

Blackstone Second-Quarter 2025 Investor Call
July 24, 2025, at 9:00am ET

Weston Tucker: Great. Thank you, Katie, and good morning, and welcome to Blackstone's second quarter conference call. Joining today are Steve Schwarzman, Chairman and CEO; Jon Gray, President and Chief Operating Officer; and Michael Chae, Vice Chairman and 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-Q report in a few weeks. I'd like to remind you that today's call may include forward-looking statements, which are uncertain and may differ from actual results materially. We do not undertake any duty to update these statements. For a discussion of some of the factors that could affect results, please see the Risk Factors section of our 10-K.

We'll also refer to non-GAAP measures, and you'll find reconciliations in the press release on the shareholders page of our website. Also note that nothing on this call constitutes an offer to sell or a solicitation of an offer to purchase an interest in any Blackstone fund. This audiocast is copyrighted material of Blackstone and may not be duplicated without consent.

On results, we reported GAAP net income for the quarter of \$1.6 billion. Distributable earnings were also \$1.6 billion or \$1.21 per common share. And we declared a dividend of \$1.03 per share, which will be paid to holders of record as of August 4.

With that, I'll turn the call over to Steve.

Steve Schwarzman: Good morning, and thank you for joining our call. Blackstone reported outstanding results for the second quarter. Distributable earnings increased 25% year-over-year to \$1.6 billion, as Weston mentioned. Fee-related earnings grew a remarkable 31% year-over-year and represented one of the best quarters in our history. The strength of these results, notwithstanding a muted backdrop for realizations, reflects the significant expansion of the firm's earnings power that has been underway as we continue to innovate and scale key growth initiatives. These include our platforms in Private Wealth, Credit & Insurance, and Infrastructure, along with the launch of multiple new funds in our drawdown area.

The firm's expansion is also powering our fundraising with inflows reaching \$52 billion in the second quarter, and \$212 billion for the last 12 months, lifting assets under management 13% year-over-year to a record \$1.2 trillion. In addition, there were reports that the US administration may soon issue an executive order that could help open another vast new market for the firm to deliver superior returns, and diversifications for investors, the \$12 trillion US defined contribution channel. The foundation of Blackstone's exceptional long-term growth, of course, is investment performance.

We continue to deliver for our limited partners, and the second quarter represented the highest amount of overall fund appreciation in nearly four years. The firm achieved these results in a turbulent quarter for markets, which began with the S&P 500 falling 14% amid collapsing investor sentiment due to tariffs, policy uncertainty, and geopolitical instability. At the time, we advised patience to allow for trade negotiations to take place and to give tariff diplomacy a chance to work its way through the system. Despite the significant external uncertainty, we were encouraged by the fundamental strength of the economy, the accelerating pace of technological innovation as a major growth catalyst, and what we were seeing on the ground in terms of declining inflation.

We consistently shared our view that inflation was below the Fed's target when adjusting for lagging shelter costs, based on the proprietary data from our large-scale portfolio and our unique position in real

estate. As always, the firm's insights informed our views on investing, and we continue to lean into areas where we have high conviction. We invested \$33 billion in the second quarter, and \$145 billion in the last 12 months, one of the most active 12-month periods in our history, setting the foundation for future value creation, at what we believe is a favorable time.

Our deployment has emphasized areas benefiting from long-term secular megatrends, such as digital and energy infrastructure, digital commerce, private credit, life sciences, and India. These areas have also been among the largest drivers of appreciation in our funds. In particular, the enormous need for debt and equity capital to build the infrastructure powering the artificial intelligence revolution has created extremely positive dynamics for our business.

In real estate specifically, we called the bottom of the cycle 18 months ago. And since then, we've been actively investing across our real estate equity and debt strategies. We also said it wouldn't be a V-shaped recovery, and that is what's happened. Private real estate markets have appreciated gradually over this period. We are now seeing promising signs, with new supply falling sharply, the cost of debt capital coming down, and transaction activity picking up.

Overall, despite ongoing uncertainties in the environment, there are multiple supportive tailwinds for our business. In terms of the economy, the backdrop remains favorable with resilient growth. We see inflation remaining muted with the likelihood for an increase in goods inflation, but decelerating wage, energy, and shelter inflation. These factors should give the Fed room to lower interest rates over time, which is positive for asset values. In terms of policy, we continue to believe the focus of policy actions ultimately is to support growth. Tax cuts have now been passed into law, and a number of trade agreements have been reached with many more under active negotiation. It remains to be seen how individual negotiations will play out, but the direction of travel is toward more resolutions. As the policy environment settles, we expect transaction activity to benefit, including realizations. Greater clarity will lead to greater confidence for companies, financial sponsors, and market participants. We're seeing this dynamic start to take effect, with the US stock market at record levels, M&A, particularly sponsor M&A, accelerating, and the IPO market reopening. Two weeks ago, we successfully executed a sizable IPO in Europe, the first from our private equity or real estate portfolios outside of India in several years. And we are preparing a number of other companies for public offerings over the coming quarters. More conducive capital markets, if sustained, should lead to the acceleration of realizations for Blackstone over time. In closing, we are tremendously well positioned to navigate today's dynamic backdrop on behalf of our investors. Our portfolio is in excellent shape, concentrated in compelling sectors, and we have \$181 billion of dry powder to take advantage of opportunities. Since our founding four decades ago, Blackstone has continued to innovate and advance the frontier of alternative assets. We are never standing still. And I believe the best is ahead for the firm and for our investors. And with that, I'll turn it over to Jon.

