Weston Tucker: Good morning, and welcome to Blackstone's third quarter conference call. Joining today's call are Steve Schwarzman, chairman and CEO; Tony James, president and chief operating officer; Michael Chae, our chief financial officer; and Joan Solotar, head of private wealth solutions and external relations. Earlier this morning, we issued a press release and slide presentation, which are available on our website. We expect to file our 10Q in a few weeks. I'd like to remind you that today's call may 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.

For discussion of some of the risks that could affect results please see the risk factor section of our 10K. We will also refer to certain non-GAAP measures on this call, and you'll find reconciliations in the press release on the shareholders' page of our website. Also note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase interest in any Blackstone funds. This audiocast is copyrighted material of Blackstone and may not be duplicated without consent.

So, a quick recap of our results. We reported GAAP net income of $847 million for the quarter, up sharply from the prior year. Economic net income, or ENI, per share, was 69 cents, up 21 percent on the prior year, due to greater performance fees as well as strong growth in fee related earnings. Distributable earnings per common share were 52 cents for the quarter, up 8 percent from the prior year. We declared a distribution of 44 cents per common share to be paid to holders of record as of October 30. With that, I'll turn the call over to Steve.

Steve Schwarzman: Thanks a lot, Weston. And good morning and thank you for joining our call. Before I start, I just wanted to wish our general counsel, John Finley, a happy birthday. He's in the room and does an amazing job for the firm. Blackstone itself has reported excellent set of results for the third quarter, as you heard from Weston. Continuing our momentum of strong growth in economic net income, cash earnings, and assets under management. On a year to date basis, ENI rose 60 percent, to $2.5 billion, while DE increased 78 percent to $2.6 billion, and we remain on track to deliver one of our best years ever for DE, based on sales already signed up, which Michael Chae will discuss in more detail.

Blackstone has long been the clear leader in the alternatives sector, in terms of AUM fundraising and earnings as you all know. But our financial performance illustrates a broader leadership beyond alternatives, comparable to some of the most recognized names in global money management. In fact, for the past five years, Blackstone has ranked as one of the top two or three asset managers in the world in terms of earnings. We're an elite group that includes our friends and former colleagues at Blackrock, which manages nearly $6 trillion, and does a terrific job. And also Fidelity, which manages over $2 trillion. And Fidelity of course is private, so investors can only benefit from the
earnings power of this group by owning either Blackrock, and Blackstone, and they're both really terrific choices for you.

Blackstone's significant earnings power continues to grow. Total AUM rose 7 percent, year over year, to $387 billion. Another record for the firm. With leading global platforms across the alternatives universe, we've become the reference institution for our limited partner investors who wish to deploy billions of dollars across asset classes. That's a long way from the firm's early days of raising commitments of $5-10 million apiece. The third quarter was our strongest quarter of capital inflows over year. Reaching nearly $20 billion in one quarter across an ever growing array of products.

And with some of fundraisings and other initiatives underway, we expect our fourth quarter AUM to significantly surpass todays' reported numbers. As one example earlier this week, as Tony mentioned on the press call, we closed our acquisition of Harvest, a leading manager in the MLP space, which will complement our existing credit and private equity focused energy teams. In addition to enhancing our capabilities in this area, we plan to make their products more widely accessible to a broader range of LPs, including retail, where they really don't have a presence. This strategy is similar to how we're successfully bringing Blackstone real estate to retail investors with our non-traded REIT product called, inspirationally, BREIT. Harvest alone will add $11 billion to our AUM in the fourth quarter.

Even as the firm continues to grow, returns have remained strong across a larger and more diverse capital base. In the third quarter, for example, our real estate opportunity funds appreciated 5.5 percent, as compared to the REIT index, which is flat. Imagine that. We're up 5.5, public REIT index is flat. And we were up 19 percent for the last 12 months. In private equity. Despite the drag from our holdings in the quarter, the corporate PE funds appreciated 16 percent for the last 12 months. Since inception, 25 to 30 years ago, these two strategies have returned 15-16 percent, per year, net of all fees, dramatically ahead of any relevant index.

We have a long record of successfully replicating our strong investment performance in new business lines. Our new businesses benefit from the intellectual capital and reach of our existing ones, and in turn further enhance the overall platform strength here at Blackstone. This becomes a virtuous circle, and attracts further capital. For example, our real estate core plus platform, which we launched less than four years ago, is up to $18 billion in AUM, an increase of nearly 40 percent in one year. Our tac ops business is now up to $22 billion in AUM, in about five years. Both of these platforms grew from investment opportunities we identified at the time that didn't fit into the mandates of our existing funds. Today, they've reached global scale, and remain two of our fastest growing areas.

Another major area for us of course is infrastructure, as you've heard. While we're limited in what we can say, given we're fundraising now, and restricted by the SEC from commenting, we're targeting a first close for our new fund by the end of the first quarter.
next year. As you know, we've already received up to a $20 billion commitment from a sovereign investor, which will flow into AUM as matching capital is raised.

We also continued to expand and diversify our fundraising channels, including into retail. The power of the Blackstone brand is perhaps best illustrated by the high level of demand we're seeing for our funds across different sub-channels, including the wire houses and private banks, independent broker dealers, the RIAs, and family offices. In these channels, investors by and large have been under-allocated to alternatives within their portfolios. Some dramatically. We're helping them access institutional quality products, in many cases for the first time. We have established one of the leading retail alternative platforms in the world, now already representing 18 percent of our total AUM.

