Global Financial Conference 2013

Joan Solotar
Head of External Relations & Strategy

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All data as of 9/30/13 unless otherwise indicated.
Blackstone is the world’s leading alternatives firm, with over $248 billion of AUM

**Real Estate**
$69 billion AUM

**Private Equity**
$50 billion AUM\(^{(1)}\)

**Strategic Partners**  
(*Secondaries Business*)
$9 billion AUM

**Tactical Opportunities**  
(*Flexible Mandate*)
$4 billion AUM

**Hedge Fund Solutions**
$53 billion AUM

**Credit**
$63 billion AUM

**Advisory**
>$2 trillion transactions / funds raised

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\(^{(1)}\) Private Equity AUM excludes Tactical Opportunities and Strategic Partners.
A truly global, institutionalized firm that still operates as a closely knit partnership

- Consistency of talent and culture
- No star investors – rigorous, institutionalized investment process
- Powerful brand
- Global leading platforms in all major businesses
- Strong balance sheet with no net debt
- Highest rated alternative manager, with A / A+ ratings
The seamless sharing of intellectual capital makes our businesses better

**Shared Intellectual Capital**

**Strategic Partners**
- LP investor trends

**Private Equity**
- Invest together in several transactions

**Real Estate**
- Market insights
  - Invest in Brazilian real estate

**Pátria**
- Park Hill helps to raise capital for Pátria’s funds

**Park Hill**
- Partial sale of a real estate GP to an insurance company

**Advisory**
- Worked together on several transactions

**Restructuring**

**Credit (GSO)**
- Co-invest in the equity tranche of a CLO

**Tactical Opportunities**
- Team up to purchase non-performing residential loans

**Hedge Fund Solutions**
- Referral of investment opportunities

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Note: Sharing of information is subject to Blackstone’s internal information wall policy.
What our portfolio companies are telling us

**North America**  
*Improving Outlook*

- Steady to growing revenue growth
- Input costs flat to improving
- CapEx spending (largely automation and process improvements)
- Consumer confidence (slowly)
- Occupancy and group travel
- Office rentals

**Europe**  
*Slowly Healing*

- Improving revenue outlook
- Consumer spending
- Price competition

**Asia**  
*Improving Outlook*

- Revenue growth still strong
- Domestic consumer demand
- Disposable income

### Color Coding
- **Negative**
- **Neutral**
- **Positive**
All roads have led to good investment performance

See important disclosures at the end of this presentation. All numbers rounded to nearest full percent. Past performance is not indicative of future results and there is no assurance that any Blackstone fund will achieve its objectives or avoid significant losses. Real Estate net returns shown for global opportunity funds (Pre-BREP – BREP VII), from inception in January 1992 through present; does not include RE debt funds, RE international funds or RE co-investment vehicles. Private Equity net returns shown for core funds, from inception in October 1987 through present. Private Equity core funds represent the flagship global funds (BCP I–BCP VI) and flagship sector funds (Blackstone Energy and Blackstone Communication funds); do not include the Tactical Opportunity, Asia or Strategic Partners Funds. Hedge Fund Solutions net returns shown for BAAM core composite and cover the period from January 2000 to present, although BAAM’s inception date is September 1990. BAAM’s core composite does not include BAAM’s long-only equity, long-biased commodities, seed, strategic opportunities (external investments), and advisory platforms. Credit net returns reflect the net combined IRR of the flagship funds for each of the following strategies: Hedge funds; Rescue Capital; and Mezzanine; from inception of the first fund of each strategy through present.

(1) Credit strategies are compared to: HFRI Fund Weighted Composite return of 5% for Hedge; Dow Jones Credit Suisse Event Driven Index return of 8% for Rescue; and Credit Suisse High Yield Index return of 8% for Mezzanine.
Providing good investment returns over an extended period drives a virtuous cycle of capital raising and outperformance.

