TPG (Q2 2026 Earnings)

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Corporate Speakers:

- Gary Stein; TPG; Head of Investor Relations
- Jon Winkelried; TPG; Chief Executive Officer
- Axel Andre; TPG; Partner and Chief Financial Officer
- Jack Weingart; TPG; Chief Financial Officer
- Todd Sisitsky; TPG; President

Participants:

- Alexander Blostein; Goldman Sachs; Analyst
- Glenn Schorr; Evercore; Analyst
- Daniel Fannon; Jefferies; Analyst
- Benjamin Budish; Barclays; Analyst
- Kenneth Worthington; JPMorgan; Analyst
- Steven Chubak; Wolfe Research; Analyst
- Bart Dziarski; RBC Capital Markets; Analyst
- Unidentified Participant; Citizens Bank; Analyst
- Brennan Hawken; BMO Capital Markets; Analyst
- Brian Bedell; Deutsche Bank; Analyst
- Arnaud Giblat; BNP; Analyst
- Michael Brown; UBS; Analyst
- William Katz; TD Cowen; Analyst

PRESENTATION

Operator

Good morning. And welcome to TPG's Second Quarter 2026 Earnings Conference Call. (Operator Instructions) Please be advised that today's call is being recorded. Please go to TPG's IR website to obtain the earnings materials. I will now turn the call over to Gary Stein, Head of Investor Relations at TPG. Thank you. You may begin.

Gary Stein

Thanks operator, and welcome everyone.

Joining me today are Jon Winkelried, Jack Weingart, Jim Coulter, and Todd Sisitsky, as well as our new CFO, Axel André.

I'd like to remind you this call may include forward-looking statements that do not guarantee future events or performance. Please refer to TPG's earnings release and SEC filings for factors that could cause actual results to differ materially from these statements. TPG undertakes no obligation to revise or update any forward- looking statements except as required by law.

Within our discussion and earnings release, we're presenting GAAP and non-GAAP measures, and we believe certain non-GAAP measures that we discuss on this call are relevant in assessing the financial performance of the business. These non-GAAP measures are reconciled to the nearest GAAP figures in TPG's earnings release, which is available on our website. Please note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any TPG fund.

Looking briefly at our results for the second quarter, we reported GAAP net income attributable to TPG Inc. of $93 million and after-tax distributable earnings of $280 million, or $0.69 cents per share of Class A common stock.

We declared a dividend of $0.59 cents per share of Class A common stock, which will be paid on August 28, 2026 to holders of record as of August 14, 2026.

I'll now turn the call over to Jon.

Jon Winkelried

Good morning, everyone. Thank you for joining us.

TPG delivered strong results in the second quarter, capping off a record first half for the firm. So far, 2026 has been defined by a series of inflections across AI, private credit, monetary policy, and geopolitics that have reshaped the macro backdrop and investing landscape. As this environment drives a wider dispersion of performance across our industry, we believe TPG is well-positioned to continue taking share given our proven track record and differentiated investment capabilities. We're actively capitalizing on an expanding opportunity set, and our clients continue to look for ways to deepen their engagement with us across our franchise.

Turning to our results, fee-related revenue grew 27% year-over-year to $628 million, driven by a step-up in management fees and our second highest quarter ever for transaction and monitoring fees. Our capital markets business continues to be a powerful revenue driver as we further embed our capabilities across each of our asset classes. Our strong topline growth and increasing operating leverage drove a 43% year-over-year increase in fee-related earnings to $315 million in the second quarter, resulting in a 50% FRE margin. Since becoming a public company four and a half years ago, our LTM FRE has grown at a 31% annualized rate and we've expanded our margin by over a thousand basis points. We ended the quarter with $327 billion of total assets under management, up 25% year-over-year, and have continued to set new records for capital raising and deployment on an LTM basis, which I'll highlight now.

Starting with capital formation, we raised $16 billion in the second quarter, bringing our year-to-date total to more than $26 billion. Given our strong progress in the first half of the year, combined with our robust pipeline for the second half, we remain confident that we will meet or exceed our target of raising more than $50 billion in 2026.

- We've maintained strong fundraising momentum despite various headwinds in the market, underscoring the strength of our franchise. We're further expanding our relationships with our existing client base as well as attracting new pockets of capital, which is a direct reflection of the differentiated returns we've consistently delivered.
- Across our Private Equity strategies, we raised $8 billion in the second quarter, up 39% year-over-year.
  - For TPG Capital 10 and Healthcare Partners 3, we raised $1.3 billion, bringing total capital raised to over $14 billion, including commitments that are signed but not yet closed. Our momentum remains strong as we work towards the final close for this important fundraise.
  - In our Market Solutions platform, we held a first close of $1 billion for our 11th Peppertree fund. As a reminder, we acquired Peppertree, a leading infrastructure manager in the U.S. telecom tower market, a year ago. Since then, we've made notable progress introducing Peppertree's strategy to our existing clients, with nearly one-third of commitments in the first close coming from legacy TPG relationships. As a result, we expect to grow our fund size by 25%.
- In Credit, we raised $5.6 billion during the quarter.
  - As part of our strategic partnership with Jackson Financial, we received $2.5 billion in new multi-year commitments this quarter, bringing total commitments to $4.5 billion since the partnership began in February. As we deploy this capital into attractive opportunities, we're beginning to see the flywheel take shape, further expanding our origination capabilities and enabling us to more effectively serve a broad base of insurance clients.
- For our Real Estate platform, we're in the early stages of a multi-year fundraising cycle. We're currently in the market with all of our U.S. and Asia real estate equity funds, and we're experiencing strong demand ahead of first closes in the coming quarters.
- In the private wealth channel, while the broader industry has recently faced a deceleration in net flows across retail-oriented products, largely due to private credit concerns, our momentum continues to accelerate. We expect to gain share in the wealth channel, which is an important long-term growth driver for us.
  - June marked the one-year anniversary of the launch of TPOP, our perpetual private equity product. Inflows across the TPOP strategy were approximately $450 million in the quarter, bringing total AUM to $2.9 billion at the end of June. We continue to successfully expand our global distribution footprint, adding a new international private bank platform during the second quarter and another already in the third quarter. As advisors become increasingly selective around new allocations, TPOP is a preferred solution given its strong track record, with annualized inception-to-date returns of 34%.
  - TCAP, our non-traded BDC, reported gross inflows of $193 million in the second

quarter, which is consistent with the first quarter and reflects the durability of our strategy. Importantly, redemption requests were just 2.1% of total shares outstanding, well below the industry average. Our clients recognize TCAP's proven ability to generate attractive returns across cycles given its leading position in the lower middle market. TCAP's one-year total net return of 9.9% is among the highest for non-traded BDCs and represents approximately 420 basis points of outperformance relative to the leveraged loan market.

