

# An Unprecedented Year

The Covid-19 pandemic created an unprecedented set of challenges for the global economy and society at large. For the first time in history, the United States and most other major countries voluntarily shut themselves down, creating the worst unemployment since World War II. Quick action by governments and central banks around the world helped stave off an even more severe and protracted crisis. In the U.S. alone, multiple major rounds of stimulus equating to more than 25% of GDP have been critical in supporting the most vulnerable as we move toward a recovery. Thankfully, the response from science has been truly remarkable, with effective vaccines developed and approved in record time. As these vaccines are increasingly deployed, I am confident the world will navigate a safe reopening and expect a robust recovery in global growth later this year.

At Blackstone, our business is built to weather difficult periods and to deliver for our investors in good times and bad. Despite its many extremes, 2020 was no exception, and the firm generated outstanding performance across key metrics. Distributable Earnings reached \$3.3 billion for the year, or \$2.65 per common share, up 16% versus the prior year. Fee Related Earnings ("FRE") increased 33% to a record \$2.4 billion, or \$1.97 per share – effectively achieving the target we set at our Investor Day in 2018, one year early and notwithstanding the pandemic<sup>1</sup>. Our fund investors continued to entrust us with more of their capital, resulting in inflows of \$95 billion – the fourth year in a row approaching or exceeding \$100 billion – and bringing our total assets under management ("AUM") to a record \$619 billion.

The powerful transformation of our firm that we outlined at Investor Day continues, with our capital base increasingly shifting toward perpetual strategies such as Real Estate Core-Plus, insurance solutions and private credit. Since that time, perpetual capital AUM has more than doubled to \$135 billion across 14 strategies – through the expansion of our business lines as well as the types of investors we serve. Our non-traded REIT "BREIT," along with our new private credit fund "BCRED" – two exciting product offerings in the private wealth channel – were together raising nearly \$2

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**+16%**  
distributable earnings  
year-over-year growth

**+33%**  
fee related earnings  
year-over-year growth

**\$619B**  
in total AUM

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(1) GAAP Net Income was \$2.3 billion, or \$1.50 per common unit, in 2020. GAAP Net Income Attributable to The Blackstone Group Inc. was \$1.0 billion in 2020.

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billion per month as of February. The firm now manages over \$100 billion of AUM in private wealth and will manage approximately \$100 billion from the insurance channel, including the pending acquisition of life insurance and annuity assets from Allstate. And as the nature of the capital we manage evolves, so does our earnings mix toward steadier and more recurring FRE, which now comprises approximately two-thirds of the firm's earnings, up from one-third in 2017.

For our shareholders, the performance of BX stock is starting to reflect these strong results, generating a total return of 126% since we announced our corporate conversion in April 2019, roughly three times the total return of the S&P 500. Blackstone's market capitalization has grown to \$90 billion, making our firm the 92nd largest U.S public company<sup>2</sup>. And we have tremendous forward momentum. I have never been more optimistic about our prospects.

## A Position of Strength

As history has shown, difficult periods distinguish the best investment managers. It is in the times of greatest stress when Blackstone's mission – to protect and grow our investors' capital – becomes most vital.

During the global financial crisis, when many investment managers collapsed entirely, Blackstone's performance was highly differentiated. We were able to meaningfully deepen our limited partner relationships, extend our leadership positions in existing businesses and launch several new ones, setting the stage for the firm's extraordinary growth over the next decade. Looking back at the past year, I see clear parallels between our experience then and now. While the market decline in 2020 was steeper and the rebound swifter, this period has similarly highlighted Blackstone's distinctive position and created very favorable dynamics with our fund investors.

During the worst of the downturn, our business model – based on third-party capital under long-term contracts – allowed us to focus on protecting our companies and properties, without ever facing pressure to sell. We had substantial capital reserves in our funds if needed, and the firm itself has maintained billions of dollars of available liquidity with virtually no net debt. Most importantly, our portfolio was exceptionally well positioned. For years we've emphasized faster growing sectors in our capital deployment, including businesses connected to the digital economy and the life sciences revolution. As a result, our portfolio has shown not only resiliency during the pandemic, but fundamental strength.

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**\$90B**

BX market capitalization

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(2) Market data as of April 1, 2021

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In Real Estate, for example, many investors were concerned about a negative impact on retail, hotels and urban office – but our largest investment themes had shifted years ago to logistics, life science office and U.S. suburban multifamily which now comprise more than half of our global real estate portfolio. This sector selection, combined with our world-class asset management capabilities, helped drive 1,100 basis points of outperformance in 2020 for our opportunistic real estate funds as compared to the public REIT index.

Blackstone's adaptive culture was also a key advantage. As offices began to close around the world, we were able to transition seamlessly to a remote working environment. Our people remained fully connected – to each other, to our portfolio companies and to our investors. The global investment committee process we've relied on for decades – which had always utilized video conferencing to connect our various offices around the world for face-to-face meetings – helped prepare us, with our technology infrastructure already in place and up to the task.

Despite the challenging months that followed, our people remained fully engaged in every aspect of managing the firm's portfolio and serving our clients. Our New York City headquarters began its reopening in the summer, implementing extensive safety measures including providing mandatory Covid testing, now twice per week. While the majority of our investment professionals are now coming into the office, our people didn't miss a beat during this volatile period.

Blackstone's connectivity and uninterrupted focus helped us remain front footed as investment opportunities emerged from the crisis. In the early weeks of the market dislocation, we bought \$11 billion of public equities and liquid debt in sectors where we had a favorable long-term view. As markets recovered, the opportunity shifted to regular-way control investments. By the fourth quarter of 2020, activity had rebounded meaningfully. We invested a record \$25 billion in the quarter, bringing deployment for the full year to \$62 billion and adding to the firm's foundation of future value.

As we move further in 2021, with the world firmly on the path to recovery, I believe that Blackstone is uniquely positioned for continued success. Our brand has never been stronger with global investors. We are constantly broadening the set of investment solutions we can offer, with more large-scale new product initiatives underway today than ever before. In a year that tested every investment manager, the virtuous circle driving Blackstone's success – strong performance leading to investor trust and further growth – has continued to set our firm apart.

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**\$25B**

deployed in 4Q, a firm record

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**\$62B**

total deployment in 2020

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## Investing in Growth

Blackstone's rigorous investment process was key to our performance in 2020, as it has been since our inception in 1985. We've developed a highly analytical framework in which we build conviction around specific themes and ideas. We leverage our expansive global portfolio of nearly 1,000 companies and assets to generate real insights that inform our investing. Our scale allows us to express these high-conviction areas in large size across multiple pools of capital. These themes become self-perpetuating ecosystems of knowledge within the firm and provide a real information advantage. In recent years, this process has led to strong emphasis on areas connected to the rise of e-commerce, revolutionary advances in medical technology and the renewable energy transition.

### The Life Sciences Revolution

Five years ago, we recognized that the rapid growth of biomedical research would create a new investment paradigm, and we set out to build the leading private markets platform in this emerging area. In Real Estate, this led us to the privatization of BioMed, which we subsequently grew into the largest private owner of life science office properties in the U.S. Last year, we completed a \$14.6 billion recapitalization of the company, raising a fifth perpetual capital vehicle on our nearly \$70 billion Real Estate Core-Plus platform focused on life science office assets.

Last year, we also completed the fund-raise for Blackstone's inaugural dedicated life sciences fund – the industry's largest – which reached its hard cap of \$4.6 billion, with excess demand. This business engages in strategic collaborations with established life sciences companies, late-stage product financings and growth investments in emerging companies. Recent investments include in RNAi therapies, medicines for kidney disease in children and next-generation diabetes management devices.

Elsewhere at the firm, we invested in Cryoport, a provider of cold chain logistics solutions supporting cell and gene therapies, and Precision Medicine, which helps life sciences companies conduct clinical trials. We are extremely proud of the life-saving treatments we are supporting, in addition to the unique investment opportunities we are generating for our limited partners in this fast-growing sector.

### A Digitizing Economy

Technological change is the largest disruptive force in today's economy, affecting nearly every facet of how we live and work. The inexorable trend toward digitization has been a central theme in our investing as well as the expansion of our platform. Despite the pandemic, we recently closed on the largest first-time private growth equity vehicle in history at \$4.5 billion. This

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team helped spearhead the firm's highly successful investment in Bumble, the online dating platform led by the youngest-ever female founder and CEO to take her company public.

Across the firm, we've also invested in Ancestry.com, the global leader in digital family history services; HealthEdge, a fast-growing healthcare software company; and data center operator 21Vianet. We created one of the largest cloud-enabled software companies through a merger of two portfolio companies, Kronos and Ultimate Software. In Real Estate, we've bought over 1.2 billion square feet of logistics assets around the world – which continue to benefit from the rise of e-commerce – and have been significant investors in film studios and related assets, given the significant growth of demand for content creation.

Additionally, we're working to ensure that Blackstone's investment process benefits from these dynamics. We've built a robust Data Science business to inform our investment decisions and help our portfolio companies better utilize their data to improve operating performance. In Credit, we recently acquired DCI, a pioneer in a technology-driven, systematic fixed income investment strategies. And our recently launched Horizon platform in our Hedge Fund Solutions area is particularly well positioned to invest alongside top managers pursuing these compelling secular trends. Overall, Blackstone continues to expand our substantial capabilities in these areas, which we believe will only grow in importance in the years ahead.

### **The Clean Energy Transition**

Investments in renewable energy infrastructure and technology are central to driving widespread adoption of cleaner, affordable energy sources. Blackstone can play an important role in supporting this transition in the coming decades, given our expansive global portfolio and large pools of available capital – including one of the largest infrastructure funds, and amongst the largest energy-focused platforms in both private equity and credit.

