Christine Anderson: With me today I have Jon Gray, our president and chief operating officer, Tony James, Blackstone's executive vice chairman, Michael Chae, our chief financial officer, and Joan Solotar, head of private wealth solutions and external relations.

So as we do every quarter, Jon will summarize the highlights, and then we'll be happy to take your questions. Before I hand it over to Jon, I'll remind you that we will refer to non-GAAP measure on this call. For reconciliations, you should refer to the press release, which is available in the shareholder section of our website. Today's call may also include forward-looking statements, which are uncertain and outside the firm's control, and may differ from actual results materially. We do not undertake any duty to update these statements. Please see the risk factor section of our 10K for a discussion of risks that may affect our results. We'll have a shareholder call later today at 11 AM. Dial-in details are in the press release and on our website. I'd encourage you all to listen to that call, and please don't hesitate to call myself or any other member of the team if you have questions later today.

Jon Gray: Thank you, Christine. Good morning, everyone. I'm excited that I made it to my second Blackstone press call.

I spent the last quarter meeting with many of our people and our investors and our businesses around the globe. I was in Europe, in Asia, for extended periods of time, as well with our energy team in Houston just last week. And the question is, what have I learned?

I'd say the clear takeaways are the strength of our teams on the ground, our unique market position, given the scale, product mix, domain expertise across industries and geographies, the universal commitment to exceptional investment performance by our people, and the high satisfaction of our investors and their intention to allocate more capital to us.

This brings me back to what we discussed last quarter, the Blackstone virtuous cycle. As we continue to deliver differentiated investment results, something we've now done for over 30 years, and achieved again this quarter, investors entrust us with more capital to innovate on their behalf.

As an example, successful US opportunistic real estate investing led to European and Asian opportunistic investing, as well as US, Europe, and Asian CORE Plus investing, in permanent capital vehicles. It also led to real estate debt investing, with a public mortgage REIT, a mezzanine debt fund, and liquid CMBS securities.

And so it goes, similarly with our ever-expanding private equity, credit, and hedge fund solution platforms as well. It's why we've raised $120 billion in gross inflows just in the
last year, a record, without a flagship private equity or real estate fund in the mix.

Now some market participants may be skeptical of our business model and its repeatability, but not our limited partners. They recognize the discipline of our process, the quality of our people, and our proven track record of innovation and expansion.

It doesn't mean we're immune to cycles. When markets go down, we will experience unrealized declines in value. But as you saw with Hilton Worldwide, which we exited completely in the second quarter with $14 billion of gain for our investors, despite very difficult timing in 2007, we benefit from a powerful combination of a long term approach to investing, relentless focus on value creation, and deep understanding of capital markets.

This allows us to deliver exceptional returns across cycles. Our focus on outstanding investment performance has been and will continue to be the hallmark of our firm.

Moving to the quarter, revenues were up over 30 percent to $2 billion, and ENI up over 50 percent to $1.1 billion. It was our best earnings quarter in over three years. It was led by a sharp increase in performance fees. Returns were particularly good in private equity, our secondaries area, and credit.

Corporate private equity was up an impressive 9.5 percent. Increases in value were strongest in our energy and technology related holdings. All four of our post-financial crisis corporate private equity and energy funds now sit between 15 and 17 percent net returns, particularly noteworthy for energy funds of this vintage.

In real estate, we were more impacted by FX in the quarter, with BREP up 2.7 percent. It would have been nearly four percent ex-currency. Our five post-crisis opportunistic real estate funds sit between 16 and 19 percent net. It was a great quarter for our corporate debt business in an otherwise challenging credit market, with our various strategies up four to five percent, versus one percent for the high yield index, big gains from EMI and Stars Group.

On realizations, a healthy quarter, with $8 billion distributed, led by numerous stock sales and some office sales in the UK. Importantly, we committed to a number of sales in real estate and private equity that should be helpful for cash flow in the second half of the year. Also, net accrued carry on our balance sheet reached $3.9 billion, the highest level in three years, another positive indicator for the future.

These strong returns continue to drive unprecedented fundraising success. Inflows of $20 billion in the quarter, bringing us, as I said, an industry record $120 billion over the past 12 months. AUM was up 18 percent year on year to $439 billion. It was down quarter on quarter, due to the previously announced decision to end the Franklin Square relationship, for which we received nearly $600 million. Absent that one time change, growth in AUM would have been 25 percent year on year, and up $10 billion sequentially.
We're moving quickly to rebuild that direct lending business on a standalone basis with better economics for our shareholders. And looking forward, when you start thinking about some of the large fundraises we'll be launching in the next quarter, including flagship Global PE, secondaries, and real estate opportunistic funds, this should also be very positive for future growth of fee related earnings and performance fees.