Turning to deployment, our investment activity continues to be very strong. We invested approximately $14 billion in the second quarter, up 33% year-over-year, bringing our total over the last twelve months to a record $62 billion. Looking ahead, based on our current investment pipelines, we expect to maintain a robust deployment pace through the back half of the year.

- Our Private Equity strategies invested $7.2 billion during the quarter, which increased 60% year-over-year.
  - While the market has been largely focused on AI disruption risks, we've been *equally* focused on identifying new opportunities created by AI. We've been actively investing behind the AI evolution through direct positions in leading LLMs, including OpenAI and Anthropic. These investments give us unique insights into emerging technology and adoption trends, which have helped guide our strategy. Additionally, we're underwriting significant AI-related growth and efficiency initiatives across the areas we invest in.
    - A powerful example of this is our role as the Lead Founding Partner of the OpenAI Deployment Company. Together with OpenAI and a group of leading investment firms, we've committed more than $4 billion of initial capital to form a new AI transformation and services platform. DeployCo is built to address the implementation bottlenecks constraining AI adoption among large enterprises.

      Our investment in DeployCo was made through a collaboration between our TPG Capital, Tech Adjacencies, and Hybrid Solutions strategies, and leverages our extensive track record in technology and structuring corporate partnerships. We're seeing firsthand that effective AI deployment requires not only trained forward deployed engineers, but also deep expertise in business processes and operational transformation. The combination of OpenAI's exceptional talent base and TPG's experience partnering with management teams is already unlocking value in our portfolio and creating new investment opportunities.

      For example, DeployCo has begun working with Conservice, a TPG Capital portfolio company and leading utility management service provider. Its AI transformation is focused on automating bill intake and exception resolution, as well as improving quality control through machine learning, resulting in greater growth and efficiency.
  - Beyond DeployCo, our internal AI and technology capabilities are becoming an

increasingly important value creation driver for both our existing and new investments. In TPG Growth, just last week we closed the acquisition of Smith + Howard, a top 50 CPA firm serving clients across the Southeast. A key component of our investment thesis is the operational transformation of the business through AI enablement, including AI-powered lead generation and workflow automation.

- Our Credit business continued to be active in the quarter, with $4.4 billion of capital deployed across our strategies.
  - In Middle Market Direct Lending, Twin Brook generated $2.3 billion of gross originations in the second quarter, bringing the year-to-date total to $4 billion, which is pacing ahead of our expectations. Add-on activity across our existing borrower base accounted for over 40% of our quarterly volume, highlighting our embedded origination engine which has been a structural advantage for our platform.

    Twin Brook has also been an important sourcing channel for Advantage Direct Lending, our recently launched core middle market direct lending strategy. Nearly half of ADL's investment activity to date has originated from Twin Brook, either through co-led transactions or lending to existing portfolio companies that have "graduated" from the lower middle market.
  - In Asset Based Finance, we deployed over $1 billion of capital in the second quarter, including in residential whole loans, equipment finance, and commercial mortgages.
  - In Credit Solutions, we also deployed over $1 billion in the quarter and our pipeline continues to expand. We're well-positioned to address the complex capital needs of companies with debt financing put in place during the near-zero interest rate environment from 2020 to 2022. As valuations have compressed, many otherwise strong companies are facing balance sheet challenges. TPG's integrated platform combines scaled capital and flexible structuring capabilities to deliver tailored solutions where traditional lenders often cannot.
    - During the quarter, we agreed to lead a financing for the carve-out of BMC Helix from BMC Software. We believe this transaction represents an important precedent as one of the first significant software LBOs this year. We were able to design a bespoke solution with strong covenants and downside protection that provides the borrower with execution certainty while securing attractive risk-adjusted returns for our investors.
    - Additionally, our European team structured a £900 million-pound second lien facility to help fund Bally's Intralot's proposed £2.2 billion-pound acquisition of Evoke. This financing addresses Evoke's near-term maturity wall, materially de-risking the overall capital structure. The combination is expected to create a scaled Pan-European operator in online gaming, with meaningful synergies to improve cash generation and deleveraging.

    Given the changes occurring in the structure of the lending market, we're also seeing opportunities to leverage our deep sector and operational expertise to recapitalize businesses and improve performance. We believe our proven ability to drive transformational change and inflect growth, combined with our full continuum of capital solutions, makes TPG a preferred partner for lenders, sponsors, and management teams.

- Turning to Real Estate, we continue to see attractive opportunities given reset valuations, increased replacement costs, limited supply growth, and improving fundamentals in the asset class. Activity has been accelerating across our Real Estate platform, with $2.3 billion deployed in the second quarter, up 47% year-over-year.
    - TAC+, our core-plus real estate strategy, acquired control of ECHO Realty, a scaled grocery-anchored retail platform, after taking an initial minority stake earlier this year. We believe this is a compelling investment made at a discount to market value in a sector defined by recession-resilient demand and attractive supply dynamics. Along with our acquisition of Quarterra in the multi-family residential space earlier this year, we continue to expand into lower cost-of-capital real estate, which represents a significant growth opportunity for us.

Finally, we generated $5 billion of realizations during the quarter, bringing our year-to-date total to nearly $14 billion, up 28% from the first half of last year. While market conditions are temporarily impacting the timing of exits across our industry, our approach remains unchanged. We continue to be highly intentional in our monetization activity and see a healthy pipeline of exit opportunities across the portfolio. We expect the cadence of realizations to accelerate towards the end of this year and into 2027.

Before I hand the call over, I wanted to address the leadership transition we announced in June. As most of you are aware, Axel André joined as our new Chief Financial Officer last week. Given the timing of Axel's arrival, Jack will discuss our financial results today, and he is working closely with Axel to ensure a seamless transition.

I want to thank Jack for his leadership and immense contributions as CFO. When we were preparing to go public more than five years ago, I asked Jack to take on the challenge of building our public company finance function from the ground up. His deep knowledge of our firm and decades of industry experience have been instrumental in establishing our credibility as a public company and deepening the market's understanding of TPG.

Jack is now fully transitioning into his role as CEO of Global Wealth Solutions, which he took on last year in addition to his CFO responsibilities. Jack's leadership has already been critical to our growth in the channel, as evidenced by TPOP's success in its first year. As Jack begins to fully dedicate his time to this strategic growth area, we expect to further expand our wealth offerings and global distribution network.

