Disclosure

Important Disclosure Information:

The materials contained herein are for informational purposes only and do not constitute an offer to sell or a solicitation of an offer to purchase any interest in any investment vehicles (the "Blackstone Funds") managed by Blackstone Alternative Asset Management L.P. or any of its investment advisory affiliates (together, "Blackstone"). Any such offer or solicitation shall be made only pursuant to the confidential private placement memorandum for a Blackstone Fund ("PPM"), which qualifies in its entirety the information set forth herein and contains a description of the risks of investing. These materials are also qualified by reference to the governing documents and the subscription agreement relating to the relevant Blackstone Fund (collectively, the "Agreements"). The PPM and Agreements relating to a Blackstone Fund should be reviewed carefully prior to an investment in that Fund. The Blackstone Funds are speculative and involve a high degree of risk.

In connection with your consideration of an investment in any Blackstone Funds, you should be aware of the following risks:

- The Blackstone Funds may be leveraged and their portfolios may lack diversification, thereby increasing the risk of loss. The Blackstone Funds may invest in instruments that are highly illiquid and extremely difficult to value, which may limit an investor's ability to redeem or transfer its investment or delay receipt of redemption proceeds. The Blackstone Funds' are speculative, involve a high degree of risk and their performance may be volatile. An investor may lose some or all of its investment. Blackstone has total investment authority over the Blackstone Funds, which could result in a lack of diversification and, consequently, higher risk. There is no secondary market for investors' interests in the Blackstone Funds. There are restrictions on withdrawal and transfer of interests in the Blackstone Funds. The Blackstone Funds' fees and expenses, and those of underlying portfolio funds, are substantial and will negatively impact performance.
- Investments in the Blackstone Funds are not subject to the same regulatory requirements or governmental oversight as mutual funds. Blackstone Funds and their underlying managers may purchase instruments that are traded on exchanges located outside the United States that are "principal markets" and are subject to the risk that the counterparty will not perform with respect to contracts. Furthermore, since there is generally less government supervision and regulation of foreign exchanges, Blackstone Funds and their underlying managers are also subject to the risk of the failure of the exchanges and there may be a higher risk of financial irregularities and/or lack of appropriate risk monitoring and controls.
- Investment managers and general partners of Blackstone Funds are not required to provide their Investors with periodic pricing or valuation information and any information provided is generally unaudited. Investors in Blackstone Funds generally will have limited rights with respect to their investment interest, including limited voting rights and limited participation in the management of the Funds. Blackstone Funds may involve complex tax and legal structures.
- Investment in any of the Blackstone Funds is only suitable for sophisticated investors for which such an investment does not constitute a complete investment program and which fully understand and are willing to assume the risks involved in such Funds. We strongly encourage Investors to obtain independent advice from their own tax, accounting and legal advisers regarding any investment in any Blackstone Fund. Investors are also urged to take appropriate advice regarding any applicable legal requirements and any applicable taxation and exchange control regulations in the country of their citizenship, residence or domicile which may be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any Blackstone Funds.

This communication is exempt from the restriction on the promotion of unregulated schemes (in section 238 of the Financial Services and Markets Act 2000 and the UK Financial Conduct Authority's Conduct of Business Sourcebook 4.12) on the grounds that the communication is only made to or directed at either (1) persons having professional experience of participating in unregulated schemes and the units to which the communication relates are available only to such persons; persons who do not have professional experience in participating in unregulated schemes should not rely on it, or (2) eligible counterparties and/or professional clients as those terms are defined in the rules of the UK Financial Conduct Authority. The units to which the communication relates are available only to such persons. Any person who is not an investment professional, an eligible counterparty or a professional client must not act or rely upon the contents of this communication. Blackstone is registered as an investment adviser with the SEC. This material has been approved for distribution by The Blackstone Group International Partners LLP which is authorised and regulated by the UK Financial Conduct Authority. The Blackstone Group International Partners LLP performs marketing and investor services activities outside the United States for Blackstone, which is located in the United States.

This document contains highly confidential information regarding Blackstone's investments, strategy and organization. Your acceptance of this document from Blackstone constitutes your agreement to (i) keep confidential all the information contained in this document, as well as any information derived by you from the information contained in this document (collectively, "Confidential Information") and not disclose any such Confidential Information to any other person, (ii) not use any of the Confidential Information for any purpose other than to consider investing in, or monitor investments in, Blackstone Funds, (iii) not use the Confidential Information for purposes of trading any security, including, without limitation, securities of Blackstone or its portfolio companies, (iv) not copy this document without the prior consent of Blackstone, and (v) promptly return this document and any copies hereof to Blackstone upon Blackstone's request. The use of the Confidential Information also is subject to the confidentiality provisions set forth in the Agreements and in any other written agreement between the recipient and Blackstone.

Australian Disclosure

Additional Australian Disclosure:

The provision of this document to any person does not constitute, and may not be used for the purposes of, an offer of, or invitation to subscribe for, securities or financial products of any kind to that person. Any such offer or invitation will only be extended to a person in Australia under the terms of a separate document (such as a Confidential Memorandum), containing the full terms and conditions of any such offer or invitation. This document is not a disclosure document for the purposes of the Corporations Act 2001 (Cth) ("Act") and has not been lodged with the Australian Securities and Investments Commission.

This document is provided only for the use of persons who are wholesale clients as defined in the Act ("wholesale client"). Any securities or financial products described in, or services that may be referred to or provided in connection with, this document are not made available to any person who is a retail client as defined in the Act. By accepting this document, you expressly acknowledge and represent that you are a wholesale client. This document is not intended to be distributed or passed on, directly or indirectly, to any class of persons in Australia other than wholesale clients.

The information in this document has been prepared without taking into account any recipient's investment objectives, financial situation, taxation position or other particular needs or requirements and should not be relied on for the purposes of making any investment decision. If a recipient is considering making any decision in connection with the information in this document, that recipient should obtain their own independent advice.

To the extent that this document contains financial product advice, that advice is provided by The Blackstone Group (Australia) Pty Limited ACN 149 142 058 AFSL 408376 ("BGA"). BGA holds an Australian financial services licence authorising it to provide the financial services it provides in Australia. To the extent that advice is provided solely by Blackstone Alternative Asset Management LP ("BAAM"), BAAM is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) in respect of the financial services it provides in Australia. BAAM is regulated by the Securities and Exchange Commission under the laws of the United States of America, which differ from Australian laws.

Threats and Potential Miscalculations

Financial markets have had a wonderful run. So what should we worry about?