Jon Gray: Thank you, Steve, and good morning, everyone. This was a terrific quarter for Blackstone. The firm's distinctive competitive advantages continue to drive us forward in multiple areas, leading to expanding earnings power, as Steve noted.

I will highlight three of these areas this morning. First, our robust growth in private credit; second, our market-leading position in private wealth; and third, our strong momentum in the institutional channel. Overall, a cyclical recovery in transaction activity, alongside multiple secular growth engines, is a powerful combination for our firm.

Starting with private credit, Blackstone has built the largest third-party focused credit business in the world with \$484 billion across corporate and real estate credit, up threefold in the past five years. Over the same period, revenue from this platform has increased more than fourfold. Today, we offer clients and borrowers a one-stop solution across the risk spectrum with leading businesses in direct lending,

leveraged loans, real estate lending, asset-based finance, and numerous forms of investment-grade private credit.

The scale and breadth of our platform, distinctive origination capabilities, connectivity with borrowers across the market, and our open architecture multi-client model in the insurance channel are significant advantages. In insurance specifically, our decision to be an asset manager for insurance companies, rather than becoming one, positions us well to address the \$40 trillion global insurance market. Today, we manage over \$250 billion on behalf of insurers across private credit, liquid credit, and other strategies, up 20% year-over-year. Our platform now includes 30 strategic and SMA relationships, and we continue to add more.

Two weeks ago, we announced a partnership with a leading UK-based insurer and the country's largest asset manager, Legal and General, in which we'll provide investment-grade private credit solutions to support their rapidly growing pension, risk transfer, and annuities businesses. We will also work together to develop public-private credit products for the UK wealth and retirement markets. We're targeting up to \$20 billion for this partnership in the next five years. Our expansion in the insurance channel is powering tremendous growth for our private investment-grade platform specifically, with AUM up 38% year-over-year to \$115 billion in the quarter. As always, the key is investment performance.

Since the start of last year, we placed or originated \$68 billion of credits for our private investment-grade focused clients rated A minus on average, which generated approximately 190 basis points of excess spread over comparably rated liquid credits. Stepping back, Blackstone's innovation in private credit is allowing many borrowers to access this market for the first time, while dramatically widening our aperture to invest. For example, we previously discussed the very substantial opportunity emerging with investment-grade rated corporates, illustrated by the bespoke solutions we designed for Rogers Communications and EQT Corporation.

We closed the \$5 billion Rogers investment last month alongside Canada's preeminent pension plans as co-investors. We believe few other investment firms could have executed this transaction given its size, complexity, and the depth of relationships needed. Blackstone has become a trusted, mission-critical solutions provider to many of the world's leading corporations, and we expect more of these types of partnerships over time.

Turning to private wealth, where we continue to advance our market-leading position. In this vast channel, \$140 trillion including mass affluent and high-net-worth individuals, a new generation of investors is gaining access to the benefits of alternatives, which is a development led by Blackstone. We started raising private wealth capital 23 years ago and established a dedicated organization nearly 15 years ago, growing AUM to almost \$280 billion today, by far the largest private wealth alternative platform in the world. Each of our flagship US perpetual vehicles is the largest or amongst the few largest of its kind. Revenue from these vehicles exceeded \$700 million in the second quarter alone, compared to approximately \$50 million in the same quarter five years ago.

As with credit, our scale is a major advantage in the wealth channel, alongside our extensive network of relationships with advisers and distributors, our broad menu of high-performing products, and the power of our brand, which is built on that performance. In the second quarter, our sales in the wealth channel increased 30% year-over-year to \$10 billion. BCRED led the way, raising \$3.7 billion, underpinned by performance, 10% net returns annually since inception. BXPE raised \$1.7 billion in the second quarter, bringing its NAV to \$12.5 billion in only six quarters, with an annualized platform net return of 17% for its largest share class.

BREIT had its best quarter of regular way fundraising in 2.5 years in the second quarter at \$1.1 billion, while repurchases continued on their downward trajectory. BREIT's highly differentiated portfolio positioning has led to 9% net returns annually since inception 8.5 years ago, approximately double the public REIT index on a cumulative basis, including over 3% year-to-date for its largest share class. This has resulted in BREIT's second consecutive quarter of generating fee-related performance revenues for the firm.

And finally, BXINFRA saw healthy sales of roughly \$600 million in the quarter despite still only being on a small number of distributors. We launched BMACX, our multi-asset credit product in May, which provides individual investors greatly expanded access to the private credit universe, and we'll be ramping up distribution over the coming quarters. Along with other products in development and our previously announced alliance with Wellington and Vanguard, we are quite excited about our continued prospects in the private wealth channel.

