

**BLACKSTONE Fourth Quarter and Full Year 2021 Investor Call
January 27, 2022 at 9:00 a.m. ET**

Moderator: Good day, everyone, and welcome to the Blackstone fourth quarter and year end 2021 investor call, hosted by Weston Tucker, Head of Shareholder Relations. My name is Leslie and I'm the event manager.

During the presentation, your lines will remain on listen only, and if you require assistance at any time, please key star zero on your telephone, and a coordinator will be happy to assist you. There will be a Q&A session at the end of the presentation, and if you could limit your questions to one, and then if you wish to ask further questions, please rejoin the queue.

I'd like to advise all parties that the conference is being recorded for replay purposes. And now I'd like to hand you over to your host for your today. Weston, please go ahead.

Weston Tucker: Perfect. Thanks, Leslie. And good morning, and welcome to Blackstone's fourth quarter conference call. Joining today are Steve Schwarzman, Chairman and CEO, Jon Gray, President and Chief Operating Officer, and Michael Chae, Chief Financial Officer. Earlier this morning, we issued a press release and slide presentation which are available on our website. We expect to file our 10-K report later next month.

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 10-K. We'll also refer to non-GAAP measures on this call, and you'll find reconciliations in the press release on the shareholders' page of our website.

Also, please note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any Blackstone fund. This audiocast is copyrighted material of Blackstone and may not be duplicated without consent.

On results, we recorded GAAP net income for the quarter of \$2.9 billion. Distributable earnings were \$2.3 billion, or \$1.71 per common share, and we declared a dividend of \$1.45, to be paid to holders of record as of February 7th. With that, I'll now turn the call over to Steve.

Steve Schwarzman: Thank you, Weston. Good morning and thank you for joining our call. Today, Blackstone reported the most remarkable results in our history on virtually every metric. Distributable earnings rose 55 percent to \$2.3 billion in the fourth quarter and increased 85 percent to \$6.2 billion for the year. Investment performance was exceptional, including over 40 percent appreciation in our opportunistic real estate and corporate private equity funds for 2021. And we raised \$270 billion of inflows, over a quarter of a trillion dollars in one year, lifting assets under management by 42 percent to \$881 billion. No other alternative firm in the world has approached this level of absolute growth in a single year.

We told you in the second quarter that it was the most consequential in our history. That assertion was not based on short-term results. It was reflective of the sea change underway in asset management, and our positioning within it, which is now playing out even more powerfully than we had previously anticipated. Capital flows continue to shift towards two ends of a barbell. On one side, to low cost passive funds. On the other side, flows are accelerating towards alternatives, a trend benefiting numerous firms in our industry, but none more profoundly than Blackstone.

In the world of alternatives, Blackstone is the clear choice for global limited partners looking to invest in the asset class, whether it's a retail distributor or an institutional investor that needs to deploy billions of dollars across the capital structure. Today we offer nearly 60 investment strategies, up from 35, five years ago. We have the deepest menu of available products, with compelling performance across our platform, and the largest flow of investment activity in the world. The result is a powerful network effect. Our customers are constantly in our store and our shelves are full, which results in Blackstone gaining a huge percentage of repeat business and a high likelihood they will choose our new products as well.

This network effect extends to new platforms that we launch. Our LPs know that when we launch a new product, it's with the intention of building the highest quality business, and that our scale and reach can have an extraordinarily positive effect for them. For example, the clean energy transition has been a major investment theme across the firm for several years, and we are already one of the largest providers of private credit in this area. Last week, we launched a Sustainable Resources Platform to pull together the full breadth of the firm's resources. We see an opportunity to invest \$100 billion in support of energy transition and climate change solutions over the next decade. Blackstone intends to be a global leader in investing, and a force for good, in this critically important area.

Across the firm, we are exceptionally well positioned to continue growing in a way that is unprecedented in the alternatives asset class. And I couldn't be more confident in our momentum – despite the significant correction underway in the global markets. The average stock in the S&P has declined 17 percent from its recent peak, while the average NASDAQ stock is down 44 percent. The alternative managers' stocks have not been immune to these pressures, and we've noted investor concerns around the impact of inflation, the prospect of rising interest rates, and the ability to continue raising capital. I believe the tremendous balance of our firm and the careful design of our portfolio will once again allow us to not only navigate this environment, but to thrive in it, as we have for 36 years.

In our \$280 billion real estate business, which generated nearly half of our earnings last year, over 70 percent of the equity portfolio is in the best areas: logistics, rental housing and life sciences office. Leases in this portfolio are shorter duration, with the ability to reprice as we move through the inflationary period. Importantly, in the United States, we're now seeing rents in these sectors grow at two to three times the rate of inflation. And as the cost of new construction rises with inflation, it greatly benefits the value of our existing holdings.

In corporate private equity, our portfolio is also well-positioned for inflation. Our holdings are concentrated in areas with strong secular growth that are more resilient to rising input costs. Our operating companies reported 23 percent year-over-year growth in revenues in the fourth quarter. That's really stunning – and two-thirds saw margin expansion in the year.

In our nearly \$200 billion corporate credit business, as interest rates move higher in response to inflation, we expect our returns to benefit. The vast majority of our investments in corporate credit are in floating rate debt, which helps protect capital and provides a better and better return as base rates increase. While higher rates can be a headwind for liquid markets, with \$136 billion of dry powder capital across the firm, we can move quickly to invest when pricing becomes more favorable.