I'd also like to introduce and welcome Axel, who is here with us today. In our search for Jack's successor, we were focused on finding a proven leader who aligned closely with our collaborative and entrepreneurial culture, while bringing deep public-company CFO experience. Axel has served as CFO and led the financial strategy for a number of publicly traded companies, most recently Reinsurance Group of America. Given his deep familiarity with the insurance industry, Axel brings a set of skills that are highly complementary to our existing leadership team and expanding franchise.

We're excited to have Axel join us, and we look forward to working closely with him to drive the next phase of our growth.

I'll turn it over to Axel to say a few words.

Axel André

Thanks, Jon. It's great to be here with all of you today.

I'm incredibly excited to join TPG's leadership team and begin working alongside such a talented group of professionals. Over the past several months, I've had the opportunity to spend time with teams across the organization and have developed a deep appreciation for TPG's highly collaborative culture and entrepreneurial mindset.

I'm fully aligned with the firm's strategic priorities and FRE-centric approach to driving continued scale and diversification. TPG's relentless focus on creating long-term value for our clients and shareholders, combined with the significant opportunities ahead, makes this an incredibly compelling time to join the firm and contribute to its next chapter.

I also wanted to thank Jack for his partnership and the strong foundation he has established. I look forward to working closely with Jon and the entire leadership team, and to engaging with our shareholders and the analyst community in the coming quarters.

With that, I'll turn it over to Jack to walk through the financial results.

Jack Weingart

Thanks, Axel. I'd like to echo Jon's welcome and our excitement to have Axel join the firm. We're working together closely through the transition process and look forward to partnering to drive the next phase of growth for TPG.

As Jon mentioned, we delivered a very strong second quarter. Our fee-related revenue of $628 million increased 27% year-over-year, driven by accelerating management fee growth, as well as our second highest quarter ever for transaction and monitoring fees.

- Management fees grew 15% year-over-year and 9% sequentially as we continue to see the benefits of strong fundraising momentum as well as consistent deployment across our Credit platform. We expect continued robust management fee growth for the remainder of 2026 and throughout 2027.

- On the capital markets side, since we went public four and a half years ago, our LTM transaction and monitoring fees have grown at a 31% annualized rate as we've successfully scaled, driven greater deployment, and integrated our broker-dealer capabilities across each of our platforms and geographies. During the second quarter, our capital markets revenue was driven by more than 20 transactions across 14 of our strategies, including a growing contribution from our Credit platform.

  We remain confident that our capital markets business will continue to be a meaningful driver of topline growth and margin expansion over time. Our strong second quarter results did benefit from a pull-forward of certain transaction closes initially forecasted for the third quarter. Therefore, we expect transaction and monitoring fees to step down in the third quarter.

We reported quarterly fee-related earnings of $315 million, up 43% year-over-year, resulting in an FRE margin of 50%. Our strong margin in the quarter was elevated as a result of the transaction and monitoring fees I just discussed. Looking forward, we remain confident in our ability to achieve an FRE margin of 47% for the full year, with further expansion over time as we continue to drive growth and operating leverage across our business.

Turning to PRE, we generated $35 million of realized performance allocations in the second quarter, driven by realizations in our Growth and Credit platforms.

- Despite a recovery in the public equity markets, the volatile macro backdrop has temporarily impacted the timing of realizations across the industry. Private equity activity declined during the quarter as buyers and sellers recalibrated for geopolitical uncertainty, changing interest rate expectations, and AI-driven disruption. As we navigate through this period of market volatility, we've remained focused on building value across our portfolio and continuing to find opportunities to selectively monetize investments at attractive valuations.

  - In our Capital Asia business, we recently announced the sale of MADE Group, a leading "better-for-you" food and beverage platform based in Australia, to a strategic buyer, Danone. This highly successful outcome adds to our long track record of partnering with founders and expanding domestic businesses internationally. Since 2023, over 40% of our exits in TPG Asia have been to strategic buyers, in addition to significant secondary and public equity sales, demonstrating the breadth of our exit optionality.

  - Additionally, just last week, we agreed to sell a large-scale, luxury hotel property in central Tokyo from our Asia Real Estate business. This is our largest transaction to date in this strategy, and we believe also represents one of the largest hotel transactions in the APAC region. The hospitality sector in countries like Japan remains extremely robust and we intend to continue capitalizing on this strength to drive highly attractive exits in our portfolio.

Looking ahead, our monetization pipeline is strong, and assuming market conditions continue to normalize, we expect our realized performance allocations to step-up toward the end of the year and into 2027. Given our unique portfolio construction and focus on corporate partnerships, a number of which provide enhanced visibility into exits, we're confident in our ability to continue generating attractive liquidity outcomes for our investors.

Our effective corporate income tax rate during the second quarter remained low at 8% as we continued to benefit from the tax deductions generated by our annual RSU vesting in January. We expect our tax rate to remain in the high-single-digits in the third quarter and then step-up in the fourth quarter after we fully utilize our deductions.

Altogether, our after-tax distributable earnings were $280 million, or $0.69 per share of Class A common stock.

Moving on to value creation, the fundamentals across our portfolios remain robust, driving positive value creation across all our platforms in the second quarter.

- In Private Equity, the value of our portfolios appreciated approximately 6% in the quarter, marking the second highest quarterly increase since our IPO. This robust value creation was driven primarily by continued strong underlying financial and operating performance. Across our Capital, Growth, and Impact platforms, LTM revenue and EBITDA grew in the mid-to-high teens, continuing to outperform the broader market.

  More specifically, our software portfolio continues to perform well, with year-over-year bookings growth in the mid-teens across TPG Capital and TPG Growth software companies in the first half of the year. Additionally, we're actively implementing AI-enabled revenue and cost initiatives across our portfolio, which has resulted in tangible improvements to earnings growth.

  - For example, TPG Capital's portfolio company Boomi, a leading integration-platform-as-a-service provider, has developed an AI platform that *instantly* builds integration solutions based on a client's description of a problem in plain English. More than 60% of Boomi's new customers are adopting this solution and as a result, the company is now generating over $100 million of "AI-activated" recurring revenue, which is expected to double by year end.

- Our Credit platform appreciated 3% in the quarter and the credit metrics across our businesses remain healthy, with no notable changes from the prior quarter or historical averages.

  - In Credit Solutions, we saw continued strong performance across our strategies. Notably, our third Credit Solutions fund delivered time-weighted net returns of 7.5% in the quarter, meaningfully outperforming the U.S. High Yield Bond Index and bringing the fund's inception-to-date net IRR to nearly 40%.

