Blue Owl Capital, Inc. (OWL)

2Q 2026 EARNINGS

July 30, 2026

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

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

Ann Dai
Head of Investor Relations
Thanks operator, and good morning to everyone. Joining me today are Marc Lipschultz, our co-Chief Executive Officer, and Alan Kirshenbaum, our Chief Financial Officer.

I'd like to remind our listeners that remarks made during the call may contain forward-looking statements, which are not a guarantee of future performance or results and involve a number of risks and uncertainties that are outside the company's control. Actual results may differ materially from those in forward-looking statements as a result of a number of factors, including those described from time to time in Blue Owl Capital's filings with the Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statements.

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

This morning, we issued our financial results for the second quarter of 2026, reporting fee-related earnings, or FRE of $0.25 per share and distributable earnings or DE of $0.22 per share. We declared a dividend of $0.23 per share for the second quarter payable on August 27 to holders of record as of August 13.

During the call today, we'll be referring to the earnings presentation, which we posted to our website this morning, so please have that on hand to follow along.

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

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

This morning, we reported our financial results for the second quarter of 2026, highlighting 9% DE growth versus a year ago quarter. This growth was broad-based across products and geographies, demonstrating the continued diversification of Blue Owl's platform and reinforcing the strength and stability of our business across a wide variety of market environments. Over the past few quarters, we've looked to address questions about our business and our ongoing goal is to continue to offer key facts that illuminate the diversification, resilient investment performance, and core growth trends we see across our business.

On diversification, which we believe has been an overlooked theme and a key evolution of the Blue Owl story, we start with our Real Assets platform, which now constitutes nearly 30% of our AUM. We have grown Real Assets AUM by 25% and revenues by 27% versus a year ago, with particular strength from our Net Lease and Digital Infrastructure strategies. In this platform, our central positioning and strong track record in these markets have continued to resonate with institutional and wealth investors alike, and this has not gone unnoticed by industry participants.

Recently, we were named PERE's Global Net Lease Investor of the Year, Global Data Center Investor of the Year, Global Retail Investor of the Year, and we've been ranked #2 on PERE's Top 100 real estate fundraisers globally. This recognition highlights that our Real Assets platform, launched 4.5 years ago with $12 billion of AUM, has raised more money over the past 5 years than nearly every other real estate manager globally.

We're honored to be leading such an esteemed list of managers and believe our success reflects our singular focus on creating differentiated risk reward and strong yield-based outcomes for our investors. Since we first established our foothold in Real Assets in late 2021, we've expanded AUM sevenfold and continue to anticipate that it will be our fastest-growing area for the foreseeable future.

In Credit, the sources of growth have expanded as we invested behind strategies such as alternative credit, investment-grade credit, and GP-led secondaries. Today, Direct Lending is approximately 35% of our AUM compared to nearly half of our AUM just 2 years ago. In contrast, Alternative Credit, which is approaching 10% of our Credit AUM, has experienced 35% AUM growth over the past year. During the second quarter, we reached the 1-year anniversary of the inception of our alternative credit interval fund, which has surpassed $2.7 billion in size and has outperformed the leveraged loan index by more than 600 basis points over that period.

We've also meaningfully scaled drawdown funds in alternative credit. Our opportunistic fund, which held its final close last quarter, raised 1.6x more than the prior vintage, against a market backdrop of private credit concerns and a challenging global fundraising environment. We continue to anticipate outsized growth from our alternative credit strategy.

In GP Strategic Capital, our market-leading position in this specialist strategy has continued to pay off, with approximately $5.5 billion raised over the last year across the commingled fund, co-invests, and innovative strip sale structures.

Finally, we continue to introduce de novo strategies that draw upon our investment expertise in various asset classes and offer incremental product suite diversity. Over the last couple of years, we have highlighted GP-led secondaries and Net Lease Europe as some examples of these organic growth initiatives. Last quarter, we held the final close of our BOSE product at a total of $3 billion, and we have closed $1.5 billion for Net Lease Europe. Adding to this list, we're now in market with the first vintages of our Data Center Credit and Real Estate Credit strategies and have raised over $1 billion in aggregate towards a $1.5 billion goal.

Summarizing our thoughts on diversification. As we look at the first half of 2026 across Blue Owl, a period spanning the most acute headline noise and elevated redemptions for non-traded BDCs, we raised more than $16.5 billion of equity capital across the firm or more than 40% of our last 12-month total. Over the last 12 months, more than 75% of the equity capital we've raised has been into non-direct lending strategies and roughly 2/3 has been from institutional and insurance clients, underscoring the breadth and resilience of our business.

Moving on to investment performance. We continue to experience strong outcomes across the board with no meaningful change in strategy level performance. In Direct Lending, performance of our funds and vehicles has continued to outpace the relevant benchmarks. Importantly, the underlying portfolio companies we finance have continued to grow at a mid- to high single-digit pace on average, providing incremental support to our position as the senior secured piece of these companies' capital structures.

Across our Direct Lending strategy, credit health remained strong. We have seen no meaningful change in our watchlist compared to a year ago. We remain vigilant on credit health and are prepared for some normalization off of very low loss rates. But to date, we are sitting at a 12 basis points average annual realized loss rate with a net gain in our technology lending book.