Our Credit business has been particularly active in this area recently, providing financing to companies such as Altus Power to grow its portfolio of solar assets. We formed ClearGen, a new portfolio company developing distributed and sustainable energy infrastructure assets. And our private equity energy fund acquired Therma, a comprehensive provider of sustainability, carbon reduction and energy management services. In Real Estate, our Stuyvesant Town residential community has installed the largest urban solar project of its kind, and our U.S. logistics platform Link recently announced a goal of carbon neutrality by 2025. Though the shift away from hydrocarbons won't happen overnight, our large-scale investments in renewables are helping to accelerate this important change.



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## A Force for Good

In addition to generating strong results for our investors, Blackstone remains fully committed to being a force for good in society. The size and reach of the portfolio we manage give us the opportunity to create a multiplier effect around our actions, with the goal of driving positive change.

The importance of this mission was clearly illustrated in the depths of the crisis last year. I am very proud of the way Blackstone, our employees and our portfolio companies stepped up to make a difference, including through the Blackstone Charitable Foundation. Early in the crisis, one of the firm's first actions was to make an anchor \$15 million contribution to the New York State First Responders Fund and other organizations serving first responders and vulnerable populations in New York City. In Manhattan, Stuyvesant Town created the StuyTown Pantry, which delivered over 600,000 pounds of food to people in need. Our portfolio company Bridger Aerospace, a Montana-based wildfire management firm, used its planes to airlift emergency supplies to hospital patients. And in the UK, our portfolio company NEC transformed its Birmingham exhibition center into a field hospital for Covid patients. These are just a few examples of a much broader response with a significant collective impact.

This commitment to driving positive change has also translated to several notable and measurable initiatives, largely related to ESG principles. ESG is a key value driver for Blackstone, and is embedded in how we invest in, own and operate assets around the world. Our overarching goal is to make every company we own stronger, more sustainable and more diverse. Key recent initiatives include:

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**1.**  
**A carbon emissions reduction goal of 15% within the first 3 years of ownership** across all new investments where we control energy usage

**2.**  
**A target for the boards of all new control investments to include at least one-third of people of diverse backgrounds,** starting in the U.S. and Europe

**3.**  
A program launched to create economic opportunities and **career mobility at our portfolio companies for underserved demographic groups**

These initiatives, among others we are pursuing, will not only make our portfolio companies better – they are the right things to do.

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## Looking Forward

Despite the significant challenges of 2020, Blackstone is advancing forward from a position of great strength. We continue to deliver for our investors and all signs point to another successful year in 2021. Our people continue to operate with the same level of intensity and standards of excellence that have characterized the firm for thirty-five years. The tireless dedication they bring to work each day remains a singular source of inspiration for me. Blackstone remains totally committed to driving outstanding results for our investors and I personally believe the best is yet to come.

Thank you, as always, for your continued support.



**Stephen A. Schwarzman**

Chairman, Chief Executive Officer, and Co-Founder

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### New Additions to Our Leadership Team

**Ruth Porat**

Independent Director, Board of Directors  
(CFO, Google and Alphabet)

**Reginald Brown**

Independent Director, Board of Directors  
(Partner, Kirkland & Ellis LLP)

**Jennifer Morgan**

Global Head of Portfolio  
Transformation and Talent  
(Former SAP Co-CEO)

**Joe Dowling**

Global Co-Head of BAAM  
(Former Brown University CIO)

**Gilles Dellaert**

Global Head of Blackstone Insurance Solutions  
(Former Global Atlantic Co-President and CIO)

**John Stecher**

Chief Technology Officer  
(Former Barclays CTO)

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## Disclosures

### Non-GAAP Measures

This letter contains non-GAAP measures. For a full reconciliation of GAAP to Non-GAAP measures, please see Blackstone's Annual Report on Form 10-K for the year ended December 31, 2020, available [here](#).

### Forward-Looking Statements

This letter may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect Blackstone's current views with respect to, among other things, Blackstone's operations, taxes, earnings and financial performance, share repurchases and dividends. You can identify these forward-looking statements by the use of words such as "outlook," "indicator," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Blackstone believes these factors include but are not limited to those described under the section entitled "Risk Factors" in its Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as such factors may be updated from time to time in its periodic filings with the United States Securities and Exchange Commission ("SEC"), which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this letter and in Blackstone's periodic filings. The forward-looking statements speak only as of the date of this letter, and Blackstone undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

### Indices

Indices are provided solely as an indication of returns that could be earned by investors by making similar investments in them. Blackstone's funds differ from indices in that, among other factors, Blackstone's funds are actively managed entities that bear fees and use leverage.

This letter does not constitute an offer of any Blackstone Fund.

All data as of December 31, 2020 unless otherwise noted.