From a fundraising perspective, I expect our strong momentum to continue in the current environment. In the institutional channel, LPs are increasing their allocations to alternatives – in fact, 80 percent of LPs, according to a recent survey by Preqin. In most cases, they are concentrating capital with fewer managers, which favors Blackstone. In the retail channel, individuals in the US have accumulated \$2.8 trillion of excess savings since the start of the pandemic. Our perpetual products in real estate and credit are uniquely designed with inflation in mind to protect capital and generate substantial current income. In

total, we raised \$50 billion of equity capital in this channel last year, and despite the uncertainty in the markets, financial advisors have very high confidence in the attractiveness of our products.

I have personally lived through many cycles here at Blackstone in the past 36 years, and each time, our firm has come out stronger than before. Markets often over-correct in a way that is disconnected from fundamentals. When you look at our firm's progression, including today's exceptional results – it should be clear that the fundamentals of Blackstone are dramatically accelerating. We've been telling you for years about these powerful trends, and what we've told you has come true. At our Investor Day a little over three years ago, we shared our vision of reaching \$1 trillion of AUM in eight years. We now believe we will reach \$1 trillion of AUM this year – in half the time we predicted. We've nearly tripled annual FRE and doubled DE over this period. Our profit margins have continued to expand, and today are three times higher than the median of the largest 100 U.S. public companies.

Blackstone has an unrivaled position in our industry. Our prospects are extraordinary. We have the most recognized brand, which has been continually reinforced through market cycles. Our firm is regularly acknowledged by third parties for the strength of our franchise, including by Morgan Stanley, who has repeatedly selected us as one of the 30 best companies in any industry. And our unique culture continues to set us apart, characterized by the highest standards of excellence and integrity, unwavering dedication to our clients, new product innovation, and a commitment to preserve capital.

In closing – as we move into 2022, the market landscape will undoubtedly present challenges, but it will also provide opportunities that we are very well positioned to capitalize upon. The firm has never been in a stronger position. Every part of our business has ambitious plans, remarkable momentum and an unquestionable will to win. I have never had deeper confidence in our future and pride in our people.

Thank you for your support, and with that I'll turn it over to Jon.

Jon Gray: Thank you, Steve, and good morning, everyone. It was another tremendous quarter for Blackstone and our investors, highlighted by extraordinary growth. AUM increased \$150 billion in three months – the equivalent of a top ten global alternatives firm – as we continued to expand the platform, with a significant focus on perpetual capital strategies. This is driving a meaningful step up in the growth and quality of our earnings, with both distributable earnings and FRE reaching record levels for the quarter and year.

We've achieved these results while sticking to our model, managing third-party capital – relying on our brand and track record to grow. With minimal net debt, no insurance liabilities, we have no need to retain capital, and have been able to return 100 percent of earnings to shareholders.

Of course, the foundation of our business remains investment performance, and our funds posted outstanding returns in 2021. We continue to benefit from our thematic approach to deployment, emphasizing faster-growing areas of the economy, which were, again, the largest drivers of appreciation in our funds.

Nowhere is that more apparent than in real estate, which led the firm's returns in the fourth quarter. In my 30-year career, I've never seen real estate fundamentals, in the sectors where we are focused, as strong as they are today.

The strength of our returns powers the Blackstone innovation machine, allowing us to expand who we serve and where we can invest. Ten years ago, our business primarily consisted of episodic drawdown

funds pursuing opportunistic returns. While this remains a terrific and vital business to us, we've added three more engines, all growing rapidly. I'll briefly touch on all four.

Starting with retail, investor demand for institutional quality income solutions, coupled with the Blackstone brand, is a potent combination. We raised over \$13 billion of equity capital in the fourth quarter across three products – BREIT, BCRED and BEPIF – the equivalent of a large drawdown fund every quarter. BREIT more than doubled last year to \$54 billion of NAV on the back of exceptional performance, generating a 30 percent net return, and was the largest contributor to earnings in the quarter.

Moving to our institutional perpetual funds, this evergreen platform is approaching and should surpass the \$100 billion milestone this year. There is significant investor demand for long-dated strategies that compound in value. In infrastructure, we reopened to new capital in the fourth quarter, raising nearly \$7 billion, and bringing the strategy to \$23 billion of perpetual capital after only four years. A few weeks ago, we announced a \$3 billion investment in Invenergy, the largest private renewables company in North America. In real estate, we talk a lot about BREIT, but don't forget the power of our institutional Core+ strategy – BPP – which grew over 30 percent last year to \$61 billion.

Turning to our drawdown funds. Given the strong pace of deployment across the firm, we're now moving into a new flagship fundraising cycle. Over the next 18 months, we expect to have launched and substantially complete fundraising for nearly all of the firm's major drawdown strategies, 17 funds targeting approximately \$150 billion in aggregate, reflecting a 25 percent increase over the prior cycle.

We expect to start raising our two largest flagships – global real estate and corporate private equity – this quarter. Our third largest, private equity secondaries, launched in the fourth quarter, raising \$13 billion in Q4, and is on track to reach approximately \$20 billion, which would be the largest secondaries vehicle ever raised. Other vehicles in this pipeline include real estate Asia, real estate Europe, real estate credit, private equity energy, growth equity, tactical opportunities, real estate and infrastructure secondaries, SP's GP continuation strategy, European credit, clean energy credit, BAAM seeding and stakes strategies, and life sciences. The breadth of the firm today is truly remarkable.