Through June, our non-traded BDC, OCIC, Class I shares have returned over 9% since inception, outperforming the leveraged loan and high-yield indices by more than 300 and 450 basis points since inception. Additionally, we have begun to see divergence across managers. We expect differentiation in outcomes to continue across market sizing with the upper middle market outperforming the lower middle market as it has over the past years, and anticipate further dispersion among upper-middle-market managers, highlighting quality of underwriting and credit selection.

In Real Assets, our Net Lease strategy has generated 13.6% total return over the past 12 months, while the Class I shares of our non-traded REIT, ORENT have returned 9% annualized since inception. And both ORENT and our non-traded Digital Infrastructure REIT, ODIT, have increased their dividends this past year.

In GP Stakes, we continue to rate very favorably against private equity products of the same vintages with top-quartile rankings across funds on DPI.

While we're cognizant that sentiment can shift with market conditions and investor expectations, we believe our high-quality performance across strategies will allow Blue Owl to serve our investors well through a variety of market environments, with the diversification I highlighted earlier in my remarks, ensuring ballast for our platform in the midst of the crosswinds of fluctuating sentiment.

Bringing it back to where we started. We believe the results we reported this morning continue to demonstrate the resilience of our business in the midst of many market cross currents, which do not uniquely impact Blue Owl. As I consider the growth we've achieved over the past year, 2 years or even 5 years, we have done so through a wide range of risk-free rate environments, multiple geopolitical escalations, and a broad spectrum of capital market backdrops. Our growth rate has fluctuated through these landscapes, but we have consistently demonstrated growth and durability, and we maintained very strong investment performance throughout. We're very proud of the business we've built. We're exceptionally thankful for the tireless efforts of our great Blue Owl team, and we are optimistic about the path forward from here.

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

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

As we highlighted in this morning's earnings presentation, Blue Owl grew earnings by 9% compared to the second quarter of 2025. Looking at the second quarter versus a year ago, management fees grew 8%, excluding the impact of management fee offsets. FRE grew 9%. And DE grew 9%. Our FRE margin was 58.5%, in line with our outlook for the year and modestly up from the first quarter and 2025 levels. AUM not yet paying fees increased to $31 billion, representing approximately $380 million of expected annual management fees once deployed. This is equivalent to approximately 15% embedded growth from our 2025 management fees. As this capital is drawn down and put to work, it converts into fee-paying AUM and will continue to support management fee growth across our platforms.

To continue with Marc's themes, he covered in his remarks, our continued diversification and strong investment performance. I'll cover the core growth trends we see across our business.

First, given the number of drawdown funds we have in market this year, we expect institutional fundraising to remain strong in the second half of the year.

On our Net Lease strategy, during 2Q, we exceeded the hard cap initially set for this vintage and have raised 1.5x more than the predecessor vintage. The investor interest and engagement here has been really impressive, so we wanted to share some stats, which include just a year after the first close, we have raised $7.7 billion and surpassed the original hard cap. Inclusive of co-invest, we've raised $8.7 billion. Approximately 60% of these investor commitments are from first-time investors in the strategy. New consultant recommendation led to over $1.5 billion of this capital raised. And geographically, we added LPs from Australia, Korea, Scandinavia, Israel, Kuwait and the UAE, constituting roughly 40% of capital raised to date.

In wealth, we believe we have seen a bottoming of evergreen inflows in the May 1 close, supported by continued strong performance in these products and ongoing education across stakeholder groups. And for the July 1 close, we saw a greater than 50% increase in evergreen inflows versus that May 1 close. While we are still below historical levels, we are encouraged by this data and continue to see increased engagement from home offices and financial advisers.

And the recent redemption data is also supportive of better trends in the wealth channel. We saw a modest reduction in redemption requests in the second quarter for our non-traded BDCs. While we are not calling for a V-shaped recovery in sentiment around private credit, we do think that the strong fundamental performance of our products has played a role in the decline of redemption requests for the non-traded BDCs, which we continue to view as more sentiment driven and led by individual clients as opposed to financial advisers or distribution partners.

For the second quarter in a row, we continued to see 90% of our OCIC fund investors not request a single dollar of redemptions. The small shareholder base that did put in redemption requests remained largely unchanged from last quarter with very limited new participation. And while we believe this has become very well understood by shareholders, as a reminder, the liquidity in our non-traded BDCs has remained very strong, as we highlight on Slide 25 of our earnings presentation, with repayments in the loan book meaningfully more than covering the net outflows during the second quarter.

Outside of the non-traded BDCs, we saw no increase in redemption activity across our other evergreen products over the past few quarters. We raised $7.8 billion of total capital during the quarter, bringing our last 12-month total capital raising to $50.5 billion, the equivalent of 18% of our total AUM at this time last year. All of this capital raising was organic and nearly 40% of it was raised during the first half of 2026, during a period of elevated headlines about private credit and software, and in the midst of meaningful geopolitical uncertainty.

