Blue Owl Capital, Inc. (OWL)

3Q 2026 EARNINGS

October 29, 2026

Operator
Good morning, and welcome to the Blue Owl Capital's Third Quarter 2026 Earnings Call. [Operator Instructions] I'd like to advise all parties that this conference call is being recorded.

I will now turn the call over to Ann Dai, Head of Investor Relations for Blue Owl.

Ann Dai
Head of Investor Relations
Thanks, operator, and good morning to everyone. Joining me today are Marc Lipschultz, our Co-Chief Executive Officer; and Alan Kirshenbaum, our Chief Financial Officer. I'd like to remind our listeners that remarks made during the call may contain forward-looking statements, which are not a guarantee of future performance or results and involve a number of risks and uncertainties that are outside the company's control. Actual results may differ materially from those in forward-looking statements as a result of a number of factors, including those described from time to time in Blue Owl Capital's filings with the Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statements.

We'd also like to remind everyone that we'll refer to non-GAAP measures on the call, which are reconciled to GAAP figures in our earnings presentation available on the Shareholders section of our website at blueowl.com. Please note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any Blue Owl fund.

This morning, we issued our financial results for the third quarter of 2026, reporting fee-related earnings, or FRE of $0.27 per share and distributable earnings or DE of $0.24 per share.

We declared a dividend of $0.23 per share for the third quarter payable on November 23 to holders of record as of November 10. During the call today, we'll be referring to the earnings presentation, which we posted to our website this morning. So please have that on hand to follow along.

With that, I'd like to turn the call over to Marc.

Marc Lipschultz
Co-Chief Executive Officer
Great. Thank you so much, Ann.

This morning, we reported our financial results for the third quarter of 2026, highlighting 15% FRE growth and 14% DE growth over the last 12 months. Our growth was supported by accelerating management fee growth on a sequential basis and ongoing strength in fundraising, including a record institutional capital raising quarter. This fundraising came from a diversified set of strategies, investors and geographies, driving AUM growth of 12% year-over-year to $330 billion.

We have continued to demonstrate our central position as one of the most scaled providers of capital across the credit, real assets and GP stakes markets, which has made us an invaluable partner to businesses across public and private markets, including some of the largest companies in the world. Over the last 12 months, we have deployed a substantial amount of capital with more investment-grade counterparties than ever before.

This activity has been supported by robust fundraising from an increasingly global set of investors with $49 billion of new capital raised across Blue Owl over the last 12 months. And our AUM not yet earning fees continues to grow with more than $36 billion of AUM, nearly 30% higher than the same time last year that will drive an incremental $400 million of fees as deployed.

We've also distributed a near record amount to investors with more than $20 billion returned to investors over the last 12 months. The attractive income streams being generated by our funds are a key component of the continued strong performance across our strategies, both on an absolute basis and relative to public benchmarks.

Most importantly, we've maintained our investment discipline and rigorous underwriting standards across a widely fluctuating set of rate and economic backdrops, leaning into markets where we see outsized return per unit of risk and remaining cautious when we don't see appropriate returns or terms. Fundamentally, we apply a capital preservation mindset to everything we do, which means we look to protect the downside for our investors, and we believe the strong performance of our products through a myriad of market backdrops reflects this focus.

We started 2026 with the market anticipating 2 or more additional rate cuts by the Fed this year. And of course, 10 months later, that perspective has shifted dramatically with

one rate hike announced in September and additional hikes anticipated over the next 6 months. The significant moves in rate expectations and yields have created opportunities in key portions of the market we feel well positioned to lean into.

In Direct Lending, our loan portfolio is floating rate, meaning that not only are we evaluating new deal flow of higher base rates in a wider spread environment than 6 months ago, but our existing loan book reprices as the SOFR curve moves. This dynamic directly benefits investors in our BDCs and funds through higher net interest income, and subsequently benefits Blue Owl through Part 1 fees.

Similarly, in Alternative Credit, we are seeing occasions to invest attractively in floating rate loans and we're buying fixed rate assets at better terms. For insurance clients, we are seeing opportunities to generate higher excess spread across investment-grade credit as market volatility creates dislocations.

And our Real Estate Credit team is seeing more demand than ever across loans and various bridge financing structures with more favorable terms than we have seen in some time. We're seeing a lot to like as far as investment opportunities in the current market, and that enthusiasm is echoed by the strong investor demand we continue to see across Blue Owl business, which I will highlight in greater detail shortly.

Outside of rates, a dominant theme in market activity remains the significant capital needed to fund the expansion of compute across cloud and AI, and Blue Owl occupies a central role in this ecosystem. Although AI is understandably in focus today, as a reminder, much of our digital infrastructure footprint is tied to cloud, which continues to grow in excess of 20% annually at the hyperscalers.

In keeping with our philosophy across the firm of focusing on income-generating downside protected investing, our Digital Infrastructure strategy nearly entirely faces strong investment-grade tenants. We own the physical infrastructure that is critical to the digital economy to grow, and we typically lease it out for 15 years to 20 years with annual rent escalators, creating a highly predictable and growing stream of rental income for our investors.

The role we are taking in this digital economy is to be an important and reliable partner to the hyperscalers while limiting our risk on short-term re-leasing, construction timing, site energization or token pricing. Our investors look to us to be their predictable allocation to the AI and compute opportunity while generating very strong returns for investment-grade exposure. We are one of the largest players in this arena, both in

terms of our digital infrastructure footprint and the amount of capital we have raised to address this generational opportunity.

Our approach to digital infrastructure builds on the foundation established by our leading triple net lease strategy. Across 17 years and more than 6,000 properties, our core expertise has been in owning mission-critical properties, leasing them to investment-grade companies and generating attractive returns for our investors, and we think we have done that quite well.

It's been about a year since the narrative storm around private credit started, and we now have a lot of information available to address the questions that were posed at that time. There had been broad speculation that the industry was going to go through a stress test, and I think the data has proven out in our favor in terms of credit quality.

In fact, our direct lending strategy has been one of the top performers over the past year as far as portfolio health, non-accruals and loss rates. We think we have proven that these achievements resulted from our investment discipline and a rigorous investor-focused mindset that continues to resonate with investors.

Finally, as it relates to fundraising, the $49 billion of total capital we have raised over the last 12 months reflects continued investor confidence in our strategies and our capabilities as a disciplined manager. Our investors recognize that we have generated tremendous value on an absolute and relative return basis. And as a result, they have continued to commit more capital to our strategies. And what is becoming more obvious over time is that our business is far more diversified than many had perceived it to be, with growth coming from an increasingly broad set of strategies, investors and geographies.

Institutional and insurance investors have driven about 70% of our last 12-month equity capital raised, and these investors committed approximately 20% more to our funds than this time last year and over 150% more than the same period 2 years ago. Notably, credit was nearly 45% of our equity capital raised over the last 12 months and 55% in the third quarter, reflecting continued investor engagement contrary to popular narratives. Our credit platform raised over 20% more equity capital from institutional and insurance investors over the last 12 months than the prior year. And real assets equity capital raised over the last 12 months grew by 45%.

