Christine Anderson: Good morning. Thanks, Mark. Thanks everyone for joining us. Welcome to our 2017 third quarter earnings call for the media. Today with me is Tony James, Blackstone's president and chief operating officer; Michael Chae, our chief financial officer; and Joan Solotar, our senior managing director and head of private wealth solutions. As we do every quarter, Tony will summarize the highlights of the quarter, and then we'll be happy to take your questions. Before I hand it over to Tony, I'll remind you that we will refer to non-gap measures on this call. For reconciliations, you should refer to the press release, which is available in the shareholders' section of our website. Today's call may also include forward looking statements which are uncertain and outside of 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 factors section of our 10K for a discussion of risks that may affect our results.

There's also an analyst call today, later, at 11:00 AM. Dial-in details are in the press release on our website. I encourage you to listen in to that as well. If you have any other questions throughout the day, please don't hesitate to give me a call.

Tony James: Thanks, Christine. And thanks to all of you for tuning in this morning. As you will hear in more detail shortly, our third quarter was another very good quarter. We had strong asset inflows, a jump in fee-related earnings, excellent returns, robust deployments, and solid realizations. ENI in the latest quarter was excellent, increasing 21 percent from the third quarter a year ago. This was driven by a 25 percent jump in recurring fee-related earnings. On a year to date basis, our economic net income has surged 60 percent from the prior year. Distributable earnings also grew in the third quarter, though at a more modest five percent.

On a year to date basis, however, distributable earnings are up a whopping 78 percent. Based on our current strong realization pipeline for the fourth quarter, this year is on its way to being our second best ever for distributable earnings. Assets under management reached a record level of $387 billion, an increase of 7 percent from a year ago. This achievement is all the more remarkable given that we have returned an amazing $47 billion to our investors in realizations during the last year. $47 billion flowing back to our investors. That's bigger than most firms in our industry.

AUM growth of course is driven by strong fundraising. And we had inflows of $20 billion for the quarter, and $62 billion over the last 12 months. We expect the fourth quarter to continue our strong fundraising momentum, leading to excellent AUM growth for the year as a whole. Our underlying portfolio assets continue to perform well, reflecting both a positive global economic environment, and our own value creation activities, which are so important to our entire investment activity.

Private equity – our US portfolio companies, on average, showed revenue growth last quarter of 5.5 percent, and EBITDA growth of about 7.5 percent.

While these are similar to last quarter's growth rates, order backlogs at the portfolio company level are still growing, and industrial activity in both developed and emerging markets feels really strong. In real property, occupancies and rents continue to increase. The market is maturing in the United States, where you're seeing somewhat more supply of new space, though it is still generally in line...
with absorption. Outside the United States, economic growth is stronger on balance, and new building continues to lag, creating more favorable market conditions in most real estate sectors. Driven by the portfolio companies’ strong operating performance, investment returns were excellent across the board. In the private equity segment, each of our tactical opportunities, secondaries, and corporate private equity portfolios appreciated about 15 percent in the last 12 months. In real estate equity, our flagship opportunistic funds were up 19 percent over the last year, and our lower risk core plus funds were over 12. Real estate debt also performed terrifically, returning 15 percent in its illiquid funds, and 9.5 percent in its liquid products, on an LTM basis. Likewise, GSO debt funds and performing credit were up 14 percent, and in distress were up 11 percent in gross returns over the last year.

Finally, our hedge fund solutions area delivered 9 percent gross returns over the last 12 months, while managing to maintain volatility and risk well below that of public equity markets. These are all terrific results by anyone's standards in the zero interest rate world that we live in.

In terms of realizations, we harvested about $8.8 billion during the quarter. This is a little lower than the prior two quarters, though we have a strong pipeline of realizations for the fourth quarter. For the nine months, total realizations were huge, totaling almost $37 billion.

Consistent with the solid investment returns, gains to investors remain really good. Our corporate and real estate private equity funds delivered an average multiple of invested capital of about 2.5 times for the quarter on realized investments. That’s great results for our investors. In the third quarter we put to work about $11 billion from our drawdown funds, bringing our year to date total deployments to over $31 billion. Finding interesting things to do in this high-priced world is not easy, and our investment teams have done a terrific job digging up opportunities without sacrificing returns, or reaching for risk.

