Blackstone is a global leader in the faster growing alternative asset management industry with $205 billion of Total AUM

- Private Equity: $50 billion AUM
- Real Estate: $54 billion AUM
- Hedge Fund Solutions: $46 billion AUM
- Credit: $55 billion AUM
- Financial Advisory

- Only alternative manager with leading scale and performance in all asset categories
- Consistent investment management through cycles
- Culture of shared intellectual capital across businesses
- Extensive global presence and network
The central characteristic of Blackstone’s culture is innovation, which drives continued strong growth.

Over $60 billion
AUM from new products that didn’t exist before 2008

$205B
Total AUM

$92B
Total AUM

- Blackstone completes successful IPO, creating equity currency to fuel growth
- Blackstone and GSO combine to create leading global credit franchise
- Launch Real Estate Debt Strategies platform, which has grown organically to $4 billion today
- GSO launches first rescue lending fund, which reaches size of $3.3 billion
- Blackstone completes first bond offering, issuing $600 million of 10-year notes; the offering was 6 times oversubscribed
- Blackstone invests in Patria, a leading asset manager in Brazil
- GSO acquires Allied Capital’s CLO business, further extending platform
- Blackstone assumes management of the BAML Asia real estate portfolio, increasing capabilities in Asia
- Blackstone closes $16 billion global private equity fund, likely largest capital pool raised for several years
- Hedge Fund Solutions group raises $2.4 billion for second hedge fund manager seeding fund
- GSO acquires Harbourmaster, a $10 billion European leveraged loan manager
- GSO launches third closed end fund raising approximately $1.0 billion
- Fund-raising completed for $13.3 billion global real estate fund, largest of its type ever raised
- Blackstone launches Tac Opps platform, which invests in deals that fall outside of existing fund mandates
- Fund-raising completed for $2.4 billion Energy fund

IPO 2008 2009 2010 2011 2012

Over $60 billion AUM from new products that didn’t exist before 2008

The central characteristic of Blackstone’s culture is innovation, which drives continued strong growth.
GSO is a leading diversified credit platform with a global footprint and 235 employees in New York, London, Dublin and Houston.

GSO Total Assets Under Management

- **GSO Capital Partners**: $55 billion
  - **Alternative Investment Funds**: $23 billion
    - Mezzanine Funds: $8 billion
    - Rescue Lending Funds: $4 billion
    - BDCs (Small Cap Direct Lending): $5 billion
  - **Customized Credit Strategies**: $32 billion
    - Event Driven Hedge Funds: $6 billion
    - CLOs: $25 billion
    - Closed End Funds, Commingled Funds and SMAs: $7 billion

Private Debt Strategies

Public Market Strategies
All of Blackstone’s businesses use a solutions-oriented approach to drive better performance

- **Private Equity**
  - More than Just Money: Bottoms-up strategy of transformation, engaging Portfolio Operations team well in advance of investment

- **Real Estate**
  - Buy it, Fix it, Sell it: Acquire good assets that need improvement, often in distressed or over leveraged situations

- **Hedge Fund Solutions**
  - Forming Customized Solutions: Design tailored multi-asset class exposures to meet the needs of institutional investors

- **Credit**
  - Solving the Problem: Proactive approach focusing on good companies with bad balance sheets

- **Advisory**
  - Unconventional Thinking: bring expertise in strategic transactions and complex restructurings
GSO’s products offer investors attractive risk-adjusted returns relative to other classes in this market environment

**Current Conditions**
- Economic uncertainty
- Historically low interest rates
- Challenged global banking system and rapidly changing investment banking model
- Market volatility likely to persist

**Why Credit?**
- Ability to invest more senior in a capital structure provides downside protection
- Investors looking for yield and current income
- GSO’s private market strategies of providing debt capital to companies commands significant premium
- Long / short, event-driven credit strategies help mitigate volatility and drive value creation
There remains ~$1 trillion of potential refinancing needs in the middle market space over next five years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Maturity of Leveraged Loans ($ in billions)</th>
<th>Maturity of High Yield Bonds ($ in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$7, $2, $5</td>
<td>$7, $3, $4</td>
</tr>
<tr>
<td>2013</td>
<td>$16, $26, $42</td>
<td>$44, $60, $69</td>
</tr>
<tr>
<td>2014</td>
<td>$44, $60, $104</td>
<td>$57, $91, $138</td>
</tr>
<tr>
<td>2015</td>
<td>$47, $61, $118</td>
<td>$34, $99, $140</td>
</tr>
<tr>
<td>2016</td>
<td>$58, $61, $119</td>
<td>$34, $106,</td>
</tr>
<tr>
<td>2017</td>
<td>$27, $22, $49</td>
<td>$72, $142,</td>
</tr>
<tr>
<td>2018</td>
<td>$22, $49, $51</td>
<td>$61, $154,</td>
</tr>
<tr>
<td>2019</td>
<td>$72, $169, $215</td>
<td>$51, $118, $214</td>
</tr>
</tbody>
</table>

Strong growth from GSO’s inception in 2005 driven by good returns and diversification

GSO Total AUM Growth\(^{(1)}\)

\[\text{(\$ in billions)}\]

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Sep-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUM</td>
<td>$9</td>
<td>$14</td>
<td>$20</td>
<td>$23</td>
<td>$24</td>
<td>$31</td>
<td>$37</td>
<td>$55</td>
</tr>
</tbody>
</table>

CAGR 29%

Comparison of Selected Business Metrics

<table>
<thead>
<tr>
<th>Metric</th>
<th>2005</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Fund Products</td>
<td>2</td>
<td>27</td>
</tr>
<tr>
<td># of CLOs</td>
<td>10</td>
<td>52</td>
</tr>
<tr>
<td># of Fund LPs</td>
<td>19</td>
<td>118</td>
</tr>
<tr>
<td>Top 10 LPs as a % of Total AUM</td>
<td>42%</td>
<td>15%</td>
</tr>
<tr>
<td>% of Capital Locked Up</td>
<td>41%</td>
<td>80%+</td>
</tr>
<tr>
<td>Assets Under Management ($ in Billions)</td>
<td>$9</td>
<td>$55</td>
</tr>
<tr>
<td>Products Offered</td>
<td>Hedge Funds, CLOs, SMAs</td>
<td>Hedge Funds, CLOs, SMAs, Mezzanine Funds, Rescue Lending Funds, BDCs, Closed End Funds, Commingled Loan Funds</td>
</tr>
</tbody>
</table>

\(^{(1)}\) 2005-2007 data is pro forma the combination of GSO and Blackstone.
GSO has a sophisticated, high-quality institutional investor base

- Increasingly well positioned across diverse pools of capital
- Opportunity to continue expanding international LP investor base
- GSO continues to diversify and expand its offerings, and LPs are increasingly investing across multiple products

**Investor Type**
- GP/Employee: 42%
- Pension: 13%
- Fund of Funds: 22%
- High Net Worth: 6%
- Sovereign Wealth: 5%
- Financial Institution: 4%
- Foundation / Endowments: 8%

**Geographic Mix**
- North America: 76%
- Europe: 15%
- Middle East: 15%
- Asia / Australia: 7%

**Investor Affinity**
- Single Fund Type: 48%
- Multiple Fund Types: 52%
Each of Blackstone’s businesses is a leader in its own right – but the combination gives us unmatched reach and insight.

- **Real Estate**
  - World's largest operator of hotel properties and largest institutional owner of office in the U.S.
  - Largest fund ever raised in opportunistic real estate

- **Private Equity**
  - Approximately 80 portfolio companies with $113 billion of annual revenue, equating to a “Fortune 14” company
  - Largest fund raised since the downturn

- **Hedge Fund Solutions (1)**
  - World's largest allocator to hedge funds
  - Invested in 126 underlying managers across all strategies

- **Credit**
  - Among the largest investors globally in below investment grade credit
  - One of the largest independent providers of private debt financing in the world

- **Advisory**
  - $2 trillion of advisory transactions, liabilities restructured, and funds raised by leading placement agent

(1) See important disclosures on the last page of this presentation.
Seamless sharing of insights and intellectual capital

**Blackstone investment team develops a high-conviction idea**

- GSO authors white paper in November 2011 with contrarian view that U.S. housing had bottomed
- Real Estate group sees same trend developing
- Hedge Fund Solutions expects mortgage improvement based on portfolio results from underlying managers

**Private Equity (Tactical Opportunities)**

- Bought **$220 million** (face value) of non-performing residential loans
- Committed **$100 million** to acquire mortgages through development of a mortgage REIT vehicle

**Real Estate**

- Bought **$1.4 billion** post-foreclosed single family homes, improving and then leasing
- Invested **$100 million** from Debt Strategies platform into residential, across 10 positions

**Deployed or committed over $6 billion across the firm on improving housing and mortgage fundamentals**

**Hedge Fund Solutions**

- Directed **$3.8 billion** to focus on distressed residential mortgage exposure
- Launched new fund to capitalize on specific opportunity in Mortgage Servicing Rights

**Credit**

- Provided more than **$500 million** in financing solutions across several private market vehicles
- **$475 million** peak long exposure in hedge funds to homebuilders and related industries

Note: Sharing of information is subject to Blackstone’s internal information wall policy.
## Consistently strong AUM, earnings and margin growth for GSO

