Dylan Ambrosoli

Blackstone Group LP

Following a vote by members of SEIG, we have decided to sell all 500 of our shares in Blackstone Group LP. While we believe Blackstone Group LP to be a good investment, we anticipate that the Federal Reserve will target a higher interest rate in the near future, causing Blackstone Group LP to operate on a smaller margin and generate less profit. Since Blackstone Group LP relies on large loans to finance its operations, we believe that the company's operating costs will increase significantly if interest rates increase. Our hope is that the market expectation for a future increase in the interest rate has not yet factored into the current share price; the longer we wait to sell, the higher the chance that this will occur. We have realized significant gains from our investment in Blackstone Group LP and have decided that now is the right time to sell our holdings.

According to Kevin Granville with *The New York Times*, Janet Yellen has scheduled news conferences for December 16th, 2015 and March 16th, 2016; either of these are dates which Granville speculates could be when the Federal Reserve will announce plans to target a higher interest rate. On September 24th, Secretary Yellen said that the federal funds rate will increase by the end of 2015, barring unanticipated changes in global economic conditions. She dismissed the speculation that fear about the international effects of the change in monetary policy would delay the increase.

However, credible news sources are speculating that the Fed will not increase their target for the federal funds rate for some time. Jon Hilsenrath and Anna Louie Sussman with *The Wall Street Journal* report that "futures-markets traders now see almost no chance of a rate increase [in October] and a 1-in-3 probability of a move by
year-end." While the one-in-three probability seems low, we think that this optimism about low interest rates will maintain Blackstone Group LP's stock price in the short to medium term, but their stock will ultimately be negatively affected once the federal funds rate increases. Therefore, now is a good time to sell our holdings before the market changes its expectations about the federal reserve's monetary policy.

Sources: