Blackstone Third-Quarter 2025 Investor Call
October 23, 2025

Weston Tucker: Good morning and welcome to Blackstone's third-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 audio-cast is copyrighted material of Blackstone and may not be duplicated without consent.

Quickly, on results: We reported GAAP net income for the quarter of $1.2 billion. Distributable earnings were $1.9 billion, or $1.52 per common share, and we declared a dividend of $1.29 per share, which will be paid to holders of record as of November 3rd.

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

Steve Schwarzman: Good morning and thank you for joining our call.

Before we begin, I want to take a moment to acknowledge the horrific shooting that occurred at our New York City offices on July 28th. The random attack resulted in multiple deaths, including our beloved colleague, Wesley LePatner. Wesley was a wife and mother, and a dear friend and mentor to many within, and outside of, our firm. We will greatly miss Wesley and will continue to honor her legacy. We are also grateful for the bravery of our building's security team, along with the New York Police Department who responded that day – and who put themselves in harm's way, every day, to protect others.

Turning to our results…Blackstone reported an outstanding third quarter. Distributable earnings increased nearly 50% year over year to $1.9 billion, as Weston mentioned – underpinned by a 26% growth in fee-related earnings and a more-than doubling of net realizations. Inflows reached $54 billion – the fourth consecutive quarter in excess of $50 billion – and totaled $225 billion for the last 12 months. Our fund-raising success lifted assets under management to a new industry record of $1.24 trillion. And looking forward, I believe our prospects for growth are as strong today as at any point in the firm's history.

The structural tailwinds driving the alternatives sector are accelerating – with Blackstone as the reference firm. More investors are being introduced to the benefits of private market solutions than ever before, with growing adoption across the vast private wealth and insurance channels. And following the U.S. administration's recent executive order, we expect the defined contribution market to open to alternatives over time as well. In these areas, the powerful advantages of our brand, scale, and breadth of capabilities are even more pronounced. At the same time, institutional limited partners are increasing their allocations to alternatives in multiple areas, and they're consolidating relationships with the best-performing managers who can provide comprehensive, multi-asset solutions. Meanwhile, in terms of deployment, the scope of where we invest continues to expand significantly, as we scale our platforms in digital and energy infrastructure, private credit, Asia, the secondaries market for alternatives, and other key growth areas. We are in the early innings of penetrating markets of enormous size and potential.

In addition to these secular forces, we're also now seeing the deal cycle turn, creating another significant tailwind for the firm. The combination of a resilient economy, declining cost of capital, and equity markets at all-time highs is leading to a resurgence in capital markets activity – including global IPO issuance, which more than doubled year over year in the third quarter. Notwithstanding the current government shutdown, more conducive capital markets should lead to greater realizations for Blackstone, which in turn, support fund-raising and deployment. In the last three months, we executed three successful IPOs; and our IPO pipeline for the next 12 months, if converted, would translate to one of the largest years of issuance in our history.

Despite all of these positive developments, over the past several weeks, there has been significant external focus on the implications of certain credit defaults in the market. These events have been erroneously linked to the traditional private credit market, as a result of misunderstandings and misinformation. Importantly, the defaults in focus resulted from bank-led and bank-syndicated credits – not private credit. Moreover, these situations are widely believed to involve the fraudulent pledging of the same collateral to multiple parties.

The traditional private credit model is characterized by direct origination in the context of a long-term hold strategy, with due diligence performed by sophisticated institutional managers and rigorously negotiated documentation. For Blackstone, our $150 billion-plus direct lending platform is comprised of over 95% senior secured debt, with low loan-to-value ratios of less than 50% on average – meaning there is significant borrower capital subordinate to our positions, in nearly all cases from companies backed by financial sponsors or public companies. And in the private investment-grade area, we've concentrated our activities in multi-trillion-dollar markets where Blackstone is often a leading player, including data centers, energy infrastructure and real estate – with our loans secured by underlying assets of excellent quality.

Our long-term, highly disciplined approach to investing in credit is the foundation of the strong results we've produced in this area – as with every business at the firm. Our non-investment-grade private credit strategies have generated 10% returns annually, net of all fees, since inception nearly 20 years ago. In direct lending specifically, we've experienced annual realized losses of only one-tenth of 1%, including through the global financial crisis. And our investment-grade-focused private credit platform in BXCI has experienced zero realized losses to date. Of course, as the cycle progresses, it's reasonable to assume we'll see some increases in defaults – but we believe our structural advantages will continue to produce superior results. Performance has powered our growth in private credit, and we believe it will continue to power our growth in the future.

Stepping back – this month we celebrate Blackstone's 40th anniversary. It's been, I can assure you, an extraordinary journey. The firm has grown from a start-up in 1985 to the largest alternative asset manager in the world today, and one of the 50 largest public companies in the United States. Importantly, we achieved almost all of this growth organically, which is quite distinctive among the large firms in our industry. We are business builders at Blackstone – not business buyers – and while it's harder to build a business than to buy it, over the past 40 years we methodically planted seeds that would grow into major, market-leading platforms in nearly every area in which we operate.

