

Blue Owl Capital, Inc. (OWL)

2022 INVESTOR DAY

Announcer

Head of Investor Relations for Blue Owl, Ann Dai.

Ann Dai

Head of Investor Relations

Good morning, everyone. I'm seeing some familiar faces in the room, so hello. Hi to you all. We're seeing some new faces at the room. That's really great. And we have hundreds of people signed on to the webcast from across the country and across the world, and we are just so grateful that you've chosen to spend a few hours with us today. So thank you for that. Also, of course, thank you to the New York stock exchange for providing such a great venue for us. We're incredibly grateful for that as well.

This is a really special day to have our Blue Owl Inaugural Investor Day, on our first anniversary as a public company. And we've got a terrific lineup for you. When I think about who you'll be hearing from today, there is a wealth of knowledge and experience and an extraordinary perspective across the alternatives industry, and we're just so excited to share that with you.

Some of you already know the Blue Owl story, who we are, what we stand for and what we hope to accomplish. And for some others, this will be a bit more of an introduction. What you'll hear from us throughout the next few hours should give you a very good sense of what Blue Owl is and where we're going. You'll hear about our differentiated business model, how we stand apart from our peers. You'll hear about our focus on providing an exceptional experience with our strategies, which drives everything we do. You'll hear about our growth story and how we plan to execute on that. And that's all underpinned by our very straightforward and high quality financial model, underpinned by permanent capital and stable growing management fees. And hopefully, you'll feel the passion that we have for our business, our comradery, and the shared vision and goals that we have across the team. So without further ado, let's kick the day off with a little video we made for you.

[Video Presentation]

Ann Dai

Head of Investor Relations

And now, it's my pleasure to welcome to stage our CEO, Doug Ostrover. Doug, the stage is yours.

Doug Ostrover

Chief Executive Officer

All right. I got goosebumps from that video, but thank you, Ann. And good morning, everyone. I also really appreciate everyone being here today. It's been a year since we went public and we thought it made sense to get together, talk about our progress. And most importantly, where we think we can take this business.

Before I start, I was talking to a few people outside. I have to let you know it's fun for me to be back here at the New York Stock Exchange. I actually started my career here as a runner for a firm called E.F. Hutton, and this exchange has changed a lot. It's more efficient, it's more profitable. The bottom line, it's gotten better. And when I think about the alternative asset management industry, it's also evolved. It's improved. We are the newest, large scale public alternative asset manager. We purposely built our firm differently from our peers. We view our business as alternative asset management 2.0.

Let me just touch on two brief differences. One, 95% of our revenue is from permanent capital, and 100% of our distributable earnings is from FRE. Now, this certainly makes us much easier to analyze than our peers, but what we offer shareholders is very long dated pools of capital, which provides stable, recurring revenues and profits. And this highly predictable revenue stream should allow us even in a weak market to always trade at a premium versus our peers.

For those who don't know us very well, we operate in three core verticals, direct lending, GP solutions, and real estate. And our goal is not to be in every asset class. We search for opportunities that are scalable and where we can create alpha for our investors. We have almost \$110 billion of assets pro forma for the Wellfleet acquisition. We have 500 institutional clients, 34,000 private wealth clients. Think about that. 34,000 individuals who are relying on Blue Owl for income and capital preservation. And this is not a new effort. We launched our private wealth business almost seven years ago, and we believe we are barely scratching the surface. We continue to see meaningful upside in private wealth.

With regards to Blue Owl, we view ourselves as a solutions provider to the private marketplace. Our goal is to be able to meet with the founder of a private markets business, a PE business, a real estate, VC, and be in a position to meet most, if not all of their capital needs. For investors in our funds, we offer in all of our products, high current income combined with principal preservation. And for shareholders, we offer stable, steady earnings stream combined with meaningful growth and highly attractive margins.

I also want to comment that it's really popular today to talk about permanent capital and retail distribution. We built our firm from day one, focused on both of these trends. We have more permanent capital as a percentage of our assets than anyone else in the market, and we

believe we are also far ahead of our peers in private wealth with the exception of Blackstone. And we are going to dive much deeper into our private wealth plans later today.

So we certainly believe we have a differentiated model, but there are three key metrics I'd like you to take away from today's session. And I think these numbers will give you a sense of the scalability of our business. So first, we believe we can double revenues, from \$900 million to \$1.8 billion between '21 and '23. That's a 41% compounded annual growth rate. Secondly, we believe we can grow our after tax distributable earnings to \$1 dollars by the end of '23. That's a 38% CAGR. And then finally, we think we can grow our dividend to \$1 a share by 2025 or sooner. At \$1 a share of earnings and still meaningful growth in front of us, I think our stock has the potential to move up in the near term and certainly over the next two to three years. And remember, when you look at this page, it's all organic. It doesn't include the potential for accretive M&A.

I also want to make the comment that I know we're in a down market, but if you think about the stability of our revenue stream combined with growth, I think that creates a floor on our stock. And if you believe in that \$1 a share of earnings, we're not going to trade at \$10 or \$11. That would be close to a 10% dividend. At \$20, it's a 5% dividend. Our peers trade at approximately a 3% dividend yield. That would imply in excess of a \$30 stock price. So when I look at our stock, you know we don't have carried interest, our assets are long dated, we have high recurring revenues and profit. I view our stock as being downside protected with meaningful upside.

Now, Alan's going to go into this page and these numbers in a lot more detail, but I wanted to take a moment and just dig a little deeper into the drivers of growth and how we get to that \$1 a share.

Let's start with our direct lending business. It's not on this page, Marc will go into this in a lot of detail, but we have averaged 87% compounded annual growth from 2017 to '21 in direct lending. This is a large market with unbelievable tailwinds right now. There is well over \$2 trillion of private equity dry powder that will need financing. And we invest in the upper middle market. And I think we are uniquely positioned to continue to capture meaningful market share. This is a market that is growing very fast.

I'll give you just a quick example. Prior to 2016, there was one \$1 billion financing that was done away from the banks. Last year, we did 20 deals of \$1 billion or greater, we evaluated 40. This year, we were working on deals of \$1 billion, \$2 billion, \$3 billion. And we actually had a deal in a house yesterday that had \$7 billion of funding needs.

I mention this because what we're seeing are bigger, world class businesses, companies that truthfully I never thought we would have the opportunity to finance. And because of this turmoil in the markets, it's actually a great time to be in the lending space, and we are one of the largest lenders. We've got a very strong track record, virtually no defaults, under 5 basis points of loss per annum. We are seeing big demand right now from both our institutional clients and our private wealth investors. Our products, I think you know this, floating rate. They offer high current income and principal protection. We think these are products that will resonate in today's environment. Finally, we have two products that are being continuously offered in the wealth management channel, and we have about four or five institutional products in the market.

Okay. Quickly on GP capital solutions as a driver of growth. This is also an incredible business and it's grown historically at a mid-20s CAGR, it's a very large addressable market, and Michael will get into this in more detail. But I think what a lot of people don't understand is that this is a market with very limited competition, and we are by far the largest player in this market. There's Blue Owl, there's Blackstone, and then there's Goldman. Our track record is spectacular. Last two funds, 24% net, Fund IV, still young, but an 80% net return. There is lots of deal flow, and we've got an active pipeline of executable deals. We expect to be back in the market with a large new fund sometime next year.

And then finally, let me just touch on real estate for a moment. I think real estate should be our fastest growing business. We are a leader in triple net lease. This is a big market that we believe is under penetrated. We've got a very strong track record, mid-20s IRRs. The high net worth opportunity here is significant. Think about it. The product has a great yield. It's tax deferred and it's inflation protected. In 13 years, we have never had a lease that didn't pay. And our initial feedback from the wirehouses has been excellent. Given this uncertain environment, we expect this product to be very well received. We will be launching both an institutional product and a non-traded REIT later this year.

So this slide is titled Our Financial Profile is Very Straightforward, but what we mean is our business is much easier to understand than our peers. We have a very large and growing pool of permanent capital. Our assets don't leave. What we offer investors is permanent capital combined with revenue from management fees. What we've created, I believe, is an annuity stream, but it's an annuity stream with significant growth. Remember, 95% of management fees come from permanent capital, 100% of distributable earnings is driven by FRE, which certainly lowers our earnings volatility.

You know, it's interesting. When we launched the firm, I talked to a lot of people about carried interest and I'd ask, "Well, what about a flat market? What about a down market?" We don't have carried interest in our Blue Owl revenues. Our revenues, our stream is much more stable

and highly predictable. We are forecasting margins of 60% or greater. And remember, because our capital doesn't leave, our business is like a layer cake. We keep adding assets and earnings to that cake. And hopefully, all of you saw the layer cakes outside.

So let me just spend a moment and talk about this concept of a layer cake. The first layer you can see at the bottom, those are our existing earnings. Again, assets don't leave. So that layer of earnings there will go on in perpetuity. \$523 million of distributable earnings in '21. We will earn that in perpetuity. That's the annuity part of our business, but it's an annuity, as I said, with growth.

The second layer is deploying capital already raised and capital where we have contractual fees step-ups. And you can see this adds \$300 million of incremental annualized management fees. Once we deploy that, once we have the step up, that will become part of the annuity.

The third layer is growth. That's new capital raised, and we are forecasting raising at least \$50 billion of new fee paying AUM in 2022 and '23. And I know many of you are probably thinking, how are we going to raise all that capital in a high inflation, increasing rate environment? Well, it's our belief that because our products offer high current income and inflation protection, they should continue to sell very well, especially in the private wealth channel.

And then the final layer is potential accretive M&A. Let me just make a couple quick comments on our M&A strategy. We are going to be incredibly conservative. We are looking for acquisitions that are accretive day one and where we believe we can meaningfully grow the business. So now, think about what I've just described. You know our trailing earnings, those are earnings we will receive in perpetuity. You can feel confident that we will earn our fees from capital that's been raised and not yet deployed.

So to analyze our business, you need to think about, what is our growth rate? Can we maintain our margins? And can we potentially do another accretive acquisition? It's an exciting model, and it's much easier to analyze than our peers. I think we have a stock that is very attractive right now with meaningful upside.

Okay. In terms of our business, we now have well over 400 employees. We have 10 offices. We have a global presence. We are actively growing our fundraising capabilities in the U.S., in Europe, Asia, and the Middle East. You're going to hear from James Clarke and Sean Connor, our heads of Institutional and Private Wealth Distribution, but we now have over 120 people focused on fundraising, and we expect to meaningfully grow our resources over the next 12 to 24 months. Remember, when we merged with Dyal and then with Oak Street, we had virtually no overlap in our LP bases. We identified as a significant opportunity, the ability to cross sell

to one another's LPs. That cross sell has started to happen, and that should show up in our fundraising in the next few quarters.

In terms of our investor base, highly diversified. 32% from the wealth channel, 37% from public and corporate pensions. But if you look on the chart on the right, you can see that 77% of our investor base is in North America. A big part of our expansion has been growing our resources in Asia. We're now very focused on Europe, the Middle east. And I think that these regions represent a big and relatively untapped opportunity for us.

Now, our priority. Our priority has always been and always will be driving strong investment returns for our investors. We like to say that returns are the lifeblood of our business. And when I talk about our ability to go out and raise this additional capital, a lot of my confidence comes from the incredible returns we've generated for our investors. You can see them on this page. In ORCC, our diversified lending, I'll talk about gross just real quickly, 12% returns. Our technology lending fund, about 15%. The Dyal funds, Dyal Fund III, 31%, Dyal Fund IV, 127%. And our Oak Street funds 27% and 22% returns.

I think what really resonates with our investors is that we've been able to deliver stable, safe, and most importantly, consistent returns. Now, I think this is a really interesting slide. The right hand side basically, these are stats from Preqin, says that approximately 90% of investors surveyed intend to maintain or increase allocations to private debt, private equity, and real estate. But look at the chart on the left. This is where it gets interesting. The pension market, \$53 trillion growing to \$65 trillion. Now, look at high net worth, mass affluent, approximately \$180 trillion, growing to \$220 trillion. The average pension has a 27% allocation to alternatives. The average high net worth individual has a 5% allocation. So eventually, the high net worth channel grows to just a 25% allocation to alts. That would be approximately \$40 trillion of new capital moving into the alternative marketplace.

Now, I don't know if it's going to be \$40 trillion. It could be \$10 trillion. It could be \$20 trillion. It could be \$50 trillion. But what I can tell you is we are highly confident that we will continue to get more than our fair share of whatever that number is.

Now, we have been focused on the private wealth market since we launched our firm. And when we launched our goal was... It was quite simple and that was, let's give the private wealth investor the exact same experience as our institutional investors, and private wealth investors with us have had a great experience and you can see they are giving us more and more capital.

In the first quarter of '22, we raised approximately \$2.2 billion. And if we just annualized that number, that's 9.3% growth for us. The second quarter through May 15th, we raised approximately \$2.6 billion. We'll go into this in more detail, but we are taking in right now just under \$900 million a month from our continuously offered funds. And when we launch our REIT, we would expect to meaningfully increase our inflows, and you should expect that we will be launching other strategies into this wealth channel sometime in the next 18 months.

So just to wrap up, if you look at the bottom of this page, stability, predictability, growth. Stability, predictability, growth. These are the words that describe the Blue Owl earnings stream.

To recap, we believe we can double our FRE revenues from '21 to '23. We believe we can earn \$1 billion of after tax profits or after tax distributable earnings in '23. We believe we can generate \$1 a share in dividend in '25. And we believe we can raise a minimum of \$50 billion of fee paying AUM in '22 and '23. I'd also like you to think about the visual we put on the screen of the layer cake and what that was meant to show you was our large, permanent capital base. It gives our stockholders visibility into our earnings and creates a highly predictable stream of income.

And because capital doesn't leave the system, it also allows us to grow quicker than our peers. Private wealth, it is a massive opportunity. We have been at it for almost seven years, and I think we are well positioned to continue to capture meaningful market share. And hopefully by the end of the three hours, you will agree with us, that our stock is undervalued and has the potential for significant gains over the next few years. So thank you and let me introduce you to Marc Lipschultz, who will talk about direct lending. Thanks.

Marc Lipschultz
Co-President

Great. Thank you very much, Doug. Appreciate it. Thank you all for being here today. Let me please echo my good friend and partner, Doug's sentiment. We're really grateful that you're interested and willing to spend time learning more about Blue Owl.

I have the pleasure to be here today to talk to you about direct lending, our largest business and a place where we see really substantial demand for the capital and really substantial growth as a result. So there's a number of questions that we often get, and they may be on some people's minds. So let me just hit these questions up front and some headline answers, and then we'll dive deeper into the business and kind of skip behind the scenes on some of these topics.

So first, how big is the investment opportunity set in direct lending? Well, this one fortunately is an easy start. It's a very, very large and growing market. Let's just frame that in a few ways. So first, the leverage markets in general, leverage credit markets, multi-trillion dollar annual marketplace, but let's take it into a more focused fashion. The people that we really serve heavily are the private equity firms and the firms that they're buying. Well, sitting here today, the private equity firms have about \$2 trillion plus of dry powder in their hands. So if they just use one turn of leverage, just to keep it simple, that \$2 trillion of dry powder, which is going to be deployed over the coming years will require \$2 trillion of borrowings. And that's new borrowings, let alone refinancing existing borrowings that already are in the marketplace and in these large portfolios. So it's a very large market. On the other side, we, and a few others have scaled our pools of capital to the point where we can meet the needs of really any demand that audience has. Really any investment they want to make on the private equity side, we can provide the private debt side. So we've got this match that has now evolved. Add to that a particularly turbulent market today, that's only an accelerant because, frankly, that makes that public market option a lot more difficult to access.

But, most importantly, we've created a value proposition that the users of the capital have come to really value. And that gets to the second question, which is why choose private credit direct lending at all? And we summarize this with what we call the three P's of direct lending. That is predictability, privacy, and partnership. And I'm going to get into those a little bit more in depth later, but the bottom line is the proposition is pretty straightforward. It's absolutely true that our capital costs more. It's absolutely true that our capital has more restrictive documents, more restrictive covenants. However, we offer terms certain, time certain, money certain. We do that in a fashion that's very long term focused. We match that long term view that private equity has on the equity side with that view on the debt side.

