

Blackstone

Update on BX/BREIT issues before in-line EPS quarter with positive outlook on call

Maintain Rating: BUY | PO: 135.00 USD | Price: 120.97 USD

Estimate in-line earnings but improving outlook on call

Expect a more bullish outlook on key fundamental metrics (fundraising, investing, realizations) on 4Q23 earnings call on Thursday. At Davos last week, BX CEO highlighted six large investment announcements since late 4Q23 as its pipeline builds.

Negative EPS revisions driven by 2 low quality items

Driven by BX real estate FRPR: 1. BREIT FRPR adjustment following negative return in December; 2. BPP Life Sciences FRPR removal following negative return in 4Q23 which erased its 9/30/23 net accrued carry. These items are non-recurring, and these NT EPS revisions should have very little impact on 2025-26 EPS and valuation models.

BREIT redemptions could rise in Jan but then should fall

Fundholders could react to negative 4Q23 performance after redemptions improved significantly through December. However, we expect the improving trajectory to restart by March (our "fulfilled & fatigued" thesis) and for BREIT limits to end by mid-2024. Following no limits for 3 months, we also expect a very large increase in sales levels by 4Q24 as gatekeepers start to reallocate again (expect significant pent-up demand from our channel checks in the US and Asia and supported by BCRED & BXPE sales trends).

The LT bull case for BX, retail Alts and BREIT

The TAM of global retail AuM is \$80Tn and the level investing in Alts is around 2% relative to 20% in the more sophisticated institutional channel. While both channels are reallocating into Alts, the potential upside is much higher in retail. Additionally, the competitive landscape is very different with many large, mid, and small competitors in the institutional channel versus a single category leader (BX: BREIT > 6x #2 SREIT) in retail and no close peers. We believe there will be a much smaller group of beneficiaries in the retail channel and BX has a 10Y first mover advantage.

Longer-term headwinds for BREIT redemptions

(1) Ownership from Asia private wealth investors (15% of fund) given lower historical persistency in industry data. (2) S, T and D share class conversions which could motivate brokerage accounts to redeem when 8.75% cumulative trailer threshold is reached. BREIT's account mix is 60%-40% (advisory/I class vs. brokerage/S, T and D classes).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	4.76	5.17	3.83	5.09	6.48
GAAP EPS	9.19	9.98	7.93	9.97	12.18
EPS Change (YoY)	79.6%	8.6%	-25.9%	32.9%	27.3%
Consensus EPS (Bloomberg)			3.85	5.14	6.17
DPS	4.05	4.40	3.26	4.33	5.51
Valuation (Dec)					
P/E	25.4x	23.4x	31.6x	23.8x	18.7x
GAAP P/E	13.2x	12.1x	15.3x	12.1x	9.9x
Dividend Yield	3.3%	3.6%	2.7%	3.6%	4.6%

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23 January 2024

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Stock Data

Price	120.97 USD
Price Objective	135.00 USD
Date Established	11-Jan-2024
Investment Opinion	B-1-7
52-Week Range	76.19 USD - 133.53 USD
Mrkt Val / Shares Out (mn)	91,412 USD / 755.7
Free Float	99.0%
Average Daily Value	484.58 USD
BofA Ticker / Exchange	BX / NYS
Bloomberg / Reuters	BX US / BX.N
ROE (2023E)	0.4%
ESGMeter™	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Glossary:

FRE: Fee-related earnings
FRPR: Fee related performance revenues
BREIT: Blackstone Real Estate Income Trust
BCRED: Blackstone Private Credit Fund
BPP: Blackstone Property Partners
NAV: Net asset value
BXPE: Blackstone Private Equity retail vehicle
SREIT: Starwood Real Estate Income Trust

iQprofileSM Blackstone

Economic Income (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Management fees	5,167	6,283	6,721	7,491	8,392
Other fees	2,025	1,449	857	1,602	1,960
Total fee-related revenue	7,192	7,732	7,578	9,093	10,353
Performance fees	3,883	4,461	1,941	3,497	5,244
Total revenue	11,663	12,590	9,623	12,746	15,776
Base compensation expense	(2,348)	(2,331)	(2,183)	(2,694)	(2,843)
Non-compensation expense	(794)	(989)	(1,049)	(1,123)	(1,199)
Total fee-related expenses	(3,142)	(3,320)	(3,232)	(3,817)	(4,042)
Performance fee compensation	(1,558)	(1,814)	(860)	(1,527)	(2,301)
Total expenses	(4,140)	(4,352)	(3,069)	(4,285)	(5,220)
Total fee-related earnings	4,051	4,413	4,346	5,276	6,311
Distributable earnings	7,490	8,207	6,674	8,504	10,627
Taxes	(760)	(792)	(681)	(842)	(1,120)
After tax distributable earnings	3,484	3,840	2,894	3,911	5,056
Distributable earnings per share	4.76	5.17	3.83	5.09	6.48
Distribution per share	4.05	4.40	3.26	4.33	5.51

Assets Under Management

Assets under Management - EOP	880,901	974,673	1,027,045	1,112,343	1,215,520
Fee Paying AUM	649,970	718,387	770,183	839,147	924,222

Company Sector

Asset Management

Company Description

Blackstone is the largest alternative asset manager globally. Blackstone manages investments and provides services across four operating segments, including Private Equity, Real Estate, Credit, and Hedge Fund Solutions. Blackstone has offices worldwide and is headquartered in New York. Blackstone was founded in 1985 and publicly listed on the NYSE in 2007.

Investment Rationale

We think the BX stock remains undervalued as its three- to five-year earnings growth trajectory and earnings quality transformation is still underappreciated. This is supported by significant growth potential in its retail and insurance businesses.

Quarterly Earnings Estimates

	2022	2023
Q1	1.55A	0.97A
Q2	1.49A	0.93A
Q3	1.06A	0.94A
Q4	1.07A	1.00E

In-line EPS but stronger outlook on call

Estimate in-line EPS with modest revision risk to FY2024

We look for BX to report roughly in-line EPS on Thursday (\$1.00 vs. \$0.98 consensus) after sharply negative EPS revisions driven by real estate FRPR (fee-related performance revenues). Despite our Buy rating, our 2024e EPS is slightly below the consensus at \$5.09 and the consensus estimates for 2024 and 2025 have continued to be revised lower over the last 12 months. We note that BX missed the consensus EPS estimate last quarter after beating EPS estimates for the last 12 consecutive quarters. However, the beats haven't helped the stock much on the day of earnings as the BX stock had a negative reaction the last 3 quarters and with six of the last seven quarters. This supports our view that there are other metrics that are more important than distributable earnings (EPS) including fundraising and deployments.

EPS not most important earnings day factor for Alts

We don't view EPS as one of the most important factors on the day of earnings as we continue to evaluate Alt quarters through the lenses of our four Examiner data bases (1. Fundraising, 2. Investing, 3. Returns and 4. Realizations). This has been our consistent process for 12+ years. We place the most importance on fundraising which is the first stage of the Alt cycle of capital and will drive factors 2-4 in future periods in addition to LT earnings revisions. Fundraising also directly translates into FRE (fee-related earnings) which is the highest quality profit source.

Exhibit 1: BX Key Metrics (Fundraising, Deployments, and Realizations)

We expect a pickup in fundraising, deployment activity and realizations in 2024 after the slowdown in 2023

	2022A								2023E									
	2018A	2019A	2020A	2021A	Q1A	Q2A	Q3A	Q4A	2022A	Q1A	Q2A	Q3A	Q4E	2023E	2024E	2025E	2026E	
Key Metrics																		
Fundraising	100,983	134,379	95,015	270,473	49,875	88,259	44,845	43,061	226,040	40,360	30,115	25,344	30,291	126,110	152,164	182,164	208,164	
y/y																		
Change		33%	-29%	185%	58%	137%	-4%	-72%	-16%	-19%	-66%	-43%	-30%	-44%	21%	20%	14%	
q/q																		
Change					-68%	77%	-49%	-4%		-6%	-25%	-16%	20%					
Deployment	40,926	58,556	61,695	144,426	22,784	47,763	31,295	18,712	120,554	10,841	19,463	12,431	13,062	55,796	85,583	113,871	138,121	
y/y																		
Change		43%	5%	134%	29%	101%	-16%	-72%	-17%	-52%	-59%	-60%	-30%	-54%	53%	33%	21%	
q/q																		
Change					-65%	110%	-34%	-40%		-42%	80%	-36%	5%					
Realizations	34,061	40,202	42,624	77,208	23,236	29,310	15,745	13,476	81,767	17,952	17,178	14,776	14,201	64,107	78,166	92,363	106,181	
y/y																		
Change		18%	6%	81%	56%	49%	-28%	-36%	6%	-23%	-41%	-6%	5%	-22%	22%	18%	15%	
q/q																		
Change					11%	26%	-46%	-14%		33%	-4%	-14%	-4%					