Fundraising was particularly strong in Real Assets this quarter with about 60% of our equity capital raised originating from this platform across a number of strategies and products. Institutional and insurance investors comprised about 3/4 of equity capital raised in the second quarter and roughly 2/3 of last 12-month equity capital raised. And compared to the prior 12-month period, institutional flows were more than 30% higher year-over-year, reflecting the expansion and diversification of our business that Marc highlighted in his remarks.

Moving on to business performance across our platforms. In Credit, we continued to generate strong absolute and relative performance across Direct Lending, Alternative Credit, and other Credit categories. Last 12-month total returns were 8.3% for Direct Lending and 11.4% for Alternative Credit, comparing favorably to relevant public credit benchmarks over the same period. Deployment was robust across Credit, led by alternative credit and investment-grade credit.

Similar to the trends we are seeing in fundraising, our platform expansion has benefited deployment, with Alt Credit deploying nearly $7 billion over the last 12 months, more than double the prior 12-month period, and we've seen meaningful deployment expansion for investment-grade credit as well. In Direct Lending, we continued to see deployment consistent with an industry backdrop of moderate sponsor-driven M&A activity and continued to see meaningful repayments at par, another metric demonstrating health and liquidity within the portfolio.

In Real Assets, we continue to see elevated pipelines with very attractive risk return dynamics with nearly $160 billion of near-term opportunities across net lease and digital infrastructure. In Net Lease Fund VI, we have fully committed the fund and continue to have visibility with capital calls in 3Q and to be virtually fully called by the end of the year, which would be within 3 years of our final close. As I noted earlier, we are making excellent progress on the next vintage, which has already exceeded its $7.5 billion hard cap, and we plan to finish up capital raising this year.

Our Net Lease strategy continues to focus on highly thematic investment opportunities, including industrials and reshoring, cold storage, data centers, and health care, as demonstrated by recent announcements such as the SILA and Spire transactions. In Digital Infrastructure, we continue to advance forward with a list of compelling development projects in progress and under discussion with exceptional partners. Today, our data center footprint spans more than 140 data centers owned or under construction globally with 15.3 gigawatts of leased and owned capacity.

In GP Strategic Capital, we raised approximately $1.3 billion during the quarter, driven by our flagship large-cap strategy and an additional strip sale transaction. The total raised in our sixth vintage is $10.6 billion, inclusive of co-invest. Across the past 2 years, we have engaged in 5 strip sale transactions that have, in the aggregate, generated $4.6 billion of return of capital for our investors. We have seen strong interest from new investors for these structures, which can provide a broader set of attachment points across the return spectrum and allow LPs to invest in a highly visible and proven pool of assets.

Looking out at the rest of the year, there are a few items I'd like to call out. On stock-based compensation, a quick reminder from our February earnings call, there are 3 categories running through our stock comp expense numbers, all shown on Slide 34 of our earnings presentation.

First, our regular way year-end stock compensation, what we call Equity-Based Compensation - Other. This is the number to focus on, and we continue to expect to run at approximately $365 million for 2026. Second, Business Combination Grants goes to 0 starting in the fourth quarter of this year. And third, Acquisition-Related is GAAP amortization expense related to some of the acquisitions we've made over the last few years.

As for an overall 2026 guidance update, on last quarter's call, we said we think we could beat Visible Alpha consensus estimates for 2026. We reaffirm that again today. And to be specific, at that time, FRE per share was $1.02 and DE per share was $0.89. We think we can beat those numbers this year.

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

Operator
[Operator Instructions]
Your first question comes from the line of Glenn Schorr from Evercore ISI.

Glenn Schorr
Evercore ISI
Your last comment made me change my question. Alan, could you maybe address where you can -- where you think you -- the geography of where you might be able to beat that Visible Alpha of $1.32, just which line items do you think are the source?

Alan Kirshenbaum
Chief Financial Officer
Yes, of course. You're definitely allowed to change your question, Glenn. Yes. Look, we have some visibility into growth for the next couple of quarters, right? So for Direct Lending, we're going to look to net deployment numbers as an indicator to management fee growth for the next few quarters, but let's assume that's a push for now. We're wrapping up the latest GP Stakes vintage, so we're going to add a little growth there. And for Net Lease, let's break down the pieces there. For Fund VI, that was 65% drawn at quarter end. We're out with a capital call now that will bring us to 77% drawn next month.

And I mentioned earlier, we have line of sight to effectively fully called with that -- with Fund VI by the end of the year. Our current vintage is about 10% called and about 40% committed already. So good early progress there. And that capital call, that 10% came in on June 25. So full quarter in 3Q there. And our next Digital Infrastructure flagship, I mentioned also, I think, in our prepared remarks that we're expecting our first close later this year. So you'll see more growth from that.

And there's a difference here. If you recall, fundraising for Net Lease generally doesn't immediately link to management fee growth. It's deployment, right, as we know, that links to the pace of management fee growth. For Digital Infrastructure, we charge on committed capital, so more immediate management fee growth impact there. So look, there can always be fluctuations on a quarterly basis. Capital calls are lumpy. They're not straight lined. But we are seeing long-term management fee growth. And remember, we have the $31 billion of AUM not yet paying fees that will get deployed over time. And that's $380 million over time. But we have visibility into the next quarter or 2 where we do see management fee growth building each of the next 2 quarters.