And last, most importantly, I would say, is partnership. And I'm going to really dive into this one, but knowing who your lenders are when you're making really big, long term investments is very valuable. It's a great value proposition, and that's why we're seeing this increasing movement in the use of our capital.

Which gets to can direct lending continue to take market share, and I would have to say the answer is quite straightforward again. Absolutely. Now, I say that for a couple of reasons. Partly because we're a relatively small part of the market today, but also because of that value proposition I talked about and the set of large capital pools on both sides. There's really an opportunity and, I think, a very high likelihood we'll continue to pick up significant share.

Now, to do that, we have to have those deep capital pools. So I mentioned before this question of formation of capital. So what about the demand for direct lending strategies? Well, at its heart, what we offer in direct lending are three core attributes. First and foremost,

principal preservation and protection. Remember, we're in the senior secured lending business. Within the land of risk bearing assets – not suggesting this is a risk free asset class – within the land of risk bearing assets, this is one of the safest areas you can be, one of the most stable, and we in particular, Blue Owl, focus on credit protection first and foremost. So safety and stability.

Number two, strong current income. So this is something that all portfolios largely are lacking today. That is the hallmark of the direct lending strategy model.

And third, inflation protection. 90-plus percent of our portfolios, frankly, close to 100, are floating rate loans. Which means changes in interest rates, as they come, are promptly passed through in the form of earnings for our investors. So inflation protection through that feature.

So principal preservation, strong current yield, inflation protection. Those are the attributes, frankly, that resonate with people. They have over the last 5 and 10 years within this marketplace. Even more so in a market today where uncertainty has risen its head.

So how do we grow our direct lending business? Well, this gets down to performance. Delivering great results for the investors in our funds allows us to keep that virtuous cycle going. And, fortunately, as Doug highlighted, we've been able to deliver really great results, both measured in capital protection and in that return all in and that current yield. So that's something we feel a lot of confidence we can continue to deliver, and that's critical to growth. That's how we deliver results that deliver growth for you, our shareholders.

So just to level set on the business. Our direct lending business has grown very substantially. Our AUM has grown at over a 50% CAGR, but more importantly, for the shareholder audience, our fees have grown at an even higher rate. And, remember, this is almost entirely permanent capital. So back to the layer cake. Here's one of those foundational elements of that layer cake that continues to grow.

In addition, and I just want to highlight this for a moment, the performance of our funds matters a lot to us. It is something we are very proud of. It's something we are keenly focused on and have been delivering world class results. But for our shareholders, this is a fee centric business. This is fees, not carry. So actually the underlying performance of these funds does not impact this earning stream that you experience. So while we're very obsessed with the performance of our funds, it actually is not impactful to you, our shareholders. What you need us to do is continue to deliver this foundation of the layer cake and add other layers to it.

So I don't think this is a surprise to anybody. The marketplace for alternative assets continues to grow. It's a substantial opportunity. Doug talked about this, frankly, being driven by institutional investors with the future wave being driven, we expect, by retail investors. But look at this growth as a general matter. That gives us tremendous tailwinds. And there's two bars I'd like to highlight on this chart. So of course the light blue bar, private debt growing. Well, yes, that's a tailwind for our business. We're in the private debt business. But the more important bar is the dark blue bar. And I'm going to probe that bar further, too. But the more important bar here is the absolute dollars being raised by private equity. After all, we lend absolute dollars. So when you look at that bar and the continued growth in it, that is that demand equation for this capital that we continue to form.

So the marketplace, the way to meet that demand. So most certainly there's a couple of different drivers of demand. First, overall growth in the marketplace. So this is the broad leverage lending and leverage capital marketplace. Multi-trillion dollars. And you can see certainly growth in that market. Now, what's happened to direct lending, a couple observations. Certainly, we have picked up share. No doubt. We've gone from about 3% to close to 18%, but there's a couple things I'd really highlighted looking at those later bars and that last collection of bars.

First off, we're still a very small share of the total. Trillions of dollars are at stake, and we're a very small part of it. And I think there's actually two takeaways from that. One takeaway is lots of headroom. Certainly, there's plenty of white space, plenty of room for us to grow. But at the same time, as much as people like to articulate this story of "it's the banks versus the direct lenders," "it's the public markets versus the private markets," and "who's going to win," this is a big market. There's room for all these solutions. Even in our wildest dreams, as we grow, we're still a minority share of this marketplace. So lots of head room, but it's not a "we win, they lose." It's not one or the other. It's going to take all of these markets to meet the growing needs of US businesses and businesses around the world.

So I talked before about that dark blue bar, that absolute growth in dollars in the hands of private equity. And here let's just dive into it a little more deeply. That absolute magnitude of those bars and the growth is what matters to us. At the end of the day, let's take that \$879 billion raised just last year. Using that same math that I talked about, just roughly one turn of leverage, that's nearly \$1 trillion just raised last year in absolute dollar demand.

And then you look at the pools of capital we and our peers have. Frankly, they're quite minuscule compared to that. Remember, a lot of our capital's been deployed, so what we have on hand is actually relatively modest to meet this \$1 trillion, newly developed need. So this is something that's very exciting to us when we think about the prospects for growth.

So how do we deliver a proposition such that we capture a very large and growing share of the best parts of that bar, the best parts of that private equity growth? So I talked before about the three P's: predictability, privacy, and partnership.

So predictability. Knowing the money you're going to have the day you're going to have it, and, most importantly, the terms you're going to have it on. Deeply valuable. I had the good fortune of starting in the private equity business at KKR in 1995. And at that time, frankly, there were two large private equity firms in the world. There was Forstmann Little and KKR. And back in that time and since, certainly have worked on lots of private equity models, and a lot of thought goes in to the top of that model. What are you going to do with revenue? How are you going to grow the margins? What are you going to do to add to that business? How do you make it better? And the private equity firms are really good at it.

And then there's these mechanical lines that happen beneath it, but they're very important. What taxes are you going to pay? What's your interest cost? And knowing how to fill that in tells you a lot about what you want to pay for a business at the end of the day once you know what you're going to do with it. And in today's market in particular, the more uncertainty there is, the more value is in that predictability.

Second, privacy. Look, it's called private equity for a reason. The idea is take the business, change it, grow it, build it, and then return with a new enterprise. But if you have public debt, you haven't really gone private. You're still on that quarterly reporting cycle. It's still a matter of what the rating agencies think each quarter of what you do. It's still a matter of reporting and talking to investors in your bonds and your debt, and that trades every day. So you actually haven't left the public marketplace. You want to focus on the long term, but you're back in the quarterly cycle.

Private equity meets private debt, you can really be long term focused. You're really talking about taking that business, building it for the long term and returning it. And that's this point on partnership. So I mentioned before that I think this is actually the most important thing that we have and deliver, the idea that you know who your lenders are. I'll wind back to 1995 again, and early days in private equity. We used to know who our lenders were. We'd go to the banks. Many of them have since been consolidated, and they would actually be the lenders. And when things changed, for better or worse, we would talk to them, and we'd talk about how we're going to address that opportunity.

Well, we have now delivered that same solution. We are long term holders. You know what our incentives are. We want to get paid back, and, thankfully, I think we're quite good at selecting those credits where we do get paid back. But that's what we want. We're very predictable. We don't have CDS trades going on over here such that we actually want you to

default. We have a very straightforward model. Keep it safe, keep it simple, get paid our dividends and get paid our interest so we could pay that to our investors and get our principal paid back.

And that's very, very valuable. If you've just written a huge equity check into a world class business with a long term view of what you want to do with that company, you don't want the tail wagging the dog. You want a long term partner that's going to support that end state. It's good for everybody.

So what really makes our business different? Well, it always starts with people. So team, first and foremost. We have over 90 investment professionals. This is what we do. Direct lending. We wake up in the morning, we think about direct lending. We go to bed, think about direct lending. That might be depressing to many of you, but that's what we do. And we actually like it.

And so here's the thing about that though. If that's your business, you understand what you're trying to deliver, and you understand how to meet your client's need, how to meet the need of the person that's using that capital. We're not in the private equity business. We're not competing to buy the same businesses that we're in turn turning around and financing. So being that picks and shovels provider, as Michael talked about in the video, is a real positive. There are wonderful gold miners out there. People are finding lots of gold in the hills, but we're just providing the picks and shovels to any of them that need it. And that's a very good, Switzerland place to be, very powerful and a part of our model.

Scale. Very important. We and a couple others are the ones that have the scale to meet the now ever larger needs of the private equity firms as they buy ever bigger world class businesses. And that's a distinct advantage. You're not going to talk to four people when you can talk to one. And that's become one of the ways we've really positioned our business differently. And from the beginning, we focused on being that go-to firm for the largest possible company solutions.

And then approach, which is about tailoring the answer. We don't have a template. Our answer is to talk to the company, talk to the private equity firm, and find out what they need. What's particular about that business and their ambitions, and then tailor a solution where we're highly confident that our capital is protected and we're going to earn an attractive return.

So that means investing a lot. I've talked a lot about these private equity firms. Back to the two that were around of any size back in the mid-90s. Today, there's thousands. We, today, cover 600.

Couple observations to that. One, that is a lot of people looking at a lot of companies that are very skilled at it. So it's a great feed for us, a great set of opportunities. But it also means there's lots more. Lots more firms for us to continue to cover. And why do we care about that? We care about that because of what we call the funnel. That is to say the deal funnel, the investment funnel. We want to see maximum number of opportunities at the top of that funnel. That's really critical for us. We want to see as many things as we can see. Then we want to do the rigorous work. The weeks and months of work it takes to take those 6,000-plus investments and decide on the 300 that we have really high confidence are safe, secure, and going to pay us over time, and be a good part of our portfolio.

Now, 5% is not a magic number. It could be 8%, it could be 3%. It really gets down to you want to see everything. You want to certainly see as much as you can to pick the very best, the ones that really are above the bar and deliver these kinds of exceptional results.

Now, what happens at the bottom of our funnel is actually really important in the Blue Owl model, too. So once you go through that top of the funnel, and you winnow all the way down to those few hundred really good investments that we like, where do they go? Well, from day one, Doug referred to the seven years ago when we started focusing on private wealth, we set up a very straightforward model. Any investor in any access point to our products, whether it's designed more for individual access or institutional access, gets the same portfolio. But the bottom of that funnel comes out, those ones we really like, and they go to any one of our funds in their own pro rata share that has that mandate. So it doesn't matter where you come in. You get the same experience.

This is a point which may sound technical, but it's a point of significant distinction with most of our peers. If you have a long dated institutional legacy, you have legal commitments to those funds that you don't have the flexibility to have built from ground zero the way we did. From ground zero, we said we are going to serve those institutions and those individuals as peers, and we've built our structure to allow that outcome. It's a real positive in the private wealth channel in particular, but it's a real positive for all our investors. They know they're going to get the best of Blue Owl, no matter what product they pick.

So that has allowed us to continue to originate a lot of loans, and a couple of takeaways from this chart. So certainly true, we've been able to find in that funnel more interesting opportunities, so it's more in investments. But each investment has been larger. The companies are larger. And we don't say we like that just because they're big businesses. It's

not in and of itself great. What's great about it is they're world class companies. And what we like about world class companies is they're durable, they have more ways to deal with uncertainty and change, and as a senior secured lender, that's what you care about. You want to have a business that's going to have value no matter what happens in the world around it.

And you can see the scale, again, you heard these numbers, to look at what's continued to evolve in this market, if we had thought back a couple years and think about companies like this, like Anaplan, Sailpoint, Datto, these are all take privates that you've all seen or know about or read about. These are not the companies two years ago I think probably most in this audience or we all would've thought would be private lending solutions because you needed that special marriage of the capital scale in the hands of private equity, with the capital in the hands of private debt. That has happened. And so now we can finance these truly world class enterprises.

Take Anaplan. \$10.7 billion take private. Be done entirely by the private markets. Pause on that for a minute relative to where capital markets have been. That is a powerful evolution. But also let's think about that business and why it's so appealing to us as a lender. This is a company that provides integrated planning software across enterprise businesses. They have as their clients 25% of the Fortune 500, 20% of the Global 2000. They have in SaaS software a net retention rate of 120%. That is to say that just with their existing customer base, they grow 20% a year. That's before they add a customer. Think about the power and durability of that business, and we're the senior secured part of that capital structure. That's what we really love about these enterprises, the scale, and, frankly, in particular, the durability of these software businesses.

So once we identify all those companies, and we bring it down to those few we like, then what do we do? Well, portfolio construction, very important. We have to make sure we keep the portfolio highly diversified. This is the last line of defense if there's a problem in the portfolio. There is no credit benefit to concentration in the lending business. So this, too, requires heavy investment in resources, origination, underwriting. You want to be able to see it all, that neutrality, so we can work with any sponsor, multiple sponsors. We need to see as many as possible so we can originate a very diverse portfolio.

And then meaningful covenant protection, which will sound really arcane, but it's actually one of the most important things we do. I said before in the value proposition, those three P's we deliver, the price of the three P's is a higher interest rate. Well, that's straightforward and easy to observe, but it's also a much more rigorous credit agreement. And this is something that matters a lot to protecting the credits that we ultimately make our loans to. And this is something we spend a lot of our time on.

We often say, and of course, simplified and generalized, but our weakest document is probably stronger than just about the strongest document in the syndicated market. It's just a fundamentally different one-on-one negotiation that leads to a more tailored and tighter agreement. And that's something that will matter a lot in times of uncertainty, like now.

And on sponsor backed, I would just observe we really like the sponsor community. They're really capable of what they do. The sponsors are good owners. They understand the businesses. And, remember, on average, we lend in the low 40% of the value of a business. So someone else has 60% of the value of the business on average. We like that they wake up every morning and they think about that 60% that's at risk. Every dollar of it's at risk before we have \$1 of problem in our business. That's that stability, and that's the focus and benefit we think of having sponsors involved. We like that community very much.

We also do of course serve other private businesses, family run companies, but the sponsor community has been a great partner to us. And I think we've continued to be a great partner to that community. And it's worked.

This is probably the most important thing we do, protect the capital that people give us. So it takes a step back. We've originated over \$50 billion in loans. Our experience in losses, our realized loss rate, has been 5 basis points per year. Almost zero. And point of fact, in our tech lending business, it's been literally zero. Zero realized losses. Now, I'm not suggesting those are the right rates. These are extraordinarily low rates. They're certainly better than our peers and than the public markets, and I believe we can continue to really outperform. When we have challenges, of course we'll have our challenges, but I think what you can see is through all that investment I described and the rigor I described, we can create a very, very strong risk return proposition for our investors.

And, point of fact, that is what we've been able to do. So we look at this return base. Again, remember now, we're senior secured with the top of the capital structures here, and we're generating these returns of 12 to 15% in our wide diversified portfolios, or even 10% in our pure first lien portfolio. So 10-15% returns. Now, in absolute terms, I would, I would proffer that's quite compelling. But I'll just frame it this way. Now, these are not our numbers to be clear. This is a highly regarded institutional advisor, Cliffwater. So this is what Cliffwater is talking to their institutional clients about.

So looking both backward and forward. On the backward side, you can see what the returns have been. That'll be familiar to everybody. Well, first off, that 10-15%, that compares mightily favorably to every bar on this chart. But, frankly, it obviously dramatically exceeds every bar but for the far right, and there kind of lays on top of it. And yet we're senior, not junior. We're

low vol, not high vol. So that risk/return proposition, I think you can see, is really a compelling one.

Now, looking forward. Again, Cliffwater's number, not ours. 9% return from direct lending. Compare that to the other bars to the left. We think that number is a very logical number. As I said, you can see the numbers we've delivered in the past. Think we can do that. Hopefully do better. But in any case, look how that compares looking back to these other alternative options today. It's a volatile world. We have a predictable, attractive floating rate return. Inflation's here to stay for a while, and inflation is something we can protect from in the way our structures work.

