

TPG (Q2 2025 Earnings)

August 6, 2025

Corporate Speakers:

- Gary Stein; TPG; Head of Investor Relations
- Jon Winkelried; TPG; Chief Executive Officer
- Jack Weingart; TPG; Chief Financial Officer
- James Coulter; TPG; Executive Chairman, Co-Founder

Participants:

- Glenn Schorr; Evercore; Analyst
- Kenneth Worthington; JPMorgan; Analyst
- Alexander Blostein; Goldman Sachs; Analyst
- William Katz; TD Cowen; Analyst
- Steven Chubak; Wolfe Research; Analyst
- Daniel Fannon; Jefferies; Analyst
- Brian Bedell; Deutsche Bank; Analyst
- Michael Cyprys; Morgan Stanley; Analyst
- Kyle Voigt; KBW; Analyst

PRESENTATION

Gary Stein

Thanks operator, and welcome everyone. Joining me this morning are Jon Winkelried, Chief Executive Officer, and Jack Weingart, Chief Financial Officer. In addition, our Executive Chairman and Co-Founder, Jim Coulter, and our President, Todd Sisitsky, are also here and will be available for the Q&A portion of this morning's call.

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

\$15 million and after-tax distributable earnings of \$268 million, or \$0.69 per share of Class A common stock.

We declared a dividend of \$0.59 per share of Class A common stock, which will be paid on September 2, 2025 to holders of record as of August 18, 2025.

I'll now turn the call over to Jon.

Jon Winkelried

Thanks, Gary. Good morning, everyone.

Before we begin, we want to acknowledge the senseless act of violence that occurred at 345 Park Avenue last week. Our thoughts and prayers go out to those impacted by this tragedy, and we stand in solidarity with our friends at Blackstone, Rudin Management, the NY Police Department, the NFL, and KPMG during this difficult time. To the first responders who acted swiftly and courageously, thank you.

Moving to earnings, TPG delivered outstanding results in the second quarter, reflecting the strength and durability of our franchise. Our Distributable Earnings for the quarter increased 26% compared to last year, driven by our strong operating metrics. On a year-over-year basis, our second quarter fundraising grew nearly 80% to \$11.3 billion, deployment grew 36% to \$10.4 billion, and realizations grew more than 20% to \$6.5 billion.

After quarter end, we completed our acquisition of Peppertree, and the integration process is well underway. We're excited to welcome our Peppertree colleagues to TPG and to introduce our clients to this compelling digital infrastructure strategy.

This morning, I'll discuss our momentum across fundraising, deployment, and realizations before turning the call over to Jack to cover our financial results.

On the capital formation front, we had the second highest fundraising quarter in our history and the strongest credit fundraising quarter ever. On our last call, I highlighted the strength of our credit fundraising pipeline, and that we were at an inflection point in our client dialogues. In the second quarter, we converted that momentum into \$11.3 billion of capital raised, of which \$5.4 billion was from our credit platform. Importantly, our second quarter numbers do not include any commitments for our flagship buyout funds, TPG Capital 10 and Healthcare Partners 3. We're seeing an acceleration of fundraising into the third quarter and are increasingly confident that we will raise significantly more capital in 2025 than last year. I'll share some updates across our campaigns.

- In private equity, during the quarter we completed fundraising for TPG Growth 6, exceeding our \$4 billion target to raise a total of \$4.8 billion for the fund and affiliated vehicles. This represents a 35% increase over Growth 5, which is consistent with our track record of driving fund-over-fund growth across our strategies. In addition to continued support from existing clients, we meaningfully expanded our investor base outside of North America, particularly in the Middle East, Asia, and Latin America.
- Additionally, we are seeing strong early support for our second GP Solutions fund,

which we expect to be significantly larger than its predecessor. As a reminder, TGS is our GP-led secondaries strategy focused on North America and Europe, and it's experiencing significant demand as GPs look for creative ways to drive liquidity for their strongest performing assets. We recently launched the TGS 2 campaign and closed on \$1.3 billion in the quarter. This early momentum is driven by the strong deployment and performance in our inaugural fund, which is now fully committed across 14 investments.

- In May, we also launched TPOP, our new perpetually offered private equity product, on two of the largest wirehouses in the U.S. The initial feedback has been very positive, and we raised approximately \$430 million across our first two closes in June and July. The TPG brand is resonating in the channel and we are establishing a strong following, with more than 560 individual financial advisors participating in these closes. This is a great foundation to build upon as we scale TPOP and launch additional products over time.
- In Credit, the second quarter was a record fundraising quarter, with \$5.4 billion of total capital raised across our strategies:
 - In Credit Solutions, we closed an additional \$1.4 billion of capital for our third flagship fund, bringing the total raised to date to \$4 billion. Our market leadership in the opportunistic credit space – further enhanced by our strong cross-firm collaboration – continues to resonate with clients and our fundraising pipeline remains robust.
 - In Middle Market Direct Lending, we held a first close of \$1.4 billion for our sixth drawdown fund during the quarter. Due to Twin Brook's leadership position in the lower middle market and a continued steady pace of originations, we launched fundraising for our next vintage fund just seven months after the final close of its predecessor. Twin Brook's differentiated portfolio, disciplined underwriting, and stable returns continue to resonate with both existing and new clients, resulting in a very strong initial close.
 - And in Structured Credit, we raised \$1.4 billion across our ABC drawdown and evergreen funds, as well as a number of SMAs. Demand for structured credit is high and continues to grow as clients are generally underweight and looking to diversify their exposure beyond corporate credit. Additionally, we continue to expand our product set into key areas such as private, investment grade asset-backed securities.
 - In aggregate, we are seeing significant, broad-based momentum in credit fundraising and we expect 2025 to be a breakout year.
- I also want to highlight the meaningful progress we've made in the insurance channel. Insurance contributed nearly 30% of the credit capital we raised in the second quarter, primarily through our Structured Credit and Credit Solutions strategies. Our scaled and diversified credit platform has enabled us to deepen relationships with our existing insurance partners, while also establishing new ones. As we continue to organically grow our insurance client base and commitments, we

are also actively evaluating broader strategic partnerships and inorganic opportunities within the channel.