- **Seesaw Economics**

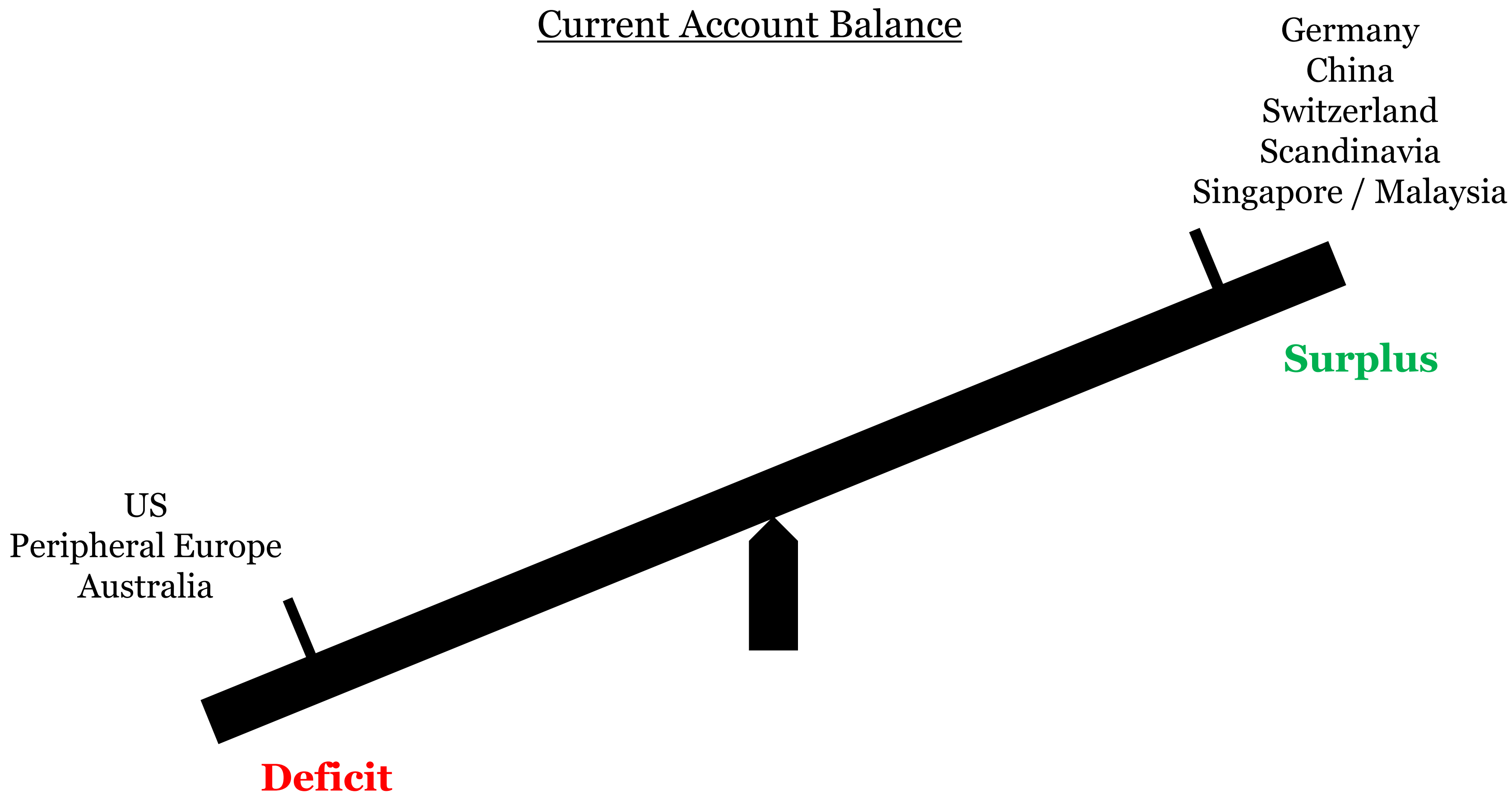
- **Policy Risk – Right Objective, Wrong Framework**

- **Market Implications**

The information presented above reflects the current opinions of BAAM as of the date appearing in this material only.

Seesaw Economics: Part 1

A current account surplus somewhere means a current account deficit elsewhere



Seesaw Economics: Part 1

To help global rebalancing, who should run deficits and who should run surpluses?

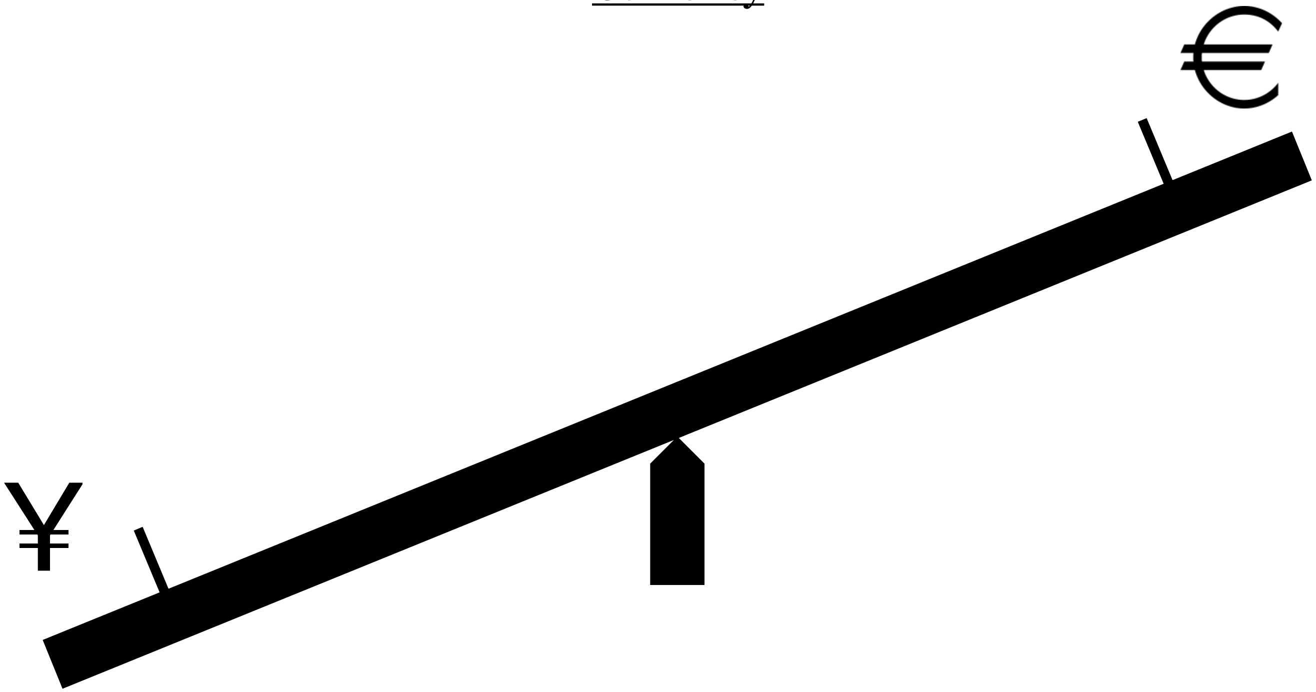
	Current Account Deficit / Net Foreign Liabilities	Current Account Surplus / Net Foreign Assets
High Unemployment	**US** **UK** **France** **Peripheral Europe**	**Ireland** **Iceland?** **Netherlands?**
Low Unemployment	**Australia** **Brazil** **Mexico** **Canada** **India** **Indonesia**	**China** **Japan** **Germany** **Switzerland** **Scandinavia** **Russia** **Middle East** **HK/Taiwan/Malaysia/Sing/Phil**

The information presented above reflects the current opinions of BAAM as of the date appearing in this material only.