So let me just close on a final area about durability of capital. As I said, the most important thing we do is protect the capital. So we identified, years ago now, the software sector as one of the most durable business sectors around. It's a particularly attractive time to have this conversation because I'm sure when I say tech, everyone immediately, of course, ... NASDAQ, volatility, unimaginable changes. Tide has gone out. Used to be the greatest thing going. That's all about the way the stock market has viewed these businesses, not about their performance. In fact, these SaaS software businesses, are performing extremely well.

So let me focus particularly on this right hand corner. We looked at this years ago, and from the ground up, from that funnel all the way down, realized that the most durable businesses, the best businesses we were seeing were the software businesses. Why? They were the best businesses because they have these very special positions. Large market shares, high gross margins, low CapEx. Tremendous customer retention. All of those attributes, forgetting what the business did, we would all agree, I think, are great for a loan. Great to be a senior secured lender.

Remember, I talked before about on average, our loans being in the low 40% of the value of enterprise. In the technology business, in our software business, it's 30%. So just think about a generic transaction. \$5 billion acquisition in software. That means in that \$5 billion acquisition, we'll lend that company a \$1.5 billion, and a really sophisticated buyer is going to write a \$3.5 billion equity check. So now we have two things going for us. One, an incredibly durable world class business with high gross margins, great cash flows, significant long term value. And, number two, we have \$3.5 billion that is ahead of us in that capital stack, every dollar of which would have to be lost for us to have \$1 of a problem.

So by identifying this sector years ago, we've been able to position ourselves as a market leader in technology lending, in software lending. We could not be happier than we are today to have that opportunity. A disrupted capital market particularly in the technology space meets these private equity pools that are particularly focused on software. Not just the

dedicated firms, world class dedicated firms have done a great job. Just about every firm is focused on software in part today because the secular trend hasn't changed. Now, maybe they went from 20x revenue to 10x revenue, but the secular shift has not changed. This is where the world's going.

But the markets don't feel good about that today. We love that combination. Lots of capital to be deployed. We have the specialty, the depth. A disrupted market in between. And out come the Anaplans, the Dattos, the Sailpoints, some of the best opportunities we've seen.

So we really get excited about the opportunity looking ahead. You can see what it means for our business. I'm going to close here. Looking back five years, this was a very small sector. And, frankly, in debt, people hadn't looked at software very actively. Now, the equity people figured it out a long time ago to their full credit. They said, "These are great businesses." They decided they would pay more for them. We decided we'd have an opportunity to lend less. That's quite a combination. The best businesses with the lowest loan to values. And as a result, we've now been able to originate \$20 billion in these credits. And sitting here today, we're really at the exact right moment to be able to bring this marriage together.

So with that, let me just wrap up. The opportunity we think is really very significant. We have the scale to meet any need. Credit quality is the most important thing we do. It means investing heavily in the resources to make that selection so that we can deliver capital preservation, strong current yield, and inflation protection. Those are the attributes we're going to deliver to our investors, those are the attributes that we think are very much in demand today, and that's how we're going to continue to bring in the capital so that we can meet the needs of our investors. Those three P's deliver the value proposition and continue to grow this business.

So with that, I thank you again, and I'm going to turn it over to Michael Rees to talk about the GP stakes business.

Michael Rees
Co-President

Thank you, Marc. Thank you all for coming today. It's a real pleasure to see a lot of friendly faces and look forward to meeting those who I haven't met. I'm the co-founder of Blue Owl, and, ultimately, was also the original founder of our Dyal business, which we now refer to as our GP capital solutions arm and segment. Worked with my team for the entire duration and even prior to the starting of Dyal back at predecessor firms. So this is what we do. We think we do it well. I'm going to take you through it.

But I have to go off script. Hope Ann doesn't get mad. True story. In the middle of the night last night, I had a dream, and it was that Doug pulled us all together right before the start of today's program and said, "Instead of our original script that we're going to do, I want you to start by singing your favorite song." And so petrified, but I looked over at Marc, and Marc said, "I think he's serious." So needless to say, I was wondering how I was going to pull off Paradise City by Guns 'N Roses in front of you all this morning. So I, luckily, woke up, realized it was a dream, and figured I can focus on something that I actually have a shot of pulling off, which is a GP solutions talk.

So we'll dive in. This is what I know. We can talk about this. You know, what is the GP solutions business model? Where did it come from? Why does this exist? Why do we think we have a competitive advantage? And probably most importantly, what does what is being sought from our GP partners enable us to deliver something that is really interesting to our investors? And the combination of our competitive position with really what we think is attractive product for investors means that we should be able to drive long term growth in this segment and deliver really good shareholder returns for you all.

When this slide was created, it gave me goosebumps. When we started this business, we really didn't have a vision that we would be able to partner with firms of this quality and this caliber and this scale. But the business has evolved. We were able to jump out to an incumbent lead and have a really good competitive advantage.

But what is GP capital solutions? We take minority stakes in the leading private markets firms in the industry. This industry, private markets, alternatives, is a growth industry. And like other growth industries, like technology, like healthcare, like biotech, they often need capital. They need capital for growth, and we wanted to be the provider of that growth capital.

We wanted to do it in a different way. We wanted to have permanent capital. We didn't want to ever have to go to one of these firms that we were privileged enough to partner with and say, "We need to sell you now to somebody else because we're five years into our investment."

So the hardest part of this business is raising permanent capital pools. There were many investors that asked us, could we just make this a 12 year fund or a 15 year fund? And we stuck to our knitting, and said, no, we really believe from a purist perspective that these funds have to be permanent. And that drives a lot of what we're talking about today. Permanent capital vehicles driving stable, predictable, and growing revenue streams.

So we've grown this business quite nicely, and we've focused on some of the leaders in this space. Firms that are true specialists in what they do. Technology investing, oil and gas investing, venture capital, private credit. We've been privileged enough to focus on the biggest and the best, and they've wanted to partner with us, and that's given us a really interesting competitive position that we think is favorable, that we think we can maintain, and that we think will drive the future of this segment of Blue Owl.

So let's talk about our market share. Our market share in the total amount of capital raised in this space is 60%. Financial services is a relatively fragmented market. In any other sort of segment, you would say if someone has a 10% market share, they're a big player. Here, from inception, we've raised 60% of all the capital. And when you think about where we focus, which is on investing with the biggest and the best partners, we've done 88% of the deals above \$600 million in size.

Now, our head of compliance, Karen, is sitting back there. She said, "Don't use superlatives. Don't say words like 'commanding,' Don't say words like 'dominant.'" So I won't. We're not going to use it to describe our business that way. But we like our chances, we like where we sit competitively, and we think we'll do a good job of growing this business going forward. So I wanted to hit it right up front, this is the question we get most often. I think most of you in this room have asked us this question, and we'll see when we get to Q&A, if anyone asked us again. The question is, how big is this market? Is there enough to do? And we love answering this question, because I think it's probably one of the areas of our business, where there's the biggest gap between perception and reality.

The GP stakes market is massive. You can see here in 2022, there's \$530 billion of total investable opportunities, if you just look at the top 250 firms. And when you look at that bottom box, that tiny one that's really hard to see, that's the approximate \$20 billion that is being invested by the current funds of ourselves and our two other major peers, so Blackstone, Goldman, and Blue Owl GP Solutions. And it's \$20 billion in aggregate, and let's say it takes two or three years to invest. So look how small part of the total addressable market we currently are, and look how fast we think the opportunity set scales. So we think there's tons of opportunity out there. We like our competitive position, and we think we can continue to grow into this segment.

So one of the other questions we get a lot is, why is this growth capital required? What is it that's making these really smart people that run these really good businesses, why are they selling you a piece? Don't they want to keep the whole thing for themselves? Well, just like the other industries that I referred to, growing industries sometimes require capital. And really what happened about 14, 15 years ago, fund investors woke up and they said to their GPs,

they said, "We don't want to just pay you fees. We want you to have skin in the game." And so what were relatively meager GP commitments to funds 14, 15 years ago, started growing.

And as the industry growth accelerated in 2010, '12, '14, and funds got bigger and they came more rapidly, these large and leading firms needed more capital. They wanted to put more capital in their funds. They've seen their ability to compound it greatly. So they came to us and said, and as the box on the left shows, "We want to put larger commitments by our own GP partners, by our own workers and employees, we want to put more money in there. So we'd like to sell you a piece of our company, so that we can fund this type of growth." That's been the predominant use of the capital that we invest with these leading players.

There are also some other uses. A lot of them seed new products with our capital, maybe even a little bit of bolt on M&A, and from time to time, we also help clean up the capital structures that exist within firms that have evolved over 20, 25, 30 years. Maybe there was a seed capital provider that owns a little piece of the company, or maybe there's a founder that retired. So oftentimes we'll buy a piece of a company, one of these firms, they will use that capital to buy back and buy in some of that equity that has left the system. So this is why the phone rings when we call them or they call us to start the discussions about a partnership. It's because they're starting to think about what would happen if they had a pool of long term capital that they could invest across their firm, that they could invest in their business?

But then as the conversation evolves, they also say, "Would you be able to help us in any other way? Could this be more strategic?" And so from the beginning of Dyal in our GP solutions business, we wanted it to be more than a check. We wanted to be a strategic partner with these firms. We wanted to build an ecosystem. And so we created really the standout attribute within our business that doesn't exist, we don't believe anywhere else in the industry, which is our business services platform.

This is a team of dedicated professionals that comes in each day to help our partners after the deal has been struck. They focus on a whole range of activities. They focus on helping fundraise in the institutional market, in the wealth market, doing a whole host of things that we can get into at a later date, if anyone's interested. More recently, they really want to know, what are the best in class firms doing in data science and alternative data sets, ESG, and DEI? So this large and growing group within Blue Owl is focused on making these relationships extremely strategic, and is a big differentiator from us versus other players in this space. And I was asked by Alan to also mention that their expenses are covered by the funds, and not borne by shareholders.

You saw this chart already. I used up 30 of my seconds on the Guns N' Roses story, so we won't go in great detail into the structural drivers of growth for this overall industry. I think

we all see it. I think that's probably why you're here today. Alternatives is a great and growing part of the financial services world, and has some really great attributes, the outperformance of private markets over other segments, you saw was broken down on the prior page. We do see in increasing allocations.

But really the third chart on the right is the one I wanted to focus on, which is consolidation at the top. You've heard it being described as the big, getting bigger, the strong, getting stronger, or that institutional investors want to do more things with fewer counterparties. And hence, that's why we focus on the top of the pyramid, the top 250 firms in the industry that we want to partner with. We think this continues. This is a normal sign of any maturing market. Private equity, private markets is probably a 30 year old industry right now. So we usually see this type of thing happen across the board, but it's really happening in a big way in the alternative segment and private markets, and why we really like our competitive position at the bigger end of the spectrum.

And so on that note, you can see, as I alluded to earlier, the amount of capital we've raised against our two primary peers, again, permanent capital. So think about that as a big wide moat that's pretty defensible from new entrants and incumbents. And so it's really been hard for a number of organizations that have seen this as an attractive space, they've wanted to grow into it, but they really just couldn't get started and couldn't get any scale. So I personally think that this is a three horse race, at least for a while.

And I like the fact that, number one, we've always invested out of bigger pools of capital than our two peers. That has given us an advantage to write the bigger check to underwrite a deal with one of these larger firms. And the other thing is we're conflict free, more or less. We don't have a buyout business that is banging heads day-to-day with the very firms that we're trying to partner with. And so when you think of the other players in this space, you're likely to have more conflict. And we are approaching this more from a friendly strategic position. And we think that benefits us in most cases, and as it showed on that market share pie chart, 88% of the largest deals above \$600 million have been ours.

So that competitive advantage means that in these larger conversations, we think and we do have real pricing power. We are the solution of choice for these firms. And so what this chart in front of you shows, the blue line is the average valuation of the public alternatives firms over time, from the middle of '15 through today. And you could see it's grown over time. The dots, I'm told there's 37 of them on there that represent our 37 deals. My eyes got bad during COVID, so who knows if they're all there.

But you can see the idea is that over a consistent period of time, the average entry point that we're able to get into these very attractive firms, is significantly below what one would think

is fair value. And probably more importantly, it's not increasing. That's a very flat line. We heard Chairman Powell say, "Pretty much everything is showing inflation." Don't tell him, there's one part of the world that's not showing inflation, and that's the GP stakes market. So what does that mean, if we can consistently buy into really good firms that have very good cash flow characteristics, at what we think is below market levels? It means we can generate good returns for our investors.

And we have talked a couple times today about the return of these funds. You can see them here for Dyal III and IV, both on an IRR basis, as well as a multiple basis. Karen wouldn't let us put Dyal V on there yet, because the bars go too high. But hopefully next investor day, we'll see the returns of Dyal V, which is off to a tremendous start.

So why are these products interesting to our investors, both institutional and retail? Three reasons. These are cash based returns that start really early in the fund life. Cash on cash is the way we describe the return profile. Since we're not ever really seeking to sell these positions, we want to generate a really consistent and growing cash flow stream right out of the gate. And that's what we've been able to do. So unlike a typical private equity fund that has a J-curve, that you invest a bunch of money over two, three, four, five years, and you wait for monetizations in years, five to seven to 10, we're generating our returns right out of the gate.

The second thing is the quantum of return. A lot of yield strategies typically have lower returns. We're able to generate returns consistent, we believe, with equity like market returns with a cash flow based profile.

And then the third attribute that really clients like is the fact that there's duration here. The conversation at the beginning is, can you make this a non-permanent vehicle? Why does it have to be permanent? But as soon as they invest in the funds, they love the fact that their returns are going to go on for a long period of time. So that is really what drives the appetite for continued growth and why we think this is such an interesting segment.

You can see the fund growth here, Dyal III, a \$5.3 billion fund, that was considered massive at the time. Dyal IV, \$9 billion. Dyal V, which we're wrapping up now has \$9 billion on the cover. We're not changing our guidance, but as we finish up here, things are looking pretty attractive. So we'll come back to you with additional guidance over time. And then that brings Fund VI, pulls it forward and looks like we will be launching that at some point in 2023.

What that all means for shareholders is a stable and growing base of fee related earnings. And we've gone through it. You can see it all predominantly based off of our GP minority equity

strategies, which I mentioned. We also have a lending strategy where we lend to these GPs. It's smaller. It drives a little bit of our earnings. But what it really does is it engages more and more GPs in strategic conversations with us. So it's another arrow in the quiver to get us in there, in the boardroom with founders and managing principles of the best firms in the industry. And so that we think has really good strategic value and we hope it grows and think it will grow over time.

So just to finalize, hit the high points, it was hard raising that permanent capital and getting that flywheel going at the beginning, but what it's really done is translated into a tremendous competitive advantage for us. We see the total capital available in this industry that little slice at the bottom of the growing TAM chart, we see that as opportunity for really long term continued growth. And with the performance that these funds are creating, we think we can deliver really interesting returns to fund investors, which means continued growth in permanent capital and really good returns to our shareholders.

So I'm going to pass it off to Gary, Gary Rozier. He is a Pearl Jam guy. So we'll see if he wants to start with a little bit of Alive or something like that. Thank you very much for your time.

Gary Rozier
Managing Director of Oak Street

Thanks Michael. A little sidebar, Michael and I grew up in bordering neighborhoods in Pittsburgh, so it's always a pleasure for me to follow him on a stage like this. Again, Gary Rozier, managing director inside our real estate business at Blue Owl. Pleasure to be here with you. I'm excited to talk about our business being the newest vertical in Blue Owl, but it's one that we think is very differentiated and unique as well.

So a couple things that I'm going to sort of speak to that we get common questions from investors in the investment community on, oftentimes, is, for one, what's a triple net lease? You're going to hear the term triple net lease a lot. I'm going to break it down for you and explain how we invest in a triple net fashion. What's the opportunity set? Everyone knows real estate, but how do you do it different? How are you differentiated? And what do investors want in terms of demand with that type of product?

So I'm going to address all these things in the next 15, 20 minutes for you. But first, again, we're the newest vertical of Blue Owl, but our business has been around since 2009. And that strategy was built by Marc Zahr, really in the shadow of the global financial crisis, and all of the things that had happened in 2008. So the idea was to build a strategy that would address a lot of the downside, a lot of what we had just gone through, but provide a clarity for our investors and also high current income. So that was really what we set out to do. And again, from then, until now, that's exactly how we conducted the strategy.

So the first fund was started in 2010, that was I. And what you see in this chart here is substantial growth from Funds I to V. So we've raised five closed end funds in our closed end series. And three years ago, we launched an open end strategy, or an evergreen strategy, Net Lease Property Fund.

And I like this chart, because it shows substantial growth, which to me is really reflective of the scale. We've been able to scale up in a very thoughtful and methodical way. What hasn't changed is the strategy itself. So the way we conducted the strategy in Fund I, in 2010, is the exact same way we conduct the strategy today is we're deploying Fund V. Now Funds I, II, and III, fully realized, so every deal bought, we've sold in those funds. Fund IV, we're currently selling down as we speak, and in Fund V, we're still deploying capital in today. Again, Net Lease Property Fund perpetual, so we're always taking in capital in that fund and deploying capital as it comes in.

So very, very proud of that. We'll walk you through that scale again, and why we think that matters, but that's sort of the evolution of our real estate business. And again, what I want to point out is, we've been around a while, we've seen some markets, but we've kept our strategies the exact same, the entire time and delivered for our investors.

Then the question is, what's a triple net lease? Again, you're going to hear that a lot, that's the basis of what we do at Oak Street. So let me explain what the lease is. Now, it's sort of been categorized as a sector within real estate, and that's fine. We actually just look at triple net lease or triple net as a way to structure the lease itself. You can actually put a triple net on anything. You can put that on car dealerships, cargo. We're in the real estate business, so clearly we structure our leases in this fashion.

And what that means is the tenant's responsible for taxes, maintenance, insurance. Think about real estate, the expense side of the equation is mainly those things. And if you structure your triple net the right way, that is all borne by the tenant, so that is the tenant's responsibility. So what does that mean for us as the owner? That means we essentially receive rent or net cash flow on top of that. So all of that expense is borne by the tenant. It is not our responsibility. So we love that structure, because it provides us pure clarity that we can go back to our investors and say, "We know exactly what our cash flow is going to be the entire life of that lease." So it's really clear. It's really clean, and we're not exposed, again, to the operating expense side of the equation in real estate.

And what's the universe? That's the other question is, okay, there's been a lot of new entrants into the net lease space, people are talking about it, it's been a stable asset class, so what's really the opportunity set there? We think about it a little bit different than the market. The

market will look at transaction volume within net lease. And if you look at last year's transaction volume, approximately \$90 billion, the year before was approximately \$70 billion, that's a big number. I mean, I like to think that just that alone is very large in terms of transaction.

But we actually look at it and take a step back and say, "What is the property, plant, and equipment on the balance sheet of investment grade rated companies in the US and Canada, which is primarily where we invest?" Not all of that PPE is real estate, but a lot of it's real estate. And if you look at it from that basis, that's almost a \$10 trillion number. I know anytime you put a T behind a number, people think you're crazy. Follow me on this, maybe it's not exactly \$10 trillion, but the point I'm trying to make is if \$90 billion was the transaction volume last year, that's less than one percent of what we think the opportunity set is.

So, again, what am I saying here? It's massive. And we have a market leading position to be able to take advantage of that. So a lot of scale in this business, we have a lot of runway. We can't even see the horizon yet, in terms of the opportunity set within net lease investing.

Now, what do we do specifically at Oak Street, or in the real estate business of Blue Owl? We look at single tenant assets that are primarily freestanding. That's how we invest. And there's nothing special about that, it's just like it sounds. One tenant in all of our assets, most of them are freestanding structures. We invest a cross sector. It's primarily in industrial and essential retail.

And I call out the essential part of retail because we think it's really important to invest in industries that we think are recession resistant, industries that you are going to frequent all the way through a market cycle. So think of low ticket items that you would engage in no matter where we are in the cycle. Our power allies in the past have always been in grocery stores, pharmacies, and discount retailers. You think about those three areas, you're going to be in those places, no matter whether we're in a depression or a bull market, right? So we want to be in those industries within retail.

We invest primarily in the US and Canada. That's been our lineage. It's where we know. So most of our assets are going to be in those two places. Again, everything we do is triple net. So you see the NNN, that basically says we're structuring transactions to be triple net leases, as I just described.

One of the unique things about our strategy within the real estate business of Blue Owl is we focus almost exclusively on investment grade and creditworthy tenants. And the reason why is because that triple net lease is really unique. It's neat, everybody looks at it and says, "Well,

great. I'd like to have a triple net lease structure." But it's only as good as the tenant that's inside, that's responsible for that lease. So we draw a hard line in saying, "We only want to work with the strongest and best balance sheet companies." So again, for us, that's investment grade and creditworthy.

Lease duration for us is long, 15 years is our target. And why long duration leases? Well, it gives you more optionality. You're not subject to short term moves and markets, and you're not necessarily having to get lucky in that short term period. So long duration leases.

We build in 2% rent escalations into our leases. This is really important because what that is, essentially, is a 2% contractual growth in your net operating income every single year. And that is contractual, and we build that into all of our leases. It's really important.

And then leverage in our mind is conservative. So we target 60% loan to cost. But the way we think about it is everything's going to be fixed, it's primarily bank balance sheet debt. And banks will look at us as a borrower and say, "Well, investment grade rated tenant, long duration lease, triple net structure, mission critical asset." We're a pretty good borrower, so we tend to get better rates.

Now, a lot of people tell you what they do, we would argue not enough tell why they do it. So let me walk you through that. We think all these things are really important, and they're very deliberate as to why we do them the way we do them. So why triple net lease? Again, I'm going to say this one more time, because the expense side of the equation is covered by the tenant. They're contractually obligated to do those things, which means we're not exposed again to movements in operating expenses. Anything that's variable within that lease that is all borne by the tenant. We just receive our rent or cash flow on top of that, net of all of those things.

The other thing within the triple net lease we think is important is, again, you haven't necessarily eliminated your risk. Karen, I'm choosing my words carefully. We haven't eliminated all risk, but you have greatly mitigated it in that structure.

Why investment grade? Again, that sounds really, really good, but it's only subject to the balance sheet that's on the hook within that lease. So, again, hard line for us. It's simple, we want to work with the best balance sheet companies. So it's going to be investment grade or creditworthy. And that's not to say that bad things don't happen to investment grade rated companies, they certainly do. But statistically it happens at a far lower clip. So we just want to be with those companies. We want to be working with those tenants. They're in the building responsible for that triple net lease.

And lastly, long duration leases, again, why is that important? Having a long duration lease just gives you optionality. It gives us the option to say if, how, and when we want to monetize an asset. And if we choose not to because the market conditions aren't right, we're still being paid cash, in the form of rent, every single month. So we're essentially being paid to wait. It gives us a lot of optionality as to how to best monetize and create value for our investors. So we like that long term lease.

Now, how we source we think is also unique. We source in a number of ways, but the primary way that we're sourcing deals today is through direct sale-leaseback off-market. Now of course we didn't create sale-leaseback, that's been around before Marc was alive, but we do it in a different way. So your traditional sale-leaseback, a company would say to themselves, "We don't want to access capital in a traditional manner, so we're not going to stress our balance sheet by increasing our credit facility or maybe we just shouldn't issue bonds at this period of time. So why don't we sell a building? It's a non-earning asset sitting on our balance sheet. Let's go monetize it."

In that situation, they'll probably go hire a broker. They're going to take it to market. A bunch of folks will come in, bid on the asset. And what happens in any process that's marketed in that way, of course, is the price of the asset goes up or consequently, the cap rates go now. This means the pricing is not quite as good. So we know if we did marketed deals as our primary way of sourcing, we would never really get pricing that we want to get. So we actually take that and put it on its head and say, "We're not going to wait. We're going to go directly to companies."

We're going to go to companies as a capital provider, very much within the lineage of the other verticals of Blue Owl, and say, "You have a non-earning asset sitting on your balance sheet, we think you have a better and higher use of your capital. You make widgets, all your free cash flow generations should go back into making more widgets, not servicing real estate. So allow us to take it off of your balance sheet and put it into our funds."

When you're doing that, you're actually solving a problem for the company. And we can do that in a very creative way, in a very comprehensive way. Being one of the biggest players in this space, we have more capital to be able to do that for companies. So when you're solving a problem, and you're bringing the solution with that problem, you get better pricing. So that allows great spread for us, which is great value, again, for our investors.

And we think this is a really important chart, this came out of PERE recently. And basically what this shows you is that the first fund that was dedicated to net lease, fully dedicated, and doing it in an institutional manner was our product, that was Oak Street. And on the chart

here at the very bottom, the oldest is actually Oak Street Fund II. That doesn't even include Fund I, so we were actually doing this even before. But more importantly on this page, what you see is the three largest funds, all Oak Street products. These are all real estate division of Blue Owl now. And, again, 60% of the dedicated capital raised within the net lease sector dedicated was raised by Oak Street.

That's really important, because again, most folks that are coming into the space, it's been very stable, so you see a lot of new entrants, they do it kind of part-time. It may be part of a diversified portfolio or it's kind of sprinkled here or sprinkled here a little bit. This is all we do. We are fully dedicated to it. And again, in terms of raising dedicated net lease funds, we are 60% percent of the market. And we think that's really important, because the investor demand for it is extremely high. And that gives us a great advantage, one, from scale, but also being a first mover we have experience, and again, we've got performance behind it.

So we think, again, if you look at that chart, it's got to blow the mind when you see the top three are all Oak Street, and two other products on there are our product. So very important in terms of just size and first mover advantage, which I'll come back to in a second.

As we think about what's relevant in the market today, rising interest rates, inflation is higher than we've seen in a number of years, the question is, how is your structure going to perform in that environment? We actually think that we are positively leveraged to a lot of this disruption. So much of this is actually going to come into play. But again, we address it with the criteria when we built the fund. So when we built the strategy, a lot of this was addressed. But one of the main things you'll hear in terms of just gross rents, rent escalations, how can you raise your rents to account for a lot of the inflation that we're seeing today?

Most people will speak about gross rent growth, "Well, I can raise my gross rents X amount to be able to counter some of this stuff." So we built in two percent rent escalations, again, but the most important thing about the two percent, that's a two percent net. It's a two percent net, because again, within our triple net structure, all of the expense side of the equation is borne by the tenant. But that two percent that's contractual, every single year, that is happening net.

So when you hear somebody say, "Well, we can raise our gross rents." The question is, okay, well, if they're gross rents, you have to add back in all those expenses. So you have to add back in your maintenance, you have to add back in your insurance costs, your taxes, your capital expenditures. And then there's other things, if you have the re-tenant, there's downtime. There's commissions to a broker to get somebody else in that building. There's tenant improvements. You have to add all those things back in.

So if you just look at just the expense side of the equation, I mean, that's a six plus percent number. So again, to be equivalent to our two percent net, you're raising your gross rents somewhere in the neighborhood of eight percent plus. Now, you can probably do that for a year, maybe two, three, possibly. But there's a very low likelihood you can do that over the long term. And, again, our two percent net contractual all the way through the life of that lease, that's 15 years. So we think we stack up really well in an inflationary environment.

Again, one, because we're not exposed to the operating expense side of the equation. But that's a net number. We don't have to guess or get lucky or hope, that's contractual. If you're raising gross rents, you got a lot of variability there. So again, we think that's a really important thing. Anytime you hear that and how inflation comes into play, we think our two percent net stacks up really, really well.

Now the space itself, as I mentioned before, has grown substantially over the last call it two, three years. A lot of new players in this space, a lot of big names that you know and you've heard of that are now deploying in a net lease. They're trying to build net lease funds. Why is that the case? Well, it's been the most stable asset class within real estate. If you look at just what's happened, this goes back to again, global financial crisis. So this is sort of the height of the global financial crisis, 2008, 2009, '10. Arguably the worst period, certainly in my lifetime.

Net lease IG was pretty much flat with respect to percent of rent collected. It actually grew a little bit. You look at the other sectors, you'd expect dips in those areas, apartment, industrial, retail, you see that sort of dip there and then you come back up. Net lease, flat as can be.

And again, think about that for a second. That's the global financial crisis. I mean, arguably one of the worst periods that we've ever lived through and net lease was as stable as can be. So that's exactly why it's brought a lot of new entrants in the space, and why there's so much investor demand for that, because it stays strong during those periods.

Now that's broadly speaking, how have we done during some of these periods? This is just the Oak Street business, just the real estate piece of Blue Owl. This is during the height of COVID. So you're going pretty much, COVID to the end of 2020, we collected 100% of all rents owed, every single month, on time, no questions asked. 100%, every single month. Look at the comparable sectors, again, apartment, industrial, office, and retail, not a 100%. And we're doing that without even the thought as to, are our tenants available to do that? Can they do that? Well, they're investment grade and creditworthy, we expect that. It's a mission critical asset. They need that asset to operate. So we fully expect that they're paying rent on time. And again, if you didn't believe what I'm saying, you go through that period and you say to yourself, what's your rent recollection? 100%.

Now, I showed this chart previously, basically, the growth in our funds. What you've seen, and Doug talked about this is great demand again for this product, for all of the reasons that I just mentioned. A lot of that demand is coming from the private wealth space. Most of our lineage has been in the institutional space. Now, we think have the strategy. We think we have the performance and the history, and again, a first mover advantage to be able to take advantage of all of those things.

So we want to be able to address the private wealth market. So we're going to do that in the same fashion that we have on the institutional side, but we're going to deliver a product that we think has better attributes than what's already out there. So you think about the size and the scale that I talked about going from Fund I at \$20 million to Fund V at \$2.5 billion, or Net Lease Property Fund at just over \$3 billion. We're going to continue that with our close end series, raise a larger fund there, and again, we're going to bring a non-traded REIT to market that we think addresses the need, and just the high demand, the incredible demand within a private wealth space.

And I'm not going to put a number on that, but what I will say is this, you can look at the similar products that are in the marketplace. You probably know the players raising massive amounts of assets. We think we can deliver a product that's better and capture the same amount of assets or do better there. So stay tuned on that, but we've got a great product coming to market that's going to address the need there.

This is my zero page. It's my favorite page to show. Because again, I mean, what says something better than a bunch of zeros on a page? So over our history never had a bankruptcy filing in the portfolio, not a one. Never had a tenant default. We've never had a missed rental payment. Never had not one missed rental payment, going back to 2010. And we've never had a property vacate. And even in the situation, there is a vacancy that tenant is still contractually obligated to pay all the way through the life of the lease. So all of those cash flows, they still have to pay us all the way through the life of the lease. Extremely proud of that history.

To wrap, again, how's the strategy performed over time? Right, So our closed end serious funds, again, we have fully realized Funds I, II, and III weighted average net return, 26% IRR.

Our open-end strategy, a little over three years old. Time weighted return since its inception, 28%. We've delivered at least 7% current income, and we've done that for consistent 148 months, never missed a monthly payment. Now I tell you all that. One, we're extremely proud of that. But what it really says in my mind from a shareholder perspective is all of these things allow us to garner and raise more assets, right? More assets is more management fees, and much of that will be permanent. So you think of the non-traded REIT, you think of our open

end series. Those are going to be the fastest growing products we have. Those are more management fees. Again, extremely proud of that performance that we've delivered.

So lastly, as I wrap, I think about hopefully I've addressed a couple things. One is the opportunity set in triple net. Again, massive. It is just massive. And we can debate the number, but what I know is we've just scratched the surface of being able to take great real estate off the balance sheet of companies that have a better use of their capital and put that into our funds.