And we have other major initiatives in process that I can't yet talk about here today, because sometimes people copy what we do. All of this taken together, our firm is clearly positioned for tremendous growth. Importantly, we're not growing just for the sake of growth, and we never have. As we further broaden this suite of solutions we can offer our investors, we have more avenues through which to find and create value basically anywhere in the world. This is particularly important to today's environment of higher prices, where deal activity has slowed in areas like US opportunistic and distressed investing.

Instead of slowing down, we've been able to remain very active in terms of new investments. In the third quarter, we deployed nearly $11 billion. Bringing us to almost $40 billion deployed over the last year. By far our most active 12 month period on record, and more active than anyone in this type of investment area. Despite higher prices, we're finding plenty to do around the world. Virtually all major geographies are in positive growth mode. And the outlook is improving. In the US specifically, the employment picture is strong, and tax reform has the potential to further accelerate growth.

There's some potential threats in the periphery, including geopolitical risks, the potential for unfavorable policy outcomes, and for central banks to tighten policy more aggressively than markets expect. But we remain broadly constructive on the prospects for global growth. Against this dynamic background, I think we're doing an excellent job choosing our spots and building conviction around certain themes. For example, we moved aggressively into Europe early in the recovery, focusing on fundamental value or situations where dislocation created compelling opportunities.

This enabled us to ride out the shorter term volatility brought on by some of the issues they've had, like the Greek debt crisis, Brexit, and the ongoing impact of populism on several elections. These types of dislocations provide opportunity for a firm like Blackstone. Two great illustrations of this trend are Logicor, our highly successful logistics investment, which we discussed last quarter, and Alliance Automotive, which we agreed to sell a few weeks ago. In the case of Alliance, we acquired an auto parts distributor operating in the UK and France in late 2014.
When we were investing in Europe, and Europe was really out of fashion – in fact, people were wondering whether Europe would stay together – I remember the time the prevailing fear of monetary union and other issues regarding Europe and slow growth.

Which is, point in fact, what was happening in Europe at that time. In the first year, we expanded Alliance into Germany. Over the subsequent two years, increased EBITDA by about two and a half times, by accelerating organic growth, completing 50 bolt-on acquisitions, and two strategic ones. That's a lot of stuff to be doing, but that's how you make money in private equity. Not just buying and holding. We're now selling the company for over five times our original cost. This is a company that makes auto parts. This is not a software company, or a tech company. So you can make enormous money doing the right things in our business.

It's never easy. But that's why our LPs choose us. We've been able to create great investment outcomes. And we're doing it across a wider array of funds and areas. Given the amount of capital deployed over the past several years, and the seasoning of earlier investments, we're now seeing a very active pace of realizations at attractive returns, driving substantial cash distributions for our shareholders.

Over the past three years, we've distributed an average annual of about $2.50 per share of value. Driven by over $130 billion of realizations. Over the same period, despite those realizations and distributions, assets under management still increased 36 percent to $387 billion, while most money managers were actually shrinking. We've demonstrated we can deliver consistently high payouts to our shareholders over time, while simultaneously growing at a high rate. And I have every expectation that this will continue. Looking forward, I have great optimism for the firm's prospects.

We will continue to leverage our differentiated business model, our unique market position, our highly recognized brand, and most importantly perhaps our culture of excellence and integrity to drive great results for our LPs and our shareholders alike. Thank you for joining the call. I'll turn it over to our chief financial officer, Michael Chae.

Michael Chae: Thanks, Steve. And good morning everyone. Our third quarter marked a continuation of the firm's robust momentum, with consistent growth in all of our key revenue earnings metrics. Total revenue for the quarter rose 21 percent year over year, to $1.7 billion, while economic net income also increased 21 percent, to $834 million, or 69 cents per share, driven by strong double digit percentage increases in both management and performance fees. Performance fee revenue increased 33 percent in the quarter to $895 million, with healthy fund returns across a steadily growing base of invested capital.

Our investment record, combined with business line expansion, continues to attract significant capital inflows, reaching $19.7 billion in the quarter, and $62 billion over the past 12 months, propelling AUM up 7 percent to new record levels, both in total and for every business sector. Management fee revenue rose 15 percent year over year to $692 million, as fee earnings earning AUM also rose 7 percent to a record $286 billion. Fee
related earnings rose 25 percent to $307 million, with FRE margins expanding 340 basis points year over year to 44.3 percent.

Stepping back from the quarter and looking at year to date results, which are more informed than they've been any single quarter, total revenues rose 45 percent to $5.1 billion. ENI was up 60 percent to $2.5 million. And DE increased 78 percent to $2.6 billion. Fee related earnings rose 25 percent to $909 million, by far a firm record for the period. On last quarter's call, we outlined a baseline path of FRE growth in full year 2017 of mid-teens or better. Given the performance and visibility, we were able to refine and update that view to growth in the high-teens, or better.