  - In Middle Market Direct Lending, our underlying portfolio companies continued to generate stable earnings growth, with an average interest coverage ratio of approximately 2.4 times. The benefits of our active portfolio monitoring and robust risk management are evidenced by a continued low non-accrual rate of 1.4% and an annualized loss ratio since inception of just 2 basis points.

  - In Asset Based Finance, our first ABC fund's net IRR since inception was 12% at the end of the second quarter, which remains at the top half of our target range. Additionally, our Mortgage Value Partners fund with $7 billion of AUM generated net returns of 3.4% year-to-date, outpacing broader public credit indices.

- In Real Estate, our portfolio appreciated approximately 3% in the quarter, driven by continued strength in our data center, industrial, residential, and office assets.

As a result of our strong value creation during the quarter, our net accrued carry balance increased 15% to $1.4 billion at the end of June. Following our significant monetization cycle in 2021 and 2022, our net accrued carry balance has doubled over the past four years, setting us up to generate meaningful PRE in the years ahead.
We ended the second quarter with $327 billion of total assets under management, up 25% year-over-year. This was driven by $61 billion of capital raised and $26 billion of value creation, partially offset by $26 billion of realizations over the last twelve months. Fee-earning AUM increased 24% year-over-year to $181 billion. AUM subject to fee earning growth was $52 billion at the end of the quarter, which included $39 billion of AUM not yet earning fees. This represents a revenue opportunity of approximately $290 million on an annualized basis.

Finally, turning to our fundraising outlook, we continue to expect our capital raising to exceed $50 billion in 2026. We've raised over $26 billion so far and looking at the back half of the year, we expect the largest contributors to our fundraising to include the following:

- In Private Equity:
  - The completion of our TPG Capital 10 and Healthcare Partners 3 campaigns by the end of the year;
  - Final closes for our Rise Climate private equity funds, TRC 2 and the Global South Initiative, in the third quarter;
  - And continued progress across our newer strategies, which include Transition Infrastructure, Peppertree, GP Solutions, Sports, and TPG Next;
- In Credit:
  - Final closes for our 6th Twin Brook direct lending and 2nd Asset Based Credit drawdown funds;
  - Continuous fundraising across our evergreen vehicles, including Advantage Direct Lending;
  - An initial close for our 4th Essential Housing fund;

    - And the formation of additional CLOs and SMAs.
- In Real Estate:
    - We expect to hold first closes for all four of our U.S. and Asia real estate equity funds towards the end of the year.
- Finally, we expect continued momentum in the private wealth channel, where we see significant runway for growth.
    - June 1st marked our one-year anniversary of TPOP. We're very pleased with what we've achieved in this first year. We've driven significant scale while delivering market-leading returns to our investors. TPOP is now distributed on two of the largest U.S. wirehouses as well as three leading international private bank platforms. We're in active dialogue with several additional partners and expect inflows across the TPOP strategy to continue to accelerate.
    - We continue to advance our new product pipeline and expect to launch a non-traded REIT next year that spans our equity, credit, and net lease real estate strategies. We're also developing a multi-strategy credit interval fund and pursuing strategic, captive advisory mandates with several wealth platforms. Our goal is to create a flagship evergreen product in each asset class, and to complement those products with more targeted evergreen and drawdown funds.

To close out my final earnings call as CFO, I wanted to take the opportunity to thank all of you for your engagement and partnership throughout the years. It's been a true privilege to help lead TPG in this capacity through our IPO and a period of extraordinary growth and transformation. I look forward to staying connected with many of you as I fully transition to leading our Global Wealth business.

Now I'll turn the call back to the Operator to take your questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) We will take our first question from Alex Blostein with Goldman Sachs.

Alexander Blostein^ First off, Jack, I just want to congratulate you all the engagement and the work with the investor community over the years. It's been great. And definitely looking forward to what's next in your newish role and Axle, Welcome.

So along those lines, and this is probably for Jon as well it probably makes sense to take a little bit of a step back in remind investors about TPG's Insurance strategies. How Axle's background fits into your vision for how TPG will continue to kind of push forward in the insurance channel?

Jon Winkelried^ Yes. Thanks, Alex. Appreciate it. Look, our insurance strategy has been very consistent in that we have focused on developing a series of partnerships with a number of insurers in the market. And I think we've talked about that consistently from the perspective of our focus on our relationship development there, establishing those partnerships, and we've made really meaningful progress over the last number of years with respect to the build of that business.

The Jackson partnership, obviously is at a different scale, and when we did the Jackson partnership, we had talked about it being consistent with our FRE-centric, balance sheet-light approach to what we're doing. And I will say that as we spent time with Axel over many months of the process of bringing Axeleto the firm, we talked a lot about that.

And I think that as he mentioned in his prepared remarks today, I think he sees the benefits that that's had with respect to our franchise and how we're building value for our investors.

The Jackson partnership, I will say, by the way, continues to go extremely well in all respects, not only just the productivity but also the relationship that we've established between the organizations at Jackson at their asset management business at PPM. And Jackson, I think you probably saw announced their earnings also, I think they released them last night.

They talked about their productivity in the annuity space across RILA, across VA, across the fixed annuity space, and they continue to gain share and have a tremendous amount of momentum. And so we're very happy with our partnership with Jackson.

I think they're very happy. As they said in their earnings call they're very happy with their partnership of, TPG.

So as I mentioned in my prepared comments, that's created a bit of a flywheel effect for us in terms of building our origination capabilities and allowing us to serve not only Jackson, but a number of our other insurance partnerships because Jackson obviously wants to be participating in various tranches of what we're creating, and so it creates an opportunity set to distribute the products more broadly within our insurance relationships.

So we are very much on track, I would say, slightly ahead of track with respect to our partnerships. We're continuing to develop these relationships broadly in the market.

I expect over time that we'll have other what I would call distinct-types of partnerships with insurance companies, but I think we're all aligned in terms of staying the course with respect to how we've approached that space. So hopefully, that's responsive.

Operator^ Our next question comes from Glenn Schorr with Evercore.

Glenn Schorr^ Thanks very much. Okay. So you have your net accrued carry last quarter got marked down, say, over $100 million. This quarter, it went up even more than that. I'm curious how much of that is an actual public valuation impact?

And then maybe more importantly, you could talk about your thoughts on the probability, likelihood and timing of monetizations. You talked about a good backdrop and a good pipeline. I'm just seeing if we can put some meat on that bone.