Finally, in insurance – our business more than doubled last year to approximately \$160 billion with the closing of the AIG and Everlake mandates. AIG has committed an additional \$42 billion, and we expect to find additional growth opportunities in this area over time on a capital-light basis.

Together, these four engines helped drive total inflows of \$155 billion in the fourth quarter, and \$270 billion for the year. This expansion has also opened up many new avenues to invest, and the fourth quarter was our busiest ever, with \$66 billion deployed and an additional \$19 billion committed to pending transactions. The largest new commitments were in some of our favorite secular neighborhoods, including renewables, rental housing, logistics, and content creation.

In closing – when we look at what's in front of us and our momentum in four distinct verticals, we could not be more excited about the future. We believe it is a mistake to underestimate the power of this brand and the potential of this business. And with that, I will turn things over to Michael.

Michael Chae: Thanks, Jon, and good morning, everyone. Over the past several years, we've been highlighting the transformation of the firm's capital base and earnings power, with a focus on three important dynamics. First, that sustained, robust AUM growth and the scaling of perpetual strategies would accelerate fee related earnings. Second, that our growing breadth of funds and investment firepower combined with strong returns on greater deployed capital would expand the firm's store of

value and performance revenue potential. And third, that we would grow in a capital-light way with a definitive focus on delivering value to shareholders.

The firm's record results are a perfect reflection of these dynamics at work.

First, with respect to FRE, which reached \$1.8 billion in the fourth quarter, and rose a remarkable 71 percent for the year to \$4.1 billion, or \$3.37 per share. It was only a year ago that we effectively hit our Investor Day target of \$2.00 per share, and since then, AUM is up 42 percent, fee earning AUM is up 38 percent, and perpetual capital AUM more than doubled to \$313 billion across 18 separate vehicles. Perpetual strategies now comprise 42 percent of the firm's fee earning AUM, and their growth in number and scale is contributing to FRE in two important ways: management fees that compound with accelerating inflows and appreciation in NAV, and fee-related performance revenues that crystallize on a recurring basis without asset sales.

In total, management fees rose 26 percent for the year to \$5.2 billion. Fee-related performance revenues increased more than fivefold, to \$2 billion, driven by BREIT – which crystallizes these revenues annually in 4Q, along with a significant contribution from the BPP funds, the direct lending platform in credit, and in the fourth quarter, infrastructure. The combination of 60 percent year over year growth in total fee revenues and the firm's robust margin position drove FRE margins to 56.3 percent for the year, the highest level ever.

Looking forward, the outlook for FRE is strong. In the context of the four growth verticals that Jon discussed, across three of them the majority of capital is perpetual, with the significant and compounding financial contribution that I described. Combined NAV of BREIT and BCRED alone tripled in 2021, setting a higher baseline for fee revenue entering the year. Alongside that, we expect to see a material future benefit from the upcoming flagship fund-raising cycle, with \$150 billion targeted to be raised, and respective investment periods activated over time.

Moving to performance revenues and the growing store of value, net realizations more than doubled in 2021 to \$2.9 billion, powered by record fund realizations of \$77 billion. For the fourth quarter, fund realizations were \$21 billion including: the sale of consumer finance platform Exeter, several holdings in tac opps, including specialty retailer Diamonds Direct, an upstream energy platform in credit; and certain U.S. logistics and multifamily assets. We also monetized stakes in various public holdings and refinanced a number of portfolio companies.

The Blackstone innovation machine is creating a level of activity that is unprecedented for both the firm and our industry at large – driving a meaningful elevation of our performance revenue potential. The dramatic expansion of the firm's strategies has driven a more-than three-fold increase in aggregate deployment, from \$45 billion in 2018 to \$144 billion in 2021. This in turn has led to a more-than doubling of performance revenue eligible value in the ground over this period to approximately \$450 billion, despite almost \$200 billion of realizations. Importantly, as the firm has grown, there has been no diminution of investment performance, the measure of the ongoing value creation in the capital we've cumulatively deployed.

On the contrary, the firm's returns in 2021 were some of our best. The BREP opportunistic funds appreciated 44 percent, corporate private equity 42 percent, secondaries 50 percent, Tac Opps 35 percent, infrastructure 30 percent, growth equity 28 percent, real estate Core+ 25 percent, and private credit 22 percent. The BAAM composite rose 8 percent gross for the year, outperforming the HFRX global index by over 400 basis points with significantly lower volatility than the broader market, consistent with BAAM's mandate. In BREP and corporate private equity, we reported the best annual returns in over a

decade, in secondaries, Core+, and tac opps, since inception of the strategies, and in private credit, since 2013.

Strong investment performance powered \$2.2 billion of net performance revenues in the fourth quarter and listed the balance sheet receivable to \$8.7 billion, or \$7.28 per share, the highest level in our history. This balance more than doubled year over year, notwithstanding \$3.5 billion of realized distributions. Together, outstanding growth in both FRE and net realizations drove distributable earnings for the year up 85 percent to a record \$6.2 billion or \$4.77 per share.

Finally, on delivering value to shareholders, our strong financial position and limited use of capital have allowed us to fully distribute our earnings to shareholders through dividends and share repurchases. These totaled \$6.5 billion with respect to 2021 – a record year for the firm, and we believe by far the largest capital return by any public asset manager in a single year.