Indeed, 2017 is progressing to be one of the best years in our history. This is further evidenced by the sustained momentum in the key capital metrics driving our financial results. Realizations, investment performance, deployment, and fundraising. And I'll now discuss each in more detail. First, with respect to realizations in DE, we generated $8.8 billion of realizations in the third quarter, and have a significant pipeline to sales not yet closed. The single largest realization in the quarter was Hilton, where we sold about half of our remaining shares, and also fully exited our stake in Hilton Grand Vacations, one of the three public company spinoffs from the original investment.

Our $6.5 billion investment in Hilton has now produced about $14 billion in profit, equating to a multiple of 3.1 times, including $1.2 billion of unrealized equity we still hold. Other realization activity in the quarter included the sale of several office assets in the US and UK, certain other sales in tac ops, distributions from multiple portfolio company refinancings, and notably our first realized cash performance fee from our core plus real estate strategy. Our third quarter activity brings us to $37 billion of realizations so far in 2017, with another $9 billion under contract, including the sales of Logicor in real estate, and Alliance Automotive, in corporate private equity, among others.

These expected sales, together with expected FRE, and given interest and taxes, should result in approximately 60 cents per share of DE in the third quarter, prior to any further realizations. Added to our DE in the first nine months of $2.17 per share, we therefore enter the fourth quarter with line of sight on over $2.75 of DE per share for 2017, which, even prior to further realizations in the quarter, would equate to one of our two best years for DE in our history.

Second, investment performance and ENI. We continue to see broad base strength across most of our global portfolio. In real estate, the opportunity funds appreciated 5.5 percent in the quarter, and 19.2 percent over the last 12 months, while the core plus funds appreciated 3.2 and 12.4 percent, respectively.

Our real estate business in particular continues to disprove the notion that size is the enemy of returns. Even as AUM for the opportunistic funds has doubled in the past five years, their performance has been exceptional. Indeed, in the four vintage years between 2012 to 2015, in each year we invested $7.5 billion to $8.5 billion across the BREP funds, and in each vintage, we have delivered annualized gross returns of between 22 to
25 percent to date. This performance has been powered by many of our largest investments, which include Biomed, our US life sciences portfolio, our India office platform, the Cosmopolitan Hotel in Las Vegas, Invitation Homes, and, of course, Logicor among others. These are some of the most important contributors to the firm’s existing stored value, and bode well for future realizations.

Moving to private equity. Corporate PE funds appreciated 3.3 percent in the quarter, and 16 percent for the prior 12 months. Portfolio companies continue to report healthy revenue and EBITDA growth in the mid and high single digits, respectively, driving appreciation in our private holdings of over 5 percent. That performance is partly offset by decline in our publics, in particular our largest public position, an energy infrastructure company, which has been an extremely successful investment for us, and where we feel very good about the fundamental long term value.

GSO delivered composite gross returns in the quarter of 4.1 and 2.7 percent, in performing credit and distress segments, and 14 percent and 11 percent respectively for the LTM period. For BAAM, with a 2.3 percent composite gross return in the quarter, and 9 percent for the LTM period, 89 percent of incentive fee eligible AUM is above its high water mark, versus 67 percent a year ago. This positioned BAM to generate $44 million in performance fees in the quarter, higher than all of last year, and nine month total revenues of $573 million, nearly equal to full year 2016.

In aggregate, this performance across the firm has helped drive our net accrued performance fee balance of $3.6 billion, up eight percent over the last 12 months, and to its highest level in nine quarters – despite that being a period, which we delivered some $105 billion in realization, a powerful reflection of both performance and the growth in our investment capital base.

Third, capital deployment. Our deployment remains very active, even in the face of a tricky broader market environment, as Steve discussed. We invested $10.9 billion in the quarter across the firm, and committed another $6.9 billion. How are we doing it? The answer is, carefully. And by leveraging our global reach, our scale, and our multiplicity of platforms to seek value across the whole risk return spectrum, and aggressively pursue things we believe in. Regarding our global reach and scale, nearly half of the capital we deployed or committed in the quarter was outside the US, with 40 percent Europe, and the rest in Asia.

Four of our five largest transactions across the firm were in Europe. In real estate, our commitment to acquire a 51 percent interest in a 30 billion Euro face value portfolio from a Spanish bank. And our take private of a Scandinavian listed property company. In private equity, we agreed to require Pay Safe, a UK listed leading global payments provider. And in credit, our Mezzanine fund provided a nearly $500 million financing from the acquisition of a leading European industrial distribution company. Meanwhile, our deal flow in Asia is quite healthy, including, for example, three committed transactions by BREP and BCP in the last two quarters involving public companies in the
region, reflecting on our theme of finding idiosyncratic value in orphan, listed companies in these markets.

Regarding our multiplicity of platforms, with a widening array of funds with diverse mandates, we can perceive value flexibly, and selectively identify the best risk reward in a given environment. It's about having more weapons to deploy to express the firm's intellectual capital and convictions, and take advantage of deal flow that cuts across the firm. $2 billion of the $10.9 billion in third quarter deployments originated from our core and core plus strategies in private equity and real estate that allow us to invest in high quality assets with longer term holds. Each of tac ops and strategic partners deployed over $1 billion in the quarter, with tac ops' flexible mandate to pursue idiosyncratic opportunities with compelling risk adjusted returns arguably making it the busiest part of the firm in this current environment.

