

TIMELINESS: 2

SAFETY: 3

TECHNICAL: 3

RECENT PRICE: 42

3- TO 5-YEAR PRICE
FORECAST: 45-70

VALUE LINE SELECT®

SUPPLEMENTARY REPORT*

THE BLACKSTONE GROUP L.P.

Record Inflows

Alternative investment manager The Blackstone Group L.P.'s (NYSE: BX) June-period revenues of \$1.2 billion were essentially unchanged from the year-earlier total, and share earnings of \$0.43 compared poorly to last year's \$0.55 figure.

The earnings figure reflected the general weakness in global markets through June, in turn lowering the value of investments in some publicly listed companies.

That said, investors continued to provide capital, as they apparently seek better returns during this period of low interest rates. In fact, the organization has raised a record \$94 billion over the last 12 months, and now manages \$333 billion. Management noted it has more than \$82 billion in "dry powder" to spend on new investments.

Importantly, distributable earnings advanced 35%, to a record \$1 billion. As such, unit holders will receive a dividend of \$0.74 a share, bringing the payout to \$2.85 over the past twelve months. This equates to a 7% yield, based on the price of the units.

The shares advanced on the news.

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**Each Supplementary Report is a follow-up to the original recommendation and is not necessarily sufficient by itself to form the basis for an investment decision. The original recommendation can be accessed by going to www.valueline.com.*

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Hold These Shares

Blackstone raised \$31 billion of new capital during the just-finished quarter, and committed capital is at record levels. According to management, global investment opportunities are plentiful, and it intends to invest opportunistically. The organization is taking advantage of potential opportunities, for example, it is investing in real estate in Europe, as well as in the distressed energy markets.

Earnings prospects are supported by still-low interest rates, the more-volatile equity markets, and generally high asset valuations. Most key businesses are advancing solidly, and we suspect that asset realizations may continue to increase, in an effort to “get while the getting is good.” In addition, although higher interest rates appear very likely, we note that higher rates are usually accompanied by better economic activity.

Still, with the shares now trading near their all-time-high price, we suggest that investors hold these shares, and believe that the choice is best suited for venturesome total-return-oriented investors looking to benefit from the upside of the cyclical nature of operations.

Subscribers who have followed our advice have earned a total return of more than 130% since we initially recommended the units. Investors are encouraged to review our initial report, available online, for additional detail.

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