Year-to-date, approximately 1/3 of institutional investor activity was driven by re-ups, about 1/3 was driven by new investors and about 1/3 was driven by the cross-sell of

existing investors into new products and strategies, highlighting strong underlying expansion of our client base. Blue Owl's global reach and strong standing with investors was recognized earlier this month by PEI, who published their inaugural private markets ranking and named Blue Owl as one of the top 10 global fund managers on the basis of capital raised from institutional investors over the last 5 years.

In Wealth, we have raised $11 billion of equity capital over the last 12 months despite the headline environment and have seen recovery in gross inflows from May levels while redemption requests continue to decline. Our distribution partners remain very supportive and engaged with 20 new platform launches so far this year and a similar level of launches expected over the next handful of quarters.

Net flows for the last 12 months remained positive, and performance in these products remains very strong on an absolute basis and increasingly differentiated on a relative basis. As a reminder, when rates are rising and spreads are widening and the world feels more uncertain, that is an environment when credit tends to outperform. Looking back at 2022, the last time the market saw such rate hikes, direct lenders were some of the best performers and OCIC was the best performer among the 5 largest non-traded BDCs in the market.

We continue to emphasize a performance-first education-focused approach, highlighting the out-performance of our funds to peer products and public market equivalents. Over time, we expect that strong fundamental results will outweigh the narratives that were prominent during the first half of 2026.

In closing, what we have seen and continue to see across our business is durability, resilience and excellent investment results. We think the proof is evident in the robust fundraising that reflects investor support and conviction around what we are doing. Our business is growing across all facets, and we remain very optimistic about what is ahead for Blue Owl.

With that, let me turn it to Alan to discuss our financial results.

Alan Kirshenbaum
Chief Financial Officer
Thank you, Marc. Good morning, everyone.

As we highlighted in this morning's earnings presentation, Blue Owl grew FRE by 15% and DE by 14% over the last 12 months, with management fee growth of 11%, excluding the impact of management fee offsets. Our FRE margin for the 9 months year-to-date is 58.6%, slightly above our outlook for the year.

AUM not yet paying fees increased to $36 billion, representing approximately $400 million of expected annual management fees once deployed. This is equivalent to approximately 16% embedded growth from our 2025 management fees. As this capital is drawn down and put to work, it converts into fee-paying AUM and will continue to support management fee growth across our platforms.

We raised $12.6 billion of total capital during the quarter, bringing our last 12-month total capital raise to $49 billion, the equivalent of 16% of our total AUM at this time last year. 45% of our total fundraising over the last 12 months was to our credit platform, and we have seen broad-based interest across Direct Lending, Alternative Credit, Investment Grade Credit, GP-led Secondaries and cross-asset mandates as our platform capabilities continue to expand.

During the third quarter, we raised $5.6 billion in credit across a number of strategies, including $2.3 billion in Investment Grade, $1.8 billion in Direct Lending and $1.1 billion in Alt Credit. And included in these totals $1 billion insurance mandate from Voya that further strengthens the partnership we announced in 2025. Fundraising has been particularly strong in our real assets platform, which has seen an increase of 37% in total capital raised over the last 12 months.

During the third quarter, we held a final close of our European Net Lease Fund at $1.8 billion, above the previous hard cap of approximately $1.7 billion. And we are up to $8.2 billion raised for the seventh vintage of our Net Lease drawdown product above the fund's previous hard cap of $7.5 billion, and inclusive of co-invests, have raised over $10 billion.

We had a record institutional quarter and over the last 12 months, institutional and insurance investors comprised almost 3/4 of equity capital raised. In Private Wealth, third quarter inflows were 14% higher sequentially. We continue to see bifurcation in flow trends between the non-traded BDC products and our other wealth-focused products.

For OCIC, redemption requests declined for the second quarter in a row, and we continue to see limited new participation in the redemption queue with over 90% of OCIC's 90,000 shareholders remaining fully invested. For ORENT, ODIT and OWLCX, there was no initial

uptick in redemption requests to begin with, and we saw stronger recovery to inflows from second quarter levels as the secondary impact from headline noise faded. The percent of redemption requests at ORENT have actually declined 5 quarters in a row and the low level of redemption requests this quarter represents a 9-quarter low.

And as it relates to ORENT inflows, we continue to see momentum building here. We're very encouraged by the most recent fundraising trends, which includes increasing contributions from a tax-motivated audience with year-to-date inflows from 1031 exchange structures tripling from this time last year. And early progress for our newer wealth-focused products has been good despite more limited distribution footprints, with our digital infrastructure fund, ODIT, reaching over $4.5 billion of AUM in less than a year and our alternative credit interval fund, OWLCX, approaching $3 billion of AUM, making it one of the largest interval funds in the market after having launched just over a year ago.

So to summarize our fundraising efforts here for a moment, this was a record institutional fundraise quarter for Blue Owl. This was a record institutional fundraise quarter for our credit platform. And year-to-date 2026, we've already raised about as much as our fundraise total for the full year 2024 and 70% more than the full year 2023. Moving on to business performance across our platforms.

In Credit, last 12-month gross returns were 9.3% for Direct Lending and 10.3% for Alternative Credit, comparing favorably to relevant public credit benchmarks over the same period. We continue to see widening dispersion of outcomes across managers, with Blue Owl's performance a positive standout. Portfolio health remains robust with no meaningful changes to our Direct Lending watch list, portfolio growth trends or our realized loss rate, which sits at a low 12 basis points per annum for the total Direct Lending portfolio and at a net gain for our technology lending book. Revenue and EBITDA growth across the portfolio remains in the mid- to high single digits range. We are seeing similarly strong fundamentals in our Alternative Credit portfolio and have been able to lean into opportunities created by market volatility and scarcity of liquidity.

In Real Assets, last 12-month gross returns were 12.3% for Net Lease, 13.4% for Digital Infrastructure and 6.4% for Real Estate Credit. Our pipeline for deployment remains among the highest we've seen with over $140 billion of near-term opportunities across Net Lease and Digital Infrastructure. While in Real Estate Credit, we leaned into the more volatile rate environment to deploy capital opportunistically at higher rates and wider spreads. Despite the higher rate environment, we continue to monetize at attractive spreads in Net Lease with realizations of $1.4 billion in the third quarter at a 100 basis

point lower cap rate than entry levels on average, averaging an 18% net IRR and 1.5x MOIC on the sales made during the quarter.

In GP Strategic Capital, we have reached $11 billion raised for the latest vintage of our flagship large-cap strategy, inclusive of co-invests. Adding this to the capital raised from the strip sales we've completed, we've raised over $15 billion in total. DPI for the strategy remained top quartile with gross IRRs for Funds III, IV and V at 28%, 47% and 19% since inception.

Looking out at the rest of the year, there are a few items I'd like to call out. On management fee offsets, remember, the amortization related to our interval fund goes to 0 next quarter for Credit and remains where it is for Real Assets.

