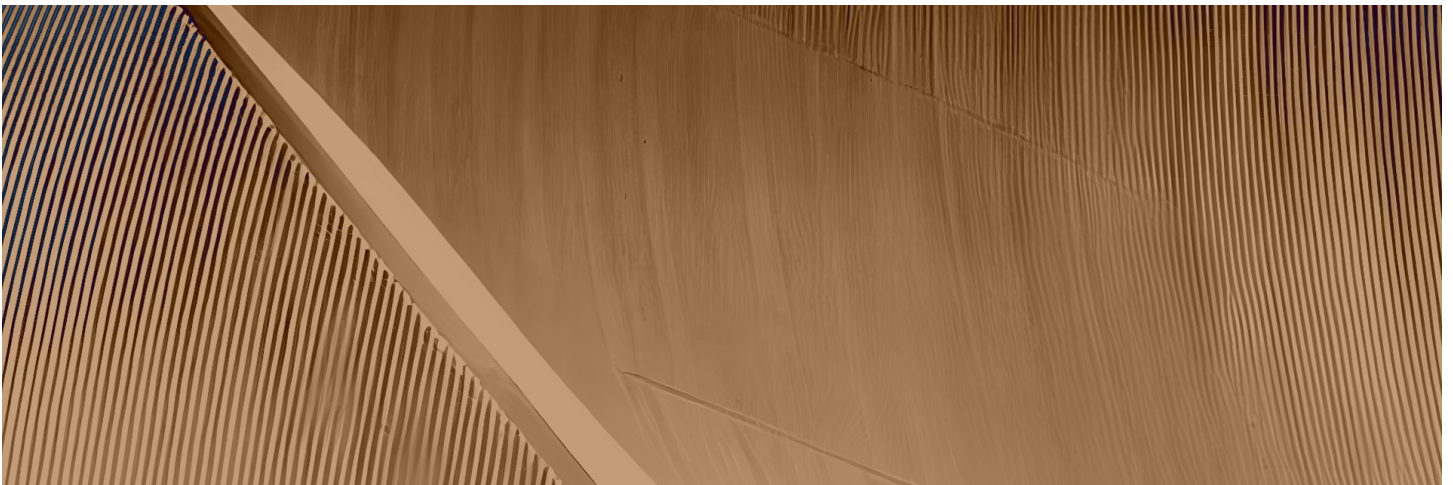


Private Credit

Private credit funds issue corporate loans and other credit instruments that do not involve a traditional bank and are not publicly traded.



Need to Know

01 Growing Demand

Privately held companies **focused on growth** and transformation have increasingly turned to private credit as a source of capital. Working with non-bank lenders, these companies are seeking to meet their capital needs more efficiently through **direct loans**.

02 Defensive Income

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 and **high income potential**.¹

03 Core Allocation

When added to a traditional balanced portfolio of stocks and bonds, private credit can offer **meaningful diversification** and improve risk-return potential.²

Basics of Private Credit

Private credit can offer companies a more direct and efficient way to access capital. Private credit managers raise funds directly from investors and lend to corporate borrowers in transactions that often involve a private equity firm. This direct approach—with no bank in the middle—can result in greater efficiency, confidentiality, certainty in execution, and flexibility in terms of structure for the borrower. For the investor, it can lead to stronger documentation, protection, and ultimately more attractive returns. Particularly for investors looking beyond the 60/40 portfolio of stocks and bonds, private credit can represent an attractive core holding.³



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. Risk management seeks to mitigate risk but does not reduce or eliminate risk and does not protect against losses.

