Blackstone University | Essentials

Private Credit

Direct Lending

Direct lending funds make loans directly to corporate issuers and do not involve a traditional bank.

Blackstone

Private Markets

Need to Know

01

High Income Potential

Direct lending can offer a **premium yield over traditional fixed income** due to its customized terms and certainty of execution it can provide to borrowers. This tailored approach allows lenders to command higher yields.

02

Defensive Asset Class

Private loans are typically **senior secured** with meaningful cushion below in the form of junior debt and equity. Also, they typically offer floating rate coupons. **These features aim to provide investors with principal preservation.**[1]

03

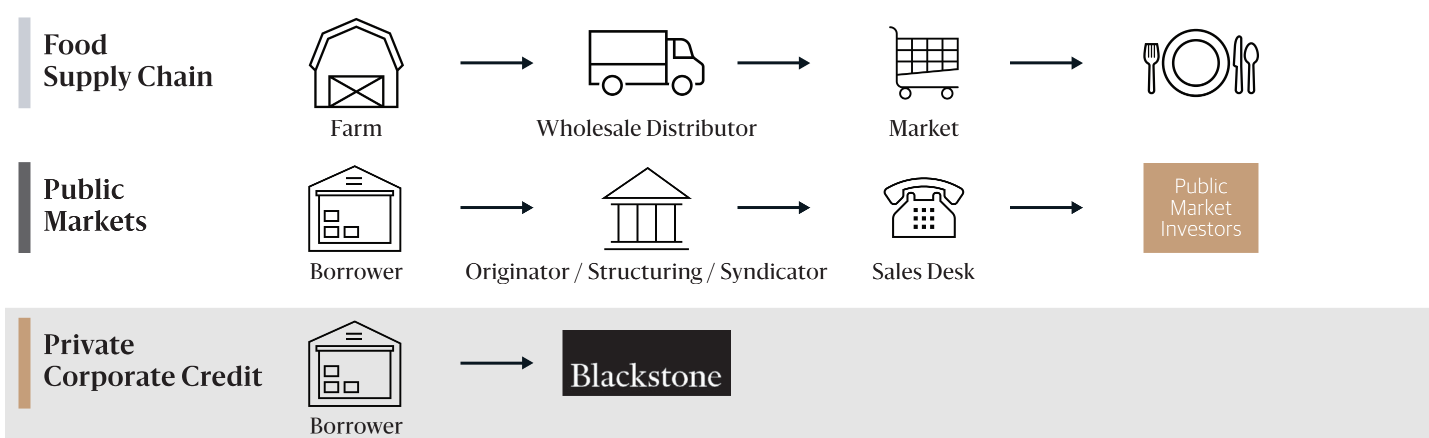
Compelling Absolute & Relative Performance

Direct lending has historically outperformed public fixed income.[2] When added to a traditional balanced portfolio of stocks and bonds, direct lending can offer meaningful diversification and **improve risk-return potential.**[3]

What is Direct Lending?

Direct lending can provide companies with a simpler, more efficient way to access capital. Direct lending managers raise funds directly from investors and lend to borrowers in transactions that often involve a private equity firm. This "farm-to-table" model of bringing the borrower up directly to the lender — with no bank in the middle — can deliver greater efficiency, confidentiality, certainty in execution, and flexibility in terms of structure (Exhibit 1). For the investor, it can offer high income potential, better protection, and the opportunity to potentially capture enhanced returns when compared to public fixed income.

EXHIBIT 1: Direct Lending Overview



The information herein is provided for educational purposes only and should not be construed as financial or investment advice, nor should any information in this document be relied on when making an investment decision. Opinions expressed reflect the current opinions of Blackstone as of the date hereof and are based on Blackstone's opinions of the current market environment, which is subject to change. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results. Capital is at risk and investors may not get back the amount originally invested.

1. Capital is at risk and investors may not get back the amount originally invested. The features mentioned seek to mitigate risk but do not reduce or eliminate risk and do not protect against losses.
2. Source: Morningstar, as of December 31, 2025. Direct Lending is represented by the Cliffwater Direct Lending Index ("CDLI"), and public fixed income is represented by the Morningstar LSTA US Leveraged Loan Index. Returns reflect annualized performance since the inception of the CDLI.
3. Diversification does not ensure a profit or protect against losses.

Market Growth and Opportunity

Private corporate credit has grown rapidly over the years, in part due to bank consolidation and regulatory change in the aftermath of the Global Financial Crisis. Within private corporate credit, direct lending is the largest segment.[4]

Today, private corporate credit represents more than 25% of the US market for below-investment-grade credit, up from 8% in the mid-2000s (Exhibit 2).[4] Private corporate credit plays a central role in financing large transactions, largely driven by record levels of private equity dry powder[5] and companies increasingly seeking more flexible, tailored capital solutions (Exhibit 3).