On the investing side, despite a challenging environment, we had solid deployment. Real estate closed or committed to over $10 billion of capital in the quarter, including six public company transactions across three continents. PE committed to several deals in the quarter, including a European warehouse racking manufacturer, and a hotel technology services business, both areas Blackstone has unique market insights and relationships.

Also, BAAM continues to acquire stakes in top flight private equity, real estate, and credit managers, with four completed transactions so far this year.

A few more additional highlights. In Asia, we spoke last quarter about the increased focus on Asia, given it represents two thirds of global growth. We had final closes for our two Asia focused funds in private equity and real estate, totaling more than $9 billion, cementing our franchise in that region.

In infrastructure, we've now closed on $5 billion. It's a strong start, with sizeable capital and a terrific team to begin making investments in this space. We'll have some additional closes going forward. We have an open end fund that raises capital over time, with dollar for dollar matching from our anchor investor. The potential here is quite significant.

With B-REIT, our permanent capital private REIT, we surpassed $3 billion in the quarter. I think we're now at $3.4 billion. Investors are responding favorably to the quality of the platform, the institutional fee structure, and strong performance. We're raising on average $225 million a month now. This reflects tremendous potential of the Blackstone brand in the retail channel with customized product.

We're also executing on our commitment to deliver shareholder value. We're paying out our first installment of our previously announced special dividend of $0.10. We commenced our share repurchase program with 2.2 million shares repurchased during the second quarter, part of our $1 billion buyback program.

On structure, which has been getting a lot of attention, we've been impressed by KKR's recent stock performance post-conversion announcement. We continue to analyze this option, but it's a very significant decision for our shareholders, so we will be thoughtful and deliberate.

On the environment, the macro outlook, as I said, it's not an easy time to invest, given competitive markets, rising rates, and trade tensions. That said, underlying economic growth generally remains strong, and our scale continues to be a powerful competitive advantage when it comes to deploying capital.
In conclusion, I return to our original theme: delivering for our clients. Regardless of market conditions, where we are in the cycle, we keep our focus on that true north. It's what's driven our success over the last 30 years, and will help ensure we remain a market leader for the next 30. And with that, I'm happy to take any questions.

**Operator:** Ladies and gentlemen, once again, if you wish to ask an audio question, please key star one. If you would like to withdraw your question, please key star two. Questions will be taken in the order received. There will be a brief pause to compile our list of questions. Please press star one to begin.

Our first question comes from the line of Devin Banerjee, LinkedIn. Please proceed.

**Devin Banerjee:** Hey, guys. Good morning, and thanks for your time, as always. With regards to this upcoming fundraising supercycle that you referenced, specifically some of the strategies like BCP, where you're not yet at the 60 to 70 percent deployed threshold in the current fund, I wondered whether there was a house view that given the late stage nature of this market, LP liquidity is obviously extremely healthy, but it may not be that way in say 18 to 24 months – in other words, how much does seeing a window right now before a potential market turn factor into your calculus for timing fundraising?

**Michael Chae:** Sure. Hey, Devin, it's Michael. Let me just start with the numbers premise you started with in terms of how much of the fund has been invested. And there was one article on this. What I'd say not specifically about BCP, but about all of the current flagship funds we're contemplating fundraises in the near term, you have to look, and these numbers aren't externally available, but you have to look at invested and committed, first of all, that percentage. This is how it works in terms of managing the timing on fundraise.

And for all of the relevant funds we're talking about in the so-called supercycle, it's something like 60 to 80 percent plus invested and committed. And the numerator and the denominator, there's a little more than meets the eye. You have to take into account reserve capital. You have to take into account recycled capital. And as I said, that committed number, as well as the invested number that you might see in our 8K.

So suffice it to say, when you hear speculation about this, when we talk about it, those percentages are where they need to be to be contemplating what we're about to do.

**Jon Gray:** Yeah, I would add to that, Devin, that this is definitely not a call on markets. This is normal course of business for us. As these funds get to a certain level, committed, and certainly, as Michael said, with reserves, we move forward. Given the amount of fundraising we want to do over time, accelerating for us is not in our interests. It's not in our clients' interests. So this is all normal course based on the deployment we've had to date.