On stock-based compensation for business combination grants, remember, that goes to 0 starting next quarter, and we remain on track for approximately $365 million of stock-based comp - other for the year. This sets us up for total stock-based compensation in 2027 to be lower than 2026. And we expect stock-based comp - other to grow slower than revenue growth in 2027.

On transaction and other fees, we have been methodically building a capital markets function at Blue Owl, and this quarter, we saw some early successes translate into fees across a number of transactions in our Real Assets platform. While we would not run rate this third quarter amount, we're pleased with the early results we've seen, which include $85 million in Credit and $68 million in Real Assets over the last 12 months.

For the full year 2026, we remain confident on our ability to beat $1.02 of FRE per share and $0.89 of DE per share, as we noted on our last earnings call. Last quarter, we also said that we expected the growth rate for management fees to be higher in 2027 than in 2026, and that continues to be our expectation.

Finally, our DE per share of $0.24 for the third quarter surpassed our dividend of $0.23, and we expect to over-earn our dividend again in the fourth quarter. This is important to note as we have crossed the threshold to now over earning our dividend, and we expect to continue this for the year 2027 and forward.

Wrapping it all up, this quarter, we continued to demonstrate the diversification, strong investment performance and core growth trends that we outlined last quarter, an inflection point we see in our business results. We're looking forward to wrapping up 2026 on strong footing and accelerating business momentum into 2027.

With that, why don't we jump into Q&A. Thank you very much for joining us this morning. Operator, can we please open the line for questions?

Operator
[Operator Instructions]
Your first question today comes from the line of Bill Katz from TD Cowen.

Bill Katz
TD Cowen
I did join a little bit late, so I apologize, you may have covered this. I think, Alan, you were sort of wrapping this up a little bit in your comments. Can you talk a little bit about -- I appreciate the administrative fees, transaction revenue line could be a little bit on the high side, but it does sound like that's a bit of an emerging opportunity. Could you maybe unpack how you sort of see what might be normalized and how to think about that on a go-forward basis, particularly as you continue to scale out the real assets side of the business?

Alan Kirshenbaum
Chief Financial Officer
Bill, thanks for the question. Yes, this is something that we've been focused on for some time now. We continue to build out the capabilities of what we can do. You've seen this year, 1Q and 2Q, elevated transaction fees when you compare it to last year. And this quarter, we did see a series of early successes that certainly contributed to this quarter's outperformance. We booked about 12 capital markets transactions in 3Q, which is up from 2 in the first quarter. There's no doubt I would expect 4Q to be a little quieter. I would look that, back to 1Q and 2Q levels. But as we think about, as we go here into 2027, we do expect the direction of travel to be up. And going forward, as we get into '27, we do see growth and the ability for us to continue to build out our capabilities.

It cuts across capital markets fees, transaction fees, structuring fees. We've always had strong structuring fees in the Credit business, and you're going to see that ebb and flow a little driven by gross originations, but we continue to do interesting things there. And without a doubt, in Real Assets, that's where we've seen real growth this year and in particular, this quarter.

So we do expect the direction of travel there to be up and to the right as we get into next year.

Operator
Your next question comes from the line of Steven Chubak from Wolfe Research.

Steven Chubak
Wolfe Research
So I wanted to ask on the potential evolution of the IPI business. Our understanding is that the 4 IPI funds are primarily data center development funds. As these data centers enter their leasing period, the stabilized data centers offer a lower risk and lower return profile. And with that in mind, I wanted to gauge if there's any opportunity to roll out stabilized data center funds on the platform? The public REIT is one version of that evolution. Those have done well in the public markets. Or do you sense any appetite from LPs for dedicated stabilized data center funds that you could spin out of the existing funds on the platform today?

Marc Lipschultz
Co-Chief Executive Officer
Thank you. And it's certainly a focal topic. And let me start with the premise, predicate. These data centers stabilized with these very high-quality counterparties are really special assets. And over the course of time, we think are going to prove to be even more kind of notably special because of the ability to develop, which we have pretty distinctively in partnership at really attractive rates for us. And then as you said, once stabilized, they have a very substantial potential upside.

So we absolutely see opportunities both in growing businesses we operate, and as you said, there's both public and private approaches to that. It also, of course, speaks to the opportunity, and most importantly, for the people that have already invested in those funds or in future funds that we do, this is yet another way for them to get significant upside. You've seen it in the performance, for example, of over time, our triple net lease business. And let's remember, these are a very, very large and a more technically complex version of triple net lease, the way we do it.

And I think it's an important observation more generally. What we're really doing is something that has been done from our legacy business and today for 17 years, which is work with corporations and a really trusted partner. Generate, therefore, attractive entry points for assets. And over time, one can earn attractive yields. And there's capital upside, as Alan noted in our comments, even in this environment, even with rates where they were going and the activity in rates, we sold assets from triple net in this last quarter

at 100 basis point compression to even where we entered them and generated an 18% return.

So you're on to a very important theme, which we think is going to be really beneficial for investors in our products where there's exposure to data centers, whether those are development or frankly, even just taking the assets at attractive prices from people's balance sheets. And over time, will allow us to establish additional businesses and pools of capital that are the homes for those pretty special assets.

Operator
Your next question comes from the line of Devin Ryan from Citizens Bank.

Devin Ryan
Citizens JMP Securities
A question on some of the commentary on real estate credit. It sounded like you're seeing more demand there than ever. It sounds like the terms are more favorable than you've seen in a long time. So it would be great to just unpack that a little bit more and get a sense of kind of how that pipeline is developing, if you can maybe quantify anything you're seeing there and kind of where you're seeing new loans pricing relative to a couple of quarters ago?

And then just more broadly, as we think about Blue Owl's positioning, kind of how you feel like you're maybe better positioned to lean in relative to where traditional lenders are obviously constrained here. So I appreciate some color there.

Marc Lipschultz
Co-Chief Executive Officer
Absolutely. It is an important area of growth. And most importantly, it's an important opportunity for our LPs. I think we all appreciate the challenges that the real estate asset class writ large is facing in light of a lot of financings and purchases that were made in 0 rate environments. We sit in a pretty fortunate place, which is, that's not the business that we've been in. So we don't have those assets in the same fashion where you've got re-leasing going on and you have to then do refinancings.

So let's just start with the predicate that in many cases, people are going to be on the, call it, the other side of this, which is they're the ones seeking the need for refinancing. We, on the other hand, of course, as you know, have a deep long history in strategies generally that are about downside protection and, of course, credit in particular. And we have both participated in, if you think about our Prima business, that single asset, single

borrower business, and now increasingly our own dedicated real estate credit products that are more general, kind of call it more opportunistic. We see a tremendous opportunity to participate by inserting ourselves into the kind of the most interesting part in these capital structures. This refinancing wave in real estate is -- it's here, it's coming, and that's going to create opportunity for us to deploy.