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

Craig Siegenthaler
Bank of America
So we have a 2-parter on the data center book. I'm curious, how are cap rates trending in light of an increase in competition across the peers? And also, can you update us on the underlying tenant credit quality watchlist? I know most are IG tenants, but debt levels are rising and not all are IG. So I'm curious if you saw any changes quarter-over-quarter.

Marc Lipschultz
Co-Chief Executive Officer
Sure. Happy to. We continue to experience very strong cap rates. So to be direct, we are not seeing compression in cap rates from competition. Again, remember, we do something very, very distinct. There's a few people in the world that can do it, but only a few, and do it, and that is to build in partnership where we have the actual ability to design, build, operate. We have 1,000 people in our STACK, Beale, and adjacent businesses.

And that has made us the partner, often, of choice for all of the hyperscalers. And that partner, that ability to deliver on time, on budget and do it in a reliable fashion at scale 140 times. I think we're now at 15 gigawatts of data center capacity that we have either built or are building, including the biggest project currently underway in the world down in Louisiana, or at least to the best of our knowledge in the world. I guess we don't know what's happening in China. So that leads to a value of mutual value for us and the hyperscaler. So no, we are continuing to see and are developing at very attractive rates and in fact, with rising interest rates, perhaps that even helps escalate those cap rates.

In terms of what was -- the second part was credit quality. Look, in our business, if you look at our funds, the single-digit percentage is done with people that are non-investment grade. So you could take your own view of the current AA borrowers and whether their AA credits are strengthening, weakening or neutral. But our business is an IG business, non-IG is essentially inconsequential to what we do.

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

Steven Chubak
Wolfe Research
So I wanted to ask on the retail fundraising strategy. Just given year-to-date BDC redemption trends have been much more concentrated across a subset of international investors. Just wanted to better understand whether the recent turmoil within the non-traded BDC space, whether it's reshaped your approach to expanding your retail distribution abroad? And is there a way to isolate what might be considered hot money versus a stickier, core U.S. retail base across your platform?

Alan Kirshenbaum
Chief Financial Officer
Thanks, Steven. I'll take that. I appreciate the question. Yes, look, overall, we feel good about what we're seeing right now, just pulling the lens back with wealth overall. We think we've troughed by way of inflows, and we commented on that. Redemptions are down in our non-traded BDCs. And I commented earlier, we haven't seen increases in redemptions across our other wealth dedicated products over the past few quarters.

So we're cautiously optimistic that non-traded BDC redemptions will keep coming down, and it appears others are seeing that, too. We're seeing strong flows into our ORENT product. And both ORENT and ODIT have raised their dividend this year, and to that point, performance is strong across our wealth dedicated products.

There's been so much focus on the non-traded BDC space. Looking outside of that, we're running at 10% to 12% annualized return so far this year for OWLCX, ORENT, and ODIT. And so let's take a product like ORENT just to double-click on that. Since its launch in September 2022, ORENT has been the top-performing non-traded REIT, putting up a consistent 9% annualized return. It's been a category leader in private evergreen real estate fundraising on both a net and gross basis in just 4 years. It’s become the largest -- or second largest, sorry, private REIT in the market with $16 billion of AUM.

And look, more broadly in wealth, what we're seeing is financial advisers and home offices have been very supportive of us in our products because they see us continuing to post these strong performance returns. And we've been very transparent with them through the challenging period that we just went through. And we're now seeing a broadening adviser participation across our distribution partners.

So just to share what we're seeing and hearing, we've already launched on 13 new platforms this year. So talking about where are we seeing the opportunities in wealth and in growth. We're also slated to launch on 21 more platforms this year.

We continue to see a very steady growth of new advisers allocating to our funds for the first time. And for financial advisers that invested in Owl products in 2Q, 74% are in more than 1 Owl product versus 52% in 2025. So what we're seeing is once advisers allocate capital, we're seeing significant cross-selling opportunity, which is really a testament to continued strong performance. You continue to see that, you continue to hear that theme from us. And having built a really diversified product offering for the financial adviser community. So all of this shows us we're really seeing a strong level of financial adviser and investor confidence in Blue Owl.

And so internationally, we continue to -- I don't want to say minimize, but we continue to grow our wealth platform across the board. We have very minimal exposure across our wealth products to Asia.

Marc Lipschultz
Co-Chief Executive Officer
I’ll just add one, I think, important point of color coming out of this very tumultuous period or at least narratively tumultuous, which is there's a lot, actually, to take away about the durability of the wealth channel and its rationality.

Recognize the performance numbers speak, I think, for themselves at this point. We continue to deliver and I expect we'll continue to deliver very strong performance. That was true before the superstorm of the narrative. It was true during and it's true after. And I think actually, the channel --there's a lot to take away that's favorable, even though none of us would have wished this experience, which is - first of all, it stayed very concentrated in the products where the narrative and the conversations perhaps got most carried away.

Actually, the concentric circles away from that, even one circle away go to something like asset-backed, and we continue to see both inflows and very minimal outflows. Go to things like ORENT. Again, they're one of the most successful products in the marketplace, raising the dividend. Investors are delineating between asset categories. And even those who -- where the narrative perhaps drove behavior, it actually stayed very concentrated.