Seesaw Economics: Part 2

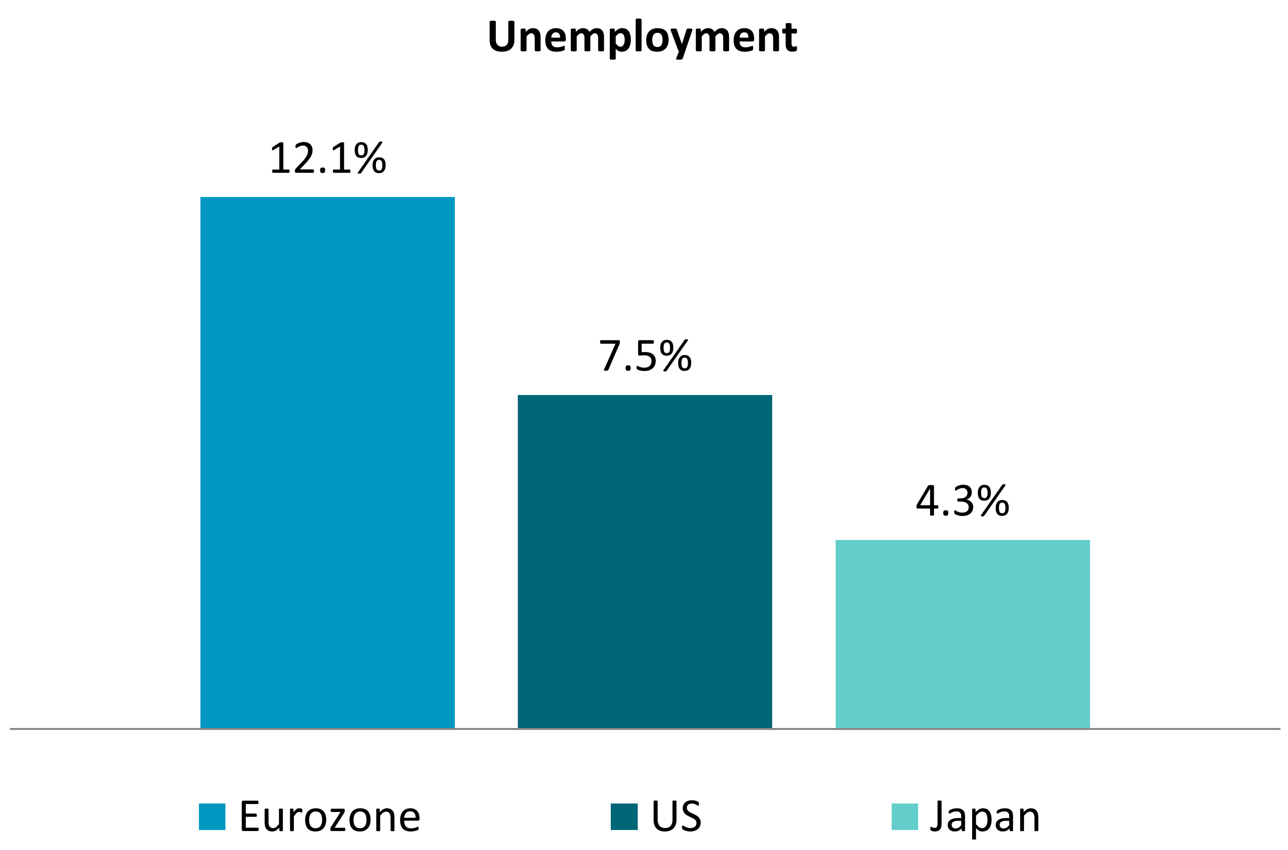
A weak currency for one means a strong currency for somebody else

Currency



Seesaw Economics: Part 2

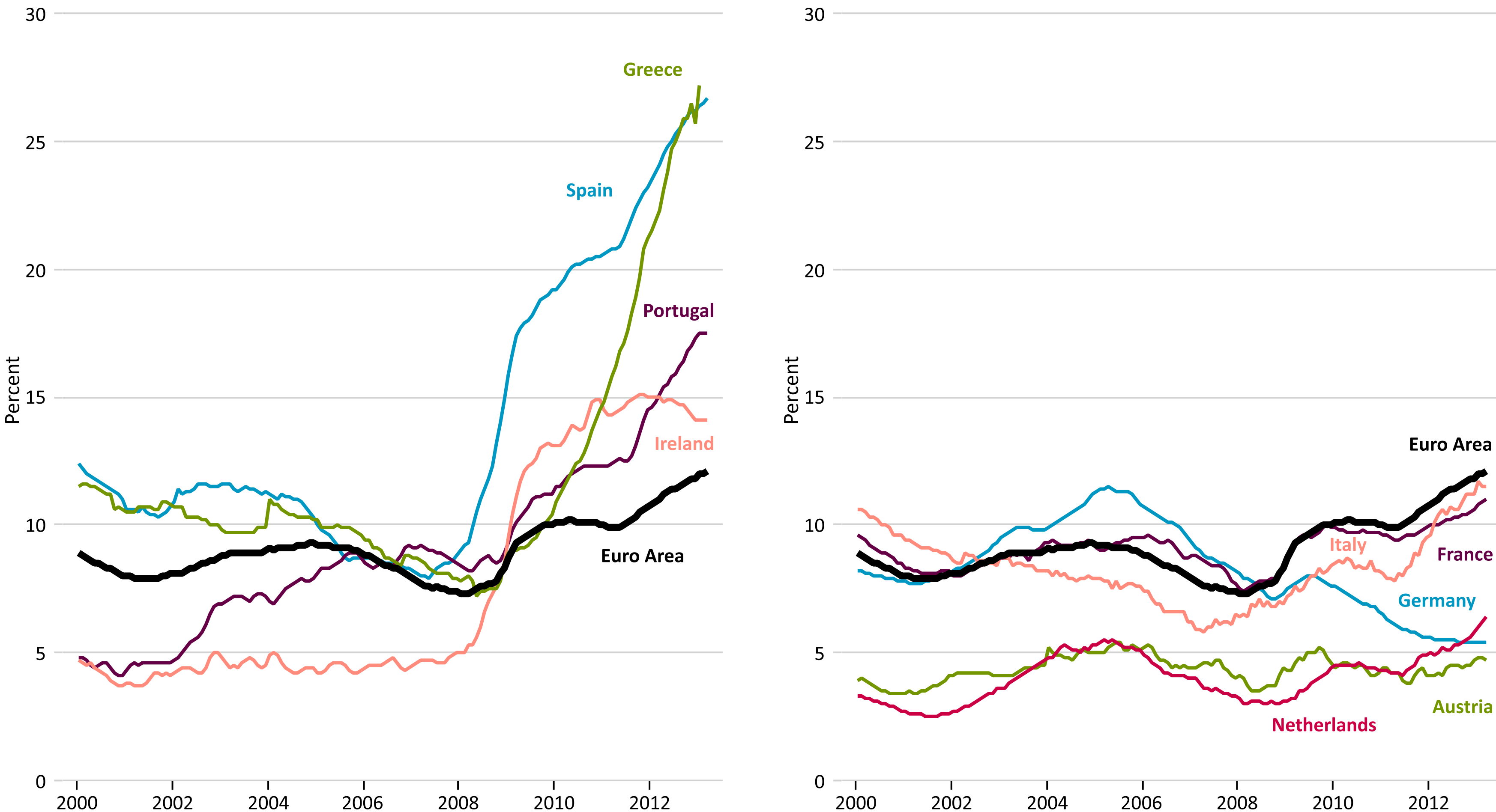
Who should have weak exchange rate rates and who should have strong ones?