EXHIBIT 2: The Growth of Private Corporate Credit[4]

Increasing as a Segment of the Total Addressable US Sub-Investment Grade Credit Market

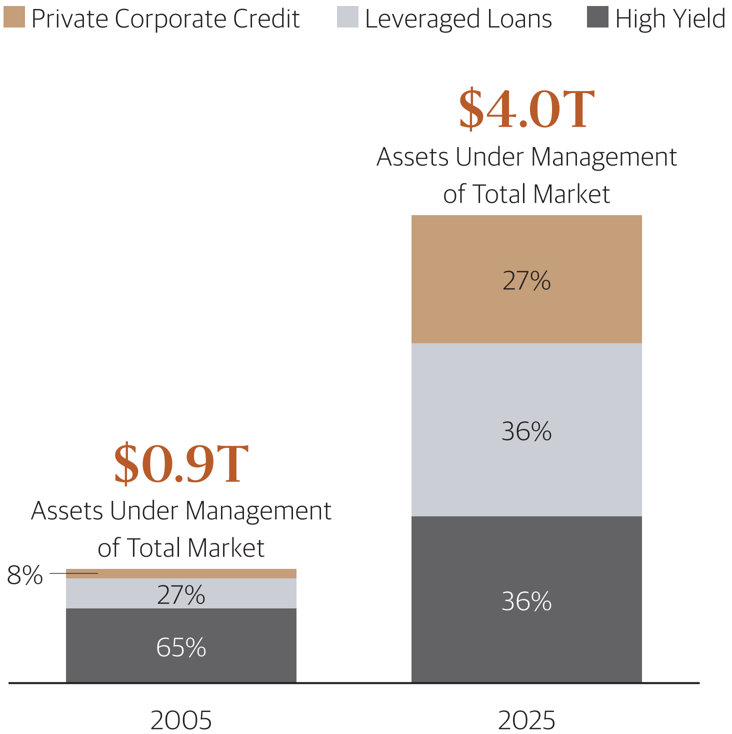
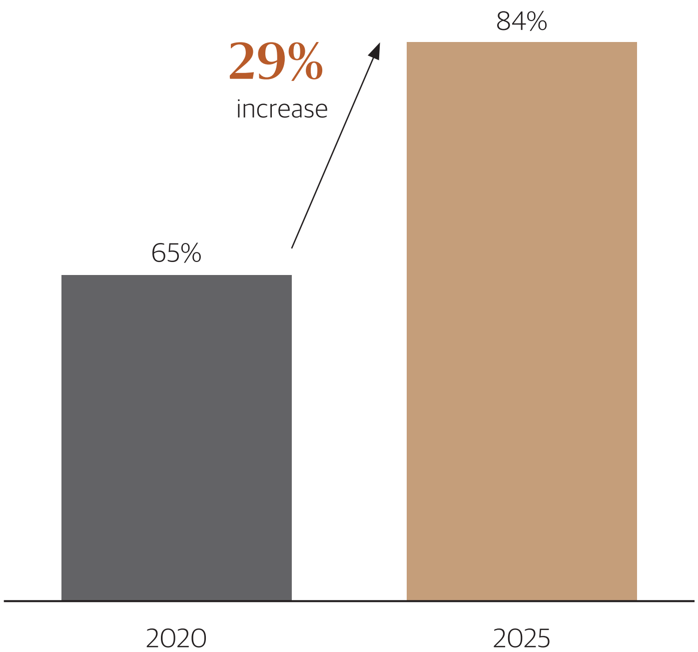


EXHIBIT 3: Borrowers Are Increasingly Choosing Private Lenders[6]



Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment.

4. Source: Bloomberg ("High Yield") and LCD ("Senior Loans") as of December 31, 2025. Preqin ("Private Credit") as of June 30, 2025, which is the latest data available. Total addressable US sub investment grade credit market defined as the aggregate of the US high yield bonds, US leveraged loans and North American private credit markets. Leveraged loans refer to broadly syndicated loans. Private Credit includes Business Development Companies (BDCs).
5. Source: Preqin as of June 30, 2025, which is the latest data available. Reflects only North America dry powder. Dry powder is a term for uncalled capital commitments.
6. Source: Pitchbook LCD as of December 31, 2025. Reflects private credit market share of leveraged buyout ("LBO") transaction activity based on count.

High Income Potential

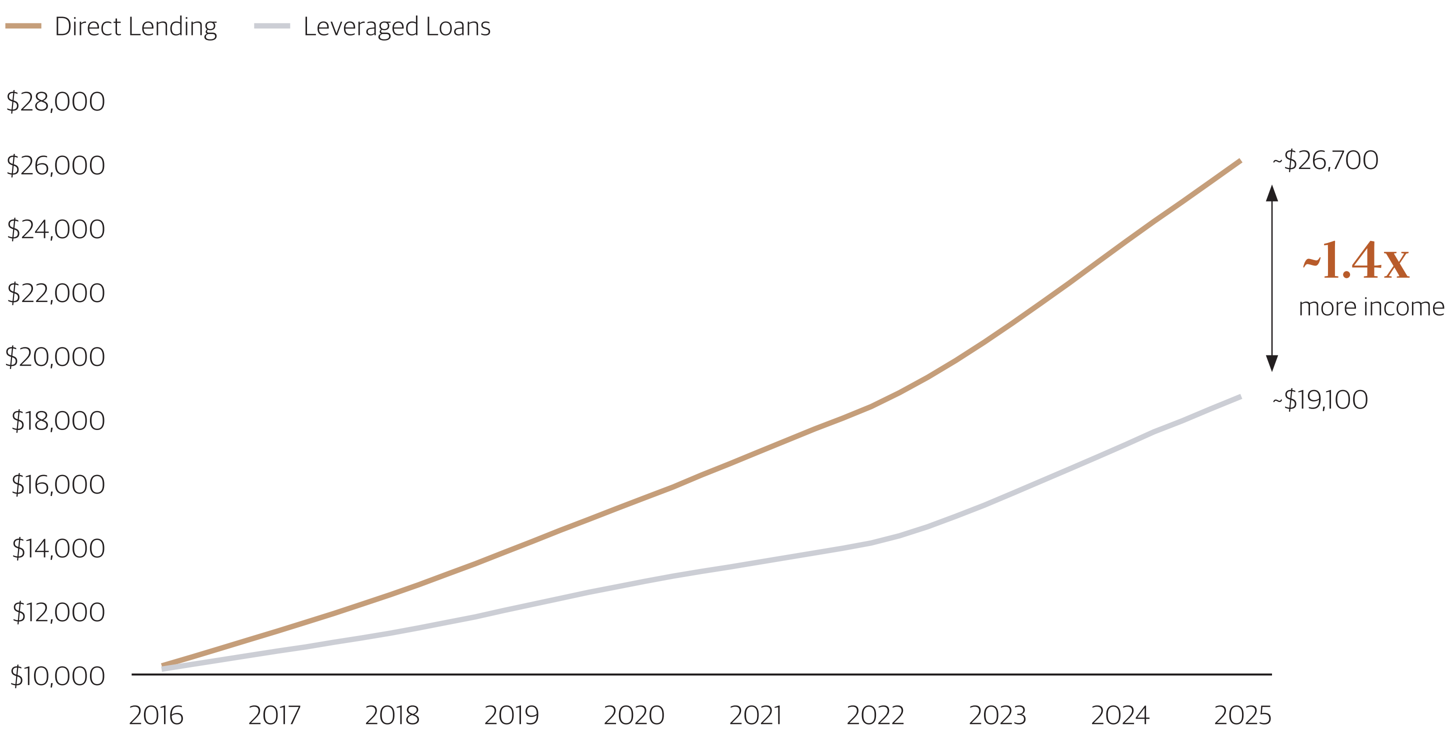
Direct lending offers the opportunity for high income potential, driven by three key components: the base rate, spread, and deal fees.

- **Base Rate:** The benchmark interest rate tied to a reference rate, such as the Secured Overnight Financing Rate (SOFR).
- **Spread:** Additional interest charged above the base rate, determined by factors like the borrower's creditworthiness, market conditions, and the specific loan terms.
- **Deal Fees:** Fees associated with structuring and executing the loan, which contribute to income.

Direct lending has historically generated a ~200bps premium over leveraged loans.[7] The "farm-to-table" model brings investors right up to borrowers, eliminating potential return leakage from intermediaries taking fees and delivering a customized solution — factors that justify the premium. The impact is tangible over time: an investor who allocated $10,000 to direct lending ten years ago would have earned ~1.4x as much income as the same $10,000 invested in leveraged loans (Exhibit 4). That consistent ~200bps of excess spread compounds year after year, resulting in a meaningful long-term performance advantage.

EXHIBIT 4: Direct Lending Has Delivered ~1.4x the Income Return vs. Leveraged Loans Over the Past Decade

Income Value Growth of $10,000[8]



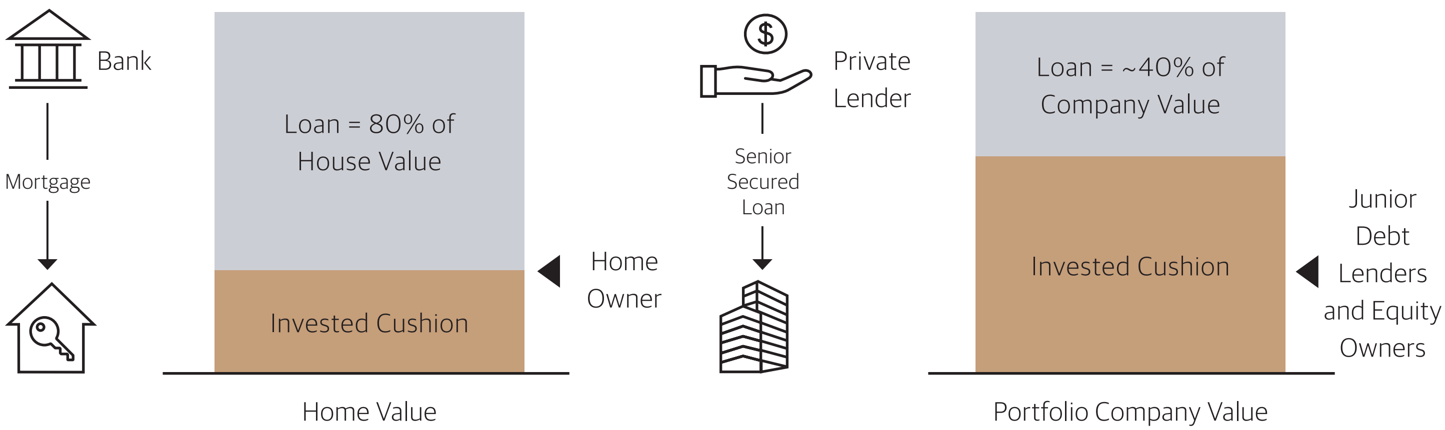
7. Source: J.P. Morgan Research, as of December 2025.
8. Source: Morningstar, Cliffwater. Leveraged Loans represents leveraged loan performance based on returns from Morningstar's LSTA US B Ratings Loans as of December 31, 2025. Direct Lending represents returns from the Cliffwater Direct Lending Index as of December 31, 2025, which is the latest available data. Reflects Blackstone's views and beliefs as of the date appearing on this material only, which are subject to change. **Past performance does not predict future returns** and there can be no assurance that Blackstone will achieve results comparable to those of any of Blackstone's prior funds or be able to implement its strategy or achieve its investment objectives, including due to an inability to access sufficient investment opportunities. Comparison is for illustrative purposes only. Please see "Important Disclosure Information" including "Use of Leverage," "Trends," and "Opinions" for additional information.