Jack Weingart^ Glenn. This is Jack. I'll start. But remember, last quarter, we kind of bifurcated the impact that caused the markdowns being more than 100% of it driven by bringing our multiples down. This quarter, we saw, as I mentioned in my comments, really very strong continued earnings growth across our portfolios.

And in addition, there was some increase in multiples in the market. And I would say that the increase in our valuations this quarter was very balanced across earnings growth, multiple expansion and some debt pay down, but really driven by strong earnings growth in the portfolio. On the outlook for monetization. Todd, do you want to touch on that?

Todd Sisitsky^ Yes. I'll just start. I mean you heard the statistics from Jack, if you look across the industry, realizations, I think, are down 46% quarter-over-quarter. For us, we continue to be very focused on monetizations, $5 billion this quarter, $14 billion in the first half, so it's up 28% year-over-year.

I think part of the reason for that is that we approach the realization process with the same rigor that we do the investment decision.

So as President, I go through with the partners, the managing partners of each business, every company really once a month. And as we look forward, it's hard to be precise, but we do have a number of companies in a number of situations we feel like we have really good prospects for liquidity. And we are making progress.

We announced the Made sale to a strategic this quarter. We just priced an IPO in India which brings to the 5-year total to 17 IPOs launched in India.

So we're very front footed when it comes to the liquidity side, and I agree entirely with Jon's comment that, on the private equity side, we continue to see good prospects in the end of this year and the beginning of next year.

Operator^ We will move next with Dan Fannon with Jefferies.

Daniel Fannon^ So Jack, I was hoping you could expand upon your comments about management fee growth continuing in second half this year into 2027, maybe provide a little bit more context and building blocks around that outlook?

Jack Weingart^ Sure. Thanks for the question. I think if you step back and think about what we've been talking about on FRR growth and management fee growth for the past couple of years is really we will enter after a period of not raising as much capital for businesses that pay us on committed capital throughout '24.

We saw ourselves entering a series of fundraises that would drive management fee growth in addition to having raised a lot of capital for credit that we expected to deploy in the coming couple of years. And I'd say we're still in the early to mid-stages of those drivers driving continued management fee growth.

Obviously you're aware that we've been in the market with TPG Capital X, Healthcare Partners III, that's our biggest fund complex, but we really, as you know have significantly diversified to lots of different funds being in the market over time. The next big wave once this year is complete with the ones I mentioned, the capital funds, the impact funds.

Next year we will be in the market with a significant amount of capital raising for our real estate franchise which will drive continued management fee growth next year. And like this year will be amplified by the acceleration of deployment across our credit platform, where we really do see our backlog, our pipeline of investment opportunities across the credit businesses feels very strong.

So it's really a combination of both on the management fee growth side, a combination of all of that. And we just -- we see very strong continued outlook for that.

Operator^ We will move next with Ben Budish with Barclays.

Benjamin Budish^ Maybe a quick two-parter on the Wealth channel. You mentioned that the TCAP flows were pretty consistent from Q1 to Q2. When we look at the individual months, it looks like June had quite a big step up. Curious if you could unpack what you're seeing there? And what does that mean for the run rate kind of going into the next quarter?

And then during the prepared remarks, I'm just curious, you mentioned some captive advisory mandates, across the wealth channel. Just curious if you could talk a little bit more about what does that mean exactly? What does the timing look like magnitude, any other details?

Jack Weingart^ Sure. On the second point, we really don't have much more to disclose yet, because we and the partners I'm talking about are still working through the details.

But suffice it to say that there are partners who view our investing capabilities and the product we're creating in Wealth to be very differentiated that they want to partner with us across those products on a captive basis, and more to come on that in the coming quarters when there's more to talk about.

On the flows, I think it's consistent with the industry that during the redemption process that others are going through there was a little more turmoil in April and May, and people are seeing a little normalization in June.

I'd say our results at TCAP are a lot more consistent than that, but we did see the same impact of a little bit of a slowdown in April and May and a pickup in June.

So I think industry-wide, you're seeing the signs of the fact that flows are resuming into the credit products. The difference for TCAP has been on the redemption side. As I think Jon and I both mentioned, we've really seen none of the same pressure that others in the industry have seen with 1% redemptions in Q1 and 2% redemptions in Q2.

Operator^ We'll take our next question from Ken Worthington with JPMorgan.

Kenneth Worthington^ Axel welcome. Jack, thank you for everything over the years. It's truly been a pleasure. I wanted to go maybe off the beaten path a little bit and talk about the Growth franchise. You had a bigger fundraising -- you had bigger fundraising this quarter, I think $2.7 billion highlighted in the growth franchise.

So maybe talk about the drivera there? And then in terms of deployment, it might seem like an active period given what we're seeing broadly in the economy, but the activity that you're seeing seems to be focused on TTAD and TECA and more limited deployment in Growth VI. So maybe walk through kind of what's going on in that growth -- the growth business.

Jack Weingart^ Maybe I'll start, Ken, on the fundraising side, and then Todd will talk about deployment. But if you look at the second quarter fundraising in the Growth platform, it was driven by multiple factors.

As you know we've been innovating in that platform and driving growth in fundraising across the new products including continued inflows in TTAD, TPG Sports raising capital, and TECA, the new growth business in Asia, raising capital.

And we have a fund, a digital media fund that was purpose-built for a limited LP base, that we effectively got a continuation vehicle on which crystallized some carry, but also let us continue to manage those assets going forward and continue to earn fees and carry on that. So pretty diversified drivers, of the capital raising on the growth platform.

Todd Sisitsky^ Yes. I mean I would also just point out, as Jack described it, two of those vehicles didn't exist a year ago.

So it's not only, I think, strength in the existing platforms, but we continue to innovate. The other observation I'd make and I think it speaks to the fundraising and it also speaks to the underlying momentum in that business. If you look at -- in particular, if you look at TECA and you look at TTAD, they're benefiting from a very strong portfolio in place.

These are now somewhere between 20%, 30%, 40% of the portfolio we've spoken for. And so the money that's coming in, in many cases, are folks not only liking the story, liking the team and the strategy, but also being excited about the portfolio that's in place and the sense of momentum in that portfolio. I'd say that's also, by the way, benefiting us very much.

I know you asked about Growth specifically in the context of the TPG Capital raise. And all of these raises, we have -- we have some investors who came into earlier rounds and are thinking about upsizing in part because of the strength of the portfolio. So I'd say, in general, we feel like we're clicking on a lot of cylinders here.