Moving to our institutional business, where we are seeing strong momentum across key open-ended and drawdown strategies. In this channel again, the advantages of our brand, scale, breadth of products and of course, our long-term investment performance, position us extremely well in an environment where limited partners are consolidating their manager relationships, favoring the largest and strongest firms. In Infrastructure, our dedicated platform continues on its powerful growth trajectory. AUM rose 32% year-over-year to \$64 billion, supported by remarkable investment performance, 17% net returns annually to the commingled BIP strategy since inception. Our multi-asset investing business, BXMA, reported its fastest growth in nearly seven years with AUM up 13% year-over-year to a record \$90 billion, again led by performance. Q2 marked the 21st consecutive quarter of positive composite returns for BXMA's largest strategy. In our drawdown fund area, we raised significant capital in the second quarter. We closed an additional \$3.5 billion for our new private-equity Asia flagship, bringing the total raise to date to \$8 billion, already 25% larger than its predecessor, and we expect to exceed our original \$10 billion target. In our \$91 billion secondaries business, which has doubled in the last five years, we raised additional capital for our fourth infrastructure vehicle, bringing it to over \$5 billion, nearly 40% larger than the prior vintage. And we launched fundraising for our new PE secondaries flagship, targeting at least the size of the prior \$22 billion fund, with the first close expected in the fourth quarter. The other strategies we are raising include life sciences, opportunistic credit, GP stakes, and tactical opportunities. Overall, LPs continue to recognize the substantial benefits of investing in private assets despite the cyclically slow realization backdrop. Looking forward, importantly, we believe the deal-making pause is behind us. As Steve noted, the environment we are seeing is emerging from – I'm sorry – as noted, the environment we see emerging of lower short-term interest rates, less uncertainty, and continued economic growth, combined with a pent-up desire to transact, is the right recipe to reignite M&A and IPO activity. For Blackstone, we have the largest forward IPO pipeline since 2021. These trends should be very favorable for dispositions exiting this year and into next year. In closing, we are highly optimistic about the road ahead, supported by multiple powerful engines of growth, and Blackstone's value proposition for both our limited partners and our shareholders is stronger than ever. With that, I will turn things over to Michael Chae.

Michael Chae: Thanks Jon, and good morning everyone. We've previously outlined the building blocks for the favorable step up in the firm's earnings power that has been underway. These included the onset of management fees from multiple drawdown funds exiting fee holidays; the seasoning of perpetual capital strategies and their expanding financial contribution, both in terms of NAV-based management fees and recurring fee-related performance revenues; the robust growth of our credit and insurance business; and our healthy margin position. The firm's second-quarter results perfectly illustrate these building blocks coming to fruition; while at the same time, our significant embedded potential for net realizations continues to build.

I'll first review financial results, followed by investment performance and the forward outlook.

Starting with results. Steve and Jon highlighted the continued scaling of the firm's platforms in key growth channels, and the powerful effect that is having on assets under management, inflows and FRE.

Total AUM increased 13% year-over-year to \$1.2 trillion – underpinned by inflows of \$212 billion over the last twelve months – while Fee Earning AUM rose 10% year-over-year to \$887 billion. Base management fees increased 14% to a record \$1.9 billion in Q2, representing the third consecutive quarter of double-digit growth. Transaction and advisory fees rose 25% year to year, with a record contribution from our capital markets business related to the firm's significant investment activity in the quarter, including in private credit and infrastructure. Fee-related performance revenues reached \$472 million in Q2, up over two-and-a-half fold from last year's second quarter, generated by eight different perpetual strategies, including: BCRED and BXSL in credit; BXPE in private equity; BIP in infrastructure; BREIT in real estate; along with smaller contributions from other strategies.

These drivers, taken together, lifted total fee revenues to \$2.5 billion in the second quarter, up a remarkable 27% year over year, and up 14% sequentially from Q1. Coupled with the firm's strong margin position, fee-related earnings rose 31% year-over-year to \$1.5 billion in the second quarter, or \$1.19 per share.

Distributable earnings increased 25% year-over-year to \$1.6 billion in the second quarter, or \$1.21 per share. For the LTM period, DE rose 26% to \$6.4 billion, or \$5 per share – despite net realizations remaining at muted levels – leading to 26% growth in the dividend to \$4.26 per share. This equates to an attractive 2.4% yield on the current share price – double the yield of the S&P 500. And the forward outlook is favorable, as I'll discuss further in a moment.

Moving to investment performance. Our funds generated strong overall appreciation in the second quarter – the highest amount in nearly four years, as Steve noted – despite the volatile environment. The corporate private equity funds appreciated 5.1% in the quarter and 17% for the last twelve months. Strength was broad-based. Despite the macro uncertainties at the outset of the quarter, our operating companies generated high single-digit year-over-year revenue growth, along with resilient margins. In addition to corporate private equity, our other PE strategies delivered strong returns in the quarter: the tactical opportunities funds appreciated 4.1%, and 14% over the LTM period. The SP secondaries funds appreciated 6.6% in the second quarter, in the context of a well-positioned portfolio that benefited from sizeable recent investments executed at favorable pricing. The SP funds appreciated 11% for the LTM period.