Downside Mitigation

As is true of other segments of the sub-investment grade credit market, direct lending carries default risk — how lenders manage it is key to delivering strong risk-adjusted returns. Since direct lending managers own loans and the corresponding default risk directly (versus risk being traded in public markets), direct lending managers typically adopt a highly defensive investment approach. Much like a mortgage with repayment priority, direct lending managers are paid before junior debt and equity holders (Exhibit 5).

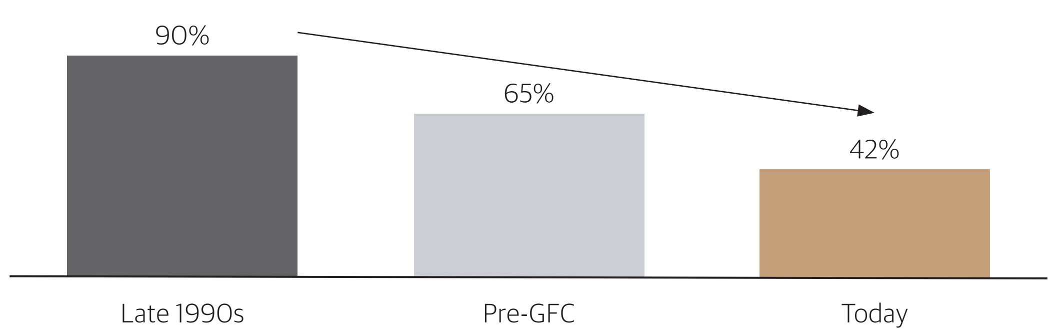
Direct lending managers typically focus on being senior secured lenders to scaled businesses that are in sectors with strong secular tailwinds, while structuring deals to maximize investor protection. In direct lending, average loan to values are much lower than prior periods, providing a larger equity buffer that would need to be wiped out before our debt is impacted (Exhibit 6). By originating senior secured loans that are first in line for repayment to high-quality businesses backed by strong institutional sponsors, managers can help mitigate risk — particularly when those loans are held in low-leverage vehicles with matched assets and liabilities.

EXHIBIT 5: Similarities Between Home Mortgages and Senior Secured Loans



Note: For illustrative purposes only. The above reflects Blackstone's views and beliefs unless otherwise indicated as of the date appearing in this material. The protections mentioned seek to mitigate risk but do not reduce or eliminate risk and do not protect against losses. The examples shown above are illustrative and not representative of any product's returns. Returns may be lower than depicted in this illustration.

EXHIBIT 6: Average Loan to Value[9]



Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment. There are no guarantees or assurances regarding the achievement of investment objectives or performance and you could lose some or all of your investment.

9. "Late 1990s" LTV refers to the approximate leverage through high yield bonds utilized to finance major buyouts in the 1990s. "Pre-GFC" LTV refers to the approximate leverage through leveraged loans utilized to finance US buyouts from 2000 to 2007 based on data from PitchBook LCD. Today refers to the average LTV on mid- and upper-market M&A deals completed during Q4'25 based on data from KBRA DLD.

Why Investors Allocate

Direct lending has delivered strong performance on both an absolute and relative basis consistently outperforming leveraged loans, high yield bonds, and investment grade bonds across different market environments (Exhibit 7).

Structurally, direct lending is typically composed of floating rate loans, which help mitigate interest rate risk. Direct lending maintains defensive features such as seniority in the capital structure, ensuring repayment priority over junior debt and equity holders, and enhancing principal preservation.[10]

EXHIBIT 7: Direct Lending's Strong Historical Performance[11]

Annual Returns of Fixed Income Key Indices Ranked in Order of Performance (2016-2025)

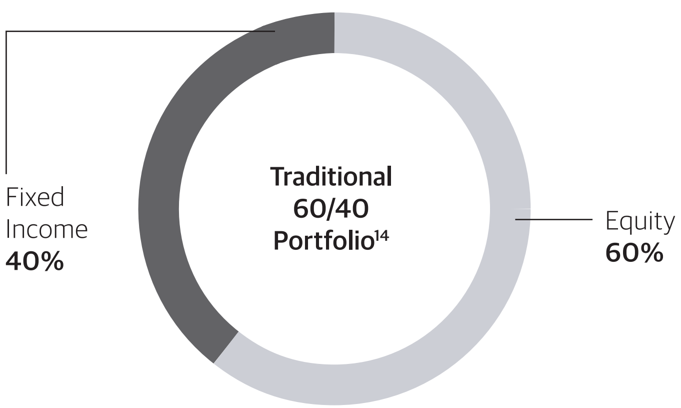
2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total Return[12]
17.1% High Yield Bonds	8.6% Direct Lending	8.1% Direct Lending	14.3% High Yield Bonds	7.5% Investment Grade Bonds	12.8% Direct Lending	6.3% Direct Lending	13.4% High Yield Bonds	11.3% Direct Lending	9.3% Direct Lending	9.4% Direct Lending
11.2% Direct Lending	7.5% High Yield Bonds	1.8% 1-3 Month T-Bill	9.0% Direct Lending	7.1% High Yield Bonds	5.3% High Yield Bonds	1.5% 1-3 Month T-Bill	13.3% Leveraged Loans	9.0% Leveraged Loans	8.6% High Yield Bonds	6.5% High Yield Bonds
10.2% Leveraged Loans	4.1% Leveraged Loans	1.4% Treasuries	8.7% Investment Grade Bonds	5.8% Treasuries	5.2% Leveraged Loans	-0.8% Leveraged Loans	12.1% Direct Lending	8.2% High Yield Bonds	7.3% Investment Grade Bonds	5.8% Leveraged Loans
2.6% Investment Grade Bonds	3.5% Investment Grade Bonds	0.4% Leveraged Loans	8.6% Leveraged Loans	5.5% Direct Lending	0.0% 1-3 Month T-Bill	-7.8% Treasuries	5.5% Investment Grade Bonds	5.3% 1-3 Month T-Bill	6.5% Treasuries	2.2% 1-3 Month T-Bill
1.1% Treasuries	1.1% Treasuries	0.0% Investment Grade Bonds	5.2% Treasuries	3.1% Leveraged Loans	-1.5% Investment Grade Bonds	-11.2% High Yield Bonds	5.1% 1-3 Month T-Bill	2.4% Treasuries	5.9% Leveraged Loans	2.0% Investment Grade Bonds
0.3% 1-3 Month T-Bill	0.8% 1-3 Month T-Bill	-2.1% High Yield Bonds	2.2% 1-3 Month T-Bill	0.5% 1-3 Month T-Bill	-1.7% Treasuries	-13.0% Investment Grade Bonds	4.3% Treasuries	1.3% Investment Grade Bonds	4.3% 1-3 Month T-Bill	1.8% Treasuries

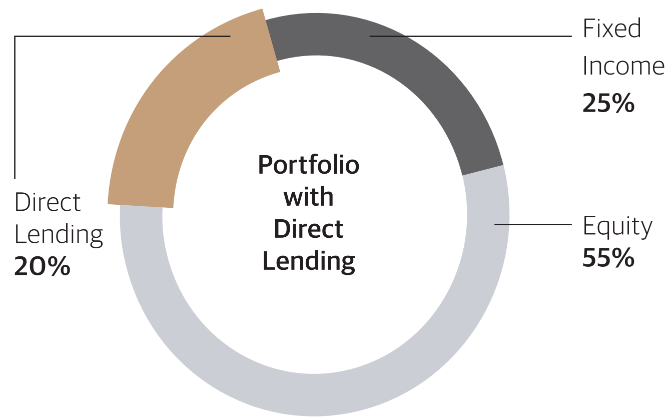
10. The protections mentioned seek to mitigate risk but do not reduce or eliminate risk and do not protect against losses.
11. Source: Morningstar, Cliffwater, as of December 31, 2025. Represents the annual returns for the respective calendar year, ranked in order of performance. The asset classes presented are based on the following indices: Clifffwater Direct Lending Index for Direct Lending, Bloomberg US Corporate High Yield Index for High Yield Bonds, Bloomberg US Aggregate Bond Index for Investment Grade Bonds, Morningstar LSTA US Leveraged Loan Index for Leveraged Loans, Bloomberg US Intermediate Treasury Index for Treasuries, Bloomberg US Treasury Bill 1-3 Month Index for 1-3 Month T-Bill. Past performance does not predict future returns. There can be no assurance any alternative asset classes will achieve their objectives or avoid significant losses. The volatility and risk profile of the indices is likely materially different from that of a fund. The indices employ different investment guidelines / criteria than a fund and do not employ leverage; a fund's holdings and the liquidity of such holdings may differ significantly from securities comprising the indices. The indices aren't subject to fees / expenses and it may not be possible to invest in the indices. The indices' performance has not been selected to represent an appropriate benchmark to compare to a fund's performance, but rather is disclosed to allow for comparison to that of well-known and widely recognized indices. A summary of the investment guidelines for the indices are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends. The indices are not necessarily the top performing indices in the given asset class and recipients should consider this when comparing the performance of any fund or investment to that of the indices. See "Important Disclosure Information," including "Index Comparison" and "Index Definition."
12. Total return is calculated over the period January 1, 2016 to December 31, 2025.

Direct lending's long-term track record underscores its stability during periods of market uncertainty. Over the past 20 years, the S&P 500 has posted negative returns in three years — 2008, 2018, and 2022 — and in each of those periods, direct lending outperformed both equities and leveraged loans (Exhibit 9). Notably, direct lending generated positive returns in two of those years, while equities or leveraged loans were either flat or experienced meaningful drawdowns. In our view, this reflects the strength of a strategy centered on senior secured, floating-rate loans — offering downside mitigation while continuing to deliver attractive yield.[13]

Historically, direct lending has helped to enhance returns, reduce volatility, and improve the income potential of traditional investment portfolios (Exhibit 8). For investors seeking defensive positioning with return potential in the face of interest rate volatility, inflation, and uncertainty in public markets, these characteristics may be attractive.