Seesaw Economics: Part 2

Who should have weak exchange rate rates and who should have strong ones?

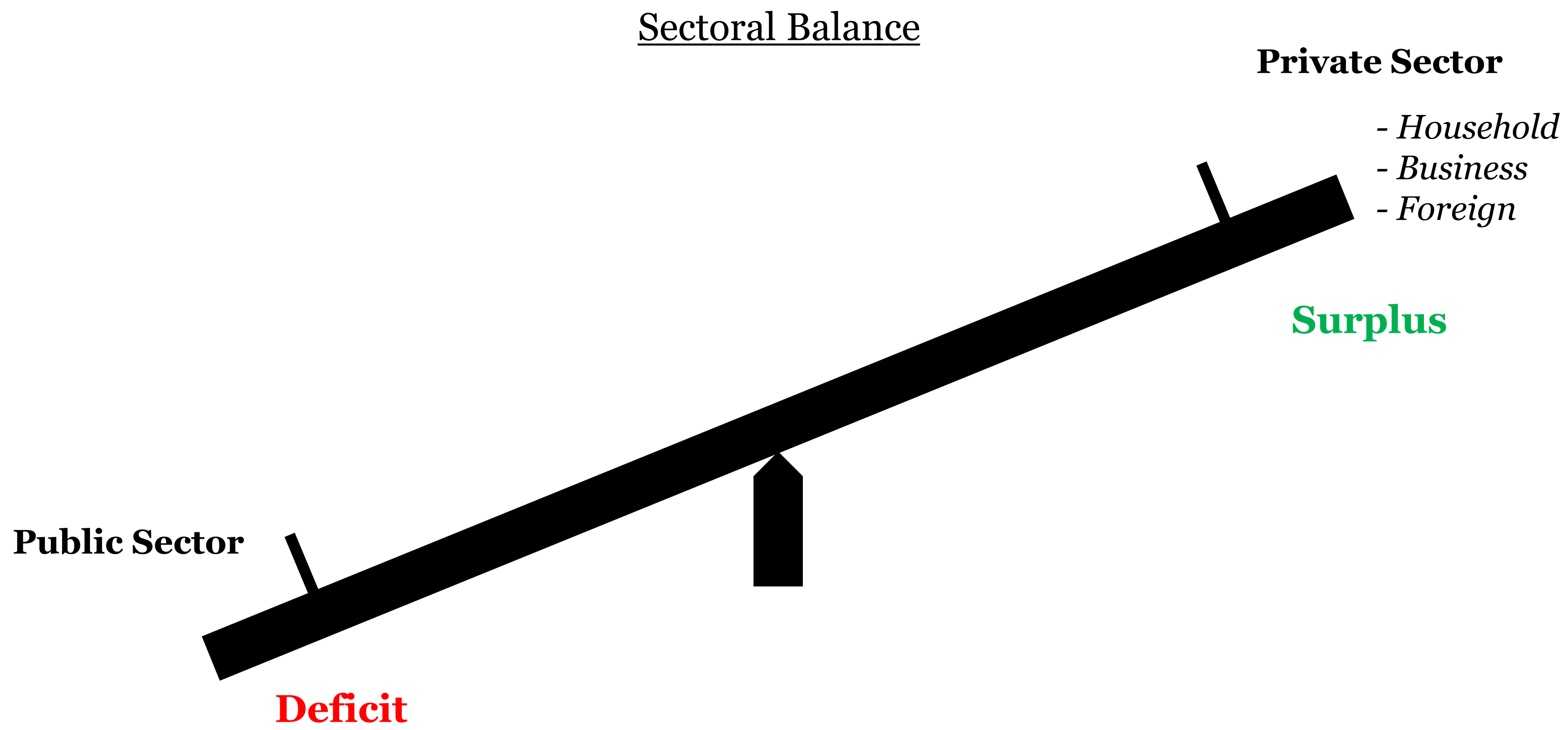
Unemployment



Source: Eurostat

Seesaw Economics: Part 3

A financial surplus (income > spending) in one sector means a financial deficit (spending > income) in another sector



Seesaw Economics: Part 3

From what are Western economies mainly suffering?

<u>Demand Problem?</u>	<u>Supply Problem?</u>
▸ Cyclical	▸ Structural
▸ Large government deficits/debt are the result	▸ Large government deficits/debt are part of the cause
▸ Zero-rates are too high/QE helps but insufficient	▸ Zero-rates are too low/QE distorts (rewards bad behavior)
▸ Result: *deflation* and <u>low</u> long rates	▸ Result: high *inflation* and <u>high</u> long rates
▸ Solution: Fiscal expansion; higher inflation targets	▸ Solution: Fiscal austerity; structural reform
Probability : **80%**	**20%**

The information presented above reflects the current opinions of BAAM as of the date appearing in this material only.