We're seeing a very significant backlog of opportunities, a very significant pipeline. We absolutely like the risk reward on what we're seeing. I would kind of call it a -- for lack of a better term, frankly, it's a buyer's market, given the nature of the supply, the need for capital versus what's available. So we're pretty pleased with where that opportunity stands, and we've already started to create dedicated pools of capital for that purpose. And I think that's going to be another one of those areas of meaningful growth for us over time.

Operator
Your next question comes from the line of Glenn Schorr from Evercore ISI.

Glenn Schorr
Evercore ISI
I want to dig a little deeper on GP Stakes, GP Capital Strategic Capital. So harder IPO backdrop. I'm not expecting a lot of monetizations on that front, but -- and M&A is always a little tricky. So curious for an overview of where LP interest is for fundraising on your side, where GP interest is in terms of selling stakes? And then you talked a little bit about the liquidity events that you've produced, but maybe you could expand a little bit more on that now that valuations have come in on the public side.

Alan Kirshenbaum
Chief Financial Officer
Sure. Why don't I take a first shot at that, Glenn. Thank you for the question. We -- just to pull the lens back a little, we've raised about $11 billion in the flagship and co-invest dollars and about $4.5 billion of that -- in addition, $4.5 billion in strip sales. So in total, we've raised over $15 billion in this area. The $4.5 billion of strip sales has helped us to give and distribute out the $4.5 billion to LPs across our GP Stakes vintages over the past 2, 2-plus years.

So we continue to see interest from the LP community. We will look to wrap up fundraising end of this year. Some may slip into early next year in 1Q, but we continue to have good dialogues with LPs. We continue to raise dollars each quarter as we go here, and we're coming up to the final stretch in terms of fundraising.

Marc Lipschultz
Co-Chief Executive Officer
I think also this is one of the strengths of the GP stakes platform we have, which is we have a wide portfolio of market-leading businesses, and they're exposed to different sectors. But a couple of things worth observing.

One, I think we all can observe in this market and not just this current market. I mean the overall trend is the big get bigger. And our focus within the stakes products are the bigger funds and bigger platforms. So while pacing for, in anybody's funds might indeed be slower than it would have been expected or hoped for a few years ago, at the end of the day, the big ones are prevailing, and that's who our partners are. Now more specifically, this is, I think, an important note also. We have significant exposure to GPs, for example, that are in energy, that are in tech growth. They're thriving. So it's a little bit, and I think this will apply to a lot of things we all talk about, especially in businesses where we're talking about protecting your downside and earning a really attractive return. The diversification and the nature of the assets you buy, energy businesses and tech growth businesses are having great success fundraising and great success with monetizations.

In fact, in energy, it’s been how long since we've seen that kind of activity in those sectors. So those are real bright spots. So when you put that all together into a set of leading firms like we have, it leads to a very attractive aggregate result. And remember, one of the great attributes of GP stakes, which we have demonstrated over many, many years is the ability to generate current income, cash flow and return even separate from principal return. And DPI is particularly where our products stand out. DPI is particularly what's missing in the market today. So I think we actually offer something pretty special in this, let's call it, broadly defined arena of private equity.

Glenn Schorr
Evercore ISI
Could I just follow up real quick on that because I think it's interesting. The $4.5 billion in strip sales that you've generated, that is good DPI. I'm curious, how much of that are they pocketing because it's offsetting some deficiencies somewhere else in their portfolio or versus how much of that is being deployed back into your subsequent funds?

Alan Kirshenbaum
Chief Financial Officer
We certainly are seeing some of that come back into our existing funds, Glenn, into our fundraise totals.

Operator
Your next question comes from the line of Craig Siegenthaler from Bank of America.

Craig Siegenthaler
Bank of America
Our question is on the institutional channel. Inflows were quite large this quarter and also broad-based. Beyond this quarter, how is momentum looking in that channel into 4Q and heading in 2027? And what specific strategies or client types do you expect to see the biggest driver of inflows?

Alan Kirshenbaum
Chief Financial Officer
Craig, thanks for the question. On last quarter's call, we certainly talked about having dialogues with large institutions across a number of areas, but in particular, on credit. And we had talked about making good progress there. And certainly, over the years, we've talked about it takes time to execute on some of these large institutional partnerships. It could take months, it could take quarters, it could take years with some of these. We're not focused on the timing to get them closed. We need to get them right, and we follow the pace that the institution wants to set. And so you'll definitely see this ebb and flow over time.

Two interesting statistics maybe to share, and then I'll get into why we're seeing such strong support from institutions. On a year-to-date basis, 9-months ended versus year-to-date 9 months ended last year, we're at 90% of where we were last year, which considering the narratives that we've kind of walked through this year, that's pretty good. That's pretty interesting. On an LTM basis, year-over-year, so LTM ended September 30, '26, we're basically flat. So this past LTM through September 30, '26, we raised almost $39 billion and the previous LTM was $39.5 billion. So why do we continue to see strong support from institutions? It continues to be a recognition, we think, of 2 important trends that we've been seeing in the institutional market.

So first, we continue to see an increasing desire for institutions to identify a handful of managers to build large-scale partnerships. More and more of these institutions recognize that larger partnerships offer better economies of scale, obviously. They offer the ability to access key opportunities across private asset classes with one firm. And to navigate different investment environments collaboratively and successfully as partners rather than just passive investors in funds. And that's what we offer to our institutional investors.

Blue Owl is one of the few managers that has capabilities across the entire private markets universe. So -- and second, all asset classes, including private markets, are facing a tougher macroeconomic backdrop. And we're seeing institutions are definitely seeing the performance dispersion, and they're anticipating that dispersion is going to continue to grow over time.

We think they recognize that certain strategies and sectors in the market will certainly better withstand a rising rate and a higher inflationary environment. And so they're prioritizing capital towards investment strategies that focus on capital preservation and income generation rather than purely capital appreciation. And these have been the cornerstone of all of our products, capital preservation and income generation, and it matches really well with the current environment and the future investment as we see going forward. And at the beginning and end of the day, it always starts and stops with investment performance, and our investment performance continues to deliver strong returns for our LPs.

Marc Lipschultz
Co-Chief Executive Officer
Yes. I just want to amplify that last point. Job one is always to deliver the best results for the people who have trusted their capital to us. And this has been something that wherever the narratives have gone over time, we've always kept a vigilant eye on the thing that we really need to deliver to folks. And it's showing. If you take a look at direct loan -- our Direct Lending appreciation this quarter 3.9%, Alt Credit, 2.9%. Net Lease, 3%; Digital Infrastructure, 5.6%. And that's leading to following that same list for the year, for LTM 9%, 10%, 12%, 13% roughly.

So these are really good results in an environment, as Alan just said, I think we can all conclude is a place where it looks pretty different from what people thought a year ago. Rates are higher. Generally speaking, from what we do, spreads are higher, performance remains very strong in things like credit. And -- but there are clouds on the horizon. There are uncertainties. And I think institutions are saying, "Hey, look, that's a really interesting time to do what Blue Owl does kind of across its entire platform," which is present those sorts of strategies that Alan talked about that focus on risk management and downside protection with strong risk-adjusted returns.

So the institutions, I think, are, if you will, voting with their feet. It also reflects a lot of time invested in, over years now, and we're seeing the benefits, and Alan referred to kind of the inflection some of this drives, a very, very broad and robust institutional

fundraising platform, a broad and robust wealth fundraising platform and actually a young but growing insurance platform.

So we feel very fortunate that people have entrusted us with that capital and I think, seeing the flows in institution this year, this quarter, we see that as an indication more of evolution and development of the platform, not something one-off.

Operator
Your next question comes from the line of Brennan Hawken from BMO Capital Markets.

Brennan Hawken
BMO
I had a question on deployment. So you spoke to the attractive deployment opportunity in Net Lease and Digital, but I was hoping to hone in on Direct Lending. We saw a negative net deployment here this quarter. So could you speak to what you're seeing today, but maybe more importantly, the path to getting that number positive and more contributing in a meaningful way on a go-forward basis?

Marc Lipschultz
Co-Chief Executive Officer
Absolutely. I'm going to -- let me cover it -- let me unpack it and then Alan is going to provide a couple of numbers to go with it. I think like many things, actually, we have to kind of decompose. So to your point about net deployment. Net deployment was modestly negative this quarter. But there's 2 components to deployment, right? There is how much we invest out, and we're never going to push that beyond what we see as great opportunities with great risk reward. And then there's what gets paid back. And actually, in this case, both grew quite substantially. And Alan will give you those numbers in a moment.

But I think it's quite important to unpack that. We actually saw significant growth in gross originations. Gross originations went to $5.2 billion this quarter. But importantly, we ended up with repayments of $4.7 billion. I might note repayments happen at 100 cents on the dollar. So actually, this was a very, very healthy quarter. We actually increased our deployments meaningfully, just people keep paying us back successfully on our prior loans at 100 cents, which, by the way, allows it to get redeployed into a higher spread environment and one where you're deploying new loans with all the information we have today about the economy and businesses and AI.

So I would actually look at that well, net, it may not have moved the deployment needle. What it really did though is meaningfully change the continued complexion by bringing repayments of prior loans and meaningful increase in deployments of new loans.

Until there's a more robust M&A environment, I don't think one would logically expect there to be rapid net deployment. The M&A environment will come. We've said this all year. We've been cautious about anticipating that return. We're not really sure what indications people would have that would lead them to think it's right around the corner, but it is somewhere around the corner. And when that happens, then probably both those numbers are going to accelerate. But in particular, the gross originations will probably accelerate more rapidly.

So I think we actually really like what we saw this quarter, pretty darn healthy for the portfolio and actually indicates there's even more to do despite the absence of a meaningful M&A environment, we actually had a meaningful step-up in gross originations.

Alan Kirshenbaum
Chief Financial Officer
I'll pull the lens back a little more than that. We're seeing, as Marc pointed out, about a 45% increase in gross deployment in Direct Lending. We're seeing ongoing strong opportunities for deployment in Alternative Credit, IG Credit. We certainly have a huge pipeline of opportunities in Net Lease and Digital Infrastructure.

And focusing in on Net Lease for a moment, I talked a little bit about that last quarter as it related to capital calls and management fee growth. We see coming up for Net Lease VI and the current vintage that we're fundraising for between now, really end of this quarter and into the first quarter, we could see line of sight to $2 billion to $2.5 billion of capital calls across those 2 products by the time we get to the end of 1Q. That would bring Fund VI fully deployed and the current vintage, too approaching 25% drawn and deployed. So continue to see really active pipeline and projects moving along well.

Operator
Your next question comes from the line of Patrick Davitt from Autonomous Research.

Patrick Davitt
Autonomous Research
I have a clarification on your answer to Craig's question. Last quarter, you mentioned you had some potentially large credit SMAs in the pipe. And I think your answer suggests those did not contribute in 3Q, so still on the come. Is that what you're saying?

Alan Kirshenbaum
Chief Financial Officer
No. Sorry, Patrick, apologies for that. I was pointing to, we were calling out last quarter that we had been working on a series of large institutions, some for a little bit of time, some for a long time, and a lot came together in 3Q to come up with the raise that we did.

Patrick Davitt
Autonomous Research
Got it. Okay. Are there -- is there still more to come? Or is that kind of the slug?

Alan Kirshenbaum
Chief Financial Officer
So well, there's always more to come without a doubt. We continue to see strong support from institutions. Last quarter, I had made the comment that we think the second half of the year could be a little stronger than the first half of the year, and we still continue to see that playing out. You should not expect a similar quarter in 4Q, but we're really encouraged by all the discussions we're having across the institutional landscape and are excited to get into '27 and have another strong year.

Operator
Your next question comes from the line of Crispin Love with Piper Sandler.

Crispin Love
Piper Sandler
During the quarter, Doug made a comment on an FT panel in London talking about needing more insurance capital. Can you just expand on that a bit? Would you view growth here as organic, inorganic? Is the Voya mandate a key example of this? And then would you ever change the strategy to get more balance sheet intensive on the insurance side?

Alan Kirshenbaum
Chief Financial Officer
Sure. Thanks, Crispin. Maybe to start with where we are today. We manage about, over $40 billion of AUM for our insurance clients. Year-to-date this year, we've raised over $7 billion of new commitments from our insurance clients across investment strategies. So we continue to see a really strong pipeline of organic growth coming through our insurance solutions world.

Reminder, we're an independent platform. We don't run or manage an insurance business. And our insurance clients and prospective clients, they like that. We know insurance companies value assets with steady levels of high cash flow that are capital efficient. And that's where we're seeing the highest demand from insurers.

Blue Owl is very well built for insurance clients. We have strategies that cut across each platform that are very interesting to insurers from Direct Lending, Alt Credit, IG Credit over to Real Assets, Net Lease, Digital Infrastructure, Real Estate Credit, including GP Stakes, a lot of insurance support from the strip sales that we've been doing there. And all of these strategies are income producing that produce high cash flow for insurers. And that's what they're really looking for. And we have the deal flow that is very interesting to them. So we do think over the next few years, we can grow a lot here.

Marc Lipschultz
Co-Chief Executive Officer
I'll just add, to kind of set the stage there. What Doug was really driving at is, while it's been a successful part of our business, clearly, we are kind of under market share on that opportunity. And I say that for a couple of reasons. One, we can just make the comparative observation, but more to the point, we originate vast amounts of opportunities that, in many cases, today, we don't have the home for. So we're kind of long the issue, long the opportunity that most people are seeking. And so pairing that with the right, both pools of capital and partners, is a mutual opportunity.

So just take, for example, the SpaceX chip financing, we're a part of that. We have a wonderful, long relationship with SpaceX. We love doing business with them. But today, we don't have the scale or pools of capital large enough, or frankly, put another way, we could meet a lot more demand for that opportunity and, as we develop these partnerships.