Our dedicated infrastructure platform appreciated 2.9% in the second quarter and 19% for the last twelve months – notwithstanding a decline in the public portfolio in Q2 amid the market turbulence – with appreciation underpinned by continued significant momentum in data centers, along with other digital infrastructure, power and transportation-related holdings. In real estate, values were largely stable overall in the second quarter – with appreciation in the opportunistic funds and BREIT, led by strength in data centers. Within the Core+ platform, the BPP funds declined modestly, driven by our life sciences office portfolio which has been impacted by new supply coming online and increased tenant caution. Overall, our real estate platform remains well positioned, with data centers, logistics and rental housing comprising approximately 75% of the global equity portfolio, and nearly 90% of BREIT.

In credit, our non-investment grade private credit strategies reported a gross return of 3.0% in the second quarter and over 13% for the LTM period. The default rate across our 2,000-plus non-IG credits remains in the area of 50 basis points over the last twelve months, with no new defaults in private credit in the second quarter. BXMA reported a 2.8% gross return for the absolute return composite in Q2 and 12% for

the last twelve months. Notably, BXMA has delivered positive composite returns in each of the past 27 months – a remarkable achievement in liquid markets in any case, and particularly so given the historic volatility that has characterized this period.

One final note on returns: Our dedicated life sciences business reported outstanding performance again in the second quarter, appreciating 6.7% and 27% over the LTM period. The quarter benefited from positive developments for a number of investments in its portfolio. Our life sciences platform provides investors with exposure to innovation in an exciting growth area in a way that we believe is largely uncorrelated to broader public markets. Our prior \$5 billion flagship has achieved annualized returns of 20% since inception, net of fees.

Overall, the strength of the firm's investment performance continues to power our growth.

Turning to the outlook where, as you've heard this morning, there is a very positive multi-year picture for the firm. First, in terms of FRE, the setup for this high-quality earnings stream is favorable, with a few drivers of note that will affect the second half of this year. We expect base management fees to continue on a strong positive trajectory, with the rate of year-over-year growth in the second half resembling that of the first half. On transaction fees, following a very strong first half, we would anticipate a lower baseline in the second half, with potential upside from rising transaction and market activity. Looking forward to 2026 and beyond, there is robust structural momentum in FRE, driven by the firm's multiple engines of growth.

In terms of net realizations: in the second half of this year, we expect to close the sale of the firm's 6% stake in Resolution Life in connection with the sale of the company to Nippon Life. With respect to fund dispositions, we believe we're entering a more constructive environment as Steve and Jon discussed, and that we're well positioned to see an acceleration in net realizations exiting this year and moving into 2026. Performance revenue eligible AUM in the ground was a record \$604 billion at quarter end, up 14% year over year. Meanwhile, net accrued performance revenue on the balance sheet – the firm's "store of value" – grew sequentially to \$6.6 billion, or \$5.37 per share. These are positive indicators of future realization potential.

In closing, the firm continues on its path of extraordinary long-term growth, powered by our brand, investment performance, and culture of innovation, against the backdrop of significant secular tailwinds. As always, we remain totally focused on delivering for our investors.

With that, we thank you for joining the call and would like to open it up now for questions.

Moderator: Thank you. As a reminder, please press star one to ask a question. We ask you limit yourself to one question to allow as many callers to join the queue as possible. We'll go first to Alex Blostein with Goldman Sachs.

Alex Blostein: Thank you. Good morning. Appreciate the question. I wanted to start with a question around credit. Obviously, incredibly powerful driver for you guys and the industry broadly. It's been fueling growth for a couple of years now. At the same time, we've clearly seen compression in credit spreads. And I'm curious how that's playing into your client conversations where the premium to liquid market is still there, but perhaps might start narrowing if there's more capital coming in there. So... any conversations around demand for private credit, whether it's from retail channels or institutional channels, and any implications on fee rates longer-term as we think about this product continuing to grow? Thanks.

Jon Gray: Great question, Alex. I would say on the credit front, the demand remains extraordinarily robust. And we're seeing it broadly. Non-investment grade, investment-grade credit, which as you know is

early days. We're seeing it in the United States, and we're seeing it around the world. And I would say, clients are recognizing that base rates have come down, short rates are likely to come down more, spreads have tightened gradually. But what I think the clients are enthused about, as we are as well, is that enduring premium between the liquid markets and private credit. And that's what they're focused on. And so long as that continues to exist, I think this makes this a very attractive space. In the second quarter for our insurance clients, we delivered that A-rated premium of 185 basis points, 190 over the last 18 months. So that's really what the clients are focused on. And to me, that's the key to this. That's why I think it will continue to grow. Also, I think there are some areas here where private credit has a unique capability. Some of these corporate solutions we've done with Rogers and EQT Corporation, which really work much better in a private format. And then tied to this enormous investment spend around data centers and energy infrastructure, again, that's harder to bring to the public markets, and it lends itself to private credit. So, I would say today, we continue to see very strong demand. The business, you can see it in the numbers in terms of the rate of growth, 20% in insurance, 16% overall between credit & insurance, corporate, and real estate debt. It feels to us like this will continue. And the key is, yes, absolute returns may come down a bit, but the relative premium for private credit and what private credit can do and how it can solve solutions for borrowers, that continues. So, I'd say our optimism looking forward in this space and doing it the way we do it, which is purely as an investment manager with no capital at risk, and that open architecture, which allows us to serve a broader universe, we like all of that, and we have a lot of confidence looking forward.

