Blackstone

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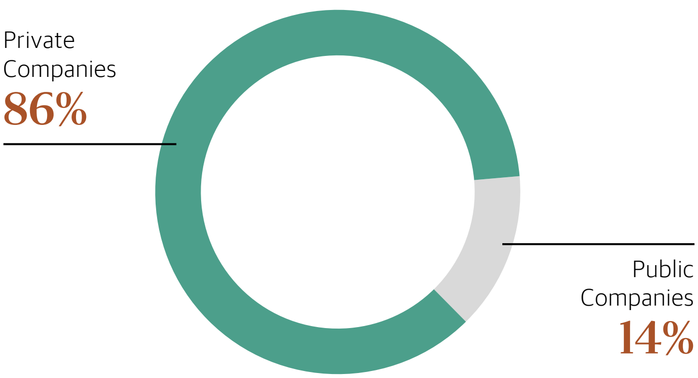
Accessing Private Equity Today

Private equity typically consists of investments in privately held companies, ranging from early-stage growth companies to large enterprises. Private companies represent a majority of large businesses globally[(1)], and through private equity, investors can access this vast opportunity set.

Diversifying with a Vast Opportunity Set

Businesses with More than $250M of Revenue[(1)]

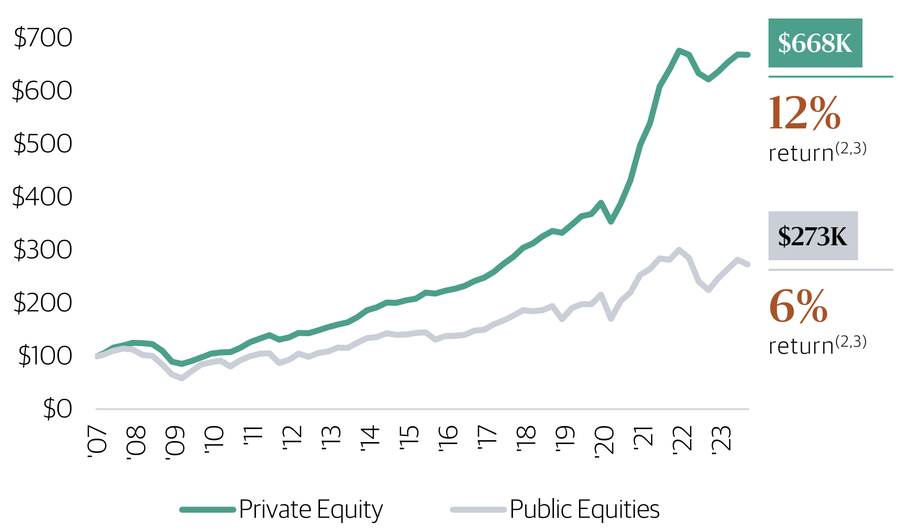


- The universe of private equity is vast given that most companies globally are privately held
- We believe that private equity as an asset class can offer more, and sometimes better, avenues for differentiated sourcing and alpha generation than public markets

Investing for the Long Run

- Private equity has historically outperformed public markets,[(2)] and we believe this demonstrates private equity's resilience in both rising and falling interest rate environments
- We believe that private equity managers with scale, investment flexibility, and expansive operational resources have the potential to drive strong performance across market cycles

Growth of $100,000 in Private Equity vs. Public Equities[(2)]
($ in thousands)



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Simplifying Private Equity for Individuals

Private equity, once an illiquid option for mainly institutional investors, has become more accessible through evolved fund structures like perpetual private equity funds, which offer advisors new ways to tap into private markets for their clients.

Perpetual private equity funds and traditional drawdown funds can provide individual investors access to private equity with varying tradeoffs. For eligible investors, advisors may seek to use perpetual private equity funds as a core long-term portfolio allocation or as a potential public equity replacement, and drawdowns as a potential complement given periodic availability. Advisors may find traditional drawdown funds useful for clients seeking exposure to a specific strategy or asset class and for those clients who are willing to trade committing capital for longer periods for potentially higher returns.