- While I am very pleased with our capital formation during the second quarter, I am even more enthusiastic as I look ahead. For TPG Capital 10 and Healthcare Partners 3, we are in the midst of a rolling first close, where we expect to receive total commitments of approximately \$9 billion. We have already closed on \$6.4 billion, and we expect to close the remaining capital in the third quarter.

This strong result during a challenging private equity fundraising environment is a testament to the trust we've built with our clients through our distinct investment approach and excellent performance. Although clients remain cautious and highly selective amidst ongoing macro uncertainty and muted distributions, our market leadership and differentiated value proposition in private equity have driven strong absolute and relative fundraising results.

Moving on to deployment, we had a robust quarter with more than \$10 billion of capital invested, which increased 36% year-over-year.

- In TPG Capital, we announced the \$2.2 billion dollar take-private of AvidXchange, a leading provider of AP automation software and payment solutions, in partnership with Corpay. This is another example of a creative, "win-win" corporate partnership that offers significant downside protection.

And after the quarter end, we closed the carve-out of Sabre Corporation's Hospitality Solutions business, a leading technology solutions provider to the hospitality industry. Given our focus on vertical market software and the travel & leisure space, we are excited to drive transformational growth in the newly separated business.

- In Rise Climate, we recently announced a number of investments across Europe and Asia, representing over \$10 billion of total enterprise value. This includes SICIT Group, a pioneer in sustainable agriculture; Aurora Energy Research, a UK-based provider of data and analytics for the global energy markets; and Techem, a leading digital-first provider of submetering solutions.
- In Credit, we deployed \$4.3 billion of capital across our strategies in the second quarter.
 - In Structured Credit, we continue to be a market leader in residential mortgage securitizations as one of the few managers who are vertically integrated in the space. We placed five issuances in the quarter across home equity, non-qualified mortgage, and agency eligible collateral types to bring year-to-date securitizations to eight.
 - Twin Brook generated \$1.2 billion of gross originations in the second quarter. Add-ons made up nearly half of the activity in the quarter, demonstrating the power of Twin Brook's incumbency within its existing portfolio.
 - And in Credit Solutions, we continue to see a growing pipeline of companies looking for solutions capital at scale.

- In July, we completed a \$1 billion asset-backed term loan facility for Altice USA in partnership with Goldman Sachs. This is a first-of-its-kind transaction in infrastructure-backed financing, secured by Altice's Bronx and Brooklyn network assets.
 - We also recently anchored an innovative multi-billion-dollar debt financing for xAI, which is one of the world's leading AI companies. We believe this represents one of the first large-scale credit solutions to be provided in the AI space, where we expect demand for creative financings to grow significantly given immense funding requirements.
 - Both of these financings are great examples of our ability to deliver customized, scaled solutions to address the complex capital needs of corporates. Similar to the DISH transaction last year, they reflect our culture of cross-firm collaboration. Our Credit Solutions, Private Equity, and Real Estate teams worked together seamlessly to execute these highly bespoke solutions within our core thematic areas.
- In Real Estate, we continue to take a patient and disciplined approach to capitalize on the dislocation within the asset class. Over the last two years, we have acquired a number of high-quality assets that are typically unavailable, from sellers facing liquidity pressure. These investments have performed well with strong operating fundamentals, driving LTM value creation for TPG Real Estate of 14%. As we look ahead, we expect to see a growing pipeline of attractive investment opportunities.
 - Shortly after quarter-end, TREP completed the acquisition of two adjacent, high-quality office towers located on a full block of Park Avenue South. This is a top submarket in New York City, where favorable supply-demand dynamics have led to a significant improvement in office fundamentals.

As a result of strong fundraising, we ended the quarter with record dry powder of \$63 billion, representing 43% of fee-earning AUM. Our investment pipelines remain very active and we expect our deployment pace to accelerate in the back half of this year.

Finally, we continued to successfully execute on important exits and liquidity events, driving \$6.5 billion of realizations during the quarter across a number of our platforms.

- We realized nearly \$2 billion of total proceeds from public market sales during the quarter. This included fully exiting from Viking Cruises, Tata Technologies, and ServiceTitan, and selling down our positions in Life Time Fitness and Sai Life Sciences.
- TPG Growth also completed the full company sales of Q-Centrix and Crunch Fitness. We have generated \$2.3 billion of liquidity in TPG Growth year-to-date, including signed but not yet closed transactions, putting us on track to reach one of our highest years for realizations for the strategy.
- And this week, we announced our first exit from TPG Capital 9 with the sale of Elite, which we carved out of Thomson Reuters two years ago. This investment marks a strong, early outcome for the fund and is a great example of our ability to drive

meaningful topline growth through disciplined operational transformation.