In closing, the firm is truly firing on all cylinders. Our momentum has never been stronger, with enormous structural tailwinds, and multiple engines of growth. We are very optimistic about the future of Blackstone. With that, we thank you for joining the call, and would like to open it up now for questions.

Moderator: Thank you, and thank you, everyone. Your question and answer session will now begin. If you wish to ask a question, it is just star, then one, on your telephone. If you could just limit your question to one, and then if you wish to ask further questions, please rejoin the queue.

And your first question comes from Craig Siegenthaler from Bank of America. You're live in the call, Craig. Please go ahead.

Craig Siegenthaler: Thanks. Good morning, Steve, Jon, Michael. Hope you're all doing well, and congrats on the \$155 billion raised this quarter.

Jon Gray: Thank you, Craig.

Michael Chae: Thanks, Craig.

Craig Siegenthaler: So my question is on capital deployment. \$66 billion is an impressive number over a 90 day period, but can you talk about some of Blackstone's scale advantages with investing, and how you can deploy so much capital across so many businesses in mostly private assets at scale?

Jon Gray: That's a really important question. I think the key thing, Craig, is the expansion of the platform we keep talking about. What's interesting, if you look in the fourth quarter, half the money we deployed was in strategies that didn't exist five years ago. So, it was BREIT, BCRED, and our infrastructure business, two retail, one institutional, all perpetual.

And those platforms, as you know, tend to have – I'll describe it as maybe simpler products that are repeatable and scalable, which is different than what we do opportunistically. Fortunately, our returns, as you know, in private equity, real estate private equity, and those areas, have been extraordinary.

But these platforms allow us to deploy significant amounts of capital, and we own assets for long periods of time, particularly in the equity-oriented funds. And so when we buy, for instance, a ports business, or a data center business, or an apartment platform, we can deploy capital through the existing portfolio companies, which is different than in typical drawdown, buy it, fix it, sell it models.

So scale here and the nature of the capital is allowing us to deploy more capital. There's also just the breadth of the private markets, what we're seeing. Secondaries had a record deployment quarter, and that's

not a surprise, because we talked about it last quarter – many institutions have seen extraordinary performance from their private equity pools, and some are looking to make new allocations, but they're selling older funds, and that's led to huge deal volume there.

And then I would say at our scale, there is this really interesting network effect that we talked about the last couple of weeks in our management committee, and we're now, because we have so many different types of capital, so many different parts of the capital structure geography, we're a full-service solution provider to anybody who needs capital. It could be control private equity. It could be a minority stake. It could be structured equity in Tac Opps. It could be credit. Obviously, it runs across the gamut.

And so that again is giving us more power. So, it's the whole combination. It's sort of this flywheel that's been created here. It's the intellectual capital we built up, where we have great expertise in markets. It's the fact for so many counterparties we've become a one-stop solution. Using real estate as an example, we may engage with somebody on something that starts as equity, and then they decide they actually want to borrow money. We have our real estate debt business.

So there's something really powerful that's happening here at our scale and the way we work together is helping that. So our optimism of deploying capital is high, and obviously, if markets dislocate in that regard, it's helpful also.

Craig Siegenthaler: Thank you, Jon.

Moderator: Thank you. And your next question comes from the line of Alex Blostein from Goldman Sachs. You're live in the call. Please go ahead.

Alex Blostein: Hi. Good morning, everybody. So appreciate the updated target on reaching \$1 trillion AUM this year, and obviously, \$150 billion new flagship is great. But I was hoping we could dig in a little more into the fundraising backdrop in the current environment. I guess understanding the secular underpinnings remain quite strong, but how sensitive do you think the momentum looks to you, particularly in retail, for Blackstone over the last 12 months, and some of the other products will sustain in the more turbulent market backdrop that we've seen so far in January? So really was hoping to get a little more of what you're hearing real time from your institutional LPs as well as your retail distribution partners.

Jon Gray: Well, right now, we're not hearing any change. We talk to our institutional and retail customers every day. In fact, I try to talk to a CEO, at least one or two every day, because it's important to stay close to your customers. And to put things in context, of course, the S&P, despite the tradeoff, total return is up nearly 40 percent in 2 years.

And also, I would say what's interesting is remember our clients. Institutional and retail clients have large exposure to fixed income. So many of them are thinking about how can I change that. Think about our private credit business, which is so well-positioned with direct lending. We're the leading player in leveraged loans and CLOs. So clients are thinking about those things.

I think I would also just point to the fact that alternatives have consistently delivered for customers, and that's built up a lot of loyalty over time. This year, 2021, of course, was no exception. It was our best year for appreciation.

And so I would say our clients tend to take a longer-term view. Obviously, if markets trade off a lot, that can have an impact, but if you'll remember back in 2020, despite not being able to visit with our clients, despite all the turmoil, we still had a very good year raising capital. And so I just think we've gotten to a

place, as you'll hear from us, you listen to that list of 17 drawdown funds, you think about all the different perpetual vehicles, you think about all the different channels, this has really changed fundamentally as a business. We're just raising capital from many different sources.

And I think for individual investors, as context, that's an \$80 trillion market that today is probably, I don't know, 1 to 2 percent allocated to retail. And when you look at our products in those particular areas, focus on the larger ones now, BREIT and BCRED, those products are actually quite well-targeted for a higher growth, higher inflationary environment.

Steve talked about ownership in BREIT, about the kind of assets. BREIT is more than 80 percent logistics and rental housing, the kind of assets, hard assets you want to own in a raising rate environment. BCRED is all floating rate debt, so as the Fed raises rates, it benefits from that. And of course, the performance of those products has been remarkable.