Source: BofA Global Research estimates, Company filings

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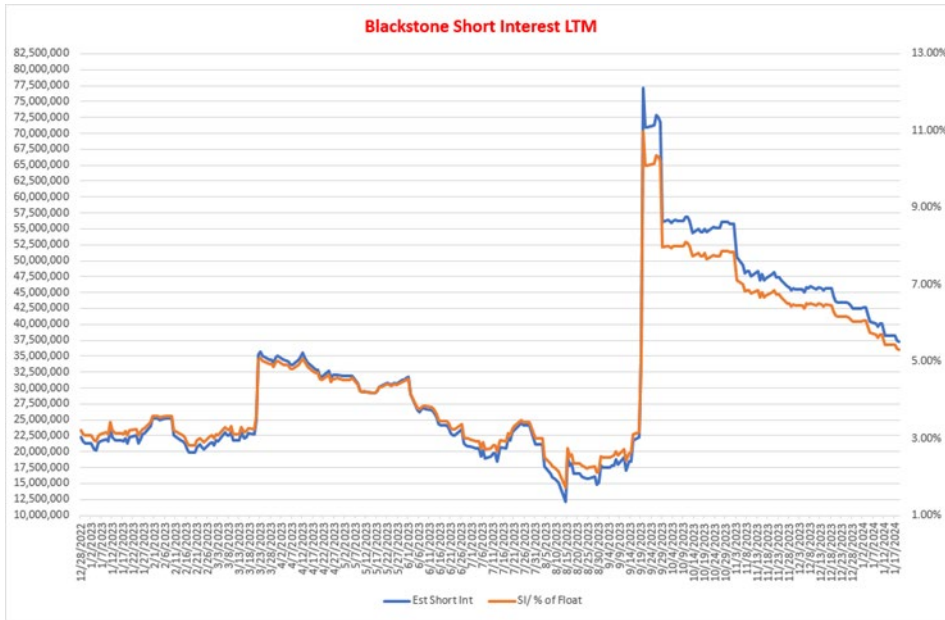
BX's valuation looks rich; There will always be a premium

We note that all category leader/share winners/biggest market caps in our four verticals (BX - Alts, BLK - Trads, SCHW - Brokers, CME - Exchanges) are currently trading at large premiums that are supported by their large cap fund and index ownerships and liquid stocks. We view BX as the gold standard of the Alts with the strongest brand and global distribution with leading share across the three distribution channels (#1 institutional, #1 retail, top 3 insurance). BX also has excellent product breadth and is the master at product innovation creating consistent first-mover advantages. In conclusion, if you are bullish on the Alts, it's hard not to be bullish on the biggest, best-in-class manager which supports its premium valuation. However, the premium valuation attracts significant short interest which is elevated today and is currently higher than before the BREIT-CalPERS announcement short squeeze in January 2023.



Exhibit 2: BX stock short interest levels

Short interest peaked in September after BX was added to the S&P 500, but has since decreased

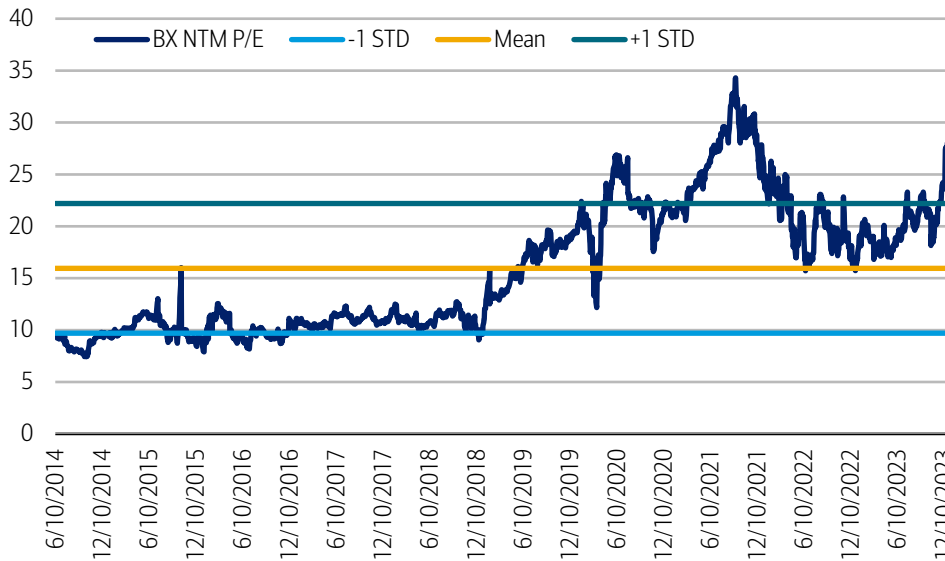


Source: BofA Global Research estimates, Bloomberg

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Exhibit 3: BX NTM PE

BX is currently trading above its mean NTM PE

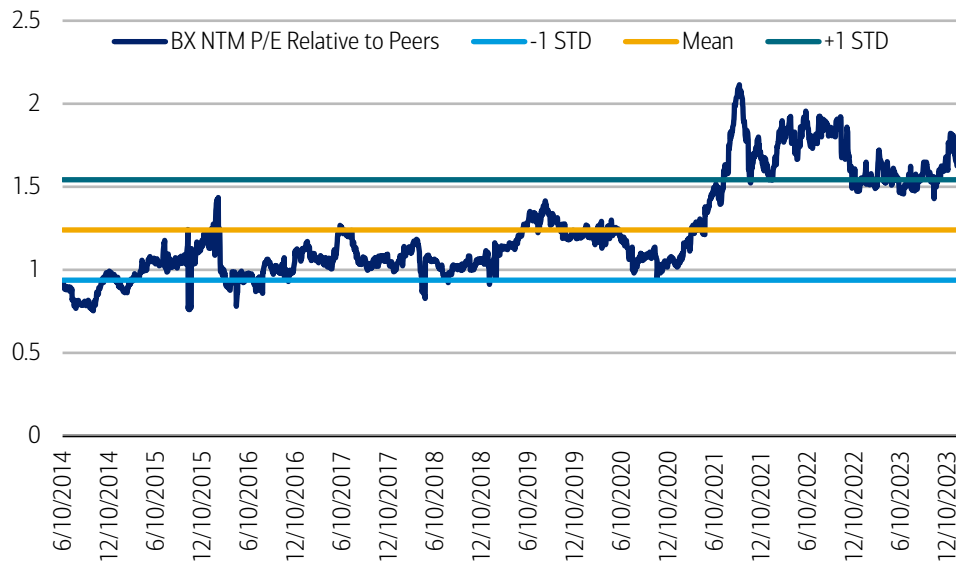


Source: BofA Global Research, Bloomberg

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Exhibit 4: BX NTM PE (relative to the peer group)

BX is currently trading above its mean NTM PE relative to peers



Source: BofA Global Research, Bloomberg

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Alt fundamentals bottomed and should improve in '24

Following the Fed rate hikes since 2021 and the 2022 bear market, we believe Alt fundamentals have broadly troughed in 2023 and will improve in 2024. This is supported by BX's deployment levels which likely bottomed in 1Q23 and realization levels which we think reached its floor in 2H23. The bull market that emerged in 2023 in addition to the prospects of lower interest rates in 2024 should stimulate financial market liquidity and trigger Alt fundamentals to broadly reaccelerate. This will lead to higher FRE and distributable earnings.

On his TV interview from Davos last week, BX CEO Steve Schwarzman highlighted the rebound in investment activity which included six large investments that were announced or closed since mid-December. Our Investment Tracker (Examiner database) highlights two public-to-privates (Rover, Adevinata) and four other transactions (Sony Payment Services, Power Grid Components, Energy Exemplar, and Civica) and Power Grid Components already closed in late December.

Exhibit 5: BofA Investment Tracker (Examiner) for Blackstone

We are tracking the Rover, Adevinata, Civica, Sony Payment Services, and Energy Exemplar transactions in early 2024

Date	Target	Deal Value (\$M)	Equity Value (\$M)	Sector	Comments
BX					
1Q23		729	146		
2Q23		18,741	3,813		
3Q23		5,122	564		
4Q23		4,676	1,016		
Pending		30,863	3,499		
Completed Transactions					
1Q23	Justin Bieber's music portfolio	200	40	Music	
1Q23	R Systems	359	72	Technology	
1Q23	Citywalk Mall	-	-	Real Estate	
1Q23	Allcargo	170	34	Transportation	
2Q23	FTV Capital	-	-		
2Q23	Industrial REIT	880	176	Real Estate	
2Q23	Care Hospital	800	160	Hospital	
2Q23	International Gemological Institute	568	114	Gems	
2Q23	3 Japanese Hotels	191	38	Hotels - Real estate	
2Q23	Emerson Asset Stake	9,700	1,940	Climate Technologies	

Exhibit 5: BofA Investment Tracker (Examiner) for Blackstone

We are tracking the Rover, Adevin, Civica, Sony Payment Services, and Energy Exemplar transactions in early 2024

Date	Target	Deal Value (\$M)	Equity Value (\$M)	Sector	Comments
2Q23	Sutro Biopharma (Royalty Deal)	140	28	Pharmaceuticals	
2Q23	Invenery Renewables Holdings LLC	1,000	200	Renewables	
2Q23	Astaris Capital Management	150	30	Hedge fund	
2Q23	Cvent	4,500	900	Media	
2Q23	Industrial Park	162	32	Warehouse	
2Q23	New tradition media	650	195	Advertising	
				Valuation and portfolio monitoring solutions	
3Q23	73 Strings	-	-		
3Q23	Student housing platform	322	64		
3Q23	CoreWeave	2,300	-	Specialized cloud provider	Debt Investment
3Q23	AEP renewables portfolio	1,500	300		
3Q23	Trackon Couriers Private Limited	-	-	Logistics & Distribution	
3Q23	Groove Labs Inc.	-	-	Software	
3Q23	Ceres Terminals	1,000	200		
4Q23	Properties in London and Edinburgh	449	90	Real Estate	
4Q23	10 properties in Copenhagen	-	-	Real Estate	
4Q23	24 properties in Sweden	106	21	Real Estate	
4Q23	4 properties in Chicago	137	27	Real Estate	
4Q23	Highgate	293	-	Hospitality	
4Q23	Banner	10	-	Internet	
4Q23	Stampli	61	-	Software	
					Blackstone has also agreed to provide \$250M to NIPSCO for capital spending
4Q23	NIPSCO	2,150	645	Oil and Gas	
4Q23	Quality Care India	580	116	Healthcare	
4Q23	Power Grid Components	585	117	Energy	
4Q23	Permira Holdings acquisition of Ergomed	305	-	Asset Management	Debt Investment
Potential Transactions					
1Q24	Groupe Premium	400	80	Wealth management company	
1Q24	Amicus Therapeutics Inc.	430	30	Biotech	
1Q24	KIMS Healthcare Management Ltd	700	140	Healthcare	
1Q24	Rover Group, Inc (ROVR)	2,300	460	Internet Media & Services	
1Q24	Sony Payment Services	280	56	Financial Technology	
2Q24	Adevinta	13,174	-	Information Technology	
2Q24	Civica	2,500	500	Software	
2Q24	Energy Exemplar	500	100	Energy	
2Q24	Tricon	3,500	700	Real Estate	
TBD	Housing units in UK	819	164	Real Estate	
TBD	Growatt Technology	1,500	338	Solar Equipment	
TBD	Film-and-TV Studio	350	-	Studio	
TBD	Pink Floyd Music Limited	500	150	Music	
TBD	Walt Disney India	-	-	Entertainment	
TBD	Lazeo	-	-	Aesthetic medicine services	
TBD	HealthComp	1,500	300	Healthcare	Debt Investment
TBD	Northern Indiana Public Service Company	2,410	482	Oil and Gas	
				Architectural, Engineering, and Construction Market	
TBD	Salas O'Brien	-	-		

Source: BofA Global Research, Company data, Press reports, Bloomberg

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BX's recent negative revisions driven by low quality items

Recent negative EPS revisions at BX were driven by low-quality revisions. Specifically, to BX's real estate FRPR (fee-related performance revenues). We view this source as lower quality due to two factors: the non-recurring nature of the cut (no big impact on 2H24 and beyond assuming normalization of returns); the lower valuation that we apply to FRPR versus FRE (but higher versus PRE = performance related earnings). Specifically, this revision had almost no impact to 2026 estimates which is how we determine our PO, and it also should have very little impact to investor 2025 SOTPs (sum-of-the-parts) valuation models or even a 10Y DCF given it really only impacted 2-3 quarters. Given the increasing complexity with SOTPs including FRPR, capital intensive insurance earnings at APO, KKR, and FRE expense movements we have migrated away from SOTPs after relying heavily on this valuation model from 2010-2021.

Exhibit 6: Sum of the Parts – Conservative Case

BX receives premium multiples relative to its peers in its conservative SOTPs case analysis

Alternative Asset Managers - Sum of the Parts - Conservative Case

Fee Related Earnings (FRE)	APO	ARES	BX	CG	KKR	TPG
Pre Tax FRE (excluding stock-based comp)	\$4.38	\$5.84	\$4.16	\$1.50	\$4.30	\$2.44
Pre Tax FRE (including stock-based comp)	\$1.94	\$4.91	\$3.18	\$0.78	\$2.79	\$2.44
Pre Tax FRE (including stock-based comp) (Insurance)	\$1.62				\$0.56	
After Tax FRE (including SBC) - AM	\$1.65	\$3.93	\$2.54	\$0.62	\$1.64	\$1.95
After Tax FRE (including SBC) - CM					\$0.60	
After Tax FRE (including SBC) - Insurance	\$1.38				\$0.45	
FRE Multiple - AM	15.0x	20.0x	20.0x	10.0x	15.0x	20.0x
FRE Multiple - CM					5.0x	
FRE Multiple - Insurance	7.5x				7.5x	
Fee related performance revenues (FRPR)	APO	ARES	BX	CG	KKR	TPG
Pre Tax FRPR	\$0.38	\$1.18	\$1.51	\$0.49	\$0.21	
After Tax FRPR	\$0.33	\$0.94	\$1.21	\$0.39	\$0.16	
FRPR Multiple	7.5x	7.5x	7.5x	7.5x	7.5x	
Performance related Earnings (PRE)	APO	ARES	BX	CG	KKR	TPG
Pre Tax PRE (realized)	\$0.56	\$2.13	\$3.24	\$2.25	\$1.72	\$0.52
After Tax PRE (realized)	\$0.48	\$1.71	\$2.59	\$1.80	\$1.46	\$0.41
PRE Multiple	5.0x	7.5x	7.5x	5.0x	5.0x	5.0x
Spread related earnings (SRE)	APO	ARES	BX	CG	KKR	TPG
Insurance Earnings/Spread related earnings (SRE)	\$8.64				\$1.43	\$0.00
After Tax Insurance Earnings/Spread related earnings (SRE)	\$7.34				\$1.10	
SRE Multiple	7.5x				7.5x	0.9x
Asset Manager Book Value (BV)	APO	ARES	BX	CG	KKR	TPG
Book Value (including accrued carry)	\$6.56	\$5.12	\$6.52	\$9.19	\$30.00	\$5.44
Book Value (excluding accrued carry)	\$3.20	\$0.83	\$0.25	\$6.18	\$24.97	\$0.61
BV Multiple	0.7x	0.9x	1.0x	0.9x	0.7x	0.9x

Source: BoFA Global Research, Bloomberg, Company filings. Note: Blackstone (BX), Apollo (APO), KKR & Co. Inc. (KKR), Ares Management Corp (ARES), TPG Inc (TPG), The Carlyle Group (CG), FRE(Freddie Mac)

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Exhibit 7: Sum of the Parts – Aggressive Case

BX receives premium multiples relative to its peers in its aggressive SOTPs case analysis

Alternative Asset Managers - Sum of the Parts - Aggressive Case

Fee Related Earnings (FRE)	APO	ARES	BX	CG	KKR	TPG
Pre Tax FRE (excluding stock-based comp)	\$4.38	\$5.84	\$4.16	\$1.50	\$4.30	\$2.44
Pre Tax FRE (including stock-based comp) (AM + CM)	\$1.94	\$4.91	\$3.18	\$0.78	\$2.79	\$2.44
Pre Tax FRE (including stock-based comp) (Insurance)	\$1.62				\$0.56	
After Tax FRE (including SBC) - AM	\$1.65	\$3.93	\$2.54	\$0.62	\$1.64	\$1.95
After Tax FRE (including SBC) - CM					\$0.60	
After Tax FRE (including SBC) - Insurance	\$1.38				\$0.45	
FRE Multiple - AM	25.0x	35.0x	30.0x	20.0x	25.0x	25.0x
FRE Multiple - CM					10.0x	
FRE Multiple - Insurance	10.0x				10.0x	
Fee related performance revenues (FRPR)	APO	ARES	BX	CG	KKR	TPG
Pre Tax FRPR	\$0.38	\$1.18	\$1.51	\$0.49	\$0.21	
After Tax FRPR	\$0.33	\$0.94	\$1.21	\$0.39	\$0.16	
FRPR Multiple	20.0x	20.0x	20.0x	20.0x	20.0x	



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BX receives premium multiples relative to its peers in its aggressive SOTPs case analysis

Alternative Asset Managers - Sum of the Parts - Aggressive Case

Performance related Earnings (PRE)	APO	ARES	BX	CG	KKR	TPG
Pre Tax PRE (realized)	\$0.56	\$2.13	\$3.24	\$2.25	\$1.72	\$0.52
After Tax PRE (realized)	\$0.48	\$1.71	\$2.59	\$1.80	\$1.46	\$0.41
PRE Multiple	10.0x	12.5x	12.5x	10.0x	10.0x	10.0x
Spread related earnings (SRE)	APO	ARES	BX	CG	KKR	TPG
Insurance Earnings/Spread related earnings (SRE)	\$8.64				\$1.43	
After Tax Insurance Earnings/Spread related earnings (SRE)	\$7.34				\$1.10	
SRE Multiple	10.0x				10.0x	
Asset Manager Book Value (BV)	APO	ARES	BX	CG	KKR	TPG
Book Value (including accrued carry)	\$6.56	\$5.12	\$6.52	\$9.19	\$30.00	\$5.44
Book Value (excluding accrued carry)	\$3.20	\$0.83	\$0.25	\$6.18	\$24.97	\$0.61
BV Multiple	1.0x	1.1x	1.1x	1.1x	1.0x	1.1x

Source: BofA Global Research, Bloomberg, Company filings Note: Blackstone (BX), Apollo (APO), KKR & Co. Inc. (KKR), Ares Management Corp (ARES), TPG Inc (TPG), The Carlyle Group (CG).

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Details on the 4Q23 real estate FRPR revision

Given lower than expected quarterly performance at BREIT (Blackstone Real Estate Income Trust, BX's flagship private wealth vehicle) in 4Q23, we think BREIT will not hit its performance return hurdle until 2Q24 or 3Q24. We currently assume a 50% probability that it hits in 2Q24 and embed a full quarter of performance fees in 3Q24 while future performance could delay this again. This means that BX will not generate its sizable performance fee from this product which is \$200M in a normal quarter (\$61B x 2.5% x 12.5% = \$190M). Additionally, as of 9/30/23 BPP (Blackstone Property Partners, institutional core real estate fund) had \$387M of net accrued carry which implied more than \$600M of future FRPR. This had us hopeful that BPP would see a sizable 4Q23 FRPR from BPP's Life Science real estate vehicle but negative returns in 4Q23 erased this expectation as it drove returns below the 7% annual hurdle (BREIT's annual hurdle is 5% vs. the BPP vehicles at 6-7% depending on fund). However, BXMT should continue generating its quarterly FRPR which is much smaller than BREIT's and we estimate at \$17M in 4Q23 and \$20M in 1Q24.

How to estimate BX's real estate FRPR in the future?

There should be contributions from three large strategies: BREIT, BPP and BXMT. The BXMT contribution will be small and consistent (model around \$20M/quarter) while the BREIT contribution will be the largest and most volatile. It is determine based on quarterly performance relative to a 1.25% hurdle but in 1Q24 there is the addition of 10bps from the 2022 incentive fee shortfall and the 2023 performance recoupment which we estimate at 60bps on average. This drives our assumption that BREIT will not generate any FRPR in 4Q23-1Q24 and there is risk to 2Q24. As BREIT posts its monthly returns, we will adjust our assumption.

Perspective on BREIT's portfolio construction - excellent

BX constructed a near perfect portfolio 3+ years ago inside of BREIT which included large allocations to logistics (26% to industrial/warehouse, rents still growing), 53% from multi-family housing (11% from student housing) and 8% from data centers (held in BX's real estate and infrastructure funds) with almost no exposure to the more challenging segments including office (3%) and retail/shopping malls (2%). While the economic and valuation backdrop continues to improve and has been aided by lower

interest rates, rising defaults in 2024 could create some performance challenges for Alt real estate managers.

Interest rate hedges drove BREIT's negative 4Q returns

The volatile interest rate backdrop is driving the valuation of BREIT's interest rate swap portfolio up/down significantly in certain periods which impacts its performance. For example, 10Y US Treasury yields peaked at 5% in October and then declined by 110bps by December 31 to 3.9% which reduced the value of BREIT derivative positions. This impacted BREIT's performance by -1.7% in December and -1.2% for the full calendar year (2023). The higher interest rate backdrop has also brought down new supply in the major sectors which sets up the portfolio well in future periods. While BREIT's monthly return was negative at -1.2% in December, it was +0.5% m/m after adjusting for the interest rate swap portfolio.

Longer-term headwinds for BREIT redemptions

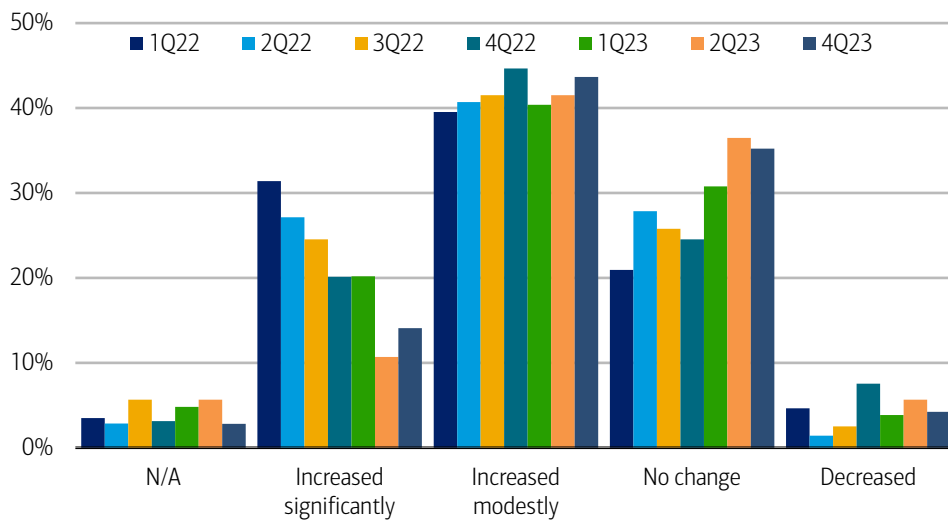
We see two longer-term headwinds for BREIT. (1) Ownership from Asia private wealth investors (estimate 15% of fund) that historically have demonstrated lower persistency than US-based investors. BREIT investors need to hold their investment for a minimum of five years, or they will drive the monthly redemption limits. Asia based mutual funds have an average holding period of about 2 years. (2) S, T and D share classes of BREIT have a built-in mechanism where they automatically convert to an I-class (no trailer) after they have paid out a cumulative 8.75% of NAV (net asset value) to their holder. If converted to a no trailer I-class, we believe financial advisors would be less motivated to advise their clients to continue owning BREIT in brokerage accounts (where they rely on the trailer for compensation). Based on the mix of I share class units (59%), we estimate the mix of advisory-brokerage account AuM is also roughly 60%-40%.

The LT bull case for BX and BREIT

The TAM of global retail AuM is \$80Tn and the level investing in Alts is around 2% relative to 20% in the more sophisticated institutional channel. While both channels are reallocating into Alts, the potential upside is much higher in retail. Additionally, the competitive landscape is very different with many large, mid, and small competitors in the institutional channel versus a single category leader (BX) in retail and no close peers. We believe there will be a much smaller group of beneficiaries in the retail channel too. Many Alts are now focused on retail, but BX had a 10Y first mover advantage and its distribution size is much larger. Relative to BREIT's \$61B AuM base, the 2nd biggest player is SREIT (Starwood Real Estate Investment Trust) with \$10B AuM (BX is 6x bigger).

Exhibit 8: BofA Financial Advisor Survey - How has client demand for alternative investments trended over the last year?

'Democratization of Alternatives' theme is still in the early innings

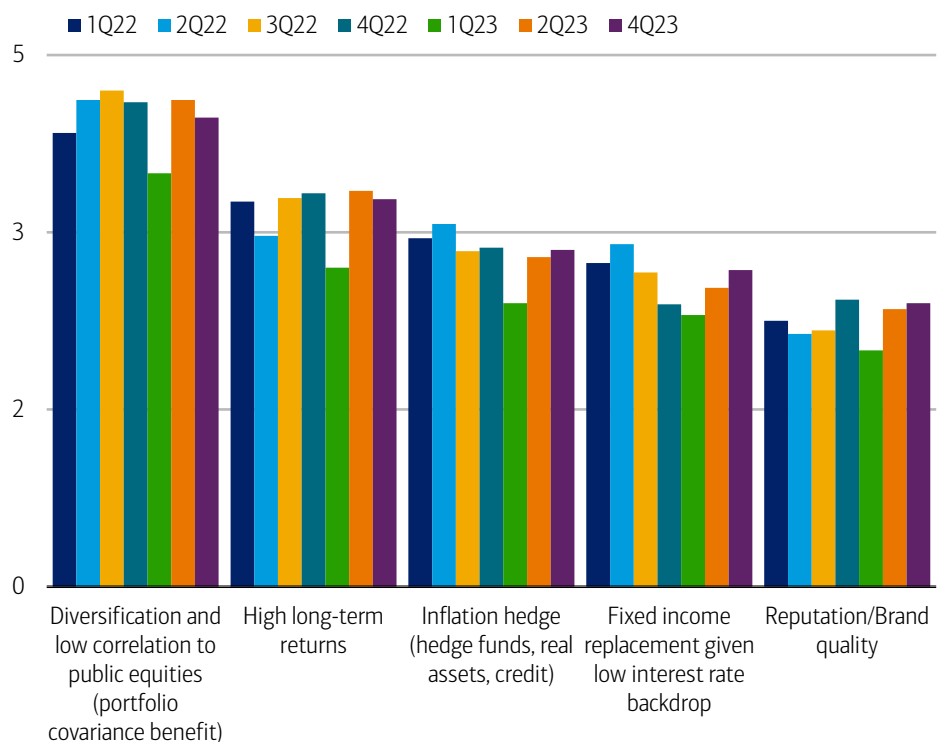


Source: BofA Global Research

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Exhibit 9: BofA Financial Advisor Survey - Rank the importance of the following qualities of alternative investments from strongest (5) to weakest (1)

Diversification/low correlation and high returns are the main factors driving retail adoptions



Source: BofA Global Research

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Despite negative '23 returns investors should be pleased

While BREIT's narrative skewed negatively in 2022 with BREIT's limits in the news and a lack of understanding of limits versus gates, the fund has still returned net 11% through a bear market and has outperformed the asset-weighted public REIT peer group by 3x. And while BREIT returned -0.5% last year, it still produced a +5% dividend and significantly outperformed the performance of public equities in 2022-23. We note that BREIT's returns would have been positive in 2023 after excluding its interest rate swap hedges and its same property NOI (net operating income) growth rate was +6% given its portfolio positioning in multi-family, industrial and data centers.

Our perspective on BREIT's limits

BREIT is not a mutual fund or ETF with unlimited liquidity features. It's a semi-liquid vehicle that uses the private REIT structure which allows for up to 2% per month/5% per quarter of total redemptions. If they are higher, the fund will limit them to protect its performance and existing fund holders. This limit feature protects the asset-liability mismatch between private assets and liquid funds. BREIT started limiting redemptions on 11/30/22 and has limited them each month since. In the process, it has returned \$14B of assets to its investors. While we viewed BREIT's limits as a negative catalyst in our July 14, 2022 note titled ["BX: BREIT/BPP net flows could be approaching zero"](#), we viewed it as a positive setup by January 2023 which we outlined in the note titled ["BX: Negative catalyst 1 \(Dec BREIT performance\) just hit; 2 more remaining"](#) from January 20, 2023. We continue to believe investor sentiment around BREIT will improve and "flip" by 4Q24 with short-term investors reacting to improving net flows.

Our "Filled & fatigue" thesis on BREIT's redemptions

While we initially expected them to spike in January 2023 as the fund initially started limiting and investors first learned how the limit mechanism worked, we estimated redemptions would consistently go down. This was driven by our view that some investors were filled while we also expected some financial advisors to be fatigued with the process. For example, feedback from some investors signaled that they questioned why they should be redeeming a product that outperformed by so much, offered a 5% yield and offers downside protection too. In December 2023, BREIT received \$1.1B in requests which was 80% lower than January and 41% lower m/m. BREIT is also able to handle all redemption requests within 2-3 months now.

Negative 4Q returns could trigger higher redemptions m/m

There could be some reaction to the negative 4Q23 performance and BREIT redemptions could rise modestly in 1Q24 before continuing its downward trajectory. In any case, we believe the limits will conclude before 4Q24 and following we will see a significant increase in sales levels. BREIT saw \$9B of peak sales in 1Q22 and our channel checks indicate that there is significant pent-up demand for Alts and BREIT in the private wealth channel, but gatekeepers want to make sure that the period of limits are over first.

Exhibit 10: BREIT Sales, Redemptions and Net Flow Trends (2022-2023)

Redemption limits started in November of 2022 and have continued to take place every month since then

	2022				2023												2023
(\$M)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
BofP NAV	69,802	70,388	69,471	67,961	68,524	71,267	70,489	69,742	68,602	67,710	67,759	67,318	66,664	65,964	64,178	62,015	
Sales	1,390	638	438	352	4701	161	715	175	118	122	130	121	129	119	116	115	
DRIP	93	95	96	96	96	93	92	90	90	90	89	88	85	84	84	84	
Redemption Requests	870	1,800	3,023	3,775	5,482	3,900	4,500	4,500	4,400	3,800	3,700	3,000	2,100	2,200	1,800	1,100	
% of NAV	1.3%	2.7%	4.4%	5.6%	8.0%	5.5%	6.4%	6.5%	6.4%	5.6%	5.5%	4.5%	3.2%	3.3%	2.8%	1.8%	
Redemptions Filled	870	1,800	1,300	151	1,370	1,400	666	1,300	1,300	628	1,300	1,300	625	1,300	1,200	569	
% of NAV	1.3%	2.7%	2.1%	0.2%	2.0%	2.0%	0.9%	1.9%	1.9%	0.9%	1.9%	1.9%	0.9%	2.0%	1.9%	0.9%	
% of redemptions filled	100%	100%	43%	4%	25%	36%	15%	29%	30%	17%	35%	43%	30%	59%	67%	52%	
Net flow	613	(1,067)	(767)	296	3,426	(1,146)	140	(1,034)	(1,092)	(416)	(1,081)	(1,091)	(411)	(1,097)	(1,000)	(370)	
Organic Growth	0.9%	-1.5%	-1.1%	0.4%	5.0%	-1.6%	0.2%	-1.5%	-1.6%	-0.6%	-1.6%	-1.6%	-0.6%	-1.7%	-1.6%	-0.6%	
Ann. Organic Growth	10.5%	-18.2%	-13.2%	5.2%	60.0%	-19.3%	2.4%	-17.8%	-19.1%	-7.4%	-19.2%	-19.4%	-7.4%	-20.0%	-18.7%	-7.2%	
Mark	0.4%	0.0%	-0.9%	0.0%	-0.3%	0.7%	-1.1%	0.1%	0.6%	0.9%	1.2%	0.9%	-0.2%	-1.0%	-1.6%	-1.3%	



Exhibit 10: BREIT Sales, Redemptions and Net Flow Trends (2022-2023)

Redemption limits started in November of 2022 and have continued to take place every month since then

	2022					2023												2023
EoFP NAV	70,388	69,471	67,961	68,524	71,267	70,489	69,742	68,602	67,710	67,759	67,318	66,664	65,964	64,178	62,015	60,864		

Source: BofA Global Research estimates, Company data

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Exhibit 11: BREIT Sales, Redemptions and Net Flow Trends (2024)

We forecast limits to end by mid-2024 and for sales to pick-up significantly by 4Q24

	2024												2024
(\$M)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
BofP NAV	60,864	60,465	60,092	60,382	60,234	60,180	60,212	60,323	60,505	60,752	61,933	63,177	
Sales	125	125	125	125	125	125	125	125	125	1000	1000	1000	
DRIP	85	85	85	85	85	85	85	85	85	85	85	85	
Redemption Requests	1,320	1,188	1,069	962	866	779	702	631	568	511	460	414	
% of NAV	2.2%	2.0%	1.8%	1.6%	1.4%	1.3%	1.2%	1.0%	0.9%	0.8%	0.7%	0.7%	
Redemptions Filled	1,217	1,188	521	962	866	779	702	631	568	511	460	414	
% of NAV	2.0%	2.0%	0.9%	1.6%	1.4%	1.3%	1.2%	1.0%	0.9%	0.8%	0.7%	0.7%	
% of redemptions filled	92%	100%	49%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Net flow	(1,007)	(978)	(311)	(752)	(656)	(569)	(492)	(421)	(358)	574	625	671	
Organic Growth	-1.7%	-1.6%	-0.5%	-1.2%	-1.1%	-0.9%	-0.8%	-0.7%	-0.6%	0.9%	1.0%	1.1%	
Ann. Organic Growth	-19.9%	-19.4%	-6.2%	-15.0%	-13.1%	-11.4%	-9.8%	-8.4%	-7.1%	11.3%	12.1%	12.7%	
Mark	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
EoFP NAV	60,465	60,092	60,382	60,234	60,180	60,212	60,323	60,505	60,752	61,933	63,177	64,480	

Source: BofA Global Research estimates, Company data

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Exhibit 12: Retail Alts performance

We expect negative performance for the real estate funds that still need to report 4Q23, following the trend set by their peers

			Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
APO	ADS	Monthly	2.5%	1.3%	1.0%	1.3%	0.6%	1.9%	1.5%	1.2%	0.9%	0.2%	1.1%	
	ADS	Qtrly			4.8%			3.7%			3.7%			
ARES	AIREIT	Monthly	-0.5%	-0.5%	0.0%	-0.2%	-2.4%	-0.2%	-2.0%	-2.3%	0.2%	-0.6%	-0.9%	-1.3%
	AIREIT	Qtrly			-1.0%			-2.9%			-4.0%			-2.6%
	AREIT	Monthly	-0.7%	0.3%	-0.4%	0.0%	-1.5%	-0.3%	-0.3%	-0.6%	0.0%	0.2%	-0.4%	-1.1%
	AREIT	Qtrly			-0.9%			-1.8%			-0.9%			-1.4%
	ASIF	Monthly	1.6%	0.7%	0.5%	1.6%	-0.2%	2.6%	1.0%	1.0%	0.7%	0.2%	1.2%	
	ASIF	Qtrly			2.9%			4.1%			2.6%			
BX	BREIT	Monthly	-0.3%	0.7%	-1.1%	0.1%	0.6%	0.9%	1.2%	0.9%	-0.2%	-1.0%	-1.6%	-1.3%
	BREIT	Qtrly			-0.7%			1.7%			1.9%			-3.8%
	BCRED	Monthly	1.9%	0.8%	0.6%	1.2%	0.3%	1.3%	1.3%	1.1%	1.6%	0.7%	1.0%	
	BCRED	Qtrly			3.2%			2.8%			4.1%			
KKR	KREST	Monthly	0.5%	-1.0%	2.2%	-1.1%	-2.1%	-1.0%	-0.1%	-0.1%	0.3%	-0.7%	-1.6%	-1.4%
	KREST	Qtrly			1.7%			-4.1%			0.1%			-3.6%
OWL	OCIC	Monthly	2.9%	0.6%	0.5%	0.9%	0.4%	1.8%	1.5%	1.1%	1.1%	0.6%	1.4%	
	OCIC	Qtrly			4.1%			3.1%			3.7%			
Starwood	SREIT	Monthly	-0.4%	0.1%	-1.5%	-0.3%	0.4%	-1.4%	0.3%	0.1%	0.1%	-0.1%	-2.5%	-3.8%
	SREIT	Qtrly			-1.9%			-1.3%			0.6%			-6.3%
Cliffwater	CCLFX	Monthly	1.2%	0.7%	0.5%	1.0%	1.1%	1.1%	1.2%	1.1%	1.0%	0.9%	1.1%	1.1%
	CCLFX	Qtrly			2.3%			3.2%			3.4%			3.2%
	CELFX	Monthly	0.9%	0.8%	0.8%	0.8%	1.0%	1.2%	1.1%	1.0%	1.2%	0.8%	1.1%	1.3%
	CELFX	Qtrly			2.6%			3.0%			3.3%			3.2%

Source: BofA Global Research estimates, Company data

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Exhibit 13: BofA Tracker (Examiner) - Fundraising

In 4Q23, Strategic Partners Real Estate VIII closed at \$2.6B and BCRED had \$2.7B of inflows

Blackstone

Total AuM (\$B)	Fundraising Pipeline
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Exhibit 13: BofA Tracker (Examiner) - Fundraising

In 4Q23, Strategic Partners Real Estate VIII closed at \$2.6B and BCRED had \$2.7B of inflows

Blackstone

			Fund Name	Comments	2023				
					1Q	2Q	3Q	4Q	FY 2023
Fundraising	3Q23	2023	<u>Private Equity & Infrastructure</u>						
Private Equity & Infra	\$9.4	\$26.5	BCP IX	BCP VIII Closed at \$25B (2020); BCP IX raised \$16.6bn through 2Q23; Targeting low 20s; Final close early next year	\$361	\$1,077	\$2,000	\$500	\$3,937
Real Estate	\$5.3	\$25.3	Tactical Opportunities IV	Launched in November; First close likely in 2H23; Targeting \$10 billion (inclusive of co-invest); Final close of \$5.2B in August	\$737	\$1,622	\$2,441	\$500	\$5,300
Credit & Insurance	\$9.2	\$47.6	Growth Equity II	Growth I final close at \$4.5B in 1Q21; Growth II first close was 2Q22; Raised \$4B through 2Q; Targeting \$8B	\$529	--	\$500	\$500	\$1,529
HF/GP Stakes	\$2.0	\$7.6	BCP Asia III	BCP Asia II raised \$6.7B (3Q21 vintage); Not in market yet	--	--	--	--	\$0
Total (\$Bn)	\$26.0	\$107.0	Core Private Equity III	Core Private Equity II (1Q21) raised in 8.2B; Back in market 2H24	--	--	--	--	\$0
		0	Energy IV	Energy III (1Q20 vintage) raised \$4.4B; Fund IV first-closed in 2Q23	--	\$2,055	\$1,000	\$1,000	\$2,000
Flagship Funds			Life Sciences VI	Fund V raised \$4.6B (1Q20 vintage); Comes back early next year	--	--	--	--	\$0
Private Equity	Vintage	Raised	Infrastructure Partners	Expect a ramp in 2H23 given strong performance in 1H23	\$1,676	\$713	\$1,500	\$1,500	\$5,389
BCP VI	2010	\$15.0	Strategic Partners X	PE secondaries fund, SP IX Closed at \$22B (4Q21)	--	--	--	--	\$0
BCP VII	2016	\$19.0	Strategic Partners IX	PE Secondaries; Closed in 1Q23 at \$22.2B (4Q21 vintage)	\$904	--	--	--	\$904
BCP VIII	2020	\$25.0	Other private equity	SMAs, Co-investments	\$349	\$3,073	\$2,000	\$2,000	\$7,422
Secondaries	Vintage	Raised	<u>Real Estate</u>						
SP VIII	2019	\$11.0	BREP X	BREP X (3Q22) closed at \$30.4B in 1Q23	\$1,600	--	--	--	\$1,600
SP IX	2022	\$22.0	BREP Europe VII	BREP Europe VI Closed at 9.5B EUR (2019); targeting similar size for VII; Accelerated partial first close in 2Q23, expect the rest in 3Q23	--	\$1,300	\$2,500	\$500	\$4,300
Real Estate	Vintage	Raised	BREP Asia IV	Asia III (1Q22) raised \$8.2B; Target expected to be \$9.0B	--	--	--	--	\$0
BREP VIII	2015	\$16.8	BREDS V	Blackstone Real Estate Debt (BREDS) IV - \$8.0B (3Q22); BREDS V targeting to raise similar to previous fund; ~\$4B raised so far; Expect final close in 2Q24	\$2,087	\$202	\$1,000	\$1,000	\$4,289
BREP IX	2019	\$20.5	Real Estate Secondaries VIII	Announced final close on \$2.6B for Strategic Partners Real Estate VIII.	--	--	--	\$500	\$500
BREP X	2022	\$30.4	BREIT	Nontraded REIT	\$5,500	\$791	\$791	\$750	\$7,832
Real Estate Europe	Vintage	Raised	Core Plus Strategies	Expect more in 2H23 than 1H23	\$2,513	\$2,285	\$1,000	\$1,000	\$6,798
BREP Europe IV	2013	\$7.0	Other Real Estate	Primarily Insurance SMAs; Expect more in 2H23 than 1H23	\$5,346	\$3,961	\$4,500	\$5,500	\$19,307
BREP Europe V	2016	\$8.0	<u>Credit & Insurance</u>						
			Long Only/MLPs (Harvest)		\$500	\$500	\$500	\$500	\$2,000
			Global Direct Lending	Includes new global direct lending strategy launched in 1Q23 targeting \$10B first vintage	\$3,091	\$1,649	\$2,000	\$2,000	\$8,740
			BCRED	Includes GSO Euro Senior Debt III which first-closed in 1Q23; €4.5B prior vintage	\$3,209	\$4,051	\$3,000	\$3,000	\$13,260
			CLO	Raised \$32B in 2021	\$4,005	\$599	\$418	\$1,000	\$6,022
			Credit Mezzanine IV	\$7.5B target; Not in market	--	--	--	--	\$0
			BGREEN III	Hit \$7.1B hard cap in August	\$1,200	\$1,300	\$300	--	\$2,800
			Other credit & insurance	Primarily Insurance SMAs; Expect more in 2H23 than 1H23	\$4,585	\$4,204	\$3,000	\$3,000	\$14,789
			<u>Hedge Fund/GP Stakes</u>						
			Hedge Fund Solutions	BPS - fund of fund product	\$2,168	\$1,382	\$2,000	\$2,000	\$7,550
			GP Stakes III	GP Stakes II closed at \$5.6B; Comes back early 2024	--	--	--	--	\$0
Total AuM \$1,018B			BX Commitments / Inflows		\$40,359	\$30,763	\$30,450	\$26,750	\$128,322
			<u>Total Commitments / Inflows (Model Estimates)</u>		\$40,360	\$30,115	\$25,344	\$30,291	\$126,110
3Q23 Inflows		\$25.3			0	5	4	1	0