Of course, none of the aforementioned platforms existed in the firm just five to six years ago. Lastly, on fundraising. As expected, our pace of influence reaccelerated in the third quarter to $19.7 billion, including a first close at $5 billion for our second dedicated Asia real estate fund, $4.7 billion for our third GSO distress fund, bringing it to $6 billion raised. And $2 billion for our third tac ops vintage. We expect each of the three fundraises to reach or exceed $7 billion in size in the near term, driving significant AUM growth at a time when neither of the flagship global BREP or BCP funds are in the market. Looking forward, we expect the pace of AUM growth to further accelerate in the quarter and into 2018, driven by a variety of products and significant initiatives, as Steve discussed.

A final comment on two notable corporate developments. First, with respect to the Harvest acquisition, to add to Steve's comments, a little more color on its impact. We think this is a really attractive deal. This is a firm with a terrific, high quality, high integrity team that has set the standard for investing in its asset class. With its flagship strategy outperforming its benchmark by 500 basis points over the last five years. Our institution LP bases are very complementary with limited overlap, and the retail opportunity is in its nascency.

Finally, with respect to financial impact, on a run rate basis, prior to future growth, Harvest adds approximately $40 million of FRE, and pre-tax DE. While we are not exposing the specifics of the valuation, we structured the acquisition such that the upfront purchase price reflects a multiple of FRE and pre-tax DE in the area of the mid-single digits. Second and in conclusion, our balance sheet. At the end of September, we issued $600 million of US bonds split evenly between 30 and 10 year maturities to refinance our notes of maturing in 2019. We also took advantage of favorable conditions to execute cross-currency swaps, backed at ten year pound sterling and 30 year Euro yields, further hedging the firm's P&L exposure to assets in those currencies.

The result was lower funding cost than could have been achieved by issuing directly in those currencies. And in the case of the Euro market, the longest tenure available in the market is only 12 years. In effect, we executed a $600 million 20 year financing for the
firm at an effective yield of 2.4 percent, which reduces the firm's weighted average cost of debt from 4.4 to 3.7 percent, and extends the average maturity from 12 to 15 years. Indeed, 40 percent of our debt has maturities falling beyond 2041. All while substantially neutralizing the FX volatility in our P&L.

The early repurchase of our 2019 notes will result in a onetime expense to DE and ENI in the fourth quarter, of approximately $30 million, which we'll recoup in interest savings in just over a year. The rating agencies reaffirmed our A+ ratings which are the highest of any alternative firm. Investor response was exceptionally positive, with the offering six times oversubscribed, and with a ten year issue currently trading within 25 basis points of the lowest yield of any public asset manager, reflecting investor confidence in our firm and business model.

Our fortress balance sheet and our access to capital is truly a source of strength for the firm, we believe. With very low cost, very long life financing, and ample cash and liquidity, and with tremendous flexibility to pursue a set of strategic opportunities that as you've heard on this call we see as compelling and deep. With that, we thank you for joining the call, and we'd like to open it up now for questions.

Operator: Ladies and gentlemen, if you would like to ask an audio question, simply press star one on your phone. Once again, if you would like to ask an audio question, simply press star one on your phone. Your first question comes from the line of Mr. Craig Siegenthaler of Credit Suisse. Please proceed.

Craig Siegenthaler: Thanks, good morning. I just wanted to get an update on the retail expansion, and really sort of two main points. One is how many retail wholesalers do you employ now? What does it sort of look like versus a few years ago? Then, also, given that 18 percent of your product now is in retail, what does the product offering start to look like as you work your way down from the high net worth segment intro the low end?

Joan Solotar: Sure. Hey, it's Joan. So, on the first question, in terms of wholesalers, I just want to step back for a minute. So this is really operating as a whole business. And I don't want you to think it's just we're popping up some sales people and it's just a sales organization. So to support and really partner with major firms, independent broker dealers, we have wholesalers, we have a sales desk, we have full operating support, fund accounting, marketing, compliance, etc. And that really has taken the last several years of building to get into place so that we can now expand the distribution.

But to address your question specifically, as relates to the wire houses, we have about ten wholesalers, and a similar amount, 12, in the independent broker dealer channel. As it relates to product – so initially, because we're focused on the wire houses and qualified purchasers, we were largely distributing our draw down product, the same institutional product. But in working with the firms, we identified a real need for mass affluence and also those in the $1 million to $5 million range to also have access. So in addition to that we've worked very closely to leverage our team capability in the investing groups, and develop more product that have structures that are either semi-liquid or more liquid. So
I'd say today if we look over the last 12 months, it's roughly split evenly – liquid and illiquid product sales. And you'll continue to see more product development happening.

So I'm excited. And it's early stage. Just to highlight where we are – even though we are much further along than most, and I think we have the broadest product array anyone could offer, given our global platforms across the board, one of the big wire houses we've been working with for several years, we looked at penetration there, and even for those FAs who sell alt product, we're about 20 percent penetrated. When we look across the entire system, we're five percent. So I think the upside is quite significant.

**Tony James:** Joan, you might also mention we've got – we've got the beginnings of a sales force that's going direct to large family offices as well, in addition to the 22 people you mentioned.