And so yes, is it possible as markets trade off a lot, you'll see some slowdown. But I would say overall, on the ground today, we're continuing to see very positive momentum, and our outlook is quite good, given where we sit.

Alex Blostein: Great. Very helpful. Thanks, Jon.

Moderator: Thank you. Your next question comes from the lines of Jerry O'Hara from Jefferies. You're live in the call. Please go ahead.

Jerry O'Hara: Great. Thanks and good morning. I wanted to pick up a little bit on the fundraising, specific to the secondaries fund, which I think, if I heard you correct, roughly a \$20 billion target, which looks to be roughly double the prior vintage. So hoping you might be able to just kind of unpack the dynamics of that market a little bit, and why you feel such a large fund is I guess appropriately positioned or sized for the opportunity? Thank you.

Jon Gray: We talk a lot about megatrends and good neighborhoods, and people often associate it just with maybe technology or life sciences, clean energy, but one of the great neighborhoods is alternatives. Alternatives today are a \$10 trillion industry, which sounds big, except they're basically equal in size to five technology companies on the West Coast of the United States, and they compare to \$250 trillion of stocks and bonds that are out there.

The industry, as you know, has been growing at double digit rates for a long time. It feels like, certainly based on our results, that it's accelerating. Yet at the same time, liquidity for those who want to exit early from funds is pretty limited.

And so there's a very small percentage of outstanding NAV that trades every year. Today, it's between 1 and 2 percent. What's happening is you have an asset class that's growing very large, and liquidity that was already too small for the existing asset class, and that's creating a huge tailwind.

What's interesting in our secondaries fund, not only did we realize the most, we also deployed the most capital, because investors are trying to free up capacity. We see this as a market that is going to continue to scale. We're not surprised investors are responding. What they've responded to, Vern Perry and the team have delivered outstanding returns to customers, 16% net, for a very long time, even higher in the most recent vintages.

So, it's a market we like a lot. There seems to be some structural inefficiency because of the lack of liquidity, and it's growing fast. So this is another area of Blackstone that I think has a lot of potential relative to where it sits today.

Jerry O'Hara: Great. Thanks for the context.

Moderator: Thank you. Your next question comes from Brian Bedell from Deutsche Bank. You're live in the call. Please go ahead.

Brian Bedell: Great. Thanks. Good morning, folks. And also, congrats on a great quarter, again, and year. Maybe just circling back on some of the inflationary comments that you made earlier, just in thinking about the potential positive correlation of inflation and real estate performance, and maybe in the context of BREIT in particular, given the performance fees that were generated, how should we think about that return profile for BREIT as we go into '22, and potentially have an inflationary backdrop that persists for the year? And I guess the punchline is should we think of inflation as being positively correlated with performance fees for BREIT? And then maybe if you just want to talk about just capacity of BREIT as well in terms of where – if there are any capacity constraints on that fund in the next one to two years, given the fundraising profile of it?

Jon Gray: Great. So what I would say on BREIT, back to the earlier comments, is the fund has been really well-positioned by our real estate team. The leadership of our real estate group, Ken Caplan, Kathleen McCarthy, Nadeem Meghji, who runs our U.S. business, they've set up this product now with more than 80 percent in rental housing and logistics. And yes, those asset classes are performing extraordinarily well.

Steve said it in his remarks. The rents are growing two to three times the rate of inflation. And not only are the market rents growing, in many cases, the rents of course in place are well below the market rents. And because we're in this inflationary environment, and there are supply chain challenges, it's hard for new supply to respond as quickly as one would expect. In fact, in logistics, we think in some markets, between land and cost, replacement cost has gone up close to double. I'd say aggregately in the asset classes we like, it's probably up more than 30 percent in the last couple of years. So, owning these kind of short duration hard assets with pricing power is very positive.

That being said, I wouldn't want to say we're going to produce the same kind of extraordinary performance that happened in 2021, because that was really special, and there will be some headwinds from rising rates on values. But, overall, we feel very confident about the BREIT portfolio and continuing to deliver for shareholders in the kind of environment we face today.

Brian Bedell: That's helpful. Thank you.

Moderator: Thank you. Your next question comes from the line of Robert Lee from KBW. You're live in the call. Please go ahead.

Weston Tucker: Good morning, Rob. Can you hear us?

Rob Lee: Thanks for taking my questions, and congrats on another good quarter. Just kind of curious. The SEC recently came out with some proposals on new disclosure for private equity or private investments maybe is a way to describe it. And since in my experience, no good financial services business seems to go unpunished over time, what is it that kind of keeps you up at night, if anything, if you look at the kind of regulatory environment out there, both here and outside the U.S.? Is there anything you're particularly focused on?

Jon Gray: So what I'd say on that is that the technical change they announced yesterday that they're seeking comment on is mostly around systemic risk and reporting systemic risk – it applied to a range of industries, private equity, hedge funds, and others. I think for us, what we focus on is the fact that we've

done such a good job for customers for such a long period of time, that we've delivered solid returns. You obviously see that in our public financials. Our investors get even more detail. And that to us is really important.

And the second factor that I think is very important is we're always striving, it's been something very important to Steve since the day I joined this firm 30 years ago, and even going back longer for him – operating at the highest levels of integrity, transparency, and disclosure, that that is a core value of this firm. And thus whatever comes out from a regulatory environment, we will adapt and we will of course comply, and that's just the way we run our business.