EXHIBIT 8: Reshaping the Risks and Returns of Traditional Portfolios with Direct Lending (10 Years)





Traditional 60/40 Portfolio

Annualized return	9.8%
Annualized volatility	10.3%
Current yield	2.8%

Portfolio with a 20% Direct Lending Allocation

Annualized return	10.7%
Annualized volatility	9.5%
Current yield	4.1%

Source: Bloomberg, Morningstar, Cliffwater, as of December 31, 2025. As commonly used in the industry, the 60/40 portfolio is 60% allocated to the S&P 500 Index and 40% is allocated to the Bloomberg US Aggregate Bond Index. Direct Lending is represented by the Cliffwater Direct Lending Index. The information provided herein is presented for educational purposes only, is solely an indication of the historical experience of certain asset classes based on publicly available indices and benchmarks during a fixed period, and does not reflect the experience or return to any Blackstone client, fund, or portfolio, the return of any investment by a Blackstone fund or other client, or the return to any investor in any Blackstone fund. There can be no assurance that any Blackstone fund, other investment, or any asset allocation will achieve its objectives or avoid substantial losses, or that alternative investments will generate higher returns than other investments. The information presented should not be construed as financial or investment advice, or relied on when making an investment decision. Investors should consult their financial advisor to determine what private markets allocation, if any, is most appropriate for them in light of their financial profile. Actual returns achieved by a fund or product investing in any asset class presented herein may be materially lower. The indices and benchmarks reflected herein are not representative of all investments in the applicable asset classes, the performance of such indices and benchmarks in periods other than that the period from January 2016 to December 2025 shown herein may differ materially, and it should not be assumed that any trends shown will continue. October 2015 is the inception date of the Cliffwater Direct Lending Index. Annualized returns and volatility are calculated based on the quarterly returns over the period from January 2016 to December 2025. The annualized returns shown do not necessarily consider fees and expenses, which are typically borne by the investor and may materially reduce returns. The yield on the portfolio with a private market alternative allocation was calculated using the annualized S&P 500 Dividend Yield, the annualized Bloomberg US Aggregate Bond Yield, and the annual Cliffwater Direct Lending Index income return.

13. Represents Blackstone's view of the current market environment as of the date appearing in this material only.
14. Traditionally, stocks and bonds have been regarded as the core building blocks of a diversified portfolio, often allocated 60% to equities and 40% to fixed income.

EXHIBIT 9: Full Year Total Return[15]

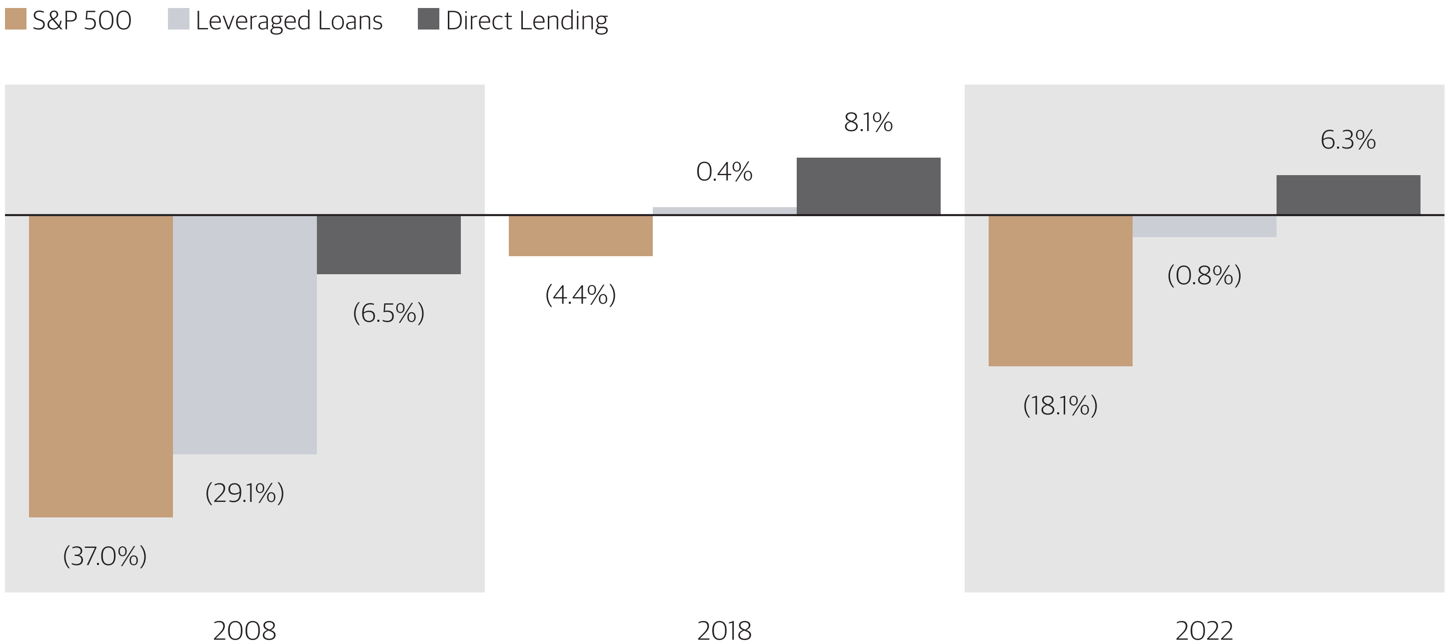
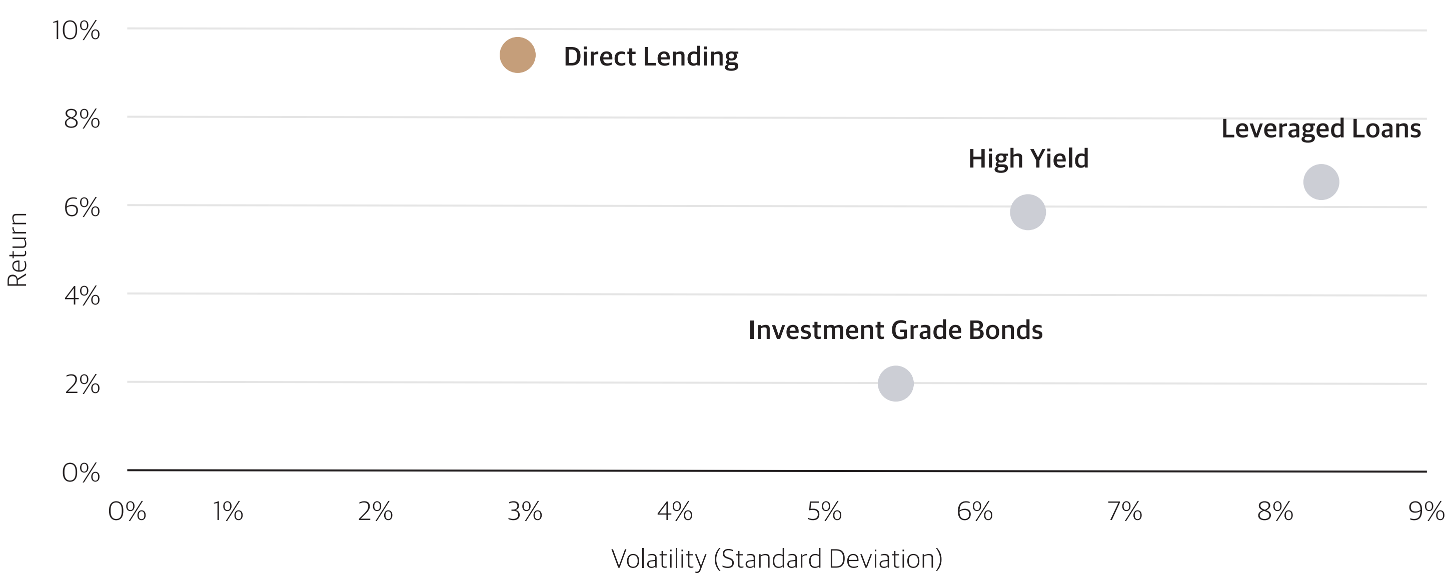