We have strong teams and strategies that seem to be working. And the portfolios that have -- we're building are quite differentiated in the markets in which we operate and the LPs, I think, are responding very favorably to that.

Operator^ Our next question comes from Stephen Chubak with Wolfe Research.

Steven Chubak^ Congrats Jack and Axel. I look forward to engaging with both of you in your new roles. Maybe just to start, of course, on the FRE margin outlook, so FRE margins rose positively in the first half. The incremental margin came in above 60%, really reinforcing that path to sustained operating leverage. And given the better-than-anticipated FRE margin leverage in the first half. The positive turn on second half business momentum.

I was hoping we can get a mark-to-market on FRE margin expectations for this year versus the prior guide? And looking beyond '26, whether an incremental FRE margin above 60% is, in fact, sustainable as the business continues to scale with the caveat that recognize mix will be a factor.

Jon Winkelried^ Yes. Good question. Look, if we were going to update our guidance of 47%, I would have done that in my prepared remarks.

That being said, let me tell you how I think about that. We definitely continue to see the kind of drivers of management fee growth that I talked about in the back half of the year and throughout next year and beyond, and the incremental capital raising and FRR does flow through with a very high incremental margin, probably higher than your 60%, but at least 60%.

So we definitely see an opportunity longer term to continue driving FRE margin expansion as we have been since the IPO. The question in the back half, it's always hard to predict how it's going to play out one quarter at a time.

I did mention that we pulled forward some Capital Markets revenue into Q2 and we do expect a step down in Capital Markets in Q3. It's harder to predict Capital Markets revenue than it is to predict Management Fee revenue. We're currently not budgeting for a big rebound in Q4 either.

So I would say what would cause us to increase our margin guidance for the year is if we start to have visibility on more robust Capital Markets fee growth in the back half of the year to complement what we know will be attractive of Management Fee growth.

So that it's really a question of timing more than whether we're going to continue to expand the FRE margin.

Operator^ We will move next with Bart Dziarski with RBC Capital Markets.

Bart Dziarski^ I wanted to go back to the strong Private Equity performance this quarter. Second highest since your IPO in sort of a more tumultuous software tech background.

Could you just unpack the EBITDA earnings growth momentum that you're seeing in your underlying portfolio companies? And then how you expect that to persist, particularly with your deployment of AI into the portfolio?

Todd Sisitsky^ Sure. First, just to give a little more granular again to what Jack shared. If you look at the value creation, particularly in the context of TPG Capital to start with, it really is almost a third, a third, a third from EBITDA growth, multiple expansion and debt pay down cash flow.

You saw very strong performance across the portfolio with mid- to high teens EBITDA growth on an LTM basis, very steady, relative to prior quarter, LTM period and prior quarters, strong margin levels that have sustained as well. So we feel very good about the underlying performance of our portfolios.

I would tell you in software, in particular, and I know that's been an area of a lot of focus for the market and for everyone on the phone. We continue to see good performance. And Jon mentioned this, mid-teens bookings growth year-over-year in the first half, across our Capital and Growth businesses.

If we isolate really on the TPG Capital business, we characterize a 75% of our software exposures is businesses that we believe are extremely well positioned and will benefit from business acceleration, and greater moats given the competitive impact of the businesses.

On the other hand, we shared last time what we thought of is what we call the mitigate category, where we think they're challenged as a result of AI impact and disruption.

And in the context of just first the fund that has the most exposure which is in Capital, TPG VIII, we characterize about 5% of our portfolio in that mitigate category. And importantly, relative to the last time we shared that news, we have not added any new companies to the mitigate category.

So look, we approach all this with humility, and certainly, we're focused on the day-to-day. Jack shared the story - one of many, where we see a lot of opportunity coming out of AI.

So we want to be very front-footed and look for the opportunities here, but we're also sensitive to the risk. But overall, the answer is the portfolio continues to perform well and that's showing up in not only the results but in the valuation in the quarter.

Operator^ We will move next with Devin Ryan with Citizens Bank.

Devin Ryan^ Just maybe a more direct one on AI and Deploy Co specifically. How much could the implementation become a differentiated sourcing advantage for TPG? Essentially, trying to think about helping win competitive investments or an additional strategic partnerships with companies looking for either capital or AI expertise? And really just trying to get a better sense of how broadly you expect that advantage could extend beyond the initial employee co-investment, if all goes well over time.

Todd Sisitsky^ Well I think it's a very good question. We're excited about the investment on its own merits and the structure of the investment, the opportunity, we feel like there's a tremendous disconnect between the supply and demand on the forward deployed engineers as people really try to go beyond the low-hanging fruit and redesign some of the business processes with the capability of AI.

But I think the implied point is a good one which is to say, this does have a lot of implications for our broader business model. First of all, we're investors directly in several large language model companies, primarily through TTAD.

This opportunity, the other engagements that we have with these companies has created for us, I think, a lot of insight in AI and a lot of capabilities, not only for existing portfolio companies, but for the prospective companies that we're looking at and we're underwriting and in many cases, reflecting significant impact from AI in the underwriting case during our investment review committee process.

And so I think it is -- as you say, it's one of those investments and we've had others in our history that has an immediate impact.

It creates a great opportunity, but also, we think, creates a competitive edge at a time of a lot of dynamicism to say the least and where these types of insights and relationships have a real impact on your ability to support and inflect the growth of your companies.

Jon Winkelried^ The only thing I would add to that is that I think in impliciting your question, one of the things that we're really actively observing as a result of the implementation process of AI solutions and the technology within our portfolio is that it takes two important elements in our judgment to really execute on these transformations. The DeployCo investment is obviously giving us both access as well as insight into the engineering side of these transformations.

But it requires really more than that. And I think you're familiar with and we talk a lot about our engagement with our portfolio and our operational capabilities, and it's the ability to understand how to execute transformations which we've done for many, many, many years within our portfolio, engagement with management teams being able to implement these transformations, bring in the engineering capability and actually execute whether it's through go-to-market or on product, et cetera.

So we feel that our capabilities, combined with the exceptional capabilities that the DeployCo can bring to bear is a very distinguishing feature.

Operator^ We will move next with Brennan Hawken with BMO Capital Markets.

Brennan Hawken^ It looks like the -- when you exclude catch-up fees, the fee rate compressed quarter-over-quarter, but I appreciate that the volatility of the marks can skew that. I was hoping you could clarify, did the underlying core fee rate move this quarter? And if so, maybe what drove that?