So we understand that we're in an environment of heightened scrutiny, and we will obviously respond to it in the right way.

Rob Lee: Great. Thank you so much.

Moderator: Thank you. Your next question comes from Michael Cyprys from Morgan Stanley. You're live in the call. Please go ahead.

Michael Cyprys: Hey. Good morning. Thanks for taking the question. I just wanted to ask about retail more broadly, maybe just taking a step back, looking at retail client portfolios. They've seemed to face a challenge around providing income for an aging demographic for some time now. I guess to what extent do you see rising interest rates as alleviating those challenges and improving the relative attractiveness of more traditional fixed income products in a higher rate backdrop?

And then bigger picture, what unmet needs do you see from the retail client space, and white space more broadly, for Blackstone to provide other solutions to retail customers over time?

Jon Gray: Thanks, Mike. I think the response from investors to this kind of environment as it relates to their fixed income portfolio is they're going to be looking for ways to maintain yield, but not take duration risk. And so the problem is if they go into long term corporate or government fixed income, they may get some yield. Today, it's still small. Maybe it goes up. But if rates continue to move, if inflation stays high, they have risk of capital impairment.

And so the idea of trading some liquidity for yield oriented products where yield actually grows with rising interest rates, I think becomes increasingly attractive, and that bodes very well for our credit products. And we have obviously – we have our non-traded BDC, BCRED. We also have a public BDC, Blackstone Secured Lending. So I think both of these are well-positioned in this kind of environment.

More broadly in retail, what I would say is you're not going to be surprised that this place is focused on innovation and growth. We have gotten to a place in the retail market that is very differentiated. The fact that we've been at this for more than a decade, that we've got several hundred people already dedicated to Private Wealth under Joan Solotar – it should be to 300 people by the end of the year – that we've created products, not just our traditional drawdown, but these perpetual vehicles, that meet customer needs, that have taken I think a much more investor-friendly approach on fees, and also have delivered Blackstone's best-in-class focus on returns, has really made a difference.

And we've started – Steve talked about shelf space. We've got really unique shelf space in these platforms, relationships with the distributors, the financial institutions, with the financial advisors, and with the underlying customers. And so because of the confidence we've built, that enables us to offer other products, like a really great consumer brand company.

And so we're working on a number of things. Some are geographic in nature – use BEPIF as an example, that is the European version of BREIT. It's just started. Nobody's talking much about it. It's now at \$700 million. It's on a couple of platforms. It will grow over time.

And we're looking at different areas. We're not ready to talk about those. I could just say that don't be surprised if you see other introductions into this area as we try to meet client needs and try to create products that often offer yield and they offer an element of liquidity that you can't see in traditional alternative drawdown products, and customers are responding in a positive way. So we see this area as having very significant potential.

Steve Schwarzman: Yeah, Mike, this is Steve. If you look at it from the perspective of the distributors, they want to have products that are oriented to protecting capital, but going up continually, along with increases from the Fed. We've had some very unusual conversations, because the retail channel is dramatically under-allocated to alternatives. And the kinds of increases that some of the distributors are hopeful of achieving is a three times, four times increase. This is a massive pool of capital, and it's essential they come up with good products, and that's what we do.

I think in a way this is less about us and more about them and what the world thinks it's going to need, particularly if you look forward to more volatility. And it's sort of where do you put your money? Where you think it's safe, and where you're playing with the trends. That's what we're doing and we're doing it all over the world.

So I think this is an enduring kind of trend. And as Jon said, we've taken the approach of bringing our institutional quality products to the retail market. After ten years of investment, plus the other thing we've been doing over that time period is running in effect – we call it Blackstone University, where we have the FAs from different firms at our firm spending a day or two, learning about selling these types of products, which for some of them was new, and the fact that they've been rewarded with performance, makes them want to sell more of our products. And so it's a virtuous circle, and we're really extremely engaged with new product development that'll meet the needs of these types of customers. So when Jon's really excited about this, he's got a reason to be.

Michael Cyprys: Great. Thanks so much.

Moderator: Thank you. Your next question comes from the line of Devin Ryan from JMP Securities. You're live in the call. Please go ahead.

Brian McKenna: Hi, thanks. This is Brian McKenna for Devin. So looking at the broader private equity portfolio, I know you've been allocating more capital to growth investments, but I'm curious as to how the mix of the portfolio has evolved over time on this front. And then has there been any pickup in deployment opportunities into growth recently, just given the dislocation in the public markets? Thanks.

Jon Gray: Well, we've been really thematic, Brian, in where we deploy capital. And so yes, technology has grown as a greater percentage of the mix, but it hasn't been just a technology story, and that area has served us really well. It's one of the reasons when you look at our returns in our private equity, flagship corporate private equity area, we've seen such great returns.

But it's also other thematic areas. We've been doing a bunch around sustainability in terms of investing in software and other businesses that provide support to the green energy transition that's underway. We've been deploying capital in the housing supply and construction chain in a very meaningful way. We have a large company in Europe that's done quite well.

We've been focused on leisure and all forms of travel. We've done this in real estate, but also in private equity. We closed on a sizeable transaction with a company called VFS that processes visas for people from developing markets to visit developed markets. And what we're anticipating, of course, there, thematically, is a big recovery of travel as we come out of COVID.