Scale, again, is just wide. We know that we haven't seen the horizon yet. We're taking advantage of it, and we know we have a first mover advantage. We have a scale advantage, a size advantage. We have an experience advantage over a lot of other players in the space.

Runway, it's there. Again, we're super excited about it. We don't think we've hardly scratched the surface of what we think is out there in terms of our opportunity set the funds.

And lastly, we think we're positively leveraged to a rising interest rate environment and inflation. We are insulated from a lot of those things just by the structure of the product, just by the structure of the strategy. We've addressed that on the front end. That's a criteria that was in place to start. So we couldn't go outside of that if we wanted to. It already addresses many of these things.

So thank you. Appreciate the opportunity to go through the real estate business at Blue Owl. And I'm going to ask Ann to come back up for some instructions. Ann?

Ann Dai
Head of Investor Relations

Thanks, Gary. So we're just going to take a short 15 minute break. There's some cookies and brownies outside, and we'll see you back in a few. Thank you.

Announcer

Please welcome to the stage Head of Institutional Business Development for Blue Owl, James Clarke.

James Clarke
Global Head of Institutional Business Development

Hi everybody. And thanks again for taking the time to spend today with us. We really appreciate it. Two things happened while I was outside. Number one, the market was

trending well. I won't take any offense if anything happens there. Number two, the slides weren't properly working. So I'm all prepared and ready to roll.

I wanted to spend a bit of time today talking about the institutional market. I think Doug, Michael and Marc have done a great job talking about the investment trends that are driving investors towards Blue Owl, and I want to talk about that in the context of the institutional market. What I think's really exciting for our stakeholders is the fact that in a short space of time, we have established ourselves as a premier blue chip manager, our reputation with the appeal of a smaller startup that is hungry and vigorous, and that really appeals to institutional investors. Not only do we compete against those other blue chip firms, we win. And I want to show you how we do that and how our expectations are that that'll continue.

This is the scale of the institutional market right now. This is the direction that it is headed. There's a number of tailwinds for us where we can get in that slip stream. The first of all is that asset sizes continue to grow. Equity markets over the last couple of years really fuel that.

These are the main three areas of the pension market globally, public pensions, insurance, and sovereign wealth. And I'll touch on those in a little bit. But this slide to my left is absolutely crucial. And what this says is that asset allocations towards alternatives will either maintain or increase in the years ahead.

And I want to touch on why that is with institutional investors, because this is key. When I started in the business 20 years ago, the average asset allocation was 60% equity, 40% bonds, I was at PIMCO, it was fantastic. And over time, what has happened is that model no longer works. And over the last 20 years, and I think Doug touched on this before, the allocation, the average allocation to alternatives within a portfolio has gone from 7% to 28%. And the reason behind this is that their fixed income portfolio has been shackled to low yield. They've had to meet their actuarial rate return, whether it's an endowment or a pension fund. What they've had to do, if you're in that situation and you're getting 1% or 2% from 40% is an over reliance on the equity market. When you do that, you add volatility. When you add volatility, you affect your funding ratios. The whole goal here is risk adjusted returns, looking at sharpe ratios and finding asset classes that can achieve the objective.

When we turn over here, I want to tell you where we are right now and where we're going, as it pertains to institutional investors. We skew very heavily right now towards North America. I will say a lot of that is the North America is ... the beta of North America in terms of percentage of institutional assets is 62% of the entire institutional market. The P7, what they call the top P7 institutional geographies also include Japan, which is 7%, UK, which is 7%, and the other ones that make up 92% of the P7s are Australia, Switzerland, Netherlands, and

Canada. And what we've done is really directed our resources to these other areas as well. And we continue to build our discipline, particularly in Asia. I would say the biggest delta of where assets are in the market relative to where we are is Asia Pacific, and we continue to grow that.

I want to talk a little bit about the structure of the team, because this is crucial. The institutional market ... Michael brought up, he asked me what song I like the most, and I said Time from Pink Floyd, the institutional market is about time. You need to cast a wide net. If you focus on a small number of investors, the reality is that you're going to have misses. This is a very, very patient market. It moves slowly, methodically, intelligently, and it receives thousands of inbound inquiries. I was having dinner with a CIO from Missouri the other night and he held up his phone and just all of a sudden, a carousel of emails started to come across from other managers. We are competing against that.

And what we've done is we've orientated ourselves towards partnership. And Ann might not like this. This is not a marketplace that buys products. This is a marketplace that gravitates to solutions. It gravitates to partnership. Going in there and saying, "Ah, we raised fund one, thanks for the allocation. Then we see you when we raise fund two." You're always on the ask. You want to be there as a partner.

And what we've done, as I said before, is we've orientated ourselves to that. We've added resources in these areas. We have product specialist expertise. We have folks that focus on GP stakes, folks that focus on direct lending, folks that focus on real estate to make sure that our products are 24/7 in front of LPs. We want to make sure that we put ourselves in the best possibility and the best situation possible to cross sell, and I'll talk about that later.

This is the proof statement to what we've built so far. What I love about this chart here is that we cover the gamut of different channels. We go all the way from public pensions down to foundations and endowments. Obviously we skew very heavily towards public pensions. That's just given the scale of assets in that region globally and in the United States. But what's really, really great is the diversification of line items under here. And what this also shows is that our strategies appeal to everyone in the institutional space. I think that is particularly interesting. I say everybody, I'm watching Karen, the majority of institutional investors appeal to these strategies.

I think as we look at this further, I am very, very excited about the insurance space. That is going to be a \$45 trillion market. Dyal has done a phenomenal job in that area. When we did the merger, the majority of these clients come from Dyal. We only had a handful on the direct lending side. That has grown. Again, we'll talk about the cross selling, but they need income. They need to meet their claims and they need to meet their risk based capital, and our

strategies really play into that. Sovereign wealth funds I expect to continue to grow as we have more boots on the ground.

This is the full panoply of what we offer institutional investors. And this is really exciting. What this means is that there is always a reason for institutions to be talking to us. We cover the full gamut, from first lien lending to opportunistic lending. Doug and Marc and Michael have touched on this, income generation, income generation capital appreciation and just straight capital appreciation. These strategies speak to roughly 15 to 20% of the portfolio. So there ... and of the alternatives portfolio in the United States, which is the biggest market, which I mentioned before is \$14 trillion, we speak to about \$7 trillion of that. There is a lot of contestable assets out there.

I also think what's important about this is there are geographical biases. In Japan, first lien lending unlevered is particularly palatable, just given where government bonds are trading there, all the way through to opportunistic lending and GP solutions, which apply very heavily in non-US markets, particularly the Middle East, and we continue to see a growth in our business over there.

We've talked a lot about our strategies, but I want to tell you why do institutions gravitate to them right now? Capital preservation is key. And we orientate ourselves at Blue Owl towards that. We focus on larger businesses. We focus on diversification. We focus on all the tenets that LPs look at when they underwrite. They want conviction that when markets are turbulent, you're an anchor to windward. That is key.

And this to me is the most exciting chart for our stakeholders. What this says is that only 95% of our investors are only in of our verticals and that low correlation of the investor base gives us huge opportunity for cross selling. We've already reaped the benefits of that. We've already started to make introductions to investors. We've already seen direct deal flow ... sorry, direct allocations come to us because of that, and we continue to grow that. And I talked about the way that the team's structured and orientated. It is specifically built for this collaborative coordinated model in order to make sure that all Blue Owl's strategies are being presented as solutions to investors.

I've got to stop in 16 seconds, but this basically summarizes ... 11. I've got to basically summarize as exactly what I said. We go offer access to the institutional platform, we're rapidly increasing our institutional footprint, the cross-selling opportunity's enormous, and continued product expansion makes us extremely relevant to a market that continues to grow. Thanks for your time.

Now, Sean Connor.

Sean Connor
President of Blue Owl Securities

All right.

Thank you, James, for the belated introduction, and I want to actually extend a special thank you to Michael Rees. It's very refreshing to hear that I'm not the only person to dream about meetings with Doug. That's something my wife and I talk about, and now I know at least I have someone else.

So I'm the president of Blue Owl Securities, which is our broker dealer and really the engine of our private wealth business. So what I thought I'd do is just very quickly ... these slides are already up here, but I wanted just to reorient around the opportunity set in the market and then dive into what we've been doing in that space.

So first, apparent to I think everybody, it's a really big market. It is a market that is growing. That in and of itself is attractive. You're going from a hundred and nearly \$80 trillion to \$220 plus trillion. Really big market growing, super, super attractive. Of course, when you overlay the fact that allocations are very low, it makes it even more attractive because it's big, it's growing, and underpenetrated.

So I think this is pretty well known. There's a lot of conversation about the private marketplace, the private wealth marketplace, what the opportunities are. The thing that I think is really interesting about ... especially in today's environment, and it's really sort of picked up in cadence in the last 12, 18 months is lots of people are talking about this, but it's just not new. The private wealth marketplace has been big for 5 years, for 10 years, for 15 years. It's not like allocations have come down. They've been underallocated. And I think that's a really interesting dynamic when you really think about how much people are talking about it today, because it was there 5 years ago, 10 years ago, 15 years ago.

And so it sort of begs the question, well, why is it just now becoming popular? And why are people now just focusing on it? And the short answer is it's because it's not easy to access. It's very, very difficult. There's a couple reasons behind that, which I think I'll walk you through, and it really informed how we've thought about building our business.

But just to hit on it, people say private wealth, they say retail as if it is one thing. It is not. When you really look into the marketplace, it is a collection of different marketplaces within there and private wealth. You have wirehouses, you've got private banks, registered

investment advisors, family offices, independent broker dealers, regional broker dealers, regional banks. That's just domestically. That extends internationally where there's different intermediaries. Some have similar business models, some have different business models.

And so when you look at it, it's really not just one market you're going after. You have to go after all the markets or figure out which market do you want to go after. And within each one of those, when you really sort of drill down, it needs its own set of requirements, it has its own set of considerations and you have to invest in that. And that starts with coverage. You need sales people that are going in there and explaining what the product is and how it works. You need those dedicated products. These individual investors have very differentiated needs and differentiated profiles. You need to understand what their needs are from a regulatory perspective, a tax perspective so you can deliver the right types of products. You need to have the technology and the operational infrastructure to support that.

It's one thing to make the sale, but then you also have to service it, but you're doing it on a massive scale if you're doing it successfully. Volume creates tremendous challenges if you're not set up to do it correctly. And then because they're underallocated, you need to set up an apparatus around education, right? When you really think about ultimately what we're doing in the private wealth space, it's sort of the following. An individual investor, many of them given that the allocations are very low, are deciding for the very first time to lock their capital up. You're asking them to lock their capital up. Could be for three years, could be five years, could be three months. We have different products with different liquidity profiles, but they're locking their capital up.

Not only are you asking that individual investor, but the person that introduced them was a financial advisor. So Mr. or Mrs. Financial advisor has agreed to pitch this to that individual investor to lock up their capital. And you can't just go to that financial advisor. You actually to get their home office to agree to get your product available to the platform.

So you need to convince three people to trust you, the home office, the financial advisor and the individual investor. That's very, very difficult to do and it's a reason why the market is so underpenetrated. Which brings us to my business, our business. We've thought about this for the last seven years. Doug mentioned it. I think it's worth underscoring. You think about building that trust. You can't buy trust. You just can't. Doesn't matter what business you're in. You just cannot buy trust. You have to build trust. Especially when you're talking about people's money, their savings, their retirement, you have to be able to build that trust.

And so we started this effort seven years ago. I was in Owl Rock day one before we even had an office, and we started thinking very deeply about how do we go access this marketplace? It took us a year before we even build a team, set up the broker dealer, we'd launched the

dedicated product, which was Owl Rock II down at the bottom, and we started to grind. Explain what we're doing, build the team, recruit people, hire people, learn about the considerations in all those markets, learn about the legal requirements, the structural requirements, build the infrastructure. And you can see it took us three hard fought years just for that first dedicated private wealth fund to cross \$1 billion in equity cumulative.

Today, we're doing \$1 billion a month just in these types of products. Took us three years plus one year of planning, so really four years, to get to \$1 billion. We're doing \$1 billion a month. Very, very hard to do. And now I overlay that ... I mean, you heard what Gary said, what Michael said, what Marc said, the returns that we had ... think about the business that we built. We were building this with no track record.

Right now we have a business with a tremendous track record with income-oriented solutions that are inflation protected, that have market leading positions that are very different. It's tremendous. And what we're going to do in the private wealth space is take what we built, take that trust that we built, first in the US, we've recently launched in Canada, we've launched in Asia, we've launched in the European markets all within the last 12 to 18 months. And we, I think, have a tremendous, tremendous foundation through which we can continue to grow this business.

So just to hit on that foundation for a minute, and then I'll get to some of the growth things, so we've raised about \$20 billion in private wealth across the business. That's a number we're very proud of. But candidly, I think we're just scratching the surface.

We'll get into that in a moment, but just to hit on the numbers, 34,000 individual investors, almost 200 platforms onboarded, it's approaching 7,000 financial advisors. You just think about that base. That's very, very hard to do, right? You just think about it. When we have a capital call, when we paid distribution, when we make a statement, just want to get back to the resource point, because it's very, very difficult. 34,000 people we're communicating with, they need to have a good experience. And if they have a bad experience, we hear about it. So you need to have a really big team, and we have about 75 people purpose built just for this market that goes and supports those individuals.

But the other beauty is those individuals, the financial advisors, the platforms, the investors, they're happy customers. They're happy customers, and they've spent years getting to know us. They've spent years investing in our products, and we're just scratching the service I think in educating them more about other things we do, but the returns have been phenomenal, the track record's been great, and in this environment, people are more and more looking for alternatives, and we have a really, really nice base through which we can communicate that to.

And it'll be underpinned, in my estimation, by our evergreen products. So evergreen products are fundamental, I think, to the success of what we're building and what we have built in the private wealth space. And it's really around availability. So you can't just go hire a team and raise a shingle and say, "I have a fund." Doesn't work that way. You need to get approved at the wirehouses. You need to get approved at the independent broker deals. You need the placement, the slot count, to even be available. And once you're available with these evergreen products, you're there forever. What that means is you constantly have a reason to talk to these financial advisors. And you think about that adoption rate, part of the reason adoption's so low is they don't have a lot of time to think about the product, to educate themselves and be confident enough to educate their clients if you're doing a closed end private equity fund.

The other is those products typically if they're oriented towards institutions are not accessible to the vast majority of the individual clients, so a financial advisor who wants to do everything for everybody in their book, they just can't do it. These products are designed to be there to help educate them, but they're also designed to be an allocation. They're available to the vast majority of their clients, both today, and then as they win new clients, they can continue to add.

And you see the success we've had in these evergreen funds. They're onboarded in just about every warehouse. They're onboarded globally in all the markets, and we're now seeing the success. And it's extremely, extremely difficult to build, but once you build it's very durable. We're approaching, Doug said it, \$1 billion a month in just these two products. It started with our diversified direct lending business. We've just launched a technology business. And what I'm really proud of is the diversification. So when you think about markets are wobbly, assets are moving from one group to another group, we have access to all of them. We are in these markets in a big way, all types of investors, all types of markets.

And when you look at that those dollars, pound for pound, I think the dollars we raised, the team we built, the markets we're in, we are clearly one of the top, if not these top players on a relative basis. Which leaves me really bullish about the future.

So where do we go from here? I mentioned these evergreen offerings. They're very, very important to what we do. It gives us the constant presence in the marketplace to continue to build our brand. We've started with the credit business. That's really where we started. The Owl Rock Securities is now Blue Owl Securities. The core income fund, ORCIC, \$400 to \$500 million a month. Good market, bad market, we're onboarding new platforms, we're onboarding new geographies, we've been able to create a really nice consistent flow. And when you think about what that product is, senior secured floating rate risk. People are

worried about rising rates, it's a floating rate strategy. People are worried about recession. We're senior in the capital structure, really attractive.