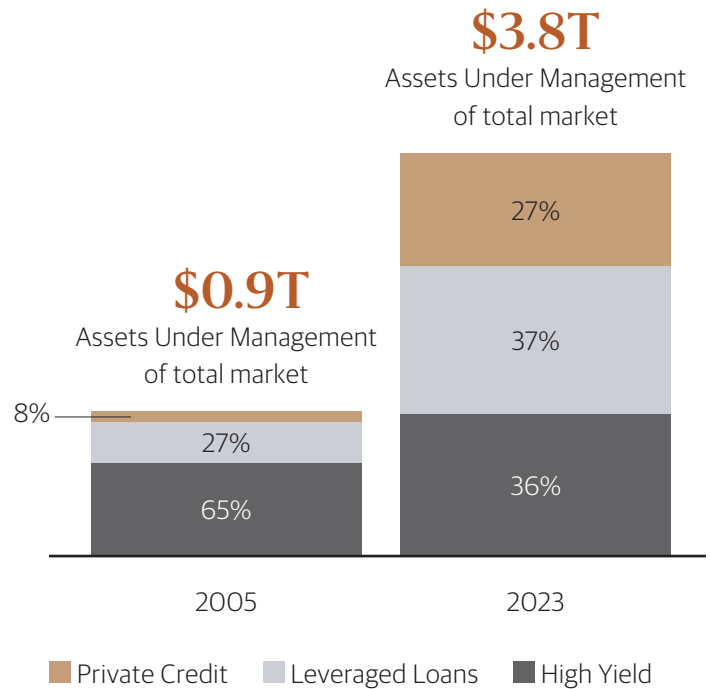
2. Diversification does not ensure a profit or protect against losses.

3. 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.

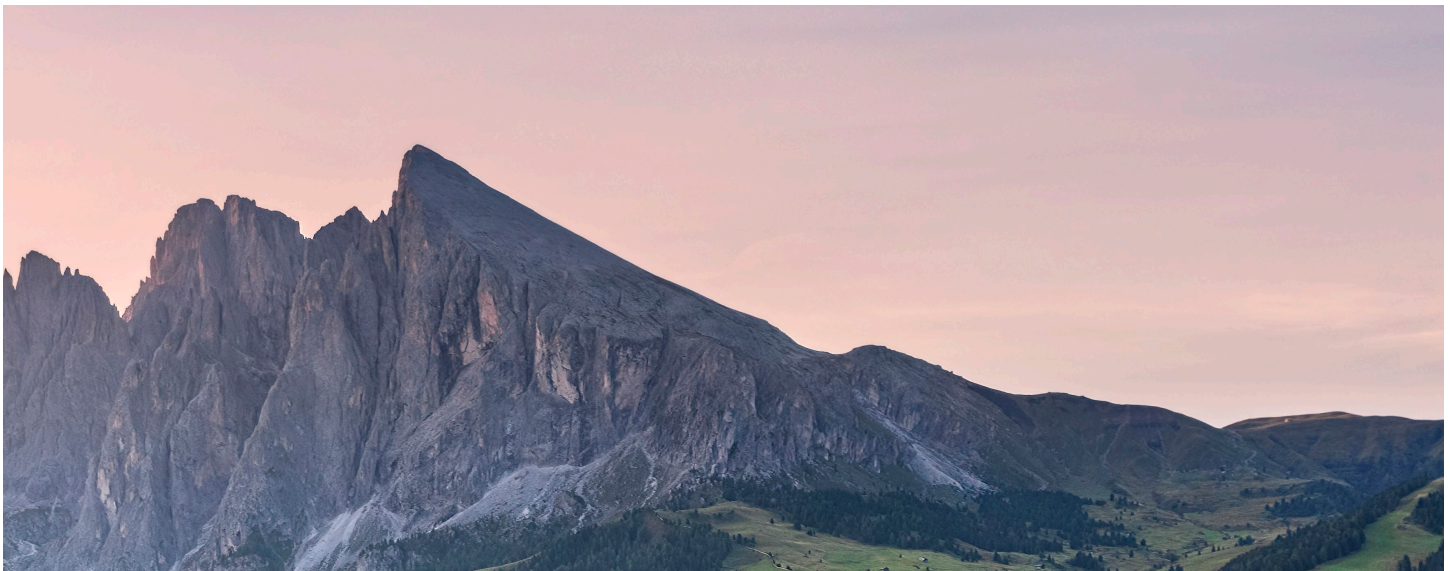
The above represents Blackstone's view of the current market environment as of the date appearing in this material only, which is subject to change. There can be no guarantee trends will continue or will not reverse.