Overall, asset values are full across asset classes. Yields and cap rates are low. And distressed and undermanaged assets are harder to find. With the US further along in terms of both its economic recovery and its market activity, Europe has become our most active region in terms of aggregate amount invested, with Asia also on the upswing. Despite the high valuations, we remain well positioned with substantial dry powder of $92 billion, and long remaining investment periods to put it to work. This means we can be patient and have no pressure to chase pricey deals.

While our base businesses continue to fire on all cylinders, as you've heard, we also have several exciting growth initiatives. We entered the master limited partnership business through the acquisition this week of Harvest Fund Advisors. Harvest brings us $11 billion of new AUM in the fourth quarter, and an attractive new slate of yield products to distribute through our retail channels. We also commenced fundraising for our new infrastructure business, building on the $20 billion commitment we received from the Public Investment Fund of Saudi Arabia. In addition, we are expanding our product line for insurance companies, and having productive discussions with several large new clients in this area.

Finally, we are initiating forays into earlier stage growth investing. We will be talking more about these initiatives in future quarters, as the businesses begin to get critical mass. We are also having great success accessing individual investors through our Private Wealth Solutions group. We have raised $8 billion over the past year through retail channels. Another important trend is the shift of more of our assets under management into long duration and permanent capital vehicles. Assets under management in these products are stable, and grow over a longer time horizon.
We can realize our carried interests in a steadier pattern, without having to sell the assets, or return the capital to investors. These long duration vehicles have grown to 15 percent of our fee earning AUM. During the quarter, we also did a really great debt financing for Blackstone itself as part of our strategy of maintaining a fortress balance sheet. Taking advantage of historically low interest rates and highly favorable hedging costs, we raised $600 million of long term debt with maturity of 10 and 30 years. Our average interest cost was just 2.4 percent. Amazing. And in the process, we got a built in hedge for almost all of our Euro asset exposure and most of our British pound exposure for free. Very cool.

Finally, I would be remiss if I didn't mention, given we're in a highly talent driven business, that we again scored in the top tier as a great place to work in yet another employment survey. With that, I'll be happy to open it up to questions.

**Operator:** Ladies and gentlemen, to ask a question, press star one on your phone. If your question has been answered, or you'd like to withdraw your question, please press star two. We will take our first question from Devin Banerjee from Bloomberg. Please proceed.

**Devin Banerjee:** Hey, Tony. Good morning. Thanks for your time, as always. Blackstone has turned to strategic M&A a few times in the past decade I guess. GSO obviously, and Strategic Partners, and now Harvest, as you mentioned. Can you talk first about how the Harvest transaction came to be, and then generally under what conditions do you guys tend to look to buy versus build? Thanks.

**Tony James:** Okay, sure. On Harvest first, as you know, energy investing is one of our big areas of domain expertise. And this is another way to both bring intellectual capital, and extend their intellectual capital into other markets. And we think it'll be very synergistic, not only in terms of market insights, but in terms of transactions and relationships. In addition, Harvest, interestingly for an MLP product, is just in the institutional market. So as we build out our retail distribution, that's like a big pipe. And the more we can put through that pipe, the more we can amortize those costs, and the more relevant we are to retail investors filling out more and more of their non-traditional portfolio.

MLPs look like a normal long-only business if you will, but really it's not. It's a very niche-y kind of product with only a few big managers. So again, we view that as a little bit of a protected niche, and not a commoditized product, like so many long-only equity products. And then finally they are institutionally focused, but their depth of institutional relationships and breadth is way, way smaller than ours. So we can certainly help them on that front as well. So we see a lot of benefits by combining forces here.

We constantly look at the make versus buy decision. Our preference is to make where we can do so, because we don't have to pay going concern value where we can do so in a way that -- where we can scale it reasonably quickly, and where we have the right expertise internally to do it in the highest quality way. However, there are niches out there where we can get a player that's really good at what they do, with very good investment returns, but we can exploit it much faster and create a lot of value in relation to the purchase price. That's where we look hard at acquisitions, and that's where we think Harvest falls into that category.