Technology, tremendous opportunities we hit on our track record and the opportunities of the market. People are looking for ways to access the digitization trend. We have a very unique offering there with our technology product. We've only held one close. It's with one partner in just one geography, but we've raised \$500 million. We are going to onboard in other geographies and other partners very, very shortly, and I expect that to contribute to our growth. We're extremely excited about bringing Oak Street, the real estate capabilities, to the private wealth marketplace.

Retail actually does many multiples of real estate that they do credit and the track record and the capabilities that we have within our business are second to none, very differentiated than what's out there in the market, return profile, track record, and as I said many times, we're excited about bringing something to the market.

It'll allow us to continue to layer in our perpetual capital that's more in a closed end format. So our drawdown BDCs, the Dyal products. I think we raised about \$2.6 billion so far quarter to date. Roughly one and a half of that was in evergreen products, and we're continuing to add these closed ends. And as we grow the evergreen and build out the investor base, it just makes it that much easier to go to this market because we have more people to explain to them what we're doing. With Owl Rock II in market, we had a big retail presence in Fund I. It's done well and we're in market with Fund II. And Dyal V and VI Michael hit on, but very bullish about them.

And that's just what we have, right? That's just what we have, that's pure execution, pure block and tackling. And we're talking about I think some pretty significant flows. We will continue to support that. It all comes down to the team. At the end of the day, we are a people business. We have purpose built our team over the last seven years. I would put them up against anyone out there in the market. You can see the results on a relative basis. We'll keep adding to that. And it's only getting easier as we have success. We are seen as a place that really people want to work.

That team will help us expand into new markets. I mentioned we just recently launched in Canada, Europe and Asia. That's all happened in the last 12 months. Massive opportunities in where we are, just have to go get it. There are other markets that are a bit more tricky, but I think we have a pretty good playbook in terms of accessing them, and given how we're growing, we're excited about those opportunities.

And then wrapping it all together with products and strategies. At the end of the day, we need to have really three things, a good investment strategy ... and we have that. We have actually three good investment strategies, excellent investment strategies. We have good products. We've got a demonstrated track record of building products that give individual investors access to them in a way that they enjoy, in a way that's usable, and we support that with a really big team that helps both the front end and the back end, sales and service.

And I think where we sit today on the private wealth space, it's clearly competitive. But the market's growing much, much faster, and we have a massive lead against just about everybody in the marketplace, and given the strategies that we're coming out to market with and the ones we have, I think we're really well set up for future growth and adding to our layer cake.

So really excited about the business. Hopefully you can tell. I think at this point we're going to switch just maybe on the team side to a video about our culture. This is very much our secret sauce, attracting good talent, keeping good talent, and it's something I'm really proud to be a part of. So with that, I think we'll hit the video and take the agenda from there. Thank you.

[Video Presentation]

Sean Connor
President of Blue Owl Securities

With that, it's my great pleasure to introduce to the stage Andrew Polland and Machal Karim to talk about our very important initiatives in sustainability.

Andrew Polland
Chief Operating Officer

Hello everyone. It's nice to spend time with you all today. It's no secret that sustainability and ESG are areas of intense focus within our industry today. I'm happy to be joined by Machal Karim, Blue Owl's first head of ESG to explore this topic further. Machal joined us in February of this year, so welcome.

In light of the fact that you're relatively new to Blue Owl, and I suspect few, if any of the folks in this room have had a chance to spend time with you, why don't you tell us a little bit about your background?

Machal Karim
Head of ESG

Sure. Thank you, Andrew. And thank you for the welcome. I think a first start, maybe I'll add to the queue. So my song is every song by Fleetwood Mac that Stevie Nicks sings the lead. So that's for the record.

But professionally, actually, my background is exclusively in social sustainability. I've worked in impact and ESG. Right before Blue Owl, I was at the CDC group where I manage the sustainability for one of their larger investment pools of capital and financial services. Previous to that, I've worked in PE impact investing. I've worked in private foundations, I've worked at the UN, so you're probably seeing a thread here. I basically really enjoy focusing on how to enable opportunities so that private capital can affect sustainable change.

Andrew Polland
Chief Operating Officer

And private capital affect sustainable change, quite an ambitious passion to have. How does one develop that interest as a young professional?

Machal Karim
Head of ESG

Well, in my case, it genuinely started at a young age. My parents traveled a lot. My father worked in international development. And at the age of six, we actually moved to Ghana in Africa. And from that point, I just got very curious about it.

Andrew Polland
Chief Operating Officer

Well, hard to be more authentic than that, I guess. You've been at the cutting edge of the sustainability conversation. And so I think the folks in this room would enjoy your perspective on how that landscape has evolved, but I also want to make sure we touch on your experience at Blue Owl, recognizing it's still early days. So let's try to hit both of those topics over the next 15 minutes or so.

Before we get into the nitty gritty, we saw you refer to Blue Owl as authentic in the video that just played before we came on stage. Tell us a little bit more about what drew you to Blue Owl and your decision making process to join the firm.

Machal Karim
Head of ESG

So I was in the market looking, carefully, slowly, and trying to find the next best fit. And there were a few things that were really important to me. One of them was a culture fit. I was just the time in my position to just find a place that I really belonged. Another was actually really finding an excellent investor. And I think what we've been seeing so far, I'd like to think I made the right choice. I also wanted to really find a place where there was constructive,

transparent dialogue around this because what I do, it's a complex subject matter and we basically have to be able to work at it together. I took a lot of time to interview the firm in the market. I reference checked you guys just to make sure I was okay. And then found out that actually it was very genuine, authentic firm that was really committed to the common goal.

Andrew Polland
Chief Operating Officer

That's very validating. So thank you for that. Let's turn to corporate sustainability. My first question is what is corporate sustainability and how does that relate to some of the other acronyms and phrases you hear used interchangeably, DEI, ESG, philanthropy, et cetera?

Machal Karim
Head of ESG

Yeah, it's a great question. Even for us that work in corporate sustainability is... It's an evolving definition. It means a lot of things to a lot of people. I mean, we actually need notes when we speak. It's just... I mean, for those that are paying attention to the news, I'm sure you've heard a lot of people have opinions about what and who qualifies. But I think just to keep it really simple, officially and historically we've referred to it as corporate social responsibility and corporate citizenship. But what we really means is producing positive social, economic, and environmental benefit to the society. And that generally happens within the firm. So within colleagues and teams, within your four walls, but also as a business, how are you affecting change in the society in which you work? And that requires that all these components, DEI, philanthropy, ESG come together and start delivering against that.

Andrew Polland
Chief Operating Officer

It feels like this space is evolving so quickly that what was cutting edge yesterday is today's minimum baseline. In light of that rapid transformation, are there any themes in sustainability that are actually here for the long term?

Machal Karim
Head of ESG

Yeah, absolutely. I mean, again, it's a space that's been moving very fast. I mean, 10 years at the least, but exceptionally so in the last 24 months. So the goal post keeps moving out and I think we are feeling it. We're feeling that the challenge is getting bigger and bigger, but there are I think three critical things that are probably going to be here to stay. First is all of us within the industry, we're going to need to have very clear visibility on our environmental risks and our footprint and how we expect to manage that, particularly around the financial impact. So we will be asked to be able to measure, to be able to have that visibility and how those risks get incorporated into our investment decisioning.

Second, I think broadly the industry, and we've been really seeing this basically in societies globally, is that businesses and firms are going to be asked to authentically integrate the diversity of voice and views into their business practice. So this will have to be felt and demonstrated, and it will be very much about walking the talk.

Lastly, I think this is just a trend that probably relates to the first two points, but I think we're all pretty clear now that corporate sustainability, ESG, all of these components, they're no longer just a PR exercise. So there needs to be strategy. It needs to be substantive. There's a very high expectation of data to be able to back what we do. And in order to deliver against this, it will have to be alignment within the firm. So we'll have compliance and legal and investor relations. We will have the investment teams themselves. We'll have strategy, everybody thinking about this so we can deliver to the common goal.

Andrew Polland
Chief Operating Officer

It takes a village as they say, or at least to do it right. Let's turn to another topic. We operate in a highly regulated industry. Do regulators have a role to play in the sustainability conversation?

Machal Karim
Head of ESG

Yeah, I mean, absolutely. For those of us that have been watching, I think the regulators, we've entered an era where they've absolutely taken it upon themselves to audit all of these claims. Intent alone is insufficient. They're going out to make sure that everything people are putting out into the market actually has substance. This is being taken as seriously as the integrity of our financial performance. So I think the regulators specifically have become more sophisticated in their views. We can see this in particular around climate related risks, but I do think that will expand into the realm of things like diversity and being able to make public disclosures about progress against that. As Blue Owl, a public entity, we will have to be able to substantiate these things. So we are going to spend a lot of time preparing for those SEC climate rules.

Andrew Polland
Chief Operating Officer

Let's shift from regulators to investors. How is the dialogue between Blue Owl or its counterparts in the marketplace and the investor community changed over the last few years?

Machal Karim
Head of ESG

Yeah. I mean, I think for those obviously in the room, but just everywhere, we're seeing that sustainability, it's a pervasive theme. It's coming up everywhere. It's coming from our shareholders. It's coming from our LPs, all our constituents. They want to know more about it. So you're getting a frequency in questions. But I think of course, as I said, they're more substantive, specific questions. So they're a detailed dive through into the business around how is integration happening? What are your metrics? How do you manage your data? So we are going to have to see a way to answer that. Consultants that have been supporting the investors historically, they form their own groups. They're becoming more sophisticated about their knowledge. So we are seeing a strength in capabilities grow, and therefore we will see that investors are very clear on what they care about and what they don't.

Andrew Polland
Chief Operating Officer

Yeah. I actually think the slide you put together is simple, but quite instructive. I've seen the evolution firsthand in the dialogue with investors where several years ago, they might ask you if you had a ESG policy and it was literally a check the box yes or no question without any real ramification. If you did, it might be a competitive advantage. If you didn't, it wasn't necessarily a show stopper.

Fast forward to today, it's table stakes. And the level of scrutiny that investors are imposing on that topic is enhanced appreciably. And if you can't demonstrate some level of ESG competency, you could be deemed uninvestable by certain constituents.

Machal Karim
Head of ESG

Absolutely.

Andrew Polland
Chief Operating Officer

So it has changed quite a bit. There's an impression in the marketplace that European investors are much further along in their sustainability literacy than their US counterparts. Is that a fair characterization in your mind?

Machal Karim
Head of ESG

Yeah, I think so. I mean, I spent about nine, 10 years in the UK and I think the Europeans and the UK market just are more advanced. They have a higher bar around expectations, but I think the fair characterization is that it's a function of time. So they've really just been thinking about this a lot longer. They've accumulated a lot more resources and knowledge depth around this. So I think what's going to happen now is that we'll just have to see how to close that gap. So I've only been here for a few months, back in the US only for a few months

now, but I've really seen this surfacing to the top. We're picking up pace and we're picking up speed. So the acceleration is happening and potentially we are possibly even moving faster because we have to close that gap.

Andrew Polland
Chief Operating Officer

Interesting. Let's switch from the macro to the micro and spend the rest of our time talking about Blue Owl specifically. First question is how does one even begin to approach a sustainability program at a relatively brand new firm?

Machal Karim
Head of ESG

Yeah, absolutely. So my function spans across both the corporate and the business activities, and I have a very kind of singular focus and purpose on this as I would very much like that we build a strong corporate sustainability and ESG culture and strength of capabilities across the firm. And this speaks to kind of what we were saying earlier is that it will take the whole business. It will take Blue Owl as an entity to really deliver against this. So we will have to contribute to that common goal.

To get to that place, I think there's about three principles that I'd like to focus on for us. First is really being clear on what's expected of us. And this is from the regulators like we've been discussing, but importantly, our investors, other constituents who really have a view on the direction of travel. Second is being clear about what's practical. So what are some quick wins for us? This is going to be, I think, particularly important because this industry has a lot of, like we were talking about moving goal posts, but we do want to implement, we want to show action. We want to show that there's actually something happening. So we have to be clear about where we can get highest return on effort.

And third it's going to be about what's relevant to us as a business. And I think we've seen today, you throughout the presentations that we do feel, and I do agree, like we are a relatively unique platform even considered against our peers and that will require a very thoughtful approach around what makes the most sense for us. Something that I find particularly quite interesting is the diversity of non-control positions that we have. So what does ESG, what does corporate sustainability really mean in that respect?

Andrew Polland
Chief Operating Officer

Interesting. So the investment strategy you're employing influences your approach to sustainability at some level. Well, where is Blue Owl in its sustainability journey today?

Machal Karim

Head of ESG

Well, I think as we're here to celebrate our birthday, we're obviously a young organization we're early in our trajectory, but it is very clear that this concept of sustainability and ESG has been incorporated into the DNA since day one. It is clear through the discussions we've been having, that it is part of our firm culture. The people care, the executives care, it is something that we want to deliver. So in even a short timeframe, it's been a pretty significant set of strides. Starting early, we developed an ESG working group, which still is chaired by yourself. So you can see that it's taken seriously across operational entities, but then very shortly after that as well, we have the DEI advisory group. This was formed, and in conjunction with a series of employee led working groups, this is really to reflect what organically people within the firm care about to make sure this is rising top of the agenda.

We've been working on building consensus, really informing our strategy and being clear on what our state of play is. And in under a year, we have drafted and executed our first ESG and DEI policies. We became a signatory to the UN PRI, and we hired our first head of ESG, yours truly.

Andrew Polland **Chief Operating Officer**

Quite a lot in a short period of time. You mentioned UN PRI. And candidly, there are so many standards and different organizations with different acronyms around this conversation and this topic. How did Blue Owl choose to align with the UN PRI and what is the significance of that?

Machal Karim **Head of ESG**

Yeah, I mean, we can see here, it's an alphabet soup, and I think we're becoming more and more aware of that as an industry. It's a journey that we're going to have to navigate together, but one thing that's important, I think for us at Blue Owl is we want to be thoughtful. We want to be deliberate and we want to be incremental. And the reason for that is that in order to do this well, in order for this to work, we have to take it step by step at a time. There's been a significant increase in the UNPRI signatories. They are considered as one of the cornerstones around ESG and responsible investing. So for us selection of UNPRI was very much about a signal to the market that we're ready to do this at scale and seriously.

Andrew Polland **Chief Operating Officer**

And how should our constituents in this room view the UNPRI, in terms of our longer term ambitions? Is it the end of the journey or the beginning of the journey?

Machal Karim **Head of ESG**

Well, it's definitely the beginning. As you can see a very long list of institutions, frameworks, and guidelines here. I mean, I personally have connected with all of these. We're very aware of what's going on in the market, but we do want to be thoughtful about the next steps that we take. So it is a long road ahead.

Andrew Polland
Chief Operating Officer

You used the term earlier incrementalism. Someone described our sustainability efforts as relentless incrementalism, which is a phrase I quite like and have adopted. Where are we in terms of integrating ESG into the investment process of the various Blue Owl divisions?

Machal Karim
Head of ESG

Yeah. So as we've all heard today, each of these businesses came and have still a very elaborate deep kind of set of processes and kind of portfolios that they manage. So all of them have come with a legacy approach on how to integrate ESG and sustainability into their systems. For instance, our direct lending business uses the SASB framework, which is an ESG risk analysis approach that allows investment teams to really address ESG risk in the underwriting process. This is escalated into the IC forums for discussion, and that's how decisions are made. On the GP stakes side, they have a proprietary scorecard, which they use to assess the capabilities of partner managers before the investment's made. And this is really useful because it actually also links to the business services platform. So that enhanced support is actually tailored and tied into the assessment. And lastly, the real estate business has really put a lot of effort into working with their tenants and really identifying and maximizing on corporate sustainability opportunities.

Andrew Polland
Chief Operating Officer

That's great. Final question, and we'll let you get off the hot seat here. What are some tangible goals for Blue Owl in terms of sustainability over the next 12 months?