**Devin Banerjee:** Thank you.
Operator: The next question comes from the line of Leslie Picker with CNBC. Please proceed.

Leslie Picker: Hey, guys. I'm curious if you have a timeline by which you'd like to make a decision on whether to convert to a C-corp, and the types of things you're looking at in analyzing this decision.

Jon Gray: Hi, Leslie. The short answer on that is no, we don't have a timeline. As I said, this is a big decision for us, and there's a number of factors as we make it – and we can only make the decision one time, and it obviously has tax implications for our shareholders.

So things we're looking at, obviously, are specific to our own facts and circumstances. As we look at other market participants, it could be around index inclusion, mutual fund ownership, obviously stock performance. It's a range of factors. And as I said, we want to be thoughtful and deliberate here.

Leslie Picker: Got it. Thank you.

Operator: The next question comes from the line of Miriam Gottfried with Wall Street Journal. Please proceed.

Miriam Gottfried: Hi, everyone. I had a question about whether you have plans to replace the AUM that was lost through the ending of the FS partnership, and whether you can go into detail on any of that.

Jon Gray: So the answer is certainly yes, and backing up, as we talked about last quarter, for us, we prefer to control our destiny as it relates to both governance and economics. We had a successful partnership, but we like this space. We have a terrific team in GSO who does direct lending. And so we concluded that it was in our best interest to make an economic settlement and rebuild, and we did that based on our confidence.

And I would say today, based on the conversations with some of our institutional investors, as well as launching in the retail channel now, we think we will rebuild, and are fairly confident we're going to rebuild those assets. Obviously, it'll take a little bit of time, but this is something that given our track record, our market position here, there's a lot of confidence in us from investors, so we feel good about this.

Tony James: Miriam, it's Tony. Let me just jump in on that, because we didn't lose AUM here. We decided for strategic reasons to sell a joint venture interest, and got a great price for our business. And it positions us to have better control over our brand, have more AUM in the long term, and have more profit per dollar of AUM in the business, because we have 100 percent of it. So this was a strategic choice, not a loss of AUM. We just need to kind of get that narrative better.
Miriam Gottfried: Maybe I phrased it wrong, but I just wanted to know what your strategy was for fundraising in credit, I guess.

Jon Gray: Yeah. In that particular area, Miriam, it's probably starting with, or it is starting with some institutional clients, so that we have capital now to continue the business, which we do, and then raising the retail money over time, which takes a little more time. We've started that process. And I feel very good we'll be able to raise and over time replace that capital, as Tony said, with better economics.

Miriam Gottfried: Thank you.

Jon Gray: Thanks, Miriam.

Operator: The next question comes from the line of Lisa Fu with PERE. Please proceed.

Lisa Fu: Hi. Good morning, guys. Thank you so much for taking my question. I've seen some reports about BREP IX. Can you confirm a 2018 launch for the fund? And can you maybe give us some indication of size? Will it be larger or smaller than your previous fund, and why?

Jon Gray: So yes, we can confirm – I think it's been out there that we are just about to – it will happen this quarter – launch the marketing of BREP IX. As to size, I guess I'd say we expect it to be at least as large as the previous fund, which was $16 billion.

Lisa Fu: Sorry. Why would you choose to have such a large fund at this point in the cycle?

Jon Gray: Well, I think – and we get a lot of questions around this in real estate and private equity – I think there are a few things worth noting. One is that when we raise this capital, the environment can look very different over time. We have 5.5 year investment periods, so it's a little bit like saying it's raining out today, you know, will you go back outside in the future? So we have the ability and flexibility with our investors, you know, to invest capital over time as markets change, so that's one.

The second thing I'd say is we don't have to buy the market. Because we operate in scale, because we operate globally, we're able to I think see more than others, and I think this last quarter, when it comes to our real estate franchise, was the best example possible. I mean, we committed to or closed on six public to privates across three continents, as I mentioned, and the scale of that was very large, in an otherwise difficult private real estate market.

And the final thing I'd say is if you look back over time, even in the toughest markets – I mentioned Hilton – we did that transaction in '07, and yet had great success and more than tripled our investors' capital. So we've been doing this now in real estate since the early 90s. We've had eight previous funds in the global series, five in Asia. We're on our second – or five in Europe, two in Asia. If you look at that track record, which has been
16 percent net over that extended period of time, we've been in good cycles and bad cycles, and continue to deliver for our investors.