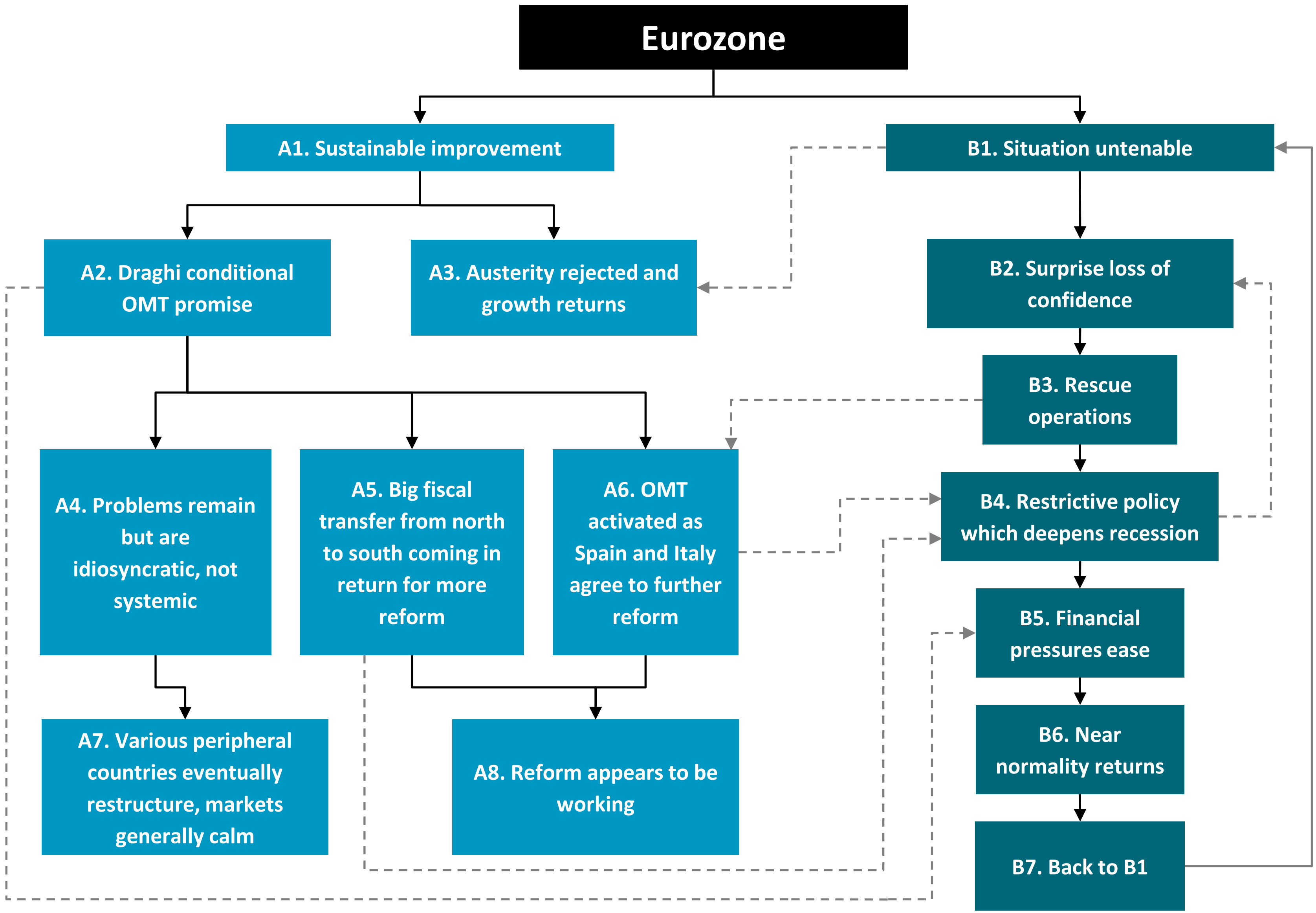
Policy Risk - Choosing the Wrong Box

Pick a Box: To reduce debt/GDP, there are only four options

	Low Inflation	High Inflation
High Nominal Rates	Default	Classic Inflationary Money Printing
Low Nominal Rates	Fast Real GDP Growth	Negative Real Rates

The information presented above reflects the current opinions of BAAM as of the date appearing in this material only.

Threat 1: A Circular Problem



The information presented above reflects the current opinions of BAAM as of the date appearing in this material only.

Threat 1: Eurozone's Four Systemic Fragilities

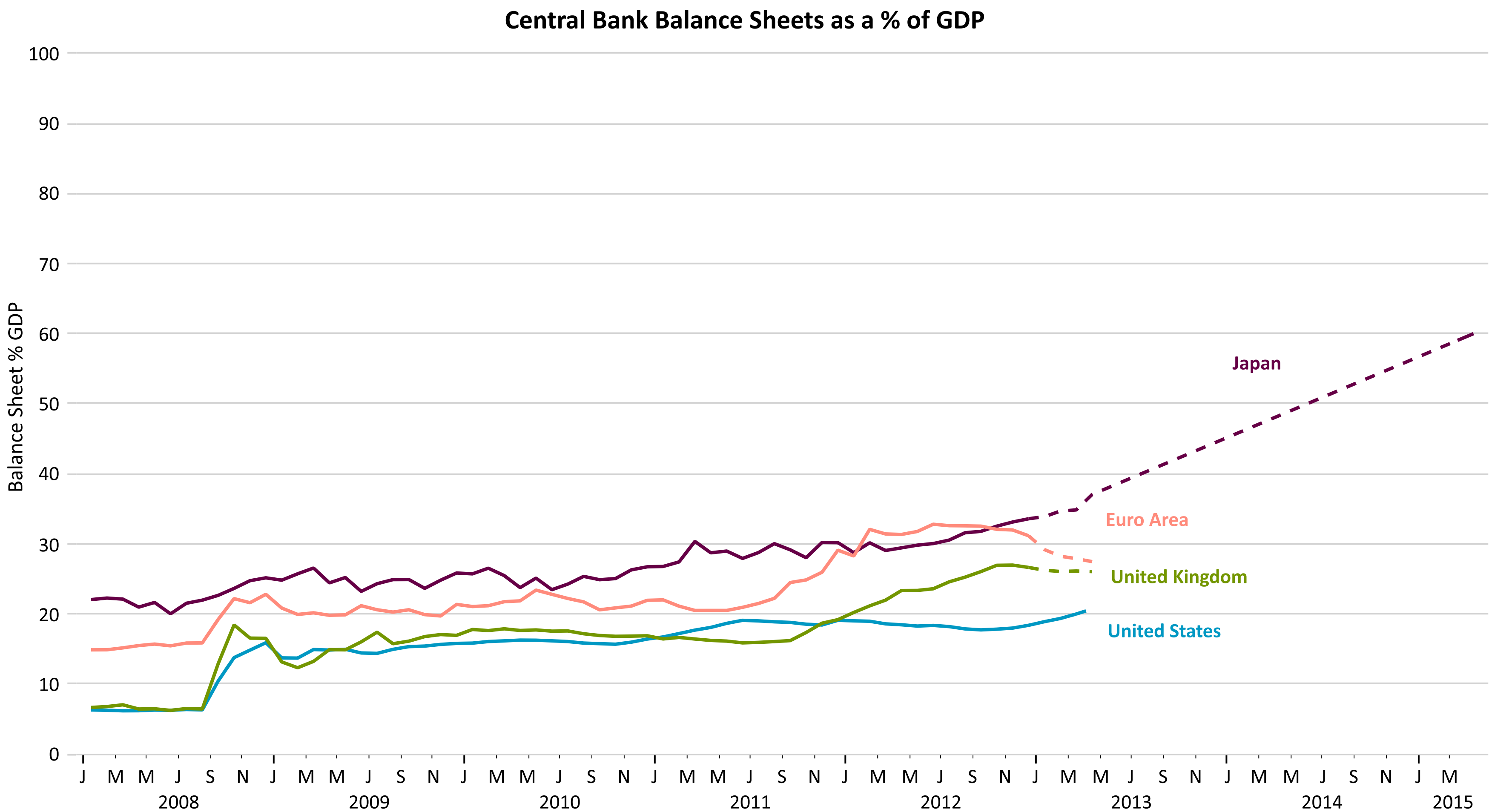
Risk		Solution
Deposit Flight	→	Deposit-Insurance Union
Capital Controls	→	Banking Union
Convertibility Risk	→	Fiscal Union
Conditional OMT*	→	Unconditional OMT*/other easing

* Outright Monetary Transactions

The information presented above reflects the current opinions of BAAM as of the date appearing in this material only.