I would just note that we've done a lot more in terms of acquisitions than just GSO and Secondaries and Strategic Partners. Over the past, we've bought CLOs, we've done a lot of things. I think we've done, Michael, seven or eight acquisitions, and they've all -- I think this is one of the things where
we've been both disciplined but active. And I think one of the things that distinguishes us from some of our other competitors – I think every single one of those acquisitions I'd have to call either a success or a huge success. And as you know, most companies, whether in our industry or not, acquisitions – they don't have a very high batting average. I've very proud of our record in this area.

Devin Banerjee: Any niches or areas going forward that might be ripe for you for future M&A?

Tony James: Well, yes. Sure there are. But I don't want to get into those right now specifically. But I'll answer generally. The expansion areas where we're taking our firm, where we're relatively less – where they're a little further step out in terms of the skill set, traditional activities and base of relationships, those would be the ones we'd be more apt to try to find a small acquisition to build around. But we're not looking at big things. Let's be clear about that. These are not going to be significant in the scale of Blackstone.

Devin Banerjee: Okay. Thanks, Tony. Appreciate it.

Operator: Your next question comes from Dan Primack from Axios.

Dan Primack: Good morning. Tony, could you talk to me a little bit – you mentioned briefly that the infrastructure fund with the Saudis, and you guys obviously talked about it a bunch last quarter. Can you give me a sense on how you guys are thinking kind of a little bit more macro in the sense of when you first announced it, it seemed like maybe we were going to have a big kind of infrastructure legislation in the US that was going to leverage public-private partnerships. That seems to be on hold, at worst not happening. Does that change your outlook at all?

Tony James: No, Dan. It really doesn't. We think based on today's market conditions, today's political regulations, today's processes in Washington and everything else, there's a huge opportunity for the fund we're raising right as things stand. In fact, in the last year, I think we've turned down or not been able to action about $9 billion of investment opportunities that would have been perfect for this fund. So there's a big opportunity right as we stand today.

Dan Primack: (inaudible) I appreciate it.

Operator: Your next question comes from Javier Espinoza, from Financial Times. Please proceed.

Javier Espinoza: Hi, Tony. Just wanted to ask a little bit more on the infrastructure fund. So what happens to the Saudi Arabia check, and when are we expecting for you to start investing this money? Is it end of the year?

Tony James: No, Javier. Depends on the end of which year you're talking about, I suppose. We just started the broader marketing effort. So as you know, that just always takes a lot of time. And this is a big fund. So we got to round up a lot of people. We're targeting a first close by the end of the first quarter of '18. And at that point, once we have the first close, we'll start actually investing and putting money to work. But the fundraising will go on from there, through probably most of '18.

Javier Espinoza: Okay. I was just asking because I thought we had the initial commitment from Saudi a few months back.
Tony James: Well, we got a handshake with the Saudis a few months back and are pretty well finalized on all the documentation. But as I say, that money is premised on being matched with third party money from our usual LPs and investors, so we're just beginning that process.

Javier Espinoza: Excellent. And just finally, you talked about early stage growth investing, and you said that in the quarters to come there'd be more updates. But can you give us a sense of the things you're thinking about? Are we likely to see specialized new funds? Or what's the sort of thinking, in broad strategic terms?

Tony James: In broad strategic terms, we've actually been doing a fair amount of growth investing and returns have been really great. And we've been doing those out of our existing capital pools. And in some cases, off the firm's balance sheet. And we're going to continue to incubate some of those investment records. We're going to add some people to one of our businesses. Then as that grows, we may do specialized vehicles down the road. We'll see how that plays out.

Javier Espinoza: Thanks.

Operator: Your next question comes from Miriam Gottfried, from Wall Street Journal. Please proceed.

Miriam Gottfried: Hi, Tony. You said that Europe has been your most active region recently. I was wondering if you could talk about which sectors have offered the greatest opportunity there, and whether you would expect that to continue.

Tony James: Sure. Well, the biggest sector if you look at our businesses is real estate, in terms of dollars. But let's look at each of the three big businesses individually. In GSO, direct lending in Europe is one of the most active areas today in terms of new investment activity in our pipeline. In private equity, even though it's been a tough market, we found some very interesting things to do, and the biggest deal I think we've done this year is Paysafe, which is in Europe. And in real estate, as I mentioned, it's where the biggest dollars are going, but it's also the most active area for real estate. So real estate is the answer. But Europe is an area of high activity across all our businesses.