Machal Karim
Head of ESG

Yeah, so we have kept it to 12 months. I think that's the right timeframe, given everything we've said. We want it to be incremental and practical and take really clear steps in the short term. So what those include would be first, we really want to increase our visibility on our climate related risks and really prepare for the related disclosures we're going to have to make. We want to be very confident in what we put out there. Second is continue to strengthen our ESG capabilities and the integration into the investment decisioning. So I just explained that all of the businesses have thus far been doing this, but there's obviously a lot of room to be had on improvement, and we're going to keep working towards really building that up and pushing the needle. Third is really taking our approach to diversity, equity,

inclusion, and building that agenda further. There's been a lot of work done so far, but now we are a larger platform and it's something to take to scale.

Fourth is taking some of our philanthropic and community engagement work. In our efforts so far, a lot of this has been historically embedded into the three businesses. A lot of it has been organic and driven by employees. And we do want to think about this in a more programmatic way. And lastly, I think what's really critical is building up our external reporting track record. We do want to be able to share with the market how we're performing, how are we thinking about this, contribute to thought leadership when it's applicable. And of course, submitting our first UNPRI and publishing a sustainability report.

Andrew Pollard
Chief Operating Officer

Okay, well, a lot to do. Thank you for spending the time and for sharing your insights. Kudos to you and the rest of the Blue Owl team on your progress to date on sustainability. And we look forward to tracking the progress in the years ahead.

Machal Karim
Head of ESG

Thank you.

Andrew Pollard
Chief Operating Officer

Thank you. It's now my pleasure to introduce my friend and partner, and maybe more relevant for this crowd, Blue Owl's chief financial officer, Alan Kirshenbaum.

Alan Kirshenbaum
Chief Financial Officer

All right. Welcome everyone. Thank you for spending time with us today. We appreciate the effort on a Friday morning heading into a nice weekend and thank you to everyone. We've got hundreds and hundreds of folks streaming in. So thank you all for joining us this morning. Apologies you all missed during the intermission an amazing performance by Marc Lipschultz who came up to the stage and did a Grateful Dead song. So Marc, wherever he might be taking a break, thank you for that. It was amazing. We're heading into the final stretch. So to try to keep everyone's attention today, I'm going to talk about some things that none of my colleagues, none of my partners have talked about yet today.

I'm going to talk about permanent capital. I'm going to talk about the layer cake. And I may even talk about retail fundraising opportunities. And by the way, I heard about the betting pool on how many times we would use the phrase permanent capital. So please put me down for the over on whatever the high number is.

So our business model is very straightforward. You've heard that throughout the course of the morning today. We have highly differentiated investment strategies. You heard from Marc on direct lending. You heard from Michael on GP capital solutions and Gary on real estate. Each of them talked about significant organic growth opportunities that we have ahead of us, and that will fuel the meaningful earnings growth that you're going to hear me talking about in a few moments. All of this is backed by the power of permanent capital. So we think we're very well positioned to achieve these goals that we're talking through this morning.

You heard from a strong performance perspective, solid deployment in direct lending, strong investment performance in all of our businesses. The growth of our business, we've closed on two strategic transactions since we entered the public markets. We have a balance light model. We have a significant amount of liquidity in our business, and we've really added to the team. While maintaining, I should say, a best in class margin. And you heard Doug talk about our fundraising target. We believe we're going to raise \$50 billion of fee paying AUM over the course of this year and next year. That would be an over 80% increase from where we ended 2021.

So to start off with some key themes about our business model. We had an opportunity as Doug touched on earlier to start from scratch with a blank sheet of paper on how we wanted to construct the Blue Owl model. And so we built that with a foundation of steady predictable cash flows from management fees. Our business does not have the volatile carried interest swings in revenues that our peers do. The amount of permanent capital in our business is unlike any of our peers. And because 95% of our FRE revenues are from permanent capital, as we continue to fundraise, it's like adding layers to that layer cake. And you've heard folks talk about that throughout the day today. All of this creates high visibility into strong FRE revenue growth, and we believe the potential for meaningful shareholder returns is significant.

One thing I'm going to talk a bit about today is the quality of our earnings, and the quality of our earnings is unlike any of our peers. It's 100% FRE. It's permanent capital. It's inflation protected, and it's low-vol in terms of market dislocation. So Doug put up what he calls the Blue Owl layer cake during his presentation today. That wasn't really the Blue Owl layer cake. So the Blue Owl layer cake is what you see here. And again, apologies to everyone who's streaming in, we're actually serving this after lunch today for everyone who was able to come and attend in person. And Ann mentioned that today was our one year anniversary of officially opening up and trading on the New York stock exchange. So today it's kind of an extra special day to be here live at the exchange. So I wanted to take a moment to say happy anniversary to Blue Owl. It's been a really fun year and we've got a lot of good years ahead of us.

So we are the next generation of alternative asset manager. And I said, we had the opportunity to build our business model from scratch. So what does that mean? It means 95% of our management fees is from permanent capital, 100% FRE business, best in class FRE margins, strong growth profile, a balance sheet light model, and very strong alignment with our shareholders. With a lot of our stakeholders out here, we own about 25% of the outstanding stock of Blue Owl. This is just an opportunity to do a head-to-head comparison with our peers. There's really two peer groups that we talk about, the diversified alt manager peer group. Those are some really fantastic firms out there. Blackstone, Apollo, KKR, Ares, Carlyle. They have about 50% of their revenues in FRE. They have about 15% according to the equity analyst community, about 15% expected DE per share growth over the next two years. About 35% to 40% of their business is permanent capital.

And they have FRE margins of about 50%. Then there's another group, the FRE centric firms. Those are the EQTs, the StepStones, the Partners' Group, the Hamilton Lanes. They have a little more FRE in their business. About 60% to 65% of their revenues are FRE. They have a similar growth trajectory according to the analyst community. They don't really have anything in substance by way of permanent capital. And they have about similar 50% FRE margins. So when you compare us head to head, and the reason why we think of ourselves as the next generation of alternative asset manager is as you can see from the numbers here, very, very different in every category. So 100% FRE. 35%, again, according to the equity research analyst community, 35% DE per share growth over the next two years. You've heard this before, 95% of our management fees are from permanent capital and we have 60 plus percent FRE margins.

So for the next few minutes, I'm going to talk about looking backwards in time, what we've been able to do with our business, and then I'm going to focus on, on a go forward basis, what do we think we can accomplish over the next several years? So 49% FRE revenue CAGR over the last four years, and this management fee growth has been very stable, very consistent. And I wanted to show you an example of that, just using Owl Rock Capital Corporation as an example. Just two years ago, during the volatility, during the worst of COVID, you can see what happened with the S&P 500, and you can see a relatively flat line for ORCC management fees. And then you heard earlier this morning, more on a macro level, a rising rate environment that we're in. You heard the phrase inflation protected quite a bit.

If you just took our direct lending BDCs, just that one aspect of our business and rates go up 200 to 300 basis points, the impact just from that part of our business to the Blue Owl revenue line would be two to four plus percent increase in FRE annual revenues. Some key growth metrics here, all 50 to 65% growth. FRE revenue 52%, FRE 56%, fee paying AUM 64%, and permanent capital growth about 61%.

Retail fundraising, our private wealth channel, \$3.7 billion across all of Blue Owl quarter to date so far as of this week. That we've raised of that \$3.7 billion, \$2.6 billion has been in the private wealth channel. You can't annualize that or run rate that. So all the equity research analysts out there, please don't do that. It's dependent on the timing of different fundraisers, but really tremendous second quarter so far.

So now let's talk about what do we think we can achieve over the coming years? So Doug outlined our financial goals here. We had revenues of \$900 million in 2021. We think we're going to double that in 2023 to \$1.8 billion or more of FRE revenues, after tax distributable earnings of \$1 billion in 2023 and a dividend of \$1 per share in 2025. That \$1 per share dividend, obviously DE will be a little higher than that, but we are targeting a dividend of \$1 per share for 2025.

So this is the path. We think we have a very visible path to achieve these goals that we've set out for ourselves. I'm going to spend a few minutes on the next coming slides on each of these, but the first step in the path is deploying the AUM not yet earning fees. The second step is the fee step up in our private to public BDCs. And then steps three, four, and five are really about ongoing fundraising, expanding the private wealth channel that you heard Sean talk about today and raising additional funds and strategies.

So step one on that path, deploying the AUM not yet paying fees, that's over \$100 million of annual FRE management fees that would get added. The fee step up. So step two, I've talked in the past about ORTF and the \$65 million of incremental annual management fees that would come from listing that vehicle. We also have two other private to public BDCs out there. We launched ORTF II just in the fourth quarter of last year. That could bring an incremental \$63 million of step up management fees. And ORCC III, which we've been raising, that would bring an incremental \$58 million. So a total of about \$185 million of incremental annual FRE management fees from the listing of each of these BDCs. And if we're able to achieve the objective, we've set a goal for ourselves, a fundraising goal of \$5 billion of equity to raise for ORTF II. If we're able to achieve that, that would be \$230 million and an incremental \$60 million of AUM to be deployed from that incremental \$2 billion between the \$3 billion and the \$5 billion that I noted here.

So that \$300 million plus \$100 million of AUM not yet deployed. \$400 million, that's about 30% of what our target is this year for revenues of \$1.3 billion. It's a big percentage. Step three, four, and five is all about fundraising. So we expect to raise \$50 billion of fee paying AUM over the course of this year and next year. This is how we break it down. For direct lending, about \$35 billion of that \$50 billion. This does include debt raised for the BDCs where we charge on total assets.

About \$5 billion for the GP Capital Solutions business. This is really kind of in between wrapping up fundraising for Fund V and next year starting fundraising for Fund VI, which we expect will go into 2024. And then for our real estate business, \$10 billion of fee paying AUM to be raised.

So we call this our bridge. This really shows the full earnings power of our business. So when you think about that \$1 billion of distributable earnings in 2023, when we get to December 31, 2023, the earnings power embedded in our business will be much more significant than that \$1 billion dollars. Because as I talked about, we have these fee rate step up and we have the impact from full deployment of the AUM not yet earning fees. So as of December 31, 2023, the full earnings power of our business will actually be over \$1.2 billion or more of after tax distributable earnings. So let's put up a hypothetical scenario here. So I mentioned earlier 49% CAGR growth from 2017 to 2021 for FRE revenues. Let's just say, we're able to do, let's bring that number down. Let's say we're able to do 35% CAGR growth.

That would bring our revenues from \$900 million in 2021 to \$3 billion in 2025. Let's have some margin expansion, let's say 37% CAGR on FRE. That would bring us to \$1.9 billion of FRE in 2025. And then as we grow into our tax rate, let's assume a 30% CAGR for after tax distributable earnings. That would bring \$1.5 billion of distributable earnings for our business in 2025. I get asked a lot from a lot of folks out here, how do we think each of our businesses will grow proportionate to each other? So I wanted to touch on that for a moment. Let's just keep going with this hypothetical scenario that we can grow our FRE revenue line at 35% CAGR for the next four years.

Our direct lending business, I think Doug touched on this earlier. Marc touched on it, 87% CAGR over the last four years. We think let's just assume a 35% CAGR. We think that business could grow at roughly the same rate as the overall Blue Owl platform. So that would bring revenues to \$1.8 billion. What will drive the growth of our direct lending business? Large addressable market, private equity fundraise you heard us talk quite a bit about that today. We compete at the top of the pyramid. Now, when Doug hit these, he usually will show you what the pyramid looks like. He'll put his hands over his head and show you the pyramid. When Marc, Marc went out and he showed us all the funnel. We didn't get that from Doug earlier today, but it is a big competitive advantage of ours to be able to compete at the top of the pyramid.

We have a fully built origination platform and one of the largest dedicated investment teams out there. And obviously, you heard today very strong investment performance returns. In our GP capital solutions business, we've grown that business at a 27% CAGR since 2017. Let's just assume for this purpose, we can grow that at about a 22% CAGR over the next four years. Some of the drivers of growth over the next several years will be, again, a very large

addressable market for us, a significant and defensible market share. And again, that at scale is a meaningful competitive advantage for us. A strong network of relationships, limited competitors with significant barriers to entry, and synergistic growth with direct lending and real estate.

And then for our real estate business, although it's coming from the smallest size, we think our real estate business will outpace the growth of both of our other two businesses. So let's say that's a 55% CAGR and you heard the drivers of growth earlier from Gary, a leader in the triple net lease space, very strong track record, structured to provide downside protection. New product launches, you heard about Fund VI and our REIT that we're going to be launching. And you have heard the private wealth fundraise opportunity is very significant in this area. So other than the organic growth opportunities that you've heard us talk about today, we think there's several other ways that we can continue to drive shareholder value. We had made an announcement last month that we adjusted our corporate structure for the potential inclusion in the Russell Indices. We are going to seek to shift to a fixed dividend for 2023. We think that could attract new institutional investors to our name. I talked on our earnings call a couple weeks ago about our share buybacks to offset dilution from stock compensation. And as you can see on this chart, we have a very competitive dividend yield with outsized growth expectations for our stock price.

So maybe just to wrap up, and we'll move into Q and A, some key takeaways for today. Raising the \$50 billion of fee paying AUM, doubling FRE revenues from '21 to '23, \$1 billion of after tax distributable earnings in 2023, and the \$1 per share dividend in 2025. Permanent capital, private wealth fundraising, the potential for meaningful shareholder returns we think is very significant here. And again, it's all about our quality of earnings. It's 100% FRE, it's the permanent capital, it's the inflation protected, and it's the low-vol in terms of market disruption. So we'll spend a minute to bring some chairs up. But please stay in your seats, we'll jump right into Q and A. Thank you very much.

Craig Siegenthaler
BofA Securities, Inc.

Hello? Oh, hi. This is Craig Siegenthaler, Bank of America. Hey guys, thank you very much for hosting a great event. My question's actually for Michael on Dyal. We watched your business grow a lot. You have some competitors that have grown a lot. How do we think about the share of the private markets that you guys already have stakes in among you guys? And I know there's new firms forming every year, but how should we think about how much the addressable market you guys have already touched? And then as you raise new funds, how many other alt firms are out there that you can potentially provide stakes to in the future? And I know some of them might be a second stake, or a second capital contribution to someone you already gave capital to.

Michael Rees
Co-President

Yeah. Thanks for the question. As you think about that chart that I showed that had the \$20 billion that's currently being invested by our business and the two peers of ours, that's probably in addition to maybe \$20 billion or \$25 billion that's already been invested life to date. So when you look at that \$520 billion in 2022, think of \$20 billion in play now and \$20 billion that's been invested life to date. So there's still a tremendous opportunity set that hasn't been touched. There are new names that we've been talking to for years and years who just haven't wanted to do anything yet. And it's a matter of when, not if. We do think about 30% to 40% of future investment will go into second and third bites of the apple. And we do think and see a number of firms that may sort of matriculate up into that top 250 category. It'll obviously make that group a little bit bigger by number, but they'll have the characteristics and attributes that we think make for a leader in the space.

So we just see tremendous headway. We're often asked the question about whether IPOs of some of the really top bigger firms will take them out of our sample set, but we've been 14 years since Fortress' IPO, and there's 14 public companies. So we're sort of running it one a year. There may be three to five to seven more in the next five years, but not a groundswell. I don't think most firms, and what Alan alluded to with heavy carried interest and earnings that are harder to understand, most firms that are typical buyout firms just don't want to be subjected to short term performance metrics. And so I think they like being private. They like our type of investment and our strategic partnership. So tremendous opportunity set that we're really just scratching the surface of.

Craig Siegenthaler
BofA Securities, Inc.

Great. Thank you, Michael. And it was actually nice to see you guys planning to move to a fixed dividend too. I think that'll help your shareholder base.