	Liquid Funds	Perpetual Private Equity Funds	Traditional Drawdown Funds
Access to Private Markets	Limited or limited by regulation	✓	✓
Funding	Immediately	Immediately, no capital calls	Over time
Investment Availability	Daily	Recurring (e.g., monthly)	Episodic
Liquidity	Daily	Periodic (e.g., quarterly, subject to limits)	Typically, none
Performance Reporting	Daily	Monthly	Quarterly
Fund Life	Continuous	Continuous	Typically, 7-10+ Years
Tax Reporting	1099	1099 or K-1	K-1

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Power of Compounding

For perpetual private equity funds, since capital is immediately invested into a portfolio of assets, investors can potentially benefit from the compounding of accumulated returns and reinvestments of profits (i.e., realizations) over time. Perpetual private equity funds and traditional drawdown funds offer different return profiles due to factors, such as fund structure and lifespan, investment strategy and timing of contributions and distributions.

The table directly below outlines a range of return outcomes, highlighting the relationship between multiples and net returns for perpetual private equity and traditional drawdown funds. The graph below provides an illustrative depiction of these potential returns and the timing of distributions and contributions for these fund structures.

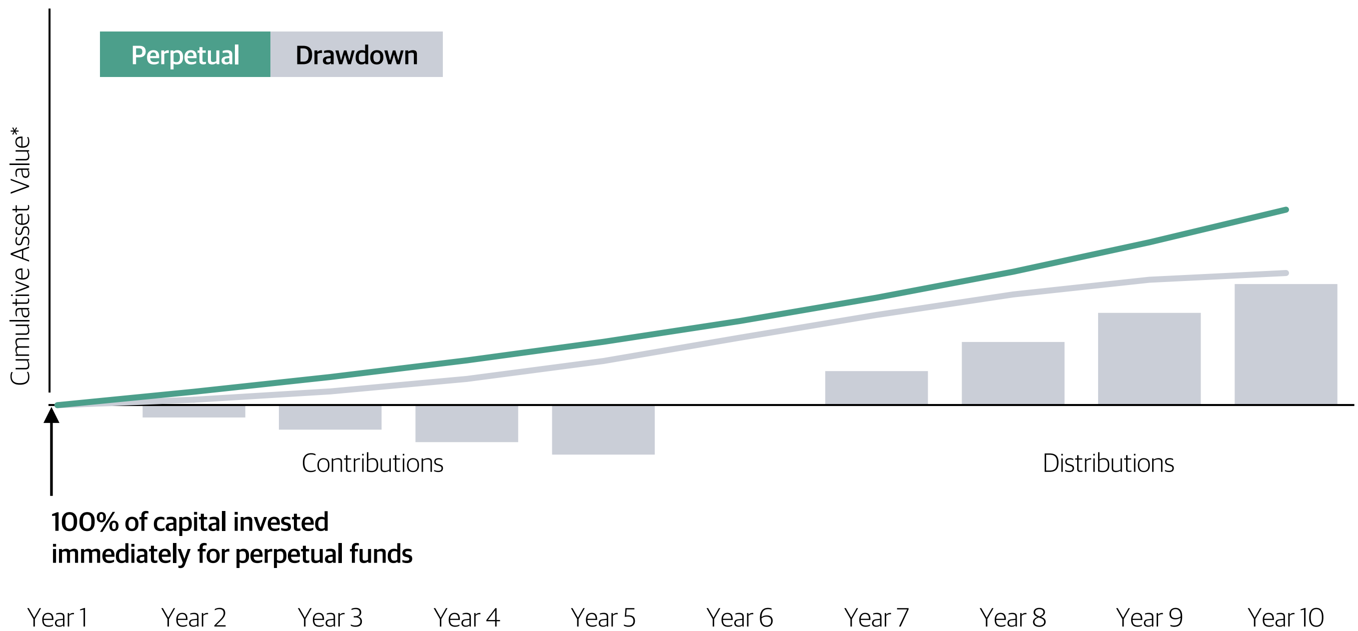
Relationship between Multiples and Net Returns Under Different Return Scenarios

	Perpetual		Drawdown	
	Net Annualized Return(4,5)	Multiple(5)	Net IRR(4,6)	Multiple(6)*
Scenario 1	10%	2.6x	13%	2.0x
Scenario 2	12%	3.1x	15%	2.2x
Scenario 3	14%	3.7x	17%	2.4x

Perpetual private equity funds can achieve a higher multiple with lower net annualized returns through immediate compounding of investor capital, unlike gradual capital calls featured with traditional drawdown funds

Illustrative Cumulative Value & Timing of Cash Flows for Scenario 2

(Cumulative Contributions/Distributions)(5,6)