<table>
<thead>
<tr>
<th>($ in millions, unless otherwise noted)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Annualized YTD 2012</th>
<th>08-'12 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets Under Management ($B)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee-Earning AUM</td>
<td>$20.2</td>
<td>$20.4</td>
<td>$25.3</td>
<td>$30.5</td>
<td>$45.9</td>
<td>23%</td>
</tr>
<tr>
<td>Total AUM</td>
<td>22.6</td>
<td>24.2</td>
<td>31.1</td>
<td>37.0</td>
<td>54.6</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Fee Related Earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fee Related Revenues&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>188</td>
<td>163</td>
<td>198</td>
<td>243</td>
<td>363</td>
<td>18%</td>
</tr>
<tr>
<td>Fee Related Expenses&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>152</td>
<td>147</td>
<td>162</td>
<td>179</td>
<td>262</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Fee Related Earnings&lt;sup&gt;(3)&lt;/sup&gt;</strong></td>
<td>$36</td>
<td>$16</td>
<td>$36</td>
<td>$64</td>
<td>$101</td>
<td>30%</td>
</tr>
<tr>
<td>Fee Margin</td>
<td>19.0%</td>
<td>9.6%</td>
<td>18.2%</td>
<td>26.4%</td>
<td>27.8%</td>
<td></td>
</tr>
<tr>
<td>Realized Performance Fees</td>
<td>8</td>
<td>13</td>
<td>108</td>
<td>147</td>
<td>118</td>
<td>96%</td>
</tr>
<tr>
<td>Realized Performance Comp</td>
<td>(4)</td>
<td>(10)</td>
<td>(59)</td>
<td>(80)</td>
<td>(43)</td>
<td>86%</td>
</tr>
<tr>
<td>Realized Investment Income</td>
<td>(5)</td>
<td>(15)</td>
<td>10</td>
<td>11</td>
<td>13</td>
<td>n/m</td>
</tr>
<tr>
<td><strong>Pre-Tax Distributable Earnings&lt;sup&gt;(3)&lt;/sup&gt;</strong></td>
<td>$35</td>
<td>$4</td>
<td>$94</td>
<td>$142</td>
<td>$188</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Economic Income (Loss)</strong></td>
<td>$(27)</td>
<td>$95</td>
<td>$174</td>
<td>$142</td>
<td>$243</td>
<td>n/m</td>
</tr>
</tbody>
</table>

(1) Fee Related Revenues include Base Management Fees, Transaction and Other Fees, Net, Advisory Fees, Management Fee Offsets, Interest Income and Dividend Revenue, and Other Income. Transaction and Other Fees, Net, are net of amounts, if any, shared with limited partners.

(2) Fee Related Expenses include Compensation and Other Operating Expenses.

(3) Excludes corporate allocations (e.g. Investment Income from Blackstone's Treasury Cash Management Strategies, Taxes and Related Payables).
GSO looking forward

**Highly Scalable Business Model**
- We believe we have a top quartile track record
- Great brand
- Team-oriented culture
- First-class operating platform

**Blue Chip List of LPs**
- We’ve earned very good standing with a diverse array of institutions
- Excellent growth prospects with international LPs
- Increasingly, existing LPs have supported new Fund strategies

**Industry Consolidation Will Lead to Potential Opportunities**
- GSO is a very attractive partner
- Blackstone balance sheet is a strategic asset

**“Junk Credit” Is Emerging as a Stand-Alone Asset Class**
- Fixed income departments beginning to make allocations to non-investment grade credit
- Institutional and retail investors have significant appetite for yield
Blackstone has a large and growing base of assets with performance fees realized each year.

**$37 billion**
Total Incentive Fee Eligible Assets

**$122 million**
2012 YTD Incentive Fees Net Of Compensation

- **Hedge Fund Solutions**: $25.3 billion
- **Credit**: $9.8 billion
- **BREDS / ML Asia**: $2.0 billion

- **Hedge Fund Solutions**: $41.3 million
- **Credit**: $68.0 million
- **BREDS / ML Asia**: $12.7 million
Disruptive to traditional asset management and gaining share within faster growing alternative category

**Client Centric**

The largest and most sophisticated investors trust us to deliver solid returns (25+ year track record of out-performance)

**Balanced Business**

Scale, leading businesses across all alternatives with a deep culture of leveraging shared intellectual capital

**Locked-In Assets**

Over 70% of assets under long-term contracts driving stable cash flow

**High Growth**

Organic growth of 20% per year for past four years, substantially faster than traditional asset managers
Important Disclosures

**Page 9: Footnotes Regarding Hedge Fund Solutions business**
Blackstone’s Hedge Fund Solutions business is described as the world’s largest allocator to hedge funds. The source of this information is InvestHedge Fund-of-Fund Survey: “Billion Dollar Club: Blackstone passes $40 billion milestone as global FoHFs reach $600 billion in assets”. The slide also references that Hedge Fund Solutions is invested in 126 underlying hedge fund managers. This analysis was performed utilizing BAAM’s October 1, 2012 active manager list. Active managers exclude those strategies where full redemptions have been submitted by BAAM, but BAAM has not yet received full redemption proceeds, managers where BAAM’s only remaining investment is a side pocket tail and liquidating managers deemed immaterial by BAAM.

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