Moderator: Thank you. We'll take our next question from Glenn Schorr with Evercore ISI.

Glenn Schorr: Hi, thanks. That's a good lead into this question because I feel like everything is going pretty darn good at Blackstone with the exception of the real estate in general in this environment. So, the question is, maybe you could give us the mark-to-market of the expected recovery in terms of what's going to drive it, meaning pricing, financing, deal flow, client flows to the asset class. Are we all-in on waiting on lower rates? What is the incremental over the next, say, year or two that's going to drive demand for your real estate products? Thanks, Jon.

Jon Gray: Thanks, Glenn. I would say the good news now is it's all about a question of when, not if, because the building blocks for this recovery are clearly coming into place. The first and most important one is new supply coming down. And that takes time to work through the system because you start a project two, three years ago, then it comes online, it's excess capacity. Now, because of the two-thirds decline in building in the US from the peaks in terms of logistics and apartment construction, you're going to begin as we get towards the end of this year and into next year, to have a much more favorable supply-demand dynamic. The other area is cost of capital. Some of it is base rates, which you highlighted, and obviously, the Fed cutting rates will be helpful, but some of it is spreads, and those have come back to pre-Liberation Day levels, they're down significantly from the wides in 2023. And you're beginning to see those early green shoots in terms of a faster recovery. Transaction activity for smaller assets has definitely gotten better. You see that for both apartments and logistics in the US. There's a little more liquidity in Europe now as well. And that to me is an important sign. And then on the customer side, which you referenced, there's definitely now more openness to allocating to the space. We're having more conversations there. We raised some capital for a dedicated Core+ real estate industrial strategy of a couple billion dollars. We had, as we've seen, we announced the best quarter of fundraising regular way in BREIT that we've had in two-and-a-half, three years. So, it's the early signs of this recovery. If rates come down faster, obviously, the recovery is quicker. If they don't, the new supply will continue to be muted, and then the recovery will take a little more time. But ultimately, we know the path of travel. It's not as if we're going to disintermediate apartments or last-mile warehouses. So, I'd say our confidence on the ultimate outcome is high, and we're getting closer and closer to that tipping point where real estate will start to move. We haven't quite gotten to that escape velocity yet, but it's feeling better and better given

some of these key things. The cost of capital and the decline in new supply are very supportive as you start to look forward.

Glenn Schorr: Thanks, Jon.

Moderator: Thank you. We'll go next to Craig Siegenthaler with Bank of America.

Craig Siegenthaler: Hey, good morning, Steve, Jon. Hope everyone is doing well. We had a question on Strategic Partners. So, in your secondaries funds, returns accelerated in 2Q, and there is a one- or two-quarter delay there too. So maybe they should get even better with endowments and a few Asian institutions selling their PE stakes and discounts wider. So I want to see if you could update us on the investment return and fundraising outlook for the second half.

Michael Chae: Hey, Craig, it's Michael. On the return portion, as I mentioned in my remarks, it was a combination of factors that really drove the pretty robust returns. It does reflect the purchase – the gains from a very significant large new purchase, one of our biggest secondary deals in history, and that had a beneficial effect. And then in terms of the underlying funds, we had good appreciation, which contributed to that return as well. And then there was a minor portion of actually currency benefits as well. So, it's a combination of those factors, but I think what drove really kind of outsized returns in the quarter is the benefit of that very large, exciting deal that we did that closed in the quarter.

Jon Gray: And I would say on the broader segment, it's really in a sweet spot today. Obviously, there are investors who want liquidity, deal volume, investment volume. I think for us, it is up something like, is it 40%, I want to say roughly in the first half of the year, over last year, and the pipeline looks pretty good on the deployment front. The returns have been very strong over time in this area and that's making it attractive to investors. We announced the progress we've made on the secondaries infrastructure fund. We've just started on the flagship secondaries private equity fund. We expect we'll get a really good response given the performance over time. So, this is an area at the firm, it's doubled over the last, I guess, five years. I expect that it will continue to grow quite a bit. And it's another reason why Blackstone has this exceptional platform. Other firms have strength in one area or another. There are just so many areas. And so when we travel around, I personally travel around a ton, talk with CIOs around the world, the ability to talk about a range of solutions, a range of investing areas, they may be today more cautious on real estate or regular way buyouts, but they're excited about Asia private equity. They love what we're doing in secondaries. That's really the power of Blackstone. It's true in the institutional channel, it's true in the retail channel, and secondaries is a powerful example.

Craig Siegenthaler: Jon, Michael, thank you.

Moderator: Thank you. We'll take our next question from Michael Cyprys with Morgan Stanley.