Looking across the firm, we continue to experience strong momentum in scaling our business and deepening and broadening our client relationships.

- In Private Equity, despite persistent headwinds in the fundraising environment, we continue to differentiate ourselves with strong investment performance and DPI. We believe we are being positively selected by clients and continue to gain market share, driving fund-over-fund growth across both our existing and newer strategies.
- In Credit, we have reached an important inflection point in establishing our credit franchise with our institutional clients. We are now in the process of significantly expanding the capital base across each of our credit businesses, including partnering with our clients to develop and seed new strategies.
- In Private Wealth, TPOP and TCAP have provided us with a strong foundation to build our presence in the channel, where we believe our differentiated brand and track record are resonating with advisors and their clients. We continue to build out our sales team, infrastructure, servicing capabilities, and suite of products given the long-term growth opportunity in wealth.
- Lastly, as the largest pools of capital globally continue to consolidate their relationships with fewer GPs, we are actively engaged in a number of cross-platform strategic partnership discussions. These partnerships position us to grow with our largest clients across multiple strategies and asset classes, while also increasing the duration and continuity of our capital base.

We are entering the back half of the year with significant strength across each of our platforms and look forward to continuing to deliver outstanding results for our clients and shareholders.

I'll turn the call over to Jack to discuss our financial results.

Jack Weingart

Thanks, Jon. And thank you all for joining us today.

As many of you know, last year, we focused on putting the building blocks in place to support our next leg of growth. This included:

- One, scaling our credit businesses through a successful fundraising year, expecting that this capital would flow into fee-paying AUM as we invest this year and in the future.
- Two, preparing for the launch of our next series of private equity funds.
- And three, continuing to innovate, building new products and businesses, including GP Solutions, Climate Infrastructure, and TPOP, that we expect to scale into greater profitability over time.

Through these levers, we expected to begin a new wave of growth this year.

Our strong second quarter results highlight our early success in executing this growth

strategy, and we expect our momentum to accelerate from here.

We ended the second quarter with \$261 billion of total assets under management, up 14% year-over-year. This was driven by \$36 billion of capital raised and \$21 billion of value creation, partly offset by \$23 billion of realizations over the last twelve months. Fee-earning AUM increased 7% year-over-year to reach \$146 billion as of June 30th. These figures do not include TPG Peppertree, which closed on July 1st and added approximately \$8 billion of AUM and over \$4 billion of fee-paying AUM.

AUM subject to fee earning growth was \$30 billion at the end of the quarter, which included \$23 billion of AUM not yet earning fees, and represents a revenue opportunity of nearly \$200 million on an annualized basis. This shadow FAUM has been scaling with our credit businesses, and as Jon indicated, our deployment pace has begun to accelerate.

At the end of the quarter, our net accrued performance balance remained at \$1 billion, as strong value creation and realizations largely offset each other during the quarter.

Our fee-related revenue in the second quarter increased to \$495 million, and included \$43 million of catch-up fees, primarily associated with the strong final close of TPG Growth 6. We reported quarterly fee-related earnings of \$220 million. Our FRE margin of 44% in the second quarter benefited from the catch-up fees as well as a step down in cash compensation expense from the seasonally elevated first quarter.

After-tax distributable earnings for the second quarter increased 30% year-over-year to \$268 million, or \$0.69 per share of Class A common stock, which included \$87 million of realized performance allocations. As Jon noted, our strong pace of monetizations has been a significant point of differentiation for us, which continues to benefit our fundraising discussions with clients. Looking at the back half of the year, we expect to drive additional realizations, particularly as the broader market backdrop continues to improve.

As a result of our strong quarter, we declared a record dividend of \$0.59 per share.

Looking at our non-GAAP balance sheet, during the quarter we further enhanced our liquidity by upsizing our revolving credit facility from \$1.2 billion to \$1.75 billion. We have drawn on our revolver to fund several growth initiatives, including seeding TPOP's investment portfolio, as well as funding the cash portion of the Peppertree acquisition in July. Pro forma for the Peppertree funding, the outstanding balance on our revolver is \$570 million, and our available liquidity is more than \$1.3 billion.

Turning to our portfolio, we continued to drive positive value creation across all our platforms for the second quarter and over the last twelve months.

- In private equity, the fundamentals across our portfolios remain strong and we continue to see robust growth that is outpacing the broader market. The portfolio companies within our Capital, Growth, and Impact platforms grew revenue and EBITDA by approximately 16% and 23%, respectively, over the last twelve months. Our private equity portfolio in aggregate appreciated 2% in the second quarter and

11% over the last twelve months.

- In credit, our portfolio appreciated by 2% in the quarter and 12% over the last twelve months.
 - In Middle Market Direct Lending, all our funds remain at or above their target return ranges as of quarter-end. Within our portfolio, our average interest coverage ratio has remained stable at approximately 2 times and our annualized loss ratio is approximately 2 basis points.
 - Our Structured Credit strategies also continued to perform well. Our first private Asset Based Credit fund's net IRR since inception was above its target range at 13% at the end of the second quarter.
- TPG's real estate portfolio appreciated approximately 3% in the second quarter and 14% over the last twelve months. We continue to see strong performance and value creation in our data center, industrial, and residential investments. In addition, TPG AG's real estate portfolio appreciated 20 basis points in the second quarter and nearly 3% over the last twelve months.

Turning to fundraising, we raised over \$11 billion during the second quarter. As Jon noted, this was the second highest fundraising quarter in the firm's history, and the highest fundraising quarter ever for our Credit platform. As a result of our strong fundraising momentum, we remain very confident that we will raise significantly more capital this year than last year.