What we've achieved over the past four decades would not have been possible without the efforts of three extraordinary individuals who worked alongside me to either start the firm, or to take it to the next level. Pete Peterson, my co-founder, gave us the necessary credibility that provided the launchpad for our growth. He was joined in 2002 by Tony James, who helped professionalize the organization and led us into many new business areas. Jon Gray took over in 2018 and has done a remarkable job managing the firm and pioneering a plethora of new business lines and products. Jon also redefined our investment approach to emphasize thematic positioning, resulting in our concentration today in data centers (where we're the largest in the world), energy and power, logistics, private credit, and India, among other winning areas. Jon – as did Tony and Pete during their time at Blackstone – demonstrates an unstoppable work ethic and profound care for the firm, its reputation, and its people. Each of them changed the destiny of the firm and have been the best partners for me that I could have imagined. I owe them all an enormous debt of gratitude.

Looking forward, what's been built at Blackstone is ideally designed for the environment we see before us, and to capture the generational shifts underway in the global economy and markets. In terms of where we raise capital, we believe Blackstone is the partner of choice to bring the best of private markets to a rapidly expanding universe of investors. In terms of where we invest – the future requires massive capital solutions, across all forms of equity and debt capital: to power the AI revolution; to develop the infrastructure needed to meet the rising global demand for energy; to fund the extraordinary advancements in drug development in the life sciences area; to partner with large investment-grade rated corporates who are increasingly looking to private credit to meet their objectives; to help India meet its incredible growth potential; and to drive forward other transformative megatrends that will define the investment landscape for decades to come. Alternatives will play a vital role in this future, and we see Blackstone leading the way, with the largest and broadest platform, and the deepest investment capabilities – underpinned by the power of our brand.

The firm has achieved much in the past 40 years – but I strongly believe the best is ahead. Thank you to our shareholders for joining us on this adventure. The adventure continues. With that – I'll turn it over to Jon.

Jon Gray: Thank you, Steve, and good morning, everyone.

What Steve has done to both create and continue to drive this firm, for 40 years, is the stuff of legend.

I'd like to also emphasize what Steve said about Wesley. She was an extraordinary woman, colleague, and dear friend – simply the best of the best. We will miss her a ton.

Moving to the quarter…this is an exciting time for the firm and our investors. The deal dam is finally breaking, and we have a bunch of secular tailwinds driving us forward as well. I'm going to focus my remarks specifically on the growing sources of capital inflows at the firm. In corporate and real estate credit, we crossed the $500 billion milestone, up a remarkable 18% year over year. In private wealth, our AUM in the channel grew 15% year over year to nearly $290 billion. And in our institutional business, we're seeing strong momentum across numerous areas in our drawdown and open-ended vehicles.

Diving into credit, private credit markets are expanding from their origins in non-investment-grade corporate credit and direct lending to become a key mechanism for financing the real economy, including commercial finance, consumer and residential finance, fund finance and, of course, infrastructure. Blackstone is tremendously well positioned to lead this evolution as the largest third-party investment manager in credit globally, alongside our continuous innovation. Notably, our infrastructure and asset-based credit business grew 29% year over year to $107 billion – one of the fastest growing areas at the firm. Our scale gives us access to what we believe is the broadest set of opportunities across the risk spectrum, which we can offer holistically to clients. As a result, we're seeing robust demand for multi-asset credit solutions across our three "I's" – institutions, insurance companies and individual investors.

Another important development underway in credit markets is the rising opportunity to partner with large investment-grade-rated corporates, which we've discussed previously. Fortune 500 companies with substantial funding needs are increasingly looking to private credit for customized, long-duration capital solutions, which are difficult to replicate in public markets. Scale and reputation are key, and Blackstone has established ourselves as a partner of choice, following our landmark transactions with EQT Corp and Rogers Communications. In the third quarter, we executed another major partnership: a $7 billion investment we are leading in a venture with energy infrastructure company Sempra, to support construction of a liquified natural gas project on the Gulf Coast. These corporate partnerships provide our clients with access to high-quality, directly originated investments in a sector where we have high conviction – as always, without taking on balance sheet risk.

Meanwhile, in the insurance channel, our AUM grew 19% year over year to $264 billion across IG private credit, liquid credit, and other strategies. Our open-architecture, multi-client approach is a major advantage. Our platform now includes 33 strategic and SMA relationships, and we continue to add more. Importantly, in the past 12 months, nearly two-thirds of our clients have expanded their relationship with us – the strongest testament to the value we deliver for them. In our IG-focused area overall, we generated over 170 basis points of incremental spread year-to-date versus comparably rated liquid credit. Our "farm to table" model, which brings clients directly to borrowers, is designed to produce a structural premium to liquid markets – particularly vital in an environment where spreads and interest rates are tightening.

Turning to private wealth, where our platform has grown to nearly $290 billion, as I mentioned, up three-fold in the past five years. To put our scale in perspective, a recent Goldman Sachs research report highlighted that Blackstone has an estimated 50% share of all private wealth revenue among nine major alternative firms. To put our momentum in perspective, we raised over $11 billion in the channel in the third quarter – more than double year over year – to the highest level in over three years. BCRED led the way, raising $3.6 billion, and is on pace for a strong Q4. BXPE raised $2.1 billion in the third quarter, bringing its NAV to $15 billion in only seven quarters. BREIT generated healthy sales of roughly $800 million in the third quarter, while repurchases continued on their downward trajectory to the lowest level in three-and-a-half years. Finally, BXINFRA raised over $600 million in Q3, with its NAV exceeding $3 billion only three quarters after launch.