Doug Ostrover
Chief Executive Officer

Yeah. Hey, I just want to make one comment before we hand it off. The other thing where Michael's being a little modest is this is a long process, meaning when they're out and they start that dialogue, it just doesn't start and happen within a quarter or two. We were talking to Michael and his team, he was calling on myself, Mark, our other partner Craig Packer for three, four years before we ever did a transaction. And so when you think about that GP solutions business, they've been laying the seeds for 10 plus years, and they've literally been talking to some of these firms for more than 10 years. And so I just think we're uniquely positioned. There's two other smaller competitors. That's it, we have the biggest team, the most unique product offering. So I think the TAM is large and I think there's quite a few deals to be done in the next few years.

Glenn Schorr
Evercore ISI

Hi, thanks very much. Glenn Schorr at Evercore. So the question comes up a lot on how things are marked private versus public. And it's a two parter for you. So for Marc, on the direct lending side, I'm curious, when public market credit spreads are widening out, interest rates do what they do and public indices get beaten up, I know the volatility of your investments aren't doing the same thing, but I'm curious to hear about your approach towards how you mark underlying positions. And then bigger picture question, as you continue to develop products in the retail side, and you're putting private assets in quarterly liquidity vehicles, how your approach is going to be towards marking those quarterly liquidity vehicles. Thanks.

Marc Lipschultz
Co-President

Sure. So with regard to marks, let's start with a really important foundational point. We don't mark our own books, we have it done by a third party. So we have an external party, Duff & Phelps, provides us valuations. And not to get mired in the weeds, but oftentimes someone presents an evaluation and they say it's reasonable. We don't do that, they provide us the valuations. Those are the marks. We've never wanted to be in the business of trying to mark our own book. We think we ought to be in the business of picking the assets, managing them, the values are the values that a third party sees, number one.

Number two, so to answer specifically your question, Glenn, when spreads widen, absolutely that shows up in the valuations of our loans. So there is modest movement in the loans, as you obviously can well imagine, do the math, spread widening obviously creates some amount of reduction in loan value. Spread tightening, the other direction. Rate movement in absolute terms, not a small point, doesn't matter, because we are floating rate loans. So the most significant moving variable in the market today is the one that we're insulated from. But that shows up in our marks, and it's true for all the products. So to your point about the businesses with either liquidity, quarterly liquidity, they're marked the same way, marked on the same basis, marked by the same firm. It's quite important that we get those marks right, for both the people that are coming in and the people that are going out.

Alan Kirshenbaum
Chief Financial Officer

I'll just add to that. When I showed the chart about the management fee stability with the S&P 500, we just went through a period two years ago where there was some pretty significant volatility in spreads, and we just had that nice flat line coming back to us.

Alexander Blostein
Goldman Sachs & Co. LLC

Hey, thanks. Good morning, guys. Thanks again, for the day. I had a couple of questions on retail, as you probably imagined. So just bear with me. I guess just starting with the \$50 billion fundraising number that you put out there, can you help us frame how much of that you actually expect to get from these evergreen structures that you talked about today? That obviously is a big opportunity for you. And then specifically within real estate, again, sounded pretty exciting, differentiated product, how are you thinking about differentiating yourself and the marketplace against BREIT, AREIT, Starwood, another couple of really sizable products that are out there? So what's different about this that's going to get retail more excited about what's already out there?

Alan Kirshenbaum
Chief Financial Officer

I think maybe to start off, about half or a little more of the \$50 billion we think could come through those channels.

Marc Zahr
President of Oak Street

Agreed. And I'd say the same thing from that, specifically on the real estate side. From a differentiation standpoint, I think it's pretty simple. One, our yield is primarily higher, our total return capabilities I think are unique in the space, and the strategy itself is so much more understandable. So when you think about doing a single tenant net lease, any wealth, any high net worth investor understands what a Walgreens is, and understands that when you have a triple net lease, they don't have exposure to taxes, insurance, maintenance, utilities. So when you take that and you think about it in the large scheme of a portfolio, nothing else in the channel looks and feels that same way. So lower vol, higher yield, more understandable story.

Alexander Blostein
Goldman Sachs & Co. LLC

Great.

Doug Ostrover
Chief Executive Officer

I just have to comment on this because I am the most enthusiastic.

Alexander Blostein
Goldman Sachs & Co. LLC

You don't say.

Doug Ostrover
Chief Executive Officer

Ask yourself, if you could earn a 7% and own real estate and have a 20 year lease from an investment grade tenant, given what's going on in this marketplace, given all this volatility, oh, and the 7% is tax advantaged. As I look across the universe, including BREIT, great product, SREIT, those are fantastic funds, but we think this is better. And as Marc said, it's easier to understand, higher yielding. But having that investment grade tenant with a 20 year lease, and I think it's been 13 years where we've never had a default on a lease, I think that's going to be a good place to be. And I think the more volatile the market gets, the more strategy like that will resonate.

Alexander Blostein
Goldman Sachs & Co. LLC

Great. Fair enough.

Marc Lipschultz
Co-President

Sorry, not just a default, just to be clear, never had a missed rent payment in 13 years, correct?

Doug Ostrover
Chief Executive Officer

Yeah.

Alexander Blostein
Goldman Sachs & Co. LLC

Awesome.

Marc Lipschultz
Co-President

Yeah, it's a great product. It's going to be awesome.

Doug Ostrover
Chief Executive Officer

Okay. Let's just talk about the REIT.

Alexander Blostein
Goldman Sachs & Co. LLC

So my second question, but also related to retail, hopefully, Ann, I'm not in trouble for asking more than one question, ORTF II, I think I saw on the slide \$3 billion. I think you also said \$5 billion is the target. So \$3 billion is what you've raised to date, just to clarify, in that product. And as you think about raising additional capital relative to the open ended tech BDC, how do

you balance the two? How do you pitch it to the market between the closed end legacy structure and the open ended one?

Alan Kirshenbaum
Chief Financial Officer

I'll take the first part. The \$3 billion is where we think we'll be at the end of this quarter. We're approaching that.

Marc Lipschultz
Co-President

Yeah. And on the product differentiation, this gets back to something we've commented on, and it's pretty foundational to our business, that bottom of the funnel point, whether you pick ORTF II, Tech II, or tech income as your access point, they're really foundationally similar portfolios. In fact, they really are the same overlapping portfolios. However, they're different access points in terms of liquidity, in terms of is it a NAV product or ultimately a traded product? What are the fees up front? What are the fees later? So from our point of view, they're just different ways to participate in the same underlying pool of loans. So we provide both, we support both. Generally speaking, tech income, I think, is put together in a way that works better for individuals, and tech two is put together in a way that's aimed more at higher net worth individuals or institutions to draw down product. But from our point of view, call that a wrapper. At the end of the day, we're going to deploy them the same, you're going to have the same underlying loans, and that's really a bedrock part of our business.

Alexander Blostein
Goldman Sachs & Co. LLC

Thanks so much.

Adam Beatty
UBS Securities LLC

Hey, good morning, Adam Beatty from UBS. Thanks very much for the day. Bigger picture question about retail. In one of the early slides, you had a combination of the addressable market for high net worth and mass affluent. And we already mentioned quarterly liquidity and some of the other potential concerns with mass affluent. So two part question, how are you thinking about developing products, addressing specifically mass affluent as opposed to high net worth? And then which of the kind of sub segments of retail, whether it's RIA, wirehouses, would be most fruitful for that in the short term? Thank you.

Doug Ostrover
Chief Executive Officer

Well, I think it's fair to say that we are going after every area of high net worth, mass affluent. So Sean, I think the team today is 75 people, it's growing to a hundred. And just as an aside, I

was talking to Sean in between sessions. There are a lot of people who like to talk about just how important it is, the number of bodies. But as you know, we started seven years ago, and we have really given the retail investor a true institutional experience. And so we've created a lot of goodwill. We talk a lot about the big wirehouses for our current products. You should know we're in at least another 150 different platforms. And where we're probably behind the biggest player in the market, Blackstone, is outside of the US. And we've built a really strong team in Asia. We're working in Japan. Well, I should say in Singapore, Hong Kong, a large team, we're working in Japan, Europe.

So I think we will have resources that are as good as anyone in the market. And we will be going after all of those markets that you mentioned. I think the key though, to think about where we're going to take the products, is we're spending a lot of time, not just thinking about what we think makes sense, but sitting down with the leaders of the biggest firms and talking about what is it that their clients want. What is the right structure? Should it keep evolving? And just as important, what's the right type of asset? So we have our core income fund. There are a few firms that have, it's basically a diversified lending fund, but we are the only one in the market with a fund that touches the software market. We're the only triple net lease real estate fund in the market. And as I think about our products going forward, we would like to continue to bring products that are different than our peers. We don't mind competing head on, but it's certainly easier when we have something that is truly differentiated. And again, we are working closely with the heads of all these firms on a myriad of products right now.

Robert Lee
Keefe, Bruyette & Woods, Inc.

Thanks. Rob Lee, KBW. Thanks so much for doing the investor day, a very thorough one. Question I have is on rising rates. So question we get all the time, any of us in the room here, is what effect the 10-year where it is today, credit spreads have widened when we think about a lot of the allocation decisions that were made, or the Preqin charts, rates were, 10-year was maybe one and a quarter, one and a half, it was kind of different rate environment, different spread environment, question we get all the time is crowding out. How much is rising rates, wider spreads? I can buy a single A corporate at 4%, how does that affect demand for direct lending products, or whatnot? So I guess it'd be good to hear how you think of that, how you would address those concerns that we see out there all the time from investors.

Marc Lipschultz
Co-President

So it's a great question. And obviously we get the question regularly as well. So I make a few observations. We are in a spread business. That is to say it's whatever that base rate is, plus a spread. And I think what we see in both those charts historically, and I expect we'll continue to be able to deliver, is a meaningful premium for not to take in meaningful incremental risk. Or put another way, the trade off and incremental spread for the notional risk is, we think,

quite compelling. And that really doesn't change. We can float the base rate around and that'll drive up the nominal returns of a single A, and it'll drive up our nominal returns too.

And I think that's not a small point to consider, which is, look, let's assume somehow that rates and inflation are interplaying here, and we have other problems we may be facing right with stagflation and things, but let's just take those two as over time being pretty correlated. Well, if we're really solving through the base rate, the inflation issue, then all we're doing is we're treading water with those other fixed income securities. It's true, we just won't go backwards as far as they're going backwards right now, because they're earning under the inflation rate. We'll still have our spread above that. And I think that's going to be the spread above inflation that's available to the investors. So I feel quite good about saying, look, we'll offer you senior secured, diversified, very strong credits with strong credit agreements, floating rate format. So wherever rates go, you don't have to try to guess, is this the moment to buy in? Or is this the moment rates are going to keep going? In which case that single A is going to be a pretty lousy piece of paper. So I think we can take all that guesswork out of it for most investors and offer them a fixed income solution that still earns a premium.

Doug Ostrover
Chief Executive Officer

Yeah, we have a finite amount of capital in the direct lending market. And it has always been, and I think it always will be, we go in and provide solutions that are more expensive to the public markets. And if we can do that, as Marc said, and take less risk, continue to take less risk and provide a higher return, I think it'll continue to be a very attractive place for investors.

Robert Lee
Keefe, Bruyette & Woods, Inc.

Can I ask a follow-up?

Doug Ostrover
Chief Executive Officer

Sure. You got the mic.

Robert Lee
Keefe, Bruyette & Woods, Inc.

I'll just keep going. Maybe on a different topic, you laid out a game plan for raising a lot of capital outside the US, Asia, Europe, just kind of curious, and maybe it's not necessary given the opportunity domestically, but how do you think from a deployment perspective or creating product, that maybe triple net lease doesn't translate as much into other parts of the world, maybe it does, but how do you think about expanding your footprint from an investing perspective?

Marc Lipschultz
Co-President

So I'll hit it on direct lending and we can cover it across the board. I'll set a headline that I think will remain true for all of us. Look, our businesses are, by design, pretty US centric. We like the US market. We like the predictability and stability of the rules. We like the environment we operate in. It's big, there's plenty to do here. So if you look at everything you've seen today, it certainly has a heavy US centricity to it. And I think that will continue, for reasons we use affirmative, not sort of limiting. In terms of deployment in direct lending specifically, there almost everything we do is in the US, to a degree Canada, a little bit in Europe. But we love the predictability and well worn path of the credit markets in the US. Europe presents an interesting adjacent opportunity. It's something we certainly continue to look at. It would be a very logical thing for us to do. But I will say that we very much like the attributes of the US market and find as a general matter, you can't get quite as good a risk return in Europe. Doesn't mean you can't get a good one in absolute terms, but it doesn't seem to us be relatively as good. So plenty to harvest here today. I think with triple net lease and stakes, again...

Doug Ostrover
Chief Executive Officer

Were you asking specifically about deployment or capital raising?

Robert Lee
Keefe, Bruyette & Woods, Inc.

Sorry, deployment.

Marc Lipschultz
Co-President

Deployment. So maybe if triple lease and again, mostly centric, but any

Marc Zahr
President of Oak Street

Our existing vehicles today are focused on the US and primarily Canada. That said, when we're providing a solution to a company, they own assets usually all over the globe. And thinking through products that make sense to use that capital to help them allocate so we can allocate in those parts of the world makes sense, and something we'll evaluate.

Michael Rees
Co-President

And on the stake side, we have always focused globally. The top 250 firms in the world, CVC, MBK, Bridgepoint, they're all, our existing partners. And the good news is, you don't have to look too hard, they're all in a few cities, and we know who they are. So we'll continue to

deploy capital globally. It does break down that about 70% of that will be headquartered in the US even if they're global investors, 20% in Europe and 10% in Asia, that's just where they live. But these are mostly global businesses.

Robert Lee
Keefe, Bruyette & Woods, Inc.

Thank you. I'll yield the floor.

Marc Lipschultz
Co-President

You yield to the Senator from...

Chris Kotowski
Oppenheimer & Co. Inc.

Good. Thank you again. Question for Michael. Permanence is a very, very long time, and I'm just wondering what happens in the long run with these investments that you have in the funds? First of all, I guess one is, as companies go public, do you then distribute the shares to the underlying investors? And does that come out of your AUM? Or do you just hold them in the fund forever? And then secondly, I was wondering, is there ever a termination date or a step down date, or do you just continue to earn the fees that you earn in perpetuity?

Michael Rees
Co-President

Good question. How long do you have? Because we get that a lot. The funds are set up to be permanent. So we don't ever have to sell an asset. The fees typically go about 17 years. They step down after five or six typically, step down a little, and then stay that way on into the end of that 15 to 17 year period. We talk to investors about how they will get returns on their Dyal funds through five or six different channels. One being distributions, two, there will be episodic opportunities for individual firm exit. Maybe a firm goes public. Bridgepoint did, a firm called Owl Rock went public, and Fund IV holds shares of Blue Owl. And in there we don't distribute them immediately, we hold those shares because we see really good long term upside. At some point we will monetize those, but not any time in the near future do we expect to do so.

And then what is really interesting for us to consider, and we've talked to a lot of folks about this and built it into all of our contracts, we could possibly take a bundle of these manager partnerships and take them public. And you've seen that happen. That would then really make the investments permanent, the public shareholders, the public would own those, and the fees would go not just from 15 to 17 years, but they would go forever. So we're focused on that. We evaluate it continuously. If you look back to our first PPM in 2010, it said there's a plan for a potential IPO exit way down the road. And so it's something that we don't bake into

our numbers, but it has fee upside for us. And it converts what we think are very long dated fees, 15 to 17 years, into even longer permanent fees.

Doug Ostrover
Chief Executive Officer

Well, I think we're just past noon. You've spent three and a half hours with us, and we are truly grateful. Before I go, I just wanted to give a round of applause to Ann. This was our first investor day and I thought it went off great. So thank you. And again, thank all of you. And all of us are available. If anybody has any follow up, we'd be happy to do it. Come sit down, talk in more detail. And as I said on the video, we look forward to continuing to exceed expectations. So thank you.

Ann Dai
Head of Investor Relations

Thank you all.