So I think Doug point also was, look, we do see a real -- there's obviously a logical convergence, and we've all seen it between insurance and private asset management.

But there's still a lot of room for evolution of that business model. There's one version, which is client and provider. There's one version where an asset manager absorbs an insurance company and really the insurance company is sort of a feeder to the business. And then there's ways to align the best of the insurance business, people that are really good at a very complex business with people that are really good at the right kinds of private assets. That area three, is where we see real opportunity ahead.

Operator
Your next question comes from the line of Alex Blostein from Goldman Sachs.

Alexander Blostein
Goldman Sachs
I wanted to double-click on some of the dynamics in the evergreen channel, particularly looking at your ODIT product, the digital infra for retail. A little bit more noisy in the last few months just generally with headlines, you saw Oracle, you saw a couple of other things out there and just a little bit more debate on the trajectory of the AI theme. How does that impact, if at all, sort of the appetite from the retail channel for this product? Maybe just an update on how you're seeing both distribution and ultimately sales evolve here over the next few months?

Marc Lipschultz
Co-Chief Executive Officer
Let me start off and then I think Alan can add some additional color. So the digital infrastructure opportunity, we talked about this a little bit earlier, is really both in scale and kind of nature of the risk reward the way we come at it, very compelling. And institutions have certainly long figured that out, and I think the results demonstrate those are good choices. Now we have a platform, which, by the way, and Alan will get into this, it's quite scaled for something that's a pretty young product.

However, we are in the early stages. We have a wide -- we are certainly very focused on the broadening of that distribution. And also, I think there's a little bit of a conflation that requires some clarification because today, unfortunately, people have somehow turned the word data center, generically, into a question mark, as opposed to the tremendous opportunity, done right, that it presents. This is not a "data center fund." It's a digital infrastructure fund working with extremely high-quality counter-parties. And I recall the earlier question about the opportunity for stabilized data centers. Well, there's a tremendous need to form the pools of capital for stabilized data centers, and frankly, ODIT already is one of those pools of capital.

So we see this as one of the big opportunities. You just think about what has to be built to support just cloud compute, like let's not even get into the world of AI and debates about the cutting edge of that question. Cloud compute is growing rapidly. And the majority of the data centers, for example, that we have do cloud compute, but it's with the same wonderful high-quality customers.

So I think we all see this as a huge growing market power. I mean there's another set of assets that can live very comfortably inside of the Digital Infrastructure platform, fiber. We've done work in fiber that's all part of that Digital Infrastructure platform. So ODIT, we see as one of those really interesting products going forward. You've seen the interest in the wealth channel in infrastructure. Well, this is a very interesting and specially-positioned kind of infrastructure.

Alan Kirshenbaum
Chief Financial Officer
And the only thing I would add there is ODIT is $4.6 billion. We've only been up and running a year. So we are seeing good success there. We definitely want to broaden the platforms we're on, and that's all been underway and continues to move along.

Operator
Your next question comes from the line of Mike Brown with UBS.

Michael Brown
UBS
I wanted to ask maybe another question on the Digital Infrastructure side, specifically for BODI IV. Maybe just update us on your expectations there. And I guess just given the amount of capital being raised across the digital infrastructure theme and the AI theme, there's more concentration there across institutional investors. Have you noticed any hesitation around allocations? Maybe how you're thinking about the ultimate size of that fund relative to the prior vintage and the duration of that fund raise? Will some of that growth in concentration kind of extend that fundraise? And then as you -- there's obviously a lot of political pushback on some of these new data center build, does that kind of represent a bit of a challenge for deployment for you guys?

Alan Kirshenbaum
Chief Financial Officer
So I'll take that, Mike. On the last point, from a deployment perspective, we have a huge pipeline. So we're really excited on the pipeline side. And look, there's obviously been a lot of attention on data centers recently.

So just to start with, we have some very unique capabilities in this area. As we've talked about over the last number of calls. We have over 130 data centers that are operational or under construction, and that represents almost 14 gigawatts of leased and owned capacity. We have a 21-gigawatt pipeline. So to go back to that pipeline, we have a very, very robust pipeline there.

And to level set, I think one -- there's 2 important things. One, the amount of compute that people utilize is not going down in our view, and I think everyone shares that view. And Marc touched on this a minute ago, but I'll do a little more directly. We're not making a bet on AI when we invest in data centers. What we're doing is very simple. We're buying or building buildings for investment-grade tenants and signing long-term leases, period. We're taking Microsoft, Amazon, Meta credit risk.

Now rolling into where we are for our next vintage, we're doing -- no pun intended, we're doing rolling closes for our first close, so through the end of 1Q, and that provides flexibility for our institutional investors to either use their '26 allocation to invest or they can use their 2027 allocation. And not dissimilar to other fundraises, this will be an 18- to 24-month fundraise likely through, call it, mid-2028. We're very excited about what we can do here. And in particular, as I just commented, we're excited about the investment opportunities we're seeing in the market for our LPs. $10 billion continues to be the overall fundraise goal here.

Marc Lipschultz
Co-Chief Executive Officer
So I think -- I just also want to amplify something here, which is back to this earlier comment. The term data centers, it gets used either too generically or too monolithically. There's a lot of different kinds of data centers. And we focus on and frankly, are one of the core go-tos in, a very particular kind, which is very large-scale data centers for the largest hyperscalers in the world under long-term leases. That's where we thrive.

We have, as you know, a specialized group in STACK and Beale where we have well over 1,000 people in order to be able to implement what are these very, very large complex projects. That makes us a very specially positioned firm, which is why we're one of the largest landlords to many of those hyperscalers. But that partnership has real value. There's not many people that can do that.

And so origination at its heart, married with capital is where we're able to create these very special opportunities, which I think over the course of time are going to look that

much more special. So I think it's important to keep unpacking this question. It's one thing to take a data center that's got unleased capacity or in 5 years is going to have to re-lease. That may be a perfectly fine strategy, but it's not what we do. And when we think about capital formation, actually, our backlog is between our triple net lease and digital infrastructure, it's as large as we've ever had.

So this question of demand and supply, there's no doubt in our minds, the demand is really substantial. I'm not so sure about the predicate this notion that there's a lot of supply of capital. In fact, a lot of the behavior recently has probably spooked some of the capital in terms of its involvement. So I'm not so sure that the capital base, in fact, I'd say it's safe to say when you think of the scale of what has to be invested, we've all seen this over just the last handful of weeks, scale of capital that's been needed and coming out of now the private markets seems to be expanding rapidly, not the other direction. So I think we feel really, really good about this business. And for the foreseeable future, I think we're in the right place with a very distinctive capability.

Operator
Your next question comes from the line of Chris Kotowski from Oppenheimer.

Chris Kotowski
Oppenheimer & Co.
My question is also about data centers, and it's probably unanswerable on an earnings call, and I'd encourage you to do a teach-in on this sometime. But there was a -- I'm trying to reconcile the scale of the stories of what you said about STACK and the stories we read in the news sources. So like there was a Bloomberg article in the recent quarter that said you're considering a $20 billion to $25 billion sale on an Asia Pacific data center. And I don't expect you to confirm or deny that. But the entire invested capital in the most recent fund was just $5.3 billion, and we hear these numbers of $20 billion to $25 billion.