Miriam Gottfried: Got it. Thank you.

Operator: Your next question comes from Melissa Mittelman, of Bloomberg News. Please proceed.

Melissa Mittelman: Hi, good morning, thanks for taking my question. Just wondering if you could give us a sense of what Blackstone might be looking for out of PIF’s Future Investment Initiative next week? Thanks.

Tony James: Melissa, will you say that again? I missed that. Sorry, didn't hear that.

Melissa Mittelman: I was just asking if you could give us a sense of what Blackstone might be looking for out of the Future Investment Initiative next week? Thanks.

Tony James: I'm not sure we're looking for anything in particular. I think we're hoping to have some announcements about finalizing some of the arrangements we've been talking about. But we'll see.

Melissa Mittelman: All right. Thank you.

Shasha Dai: Hi, good morning everybody. Tony, I have a question about the credit business at GSO, I'm looking at the slide, which shows that performance fees and investment income declined year over year during the quarter, by 27 percent and 77 percent respectively. Could you give some color to what caused the decline in both categories? Thank you.

Tony James: I'm going to turn that over to Michael Chae.

Shasha Dai: All right. Thanks.

Michael Chae: Sure. It's really a couple things. One, to put in perspective, it's year over year declines, but obviously positive numbers. So our performance fees in the third quarter were $86 million. In the third quarter, $118 million. And the third quarter of last year was particularly good quarter from a returns standpoint. We had a solid quarter this quarter. So I guess you could call that a comparison issue. So that's really positive, good performance, but comparing to a quarter last year that had really strong performance.

Shasha Dai: Okay. And, Tony, so relatedly, could you give some color as to what's your outlook in terms of credit investing? Are you seeing more attractive opportunities from performing credit, or is it from the distress strategies?

Tony James: Sure, Shasha. In general, with interest rates this low, it's a tight credit market where values are high and yields are low. We're trying to be disciplined. We worked through a pretty good backlog of deals that our guys put on the books on good terms, I'm happy to say. And I would say looking forward the pipeline is definitely skinnier. And that's in both performing and distressed. But in general, because of the pullback of the banks, and the ability to build the direct origination that we've got, we're finding more opportunities in performing credit than we are in distressed right at this moment. There's just very little distressed out there. And in some areas, like energy for example, there's a flood of capital chasing it, so it's not always priced that well. So the simple answer to your question is more opportunities in performing right now.

Shasha Dai: If I may, one quick follow up question. In performing credit, do you see more opportunity in the larger cap sector, or in the middle market, lower end of the middle market? I've heard people say that GSO has been in every single deal regardless of size of the deal.

Tony James: Well, we feel we see more opportunity on stuff we can directly originate this off market, that's not publically traded. So by definition, it's the smaller and mid-market stuff.

Shasha Dai: Excellent. Thank you so much. Thanks, Mike.

Operator: Your next question comes from Meghan Morris, from PERE Magazine.

Meghan Morris: Good morning, all. I had a quick question on the permanent capital space. I know a couple of other major entrants on the real estate front coming online with some products in the next few months, non-traded REITS and other retail oriented products. How will other entrants change your thinking, if at all, about the real estate space in particular, for BREIT as opposed to the other products?
Tony James: Megan, I don't think it does, frankly. We're in finance. There's nothing that's patentable, so there's nothing that other smart competitors can't imitate. And if they have talented teams, and good track records, they can do a credible job. Our job is to stay ahead of the pack, constantly innovating, constantly offering better structures on better terms, and then delivering better returns. And that's all about the quality of the teams. So the structure and the idea, that's going to be commoditized. Our ability to deliver that consistently, that's where the magic sauce is, and that's where I think we distinguish ourselves.

Meghan Morris: Thanks.

Operator: Your next question comes from Chris O'Dea from IPE. Please proceed.

Chris O'Dea: Thank you. Tony, on the infrastructure business, taking a look at that, and in light of the comments you just made on the pricing of distressed debt in energy, given the very high prices for a lot of infrastructure assets and the institutional flows that we've seen in there, I'm sure you've probably seen the Preqin numbers for how much capital has gone into those vehicles – in the US focus, given that there are so few investable asset classes because of the wide range of public ownership in the US of infrastructure classes, aren't you kind of effectively limited to sectors like energy where there is a lot of capital? I'm wondering what you can shed light on in terms of the deployment plans, and whether you might think about targeting listed companies in that space, and if so, how would Blackstone be able to add value if you were buying in revenue streams of listed companies?