We made this comment before, but the redemption in our core income product, 90% of the investors didn't ask, and we're appreciative of it, for a single share back because they know the product is working. So the redemption behavior was narrowed to about 10% of the investors in a very specific product.

So you actually look out 5 years and say, what do we now know about the wealth channel? I actually think what we know is the structures work. And we know that actually the market is very much able to discern indeed, when there are narrative moments, we all appreciate it's going to have a slightly different feel in that market where people are going to quickly pull back on inflows and you're going to have to deal with outflows for a period of time. But it's much, much more durable and much more narrow than I think anybody probably thought. And even again, the way I think the narrative is today, there's a lot to like about the wealth channel over the medium and long term.

Operator
Your next question comes from the line of Bill Katz from TD Cowen.

Bill Katz
TD Cowen
So I appreciate the updated confidence in beating guidance. Great to hear. I think it removes a lot of risks on the story. And just thinking about that and looking at your margin profile, FRE margin. If I did the math correct, it looks like you had about an 80% incremental margin year-on-year. So as you think about the trajectory for the second half of the year and then again into 2027, how are you thinking about maybe the opportunity here to drive a little bit better profitability?

Alan Kirshenbaum
Chief Financial Officer
Thanks, Bill. I appreciate that. Look, we do continue to feel good and very good about where we are and where we're going with FRE margin. 58.5% was the guide for the year. We've already achieved that in the second quarter of the year. You should continue to

expect modest increases as we go out over the next few years, but we feel good about where we are and where we're going there.

Bill Katz
TD Cowen
Okay. So just to clarify, then the opportunity for the meeting or beating expectation is more of a top line story at this point, just so I understand the modeling.

Alan Kirshenbaum
Chief Financial Officer
Yes.

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

Brennan Hawken
BMO
So, I would love to ask about GP VI. So you mentioned that you're at $10.6 billion to date, I believe that's what you mentioned. What's your updated expectations for size and timing for final close? And then really more importantly, given sort of the expectations for consolidation among mid-market GPs, why aren't there more long term, why aren't the limitations to growth on this strategy? And what are you hearing from LPs around some of those concerns?

Alan Kirshenbaum
Chief Financial Officer
Sure. I'll take the first part of that, Brennan. Since the beginning of fundraise for this vintage in total, we've actually raised about $15 billion when you include this vintage, co-invest and the strip sales that we've done. So $10.6 billion in the flagship and co-invest, specifically $9.7 billion in the vintage and then about $4.5 billion that we've raised over the past 2 years across the strip sales. We're in the final stretch of the fundraise. We'll see where we wrap up this year, but we will wrap up this year, and we continue to make steady progress towards where we want to be there.

Marc Lipschultz
Co-Chief Executive Officer
The opportunity to add, on that side is really more about the evolving marketplace. You have a lot of very important franchise businesses that are of substantial scale and people need to find the proper way to monetize. And fortunately, our GP Stakes business is the

singular market leader. If you look at the large end of the market, which is very much where we like to operate, and by the way, I think this environment is reinforcing why we very much want to be in the large end of the market and not in the middle market.

The middle market as a general matter with some exceptions, we see them in our growth fund, is an area where there's a question of like what is the franchise over the long term. The big firms are not --thankfully, are going to actually consolidate their role as we're all seeing. The bigger are getting bigger. And those owners need to find capital solutions over time to support that growth and support generational transition.

So that really makes us the destination for those opportunities. So we definitely see a very strong, addressable, growing market over time to be able to deploy and deploy very successfully in a way that works for those firms and clearly works for our investors. Again, I think you'll hear this a few times, the results speak for themselves. If you look across the board, and I don't want to go down this road deep on this question, but performance really matters.

And if you look, we are delivering extremely strong performance in all of our platforms and all of our products. There is an example where we're rated amongst the very best performers in the land of PE. As you know, we've talked about the Dow Jones ranking before, #1 in the world by that measure. So I think we feel very good that this is a very, very attractive way to participate in the PE landscape.

And as a note, if you think about what we've been able to do at Blue Owl, listen, there are some wonderful PE firms in the world. And boy, are they good at what they do, and we're lucky enough to do business with a lot of them. And lucky enough to own stakes in a lot of them. We've also created our own approach to this asset class. So we have the GP stakes business, so you can be an owner on the all side as opposed to the LP fee-payer. And we have our BOSE product, which is now a $3 billion product in a rapidly growing market, where we are buying the self-selected, best-of-breed assets, and it is really working.

Our portfolio has come together in excellent form. We're deployed at a really attractive rate. And that product, I think, has a lot of promise in the future. So I think we've developed, again, as you would I think, hopefully expect of us, our own way that's very consistent with our DNA to participate in this, frankly, the biggest asset class in alts, without going head-to-head, which is a very different proposition with the many, many good providers in a place where there's already a lot of capital sort of trapped. So I think we've got a couple of very, very good ways to skin that cat.

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

Patrick Davitt
Autonomous Research
The market is still obviously hyper focused on your exposure to retail direct lending, but you have a great track record, clearly have institutional relationships where it looks like demand might actually be leaning in. So what has your hesitancy been to do a big traditional drawdown fund like some of your competitors have? And would you consider launching one to help fill in the capital loss on the retail side?