So the reason we operate in scale is that's where we have a competitive advantage, but we don't feel pressure to put out the money. It's a bit like calling balls and strikes. If there's nothing good to swing at, we'll keep the bat on our shoulder. Thank you.

Operator: The next question comes from the line of Heather Perlberg with Bloomberg News. Please proceed.

Heather Perlberg: Good morning, guys. So I was just hoping for a little more color on the credit side, rebuilding the direct lending. You've mentioned institutional investors. Would that be like separately managed accounts, and the BDC I'm assuming is the retail piece. But also, where would we see that? Will that all be housed under GSO?

Jon Gray: Yes. This is all going to be in GSO. It's really no change to the business we've been doing for quite some time in direct lending. As we talked about, GSO had a terrific quarter, and continues to deliver.

In terms of specifics, yes, initially, its institutional SMAs, which we're making really great progress on, and then it is a retail BDC that will be raised over time, which will be a permanent capital vehicle, which as we said before, we would have full governance and economics in.

Heather Perlberg: Great.

Operator: The next question comes from the line of Shasha Dai with Dai1 Media. Please proceed.

Shasha Dai: Hi. Good morning, everyone. It's great to be back on these calls after starting my own business. So we are a New York based subscription news site about private equity and private credit real access market in Greater China. Jon, nice to meet you over the phone. And these questions naturally are going to be in regards to the Asia fund.

So the two Asia funds that you had final closing on during the quarter, the PE one too, I have a question about their relative size. So the PE fund was $2.3 billion, even with matching from the global PE fund of $3.8 billion. That's just a little over half of the real estate fund that's $7.1 billion. My question is what does the relative size of the two funds tell us about your view of opportunities in private equity vis-à-vis real estate in that region?

Jon Gray: It doesn't say much, to be honest. It's really just about the life cycle. In real estate, we're on our second fund. We're just starting here – this is our first dedicated fund, and it does have this matching, right, with the global corporate private equity fund. So if we find larger situations in Asia, we can expand using the global fund. And our
expectation is, given the size of the Asian economy, one-third of the globe's GDP, and as I mentioned before, two-thirds of the globe's growth, we would expect that will grow to be larger.

I think it was just this is the start of this journey. We would expect, like most things in Blackstone, it will grow over time as we deliver good performance, and that's been the story for us. If you look in any of our areas, they start at one size and grow to be larger over time, based on performance. That's our expectation in Asia.

**Shasha Dai**: All right. Thanks for the color. If I may ask a follow-up question about private equity opportunity in China specifically, correct me if I'm wrong, though, my recollection was that Blackstone has not been as active as some of your other major competitors in the region or in the country. Why do you think that's the case, if that's correct?

**Jon Gray**: You know, Michael ran that region for a while in private equity, so I'm going to let him answer that.

**Michael Chae**: Sure. First of all, overall, our business in Asia as well as in China in private equity and real estate we think is in great shape. We entered the market in Asia and in China a little bit later than some peers, sort of just on and around the financial crisis. I think we showed good discipline in some time periods after that, where the markets were sort of quite frothy. Most people were focusing on minority growth investing, as you probably know. And we have sort of evolved and found our way and our strategy in that region generally, and in China, which is orienting around more control-oriented sort of transactions, businesses and sectors we know, where we can sort of bring to bear the value creation playbook that we do globally. We're a very integrated business with a global approach to doing this, not a regionally siloed one.

And in the last few years, we've executed a number of we think very attractive transactions fitting the bill I just described, have gone through the life cycle on some, and achieved attractive realizations, and we think we're see some more in the near term in our current portfolio.

So we're doing it sort of our way in the region, as we do everywhere. The performance has been very good. Overall in Asia, the performance for our private equity investments in the last – really in this decade have been terrific. And our LPs we think recognize that by backing us on this initial Asia fund.

**Shasha Dai**: Great, Michael. What do you find the valuation over there, given the competition from your peers, global peers, as well as the homegrown firms over there?

**Christine Anderson**: And then, Shasha, we're going to move on. We typically don't do three questions in a row. So we'll let Michael answer.
**Michael Chae:** Look, I think big picture, it's a big market, and you can find some things off the run, be selective, things that fit with your style, and that's what I think each – we and our competitors do, very large market. Overall, I would say macro-wise, as liquidity kind of ebbs and flows in China, when things get a bit less liquid, a bit tighter overall, those market conditions for private equity there, as in elsewhere, all those equal you can find more value. So we're quite interested and leaning forward into the market.

**Operator:** Ladies and gentlemen, as a quick reminder, if you do wish to ask an audio question, please key star one. The next question comes from the line of Lisa Fu with PERE. Please proceed.

**Lisa Fu:** Hi. Thanks so much for answering my previous question. I just wanted to follow up and ask about how a larger BREP IX might impact the investment period, and second, I noticed that you have $8.4 billion that has yet to be deployed from BREP VIII. How much of this has already been committed?

**Jon Gray:** So a couple of things. I don't think I said larger. My comment was at least as large. I don't expect much in the way of the fund terms or the investment period to change.

**Michael Chae:** Yeah, I'll just reference back to capital invested and committed, we won't give a specific number. I mentioned that for all of our flagship funds, current funds, where we're contemplating fundraises, we're in sort of 60 to 80 percent plus invested plus committed range, and that is true for the current BREP fund as well.

**Jon Gray:** And I would just point, as I mentioned, to all those public to privates, and that's where you're seeing significant commitment to capital that's not yet deployed.

**Lisa Fu:** Okay. Thank you.

**Operator:** The next question comes from the line of Isobel Markham with PEI Media. Please proceed.

**Isobel Markham:** Good morning. Thank you very much for taking my question. I just wanted to ask a little bit more about the upcoming flagship private equity fundraise. I wondered if you can confirm the kind of size you're looking at for that fund? And we've seen around $20 billion reported. And then given, as you mentioned, kind of tricky deployments environments and a potential market turn, where are you seeing interesting pockets to deploy that capital value?

**Jon Gray:** So I would say the market's got this $20 billion. We'll use that for now in terms of our expectations for this latest fund. In terms of where we're seeing opportunities, it's obviously a challenging market. When you think of sort of traditional sort of medium-sized, small or medium-sized private equity deals, it's pretty competitive.

So for us, the focus is on larger, more complex deals, often involving public companies. I
think Thomson-Reuters this year, a $20 billion plus transaction reflected that. There are also transactions where we have a competitive advantage. So we committed to this European racking manufacturing business for logistics assets. In real estate, we've got a lot of insights in that area. We committed to that. We also committed to this hotel technology services business, again, where Blackstone has a unique angle.

We announced some things in the midstream area, where there's demand today, given the bottleneck in the Permian. We've been doing a fair amount of India, where we like what's happening in IT and business processing. And I would say tech-enabled services, we've done a number of things in that area across health care and other industries.

So it's clearly not an environment where you buy the market. You have to be much more disciplined, much more selective, and for us, being a scale player who can intervene and add value, that's our real competitive advantage.

Isobel Markham: Thank you.

Operator: Our final question comes from the line of Joshua Franklin with Reuters. Please proceed.

Joshua Franklin: Thank you for taking my question. I just have a query on the infrastructure side of things. I think you announced this morning $5 billion raised so far. Can you kind of give a little bit of color about how that's going, and a little bit more, if you have any more sense about when you might hit the $40 billion number, the long term target you gave when you opened the fund?

Jon Gray: So as I said, the $5 billion we think is a terrific start. It's one of the largest first time fund closes of all time. We feel really good having now built a team over the last six months, and we have a real deal pipeline.

This fund is in this open-ended structure, which is similar to our CORE Plus real estate business, where if you went back in time about five years ago, we started with maybe $1 billion. Today, we're north of $30 billion. And as you find opportunities, capital comes into these vehicles. And here, we have the added advantage of having this very large matching commitment.

So we're not going to put a timeline or timeframe on when we'll get to the ultimate scale. We are confident we will get there. And we have a fund structure, a matching commitment, a team, and in a sector that needs a significant amount of capital, both in the public space, but also around the shale revolution, around utilities and renewables, and a bunch of areas, there's a lot of need for capital.

So our optimism around our infrastructure business is as high as it's ever been, and we're excited that we've gotten to this close, and we start to pull in capital.

Joshua Franklin: Thanks very much.
**Operator:** I will now turn the conference back over to Christine Anderson for closing remarks.

**Christine Anderson:** Thank you all for joining us. We appreciate the time, and we look forward to answering any questions you have later in the day, if needed.

*[End of Audio]*