Looking at the remainder of the year, we will be in the market with approximately 25 different products across most of our platforms. The biggest contributors to our fundraising in the back half of the year include the following:

- One, the rolling first close for our next flagship buyout funds, TPG Capital and Healthcare Partners. As Jon mentioned, we expect to receive total commitments of approximately \$9 billion during our rolling first close in the third quarter;
- Two, continued strong capital raising across all of our credit strategies in drawdown funds, perpetual vehicles, and SMAs;
- Three, formal first closes for our second GP Solutions fund and our third Tech Adjacencies fund; as well as additional closes for TECA, our new Asia growth buyout strategy. We continue to make strong progress with TECA and have already raised more than half of our target;
- And four, increasing our penetration within private wealth and insurance.

On the topic of private wealth, I'd like to provide a bit more information on our strong progress in this important business:

- As Jon mentioned, TPOP is off to a great start, raising approximately \$430 million in June and July alone, and we expect strong continued expansion with our two initial launch partners. We also have several additional partners lined up domestically and internationally over the next several quarters, including expanding into the RIA channel.

- On the credit side, Twin Brook's non-traded BDC, TCAP, had its highest organic fundraising quarter yet in the second quarter, with more than \$200 million of inflows. TCAP is now actively distributed on three major wirehouses, and we expect further expansion in the near future.
- Across our private wealth business more broadly, we continue to grow our distribution network. We are now partnered with over 30 firms globally, which has increased more than fourfold since the AG acquisition.
- We are also focused on expanding our suite of evergreen offerings across asset classes. Having created a strong foundation with TPOP and TCAP, we are actively working on additional products across credit and real assets.
- Private wealth is a high-priority growth area for the firm, and we continue to invest in broadening our capabilities to serve the growing needs of financial advisors and their clients.

I'd like to provide a few important points regarding our near-term financial outlook:

- Beginning with the third quarter, our results will include the financial contribution from TPG Peppertree within our Market Solutions platform. As we noted when we announced this transaction, we expect TPG Peppertree to be immediately accretive to FRE and After-Tax DE per share.
- Following the completion of our DirecTV investment, TPG Capital 9 is now fully invested and reserved, and we activated TPG Capital 10 in early July.
- We expect catch-up fees to step down in Q3 and then pick back up throughout next year as we hold subsequent closes in our Capital and Climate campaigns.
- Following the step-down in compensation expense in the second quarter, we expect this line item to begin trending back up starting in the third quarter. We continue to invest in our teams in strategic growth areas such as private wealth and Climate Infrastructure.
- Although we expect our FRE margin to decline modestly in the third quarter, consistent with our prior guidance, we continue to expect to exit the year with an FRE margin in the mid-40s.
- And finally, we expect our effective corporate income tax rate to remain in the mid-to-high single-digits through the remainder of the year.

Before I wrap up, I'd like to highlight the significant progress we have made in enhancing the liquidity in our stock since our IPO. Two recent events have contributed to this meaningfully:

- First, in May, David Bonderman's estate sold 21 million shares of TPG stock in order to satisfy certain obligations including estate tax payments; and
- Second, in connection with the closing of the Peppertree transaction last month, we issued and registered 2.9 million Class A shares as partial consideration. These shares, which were not owned by employees of Peppertree, have already been fully liquidated in the public market.

- This supply was well received in the market, broadening our shareholder base, and allowing many of our largest existing shareholders to further build their positions.
- Primarily as a result of these two events, the percentage of TPG Operating Group equity owned by TPG Inc. Class A shareholders has increased from 22% to approximately 40% in just 18 months.

Taking a step back, we are very pleased with our strong second quarter results and the progress we continue to make driving growth and diversification across our business. We are experiencing substantial momentum as the pace of activity across the key drivers of our business – fundraising, deployment, and realizations – continues to accelerate, and we look forward to creating additional value for all our stakeholders. Now I'll turn the call to the Operator to take your questions.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) And we'll take our first question from Glenn Schorr with Evercore.

Glenn Schorr^ So I wonder if you could help us. You are the last of the -- I think, the big firms to report. And we've seen you guys had good performance across private equity. You've raised a lot of money, you've returned a lot of money yet the aggregate details across private equity are still stuck portfolios, low DPIs. And I see some surveys that show almost half of LPs saying that they're overweight with maybe potential to cut some allocations.

So like is it that the big get more successful and you're seeing more -- I'm curious to get your thoughts on the highest level of industry dynamic because you're clearly not seeing the same PE stuck in the mud that a lot of the bigger picture surveys would have you believe.

So I'm just looking for you where we're at in that private equity cycle right now?

Jon Winkelried^ It's a good question. And I think that our -- what we're experiencing, is a little bit different than the general kind of theme that you characterize as it relates to private equity, just to be honest with you.

I mean I think that we -- first of all, at a high level, I mean allocations obviously are fuller and higher in PE than maybe in some of the other asset classes.

But with respect to the broader market, I think we still have a lot of confidence in the importance of the PE asset class as a return driver for the cross-section of larger institutional accounts. And also, I think some of the reaction that we've gotten as we've gone out in the market to continue to penetrate the wealth markets.

I think there as well because of the nature of the public markets and where the returns are being driven in the public markets, I think that there is a clear perception and a clear interest in alpha creation from private companies that are driven by the private equity industry.