Threat 2: QE is Not Enough

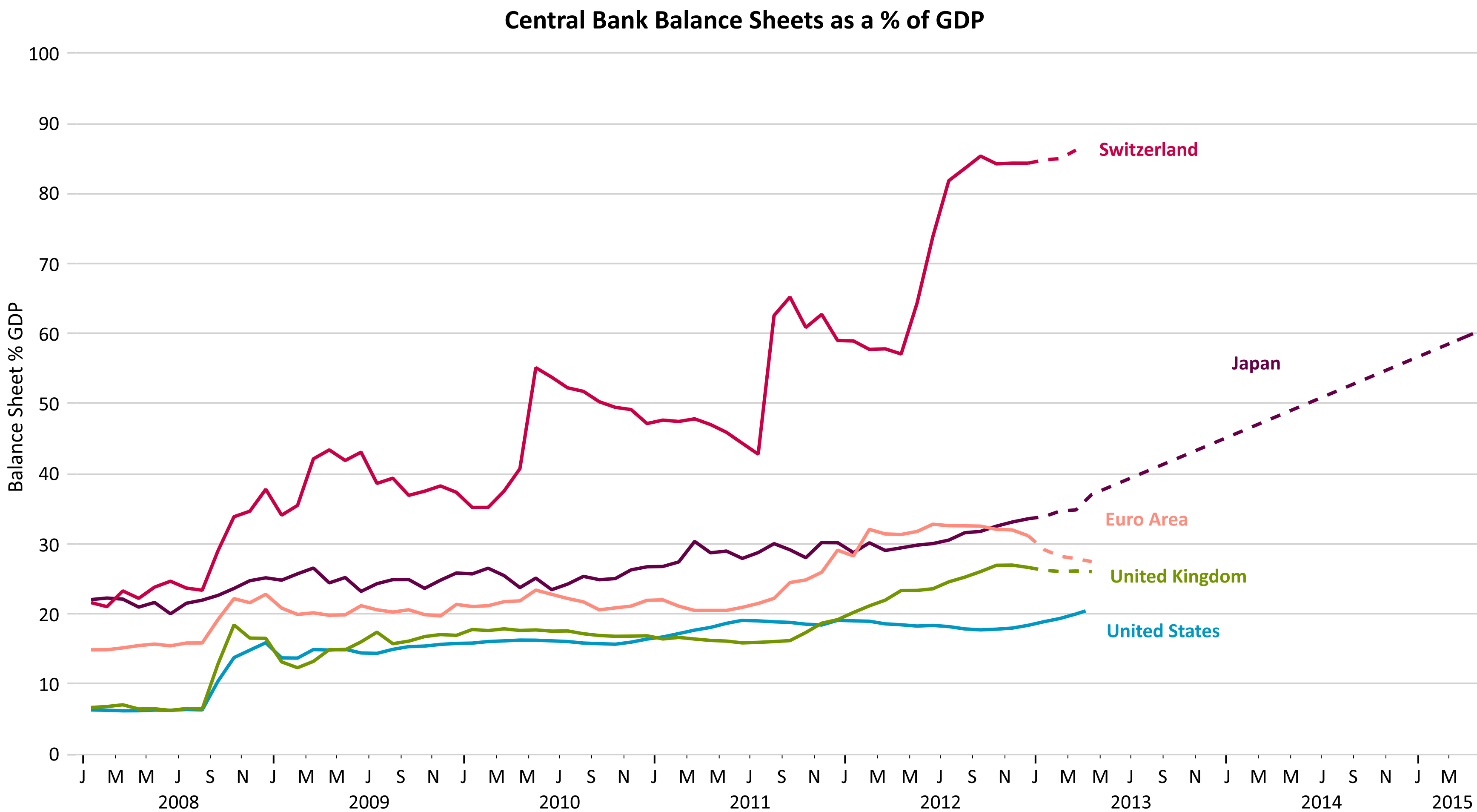
Japan's Experiment: A great start, but more will be needed



Source: Macrobond.

Threat 2: QE is Not Enough

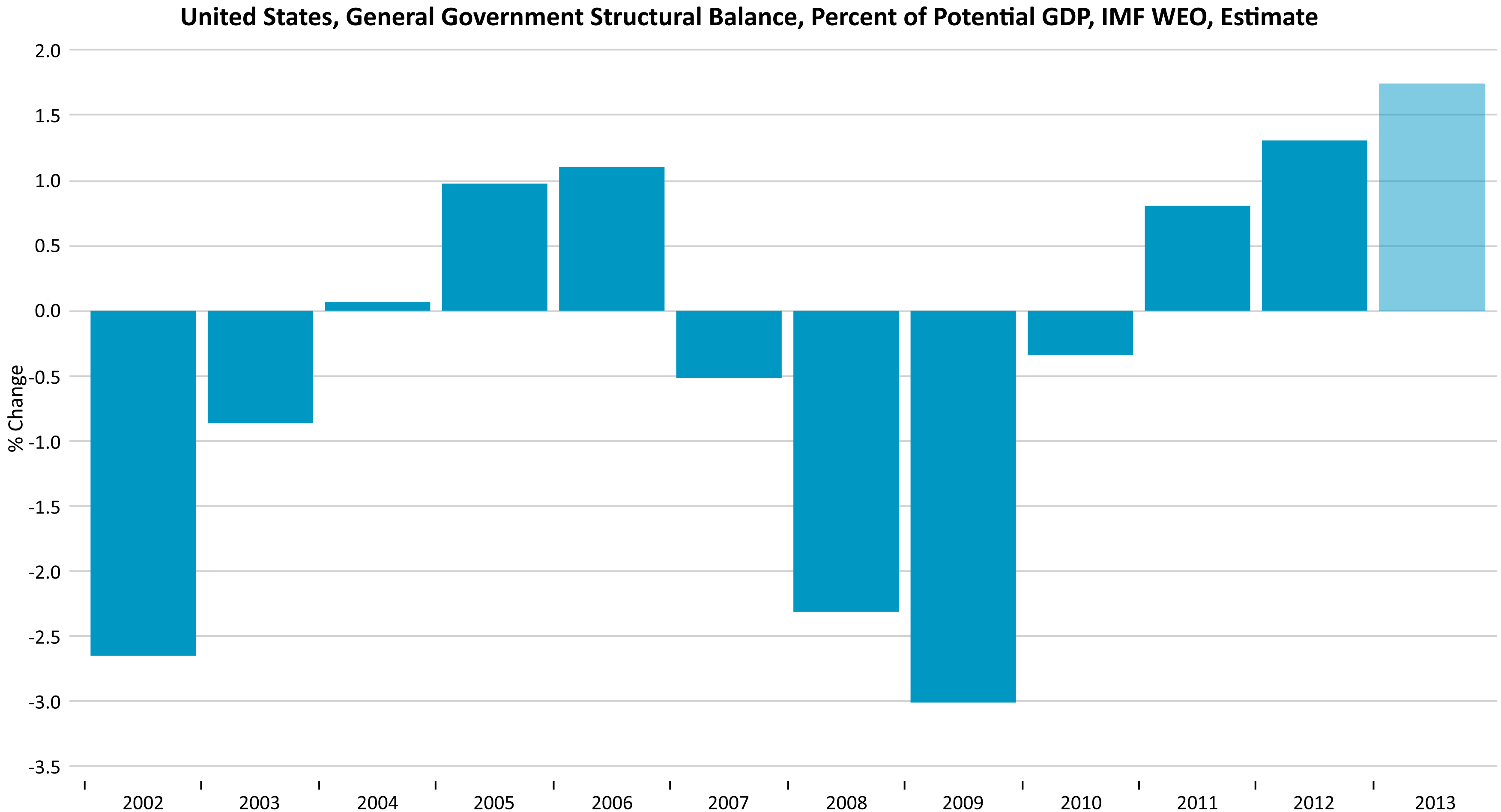
Japan's Experiment: Switzerland did more than Japan, but remains in deflation



Source: Macrobond.