Tony James: Chris, that was a complicated question with a lot of givens. So let me take a whack at it, then come back to me if I miss part of it. First of all, yes, we'll certainly consider listed companies. In all of our businesses, we've bought listed companies whether it be private equity or real estate. And in those cases, we bring a lot of value added. There's very rarely a listed company that we buy where we can't significantly improve the operations and the efficiency and the returns. So we expect that to be a major, major part of our activity and infrastructure. Number one. Number two, you are right that in the US most of the infrastructure activity has actually been in the energy related space. But that could be a lot of things that don't relate to oil prices. And for the most part don't. Midstream, renewables, transmission, on and on. So we think there'll continue to be good opportunities there. And if you look at some of the activities we've done in our energy fund just this year, it's been a whole lot of midstream stuff, and other things. So there are still come big opportunities there that don't require distress. And in fact this fund won't be doing distressed assets almost by definition. So I guess those are the basic answers to your questions. There will be – we do think, though, it doesn't take a genius to see the crumbling infrastructure of the US and the massive need for new investment. And, over time, a big part of this fund will be solving that problem that will help society, help American competitiveness, create jobs, and one thing or another, at a cost of capital that is affordable for society.

Chris O'Dea: All right. Thanks. I didn't mean to imply you'd be looking at distressed. I was just referring to that as like possibly just a pricing indicator, of how much capital is looking at the energy sector. So thanks. Is there any kind of update on the Hudson River Tunnel situation?

Tony James: So hang on. First of all, I'm not sure I understand the connection with distressed, but I will say our infrastructure fund will be almost unique in the market, with a scale to do things no one else can do, which is how we've positioned our real estate. So I think there's a lot of big things out
there that other people really can't do today that aren't actionable that we will have the opportunity to pursue.

If you're talking about the tunnels under the Hudson, I'm not longer a commissioner of the Port Authority. And I probably should leave it to them. I'll just comment in general. That still remains a priority project of the federal government, the State of New York, and the State of New Jersey, and I think you should expect to see that fast tracked. And that's the kind of opportunity I hope will be an attractive target for our fund.

Chris O'Dea: Okay, thank you.

Operator: Our final question comes from the line of Konrad Putzier [The Real Deal]. Please proceed.

Konrad Putzier: Good morning. You mentioned that the US real estate market was maturing. Are there any parts of the US real estate market where you still see high yield opportunities, or do you expect to invest most of these through the core plus (inaudible) market?

Tony James: We definitely see a lot of continuing opportunities in BREP, in our opportunistic real estate fund. Real estate is a gargantuan market. There are always undermanaged assets. Our primary way of value creating is to buy those undermanaged assets, fix them up, and then sell them and take a sort of marginal asset and create a core asset. And with a great bid for core real estate assets and low cap rates, if we can convert troubled real estate assets into core assets, we can make a lot of value in the process. And so we continue to do that. There are hot markets in the US, and there are cooler markets. There are hot sectors and cooler sectors. But there are opportunities in all of them.

Konrad Putzier: Are there any specific markets and sectors that you could point to where you see opportunity?

Tony James: Well, we've been I think articulate about some of our themes. Last mile logistics – there's just not near enough of it in any metropolitan area. That continues to be an interesting opportunity. Similarly, urbanization and the trend of Millennials to want to live, work, and play in the same neighborhood. So mixed use neighborhoods where you can have offices and nice apartments and high end restaurants and things like that. As the face of urbanization in America changes, the structure of cities changes. That's been a very attractive area for us. In some markets, there's not near enough housing, so building housing and apartments has been a very good area for us, senior living (inaudible), that's another good sector. And then if you look at markets like Seattle, Northern California, Southern California, not just Rust Belt, but things driven by technology or media, good markets. So yeah, plenty of good markets and plenty of good opportunities and plenty of good sectors.

Operator: I would now like to turn the call back to Christine Anderson for closing remarks.

Christine Anderson: Thank you all. If you have any follow up questions, please give me a ring later today. We're all here and happy to take them. See you on the analyst call at 11:00.

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