So we still feel very strongly that the private equity asset class is going to be very important and durable for a lot of those reasons going forward.

I think what we're seeing in our own situation is it starts fundamentally with performance and how we've managed our business and how we've managed our funds. And if you look at those two categories of things, I think that we feel very good about our performance across our fund families consistently. And then the other thing, I think we also have been doing, I think we've talked about this before, is we've been very intentional and deliberate with respect to how we've been managing our funds from the perspective of how we've deployed, how we've composed our portfolios.

And we've been very intentional as it relates to not only on the entry on the buy, but we've been very intentional on how we think about exits and the importance of managing the process of exiting companies, returning capital and how that also influences the returns people are experiencing with us. in a holistic sense, both from a return perspective as well as from sort of flow of funds kind of back and forth. And it's just very clear that with the largest pools of capital, I mean I think you could probably say that the largest players in the industry are gaining share, we think we are gaining share disproportionately.

We've looked at some of the numbers. We've looked at our incremental growth with our largest LPs. And since our IPO, if you look at the top 100 relationships that we have, we have grown very meaningfully with all of those institutions across the portfolio of private equity as well as our credit and real estate businesses.

But since your question is focused on private equity, we have a number of major relationships that are not going down with us, they're going up. They're incrementally adding to their commitments to our funds. And that's not to mention, obviously relationships that have kind of -- that we've either restarted that over the course of the last four, five years or brand-new relationships in other parts of the globe that we've been able to initiate.

So I think we feel like our private equity business is very strong, very durable and I think that there are going to be -- if I could say it, I mean they're going to be haves and have nots as it relates to how the industry is evolving, and we feel like we're in a strong position.

Operator^ And we will take our next question from Ken Worthington with JPMorgan.

Kenneth Worthington^ I wanted to maybe dig into the build-out of insurance. Can you talk about your view on balance sheet heavy versus balance sheet light? I think the preference has generally been partnerships and balance sheet light. You called out a number of times you don't want to be an insurance company.

What would you want or need to see in something more balance sheet heavy that might change your mind in terms of what could be a good fit for TPG. Is it size? Is it price? Is it all the above? Is there some other nuance on mix that ultimately makes a different structure a good idea for TPG?

Jon Winkelried^ Thanks for the question.

Let me come at it this way, which is that I think that what is first and foremost, just in terms of how we think about how insurance or an insurance-related transaction might fit into would be a couple of core principles.

One is that it's important to us to maintain what we think of as FRE centrality. That's what we -- that's top of mind for us in terms of driving our asset management business and driving core fee-related earnings growth. And so that's front and center as we think about what does a potential transaction do for us.

Additionally, I think as we've talked about not turning ourselves into an insurance company, I think that could be maybe a little bit more specific. I think we are very sensitive to what types of liabilities we assume in the context of doing some kind of an insurance transaction.

So that's not to say that we wouldn't use our balance sheet because we've talked about that before, obviously and we would do it in the context of I think size is a little hard to judge depending on the situation. Ken.

But I think that we're -- I think we're very focused on not putting ourselves in a position where we assume risks that we don't feel either good about or that we're not expertized in as it relates to certain types of insurance liabilities. And so that's something that's also been top of mind for us.

So when we've looked at some transactions, what we've tried to do is we've either looked at how does it impact our ability to grow our asset management franchise, grow our FRE without taking undue risk as it relates to the balance sheet. And in certain cases, what we've done is we've looked at a couple of opportunities where we've actually looked at partnering with some strategic partners within the insurance business, which would allow us to essentially try to acquire the portions of the business, particularly as it relates to distribution capabilities that expand our ability to accumulate capital but not take on the parts of the business that are probably better left in the hands of an insurance business.

So that's -- those are our core principles. That's our approach. We continue to see the industry evolving in terms of what it takes to compete in the industry, and we continue to be in -- we continue to evaluate opportunities -- and I think that if we do something, it will be with those core objectives in mind.

Operator^ And our next question comes from Alex Blostein with Goldman Sachs.

Alexander Blostein^ Maybe going back to Glenn's question around private equity. Obviously very impressive on fundraising numbers with the first close here.

I was hoping you could help us think through how you might sort of think about the ultimate size of these funds now I think, like in the past, you talked about 40% to 50% typically comes in, in the first close of the nine that you raised potentially puts you quite above, I think, than certainly prior funds, but also maybe what we were thinking before. And then also, Jack, maybe just kind of walk us through the P&L impact on management fees in the third quarter as you started to earn management fees and lease funds and perhaps any step down things we need to consider.

Jack Weingart^ Yes. Alex, thanks for the questions. First just a little more color on what Jon said just qualitatively about the market.

I think when we look at the institutional LP market globally, we really don't see reducing allocations to private equity as an ecosystem globally, I think we're still seeing increases in allocations to private equity, but it's different in different parts of the market.

I think there's an overlay of the liquidity each LP has to work with and how they manage that's compressing certain parts of the market, really mostly in the U.S. institutional market.

But there is -- I think there is a sorting out going on. as Jon alluded to. And I think we're benefiting from the conclusions of that sorting out.

If you look at this first \$9 billion, we said we expect to close on in Q3, 10 and Healthcare Partners 3. Almost all of that is re-ups from existing LPs and on average, in that first close process, the existing LPs are increasing their commitments to us by north of 20%.

So we are clearly gaining share with those LPs. And then the longer tail of the fundraise will be driven by additional re-ups in addition to new LPs coming into our ecosystem.