Jack Weingart^ That's a good question. We really haven't seen -- well as I've said, as we expand in certain asset classes, into other parts of the market, like in asset-backed credit as we're expanding into investment grade -- the investment-grade world. That's very value-additive to us.

It has a very high contribution margin associated with it as we scale in that business. It does bring -- that market does bring with it a lower average fee rate. And we've talked about with the Jackson relationship minimum fee rate of 50 basis points.

On the other hand, the higher octane part of our credit business, Credit Solutions has a much higher fee rate in that business as we scale up from lower middle market direct lending into Advantage Direct Lending, that has a slightly lower fee rate associated with two.

So as we expand the scope of some of our businesses into larger market opportunities, some of those larger market opportunities -- those larger market opportunities generally are lower in the risk return spectrum and will carry with them very valuable fees, but a slightly lower fee rate. If there's any trend towards a slightly lower fee rate, that would be it. We don't see any kind of systemic fee rate pressure in each of our businesses.

Operator^ We will move next with Brian Bedell with Deutsche Bank.

Brian Bedell^ Great. And also, congrats, Jack, for your new dedicated role to Private Wealth and also welcome Axel. And then maybe, Jack, if I can actually talk about that or ask you about that, and thanks for your prepared remarks on that.

As you think about developing that over the next several years, do you envision the growth trajectory of this business from a fundraising standpoint, being more predicated upon product rollout or expanding distribution? I know you said you're on two wirehouse platforms, so expanding that.

And some more private banks and even in the RIA channel and even globally, I guess, how should we think about those two dimensions to it?

And from a distribution cost perspective, is that something as you expand more dramatically, do you view that as still margin accretive or more of a sort of investment to grow the business from a distribution perspective?

Jack Weingart^ Good question, Brian. You basically -- you did a good job summarizing why I'm excited about this. Spending all of my time in this area, after really helping drive T-POP as a starting point and jumping into this role last year, as Jon mentioned. But the answer to your question is basically all of the above.

If you start on the distribution side, I mentioned the two wirehouse platforms that were our anchors on T-POP, we're on more wirehouse platforms than that across all of our Private Wealth business for both Evergreen and Drawdown Funds.

We're seeing, in some cases, increasing demand from wirehouses and private banks for our high-performing, more focused strategies in drawdown format. So going forward, we continue to see both of those being drivers.

On the distribution side, I would say we're early in expanding our distribution points of presence for T-POP itself, I mentioned we added two or three international platforms on top of those two U.S. wirehouse platforms. They're just now -- well one was added last year, the two new ones are just now beginning to contribute to capital raising.

So you'll see more of that flow in next year. We're also in the U.S. market, expanding into the RIA channel. We're adding an RIA distribution team alongside our wirehouse distribution team in the U.S. Internationally, we've already added a bit of a swat team across Asia.

We're adding to that in Japan and Australia. So there's a lot of -- a lot for us to continue to do to just expand our existing product set distribution points on presence across the U.S and internationally.

Also on the product side, I mentioned this in my prepared remarks, but T-POP is really the first flagship evergreen vehicle that's across the asset class, in this case, the private equity asset class.

We've obviously got other evergreen vehicles that are high performing and attracting great traction in the market like TCAP and MVP in the credit business, but we don't yet have a flagship kind of T-POP equivalent product in real estate and credit, and we're actively working on both of those.

Once we have those, we'll have an opportunity to take the brand building we've been doing with T-POP and leverage that across more products.

The final thing I'd say is think about those flagship asset class level evergreen products, also flowing in to what I think of as packaged solutions in the marketplace, with some of the intermediaries and the partners we're talking about, creating their own package of next-generation fund of funds where we see already TPOP as an example, being positively selected into those bundles as a high-performing differentiated private equity solution.

So you'll see -- hopefully, you'll see that occur now in a broader way across the different asset classes. So it's kind of building the building blocks and growing the distribution at the same time.

And then finally, on your cost question, there's no question we're incurring some costs to build out distribution. But the amount of product we can leverage across that distribution system, there's no question this should be a margin-accretive business.

Jon Winkelried^ As Jack transitions all his time to the Private Wealth channel we know because of his history as CFO, that he's not going to go crazy we hope, and he's going to be attentive to margin. So don't worry about it. We got it under control.

Operator^ We will move next with Arnaud Giblat with BNP.

Arnaud Giblat^ I've just got a quick question on transaction fees. This quarter, (inaudible) to record transaction fee levels despite slower levels of exits versus previous quarters. Just wondering if you could unpack that a bit. And especially when talking about the outlet because you did talk about a pickup in monetization to be expected yet a low level of transaction fees for H2?

Jack Weingart^ Yes, good question. If I try to -- if you think about a step back and think about the drivers of the capital markets business, it's much more correlated with new investment activity than it is with exit activity.

I mean it's occasionally the case that if we sell a company, our capital markets team will work to kind of replace the debt before we run an auction, for example, and place the debt with a portable capital structure, so it can port to any buyer. That's more the exception to the rule there.

So it's actually kind of unusual for us to attach much capital markets revenue to our exit activity. My comments about the back half of the year have much more to do with the timing of our deployment, particularly in our larger private equity business where, as I mentioned, we pulled forward a couple of large closes.

There's typically these days, given how we're capitalizing our new investments, the work we're doing to raise the most attractive debt with our own capital markets business. The biggest drivers of capital markets fees, not the only, but the biggest are larger deals closing and we had a couple of big ones closed in Q2. And as we sit here today, we don't see the kind of -- those kind of chunky additions to capital markets in Q3 or Q4.

But it's really -- I wouldn't think about the correlation being with exit activity. But if you step back and think about capital markets, as we've all mentioned, since IPO, it's been a -- we've talked about it being a significant opportunity for us.

We've delivered on that by adding to the team and penetrating a lot more of our businesses, building out our capital markets team across asset classes including credit, and we are seeing the benefit of that -- it's just a question of predicting quarter-by-quarter remains difficult.

Operator^ Our next question comes from Mike Brown with UBS.

Michael Brown^ So really strong start to the year on the fundraising front and provided some good color about the drivers for the rest of the year here. I guess I just wanted to ask a little bit more about Real Estate and Credit. So in Real Estate, just curious if you're seeing any hesitation from LPs just given some of the market rate volatility out there?

And then how could that potentially impact how fundraising flows in on your Real Estate strategies in terms of first close and then subsequent raises? And then on the Credit side, really upbeat commentary or generally upbeat commentary on the deployment front.

So maybe could you just add a little bit of color around that? What are you seeing specifically? Is that more kind of market driven or just as you're continuing to take market share and really expand your capabilities in Credit?