Marc Lipschultz
Co-Chief Executive Officer
Sure. Happy to start on that one. So I appreciate the predicate to the question. Performance in our retail direct lending product continues to be, and we expect will continue to be extremely strong. Low loss rates, great strong returns, good diversification. So we feel very good about that product. Again, we do understand 2 things. We understand that there are legitimate questions that have been raised, although I will tell you that time and deep study have led us to ever-increasing comfort about the manageability of the software transition question.

So we appreciate that, that was a valid and remains a valid conversation. But at the same time, these are very diversified portfolios, and they are performing extremely well, and we're built to handle -- very well built to handle when there are the periodic issues that there undoubtedly are, will be. We think that channel will recover very nicely. That doesn't mean V-shaped or rapidly, but we can already see it. But the tone has changed meaningfully.

And we even acknowledge, high levels, we already saw our redemption requests come down in Q2, and we see a tone continuing to settle, and people realize these products really work. And in fact, in a rising rate environment, which apparently now is the new norm from 6 months ago, direct lending is exactly the place to be, and I think investors appreciate that. Institutions do. We absolutely have seen meaningful uptick in institutional engagement. Timing is always a little trickier with things like big SMAs, but we expect to post some really attractive results on fundraising in total in Q3, but including the credit side on the institutional side.

As for drawdown, not drawdown, we do have a product called ODL, which actually is a drawdown structure but have some nuances to make it slightly different from a traditional one. We have no hesitation to launch a drawdown product. And in fact, I expect we will, if that's where people want to put the capital.

We're never trying to force feed people a structure for our purposes. We want to meet them where they want to be. So it seems quite logical that we would actually launch the right drawdown -- traditional drawdown structure. And it's less about kind of offsetting retail as I think retail will indeed already show signs of recovery. Again, not rapidly. We're not trying to get anybody ahead of themselves in this market. It takes time for -- after hurricane blows through to clean back up again.

But we feel good about retail. We also do feel good about institutional, and we'll absolutely -- we're absolutely open-minded to creating a drawdown product. In fact we certainly talked about it actually, and imagine we will, if that's where our investors want to be. And finally, let's again just go back to the rate environment we're in is exactly when you want to be in direct lending. Individual or institutional alike. I mean how many years in a row has it been now that everyone is sure rates are about to come down and everyone is wrong every time. And so I'm sure it will be true eventually. But the point being, a product that insulates and provides for that is a really good place for any type of investor. Insurance, institutional or retail alike.

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

Devin Ryan
Citizens JMP Securities
I appreciate the full-year outlook. Just want to connect kind of the credit deployment theme. You guys mentioned direct lending activities consistent with the moderate sponsor M&A environment, that's pretty consistent with the data we're tracking right now as well. The flip side, alternative credit, investment-grade credit, some of the other newer strategies are growing pretty quickly from smaller bases.

So just trying to think about credit fee-paying AUM growth, maybe looking out a little bit further, maybe the next 18 months or so. Do we need to see a more meaningful acceleration in kind of the broader sponsor-led M&A backdrop? Or are some of the newer strategies large enough or becoming large enough to move the needle? And just more broadly on that sponsor kind of M&A backdrop, what are you seeing there as well? I just want to get some of the puts and takes.

Marc Lipschultz
Co-Chief Executive Officer
Yes. So look, the underpinning to our thinking and to what Alan has commented on, and he can add anything here that is additional, is not about a rapid recovery in the sponsor activity market. Now that day will come, and we're hopeful and frankly, kind of the math tells you eventually capital gets deployed and eventually assets have to go back. But that's not the predicate for what we're talking about. We have all these other strategies, as you note, that are growing very substantially.

And that, as Alan noted, is really what we're looking at when we talk about driving the growth. When there is a more meaningful cyclic recovery or secular recovery, whatever the case may be, in private equity, that should give us some additional wind in our sails. So it is not predicated on a meaningful rebound that indeed would be additive, helpful, supportive. I do think it will happen. But there's no point getting ahead of ourselves on that either. It's not happened yet. That's apparent. We can all look and see in the M&A market on the PE side. It's a tepid environment.

That all said, with the-- let's call it, the storm this industry went through the last 6 months and a very tepid PE environment, we grew our business 9%. And as Alan talked about, we see sequential improvement now coming in 3 and 4 and into 2027. So I think those other things would be very nice to have. A meaningful recovery in retail, it would be nice to have. A recovery of PE act be nice to have. And those would all be nice, additive and reinforcing forces.

Alan Kirshenbaum
Chief Financial Officer
The only thing I would add here is we would expect, as I think you would, a natural improvement in the growth rates as we see deployment continue over time as we see that start to come back at some point in the future. And the net flow picture gets better. We commented on the net flows. We've seen that build since the month of April, the May 1 closing. We've seen it build since then. It's built nicely. We have a long ways to go there, but it has built nicely.

And if I pull the lens back a little bit more than that, overall, when we talk about, I guess, this question and the last question, institutional fundraising, we commented that overall, we do see that remaining strong in the second half of the year. And overall, we do think fundraising for the second half, we think, could be better than the first half. So we continue to be cautiously optimistic about where we're sitting.