In terms of the size, I agree with you that, that kind of size in the first close is a higher percentage than many are achieving in this market. Look, our goal remains what we've been talking about, which is in each of our private businesses to increase the fund size

kind of in each sequence. We obviously did that in Growth, as we talked about, growing 35% versus the prior fund.

I think in TPG 10 and Healthcare Partners 3, we have not set a target for those two funds collectively, but I would expect at least the same kind of growth rate over the prior vintage as we did in the prior sequence for the same fund complex, which tells you that the start we're off to in the first close is very strong.

Now the impact on management fees, we will see -- I mentioned in my comments that we activated TPG 10 last month in July. We have not yet activated Healthcare Partners 3 because we still have a little bit of investing to do in Healthcare Partners 2. If I had to estimate, when we'd activate that fund, it will probably be maybe the first quarter of next year.

So step-downs obviously occur as you activate the next fund. What that means in TPG 9, 10, is TPG 9 fund will step down next quarter -- in the fourth quarter.

Operator^ And our next question comes from Bill Katz with TD Cowen.

William Katz^ Just you mentioned the sort of flywheel accelerating to the second half of the year and great to see the significant jump in AUM not yet paying fees, how quickly do you think you can sort of deploy that \$30 billion? And then the second part of the question is, I think you mentioned a significantly high level of revenues on that. How much incremental margin might be against that incremental revenue?

Jon Winkelried^ Well I think what we said is that we are feeling good about deployment opportunities across our business. And obviously somewhat related to how the markets act overall.

But when we look at our pipelines across really all of our businesses, our pipelines have been increasing quarter-over-quarter over the course of 2025 so far. So we feel like deployment should continue to advance and on balance. I think our expectation is that our outlook is a deployment will pick up a bit and then we'll see what happens into 2026.

So we're feeling pretty good overall about the opportunities that we're seeing. When you look across the firm, as a result of the breadth of our business and the variety of strategies and the flexible capital that we have across our funds, I think we can respond to a lot of really interesting bespoke opportunities. And I think that's inherent in our strategy, which is to be able to be active across the variety of opportunities that present itself to us across the capital structure.

So from that perspective, I think we're -- we continue to be reasonably bullish on deployment opportunities. The second part of the question was, I think you hit it.

Jack Weingart^ Margin on incremental employment. I mean obviously that's going to differ in each asset class.

Operator^ And we will take our next question from Steven Chubak with Wolfe Research.

Steven Chubak^ One opportunity that maybe hasn't gotten as much airplay on the call is within Capital Markets. And I was hoping you could speak to, given some of the improvement in deployment in 2Q, certainly encouraging to hear expectations for continued acceleration in the back half, what the potential windfall could be on the capital market side? And are there any remaining gaps in terms of your capabilities? And just longer term, how large could this business grow over time?

Jon Winkelried^ Yes. Look, I mean we've talked about capital markets pretty consistently over the last few years and the importance of the business to the firm and the continued build-out of our business. And I think what we have done is we are continuing to -- we've done a few things, and we continue to.

One is we continue to build out our capital markets capabilities across all of our strategies. And simply what we've done is we've added capital market expertise really embedded in each of our strategies so that they are connected to and close to the deal making process, which gives us the opportunity to finance deals, it gives us the opportunities to refinance balance sheets.

And we can also provide interesting solutions and extend our capital base as well to the extent that we are going to do larger and larger transactions. The second thing that's happened, which is material, is that as a result of the coming together with our credit business and the level of collaboration that we are able to execute on across the firm, there is increasingly interesting opportunities across asset class with respect to our capital markets capability.

And so when you see some of these deals that we're doing, some of these investments that we're making and some of these deals that we're doing that I mentioned earlier, like the Altice deal, the Dish deal that we had last year, the xAI deal. Those transactions are really being executed by some collaboration of our investment teams across credit and private equity in those cases, actually in the -- and in a couple of cases, our real estate team as well but also involving our capital markets capability and all of them, again, to extend our capital base or syndicate risk et cetera.

I think that as we move forward in the future, as the firm continues to grow, as the number of strategies continue to evolve obviously somewhat subject to -- of course, subject to deal pace and deployment pace, capital markets should just generally grow.

It should be correlated to the growth of the firm and the transactional activity overall. So we feel very good about it. And it will -- I think it will continue to be an important driver for us.

Jack Weingart^ Yes. I would just say that, that transaction monitoring and other fee line item that was about \$150 million or so last year. We can -- as Jon said, we continue to expect that to grow over time not just with the pace of our overall growth, but ahead of the pace of our growth because we are penetrating additional segments of our business that we hadn't before by growing our capital markets team.

So we continue to expect that line item to grow this year over last year in a healthy way and even faster next year.

Operator^ And our next question comes from Dan Fannon with Jefferies.

Daniel Fannon^ I wanted to follow up on the retail opportunity and the initial rollout of TPO.

So you talked about, I think, broadening distribution. Maybe if you could expand upon what that looks like. And then also the product roadmap for other products for this channel and how you see that proliferating in the coming quarters?

Jack Weingart^ Sure. Thanks for the question.

First of all, on TPOP, really, the first couple of closes we alluded to with our -- we've said we've had two large U.S. wirehouses as our launch partners. So really, most of that capital came from those two partners.

As we look in the future, we certainly have a lot of penetration that we continue to expect through those core partners. But we have several additional partners lined up, both domestically and internationally. We're launching in a couple of months with a large international bank with a focus on the Asia market.