EXHIBIT 10: Direct Lending Has Provided Low Historical Volatility and Strong Relative Returns

Risk-Return

10 Years (Annualized)



Source: Morningstar, as of December 31, 2025. Return and Volatility are based on quarterly returns and are annualized during the time period. Volatility is measured using standard deviation. "Direct Lending" is represented by the Cliffwater Direct Lending Index. "Leveraged Loans" is represented by the Morningstar LSTA US Leveraged Loan Index. "High Yield" is represented by the Bloomberg US Corporate High Yield Index. "Investment Grade Bonds" is represented by the Bloomberg US Aggregate Bond Index. **Past performance does not predict future returns.** See "Important Disclaimer Information," including "Index Comparison," "Trends," and "Index Selection."

15. Source: Morningstar Direct, as of December 31, 2025. Represents the yearly return of the S&P 500 Index, Leveraged Loans (Morningstar LSTA US Leveraged Loan Index), and Private Credit (Cliffwater Direct Lending Index) during the years in which the S&P 500 Index exhibited negative performance from 2000 to 2025.

EXHIBIT 11: Direct Lending Can Offer More Investor Protections

	Why It Matters	Direct Lending	Leveraged Loans	High Yield Bonds
Privately Negotiated	Directly negotiate fees, covenants, and other potentially attractive terms with borrower	✓		
Floating Rate	Mitigates sensitivity to changes in interest rates	✓	✓	
Senior Secured	Priority in repayment, which can provide greater capital preservation	✓	✓	
Lender Protection	Help preserve capital in case of borrower financial health deterioration	✓	✓	
Call Protection	Can limit reinvestment risk and allows for a premium to be collected if loans are repaid early	✓		✓

Why Borrowers Go Private

In 2024, BXCI led a $2 billion financing for Park Place, a leading third-party maintenance services provider for data centers, followed by another large senior secured financing which BXCI co-led to support the company's acquisition in 2025. Blackstone leveraged its industry expertise and strong relationship with the private equity sponsor to deliver a tailored capital solution.

The ability of Blackstone to commit quickly at scale highlights some of the main features driving borrowers to seek private financing: speed, simplicity, and flexibility. As an existing portfolio company, Park Place is an active participant in Blackstone's Value Creation Program, where Blackstone takes on the role of more than just a provider of capital. Through this program, Park Place has benefited from numerous introductions that created value from synergies. We believe all these components coming together illustrate why large, high-quality companies are increasingly seeking private capital for their financing needs.