- **Fund Investors**
  - pension funds, governments, universities and retail

- **3Q’13 LTM Capital Inflows**
  - $53 billion

- **3Q’13 LTM Capital Returned**
  - $34 billion

- **3Q’13 LTM Value Created**
  - $25 billion

- **3Q’13 LTM Invested / Committed**
  - $19 billion

**Blackstone’s Business Model**

- **Sustained Outperformance**
  - across all businesses, funds and cycles

- **Long-Term Commitments**
  - match liquidity to investment opportunities across asset classes

- **Create Value**
  - an operational model geared toward improving assets

- **Provide Capital**
  - to opportunities across regions, strategies and stages
Industry-leading long term growth

**Historical Performance**

- AUM growth 28% per year\(^{(1)}\)
- Over 2x multiple on invested capital\(^{(2)}\)
- 10%–18% returns for liquid funds\(^{(2)}\)

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(1) Represents growth in Total AUM from 1995 to present.
(2) Multiple on invested capital represents average multiple on realized investments from inception to present. Liquid returns represent a range of representative liquid strategies from their respective inception dates to present.
All of Blackstone’s businesses use a solutions-oriented approach to drive better performance

- **Private Equity**
  - **More than Just Money**: Bottom-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 overleveraged 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
Our **Private Equity** business made bold and contrarian investments when others were afraid, and focused on creating value in the portfolio.

<table>
<thead>
<tr>
<th>What we Avoided</th>
<th>What we Did</th>
</tr>
</thead>
<tbody>
<tr>
<td>✗ Take privates</td>
<td>☑ Restructured $100+ billion of debt</td>
</tr>
<tr>
<td>✗ Auctions</td>
<td>☑ Energy</td>
</tr>
<tr>
<td>✗ Secondary LBOs</td>
<td>☑ Europe</td>
</tr>
<tr>
<td>✗ High multiples</td>
<td>☑ Consumer finance</td>
</tr>
<tr>
<td>✗ Crowded trades</td>
<td>☑ Middle market growth platforms</td>
</tr>
</tbody>
</table>
Our **Real Estate** business weathered the economic downturn and solidified its position as one of the world’s premier opportunistic real estate investors.

### What we Avoided

- Development
- Partners
- Recourse and covenants
- Panic

### What we Did

- **✓** Sold $60 billion ’05–’07
- **✓** Focused on value creation
- **✓** Invested $28 billion since 3Q’09
- **✓** Moved ahead of consensus
- **✓** Expanded organization
Hedge Fund Solutions redefined the business model, and leads the industry in innovation, focused on delivering custom-tailored portfolios.

**What we Avoided**
- Major blow-ups and fraud
- Gating clients
- Mismatched liquidity
- Client concentrations

**What we Did**
- Diversified business
- Preserved capital
- Provided $9bn in liquidity, most of which came back
- Added top talent
- Invested significantly in technology
Our **Credit** business leveraged deep industry experience and expansive knowledge of single-name credits to identify compelling opportunities.

<table>
<thead>
<tr>
<th>What we Avoided</th>
<th>What we Did</th>
</tr>
</thead>
<tbody>
<tr>
<td>X Frothy high yield markets</td>
<td>✓ Leveraged brand and scale</td>
</tr>
<tr>
<td>X Duration risk</td>
<td>✓ Originated our own deals</td>
</tr>
<tr>
<td>X Highly leveraged capital structures</td>
<td>✓ Capitalized on industry themes</td>
</tr>
<tr>
<td>X Tight pricing</td>
<td>✓ Sectors in transition</td>
</tr>
<tr>
<td></td>
<td>✓ Market leaders</td>
</tr>
</tbody>
</table>
The core tenet of Blackstone’s culture is innovation

$102 billion
from new products that didn’t exist at time of IPO

Total AUM
($ in billions)

$248

$102 billion in New Strategies
($ in billions)

Existing Strategies
New Strategies

2006 2007 2008 2009 2010 2011 2012 3Q'13

$70 $100 $86 $84 $95 $125 $139 $146

$102 billion in New Strategies
($ in billions)

Customized / Event-Driven Credit
$26

Small-Cap Direct Lending
$9

$9

$9

$9

$10

Secondaries

Other Hedge Fund Strategies
$4

Tac Opps
$6

Real Estate Debt
Real Estate Asia

Other Private Equity
$2

Real Estate

$3

Debt

Secondaries

$10

Other Hedge Fund Strategies
$4

Tac Opps
$6

Real Estate Debt
Real Estate Asia

Other Private Equity
$2

Real Estate

$3

Debt
**Tactical Opportunities** pursues investments that fall outside of traditional fund mandates.