Exhibit 13: BofA Tracker (Examiner) - Fundraising

In 4Q23, Strategic Partners Real Estate VIII closed at \$2.6B and BCRED had \$2.7B of inflows

Blackstone

Source: BofA Global Research estimates, Company data, Bloomberg

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Exhibit 14: BofA Tracker (Examiner) - Investing

We are tracking the Rover, Adevinata, Civica, Sony Payment Services, and Energy Exemplar transactions in early 2024

Date	Target	Deal Value (\$M)	Equity Value (\$M)	Sector	Comments
BX					
1Q23		729	146		
2Q23		18,741	3,813		
3Q23		5,122	564		
4Q23		4,676	1,016		
Pending		30,863	3,499		
Completed Transactions					
1Q23	Justin Bieber's music portfolio	200	40	Music	
1Q23	R Systems	359	72	Technology	
1Q23	Citywalk Mall	-	-	Real Estate	
1Q23	Allcargo	170	34	Transportation	
2Q23	FTV Capital	-	-		
2Q23	Industrial REIT	880	176	Real Estate	
2Q23	Care Hospital	800	160	Hospital	
2Q23	International Gemological Institute	568	114	Gems	
2Q23	3 Japanese Hotels	191	38	Hotels - Real estate	
2Q23	Emerson Asset Stake	9,700	1,940	Climate Technologies	
2Q23	Sutro Biopharma (Royalty Deal)	140	28	Pharmaceuticals	
2Q23	Invenergy Renewables Holdings LLC	1,000	200	Renewables	
2Q23	Astaris Capital Management	150	30	Hedge fund	
2Q23	Cvent	4,500	900	Media	
2Q23	Industrial Park	162	32	Warehouse	
2Q23	New tradition media	650	195	Advertising	
3Q23	73 Strings	-	-	Valuation and portfolio monitoring solutions	
3Q23	Student housing platform	322	64		
3Q23	CoreWeave	2,300	-	Specialized cloud provider	Debt Investment
3Q23	AEP renewables portfolio	1,500	300		
3Q23	Trackon Couriers Private Limited	-	-	Logistics & Distribution	
3Q23	Groove Labs Inc.	-	-	Software	
3Q23	Ceres Terminals	1,000	200		
4Q23	Properties in London and Edinburgh	449	90	Real Estate	
4Q23	10 properties in Copenhagen	-	-	Real Estate	
4Q23	24 properties in Sweden	106	21	Real Estate	
4Q23	4 properties in Chicago	137	27	Real Estate	
4Q23	Highgate	293	-	Hospitality	
4Q23	Banner	10	-	Internet	
4Q23	Stampli	61	-	Software	
4Q23	NIPSCO	2,150	645	Oil and Gas	Blackstone has also agreed to provide \$250M to NIPSCO for capital spending
4Q23	Quality Care India	580	116	Healthcare	
4Q23	Power Grid Components	585	117	Energy	
4Q23	Permira Holdings acquisition of Ergomed	305	-	Asset Management	Debt Investment
Potential Transactions					
1Q24	Groupe Premium	400	80	Wealth management company	
1Q24	Amicus Therapeutics Inc.	430	30	Biotech	
1Q24	KIMS Healthcare Management Ltd	700	140	Healthcare	
1Q24	Rover Group, Inc (ROVR)	2,300	460	Internet Media & Services	
1Q24	Sony Payment Services	280	56	Financial Technology	
2Q24	Adevinta	13,174	-	Information Technology	

Exhibit 14: BofA Tracker (Examiner) - Investing

We are tracking the Rover, Adevinata, Civica, Sony Payment Services, and Energy Exemplar transactions in early 2024

Date	Target	Deal Value (\$M)	Equity Value (\$M)	Sector	Comments
2Q24	Civica	2,500	500	Software	
2Q24	Energy Exemplar	500	100	Energy	
2Q24	Tricon	3,500	700	Real Estate	
TBD	Housing units in UK	819	164	Real Estate	
TBD	Growatt Technology	1,500	338	Solar Equipment	
TBD	Film-and-TV Studio	350	-	Studio	
TBD	Pink Floyd Music Limited	500	150	Music	
TBD	Walt Disney India	-	-	Entertainment	
TBD	Lazeo	-	-	Aesthetic medicine services	
TBD	HealthComp	1,500	300	Healthcare	Debt Investment
TBD	Northern Indiana Public Service Company	2,410	482	Oil and Gas	
TBD	Salas O'Brien	-	-	Architectural, Engineering, and Construction Market	

Source: BofA Global Research estimates, Company data, Press reports, Bloomberg

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Exhibit 15: BofA Tracker (Examiner) - Returns

We look for positive PE returns in 4Q23 (BX also sold its Embassy Office REITs during the quarter)

BX								
09/29/23					12/29/23			
Segment & Portfolio Co	% Change	Price	Shares (M)	Total Amount (\$M)	% Change	Price	Shares (M)	Total Amount (\$M)
Private Equity								
Cheniere Energy	17%	54.19	109	5884	-8%	49.79	109	5406
Gates Industrial Corp	-14%	11.61	114	1318	16%	13.42	99	1322
Energy Transfer	10%	14.03	153	2150	-2%	13.80	153	2115
MPLX	5%	35.57	45	1600	3%	36.72	45	1651
Bumble	-11%	14.92	42	624	-1%	14.74	42	616
London Stock Exchange	-6%	100.50	24	2412	18%	118.36	4	473
PG & E CORP	-7%	16.13	48	776	12%	18.03	48	867
Diamond Back Energy	18%	154.88	8	1231	0%	155.08	8	1233
FirstEnergy	-12%	34.18	58	1971	7%	36.66	58	2114
Chesapeake	3%	86.23	13	1092	-11%	76.94	13	975
Targa Resources	13%	85.72	6	535	1%	86.87	6	543
Western Midstream Partners	3%	27.23	18	477	7%	29.26	18	513
Corebridge Financial Inc	12%	19.75	63	1237	10%	21.66	63	1357
Pembina Pipeline Corp	-4%	30.15	10	316	14%	34.51	10	362
Patterson-UTI Energy Inc		13.84	33	453	-22%	10.80	33	354
Enterprise Products	4%	27.37	21	565	-4%	26.35	21	544
Private Equity Public Holdings Total Value				\$23,047	\$20,445			
	% Public	14%	Public Performance	4%	% Public	17%	Public Performance	2%
	% Private	86%	Private Performance	1%	% Private	83%	Private Performance	3%
Private Equity Total Value Increase (est)				1.4%	2.8%			
Real Estate								
Embassy Office Parks REIT	2%	3.62	224	809				
Real Estate Public Holdings Total Value				\$809	\$0			
	% Public	5%	Public Performance	2%	% Public	1%	Public Performance	
	% Private	95%	Private Performance	2%	% Private	99%	Private Performance	3%
Real Estate Total Value Increase (est)				2.0%	3.0%			

Source: BofA Global Research estimates, Bloomberg, Company filings

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Exhibit 16: BofA Tracker (Examiner) - Realizations

We are tracking 4Q23 exits in Bellagio and Hotel Investment Partners among others

Blackstone Group Monetization Activity Tracker		
BofA Estimated Realizations		BoA Estimates



Exhibit 16: BofA Tracker (Examiner) - Realizations

We are tracking 4Q23 exits in Bellagio and Hotel Investment Partners among others