Marc Lipschultz
Co-Chief Executive Officer
Well, at the end of the day, look, mathematically, we have $31 billion of capital that's not yet paying fees. That $380 million that's coming into the P&L, again, without trying to take a position on exactly when activity levels rise, that is forthcoming. So I think we're trying to take a very realistic approach and not counting on exogenous variables to carry the day. That would -- those will come, and they will be helpful and additive.

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

Crispin Love
Piper Sandler
On digital infrastructure, your data center business has definitely been a significant growth area for you and your focus has been on the infrastructure. Can you just discuss further opportunities there? Do you see chips financing as being an additional place where you could add to this area and one that you'd be interested in over the intermediate, long term?

Marc Lipschultz
Co-Chief Executive Officer
Yes. Digital infrastructure is a really important growth opportunity. And I don't think we're scratching the surface because we're amongst the leaders in these hyperscale projects. But you're absolutely correct, there are areas that surround that. Some of which we already touch and do well. And we've been involved in fiber that surrounds the data centers, very successfully.

Power is clearly an area that is both capital intensive and becoming endemic. As you know, behind-the-meter power solutions are becoming a part of the data center solution as opposed to leveraging the grid in many markets. So that brings us ever more proximate and engaged in the power side of the equation. So we absolutely continue to see, look and believe we're in a pretty distinctive position by virtue of being the partner of choice and therefore, helping in partnership with these wonderful companies, control the project that gives us access to a lot of the other opportunities beyond the data centers.

You asked specifically about chip financing. We already do participate in chip financing, not in our BODI product, not in triple-net lease because remember, those are about very long-dated arrangements with extremely strong counterparties. But we already do in our lending business, participate in chip finance.

For example, we participated in a meaningful financing a while back for xAI, which I guess now is part of SpaceX. And we -- so this is an area -- yes, that's an area of opportunity. It has to be done structurally right. It's a different proposition from triple net. But again, a good example of where, as a firm, by being very integrated as we are, and staying focused on this choice -- partner of choice for capital solutions, long-dated capital solutions, absolutely. Chips continue to be an area of opportunity in our lending business in particular.

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

Alexander Blostein
Goldman Sachs
I was hoping we can double-click into the wealth channel outside of the non-traded BDCs, for both the alt credit fund and ODIT. You guys are seeing a nice pickup in flows, as you talked about. I think there's a good chunk of them that still have fee waivers attached or incentives attached to them. So help us maybe think through how those flows turn into management fees over the kind of next 12 months. And then more broadly, are there other retail dedicated products you're thinking about and kind of what's in the lab, what's in the pipeline?

Alan Kirshenbaum
Chief Financial Officer
Sure. Alex, thanks for the question. Look, we continue to be encouraged by the flows that we're seeing. Certainly ORENT as well, but your focus for the question at least OWLCX and ODIT. We're particularly excited about the growth opportunity in alternative credit. We've done a lot there already. We have a big pipeline. We have a 20-plus year track record there. We think this is one of the biggest interval funds out there already, and we're only 1 year out. So the opportunity set there is very large for us.

And the management fees will continue. We have -- I think in 4Q, the offset goes down to 0. You'll see a partial offset for the interval fund in 3Q. And then as you roll this out, we do see more wealth products coming to market over the next 6, 12, 18 months. There's some interesting things that we've been working on that we'll talk more about in the coming quarters, but we are very focused on expanding our presence there. We already have a diversified set of products there, and it's only going to become more diversified. So we're encouraged there.

Marc Lipschultz
Co-Chief Executive Officer
And I think it's important to note that when we look at products like OWLCX and ODIT, they're very small today in terms of inflows. Now they've been very successful in terms of the total capital raise. They're big participants in the market, so they're important. But actually, the funds flows there, just to clarify, are very modest. In fact, dare say inconsequential, in the context of our business today. But what's happening, to be more specific, is we are broadening now the distribution of those products.

Safe to say the first 6 months of this year, were not the time the platforms are saying, great, this will be a really neat time to go out and roll out some new products. So that's what's starting to kind of build back up again, is the broadening of that distribution, the broadening of the product suite, as you asked.

You'll see us, I think, come with some equity-related products. I mentioned BOSE before as an example of a place where we have a really distinctive capability that is so on trend with where the market correctly is allocating PE dollars. So it's much more about the forward opportunity set than it is on anything we're experiencing today. And that again speaks more to the acceleration opportunity going forward, not about today's results.

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

Michael Brown
UBS
Thinking about the $31 billion here, can you talk a little bit about how the deployment will be kind of different in Credit versus Real Assets? In Real Assets, I guess maybe focus a little more there since you already touched on the credit side. And then with Digital Infrastructure Fund IV coming through, can you maybe just touch on the cadence of the closes, fee activation, and then any potential co-investment demand there?

Alan Kirshenbaum
Chief Financial Officer
Sure. We're certainly seeing -- we've been doing -- we continue to see a lot of co-invest interest in what we're doing in Digital Infrastructure and what we're doing specifically in data centers. We've continued to close a number of SMAs and co-invest vehicles

alongside some of our existing fundraise vintages. As we continue to go here, we've pointed to back end of this year, back half of this year for the first close of the next vintage. That fundraising will go through 2027, I would expect into early 2028. And so that will have its normal cadence. We continue to be excited about that. We continue to have $10 billion as our goal that we think is achievable.

