

KAI SPOTLIGHT

Q1 - March 2024

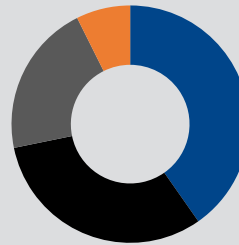
KAI Asset Management Inc. | kaiasset.com | 500-185 Carlton St | Winnipeg, MB R3C 3J1 | TF: 844-755-8932 | info@kaiasset.com



Company Spotlight **Blackstone**

Blackstone is one of the world's leading investment management firms and is the largest private asset manager in the world. Since we last highlighted Blackstone in 2019, the business has nearly doubled their total Assets Under Management (AUM) where they now manage over \$1 trillion of client capital.¹ The company specializes in overseeing investments across four key segments and earns a profit through fees and performance-based incentives:

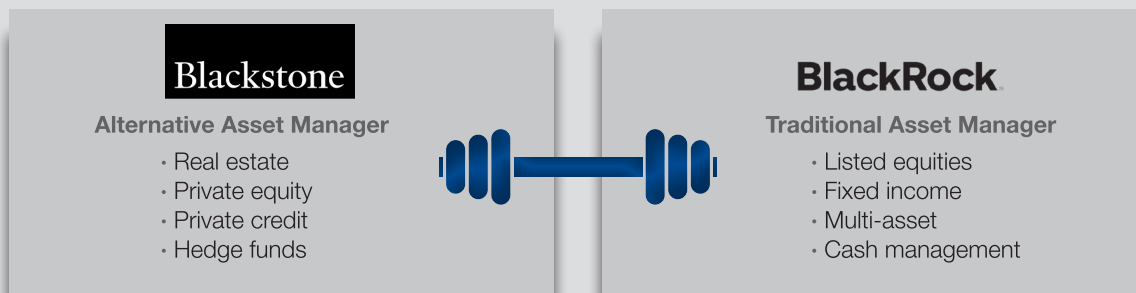
Distributable Earnings Financial Year 2023 ¹	Millions USD
Real Estate	2,265
Private Equity	1,773
Credit & Insurance	1,172
Hedge Fund Solutions	415
	5,625



- Real Estate
- Private Equity
- Credit & Insurance
- Hedge Fund Solutions

Blackstone's principal clientele consists of large institutional and intermediary organizations such as pension funds, sovereign wealth funds, university endowments, insurance companies, and banks, and Blackstone provides them access to alternative asset classes. The importance of alternative assets stems from their ability to offer diversification and higher potential returns compared to traditional investments like stocks and bonds. Alternative asset management is more specialized in nature, which therefore allows for a different fee pricing structure relative to traditional asset managers. As institutional investors seek to hedge against their stock market and bond exposure, alternatives such as real estate, private equity, and other private assets have proven to be effective. Blackstone's expertise and track record in these areas, coupled with their brand recognition and global reach, positions them to continue leading in the alternative asset space. This is appealing to institutional investors seeking attractive risk-adjusted returns in a complex market landscape.

We view Blackstone as a significant complement to BlackRock, another core equity holding in our clients' portfolios. BlackRock, distinct from Blackstone, focuses on traditional asset management with exposure to global listed equities and fixed income securities. We view Blackstone and BlackRock as leaders in their respective fields, with BlackRock being a staple for institutional investors seeking exposure to traditional asset management, while Blackstone provides specialized strategies for those requiring alternative investments. We like to think of Blackstone and BlackRock as investment leaders at 'each end of the barbell'.



From our experience and analysis, we believe that large institutional investors commonly rely on history and reputation when awarding an asset manager with a large investment mandate. We foresee this pattern persisting, posing challenges for newcomers to contend with Blackstone's dominant position among both existing and potential clients. In our view, the AUM growth which Blackstone continues to experience is not only driven by a secular trend of institutional capital being allocated toward alternative assets but perhaps more significantly has been bolstered by Blackstone's brand and track record, which we believe is an intangible asset that commands respect globally. Our thesis has not changed, we believe that Blackstone's compelling brand asset is enduring and that the secular trend of capital allocation to alternative assets will continue to drive growth for years to come.

¹Blackstone, *Blackstone Reports Fourth Quarter and Full Year 2023* (January 25, 2024) | © KAI Asset Management Inc. (KAM) 2024. KAM is a Portfolio Manager and Exempt Market Dealer registered in the provinces of Manitoba, Saskatchewan, British Columbia, Alberta, and Ontario. The firm is also registered as an Investment Fund Manager (IFM) in the provinces of Manitoba and Ontario. This communication is directed only to persons resident in those jurisdictions. The information contained herein is for general information purposes only and does not constitute an offer or solicitation of securities, managed account services, or advice on any specific security. The opinions set out herein are effective as of the date of publication and the authors do not undertake to notify the reader of subsequent changes. Certain general or market information contained herein has been obtained from sources believed to be reliable however KAM cannot guarantee their accuracy. Any opinions expressed in this newsletter are just that, and are not guarantees of any future performance or returns. 240417