In private wealth, as with every business at Blackstone, it all comes back to investment performance. BCRED has achieved 10% net returns annually since inception nearly five years ago. BREIT has generated 9% net returns for its largest share class for nearly nine years – a 60% premium to public real estate markets – including approximately 5% net for the first three quarters of the year. BREIT's exposure to data centers, now almost 20%, continues to be extremely helpful in driving its results. And BXPE has delivered a 16% annualized net return for its largest share class since inception. Our investment performance powers our fund-raising along with our ability to innovate. Looking forward, we expect 2026 to be our busiest year yet in terms of product launches, with a significant focus on multi-asset opportunities. We're also broadening distribution in several major markets around the world and moving deeper into key sub-channels, including the RIA channel. With these developments, alongside our strategic alliance with Wellington and Vanguard, our partnership with L&G in the U.K. wealth and retirement markets, and the massive potential in the U.S. defined contribution channel over time – the opportunity in private wealth continues to expand for Blackstone.

Moving to our institutional business, which has grown by 64% over the last five years and has strong momentum across multiple areas. In infrastructure, our dedicated platform grew 32% year over year to $69 billion, including over $3 billion raised in the third quarter. The commingled BIP strategy has generated remarkable 17% net returns annually since inception. Our multi-asset investing business, BXMA, grew 12% year over year to a record $93 billion – again driven by performance. Q3 represented the 22nd consecutive quarter of positive composite returns for BXMA's largest strategy. Investors are responding favorably, with BXMA generating year-to-date net inflows of over $5 billion – the highest in nearly 15 years.

In our drawdown fund area, it was another quarter of fund-raising. We held additional closings for our new private equity Asia flagship, bringing it to over $9 billion, as of quarter end – already significantly larger than the prior $6 billion vintage, and we expect to meaningfully exceed our original $10 billion target. We also raised additional capital for our next life sciences flagship, bringing it to $3.3 billion – already more than two-thirds the size of the prior $5 billion vintage. In credit, we held an initial close of $1.6 billion for our new high yield asset-based finance strategy, targeting $4 billion. In secondaries, we finished raising the largest-ever infrastructure vehicle at $5.5 billion; and we're now raising our next PE secondaries flagship, targeting at least the size of the prior $22 billion vintage, with the first major close expected in the fourth quarter. Also in Q4, we expect to launch fund-raising for the fifth vintage of our private equity energy transition strategy, with the prior vintage already approximately 70% committed only 16 months after starting the investment period. Other drawdown strategies we are raising include opportunistic credit, tactical opportunities and GP stakes.

Overall, we believe investor confidence in Blackstone is as high today as ever, which, as you've heard today, is translating to growing capital commitments across many areas. In real estate specifically, investor sentiment is starting to improve following the downturn. We remain firm believers in the sector's recovery and that flows ultimately follow performance. Commercial real estate values bottomed in December 2023 and since then have been slowly improving. We think we're now approaching a steeper point in that recovery curve. The cost and availability of capital have been steadily strengthening, and transaction activity has been increasing, including by 25% year over year in U.S. logistics in the last 12 months. In a market driven by supply and demand, the dramatic decline in new construction starts – including to the lowest level in over a decade in U.S. logistics and apartments, our largest sectors in real estate – should be very positive for values over time. As we've stated before, we believe Blackstone is the best-positioned firm in the world to benefit from the recovery underway in real estate markets.

In closing – the firm is in outstanding shape by any measure. A cyclical resurgence in transaction activity, alongside multiple secular growth engines, should be very positive for our shareholders.

And with that, I will turn things over to Michael.

Michael Chae: Thanks Jon, and good morning, everyone.

Over the past several quarters, we've highlighted how the scaling of the firm's platforms in key growth channels is driving robust momentum in fund-raising, assets under management and FRE. In addition, we've outlined a path of accelerating net realizations over time as capital markets strengthen. The third quarter was an excellent illustration of these dynamics at work, and reinforces a favorable, multi-year picture for the firm.

Starting with results. AUM continued to advance to new record levels. Total AUM rose 12% year over year to $1-trillion 242-billion, while Fee Earning AUM grew 10% to $906 billion. Management fees increased 14% year over year to a record $2.0 billion, underpinned by continued double-digit growth in base management fees, including 23% growth in base management fees for the private equity segment, 18% for credit and insurance, and 15% for BXMA. At the same time, transaction and advisory fees for the firm nearly doubled year over year to $156 million, with our capital markets business reporting one of its two best quarters in history, following a record Q2. While we expect a lower baseline of these revenues in the fourth quarter, the expanding scope of the firm's investment activity is widening the aperture of activity for capital markets business.

Fee-related performance revenues grew 72% year over year to $453 million in the third quarter, generated by nine different perpetual strategies, including BCRED and multiple other vehicles across the credit complex; BREIT in real estate; BXPE in private equity; and BIP in infrastructure.

Overall, total fee revenues for the firm grew 22% year over year to $2.5 billion in the third quarter. Fee-related earnings increased 26% year over year to $1.5 billion, or $1.20 per share – one of the three best quarters of FRE in our history – driven by the growth in fee revenues along with healthy margin expansion. With respect to margins, as we've stated before, it's most informative to look over multiple quarters given intra-year movements. On a year-to-date basis, FRE margin was 58.6%, reflecting expansion of over 100 basis points versus the prior-year comparable period. While we expect FRE margin in the fourth quarter to be sequentially lower due to seasonal expense factors, for the full year 2025 we are tracking favorably against the initial view of margins we provided in January.