- **$4 billion AUM**
- **Nimble and opportunistic**
- **Shorter investment period**
- **Broad, flexible mandate**
- **Attractive cash yield**
- **Highly uncorrelated / lower risk**
New initiatives for **BAAM**

- **Purchasing minority GP interests in mature hedge funds**
  - Typical targets have $5+ billion in AUM, strong franchises and attractive growth prospects
  - Compelling cash flow and capital appreciation potential
  - Expected $2 billion–$2.5 billion in capital
  - Draw-down fund structure

- **Mutual fund with hedge fund exposures**
  - High-conviction managers in daily liquidity, daily NAV structure
  - Opens multiple new channels
  - $1 billion initial allocation in August 2013 from Fidelity
Blackstone is gaining share in a growing sector

Capital Raised Since 2011

<table>
<thead>
<tr>
<th>Firm</th>
<th>Capital Raised ($ in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo</td>
<td>$26</td>
</tr>
<tr>
<td>Oaktree</td>
<td>$29</td>
</tr>
<tr>
<td>KKR</td>
<td>$32</td>
</tr>
<tr>
<td>Carlyle</td>
<td>$33</td>
</tr>
<tr>
<td>Top 4 Combined</td>
<td>$120</td>
</tr>
<tr>
<td>Blackstone</td>
<td>$115</td>
</tr>
</tbody>
</table>

BX Capital Inflows

<table>
<thead>
<tr>
<th>Sector</th>
<th>BX Capital Inflows ($ in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>$38</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>$24</td>
</tr>
<tr>
<td>Hedge Fund Solutions</td>
<td>$23</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$29</td>
</tr>
<tr>
<td>Private Equity</td>
<td>$25</td>
</tr>
</tbody>
</table>

Source: Company reports.

Blackstone raised $115 billion in new capital and acquired $24 billion since 2011
Fundraising in retail channel has increased over tenfold

- While institutional investors have ~20% allocation to alternatives, retail has less than 2%
- Retail / HNW market is $15 trillion in North America alone, which is double the institutional market
- Blackstone has approached this market through existing distribution systems

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Fundraising ($ in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$0.6</td>
</tr>
<tr>
<td>2010</td>
<td>$2.5</td>
</tr>
<tr>
<td>2011</td>
<td>$2.7</td>
</tr>
<tr>
<td>2012</td>
<td>$5.9</td>
</tr>
<tr>
<td>2013 LTM</td>
<td>$6.8</td>
</tr>
</tbody>
</table>
Investment activity remains at record levels and realizations are picking up substantially.

**Total Invested Capital**

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested</th>
<th>Committed Not Deployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$16.2</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>$7.6</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$7.9</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$14.8</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$15.6</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$18.7</td>
<td></td>
</tr>
<tr>
<td>3Q'13</td>
<td>$15.3</td>
<td></td>
</tr>
</tbody>
</table>

**Total Realizations**

<table>
<thead>
<tr>
<th>Year</th>
<th>Realizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$7.8</td>
</tr>
<tr>
<td>2008</td>
<td>$1.0</td>
</tr>
<tr>
<td>2009</td>
<td>$2.8</td>
</tr>
<tr>
<td>2010</td>
<td>$5.2</td>
</tr>
<tr>
<td>2011</td>
<td>$11.2</td>
</tr>
<tr>
<td>2012</td>
<td>$13.1</td>
</tr>
<tr>
<td>3Q'13</td>
<td>$26.0</td>
</tr>
</tbody>
</table>

Sustained active investment pace

Realization momentum is building
Best house in the best neighborhood

- **Secular Trends**: Alternatives are the fastest growing segment in asset management

- **Market Dynamics**: Barriers to entry increasing as track record and investment platform dictate returns

