65	5.1%
Median	**$30,205.3**	**8.4%**	**21.1x**	**17.0x**	**22.3%**	**23.8%**	**$3.35**	**$3.73**	**3.2%**

Real estate and other									
Company	Market cap ($B)	Market cap as % of AUM	Price/DE		DE growth		DE per share		Dividend yield
			2022A	2023E	2022A	2023E	2022A	2023E	
Brookfield	$13,155.3	1.7%	35.3x	33.9x	28.0%	4.2%	$1.28	$1.33	2.8%
Antin Infrastructure	2,736.3	8.3%	30.8x	16.7x	-90.4%	84.3%	$0.44	$0.81	5.4%
Bridge Investment	1,312.0	2.7%	9.6x	12.9x	-8.2%	-25.5%	$1.10	$0.82	6.7%
Median	**$2,736.3**	**2.7%**	**30.8x**	**16.7x**	**-8.2%**	4.2%	**$1.10**	**$0.82**	**5.4%**

Secondaries and private solutions									
Company	Market cap ($B)	Market cap as % of AUM	Price/DE		DE growth		DE per share		Dividend yield
			2022A	2023E	2022A	2023E	2022A	2023E	
Hamilton Lane	$5,000.5	4.7%	30.3x	23.7x	-32.1%	27.5%	$3.02	$3.85	1.9%
StepStone Group	3,273.7	2.3%	22.2x	22.1x	-11.7%	0.4%	$1.32	$1.32	3.7%
Petershill Partners	2,408.8	6.6%	8.2x	7.5x	N/A	9.7%	$0.20	$0.22	3.8%
P10 Holdings	1,453.7	7.7%	15.4x	14.6x	40.9%	5.6%	$0.79	$0.83	1.1%
GCM Grosvenor	320.9	0.4%	15.1x	13.9x	-18.6%	9.2%	$0.51	$0.56	6.4%
Median	**$2,408.8**	**4.7%**	**15.4x**	**14.6x**	**-15.2%**	**9.2%**	**$0.79**	**$0.83**	**3.7%**
Alts median	**$8,175.1**	**6.6%**	**19.1x**	**17.0x**	**-9.9%**	**5.6%**	**$1.28**	**$1.24**	**3.8%**

Source: PitchBook • **Geography:** Global
*As of August 22, 2023

Additional research

Private markets

Q2 2023 US PE Breakdown

Download the report here

Q2 2023 Global M&A Report

Download the report here

2023 US Private Equity Outlook: H1 Follow-Up

Download the report here

2023 Global Fund Performance Report

Download the report here

Q2 2023 European PE Breakdown

Download the report here

Q2 2023 Quantitative Perspectives: Pumping the Brakes

Download the report here

More research available at pitchbook.com/news/reports