So how -- can you reconcile for us how do these numbers fit together? And if, for example, that data center sale that Bloomberg talked about went through on the terms that they discussed, what would the impact of that be on your financials, your fundraising, distribution? And where would we see it in your financials?

Marc Lipschultz
Co-Chief Executive Officer
So thank you for the question. And I mean, as obviously you observe, we can't comment on stories in the market. But what I think we can all observe, and this goes back again to a couple of stitching together a couple of the questions already. The demand for high-

quality stabilized assets is really substantial. And I would dare say for good reason because the nature of these assets, where do you get 20-year kinds of assets with rent escalators, with companies that have, in many cases, the biggest companies in the world, that's a very valuable and at the end of the day, scarce asset.

And so your question, I think, anchors to an important point, which is there is a significant opportunity, we believe, for monetization and in some cases, monetization at compelling -- very compelling prices. So we think of all of that as the right tail, but the beauty of the strategy is things like that, if they were to prove true, would be a tremendous upside. But you don't need those upsides to end up earning a really, really attractive return. That's the hallmark of a Blue Owl strategy.

Chris Kotowski
Oppenheimer & Co.
Okay. Just as a follow-up on that. I mean, if I think about a typical private equity fund, right, you're going to write 20 to 25 major equity checks, right? So a $5.3 billion fund, that would be like $200, $300 million equity checks at the time of origination. Am I thinking about that right? Or are they just much bigger and chunkier than that?

Marc Lipschultz
Co-Chief Executive Officer
Yes. They're bigger and chunkier. Remember, it's -- I mean, of course, I know -- you know us but to say it's not a PE fund. This is an infrastructure product or a real estate product, however you want to think about it, but under very long-term leases. So it's not about -- it's a different measure of diversification. Having 20 different projects isn't really the key question, it's getting a good mix of different projects at different time lines with -- there's a handful of great companies that pay their bills.

So no, the checks are larger. Of course, it does also lead to interesting co-investment opportunities. It also leads to, again, the earlier question, the opportunity for things like ODIT, because all of these projects are way beyond as you're talking about the scale of anything people have normally contemplated in the land of private equity. I mean just think about any given project, a single gigawatt is probably just -- this is just the digital infrastructure part, not the chip part, is probably depending on where you're building it and the exact facts is probably $15 billion.

And frankly, if anything, today, the debt markets are probably softening a bit on leverage level. So that increases the equity demand. And to the degree that we see debt costs for

things like digital infrastructure rise, then we expect fully that the equity returns will rise in proportion with them.

So there's a lot to like about the dynamic if you occupy one of a few special places where you have the proven ability to deliver. Capital alone isn't an answer here. Capital married with skills and access. And by the way, people mentioned earlier, the political issues, it's very complex. There's a very, very local issue. That takes a local ground game. Again, something that people need in partnership with someone like us. It isn't just a check.

Operator
Your next question comes from the line of Wilma Burdis from Raymond James.

Wilma Burdis
Raymond James
Great color on the data center business, which we understand is extremely strong. How are you all thinking about the opportunity to finance chips or GPUs? That's going to be a huge market in the coming years. Just curious if there's any take on that.

Marc Lipschultz
Co-Chief Executive Officer
Absolutely. Great question and indeed, a very attractive area. Very different. So back to the point about when we talk about AI or we talk about digital infrastructure, I think we have to keep unpacking it just the way you did.

A chip financing is very, very different from a data center financing. Data centers are extremely long-lived assets the way we're doing them, right? It's that infrastructure surround, it's the physical asset with very long lives. I mean, anecdotally, we still own a data center that was originally an AOL data center, and it's still occupied, leased and paying rent. So these assets have a very different lifespan.

Chips have a lot of technology risk. Chips, therefore, have a very much -- by definition, have a much shorter lifespan, and they require a very different kind of structuring, different duration. So one ought not conflate the two. They're very different kinds of risk return profiles. That said, it's an enormous opportunity, and even there, we have to parse apart. There's IG solutions like what we've done with SpaceX. By the way, we had done that originally with xAI and rolled into SpaceX. We actually have done chips a couple of times in the SpaceX complex.

We did it this quarter, as you saw, though, on the other hand, say with, like an IREN, a fantastic company. Takes technical structuring, but you can structure these things very intelligently and you can create very, very good risk management, something we're very skilled at. But we ought not confuse the two. And that, for example, is a great kind of financing for our credit business.

So I think all these things, again, this tendency to lump them into one word, for us, it's unpacking it, getting the risk reward right and finding the right matching home, and we have homes for all these different types of financing. But you got to look at financings for chips in a very different lens from the lens you look at something like a triple net lease real estate asset.

That's our job. Obviously, it's what we do. But I think even when people think about asset allocation and think about the opportunity set, chip financing is probably oftentimes a 3-year financing, right, versus a real estate asset, triple net lease asset, probably starts at oftentimes close to 20 years, and then there's extensions. So very, very different ways to participate in the digital transformation, but both very compelling.

Operator
Your next question comes from the line of Dan Welden from Wells Fargo.

Daniel Welden
Wells Fargo Securities
Wonder if we could circle back and just talk about sort of the signs of falling in the redemption queues for the BDCs, sort of any investors sort of dropping out of the queues and also on the feedback that you're hearing lately from the wire houses and RIA home offices. I'd also just note, I think it's interesting and kind of constructive that I'm circling up on this topic at the very end of the call. It's a change in focus here.

Marc Lipschultz
Co-Chief Executive Officer
I made the same mental note.

Alan Kirshenbaum
Chief Financial Officer
Agreed, Dan. I'll take that. Good question. And glad to see it towards the back of the queue, which is really in line with what we're seeing here. So we are definitely seeing encouraging signs that point to increased growth in '27. So I'm going to break this down in a couple of different ways.

One -- and again, I said this earlier, it starts and stops with this. We're seeing really strong performance for all of our flagship wealth funds, right? So through the end of September on a year-to-date annualized basis, we're running at 7% to 12% net returns. And remember, our products are typically -- I touched on this earlier, typically fixed income replacement. And the Agg bond index is down year-to-date. I think it's down about 4% through yesterday. And so product like CIC, annualized year-to-date 7%, OWLCX, ORENT, both 10%. ODIT, we had a question earlier on ODIT, 12% year-to-date annualized returns.

And so on the signs that we're seeing of re-acceleration in the wealth business, we're seeing sales are modestly up in 3Q, which is typically a slower time of the year given the summer holidays. We're seeing leading indicators that are positive. They're pointing up. And so what we're seeing and hearing specifically there, increased activity with home offices around product launches. And there's an emphasis in these product launches on expanding from direct lending into ABF and real assets, where sentiment is stronger, especially outside the U.S.