In deployment in Net Lease or the $31 billion, that breaks out mostly across Credit, Direct Lending, Alt Credit, and Net Lease. The Net Lease, we're actively -- I touched on that, as you pointed out. We are actively doing capital calls. We have line of sight for Fund VI to be fully called. We've already been doing calls on the existing current vintage.

Direct lending, we're going to continue to see. It's going to matter where the deployment happens across our direct lending vehicles. Right now, we're running at roughly net zero deployment, not different than what we're seeing out across our peers. And we'll see what the M&A environment looks like over the next 6, 12 months. But as that picks up over time, you'll certainly see our net deployment continue to pick up.

Maybe more overall, Mike, just to think about the dialogue today, your question and some other questions. We are certainly seeing an inflection point in our business today. Again, just broad picture here, we saw redemptions down in 2Q versus 1Q. We saw inflows trough for our May 1 close. We still have a ways to go there, but progress. We touched on already today quarter-over-quarter sequential growth in our management fees in 3Q and in 4Q. We see the growth rate for management fees higher in 2027 than in 2026. And we just touched on this, we see a lot happening with our fundraises across our platforms. We've got follow-on vintages, new products, new strategies. We really are seeing a lot of success here.

We just touched on deployment. Deployment is strong in Net Lease and Digital Infrastructure and Alternative Credit. And most importantly, and Marc touched on this in his opening remarks, we continue to see strong performance returns for products across our platforms.

So look, generally, we're pretty sober about where we are today in the last 6 or 8 months. We are optimistic about growth increasing as we go from here.

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

Benjamin Budish
Barclays
This is another quarter of pretty strong administrative and transaction fees despite a more muted direct lending environment. It looks like Real Assets, I think the messaging was like maybe Q1 was a little elevated, but it looks like that was strong again in Q2. And then in GP Capital, you had a little bit of a sequential step-up. So just curious if you could talk about what's going on there. And obviously, on the credit side, maybe that will be more dependent on what's going on in the direct lending market. But should we otherwise be seeing more of a structural step-up going forward? If you could talk a little bit about what you're seeing in the other segments of the business, that would be helpful.

Alan Kirshenbaum
Chief Financial Officer
Sure, of course. We continue to see good -- as we do in Direct Lending, you see transaction fees come through. That's been modest this year. That goes along with the ultimately gross deployment that you see. We continue to see interesting opportunities in real estate credit. So very similar on the direct -- very similar as direct lending on the real estate credit side. We have transaction opportunities there. 1Q, we had a good quarter. 2Q, we, I think, put up relatively similar results. You could see that building a little bit over time as we go here. We continue to see good opportunities in the marketplace.

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

Wilma Burdis
Raymond James
Could you talk a little bit about fee-paying AUM in credit? Curious why we saw that go down a little bit given the dry powder? And do you see opportunities to offset outflows by leaning into institutional fundraising?

Alan Kirshenbaum
Chief Financial Officer
Sure. So for fee-paying AUM, we raised a lot of institutional dollars in 2Q, Wilma. So about 75% of our fundraise in the quarter was institutional. That goes, generally, straight over to AUM Not Yet Earning Fees, which we've seen increase by about $3 billion since year-end. So that incremental $3 billion since year-end, that's about $55 million of annualized

management fees that gets put into that queue for as we deploy it, that starts to get opened up, if you will.

So Direct Lending, obviously, net deployment has been light. In Net Lease, we saw the capital call activity. We've talked about that. So that is starting to get deployed. But overall, when you see a lot of institutional dollars raised, that goes generally straight over to the AUM not yet earning fees. And then as it gets deployed, that starts getting put into the management fee growth rate.

Marc Lipschultz
Co-Chief Executive Officer
And we are indeed seeing good institutional interest in private credit and direct lending. So to your point, again, we look to build both versus sort of, so to speak, the offset and expect we can build both on the individual side and on institutional. But institutional, we have some quite large mandates that are very advanced. So yes, institutional interest has picked up, and we expect that to benefit us.

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

Marc Lipschultz
Co-Chief Executive Officer
Thank you very much. I think for us, look, we are excited about the inflection from here. We're pleased with the results for this quarter, but considering the atmospherics that have surrounded it. And most importantly, performance of the underlying products is extremely strong. Job one is to deliver for our LPs. We will never lose sight of job one and job one will lead to great results for our shareholders.

Diversification, you can see the power of how many new businesses we have built successfully to real scale. We like the direct lending business. But remember, it's now 35% of our assets. And the products that have been kind of in most acute focus, that have probably been 90% of the narrative, are actually 11% of our fee-paying assets, which is the wealth products in direct lending.

And so you can see the benefits and power of the diversification across our 3 platforms, and that brings to durability of the firm in total with both the results we have and the results we see forthcoming. So we'll continue to push forward on managing that which is controllable. And when exogenous things are helpful, that we look forward to that be additive. But we are excited looking into the back half and into 2027 from here, and appreciate the time today.

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