Private credit has expanded rapidly for years, in part due to bank consolidation and regulatory change in the aftermath of the Global Financial Crisis. Today, private credit represents more than 25% of the US market for below-investment-grade credit, up from 5% in the mid-2000s (Exhibit 1), and plays an important role in financing large transactions.⁴ This trend has been largely driven by private equity activity and companies that are seeking more flexible capital solutions.

EXHIBIT 1: The Growth of Private Credit⁴
US Below-Investment-Grade Credit Market



Industry research suggests private credit will reach \$2.8T by 2028⁵



4. Source: Bloomberg (“High Yield”) and Pitchbook LCD (“Leveraged Loans”) as of March 2024. Prequin (“Private Credit”) as of September 2023, which is the latest data available. Private Credit market size based on AUM. 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: Prequin as of December 2023.

Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment. The protections mentioned seek to mitigate risk but do not reduce or eliminate risk and do not protect against losses.

Why Investors Allocate

Historically, private credit has outperformed traditional credit segments such as high yield bonds and leveraged loans (Exhibit 2), in part reflecting the premium that borrowers pay for the efficiency, confidentiality, and flexibility of private capital. Private credit also has defensive characteristics, such as seniority in the capital structure. Much like a mortgage with repayment priority, private credit investors are paid before junior debt and equity holders (Exhibit 3). High income potential is another feature. Private credit typically consists of floating rate loans, so investors may benefit as income can increase with rising interest rates, and base rate floors can help protect against falling rates.

EXHIBIT 2: Private Credit's Strong Historical Performance⁶

Annual returns of Fixed Income Key Indices Ranked in Order of Performance (2016-2023)