**Joan Solotar:** Yeah, so we have a team both here as well as abroad, and actually even on the more institutional side, focused on private banks, internationally as well. And there of course we're trying to find solutions for family offices, multi-family offices.

**Craig Siegenthaler:** Thank you.

**Joan Solotar:** Sure.

**Operator:** Your next question comes from the line of Mr. Glenn Schorr. Please proceed. Evercore, Mr. Glenn Schorr, please proceed.

**Glenn Schorr:** Thanks very much. Question on infrastructure overall. I think on the earlier call, the media call, you mentioned having to pass on certain opportunities, just waiting for the funding for this fund. So now that we're getting a lot closer to the first close, if we could talk about what kind of opportunities are out there, public versus private, existing versus new build? I'm just curious on what's happening now, underneath the covers?

**Tony James:** Okay, Glen, I'll take that. Let me start by saying that as we mentioned on the media call, we're really just beginning the institutional part of the fundraise. So we're not in a position to be executing transactions at this point, and won't until we get close to having capital in hand. And that will be – you shouldn't expect to see any until the middle part of next year, as a practical matter, in terms of deals being kind of inked. The opportunities, again, as mentioned in the media call, we think there are interesting opportunities in a number of areas. Number one, public to privates. We were asked this morning, and we think there's opportunities to take existing public companies private, enhance the operations, and create some enduring value for our investors.

There are also a number of assets that were owned by large companies that are infrastructure type assets, which would have much more value pulled out of that company than embedded in the company, given the multiple those companies chase. So we think they'll be major corporations, innovative oil companies, others, repositioning those assets.
into the infrastructure market. Thirdly, there are a number of infrastructure players looking for expansion capital to further build out their networks. That's been a fruitful area for us. We think that will continue in the more private equity funds, and more of the newer stuff, but it also extends right into core, core plus infrastructure. We think that'll be interesting.

Over time, we will move more towards new build – really high quality assets – but that will take time. The gestation period of those transactions is long. But there'll be definite opportunities there for us as well. That's the kind of palette that we see.

Glenn Schorr: I appreciate that. Thanks.

Operator: Thank you for your question. Your next question comes from the line of Mr. Bill Katz, of Citigroup, please proceed.

Bill Katz: Okay. Thanks very much for taking questions this morning. Also, sort of coming off the media call you highlighted both the building up of permanent capital as well as an opportunity to deepen in the opportunity on the insurance side. So wondering if you could talk, maybe a little flesh out both those initiatives, and sort of how you think the opportunity might roll out in '18 and '19.

Tony James: Okay. Well, on the permanent capital side, we have a growing number of permanent capital vehicles in each of our businesses. And I would think that you should anticipate we're going to continue to try to evolve our business more and more towards that kind of vehicle, because the traditional drawdown fund is a bit of a treadmill. As you grow, you put money out, and then you've got to sell assets, and a lot of times, what you have to do in order to return capital to your investors and harvest your gains is sell your best assets. And that seems kind of silly to us in a way.

If you've got a great asset that has a lot of future potential, why sell it? And why not let it work for investors longer? And one of the underlying theses we've got in this firm is that where interest rates come down, real rates to near zero, it's very hard to have high compounding returns. And you can substitute that in terms of serving your investors' need by extending the duration of your holdings and of your assets. So for example you can make – you can be a lot richer if you hold an asset for 10 years, earning 12 percent, than if you hold an asset for four years, earning 25 percent. And so extending the duration, letting that money work for people longer, at attractive compounding rates, is one of the ways we serve our investors better. That drives us more towards permanent capital vehicle. Then from our public investor standpoint, those vehicles have the advantages of holding the assets longer. So it allows us to compound AUM growth of allowing the assets to work for you longer, so you get growth, you get the growth in AUM from the compounding, and of course allowing us to harvest carries by not actually having to liquidate the assets. And that makes the carries both steadier, and allows the AUM to keep growing. So we think it's a good model for a lot of our businesses.
Then, as Joan was saying, for certain target investors, we have to change the form of our
funds to fit those markets better. That's another reason we're doing this. So for all those
reasons, we're moving more towards the permanent capital.

In terms of the insurance, we've had our products in insurance companies for some time.
A lot of the new products we're developing, the private credit, the permanent capital
vehicles, the yield oriented products, many of them have some very attractive capital
treatment on insurance companies. We've got a full product suite. As you know, we own
something called Harrington, which is a re-insurance company. We're in the process of
buying Fidelity and Guarantee Life. We've got other things going on. So it's a
continuation of a trend, and I think you should expect to see that accelerating.

Bill Katz: Thank you.

Operator: Thank you for your question. Next question comes from the line of Mr. Chris
Shutler of William Blair. Please proceed.

Chris Shutler: Hey guys. FRE is going to be up nicely this year, looks like on pace to
exceed $1.00 per share. So maybe talk about the trajectory of that number, looking out to
2018, the key drivers, and I guess specifically do you expect continued double digit
growth in FRE next year?

Michael Chae: Hey, Chris. I think at this point we wouldn't want to get too granular on
projecting the drivers of 2018. But we certainly expect them to be healthy. We expect fee
earning AUM growth to be quite healthy. And so I think broad strokes we certainly
expect it to be – continue to be in the double digit percentage growth area, but at this
point, probably wouldn't want to refine it further.

