20 JUL 2023 Naimish Keswani

Blackstone revises PE flagship target to 'low $20bn range'

- Blackstone Capital Partners IX initially targeted $25bn
- Follows similar moves by EQT, Apollo, Carlyle and TPG
- Despite PE woes, Blackstone becomes first $1trn alts manager

Blackstone has become the latest manager to lower the target for its flagship private equity fund as a tough market environment continues to take its toll on GPs.

The Blackstone Capital Partners IX was launched last year with a $25bn target. However, the firm now expects 'the total size [to be] in the low $20bn range,' president Jon Gray said during the call.

It comes in contrast to Gray's comments during the prior quarter, where he'd iterated that the firm was committed to raising 'a vehicle of substantially similar size as the prior fund.'

In comparison, Fund VIII closed in 2019 with $25.6bn in commitments. Fund IX so far has raised $16.6bn in commitments, up $1.1bn over the prior quarter.

Blackstone is the latest to join its peers in revising fund targets and timelines as the industry grapples with a challenging capital-raising environment due to high inflation, rising interest rates, and the denominator effect.

With Intelligence reported last week that EQT has delayed the final close for its flagship EQT X to early 2024 as opposed to its original timeline of late 2023. TPG and Apollo had also indicated last quarter that fund sizes will not match their original expectations.

In contrast, CVC bucked the trend by raising the largest ever buyout fund this week, closing the CVC Capital Partners IX with €26bn in commitments, a mere seven months after launch.

$1trn milestone

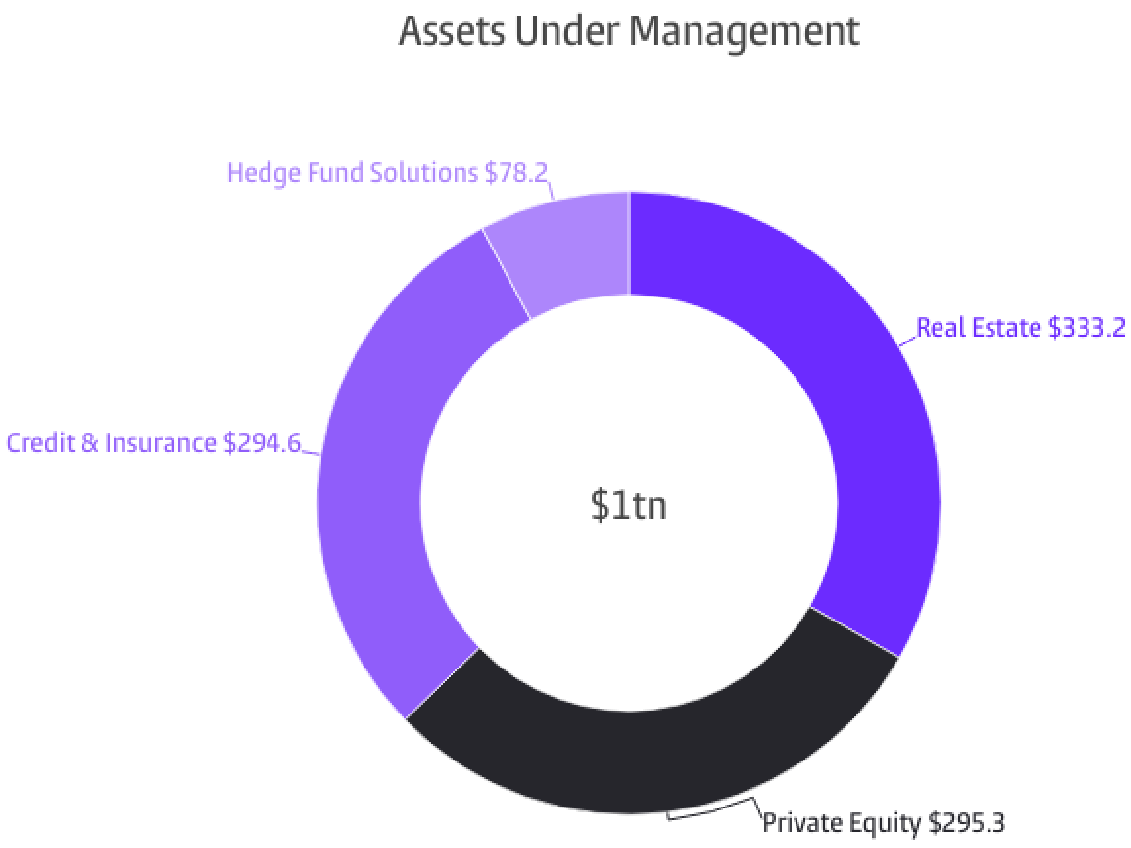
Despite its troubles on the PE side, Blackstone surpassed $1trn in assets under management this quarter, becoming the first ever alternatives manager to do so.

The firm hit the milestone three years ahead of its projected roadmap, which was first laid out in 2018.

Blackstone saw inflows of $30.1bn during the second quarter, predominantly driven by its credit and insurance arm, which brought in over $12bn in commitments. Combined with real estate debt, credit represented over 50% of inflows during Q2.

Private equity and real estate strategies raised $8.5bn and $7.8bn respectively, while the hedge fund solutions business attracted $1.3bn.

Blackstone



Source: Blackstone Second Quarter 2023 Earnings

“Looking at Blackstone today, I feel an immense sense of pride. We’ve established an unparalleled global platform of leading business lines offering over 70 distinct investment strategies,” said CEO Stephen Schwarzman during the firm’s second quarter earnings call.

“We believe our clients view us as the gold standard in alternative asset management, and this milestone reflects the extraordinary level of trust we’ve built with them over four decades.”

Schwarzman founded the firm in 1985 with co-founder Pete Peterson, the former chairman and CEO of Lehman Brothers, and the 20th U.S. Secretary of Commerce under the Nixon administration. The duo started out with a mere $400,000 in assets.

"We expect alternatives to expand substantially in the future. I believe that Blackstone [...] is the best positioned firm in the world to capture future opportunities for growth in the alternatives area," Schwarzman said.

"The most compelling of these today include private credit and insurance, infrastructure, energy transition, life sciences, the development of the alternatives business in Asia, and the private wealth channel, with the democratization of alternatives in its early stages."

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