Distributable earnings increased 48% year over year to $1.9 billion in the third quarter, or $1.52 per share, powered by strong double-digit growth in FRE, alongside a significant acceleration in net realizations. We generated $505 million of net realizations in the quarter – more than double the prior-year period – and up 55% sequentially from Q2. The largest single realization was the sale of an interest in the GP stakes portfolio within our secondaries platform at the end of September. We also completed the full exit of Hotwire, the sales of certain U.S. energy assets and a number of other realizations across the private and public portfolios.

Looking forward, in terms of fund dispositions, we have a robust pipeline of processes underway amid the improving transaction backdrop, and we believe we're moving toward acceleration in 2026 – concentrated in private equity, with expanding contribution from real estate over time. And the firm's underlying realization potential is significant. The net accrued performance revenue on our balance sheet – our "store of value" – stood at $6.5 billion at quarter end, or $5.30 per share, while performance revenue-eligible AUM in the ground has reached a record $611 billion.

Turning to investment performance, our funds delivered healthy returns overall in the third quarter. Infrastructure led the way, with 5.2% appreciation in the quarter and 19% for the last 12 months, reflective of broad-based gains across digital infrastructure – including continued notable strength in our data center platform – along with gains in our power and transportation-related holdings. The corporate private equity funds appreciated 2.5% in the quarter and 14% for the LTM period. Revenue growth at our operating companies strengthened to 9% year over year in the third quarter, while margins have remained resilient, supported by labor market conditions that are in balance and continuing to moderate.

In credit, our non-investment-grade private credit strategies reported a gross return of 2.6% in the quarter and 12% for the LTM period, reflecting healthy underlying credit performance. Default rates across our non-investment-grade holdings overall ticked up slightly but remained minimal. In our direct lending portfolio specifically, realized losses were only 12 basis points over the last 12 months. BXMA reported a 2.9% gross return for the absolute return composite in Q3 and 13% for the last 12 months. Notably, BXMA has delivered positive composite returns in each of the past 30 months – which is leading to strong inflows and the segment's fourth consecutive quarter of double-digit AUM growth in Q3.

In real estate, values were stable overall in the third quarter. The Core+ funds appreciated modestly, driven by the third straight quarter of positive performance by BREIT. The opportunistic funds declined slightly in the quarter, with positive overall appreciation in the underlying real estate offset by the negative impact of foreign currency movement. In total, our real estate platform remains well positioned. Three of our highest-conviction sectors, which are supported by very positive long-term fundamentals – data centers, logistics and rental housing – comprise approximately 75% of the global equity portfolio, and nearly 90% of BREIT.

Overall, our investors have continued to benefit significantly from the firm's positioning, with leading platforms to address many of the most important market opportunities globally, including the largest data center business, a leading energy infrastructure platform, the largest third-party focused private credit business, one of the largest private market secondaries platforms, a leading life sciences business, and what we believe is the largest alternatives business in India. These platforms have powered our investment performance and our growth, and we expect will continue to do so in the future.

In closing – Blackstone is exceptionally well positioned, supported by both cyclical and secular tailwinds. The breadth and diversity of our global portfolio is a source of strength, while the firm's culture of innovation continues to drive us forward – leading to outstanding financial performance for shareholders. With that, we thank you for joining the call and would like to open it up now for questions.

Moderator: Thank you. We'll take our first question from Dan Fannon with Jefferies.

Dan Fannon: Hi, thanks. Good morning. I wanted to follow up just on the private credit market, given all the headlines and uncertainty. Can you just discuss in more detail any changes in credit quality across your portfolio? And then potentially also just in terms of what you maybe have done differently here, given some of the news and the recent bankruptcies we've seen in recent weeks?

Jon Gray: Well, I would go back to the idea that this really isn't private credit's story, that what occurred here were bank-led, bank-originated, bank-syndicated credits. It also was a bit idiosyncratic as it appears that there was, at least according to the reporting, fraud involved. So, I don't think there's much look-through to private credit per se. These are not directly related to the private credit market. And given the idiosyncratic nature, I don't think it really speaks to credit overall. I'm not sure anything really changes in our model.

Steve spoke about the way we underwrite in private credit, which is doing deep due diligence, underwriting what we're doing to hold. In terms of defaults today, they remain minimal. Realized losses, they're still almost non-existent at these levels. You would expect, as you get deeper in the cycle, you could see a little more over time. But when we look in aggregate at our business and what we think will deliver to our investors, we think it'll continue to be quite strong.

So, I would say given the underlying strength of the economy, what we've seen with margins, we just don't see a lot of credit issues out there.

Moderator: Thank you. We'll take our next question from Craig Siegenthaler with Bank of America.

Craig Siegenthaler: Good morning, Steve, Jon. Hope everyone's doing well. Congrats on the 40-year anniversary. This is the first quarter following President Trump's executive order for privates in 401(k)s. And just last week, I saw that you launched your defined contribution business. So, I wanted to ask an open-ended question. What are your plans, and do you do this alone? Or can you leverage your partnership with Vanguard and Wellington?

Jon Gray: Well, we're obviously starting to move. I think the announcement was important. We were already heading in that direction, building up our capabilities, but we thought it was important to have a dedicated group of senior people focused on it. And between Heather, Tom, Paul, the individuals we announced, we've got a great lineup of people. I think this is an area where we will work with others. It's a broad market. You've got a lot of constituents involved.