We're seeing an increase in both new producing FAs in 3Q, which is up about 13% from 2Q. And FA cross-selling, I touched on this stat last quarter in Q&A, similar -- same number as last quarter, FAs that invested in OWL products during 3Q, 74% of them are in more than one OWL product. So all of that combined with we're seeing increased activity in terms of client engagement, meetings, conferences, pickups in kit orders, indications of interest.

We have a strong pipeline of new initiatives and products for '27, particularly around things like models, multi-asset solutions, tax aware solutions like the 1031 product we have. We've seen enormous success in that 1031 product as part of ORENT. And equity-oriented products. And don't forget, we raise a lot of wealth dollars across our closed-end funds and other vehicles. So think about the net lease franchises, the digital infrastructure, the GP stakes franchises, we raise a lot of wealth dollars across those closed-end vehicles as well.

So really anchoring back to what we're designed to do, which is to provide consistent income, protect NAV and compound wealth. Remember, we have a scaled team with embedded global relationships. Only a few firms have invested in that kind of capability, and it's the foundation that we can build off as we get into 2027. And so at the end of the day, our suite of products are delivering across the board from a performance

perspective. And the market is showing more and more dispersion in returns. We touched on that earlier as well.

So all of this really does give us, Dan, a lot of confidence in a reacceleration of flows in the wealth business and continued declines of redemption requests.

Operator
Your final question comes from the line of Benjamin Budish from Barclays Capital.

Benjamin Budish
Barclays
Alan, I don't think you commented on the FRE margin expectations for the year, although I got the sense it was relatively unchanged. I think that implies a little bit of a seasonal step-up in Q4, which we didn't see last year, but we've seen typically. So curious if there's any sort of near-term color you can provide.

And then as you think into 2027, presumably, you'll maybe talk about that a bit more on the next call. But how should we think about the run rate? I mean, should we think with revenues accelerating, can you sort of sustain this maybe like lower -- more mid-single-digit pace of expense growth? How should we think about leverage going into the next year?

Alan Kirshenbaum
Chief Financial Officer
Sure. Ben, I appreciate it. Thank you for the question. I'm going to unpack that a couple of ways. One, on FRE margins. Year-to-date, we're at 58.6%. It's above the guide of 58.5%. We could experience a little more margin expansion than the guide that I've given of 58.5%. And frankly, we're expecting that. It's our new base case. So we would expect a modest spike in 4Q in margins again this year. And we would expect modest margin expansion in '27 as well.

So what's underpinning all that? I commented on the prepared remarks about management fee growth in '27 being higher than '26. So we are seeing an acceleration into '27 for management fees. We're seeing it for revenues. We're seeing it for FRE per share. We're seeing it for DE per share. We certainly -- and I think everyone has seen this certainly today and over the last number of quarters, we have more diversified management fee and revenue streams than we've ever had heading into 2027.

We're seeing tailwinds for Part 1 fees with rates higher, the management fee offset in credit is gone in '27. That was $20 million of offsets in 2026. So that's gone in '27 for credit, not for real assets, but certainly for credit.

I just commented trends in traded -- non-traded BDCs are getting better. We've raised a lot of capital in '26. And just the annualization of that will drive some growth. We touched on the $36 billion of AUM not yet earning fees, and that's a backlog of $400 million of management fees.

So we're excited about all those things, and we're really excited about the products that we have in market, so both now and coming in '27. I'm going to break that out with first products that we have existing strategies for. BOSE, so we're excited to get out next year with the second vintage of our BOSE product. We raised $3 billion for that strategy. It's our GP-led secondary strategy. Very strong track record there that we've built, and we're excited to bring that second vintage to market next year.

We just closed a final close this quarter on European Net Lease first fund. Over expectations, USD 1.8 billion raised there. We're expecting to bring Vintage 2 to the market next year. We're expecting to build on the success of the first vintage, and we'll be out in market next year with that.

Marc touched on earlier, real estate credit, data center credit continue to track, hitting or exceeding fundraising goals there. Opportunistic alt credit. So a lot happening in alternative credit, very strong growth rates there, 30-plus percent management fee growth on an LTM basis. Very successful ASOF IX fundraise exceeded our fundraising goals. We commented, I think in 1Q, we wrapped up fundraising there. We expect to be in market with the next vintage for our opportunistic alt credit product.

And then wrapping up credit, health care royalties and life sciences credit. We're focused on raising about $1 billion by the end of this year. We're about halfway through that goal and have line of sight to the finish line. So excited about getting out with that. There's some new launches that we've talked a little bit about on prior calls. So credit secondaries, certainly has been on the list. We've been out talking to folks, prospective LPs, looking to do a first close the first half of 2027. And then we've talked about diversified direct lending, having a closed-end product there. We have a very strong track record, and we're excited about bringing something out to market with a product like that as well.

Wealth dedicated products, we certainly look -- are going to look to add to our lineup of wealth-dedicated products in '27. And so we've talked about our focus in the past on meaningfully increasing the number of flagship funds we have in market. And that in a few years, we should have double, maybe more, the amount of large fundraises in the market. And so all of these things, just pulling the lens back, everything I just talked to really gives us a lot of confidence in accelerating growth into '27 and frankly, beyond.

Operator
And that concludes our question and answer session. I will now turn the call back over to Mr. Marc Lipschultz for some final closing comments.

Marc Lipschultz
Co-Chief Executive Officer
Great. Just going to offer a kind of pullback and summary here because there's a lot, obviously, that we covered and a lot going on in the marketplace.

Fund managers talk a lot about DPI, which in industry terms is the return of principal and gains to fund investors. It's a measure of how your fund is doing from a cash flow perspective. Our funds do very well on that measure, and it's really important to our LPs. So we definitely talk about it.

But we also talk about DPI at the Blue Owl level. And that's in 2 ways. First, we have a very high return of capital to our shareholders as measured by the attractive dividend we pay. And that's been a big part of total return over the past couple of years as well. But secondly, we think there's another DPI acronym that really encapsulates what we talked about today and what we're really seeing in the business, and that's diversification, performance and inflection.

Diversification, the business is far more diversified than perhaps people perceive certainly than it was if we go back a few years. And in fact, we just listened to Alan's comment, that list of different strategies, all of which live very comfortably in the Blue Owl DNA, all places where we have the ability and have been able to deliver successfully for people give us a lot of different ways to continue to meet the needs of our LPs and grow Blue Owl successfully and on an ever more accelerated basis.

Performance. Look, this is ultimately the key to our success, and our strategies continue to perform well. We talked about that on the call, and that drives the flywheel. Investors are seeing the results and not only industry results, which are good, but we're also seeing differentiation that's thankfully showing in our favor in many cases. So

performance will always be the heart and soul, and there, we're showing and shining brightly.

And then inflection. -- look, we're putting the first part of the year in the rearview mirror and demonstrating an acceleration of growth in the second half, and we see that continuing into 2027. So DPI put that way, diversification performance inflection is probably our hallmark and our calling card, and we'll keep talking about it with you. Thank you.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.