We have a product -- we have a focus on the RIA market. It's been publicly disclosed that iCapital has filed a registration statement for a TPG branded fund that they will be managing that's going to look a lot like TPOP, but focused on the RIA market.

Jon Winkelried^ And then what was the second part of the question?

Jack Weingart^ The product roadmap beyond private equity. So we've got a lot of growth ahead of us in this core private equity product, TPOP.

While we're accomplishing that, we're also in the middle of designing the next wave of products, which will include something broader in credit, like a multi-asset class credit

interval fund, something in real assets as well. we've described a lot about our broad-based real estate platform, and we're in the middle of designing a product there as well.

Operator^ And our next question comes from Brian Bedell with Deutsche Bank.

Brian Bedell^ Great if I can squeeze in a three-parter on the impact platform.

Jon Winkelried^ We'll take the first part.

Brian Bedell^ At least I'm telling you it's three before. All related, but just, I guess, the fundraising pipeline on the Impact platform and the third RISE fund, looks like that's 70% invested.

So commentary on the next vintage there. Secondly, the climate franchise, Rice Climate is 80% invested. It looks like on your fund tables.

And so if you can wrap together the -- I know there's a bundling of the Global South initiative with the last final close of Rise Climate 2 coming in.

So just if you can update us on the timing of the incremental fund raise there. And then just three, just the tangent strategies to the Impact platform by Climate Infrastructure, for example, expectations of that into '26.

James Coulter^ Sure, this is Jim. Let me take those. And let me step back and talk a little bit about what's happening in that area generally.

So first of all, specifically on RISE we expect to be holding first closes for RISE four probably in the fourth quarter. So that -- you're right in saying that we are heading into the market and that we'll have more to report going forward.

And the climate discussion, I think, requires a step back to what's happening in the climate world generally.

So let me do that.

First of all, it's very, very helpful. to have the bill passed. So the policy landscape is relatively clear. As I travel around the world before I jump in the U.S., let me make a general comment, as I travel around the world, there's a lot of discussion of tariffs. The rest of the world is not that fussed with U.S. energy policy. And as Jon noted, we've been very active in the climate franchise in the first half of this year, five deals, all international as the market in the U.S. has paused for a bit to see where a policy would land. Where did it land?

The bill landed in a place that was better than people expected. The way to think about that is to probably watch the Clean Energy Index, S&P Clean Energy Index. And back in April and May, there was a lot of concern. But as the bill which came out, that index roared back.

In fact, it is above where it was at the election at this point and subsectors are actually doing much better. Within the bill, the area that probably got hurt most was EVs where we have -- in the U.S., which where we have been very vocally not an investor.

But if you go deep on the policy, -- the way to look at it is, where are we versus where we were before the IRA because the IRA was never fully implemented. And generally, the picture there is quite surprising.

In most areas, there's more support than there was in 2022 when chat GPT dropped. For example, on batteries, which are critically important now the new bill kept the IRA provisions for very substantial incentives and added U.S. incentives to that.

So underneath the noise in the U.S. market, I think the clarity we now have is really interesting in our pipeline as a result, is very very busy. The two big factors to look at going forward is that we are a way short energy in the U.S. and that the fastest way and cheapest way to add energy is still renewables.

Yes. There will be more gas, but gas was only 7% of the market this year. And secondly, adaptation will continue to be very robust.

Translating that into fundraising. As you know we had strong first closes, well above those 50% targets we were talking about. In spite of all the noise in the market, the first half of this year in the Rise Climate franchise, we closed on \$1.5 billion capital.

And in the barbell world, we now live in, we're now moving into the back half of those campaigns well over where we were in the last fund cycle.

So in terms of capital committed, some of which still needs to be activated, we are well over where we were in the last fund cycle. And so with clarity in the market, we're now looking forward to the back part of the fund cycle for TRC2 and the -- really the initiation after our anchor commitments of TI and the opportunity set for those is robust.

So I think we're kind of on track in these areas with understanding that there was a pause as the market tried to figure out where the bill was going to land and a likely elongation from our original intentions.

But I think that's probably consistent with what you're seeing in fundraising generally in the market. So the impact franchise should have a busy next six to nine months.

Operator^ And our next question comes from Michael Cyprys with Morgan Stanley.

Michael Cyprys^ Just wanted to circle back to an earlier comment that was made around your engagement and cross-platform strategic partnership discussions to increase duration and the continuity of the capital base.

I was hoping you could elaborate a bit on your aspirations there, the strategy, how you're approaching this? What this could look like and how it might contribute over time for TPG?

Jon Winkelried^ Sure. Thanks, Michael.

I think we alluded to an example of a strategic partnership. I think it was on last quarter's call. But the general approach is consistent with the theme that we talked about earlier on this call which is that what we're finding is that the largest institutional partners are narrowing and focusing their relationships.

And as a result of that, they are really trying to figure out ways of structuring win-wins with firms and partnerships with partners that they have a lot of confidence in. And so increasingly, what we're finding is engaging in dialogue with a number of our largest partners about how can we structure essentially longer-term relationships with one another that usually come in the form of thinking about commitments across asset classes, which is important, by the way, because it's not touching just one asset class, but thinking about commitments that go across asset classes where in exchange for commitments of certain dollar amounts of capital over a period of time and that could vary depending on -- these are very bespoke arrangements by the way, that could vary from a 3-, 4-, 5-year kind of time horizon where they commit a certain amount of capital to TPG and to our various funds. And in return for that, there's incentives for them. There are economic incentives that are, again, are also fairly bespoke in nature.