Michael Cyprys: Hey, good morning. Thanks for taking the question. Just wanted to ask about 401(k) and the retirement opportunity set. I was hoping you could maybe elaborate a bit on how you see the path unfolding for alts accessing the 401(k) retirement channel. It seems that target date is perhaps maybe the most likely vehicle. Just curious to get your views on that. How meaningful of an allocation could this be within the target date vehicle, not just for alts, but also considering fixed income replacement and other types of strategies that you have or may have in the future? And just more broadly, how you see this playing out, and talk about some of the steps that you guys are taking. Thank you.

Jon Gray: Thanks. Well, it starts with – we'll wait and see if there is an executive order, and then ultimately rulemaking. So, I think we all need to be patient here. But as we've talked about in the past, we think this is compelling for individual investors today in the defined contributions world, the access to

alternatives, both the returns and diversification benefits. So, we would expect this is going to happen at some point over time. But again, we have to wait and see. In terms of where it will happen, the size, I think we've got to wait. I do think it's logical that it happens more in the target date funds. It's obviously more appropriate for somebody earlier in their sort of lifespan as opposed to somebody just on the cusp of retirement. And so, I think the target date fund is where we'll see this initially take hold. Obviously, it's a very large market. And for us specifically, the fact that we have created scale perpetual products that have track records that can absorb large amounts of capital, that is a real competitive advantage. I do not believe drawdown funds will be the structure given the complexity of those for defined contributions. And so, I think it's going to be about large-scale perpetuals. It's going to be about firms with brand names, and the right legal approaches, and track record, that capital can get allocated to. So obviously, the dollars in this space are large. Our positioning in this space, I think, will be fairly unique, and the range of offerings we have across asset classes, again, pretty unique to be a partner with distributors in this space, but we've got to wait and see, is there an executive order, how it rolls out? It will take time, but I do think there is a potentially significant opportunity here.

Michael Cyprys: Great. Thank you.

Moderator: Thank you. We'll take our next question from Bill Katz with TD Cowen.

Bill Katz: Great. Thank you very much for taking the question. So just coming back to some of your forward-looking guidance, can you unpack a little bit how you sort of see the interplay for the FRE margin? Very strong quarter this quarter. And then relatedly, as we think through the realization upcycle, how do we think about the payout rate on that? That's been pretty steady in the mid-40s. Should we assume that's still the same kind of payout going forward? Just trying to think through the overall earnings gearing here. Thank you.

Michael Chae: Hey, Bill, it's Michael. Thank you for the question. Look, on the margin outlook and dynamics, we're obviously pleased with performance year-to-date. It's the result of healthy double-digit management fee growth and strong underlying margin position. We also benefited from higher fee-related performance revenues and transaction fees, which carry attractive incremental margins. I think in the second half, you know, a few variables to consider. There is a level of sensitivity to fee-related performance revenues as we've commented in the past, there's – as we've also said, seasonally higher OpEx in the second half of the year. But I think in that area, we previously pointed to low double-digit growth in 2025 overall, and we'd reiterate that view. But look, overall for the fiscal year, we're tracking favorably against the initial view we gave in January of sort of stability as a guidepost. But as I mentioned, there's always a few variables that can ultimately impact us. But long-term, we feel obviously very good about our positioning and the ability to generate operating leverage. On realizations and the sort of performance of margins and comp ratios, yeah, I think broadly speaking, you should expect stability that varies with the mix of funds and strategies that are the source of performance revenues in a given quarter. We have had the ability to manage the mix of compensation between fee compensation and performance revenues, and we'll still be able to do that, which I think will be beneficial to FRE margins directionally and might trade off performance revenue margins somewhat as a result, but I think that's more directional and at the margin. But we feel very good about our sort of levers to drive margins across the P&L.

Weston Tucker: Thanks, Bill.

Moderator: Thank you. We'll go next to Dan Fannon with Jefferies.

Dan Fannon: Thanks. Good morning. Jon, I wanted to follow up on your comments around the deal-making pause is behind us. Just wanted to get a little bit more color on your confidence around this. We've

obviously been here before and waiting for activity to pick up, but you obviously sounded much more confident here this morning. So just would love a little more color there.

Jon Gray: Well, it's a fair question because I think we expressed some confidence similarly at the outset of the year, and then we had the tariff issues, and that slowed things down. You can feel things, sort of the tumblers falling into place. It's the combination of equity markets recovering to record levels. It's debt spreads now back to the pre-liberation day tight. It's general business confidence, particularly for businesses away from manufacturing and retailing, who are in the teeth of some of the issues around goods and the cost of those goods. And so, there's overall a more constructive environment. There's also a more favorable regulatory environment than there's been in a few years, of course, for M&A. And when you just look at the levels of M&A and IPO volume over the last three plus years, it's running about two-thirds below historic levels as a percentage of market cap of the stock market. So, there's just a lot of pent-up demand in the system. And then when we look at our proprietary data, we've got the busiest pipeline we've had since 2021 of potential IPOs. We talked about getting one done in Europe here a couple of weeks ago, and then deal screenings on the BXCI, the credit side, up 50%. New deals sort of coming in the door that we're looking at versus the end of the year. So, lots of things are coming together. Yes, you need a level of terra firma, but if this holds, I do expect we'll see a step function increase in transaction activity. And that, of course, on the realization side, as Michael noted, it takes a little bit of time. It's like moving the plane out to the runway before it ultimately takes off. But those signs of getting companies public, public companies becoming more active, debt markets, there's been a ton of refinancing activity as cost of capital comes down in the last few weeks, all the things are coming into place, and that's what's giving us this confidence you hear.

Dan Fannon: Thank you.

Moderator: We'll take our next question from Brian McKenna with Citizens.

Brian McKenna: Okay, great. Good morning, everyone. So real estate performance eligible AUM totals around \$200 billion today. Net accrued performance fees stand at less than \$1 billion today. So, I'm curious how much of the \$200 billion is currently generating performance revenue? And then is there a way to think about how much of this AUM, call it, you know, 10% is away from the hurdle. I'm just trying to get a sense of the trajectory of accrued performance fees in real estate from here as performance and, you know, underlying trends begin to normalize.

Michael Chae: Thanks for the question. Yes, as you mentioned, the balance of performance earned eligible dollars in real estate is about, it's over \$200 billion. I would just frame it that about 60% of that is above their respective hurdles. In terms of the components in BREP and opportunistic, importantly, as it relates to carry, as you know, the vast majority, 80% plus of the AUM is above hurdle. And as I said, that really represents the bulk of our accrued carry in real estate. 100% at BREIT is also above that hurdle. And so that's sort of the structure of it. And so, I think we're – as Jon just referenced, you know with time, we expect the realization cycle to accelerate, probably more private equity before real estate, then ultimately in real estate. And in those BREP funds as it relates to net realizations, that's the positioning relative to hurdles, which is favorable.

Brian McKenna: Great. Thanks, Michael.

Moderator: Thank you. We'll take our next question from Steven Chubak with Wolfe Research.

Weston Tucker: Hi, Steven. Good morning. It sounds like Steven, we lost him?

Steven Chubak: Sorry about that, no, Weston, I'm here. If you can hear me. Sorry, I was muted.

Weston Tucker: Good morning, Steven.

Steven Chubak: My apologies. Good morning, everyone. Regarding the BMACX launch, I was hoping you could speak to your confidence level as to whether this could scale at a similar pace to some of your other retail vehicles, just trying to gauge the early reception. Any additional color you can offer on some of the retail products in the pipeline that were referenced in some of the earlier prepared remarks?

Jon Gray: Sure. I think on BMACX, it will take some time. We've launched this in a little bit of a different way, in the RIA channel to start. We've gotten a good reception, but this I think will – because we have a number of interesting things in the marketplace today, I think this is obviously a little different as an interval fund. And what we're finding with new platforms in the marketplace, people want to see the track record start to grow and build. Because this is easier to access on the interval fund basis, I think the ultimate potential is quite significant, but I would expect the ramp-up to take a bit of time. You know, if you look at our track record, of course, in the flagship products, we've had great success, obviously, BREIT and BCRED. BXPE in just 18 months is remarkable, where it's gotten to be essentially the market leader in the space in a short period of time. Our infra platform, we talked about, is on a small number of distributors. We have a European credit platform that's picking up some momentum. So, the conversations with our wealth partners is incredibly positive. And sort of the Blackstone positioning in that space, because of the track record we have, the breadth of products, the fact we've been at it so long is really special. I think you'll continue to see us introduce new products, and I think we'll continue to get a good reception, and it will be increasingly on a global basis. Each product will have its own sort of pace to how it picks up, and part of it is where we decide to launch these based on a whole variety of considerations. But the overall path is pretty darn good.

Steven Chubak: Great. Thanks for taking my question.

Moderator: Thank you. We'll take our next question from Benjamin Budish with Barclays.

Benjamin Budish: Hi, good morning, and thank you for taking the question. I wanted to ask something kind of specific on your fee-related performance revenues. It looked like the performance in the quarter, or at least the outperformance versus a lot of expectations, was driven by private equity, which I would assume is more BIP than people were expecting. I know that's one that can be a bit lumpy based on the timing of fundraising and deployment with the big sort of three-year crystallizations, but any color you could share in terms of what FRPR can or might look like over the – at least the next couple of quarters, would be helpful just for modeling purposes. Thank you.

Michael Chae: Yeah. I think just as it relates to BIP, which was a point in your question, and I think we at the end of last year or in the last couple of quarters, gave a sense of the shape of the year after that very large crystallization in the fourth quarter. You know, generally, as you know, infrastructure is subject to – will be subject to more frequent crystallizations related to the layering in of new investors and the open fundraising over time. In the second quarter, we did have nearly \$100 million of revenues, just to actually give you some specifics around that, in the quarter. We'd expect about half that in the next quarter from a scheduled crystallization from the institutional fund, and then nothing in the fourth quarter from the institutional fund. We do expect a modest amount from BXINFRA, the private wealth infrastructure product, from its first crystallization in the fourth quarter, which will then be quarterly thereafter, which was the BXPE structure when it started as well. So, there's some fairly granular sense of infrastructure and fee-related performance revenues for the balance of the year.