- **Competitive Position**: Within alternatives, Blackstone is gaining share

<table>
<thead>
<tr>
<th>Cash Yield(2)</th>
<th>Operating Margin(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2% / 5%</td>
<td>33% / 53%</td>
</tr>
</tbody>
</table>

Traditional Managers BX

<table>
<thead>
<tr>
<th>2007 P/E Multiple(4)</th>
<th>Current P/E Multiple(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>19x</td>
<td>18x</td>
</tr>
<tr>
<td>BX</td>
<td>BX</td>
</tr>
</tbody>
</table>

Cumulative Asset Growth(1)

- Traditional Managers 28%
- BX 257%

9x

Source: Citigroup, company reports. Traditional Managers include: AB, AMG, BEN, BLK, EV, FIL, IVZ, JNS, LM, TROW and WDR.

(1) Total AUM growth from 12/31/06 to 9/30/13. Traditional growth excludes Blackrock due to BGI acquisition.
(2) Cash yield reflects consensus dividend estimates for Traditional and cash distribution estimates for BX.
(3) 3Q’13 results.
(4) Valuation multiples reflect consensus earnings estimates for Traditional and consensus EMI estimates for Blackstone.
Our approach to BX stock valuation

If:
- **8%** AUM growth
- **2x** multiple on invested capital
- **7%–10%** liquid fund returns

**Hypothetical Fee-Earning AUM**

<table>
<thead>
<tr>
<th>Years</th>
<th>Current</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$189</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$392</td>
</tr>
</tbody>
</table>

**Hypothetical Distributable Earnings**

Average Cash Earnings: $2.30

- **Yield in Year 10 excluding Distributions**
  - 6%: $53 + $23 = $76
  - 5%: $64 + $23 = $87
  - 4%: $80 + $23 = $103

**Implied Stock Price**

Note: Presentation of hypothetical growth in Fee Earning AUM and Distributable Earnings not intended to project future performance. Calculation of hypothetical Distributable Earnings per unit is intended to be illustrative and for that purpose contains a number of assumptions including, among others, constant management and performance fee rates and margins over the ten year period, no change in the number of diluted units outstanding over the ten-year period, a 2x realized multiple of invested capital over an average hold period of 4.5 years for our draw-down funds and an effective tax rate of 15%–20% on taxable income for the ten year period. Cumulative distributions paid assumes 100% payout of cash earnings. Analysis assumes no reinvestment of distributions paid.
If long-term growth is higher (but still well below trend)... 

What if AUM grows 12% instead of 8%?

Hypothetical Fee-Earning AUM

<table>
<thead>
<tr>
<th>Years</th>
<th>Current</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>Hypothetical Fee-Earning AUM ($ in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$189</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>$571</td>
</tr>
</tbody>
</table>

What if AUM grows 12% instead of 8%?

Hypothetical Distributable Earnings

<table>
<thead>
<tr>
<th>Average Cash Earnings: $2.50</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
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<td>4</td>
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<td></td>
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<td>10</td>
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</tbody>
</table>

Hypothetical Distributable Earnings

<table>
<thead>
<tr>
<th>Hypothetical Distributable Earnings ($ per diluted unit)</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTM</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
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<td>9</td>
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<td></td>
<td>10</td>
</tr>
</tbody>
</table>

$3.75

Year 10

<table>
<thead>
<tr>
<th>Year 10</th>
<th>Yield in Year 10</th>
<th>Excluding Distributions</th>
<th>Cumulative Distributions Paid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>$63</td>
<td>+</td>
<td>$25</td>
<td>$88</td>
</tr>
<tr>
<td>5%</td>
<td>$75</td>
<td>+</td>
<td>$25</td>
<td>$100</td>
</tr>
<tr>
<td>4%</td>
<td>$94</td>
<td>+</td>
<td>$25</td>
<td>$119</td>
</tr>
</tbody>
</table>

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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 (28-year track record of outperformance)

**Balanced Business**

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

**Locked-In Assets**

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

**High Growth**

Sustained double-digit organic growth, substantially faster than traditional asset managers
Blackstone is the world’s leading alternatives firm, with over $248 billion of AUM