Chris Shutler: Okay. Maybe I can ask one more on the private equity and real estate, the
appreciation in the opportunistic funds carry values was very strong the last 12 months. I
think double what it was in the previous 12 months. Obviously public markets have been
positive, better economic backdrop in general I'm sure has helped. But anything else
you'd point to on why the appreciation has really accelerated? Thank you.

Michael Chae: I think as Steve mentioned, Tony mentioned on the prior call, it is a
combination of let's call it alpha and beta. The markets – the market backdrop has been
supportive, but the companies have been performing through, we'd like to think the value
creation efforts that underpin the investments we make. So I think both forces have been
very positive.

Operator: Thank you for your question. Your next question comes from the line of Brian
Bedell of Deutsche Bank.

Brian Bedell: Just one clarification on FRE, following the question on FRE for 2018.
Are you expecting the infrastructure fundraise to begin impacting that? I think you
mentioned potentially beginning deployment sometime later, or the middle of 2018. Any impact from that in 2018 or is that really a 2019 impact on FRE?

**Michael Chae:** We would expect some impact, but I'd say modest in 2018.

**Brian Bedell:** So then back on the retail strategy. Obviously sort of an increasing momentum, in terms of the opportunity. How do you think, Joan, about growing that business, and adding a lot more capacity on the sales side? Do you feel you have enough product capacity currently to satisfy that demand? Or is more product development from a structure perspective necessary?

**Joan Solotar:** That's a great question. As you know, with the drawdown funds, we are largely oversubscribed, even for institutions. And so the goal isn't just to raise as much capital as possible. And I think the growth will come from expanding the penetration or depending the penetration into the current channels, and expanding those channels as we are an independent broker dealer, and also developing product, which we're doing. And it's really bespoke product for these channels based on their needs. One example in real estate, if you think about it, on the institutional channel, it's longer drawdown, which is only accessible to qualified purchasers. Whereas a lot of individuals want yield. And we were able to leverage the real estate investing group's same investing platform, but identify assets that were more yield-oriented rather than gain, and put it in a structure that was accessible to them.

I think one other important point – and this is kind of a timeline of history – back in the day, when defined benefit plans really were the majority of how folks were planning for their retirement, everyone had access to alternatives in that sense. And today even teachers, policemen, etcetera, probably have 20-25 percent of their pension funds invested in alternatives. These products today are not allowed to be embedded, by and large, in 401Ks, because of the liquidity. So most individuals just have not had access. So when you talk to advisors, their targets are anywhere from 10 to 20 percent for individuals. But today the penetration is really more like 2-3 percent. So how are they going to fill that gap? And we're really working with them on appropriate products to be able to do that. And that's anything from developing daily liquidity product, to semi-liquid product. I think you'll see more of that over time.

**Brian Bedell:** It sounds like you can really, greatly expand that capacity, even on the sales force side, I would think, to better leverage that opportunity. I mean would you say that 18 percent – not trying to put a number on the denominator – but at least the numerator of that 18 percent could double over the next couple years?

**Joan Solotar:** I think it's really not just throwing bodies at it. We need to be smart about the technology analytics that we're using, in order to reach more people. And some of it is just time. We had this past year 2,500 advisors come through Blackstone Universities around the world. We're continuing to educate advisors on and really develop a relationship. So I want to caution a little bit. It's not just that you go to a distributor and say hey, here's our product, put it on the platform, and it sells itself. It's really forming a
partnership with the advisor to help them improve their business, taking the time to educate them, providing great service, reporting, etc. And so it'll be a continuous build.

Tony James: I also want to also mention – if you think about the return pyramid out there, in terms of global opportunities, at the top of the pyramid, the narrow point, you get the very, very high returns, the private equity and the BREP and stuff. And then the sheer dollar availability of that is small. As you move down the risk and return spectrum, that pyramid gets wider and wider. So some of the areas we're getting into are vast in terms of the opportunity set and the amount of capital we can raise. By comparison to the really kind of elite, high risk, high return drawdown funds where we started. So we're opening up big, big frontiers.

Brian Bedell: Sounds very exciting. Thanks very much.

Operator: Thank you for your question. Your next question comes from the line of Alex Blostein of Goldman Sachs. Please proceed.

Alex Blostein: Hey, good morning everyone. A question for you guys around acquisitions, specifically Harvest, and I guess kind of broader acquisition landscape. So could you spend a little bit of time on giving us more color around the products that they're managing today, how they're structured, and I guess more importantly what the revenue opportunities look like for that business when you plug it into your distribution force? I guess as a follow up, just broadly around the appetite for more deals, and any kind of particular area of interest. Thanks.

Tony James: Okay. Well, I'm not going to get into projecting what we're going to do with Harvest at this stage, but suffice it to say that as Michael said it's a very high quality niche manager, in a segment of the markets which are largely protected from the big commodity flows. There's only a handful of good MLP managers. The Harvest guys have outperformed a lot – most of the rest of the market. So we think it's a niche manager that has focused his distribution on institutional accounts, but then again they don't have anything like our distribution or relationship set into that market. So we can help them a lot in their core market. And they have essentially no retail products.