Blackstone Group							
	PE	RE			Net Realized Carry		
	Amt	Amt	Total		PE	RE	Total
1Q23	\$639	\$8,822	\$9,461		\$0.03	\$0.09	\$0.12
2Q23	\$2,502	\$2,130	\$4,632		\$0.09	\$0.05	\$0.13
3Q23	\$1,313	\$2,292	\$3,605		\$0.05	\$0.00	\$0.06
4Q23	\$1,021	\$3,427	\$4,448		\$0.04	\$0.04	\$0.08
Completed Quarter	Announced Date	Target	Exit Amt (Est. \$M)	MOIC Est.	Cost Basis	Net Real Perf Fees	Net Cash Earnings
Private Equity M&A Exits							
3Q23	1-Sep	Schenck Process Food and Performance Materials	\$730	2.0x	\$365	\$40	\$0.03
4Q23	22-May	SCHENCK	\$730	2.0x	\$365	\$40	\$0.03
2Q23	15-May	IBS Software	\$450	2.0x	\$225	\$25	\$0.02
2H23	5-Jul	Ultrerra Drilling Technologies	\$370	2.0x	\$185	\$20	\$0.02
TBD	5-Jul	Geo-Young	\$2,000	2.0x	\$1,000	\$110	\$0.09
Real Estate M&A Exits							
1Q23	1-Dec	MGM Grand & Mandalay Bay	\$5,500	1.3x	\$4,231	\$105	\$0.00
1Q23	7-Mar	London Waterfront complex	\$722	2.0x	\$361	\$30	\$0.00
1Q23	10-Mar	Vivint	\$2,600	2.0x	\$1,300	\$107	\$0.09
2Q23	27-Apr	Japan logistics portfolio	\$400	2.0x	\$200	\$17	\$0.01
2Q23	6-Jun	JW Marriott San Antonio	\$800	2.0x	\$400	\$33	\$0.00
2Q23	26-Jun	Industrial Property	\$930	2.0x	\$465	\$38	\$0.03
3Q23	13-Jul	2 RE properties	\$92	2.0x	\$46	\$4	\$0.00
3Q23	24-Jul	Simply Self Storage	\$2,200	2.0x	\$1,100	\$0	\$0.00
4Q23	5-Aug	DC Office	\$244	2.0x	\$122	\$0	\$0.00
4Q23	25-Aug	Bellagio	\$950	2.0x	\$475	\$0	\$0.00
4Q23	31-Oct	Hotel Investment Partners	\$1,400	2.0x	\$700	\$0	\$0.00
TBD	20-Sep	Butlin's	\$300	2.0x	\$150	\$12	\$0.01
TBD	7-Nov	PRI Operating	\$2,000	2.0x	\$1,000	\$83	\$0.07
TBD	3-Feb	Spanish Buildings	\$379	2.0x	\$190	\$16	\$0.01
TBD	7-Jul	6 RE properties in NYC					
TBD	21-Jun	Spanish Loan Portfolio	\$2,190	2.0x	\$1,095	\$90	\$0.07
TBD	30-Aug	11 RE properties	\$143	2.0x	\$71	\$6	\$0.00
PE Follow-on Offerings							
1Q23	14-Mar	Sona BLW Forgings	\$597	3.0x	\$199	\$44	\$0.04
1Q23	7-Mar	LSE	\$362	2.0x	\$181	\$15	\$0.01
2Q23	17-May	LSE	\$1,653	2.0x	\$827	\$68	\$0.06
2Q23	23-May	Gates Industrial	\$399	2.0x	\$199	\$16	\$0.01
3Q23	7-Sep	LSE	\$583	2.0x	\$292	\$24	\$0.02
4Q23	7-Dec	Gates Industrial	\$169	2.0x	\$84	\$7	\$0.01
4Q23	27-Dec	Alight	\$123	2.0x	\$61	\$5	\$0.00
RE Follow-on Offerings							
4Q23	19-Dec	Embassy REIT	\$833	2.0x	\$417	\$46	\$0.04
Initial Public Offerings							
TBD	7-Jul	Ridgeback Resources	\$383	2.0x	\$191	\$21	\$0.02
TBD	5-May	Cirsa					

Source: BofA Global Research estimates, Company data, Press reports, Bloomberg

BofA GLOBAL RESEARCH

Price objective basis & risk

Blackstone (BX)

Our price objective (PO) for Blackstone is \$135 and is derived from 22.5x 2026E cash earnings. Our definition of cash earnings uses the company's distributable earnings metric and adds back stock-based comp expense. Risks to our PO are a weaker macro and capital markets backdrop, legal and political risk, increased regulation and tax reform, key person risk and a unique corporate structure.

Analyst Certification

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Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Ameriprise Financial	AMP	AMP US	Craig Siegenthaler, CFA
	Ares Management Corp	ARES	ARES US	Craig Siegenthaler, CFA
	BlackRock, Inc.	BLK	BLK US	Craig Siegenthaler, CFA
	Blackstone	BX	BX US	Craig Siegenthaler, CFA
	Blue Owl Capital	OWL	OWL US	Craig Siegenthaler, CFA
	Cboe Global Markets	CBOE	CBOE US	Craig Siegenthaler, CFA
	Interactive Brokers	IBKR	IBKR US	Craig Siegenthaler, CFA
	Intercontinental Exchange	ICE	ICE US	Craig Siegenthaler, CFA
	KKR & Co. Inc.	KKR	KKR US	Craig Siegenthaler, CFA
	Raymond James Financial	RJF	RJF US	Mark McLaughlin, CFA
	TPG Inc	TPG	TPG US	Craig Siegenthaler, CFA
	Tradeweb Markets Inc.	TW	TW US	Craig Siegenthaler, CFA
	Victory Capital Holdings, Inc.	VCTR	VCTR US	Craig Siegenthaler, CFA
	Virtu Financial	VIRT	VIRT US	Craig Siegenthaler, CFA
NEUTRAL				
	Affiliated Managers Group	AMG	AMG US	Craig Siegenthaler, CFA
	Apollo Global Management	APO	APO US	Craig Siegenthaler, CFA
	Brookfield Asset Management	BAM	BAM US	Craig Siegenthaler, CFA
	CME Group Inc	CME	CME US	Craig Siegenthaler, CFA
	Invesco	IVZ	IVZ US	Craig Siegenthaler, CFA
	Janus Henderson Group	JHG	JHG US	Craig Siegenthaler, CFA
	LPL Financial Holdings	LPLA	LPLA US	Craig Siegenthaler, CFA
	Patria	PAX	PAX US	Craig Siegenthaler, CFA
UNDERPERFORM				
	Charles Schwab Corp.	SCHW	SCHW US	Craig Siegenthaler, CFA



US - Brokers, Asset Managers, & Exchanges Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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	Nasdaq	NDAQ	NDAQ US	Craig Siegenthaler, CFA
	Robinhood Markets	HOOD	HOOD US	Craig Siegenthaler, CFA
	T. Rowe Price	TROW	TROW US	Craig Siegenthaler, CFA
	The Carlyle Group	CG	CG US	Craig Siegenthaler, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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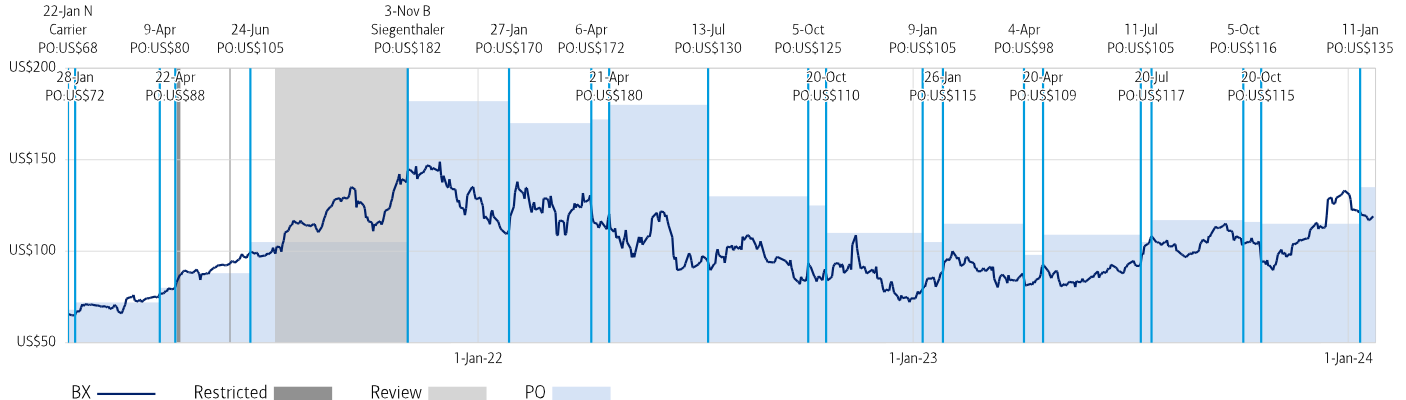
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Blackstone (BX) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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