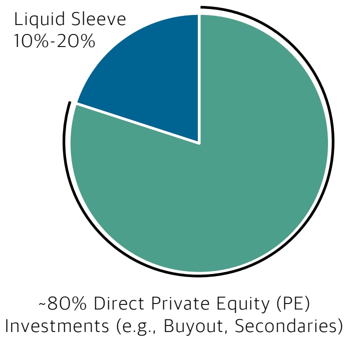
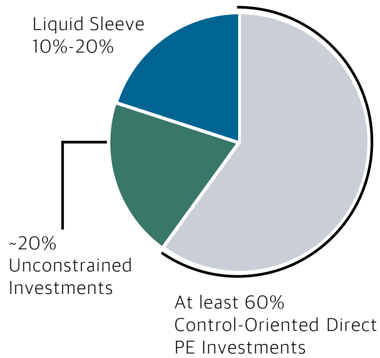
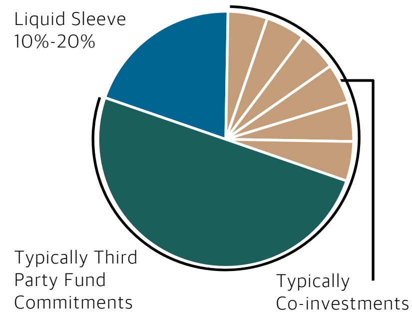
*To achieve the multiples displayed above, contributions to the drawdown fund generate the corresponding net IRR. It is assumed that undrawn capital and distributions are invested in a portfolio of US Treasury Bonds, generating a 5.0% return.

Note: **Target returns are hypothetical in nature and are shown for illustrative, informational purposes only**. This material is not intended to forecast or predict future events, but rather to indicate the returns for the asset classes listed above that Blackstone has observed in the market generally. It does not reflect the actual or expected returns of any portfolio strategy and does not guarantee future results. The target returns are based upon Blackstone's view of the potential returns for investments of the strategy discussed herein, are not meant to predict the returns for any accounts managed by Blackstone and are subject to certain assumptions. There is no guarantee that Blackstone products will achieve their investment objectives. The opinions expressed herein reflect the current opinions of Blackstone and should not be construed as research or investment advice. Investors should consult their own legal, accounting and tax advisers to make an independent determination of the suitability and consequences of an investment. Please refer to page 6 for relevant endnotes 4-6.

Perpetual Private Equity Funds in Focus

Perpetual private equity funds vary in structure. Financial advisors and their clients should understand the benefits and risks of each structure regarding eligibility, taxation, and investment strategies prior to making a decision to invest.

Comparison of Perpetual Fund Structures

Fund Type	Private Partnership	Operating Company	Registered '40 Act Tender Offer Fund
Illustrative Portfolio[7]			
Portfolio Construction	Broadly diversified with no portfolio construction requirements	At least 60% of investments must be controlled by the Fund; exposure to non-control strategies limited	Generally limited to third-party sponsors' funds and deals; Majority of portfolio subject to significant diversification & concentration limits for tax purposes
Typical Investment Strategy	Diversified private equity across strategies such as buyouts, growth, and secondaries	Primarily control-oriented private equity with minor allocation to other strategies (e.g., preferred equity, secondaries, growth)	Limited partner (LP) fund commitments and minority stakes in assets owned by third-party sponsors
Eligibility	Qualified Purchasers	Accredited Investors	Accredited Investors or Qualified Clients
Investor Taxation	K-1 or Simplified K-1	K-1 or Simplified K-1	Form 1099

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Considerations before Allocating

Private market investing means active ownership of less liquid assets, as value creation takes time. Liquidity needs at the total portfolio level are one important consideration before allocating to private equity. In addition, manager selection may be of particular importance given the wider dispersion of returns compared to public markets. We believe key manager attributes may include scale, staying power and an established track record.

As illustrated on page 3, perpetual private equity and traditional drawdown funds typically feature varying lifespans and cash flow profiles.

- In the case for perpetual private equity funds, capital is invested upfront and is typically immediately invested into a portfolio of assets. As investments are realized, distributions are usually reinvested back into the fund. Since contributions, distributions, and reinvestment of realizations can happen perpetually, multiples generally increase.
- Conversely, traditional drawdown funds have a defined lifespan with specific periods for fundraising (i.e., contributions), investing, harvesting, and distribution. After the initial fundraise, capital is called during the investment period to fund new investments. As investments are generally realized during a harvest period, cash distributions are then periodically paid to the investor, typically towards the end of the fund's life.

Ultimately, financial advisors should consider an individual investor's risk profile, portfolio objectives, and other factors before investing in private equity all together.