So what they have is some comingle funds, some SMAs, doing MLPs. We can take that we think not only broader institutionally, but through the retail channels that Joan's been talking about. And we think we can significantly increase their AUM. At risk of – I'm not going to give a time on revenues and so on, but we think we can more than double their AUM.

Operator: Your next question comes from the line of Robert Lee of KBW. Please proceed.

Robert Lee: Great. Thanks for taking my question. Clearly capital raising has been going very well for you guys, and expectations are high. I'm kind of curious though. How do you think LP return expectations are evolving, given what asset values have been in the
last nine years, all the capital out there? And I guess as part of that, what do you feel is
the return premium? I'm sure it varies by product, but if you think of maybe PE, and your
real estate opportunistic business, what's kind of the return premium that you think LPs
are expecting in order, in exchange for agreeing to kind of the long term lockups? Just
trying to get a sense of where you think their head's at.

**Tony James:** I'll start, and I think Steve might want to chime in, and we might have
different opinions on this, so we'll see where it goes. My own view is that LP return
expectations have come down slightly. I frankly think more than they tell us, because
they want to keep the bar high for us, and of course that's fine with us, because we want
to exceed a high bar ourselves. Depending on the LP for the traditional drawdown
opportunistic funds, real estate or private equity, most LPs will say I want to do 500 basis
points more than the public markets. Although I think there's a number that would admit
they're happy with 300 above fees and carry above the public markets.

Then that gets you into what are the public markets going to do going forward? My own
personal view is – and I think most of them now are S&P kind of would be five to six
percent, that sort of range. So that sets a bar of if you look at that 8-12 percent, 8-11
percent, which is much, much lower than what we set for ourselves. As Steve mentioned,
in these areas we've done 15-16 percent forever, every holding period, every fund. We've
never had a losing fund, and so on, so forth, and we continue to expect to deliver returns
in that ballpark. And so I think we'll be wildly above their true expectations, and that will
continue to drive fundraising, and increasingly they'll allocate more assets to this asset
class, as they should. Steve?

**Steve Schwarzman:** Yeah, I guess if we were having an open conversation, which
apparently we are, that the returns they're expecting are higher. We are in the business of
delivering the same high returns that we were. It may be a little harder in today's
environment, but I think maybe that's 100-200 basis points. What we're doing as a firm,
as you can tell from the overall sort of approaches that both Michael and Tony are taking,
is we're designing products at different return points. Because what we've found is that
there's not a unified view on this question. And so more than ever in my career, is some
people are satisfied with products that with current income yield seven, in a world where
treasuries are not even a single digit.

And other people are looking for returns in the lower teens. Some are looking for mid-
teens. And some still want their 20s. And so what we're trying to do as a business – and I
think we've been quite successful – is segmenting products to appeal to people who want
returns of different types. And this is relatively new, in terms of how the world is going.
Then we also have people who are in the conservative business, with markets generally
high around the world, they're just really focused on I really don't want to lose money
when things come down, what can we do to take care of that issue?

And so we're now much more segmented. And we're doing that as a strategy. And we're
also simultaneously rolling that out globally. So this is like an unbelievably exciting kind
of business expansion, if you will. Where we can perform really well. Because as I think
Tony said, or Michael said, I forget which, counter to the more money you have, the worse your results are supposed to be – we manage to keep segmenting to hit results of a certain type, for a certain target. A group of investors. And we're able to do that. That's a big power for what the firm is doing now, strategically.

And I believe that we're uniquely positioned to do that in the alternative class. Because we're the only people who are in all of these classes, with great success in every one of these, and ability to keep innovating, taking very large amounts of money and putting them out. Because it's not large amounts of money for that strategy, and everything is geared to have terrific performance with the target expectation of whoever we are managing money for. So it's a lot of fun. And everybody at the firm is charged up, because we're hitting new niches. And part of the key of running a really good financial services firm is getting there early, and right with the timing. And not being a follow on person after the opportunity is sort of played out.

And that's something we've been doing for 30 years. And there's lots of opportunities to do that in the future.

That's a longer answer than you may have wanted, but I've been relatively quiet [laughter].

Robert Lee: That's good, thank you.

Operator: Thank you for your question. Your next question comes from the line of Mr. Michael Cyprys, please proceed, at Morgan Stanley.

Michael Cyprys: Hi, good morning. Thanks for taking the question. Just wanted to ask about the distressed strategy. Looks like you raised about nearly $5 billion of capital for distressed strategies in the quarter. Yet I think on the media call earlier, Tony, you mentioned you're seeing more opportunities today in performing credit, not as much out there in distressed. So can you talk about your expectations for where you might be able to put some of this capital to work, how you're thinking about the timeframe there, and the opportunities managing for distressed, what the sort of catalyst might be?

Tony James: Sure, Mike. As you know, that – or as you may not know – but that distressed fund that we raised is a traditional drawdown fund. And once it's invested, and it comes to the end of its life, we go and fundraise. They have investment periods typically of about six years. So you're not raising a fund like that to take advantage of an opportunity at a moment in time in markets. The fundraising itself takes a year. It takes you four or five years to get most of the money put to work. Then you hold the things for four to five years. So it's an asset class you have to commit to through the cycle, and through the cycle, it will treat you well.