And so the good news is we haven't been really big into industrials and areas where exposure to rising input costs, labor and materials, can really squeeze margin. We've tried to focus on businesses with secular tailwinds where we have pricing power. And that's why we feel quite good about the positioning of our private equity portfolio, even as we move into this bit of a different environment.

Brian McKenna: Thank you, Jon.

Moderator: Thank you. Your next question comes from Finian O'Shea from Wells Fargo. You're live in the call. Please go ahead.

Finian O'Shea: Hi. Good morning, everyone. On the market environment, again, can you talk about the impacts so far on market activity or deal flow? Are you seeing any changes in pricing or transaction volumes at this point?

Jon Gray: I think it's a little early. As I commented earlier, the real estate market, certainly not. I think in private equity, there was just such a surge at the end of last year. Some of that, people thought – in anticipation of tax changes, there were probably more sellers.

I think if the economy stays healthy, we'll still see decent transaction volume. I do think in the technology and growth areas, as the public markets had a more dramatic reset, that there it may take a little bit more time to adjust the private markets to the public market pricing. I think that bodes very well for our growth equity business that's positioned well.

I would say the good news is from our teams on the ground, seeing stocks off materially has definitely engaged more conversations with us and companies out there. So sometimes this seed planting takes a little bit of time, but my expectation is there should be a decent year for deal volume. We may see a little bit of a slowdown on the corporate side here as people readjust, but then I would expect at some point it'll probably pick back up.

Finian O'Shea: Thank you.

Moderator: Thank you. Your next question comes from Glenn Schorr from Evercore ISI. You're live in the call. Please go ahead.

Glenn Schorr: Hello there. Maybe I could just add one quick follow-up on rates and growth stocks, because you just touched on it. So you mentioned in higher rates, you have a lot of inflation protected assets that do well, rents going up two and three times inflation, and how BCRED has a lot of floating rates. All that's great.

I think one, not all, but one of the reasons where lots of growth stocks have cracked, as you noticed, was just a higher discount rate and its impact on multiples. So Blackstone partially pivoted more towards growth investing as another avenue for growth. So I'm just kind of curious on how you weigh what's happened in the market and impact of rates on all kinds of levered investments versus the specific opportunities that you see ahead of you. Sorry if some of that is repetitive.

Jon Gray: Look, I think the question on tech is really important in some of these faster growing industries, and I'd make a couple of comments. We tend to focus on companies that have positive cash

flow and make money, particularly in private equity, when we invest in tech, and it's often tech services businesses. Even in our growth equity business, we focus on companies that either make money or have high gross margins. And the companies that are facing the greatest pressure today are those that are more speculative in nature, that have to keep raising capital over time, and where the increase in discount rate impacts value. So where we focus I think is really important.

I would also point out that even in some of our tech companies we've taken public, as they've traded off, we still have very significant embedded gains, given where we bought these businesses. And when you look at the performance of our more tech-oriented investments, in the fourth quarter, revenues in our tech companies in private equity were up 20 percent and in growth up 40 percent, and that's not a surprise, because even though there's been a pullback in markets, there are big secular trends that are still under way. All of us are getting more Amazon boxes to our home. E-commerce is growing 15, 20 percent. Cloud migration continues to accelerate. I was talking to our Head of Technology, John Stecher, yesterday, who estimates our portfolio companies are spending 15 to 20 percent more on technology this year. That is an awful big number.

Consumers, you know, education is moving online. When you talk about schools, what's happening, we've made a big push into EdTech. They've gone from spending 5 to 7 percent more on software and digital today to 15 plus percent, digital infrastructure of course benefiting, because you need data centers and towers.

And so there is secular growth in these areas. Yes, some of these stocks certainly got to levels that didn't make sense. We've now seen a pullback. But I wouldn't now say therefore technology, technology services, content creation, this stuff doesn't make sense to invest in. We think it could lead to more opportunities and more rational pricing, and we really like the portfolio businesses we're invested in.

Michael Chae: And Glenn, this is Michael. I'd just add to that that particularly in private equity, yes, these are businesses with great secular tailwinds that grew in the fourth quarter on the order of 20 percent topline, but they're high profitable, they're at scale, and – importantly, we bought them at reasonable prices. We're still value investors. Since we bought them at reasonable prices and multiples of things like EBIT– a metric you rarely hear about in this space, and cash flows, and as always, with all investments for 35 years, we underwrote them to long-term exit multiples that assume normalization of rates and multiples and so forth.

And as a result, we feel we have significant embedded gain in the portfolio overall, notwithstanding fluctuations in markets.

Glenn Schorr: Thank you for all of that. Thanks.

Moderator: Thank you. And your next question comes from the line of Arnaud Giblat from BNP. You're live in the call. Please go ahead.

Arnaud Giblat: Yeah. Good morning. Could I ask, please, on the wealth and mass affluent channels in Europe, they seem to be developing very well. Could you give us a bit more color on what you're doing in Europe? You mentioned earlier BEPIF hitting \$700 million. How far could this go? What other products are you launching? Are you getting closer to entering partnerships with some of the key European wealth managers? Thank you.

Jon Gray: Yes. Europe is I think an area of real opportunity for us over time. But I do want to acknowledge that it's more challenging in the sense, almost every EU country has its own regulations

about private wealth. They are not all synchronized. Obviously, there are different languages as well. And you have much less consolidation generally amongst distributors, wealth managers.