Jon Winkelried^ Sure. Well let's start with real estate. I think that this has been an evolving asset class with respect to investor interest over the last, I would say, couple of years coming from a place where, obviously through changes in interest rates and inversion between cap rates and financing costs, pressure on office and a number of sectors, real estate was something that wasn't getting a lot of attention.

And I think we've been consistently describing over the last really 18 months, a change in what we feel like the opportunity set is as a result of ultimately, people needing to sell, certain market players needing to sell certain assets, interesting opportunities coming up, even things like take-privates from public REITs, just pressure in the market, has created a value opportunity as well as, as I mentioned in my comments, being able to acquire quality real estate and platforms well below replacement costs, et cetera.

So that narrative and that kind of dynamic is really sort of taking hold within the LP community as far as we see.

We're also leveraging off of a very strong track record across our business -- and that's not -- as you know that's not that common based upon the experience that the market's had in real estate. So -- we -- our teams have done a very good job navigating what has been a difficult space in the market.

We are seeing a very robust level of interest across the platforms that Jack described, where we'll be raising capital. And I think one thing that might be helpful to you just in terms of giving you a sense for what gives us confidence around that is just the level of engagement and deal activity that we're seeing.

We've had, as an example, over the course of the last, really, the first half of the year, -- we've had something along the lines of four different investments that are significant investments, for instance, in our opportunistic business, where we've had $2.6 billion of co-investment come along. That co-investment is coming from both existing investors as well as what would be new to fund investors.

So a real expression of interest in size from investors that have not been allocating up to now to opportunistic real estate funds, or by the way, on the Core Plus side as well, not been allocating to those funds, who are now participating with us in deal flow. And our expectation is with a lot of confidence that they will be coming into our fundraising process as we go through the balance of this year and into next year.

So we have a lot of confidence in terms of what we're expecting to see in participating in our real estate capital formation process.

On the Credit side, if you look across both the performance of our strategies and also where we are participating in the market, I think that our strategies and our platform is continuing to distinguish itself in the market. And so I think that it's created an opportunity for us.

We are just getting more share of mind from investors as we go and talk about our strategies. If you look at, for instance, our performance that I mentioned in my comments in our lower middle market Direct Lending strategy in Twin Brook and in our new expanded strategy in ADL.

If you look at leverage levels, cash flow lending as opposed to other types of lending, it's attracting more and more interest from investors that want to diversify away from the upper middle market part of the market where there's a lot more competition, a lot more compression in terms of terms.

When we look at our pace of originations this year, we're expecting that we will probably do better than we expected we would do coming into the year just in terms of level of transactional activity and are gaining share in that market.

And then I mentioned also in my comments around our Credit Solutions platform with what is going on across the market generally with capital structures that may be stuck, refinancing walls, maturity walls that are coming up over the course of 2028, 2029. There is just a strong need for solutions-oriented capital in the market. And we have the capacity and the capabilities to fill that need.

So things like Hybrid Solutions, things like Credit Solutions are just attracting a lot of attention in here as a very good risk/reward part of the market. So I think that is what we see overall happening.

Jack Weingart^ It's Jack. The only thing I'd add to that on your question about the timing of fees generated. Jon mentioned, we're very, very confident in the LP support for these Real Estate businesses.

We're not assuming that we activate any of those funds until close to the end of the year. So you'll see most of the FRR benefit from that fundraising kick-in throughout the course of the year, next year.

Operator^ We'll take our last question from Bill Katz with TD Cowen.

William Katz^ Jack and Axel congratulations. I look forward to as well working with you in new respective roles. Maybe just a big picture question. Just sort of think through the flywheel on the monetization opportunity, very good sequential growth in the net accrued carry, as you talked about earlier. Just looking for your disclosure, you have a bunch of different vintages where you saw some nice improvement.

So I guess the first part of the question is, as you think through that flywheel of opportunity into 2027 which areas do you sort of see the best opportunity to drive that monetization?

And then just a conceptual question. As you think through your operating leverage into 2027, how does that sort of quantum of compensation opportunity which I know sits on the private side, how does that inform your compensation that sits within the FRE?

Todd Sisitsky^ Yes. I'll start with the first part. I'd say it's actually pretty broad-based at this point in terms of where we see the opportunities. We're seeing a number of opportunities that we're excited about in the Climate business in terms of monetization over the next three to six months. We actually see a number of opportunities that we're pushing on in the software space as well.

I think as we mentioned, we've continued to be very active in Asia, and have had one strategic sale and one IPO in the last couple of weeks alone and continue to see opportunities to drive that.

We have a few public companies. As we mentioned, there will be -- may go public in the future. And we have stakes in some companies that have recently gone public.

So there's some natural way liquidity. And finally, we've referenced this in other calls we've referenced today, we have a few -- we have a healthy portion of our business today in private equity, particularly in TPG Capital, that relates to structured partnerships with corporate partners, in many cases, repeat structured partnership, corporate partners.

When you look at the first quarter, we had a really strong exits with Intersect Power to Google and our exit to Cencora of the business that we bought together, OneOncology and both very good exits, both contemplated in the original partnership with those partners.

In some cases, we have very clear structural timeframes around all these things, but I think that there will continue to be opportunities to fulfill the natural evolution of the structured partnerships which would be for the corporates who take over and to acquire the businesses, that will also be a portion of the exita we see over the next year.

So I actually would say it's not particularly concentrated. We see opportunities really across the board.

Jack Weingart^ And Bill, on the second part of your question, I would just say, I think I'm interpreting your question correctly, but as we see the next wave of promote generated, we have a pretty well-established allocation process for that promote.

We're going to continue to allocate 20% of it in a royalty format through to shareholders and the remainder of it flows in the direction that you know. So the fact is this year, our promote is probably going to be a little bit below an average year, and our partners are comfortable with that.

As we promote new partners, they come out of the FRE comp and into the carry pool, and that's what -- as we see the next surge of carry generated, we'll continue to allocate it in the same way.

Operator^ Thank you. This concludes the Q&A portion of today's call. I would now like to turn the call back over to Gary Stein for closing remarks.

Gary Stein^ Thank you. Thank you all for joining us today. As always, if you have any follow-up questions, please feel free to reach out directly to the Investor Relations team. Otherwise, we'll look forward to speaking with you again next quarter.

Jon Winkelried^ Thank you, everyone.

Operator^ Thank you. This concludes today's TPG's second quarter 2026 earnings call and webcast. You may disconnect your line at this time. And have a wonderful day.