The above investment is not representative of all investments of a given type or of investments generally. The investment shown was made by an existing Blackstone fund and is provided for illustrative purposes only. This example may not be representative of all investments of a given type or of investments generally and it should not be assumed that any Blackstone fund, investment or acquisition will make comparable or equally successful investments. There can be no assurance that any Blackstone Fund or investment will achieve its objective or avoid significant losses. The information provided, including dollar amounts, represents the aggregated investment of all participating Blackstone Credit & Insurance vehicles. See "Important Disclosure Information" including "Case Studies" and "Logos."

Alternative investments are generally illiquid and there may be no liquid secondary markets or ready purchasers for these securities. They may not be required to provide periodic pricing or valuation information to investors.

Considerations before Allocating

We believe direct lending can be an enduring allocation in investor portfolios that can offer both stability and yield through different environments. While credit fundamentals remain strong, in times of increasing performance dispersion, where you invest and who you invest with matters.

The compounding power of direct lending returns typically requires a medium- to long-term investment horizon,[16] so investors should consider their liquidity needs to determine whether and how much to commit to private credit.

Our Insights page consists of timely articles, educational publications and market views.

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16. "Medium- to long-term" defined as a horizon of multiple years, for instance 5+ years.

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In considering any investment performance information contained in the Materials, prospective and current investors should bear in mind that past performance does not predict future returns and there can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met.

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Diversification; Potential Lack Thereof. Diversification is not a guarantee of either a return or protection against loss in declining markets. The number of investments which a Fund makes may be limited, which would cause the Fund's investments to be more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. There is no assurance that any of the Fund's investments will perform well or even return capital; if certain investments perform unfavorably, for the Fund to achieve above-average returns, one or a few of its investments must perform very well. There is no assurance that this will be the case. In addition, certain geographic regions and/or industries in which the Fund is heavily invested may be more adversely affected from economic pressures when compared to other geographic regions and/or industries.

ERISA Fiduciary Disclosure. The foregoing information has not been provided in a fiduciary capacity under ERISA, and it is not intended to be, and should not be considered as, impartial investment advice.

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Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate, consummate and exit investments that satisfy its objectives or realize upon their values or that a Fund will be able to fully invest its committed capital. There is no guarantee that investment opportunities will be allocated to a Fund and/or that the activities of Blackstone's other funds will not adversely affect the interests of such Fund.

Illiquidity and Variable Valuation. There is no organized secondary market for investors' interests in any Fund nor is there an organized market for which to sell a Fund's underlying investments, and none is expected to develop. Withdrawal and transfer of interests in a Fund are subject to various restrictions, and similar restrictions will apply in respect of the Fund's underlying investments. Further, the valuation of a Fund's investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such investments, from values placed on such investments by other investors and from prices at which such investments may ultimately be sold.

Index Comparison. The volatility and risk profile of the indices presented in this document is likely to be materially different from that of the Fund. In addition, the indices employ different investment guidelines and criteria than the Fund and do not employ leverage; as a result, the holdings in the Fund and the liquidity of such holdings may differ significantly from the securities that comprise the indices. The indices are not subject to fees or expenses and it may not be possible to invest in the indices. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

Leverage; Borrowings Under a Subscription Facility. A Fund may use leverage, and a Fund may utilize borrowings from Blackstone Inc. or under its subscription-based credit facility in advance of or in lieu of receiving investors' capital contributions. The use of leverage or borrowings magnifies investment, market and certain other risks and may be significant. A Fund's performance will be affected by the availability and terms of any leverage as such leverage will enhance returns from investments to the extent such returns exceed the costs of borrowings by such Fund. The leveraged capital structure of such assets will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such assets or industry. In the event an investment cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the investment, which may adversely affect the returns of such Fund. In the case of borrowings used in advance of or in lieu of receiving investors' capital contributions, such use will result in higher or lower reported returns than if investors' capital had been contributed at the inception of an investment because calculations of returns to investors are based on the payment date of investors' capital contributions. In addition, because a Fund will pay all expenses, including interest, associated with the use of leverage or borrowings, investors will indirectly bear such costs.

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Index Definitions

Bloomberg US 1-3 Month Treasury Bill: The index measures the performance of public obligations of the US Treasury with maturities of 1-3 month, including securities roll up to the US Aggregate, US Universal, and Global Aggregate Indices.

Bloomberg US Aggregate Bond Index: The Bloomberg US Aggregate Bond Index is an index of US dollar-denominated, investment-grade US corporate government and mortgage-backed securities.

Bloomberg US Intermediate Treasury Index: The index measures the performance of public obligations of the US Treasury with maturities of 1-10 years, including securities roll up to the US Aggregate, US Universal, and Global Aggregate Indices.

Bloomberg US Corporate High Yield Bond Index: The Bloomberg US Corporate High Yield Bond Index measures the US dollar-denominated, high yield, fixed-rate corporate bond market.

Cliffwater Direct Lending Index: The Cliffwater Direct Lending Index (CDLI) seeks to measure the unlevered, gross of fee performance of US middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

Morningstar LSTA US Leveraged Loan Index: The Morningstar LSTA US Leveraged Loan Index is designed to deliver comprehensive, precise coverage of the US leveraged loan market. Underpinned by PitchBook | LCD data, the index brings transparency to the performance, activity, and key characteristics of the market.

S&P 500 Index: The index measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid 1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

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