And so the amount of boots on the ground you need to distribute this and the legal work you need to do is significant. The good news is, we've got some terrifically talented people leading that effort for us in Europe, and we've been committing significant resources to this, and we will continue to move. And I think this is another market where we could have a meaningful first mover advantage, where the strength of the brand really matters, the products really matter. We have distributed with some of the global firms our BREIT product, our BCRED product, but now having more targeted products in Europe, in euros, will make a difference.

But I wouldn't expect it to move as quickly, just because it requires a lot of effort country-by-country. But we are, as Steve likes to say, a persistent bunch. So this is something we're really focused on.

Moderator: Okay. Thank you. And your next question comes from Adam Beatty from UBS. You're live in the call. Please go ahead.

Adam Beatty: Good morning. Thank you for taking the question. You gave some context earlier about how the firm has grown and evolved in the past few years since the Investor Day. It would be great to get your thoughts on how the organization has grown and evolved at the same time, to be able to support the much larger AUM, the doubling of number of products, etc., and maybe in particular the role of technology in that. Thanks very much.

Jon Gray: So that is something you might imagine we spend a lot of time talking about, because the most important thing as we grow is to maintain our culture, attracting great talent, making sure they have a wonderful experience here, the best people want to come, that we continue to be a meritocracy, and also making sure we maintain our investment discipline. We never want to be a franchise business. We still have centralized investment control. We've got to make sure we maintain process and discipline as we grow, because that's the way investment managers get into trouble.

So what are we doing in this regard? I would say there's a multitude of things. Obviously, at the bottom up, we've been expanding our analyst class meaningfully, but also our training and onboarding – something Steve's been really focused on – we put a lot of effort on to make sure we have people as integrated as possible.

We've been doing more in the way of lateral hiring. We've hired a number of senior leaders to lead new initiatives or to move into existing businesses, something in the past we hadn't done as much of, but given our rate of growth, we need to do that.

And then we stay highly integrated. Management Committee, Operating Committee. Every Monday morning we do our BXTV. You might have seen our holiday video that made fun of us about it. We are focused on keeping this firm connected.

And then the investment committees are still run out of New York, centralized, different investment committees for different groups, but a number of people who are similar, including folks who are on this call, on multiple of these investment committees.

And so we're thinking about our process, how to streamline it in certain ways, but maintain the same investment discipline that we've always had over time. And the great news is we've had a lot of continuity with people here, and we're also attracting all this wonderful talent.

So the number we talk about 29,000 young people last year applying for 120 jobs. That's an incredible number, and I'm happy when I applied way back when that wasn't the number. But it's really important to maintain control and discipline as we have these really tremendous levels of growth.

Adam Beatty: That's perfect. Right on. Thank you very much.

Moderator: Thank you. And your final question comes from Chris Kotowski from Oppenheimer. You're live in the call. Please go ahead.

Chris Kotowski: Yeah. Good morning and thank you. I guess it's a question for Michael, probably, but I wanted to understand the fee related performance fees a bit better, because I recognize obviously it was a great quarter and a great year, but the first nine months were pretty darn good. And as of the end of the third quarter, I think the accrued performance fees in BREIT were something like \$500 million, and then it ended up, the year-end performance fee ended up being \$1.5 billion. And was that just because you had kind of accrued too conservatively in the first part of the year, or was there a jump in the fourth quarter, or what drove that?

Michael Chae: No, I think – well, first of all, you have to look obviously at the difference between gross and net. And so when you see the NAPR receivable that we disclose every quarter, that's obviously on a net basis. And what you see on the consolidated and by segment basis in our 8-K, when that becomes realized revenues, is gross revenues, and so with the cost and comp against that in the overall fee related compensation line.

So you can see it coming on a net basis in the prior quarter. There was also an incentive fee in the fourth quarter from infrastructure that you would have also seen on the receivable in the prior quarter. But then add to that, of course, in the fourth quarter, you also get the benefit of the further appreciation and inflows in the growth and asset base.

So it's there. We're cognizant that over time and confident that over time, for a number of different factors, the visibility and sort of predictability of this I think will only be enhanced over time, even as it scales and grows.

Chris Kotowski: Okay. Great. And on the private equity side, the \$212 million, which category drove that, and what's our tracking mechanism towards that, and should that be a once a year thing, or is that a quarter-by-quarter thing from here?

Michael Chae: Right, Chris. So as I mentioned in my remarks and then just now to the first part of your question, that was the incentive fee from infrastructure, from our infrastructure fund. And that is in that category, along with the BPP funds, that has periodic but recurring incentive fee events, typically three years from the three year anniversary of the investor inflows, or in some cases five years, but principally three years, and in the case of infrastructure, three years.

Chris Kotowski: Okay. Great. Thank you.

Michael Chae: And I'd just say overall, in terms of this area, as I mentioned, you saw NAV growth in just BREIT and BCRED triple in the year, so \$21 billion between those two strategies, went to \$67 billion entering this year. We had inflows on January 1st between the two strategies of \$4 billion, and obviously, as we've talked about, we feel great about the positioning of the portfolios and the further appreciation. So you combine those three factors, and notwithstanding that we have a tougher compare relative to that terrific BREIT return, we feel really good about the growing fee base and the outlook ahead.

Chris Kotowski: Great. Thank you.

Moderator: Thank you, and now I'd like to hand it back to Weston for closing comments.

Weston Tucker: Great. Thank you, everyone, for joining us, and look forward to following up after the call.

[End of Audio]