At this point, economies are good. Markets are good. Even sort of stressed companies can finance. So it's meaning there's not as many opportunities as we might like. There are always things, of course. Always companies that stumble, either because of things
beyond their control – oil prices, the internet impacting retail, regulatory changes, and
one thing or another – and they're always coming to stumble because of self-inflicted
wounds, overpaying for acquisitions, management change, one thing or another.

So there are always opportunities, and it's just a question of right now the volume. And
this – the economy won't grow forever. Interest rates won't be near zero forever. And I
think that we will see plenty of opportunities in the investment period for this fund.

**Michael Cyprys:** Great, thanks. And if you could just answer a quick follow up question.
Just curious how you're integrating data and technology into your investment process
today, and how you think that might evolve over the next, say, five years.

**Tony James:** That's a really interesting question. Because it's something we've ratcheted
up dramatically here in this year, I would say. It's something Steve's been pushing us all
on. And so we have a number of initiatives really to look at the use of data, frankly, and
the development and sale of data we have embedded in our portfolio companies. That's
an ongoing exploration, I think, at this point. But we've now set up a specific dedicated
team, a data team, if you will, to inform our investment processes. Number one, internal.
Number two, figure out what might be harvestable, mineable, and monetizable. And
number three, to work with deal teams, looking at portfolio companies, both to use data
to make better investment decisions, but also to use the new technology that is evolving
out there to help our companies operate better. So that will be a common – like portfolio
ops – a common resource to all our different investment businesses. So I'm excited about
the possibility there, but it's early days.

**Michael Cyprys:** Great. Is that something that could be meaningful in terms of revenue
at some point to the firm? When you mention sale of data?

**Tony James:** I think it's way too early to say. I'm not sure the way to monetize it will be
to sell it. Another way to monetize it might be to build investment products around it.
We'll have to explore that. But in terms of the time horizon you deal with in terms of
stocks, not significant.

**Michael Cyprys:** All right. Thanks so much.

**Operator:** Thank you. Your next question comes from the line of Mr. Mike Carrier of
Bank of America Merrill Lynch. Please proceed.

**Mike Carrier:** Thanks for taking the question. Michael, just maybe on the realization
activity – thanks for the color for the fourth quarter, and this year is setting up to be a big
year. Just wanted to get a sense, as we look over the next couple years, we can see the
returns, meaning the returns are favorable, the net accrued carry is building, so things
look good. Any color on like seasoning the portfolios just to gauge if this is – again, not
saying 2017 is sustainable – but just what maybe the outlook is in a constructive market
backdrop, just given where the portfolios sit today.
**Michael Chae:** It's a good question, Mike. I think I discussed the robustness of the magnitude of the receivable, right? That really has returned to the levels from a couple years ago. I think when you think about the composition of it, something like just under 40 percent of the current receivable is public, is liquid. And that obviously is a kind of reflection of maturity and it being closer to modernization. The vintage year mix I think is pretty similar to in the past. But I did want to underscore in my remarks that we're really gratified by the fact that some of the vintages, and I highlighted real estate, that are a bit younger, right, the 2012, 2013, 2014, 2015, we made some big investments at that time. And at the time maybe some people thought markets were elevated, would they be good deals? And they've really seasoned quickly, and are being converted into DE.

So I think that is part of what has driven the value creation at this point, and what will drive the DE runway from here. So just a mix of a couple metrics and then sort of qualitative steps. But we certainly feel like when you step back, we sort of transitioned from a carry receivable that only a couple years ago was largely driven by some of the big pre-IPO funds, and was full of public positions, to one that has remained stable to even growing as we've transitioned to the more recent vintages.

**Mike Carrier:** Okay, thanks a lot.

**Operator:** Thank you for your question. Your next question comes from the line of Mr. Patrick Nambit. Please proceed.

**Patrick Davitt:** Hey, good morning guys. Thank you. It's looking like the European NPL opportunity – which feels like we have been talking about for years – might actually happen sooner rather than later. Could you speak to your view on that finally unlocking, and within that, how much of your dry powder has a mandate to invest in those kind of assets? And which funds specifically that would be.

**Tony James:** Okay. Well, I'm not going to inventory all the funds, but suffice it to say that we generally have pockets that can do NPLs in GSO, in real estate, in tac ops, and in BAAM. And I think that depending on the NPL, all of those funds have participated in NPL acquisitions around Europe, in the past year. The biggest area has been Spain. And we just closed a very large transaction there, about $10 billion of NPLs. But Italy is another big area, and we have initiatives in other countries as well. So yes, it's coming. It's coming alive. There's pressures from the central banks on banks to clean that up. By the way, it's not just Europe. You're starting to see those same pressures, those same trends in India as well.

So I think it's going to continue to be – it's been good for us. By the way, the NPL portfolios we've got, have bought, have performed very, very well. And I think it'll continue to be an attractive area.

**Patrick Davitt:** Thanks.
Operator: Thank you for your question. Your final question comes from the line of Mr. Devin Ryan JMP Securities. Thank you, sir. Please proceed.

Devin Ryan: Well, my questions have been asked, so we can leave it there, so thank you very much.

Operator: We will now turn the call back over to the speaker for closing remarks. Thank you.

Weston Tucker: Great. Thanks everyone for joining us. And please reach out with any questions.

[End of Audio]