Certainly, there are large corporate plan sponsors where we already have deep relationships. Some of this will be done through some of the large financial institutions who have platforms. There's going to be a range of partnerships here. Yes, we would intend to work with some of our existing partners, but it's still early.

Obviously, this has been announced by the administration. There needs to be the rulemaking. Of course, with the government shutdown, that's been slowed. But I think everyone's expectation is that individuals in retirement who are in defined contribution plans should have the opportunity to invest in alternatives just like their counterparts in defined benefit plans have.

And we continue to believe, given the scale of our offerings and the breadth of our offerings, we can really provide holistic solutions. So, I would say it's an area we're going to spend a lot of time on. Obviously, it will take some time to build, but again, the benefits of returns and diversifications, I think will really resonate with plan sponsors, with consultants. Once the right legal framework is in place, we will do this, and yes, I think we'll work with others along the way.

Craig Siegenthaler: Thanks, Jon.

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. I wanted to ask about your brand strategy and how that's evolving as you extend further into the private wealth channel. Globally, I understand you had your first TV advertisement in Japan. So, I was hoping you could talk about your approach to marketing, advertising, brand, how that's evolving as you pursue opportunities from 401(k) to private wealth globally, and might we see a Blackstone Stadium any time soon?

Jon Gray: I don't expect a Blackstone Stadium any time soon. What we do is fairly targeted, of course. We did do a launch in Japan, which we think is a very important market. I think it's the country in the world with the second most in savings. And the leadership there has done, I think, a really terrific job of pivoting their citizenry from being savers to being investors. And they've opened up alternatives, both offshore and onshore, and that's really important. Because Steve, going back 40 years, has thought about Japan as a key market, we've got a really strong brand there, made a big difference. He was recently there. There's a lot of enthusiasm, I believe for Blackstone and our products and making it more top-of-mind does make sense.

Doing advertising, I think, for us will be targeted. Obviously, we're pretty focused on who we're talking to in private wealth, financial advisors, and customers who these products are appropriate for. So, I think you will see us with a broader footprint over time. It makes sense as we grow to hundreds of thousands of customers. But at the same time, I think we'll do it in a targeted way in markets and in sectors where we think we can have a real impact. What's promising is just the growth in the private wealth area. The fact that we had this doubling in fund-raising in the third quarter, year over year, and that the number of products we have, where we're going to expand to, is very promising. So, when we look out, we love our positioning in this space.

And yes, we're going to do it on a global basis. And yes, it will involve a little more advertising versus what we've done historically.

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

Bill Katz: Okay, thank you very much. And our condolences for your loss as well. Tragic. Michael, a question for you. As you think about the interplay between the margin outlook ahead and also what seems to be a pretty healthy pipeline for realizations, any thoughts on how we should think about the comp within the FRE versus the comp on gross realizations? Thank you.

Michael Chae: Hi, Bill. Thank you. And thank you for your remarks.

No, I think in terms of the overall FRE margin dynamics, obviously they continue to be healthy, Bill. And I think the bottom line is, over time, we'll continue to see operating leverage. We're obviously pleased with our year-to-date performance. With performance revenue fee margins, especially in relation to carry, as you know, those comp ratios can vary quarter to quarter based on the mix of realizations, the vintages of realizations. And overall, in terms of the relationship between the two, I think we've said before that we're happy with our basic approach. We have the ability and some control, on a year-to-year basis, to allocate compensation between the two in a way that we've talked about before. But, while we have that lever, I think the overall approach is one we're going to stick with.

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

Brian McKenna: Thanks. Good morning, everyone. So, I had a question on wealth. Retail investors today, they have access to a number of different strategies within private markets, but there are some parts of the market where the risk-rewards are better than others. So, for example, lower base rates and spreads are a bit of a headwind for direct lending. Returns are likely moving lower there, but it's generally a positive for private equity and real estate, and performance should be accelerating there, all else equal.
So I'm curious, how much time is being spent with your counterparts on education, just in terms of what you view as the proper allocations within private market portfolios through the cycle?

Jon Gray: Well, we spend a lot of time at the home offices and in the field and in large-scale Zoom calls talking about how we see the markets. What we try to remind our wealth clients is that they should think about this similar to institutional investors, and it shouldn't be, "Hey, I'm going to just flip from here to there." If you went to a large state pension fund or sovereign wealth fund, they would have allocations to real estate, to private equity, to credit, to infrastructure. They may modulate them a bit, but they take long-term approaches, and we think that is very prudent.

Yes, there are moments in time where certain asset classes outperform relative to others, but we think all of the areas today actually look pretty good. You mentioned private credit. Yes, we have seen, we're in an environment where base rates are coming down, but the premium relative to liquid credit, that endures. That is a real value to investors when they think about incremental return, so valuable, the “farm to table” model.
And yes, in our equity-oriented strategies, there's a benefit from lower rates, no question, in real estate, in private equity, in infrastructure. But I think the biggest message to our investors is take a long-term approach, have a balanced portfolio, so that you get the benefit of diversification, and then the long-term compounding from each of these asset classes.

Brian McKenna: Super helpful. Thank you.

Moderator: We'll take our next question from Ben Budish with Barclays.