A Comparison: Perpetual vs. Drawdown Funds

	Multiple(5,6)	Net IRR/ Annualized Return(4)	Key Features
Perpetual	Higher	Lower	▪ Typically produces a higher multiple since capital is fully invested for longer ▪ Net annualized returns may be lower due to structural features, such as a liquidity sleeve(4) ▪ Can be a core long-term portfolio allocation or as a public equity replacement
Drawdown	Lower	Higher	▪ Typically produces a lower multiple since capital is fully invested for less time ▪ Net IRR may be higher because distributions are paid as investments are realized(4) ▪ May be useful for clients seeking specific strategy or asset class exposure and willing to trade long-term capital commitments for potentially higher returns

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End Notes

1) Source: Capital IQ, November 2023. Represents the share of companies based on the total number of public and private companies in North America, Europe, and Asia that have reported revenues 2023, 2022, or 2021 fiscal year revenues greater than $250M per Capital IQ's company database.

2) Source: Blackstone analysis based on data from Cambridge Associates, as of September 30, 2023. Growth of $100,000 based on cumulative returns from January 1, 2007, to September 30, 2023, in order to capture performance throughout the Global Financial Crisis. "Private Equity" is represented by the pooled returns of the blended Cambridge Private Equity Index, which is comprised of buyout funds, secondary funds, and growth equity funds. "Public Equities" are represented by the Cambridge Modified Public Market Equivalent ("PME") analysis of the MSCI ACWI Index. Returns shown above have been compounded quarter over quarter to show comparison over time and may not be representative of actual historical returns experienced by investors in either Private Equity or Public Equities. PME data contained herein was generated by Cambridge Associates' PME tool as of September 30, 2023, and was not calculated by Blackstone. PME methodology replicates the date and amount of cash flows from Cambridge Private Equity Index capital calls or distributions in a public market index (i.e., MSCI ACWI). There are multiple PME calculation methodologies that can be used to compare private and public markets, and the use of a different PME calculation methodology may result in a different outcome than the one shown here. Cambridge Associates' Private Investments Database is a collection of private fund performance including the performance of buyout, growth equity, private equity energy and subordinated capital funds. The private fund and investment-level performance information is drawn from the quarterly and audited annual financial statements of the fund managers and each manager's reported performance numbers are independently recreated from the financial statements and verified by Cambridge Associates.

3) Perpetual private equity funds and traditional drawdown funds have different inherent structural features. For example, perpetual private equity funds have a longer investment horizon compared to traditional drawdown funds. These funds also need to maintain a liquidity sleeve and tax blockers, ultimately causing a drag on returns.

4) Net Internal Rate of Return (IRR) is utilized to express traditional drawdown fund returns due to its effectiveness in capturing the time value of money and the performance of investments with incremental cash flows and periodic distributions. For perpetual funds, which generally do not have capital calls and distributions, Net Annualized Returns are used as they provide a clearer picture of the ongoing, compounded returns investors can expect over time. This material is not intended to forecast or predict future events, but rather to indicate the returns for the asset classes listed above that Blackstone has observed in the market generally. It does not reflect the actual or expected returns of any portfolio strategy and does not guarantee future results. The target returns are based upon Blackstone's view of the potential returns for investments of the strategy discussed herein, are not meant to predict the returns for any accounts managed by Blackstone and are subject to certain assumptions. There is no guarantee that Blackstone products will achieve their investment objectives.

5) For the perpetual vehicle, we assume that all capital is deployed in Year 1 and the vehicle is fully invested into private equity assets immediately and that all capital gains are reinvested into the vehicle. Returns for the traditional drawdown vehicle assumes a committed management fee rate (1.25%), an invested management fee rate (1.25%), carry percentage (20.0%), and LP preferred return (8.0%). The perpetual returns assumes a management fee rate (1.25%) and incentive fee (12.5%).

6) Assumes 9-year term for the traditional drawdown vehicle and 10-year term for the perpetual vehicle. The modeled traditional drawdown vehicle assumes that 90% of available capital is deployed in equal increments over a 4-year investment period (Year 2 to Year 5), an average holding period of 5 years for investments, and returns are distributed in equal increments over a 4-year period (Year 7 to Year 10) to the LP. For the multiple calculation of the traditional drawdown vehicle, it is assumed that uncalled but committed capital is invested in a portfolio of US Treasury Bonds, generating a 5.0% return. This assumption facilitates the comparison of multiples across different structures, contrasting with a perpetual fund where 100% of an investor's capital is invested immediately on day one.

7) All percentage figures provided in illustrative pie charts are based on Blackstone estimates.

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