- **Real Estate**
  - $69 billion AUM

- **Private Equity**
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- **Strategic Partners (Secondaries Business)**
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- **Tactical Opportunities (Flexible Mandates)**
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- **Hedge Fund Solutions**
  - $53 billion AUM

- **Credit**
  - $63 billion AUM

- **Advisory**
  - >$2 trillion transactions / funds raised

Only alternative manager with leading scale and performance in all asset categories

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(1) Private Equity AUM excludes Tactical Opportunities and Strategic Partners.
Important Disclosures

The preceding materials are provided as an overview of The Blackstone Group and are for informational purposes only, and do not constitute an offer to sell or a solicitation of interest in any particular Blackstone fund or strategy. Any such offer or solicitation shall be made only pursuant to the confidential private placement memorandum for a Blackstone Fund (“PPM”), which qualifies in its entirety the information set forth herein and contains a description of the risks of investing. These materials are also qualified by reference to the governing documents and the subscription agreement relating to the relevant Blackstone Fund (collectively, the “Agreements”). The PPM and Agreements relating to a Blackstone Fund should be reviewed carefully prior to an investment in that Fund. The Blackstone Funds are speculative and involve a high degree of risk.

Past performance is not necessarily indicative of future results and there can be no assurance that the Fund and Blackstone Funds will achieve comparable results. Actual realized value of currently unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based. Accordingly, the actual realized values of unrealized investments may differ materially from the values indicated herein.

**Private Equity:** Net returns for Private Equity core funds shown for realized investments and total (realized plus unrealized) investments, from inception of the business in October 1987. Private Equity core funds represent the flagship global funds (BCP I – BCP VI) and flagship sector funds (Blackstone Energy and Blackstone Communication funds). Do not include Tactical Opportunity, Asia or Strategic Partners funds. These returns are calculated as the internal rate of return of the total contributions and distributions (including fees, drawdown of expenses, return of capital and recouped losses) for all investments. Benchmark returns shown for the S&P 500 Total Return Index, using the corresponding annual rate of return of the index from each contribution / disposition date to the quarter end for all investments. The benchmark is provided solely as an indication of returns that could be earned by investors making similar investments in the S&P 500 Total Return Index. Blackstone’s funds differ from the index in that, among other factors, Blackstone’s funds are actively managed entities that bear fees and use leverage.

**Real Estate:** Net returns for global real estate opportunity funds shown for realized investments and total (realized plus unrealized) investments, from inception of the business in January 1992. Global opportunity funds include Pre-BREP - BREP VII, and exclude real estate debt funds, international funds and co-investment vehicles. Benchmark net returns shown for the NCREIF-ODCE Index. The NCREIF-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity), which began in 1973, is a fund-level capitalization weighted, time-weighted return index that consists of 28 open-ended core funds. The average index leverage is approximately 30% and includes property investments at ownership share, cash balances and leverage. NCREIF-ODCE’s returns are reported on a quarterly basis. NCREIF-ODCE’s net annual rate of return is provided solely as an indication of returns that could be earned by investors making real estate investments. Blackstone’s funds differ from the NCREIF-ODCE Index for several factors. NCREIF Returns have been calculated as the IRR of the total contributions and dispositions (including fees, drawdown of expenses, return of capital, and recouped losses), and the corresponding annual rate of return of the NCREIF-ODCE from each contribution date to each disposition or return of capital date, or the quarter end for unrealized investments.

**Hedge Fund Solutions:** BAAM Net Core Composite covers the period from January 2000 to present, although BAAM’s inception date is September 1990. Past performance is not indicative of future results and there is no assurance that any BAAM fund will achieve its objectives or avoid significant losses. BAAM’s Core Composite does not include BAAM’s long-only equity, long-biased commodities, seed, strategic opportunities (external investments) or advisory platforms.

The volatility of the indices presented may be materially different from that of the performance of the Funds. In addition, the indices employ different investment guidelines and criteria than the Funds; as a result, the holdings in the Funds may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of the Funds, but rather is disclosed to allow for comparison of the Funds’ performance to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.
Important Disclosures (Cont’d)

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Information on slides 9 - 12 reflects selected trends since 2009 and should be evaluated in context of the entire portfolio.

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