But the basic partnership arrangement is that they're looking at very significant large capital commitments to the firm in return for those benefits. And for some reason, if things change or if they have to make adjustments in their plan, and they don't achieve those milestones, then some of the economic benefits roll back. And so again, I want to emphasize that they are very bespoke, but I would say that we're engaged in that dialogue with more of our major partners than I think we've ever been before in our history. And what it does is it obviously ties us closer together.

I mean there are other dynamics to some of these partnership arrangements where we spend time with one another at the top of the house sharing ideas and talking about markets and talking about what we're seeing.

But essentially, it is a kind of throwing in together on a longer-term basis. And what it does for us, obviously it gives us much higher degrees of confidence in re-ups in our major funds because those are our core strategies. And it also creates additional

incentives for them to essentially work with us to anchor new strategies. And I think as you know building and anchoring newer strategies is -- and growing organically, that's probably one of the toughest things to do in our industry, which is start something new, bring anchor LPs in and then scale it from there.

And so what these kinds of things do is it creates a partnership approach to doing that with our biggest relationships, and it generally accelerates our ability to do that. And so we're excited about these conversations that we're having.

And I think that when we talk about things like our first closes and the time to first close, like we were talking about before, these partnerships impact that because generally, it implies that these partners are more inclined to be first closers in these funds and also, again, exploring new avenues of growth with us as well.

Jack Weingart^ Yes. It's Jack, just a little bit. I mean I see it's almost a byproduct of what we've been talking about for a concentrating their capital with fewer partners. And when they do that, they step back and say, if we're going to choose you as a partner in a concentrated way, let's break out of this fund by fund mode and talk about what a bigger partnership might look like. And that begins the dialogue about what a longer-term partnership might look like, whether it's designed as an SMA, a fund of one, a perpetual fund with kind of inherent re-ups, but that's the nature of the dialogue. And fortunately, we're on the winning end of a lot of those discussions, which is leading to a lot of these partnership discussions.

Jon Winkelried^ I think one other thing that's affecting it, too, Mike, is that, one important kind of overriding trend that we're seeing in the market is that -- I think that there was a time when -- and not -- recently, there was a time when some of the largest pools of capital in the world, were really continuing to focus on their ability to be direct investors.

And some of them still are, but what I would say is that there's been a fairly big pendulum swing back the other way where some of the largest pools of capital in the world are really now much more focused on this partnership model where they realize that their ability to source on a very broad basis, on a global basis, some of the most interesting transactions across multiple strategies is enhanced by engaging in these partnerships with our core partners.

And so I think that's another trend that I think is also giving rise to this desire to figure out how do they construct these partnerships where they get the benefits of seeing the opportunities that we're creating, but also being able to partner together to get them done. And so I would say that's another kind of broader trend that we're seeing -- there's just a bit of a pendulum swing back to this kind of doubling down on the partnership model.

Operator^ And our next question comes from Kyle Voigt with KBW.

Kyle Voigt^ Maybe just a question on the 401(k) opportunity.

So now that you're adding more breadth to your semi-liquid product suite, just wondering how you're thinking about addressing the 401(k) opportunity if that market begins to potentially open up more to private investments over time?

Jack Weingart^ Yes. That's a good question.

Obviously as we are building out our suite of evergreen products and high net worth focused products across alternatives, it's a natural focus area.

I think it's a bit early to speculate on how it's all going to play out because the executive order hasn't been issued yet.

But when you step back and look at the overall U.S. retirement savings ecosystem. It's approximately a \$35 trillion market. About \$10 trillion of that is in defined benefit pension funds, about \$10 trillion is in the 401(k) market, and the rest is in things like IRAs. Defined benefit pension plans are some of our biggest clients. They were among the earliest institutional investors to adopt alternatives. 30, 35 years ago, they had very little exposure to alternatives.

Today it's probably a third or so on average of their investment portfolio because they've been diversifying their exposure beyond public markets, looking for enhanced return opportunities to generate long-term compounding of wealth for their constituents. And when you look at the 401(k) market, those same objectives should apply right? The constituents in 401(k) plans should be aiming to compound wealth over decades and looking for diversification and enhanced returns.

So we think the moves being talked about being made make a lot of sense for 401(k) participants to have access to the diversification and enhanced return benefit of alternatives.

Now if you look at how 401(k) plans today are invested. About 40% of the capital is invested in target date funds. And we think that's the natural entry point for alternatives as opposed to a private equity fund being an investment alternative for alternative assets to be co-mingled with things like target date funds.

So we're in active discussions with potential partners with whom we could partner where we're a very attractive partner given our ability to source and execute alternative asset investments. And by the way, if you look at 401(k) plans, most of the exposure in longer-dated target date funds is in equity-oriented investments because that's the

higher returning asset -- expected to be a higher returning asset class that compounds wealth over decades.

So private equity, in particular, over time will be a very attractive addition to 401(k) plans, and we're a very natural partner for those managers to source that flow. And as you're alluding to, the work we're putting in to creating different entry points and different structures around our private equity business, we'll feed into that kind of partnership naturally.

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, Operator. Thank you all for joining us today.

If you have any additional questions, please feel free to follow up with the IR team directly.

Operator^ This concludes today's TPG's second quarter 2025 earnings call and webcast. You may disconnect your line at this time. And have a wonderful day.