Benjamin Budish: Hi. Good morning, and thank you for taking the question. One of the questions we get a lot on your investing strategy around data centers is, how do we know we're not in a bubble? So, just curious your response to that question, and then maybe you could help us understand a little bit, what are the key drivers of returns for that strategy? Is there a cash flow component? Is it valuations? I know you talk a lot about supply and demand dynamics. To what extent might cap rates matter? So, that will be helpful to just get a sense of what is driving the excellent returns we've been seeing there. Thank you.

Jon Gray: Yes. Well, I think the key thing for us in our data center business is how we do the business. The vast majority of our investing and the vast majority of returns comes from building, developing, leasing these data centers. We do it now in the U.S. We do it in Asia. We do it in Europe. We have leading platforms around the globe. And the key to what we do from a risk standpoint is we make sure we have an investment-grade counterparty.

Today, I would say, in general, the largest companies in the world with roughly $1 trillion to $4 trillion market caps, and we get lease terms of 15 to 20 years. And that's when you start to deploy capital at real scale. And to us, that seems like a very prudent way to do this.

The returns come from the differential between the cost of doing those projects, and then what they're worth as stabilized assets. So, when you have a high investment-grade company and a long-term leased asset, that is quite valuable. So, I think this, when you think about what's happening in AI, the demand for compute, I think this is a very good sector to be in. I think it's also worth noting that the demand for data center space continues to grow. In fact, in our portfolio, in Q3, we saw doubling in our leasing pipeline globally versus Q2, to give you a sense of the acceleration we're seeing.

Now, obviously, some people may be concerned about that, but compute power and compute needs are going up. The key for us, on behalf of our investors, primarily in real estate and infrastructure, where this exposure sits, is to make sure we do this in a prudent way. Long-term leases, credit tenants, we continue to do it that way.

And by the way, similarly, we're doing this at scale in our credit business. There, we're also lending to entities where there's equity, plus they have these long-term leases as well.

And so, this is a huge need. It's one of the reasons why private equity and alternatives as a segment are growing so much. This re-industrialization, the AI infrastructure requires large-scale capital, and we as a firm who does this on the debt and equity side with real expertise has a big competitive advantage. So, I think this will continue to grow, but we'll keep doing it in a very disciplined way.

Benjamin Budish Great. Thanks, Jon.

Moderator: We'll take our next question from Alex Blostein with Goldman Sachs.

Alex Blostein: Hi. Good morning, everybody. Thank you for taking the question as well. Jon, I wanted to go back to the wealth discussion for a second and apologize for the two-parter on this. So on credit, totally hear your point around the relative premium to liquid markets. But how important is the 10%-ish gross return to the retail channel? So, does the point you make, does that resonate or it's really viewed as an absolute product? And any sort of color you can give us on the ground today, what the response in either gross sales or redemptions has been to BCRED’s dividend cut from a couple of weeks ago. And then zooming out, I was intrigued by the multi-asset comment you guys made around launches for next year. Could you maybe just expand on that, what that could look like, what parts of the market you're trying to attract with these vehicles? Thanks.

Jon Gray: Sure. So, Alex, the key, of course, is relative returns. When we launched BCRED now five-plus years ago, we were targeting, I think, 8+% returns given where base rates were, and the product has done very well. As we go from a 5.5% short rates to now low 4s, probably a year from now low 3s, I think what investors will be looking at is, how does that size up relative to what I can get in other forms of fixed income, particularly liquid fixed income? It could have some impact, but I think, generally, the key will be this relative premium.

To date, we've continued to see healthy gross sales, this quarter to-date on pace in BCRED in a good way. We have not, as of yet, seen any sort of elevated redemptions. We haven't seen material changes. And I think the key is we continue to deliver for customers, deliver that relative premium, have a healthy portfolio from a credit standpoint. I think if you do that for investors, that's what matters.

And by the way, it's not just in the wealth channel. Think about our growth in insurance. There, actually, as rates come down, there's some spread compression, the need for private assets, comparable risk – investment-grade comparable risk, but with higher returns becomes even more important in that context. So, I think the key for us is to deliver premium returns over base rates, be they long rates or short rates. If we do that, I think our private credit business will grow a lot.

Moderator: Thank you. We'll take our next question –

Jon Gray: Sorry, my fault. Michael just pointed out multi-asset credit. Let me just quickly hit that. I would say what's happening in the wealth channel is we have a scale now where we can do some interesting things. We obviously have the collaboration with Wellington and Vanguard. And if we do something there, it would be not surprising that it involves potentially multiple of our products. We have the ability. We have some of our partners who are seeking things with different mixes of products based on income and growth. And so, creating those offerings is something that's pretty unique to Blackstone because we're not just in private equity or infrastructure or credit or real estate. We can offer, I think, unique combinations, unique solutions to investors. And as this industry matures, those kind of comprehensive offerings, I think, will be more attractive. Sorry, next question.

Moderator: Thank you. We'll take our next question from Brennan Hawken with Bank of Montreal.

Brennan Hawken: Good morning. Thanks for taking my question. I wanted to circle back on Alex's question. So totally get, Jon, that this is not a private credit issue that we've seen. Public markets have a tendency to overreact. And certainly, we've seen that. But curious about, you guys just recently had a dividend cut in BCRED. What I'm really curious about is what is the feedback you're hearing from the wealth management channel given the big reaction in the public markets around some of this? Are you hearing similar things from the ground with your wealth management counterparts and partners, and what can you tell us about the flows since October began and how they're looking in the credit vehicles? Is there any sort of pullback with the dividend cuts and maybe some apprehension around credit, albeit misplaced? Thanks.