Jon Gray: I would just say, generally, the layering of these various products will be powerful to earnings power over time.

Benjamin Budish: Okay. Thank you for that.

Moderator: Thank you. We'll take our next question from Ken Worthington with JPMorgan.

Ken Worthington: Hi, good morning. Thanks for taking the question. With regard to Legal and General, so thanks for the highlights. You mentioned \$20 billion over the next five years. Is this based on new products expected to be developed and distributed? Or is there an IMA or more immediate asset management element of the partnership as well? And then last quarter, you mentioned Wellington and Vanguard. Can you give us an update on product development, how that's progressing, and when we might see those products start to hit the market?

Jon Gray: Sure. With L&G, it's a partnership focused around credit and insurance. I'd say a couple of things. \$20 billion is ultimately our aspiration here with them. I'd say it's a combination of things. The main element of it will be managing investment-grade private credit for their pension risk transfer and annuities business, something obviously we do for large clients here and SMA clients. So that's a relationship to make them even more competitive in that marketplace in the UK. And then we also said we're going to try to do some things together in wealth, creating some products together for the UK market, and then potentially in retirement there and defined contributions again with our credit products. So it's broad range. They are the leading insurer and asset manager in that market. We were very excited to be able to partner with a company of that quality and scale, and there's a real entrepreneurial energy now with the CEO, Antonio, there, and we're excited about what we can do with them together. On Vanguard Wellington, there's a limit to what I can say, I think, legally at this point, we can say that Wellington has filed for our first product together. Obviously, that process of SEC approval will take some time. But we're excited, as we talked about on the previous call, just the idea of bringing our best-in-class private capabilities with Vanguard and Wellington, best-in-class in active and passive debt and equity. And we think for a portion of the wealth market, this could be particularly attractive, just sort of one-stop shopping. But I can't really speak to specifics other than this one filing that's been made.

Ken Worthington: Great. Thank you.

Moderator: We'll take our next question from Patrick Davitt with Autonomous Research.

Patrick Davitt: Hey, everyone. Good morning. You mentioned the life sciences performance and the divergence between PE and real estate and have obviously built a great business there. But there seems to be a fairly significant cut to government research and science funding coming through the pipe. Do you have any early thoughts on how much exposure your portfolios could have to that? And does that cut in funding change your view on the life sciences investment opportunity from here? Thank you.

Jon Gray: So, it has certainly added to the uncertainty in this space. You know, Michael talked a little bit about this on the tenant demand side in our life science office area. I think the key thing though, is there is just enormous innovation happening in life sciences, that the AI is likely to accelerate that, that there are huge capital needs both from the pharmaceutical companies who want to find partners to accelerate their phase 3 process for products, as well as for smaller life science companies who don't want to issue equity. And it is definitely a marketplace where we think we have a pretty unique offering and capability. It is possible that we could see some changes in terms of reimbursements and MFNs outside the United States. But overall, the market is quite substantial. The need for these products is substantial, and the number of groups with expertise at scale to do these partnerships is limited. So, we still see a very big investment opportunity here.

Michael Chae: The final thing I'd add on life science offices, as Jon mentioned, the supply coming down in real estate – personal real estate – applies to this sector as well. Starts are down something like 80% plus since sort of their peak a few years ago. So that is ultimately going to be a real benefit for the sector.

Moderator: Thank you. We'll take our final question from Arnaud Giblat with BNP Paribas.

Arnaud Giblat: Yeah, good morning. One quick question on BXPE, please. So, there's clearly been a lot of appetite for this product. I'm just wondering how you're thinking about sizing of this product in relation to capacity to deploy in retail, in particular, as you might be thinking about vintage diversification, how should we be thinking about the potential divergence in construction between this wealth product and your flagship? Thank you.

Jon Gray: Well, I would say at Blackstone, our greatest strength has always been a capacity to deploy and do it in a way that delivers strong returns. We designed BXPE with the idea that this is a product that takes in capital on a regular basis, as we experienced with BREIT and BCRED. And therefore, we wanted the widest aperture possible. So, the product can invest in the US, Europe, and Asia, it can do it in control private equity, minority, hybrid equity, secondaries, life sciences, growth, opportunistic credit. We actually sacrificed a bit in terms of the market potential by making it only eligible to qualified purchasers so that we had the flexibility to deploy capital across this variety of areas. To date, the performance has been exceptional. And I just think at Blackstone, we're able to find lots of opportunities, serve our institutional clients, which you were asking about, which obviously is critically important, both in terms of the main funds and also their co-investment desires, but also create a whole new range of additional investment opportunities across the firm. So, I feel very good about our ability to deploy capital. We've certainly been able to show across credit, we did it in real estate. We have the capabilities to scale up. And this is obviously beneficial in the wealth channel as it grows. It's one of the things that really differentiates Blackstone as a firm.

Moderator: Thank you. That will conclude our question-and-answer session. At this time, I'd like to turn the call back over to Weston Tucker for any additional or closing remarks.

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

Moderator: That will conclude today's call. We appreciate your participation.