Threat 3: Fiscal Drags at the Zero-Bound Can be Dangerous for Growth

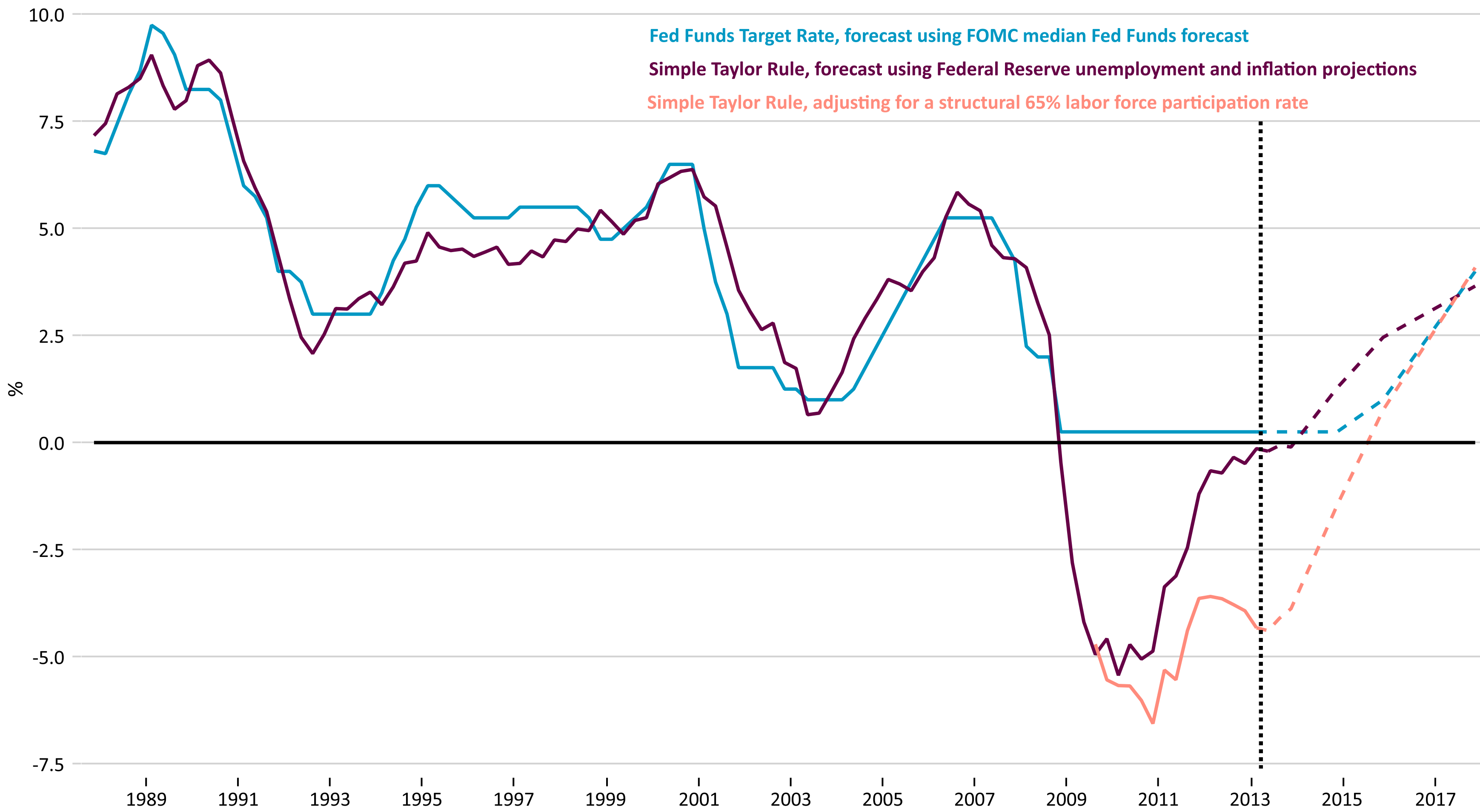
US joins the austerity club in 2013



Source: Macrobond.

Threat 3: What More Can Central Banks Do, If Needed?

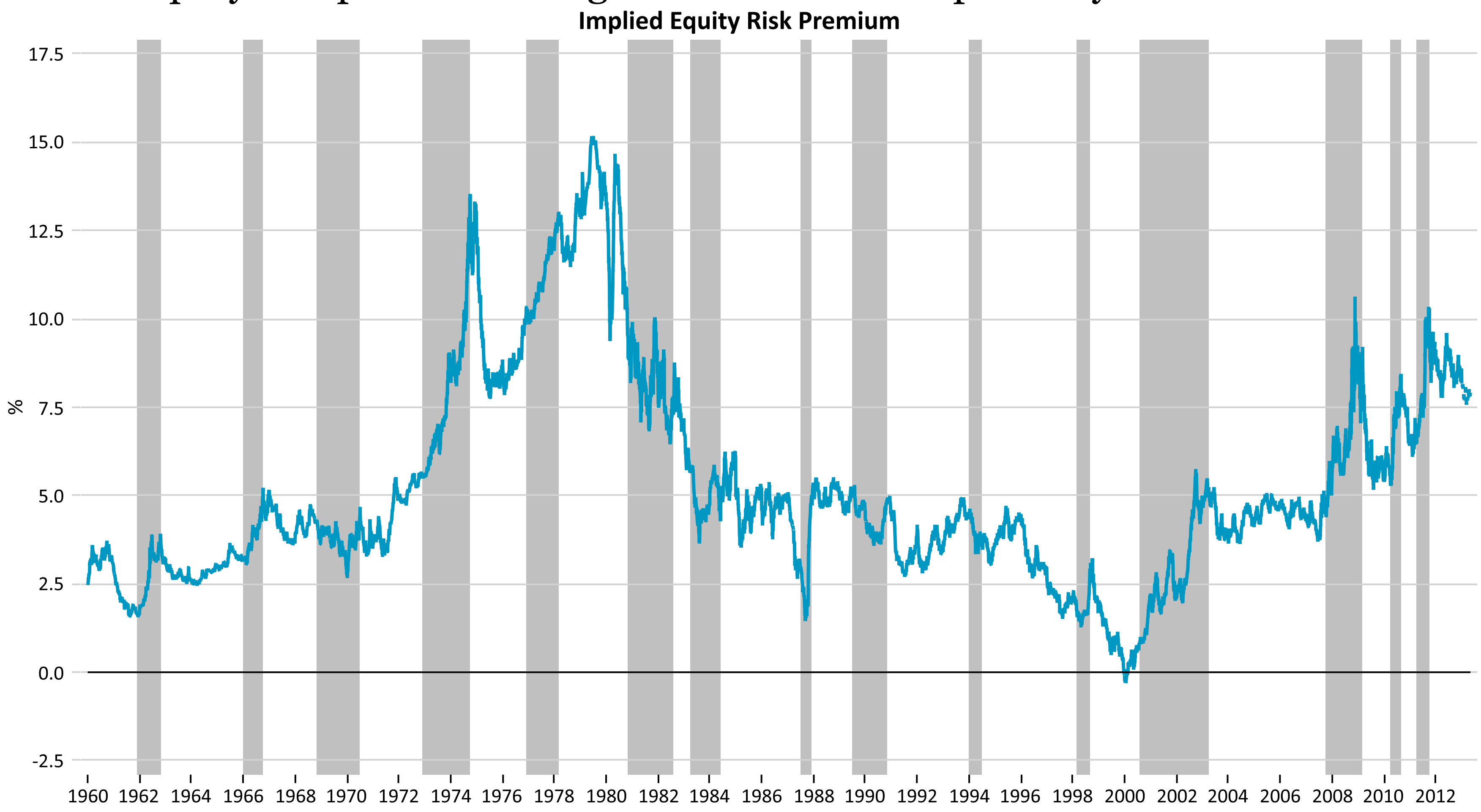
US Taylor Rule for Fed Funds:



Source: Macrobond.

SP500 Market Implications: Paid For All These Risks?

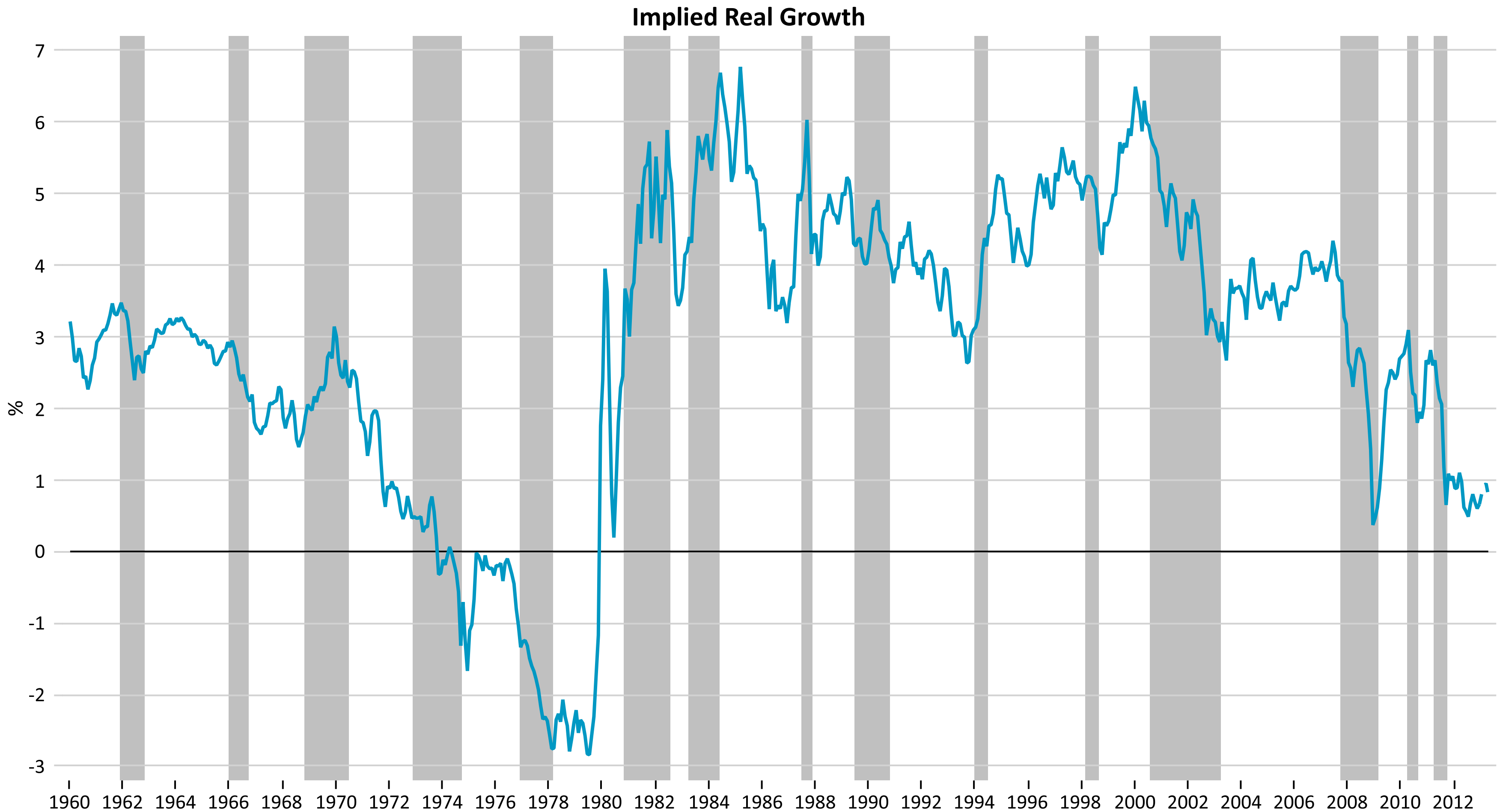
The equity risk premium is high so valuations are probably fair…



Source: Macrobond. Shaded periods indicate equity bear markets, corrections, and crashes.

SP500 Market Implications: Enough Bad News Priced In?

…but the 1970s suggests it is not impossible for implied real growth expectations to fall further – although deflation would be the likely cause now, not inflation



Source: Macrobond. Shaded periods indicate equity bear markets, corrections, and crashes.

Asset Allocation in a Time of High Inflation – Answers Are Far From Obvious

In Case of Emergency: Where to hide in the event of high inflation:

	Weak Economy	Strong Economy
Hawkish Fed Reaction	**Cash** **FRN* Treasuries**	**Leveraged Loans** **Cash** **FRN* Treasuries**
Dovish Fed Reaction	**TIPS** **Gold** **FX: Hard / BOP-Surplus**	**Commodities** **Real Estate** **Equities**

The information presented above reflects the current opinions of BAAM as of the date appearing in this material only. *FRN: Floating Rate Notes

Conclusions

- **The big lesson over the past four years: the good news is that monetary policy still works for now (the monetary tanks are not quite empty yet)**
- **But the logic of "seesaw" economics means that the threat of self-defeating or insufficient policy remains, which may trigger further action in the "currency wars" (which may actually be desirable for the world in aggregate)**
- **Equity and bond markets are not stupid – they have priced in some of these risks. But any further intensification of deflationary pressure could still drive elevated risk premiums higher and low growth expectations lower...**
- **...especially if central banks were ever to become reluctant to administer further radical innovations in monetary comfort**