Jon Gray: Well, we expect strong flows in BCRED in November. So that's all we know as of today. I would say the reaction in the wealth channel is a realization that these products in credit are 97% floating rate. So by definition, when rates come down, that impacts yield. And they want us to be responsible managers in terms of where we set the dividend level. So, I just think that's the reality of the world we live in today. And again, the key is the relative premium over what you can get in liquid credit. And that continues to be enduring.

And so, I think the conflation of declining short-term rates with credit issues, supposedly from these three non-private credit-related situations, is odd, and I think investors understand that with floating rate products as floating rates come down that has an impact, but you're still getting that meaningful premium I keep talking about.

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

Glenn Schorr: Hello there. So, the big banks and brokers are all giving very supportive cover for you on the forward M&A and IPO calendar that's upon us. You were able to replace whatever you monetize with some more accrued carry, so $6.5 billion as you mentioned, I think 80% of it is across private equity and secondaries. So, my question is, if the deal calendar comes to fruition over the next handful of quarters the way just about everybody is saying it's going to be, how does the maturation of your assets fit? Meaning, should we see incremental pickup in line with overall volumes, is it more IPO dependent – because it's pretty spread across all your products?

Jon Gray: We certainly don't want to get in the business of forward projections here, but I would say, Glenn, just directionally that as M&A markets pick up and as IPO markets pick up, our ability to monetize accrued net carry goes up. And you certainly saw some of that this quarter. We would expect as you move into '26, you'll see more of that. So, directionally, healthier markets, more liquid markets, better credit markets, better IPO markets, that's healthier for realizations and it does accelerate the time frame. That being said, it takes time to get IPOs done. It takes time to get sales processes done.

But the overall outlook, which you keep hearing from us, is getting better. This deal dam is breaking, and it should lead to more realizations over time.

Moderator: We'll take our next question from Brian Bedell with Deutsche Bank.

Brian Bedell: Great. Thanks. Good morning, thanks for taking my question. You answered a lot on the private credit, Jon, but maybe just one more area, and that would be the competition that you're seeing with banks or are you seeing banks become more competitive in the direct lending business? How is that impacting spreads? And then related to that, obviously, credit insurance has been a huge growth driver from a fund-raising perspective, counting for more than half of your fund-raising and over the past two years. Do you see that dynamic continuing? And then if I could just squeeze in one more to Michael, and that's just the outlook for base fee growth for 4Q on a year-over-year basis. I think you may have talked about that earlier, but I just wanted to reaffirm that.

Jon Gray: You got a lot in there, Brian. So, on banks, the banks, I think, are feeling healthy. They are in the marketplace. There is this sort of constant set of choices; should you do a bank-led deal or direct lending deal? That's been going on for a long time. And even for us, on the private equity side, each deal is a little bit different. So, to me, that dynamic is a little more of a constant. I would point out, one of the benefits of the markets getting better is deal volume goes up. So, you need, I think, both the private credit and the bank market, because I do expect that volumes certainly next year in the deal business will go up, which creates a healthier supply-demand balance for capital.

On the insurance front, it's pretty limited in terms of the number of people with an open architecture model, not competing in the insurance space and who can do this at real scale. And that, I think, has been very beneficial for us. I think that's why you continue to see our rapid growth. I would say the momentum we have in our insurance business is pretty exceptional today. Clients are recognizing that this is a favorable risk-return tradeoff: that they have long-duration balance sheets and getting an average of 170+ basis points of incremental return on investment-grade credit makes a ton of sense. And doing with us – with our scale and our brand and our open architecture model – really works. So, that is an area where I think you will continue to see a lot of growth.

Michael Chae: And Brian, on the management fee outlook, I'll just step back and reiterate that we've been talking for some time about how the launching and scaling of our platforms in these key growth areas is leading to an expansion of the firm’s earnings power. And you certainly saw that in the results this quarter and the third consecutive quarter of double-digit base management growth.

As it relates to Q4, we'd expect continued top-line momentum. Though would note, we expect slower year-over-year base management fee growth in Q4 versus Q3, primarily given multiple private equity flagship step-ups in the prior-year period and some sequential slowing in real estate. But in terms of that and the outlook for 2026, we're very positive.

Brian Bedell: Great. Thank you.

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

Steven Chubak: Hi. Good morning, and thanks for taking my question. So, I wanted to ask on the real estate outlook, the performance indicators admittedly have been a bit mixed. On the positive side, monetization revenues tripled sequentially, performance has also improved, but the pace of fund-raising has moderated, and the absolute returns still remain tepid despite the interest rate tailwinds. So, was hoping you could speak to the performance and its outlook both for Opportunistic and Core+ in 4Q and looking ahead to next year, and just thoughts on the timing of an inflection in real estate fund-raising and what would inform that expectation.

Jon Gray: Well, we've been pretty consistent. We said at the beginning of '24, we thought real estate was bottoming. We said it would be a slow, non-V-shaped recovery. That has certainly been the case. It's hard to say exactly when things turn, but a number of the tumblers are falling into place for real estate. First off, we've seen cost of capital come down pretty meaningfully. The 10-year is back down here at 4%. Spreads have come down quite a bit. That is very helpful for the sector. The CMBS market, volumes there are picking up. I think they're up about 25% year-to-date. We're also seeing this very constructive decline in new supply, which you heard about in our prepared remarks, which starts to set a foundation for cash flow growth as you look out over time.

I would tell you, qualitatively, we are seeing some good signs in the sense that in the last couple weeks, we announced two large transactions, a big office building here in New York City, and then that we were selling, and then we sold some logistics in the U.K. to a public company. These sort of transactions were very hard to get done 12 months ago. And I would note that during a recent transaction we've been involved in, I got multiple calls from buyers asking if they could be positioned to win. And I joked internally that was the first time in three-and-a-half years that has happened. So I think we're at a point here, the combination of a capital markets recovery and a sharp downturn in construction sets the groundwork for getting closer to that inflection point.

And I think when you see that, obviously, it'll be very helpful to our business, given the exposure we have. And it's why you see us trying to deploy capital at scale to capture this before people start to feel more comfortable. I will also say the sentiment amongst global investors – I was in Europe and Asia the last couple weeks – is definitely moving to a better spot. But in general, investors want to see a little more positive performance, and that will make a difference. Now, in BREIT, we've had nine months of positive performance. I think that will begin to have an impact there on flows. So, it'll take some time. But at some point, I think investors will recognize, wow, this is a sector that's been out of favor.

It's not going away. People are still going to live in apartments. They're going to order logistics. These things are long-term asset classes, and I can invest in them at discounts to replacement costs and attractive prices. I think that'll start to make a difference. And I definitely think we're getting closer to that point.

Steven Chubak: That's helpful color, Jon. Thanks for taking my question.

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

Ken Worthington: Hi. Good morning. Thanks for taking the question. You talked about a greater focus on the RIA channel for wealth. Maybe to help level set us, how much of your wealth AUM is RIA sold at this point versus the broker-wirehouse channel? And is this focus about adding more in different sales personnel, or does the product need to be adjusted as well in terms of fees and structure?

Jon Gray: So, Ken, I don't think we disclose or have certainly not the information here now about where the different forms of distribution, but I would say the RIA channel is very large, but it's harder to access, as you know. I mean, the bigger wirehouses, you can work at the top of the house, you can get distributed out.

One of the advantages we have as a firm is having 300+ people on the ground, and that enables us to go out there and talk to people. And I think for us, we recently brought in a new senior person to run that area for us, and we're really trying to do a concentrated outreach. Obviously, the marketing, the advertising, those things matter when you're going to a more distributed market. But the underlying pricing of the product, that doesn't really change, but it requires a lot of effort.

I will say, we did create an interval product in multi-asset credit, which was our first real interval product, which we launched in the RIA channel specifically. So, I think for us, it's about going after it. It's a little bit like foreign markets where you have to put a concentrated effort, if it's Japan or Australia or Canada or Asia. It's the same sort of thing here.

And again, given the track record of our products, the performance we've delivered, the strength of our brand, if we put the right resources on the ground, I think we can build big relationships and large AUM in the RIA channel. So, I think that's an area of major opportunity for us.

Ken Worthington: Great. Thank you.

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

Patrick Davitt: Hey, good morning, everyone. I have a different angle on Brian's question. Maybe it's a bit too early to know, but had some wobbles in the bank loan market to your points earlier, seen some deals pulled and or repriced, which I think you could argue is actually good for direct lending dynamics. So, curious if you're seeing any signs that the banks are rethinking how aggressive they've been in that channel, potentially getting less competitive because of what's happened, and/or any sign new originations spreads could get a little bit wider on the back of those bank loan blowups. Thanks.

Jon Gray: The bank market obviously has to be sensitive because they're in the distribution business. So, when you see what happened in the last couple of weeks, it's not a surprise, you could see a little bit of hesitancy, but I think market participants have concluded that this was pretty isolated, and it is not a sign of something bigger. And as a result, I don't think we would say today we're really seeing any sort of pullback from the banks.

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

Arnaud Giblat: Good morning, yes. In credit and insurance, your dry powder has close to doubled in the last 12 months. I was wondering if that was the case as well in direct lending, private debt, given how tight the spreads have become and loose the covenants are with the competition of the broadly syndicated loan market. And specifically, if I could just follow on that specific point into BCRED, how do you see capacity developing? If conditions remain really hot and tight, do you start worrying perhaps a bit about capacity and the speed at which you're deploying capital, assuming that flows remain strong? Thank you.

Jon Gray: Well, I'll just comment, Michael can comment on where the dry powder sits in credit, but I think there's a bit of mischaracterization here as to how hot the markets are or overheated. Loan-to-value that we originated in our direct lending in Q3 was at 38% loan-to-value. That's probably half the level it was if you went back to ’06, ’07. And spreads are sort of in line with historic levels. So, yes, it's a business that has grown a lot, but it's taken a significant amount of share. And we just haven't seen the erosion of credit standards. And we actually have had a very strong deployment year. I think we've had a record year this year, first nine months in terms of deployment. So, we feel good about the business.

Michael Chae: And Arnaud, I just want to point out, dry powder, as you probably know, is largely about drawdown funds. And our direct lending capital, obviously, sits in a lot of different vehicles, including perpetual ones. So, direct lending, structurally, is a smaller fraction of our dry powder.

Moderator: Thank you. With no additional questions in queue, I'd like to turn the callback over to Weston Tucker for any additional or closing remarks.

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