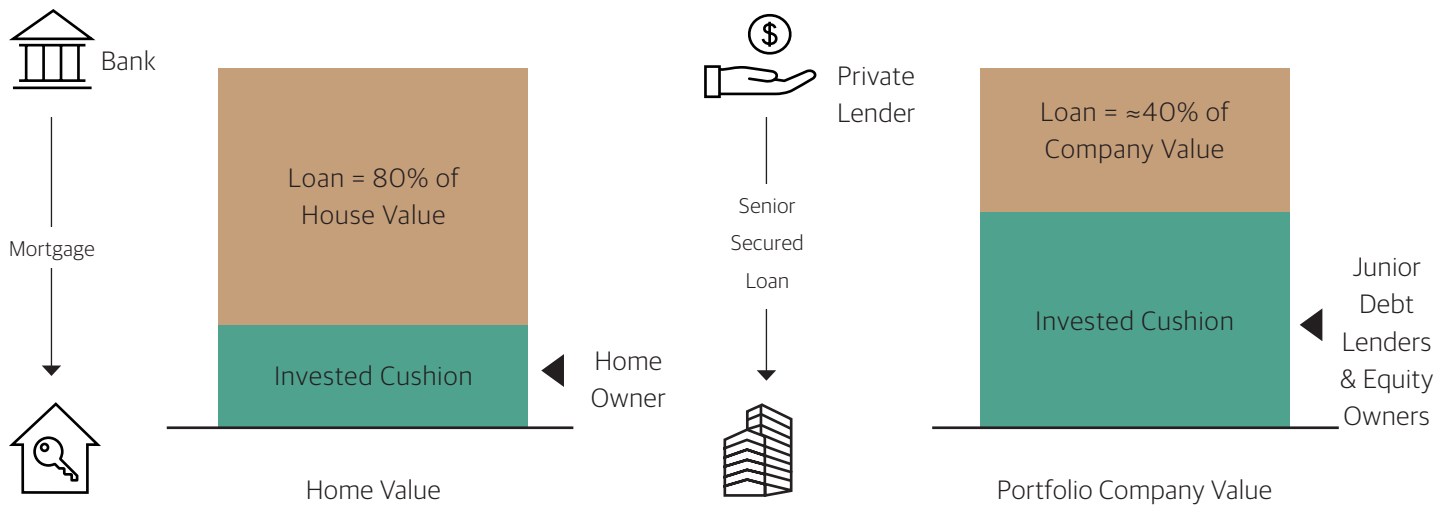
2016	2017	2018	2019	2020	2021	2022	2023	Total Return ⁶
17.1% High Yield	8.6% Private Credit	8.1% Private Credit	14.3% High Yield	7.5% Investment Grade Bonds	12.8% Private Credit	6.3% Private Credit	13.4% High Yield	9.2% Private Credit
11.2% Private Credit	7.5% High Yield	1.8% 1-3 Month T-Bill	9.0% Private Credit	7.1% High Yield	5.3% High Yield	1.5% 1-3 Month T-Bill	13.3% Leveraged Loans	6.1% High Yield
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% Private Credit	5.4% Leveraged Loans
2.6% Investment Grade Bonds	3.5% Investment Grade Bonds	0.4% Leveraged Loans	8.6% Leveraged Loans	5.5% Private Credit	0.0% 1-3 Month T-Bill	-7.8% Treasuries	5.5% Investment Grade Bonds	1.5% 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	5.1% 1-3 Month T-Bill	1.5% Investment Grade Bonds
0.3% 1-3 Month T-Bill	0.8% 1-3 Month T-Bill	-2.1% High Yield	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	1.1% Treasuries

6. Source: Morningstar, Cliffwater. As of December 31, 2023. Represents the annual returns for the respective calendar year, ranked in order of performance. The asset classes presented are based on the following indices: Cliffwater Direct Lending Index for Private Credit, Bloomberg US Corporate High Yield for US High Yield, Bloomberg US Aggregate Bond Index for US Investment Grade Bonds, Morningstar LSTA US Leveraged Loan Index for US Leveraged Loans, Bloomberg U.S. Intermediate Treasury Index for Treasuries, Bloomberg U.S. Treasury Bill 1-3 Month Index for 1-3 Month T-Bill. **Past performance does not predict future returns.** There can be no assurance that any alternative asset classes will achieve their objectives or avoid significant losses. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results. 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. 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 Disclaimer Information," including "Index Comparison." Total return is calculated over the period January 1, 2016 to December 31, 2023.

Managing Risk

As is true of other segments of the sub-investment grade credit market, private credit carries default risk -- how lenders manage it is key to delivering strong risk-adjusted returns. Since private lenders own loans and the corresponding default risk directly (versus risk being traded in public markets), private credit managers typically adopt a highly defensive investment approach. Managers such as Blackstone focus on being senior secured lenders to scaled businesses that are in sectors with strong secular tailwinds and having the right structures in place to protect their investors – a combination which in Blackstone's view is central to delivering attractive risk-adjusted returns.

EXHIBIT 3: 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.

Why Borrowers Turn to Private Credit

Aside from the benefits private credit offers to borrowers (Exhibit 4), with the right lending partner, borrowers can also benefit from the lender's scale and the resources of its platform and network.⁷ As is the case with Blackstone Credit, the result can be a deeper relationship than is possible with a bank, one that may create value for borrowers beyond the initial loan.

EXHIBIT 4: Blackstone's View: Key Reasons Borrowers Select Private Lending

- ✓ Efficiency of execution
- ✓ Flexible structuring
- ✓ Maintenance of confidentiality
- ✓ Greater certainty of terms
- ✓ Fewer public disclosure requirements

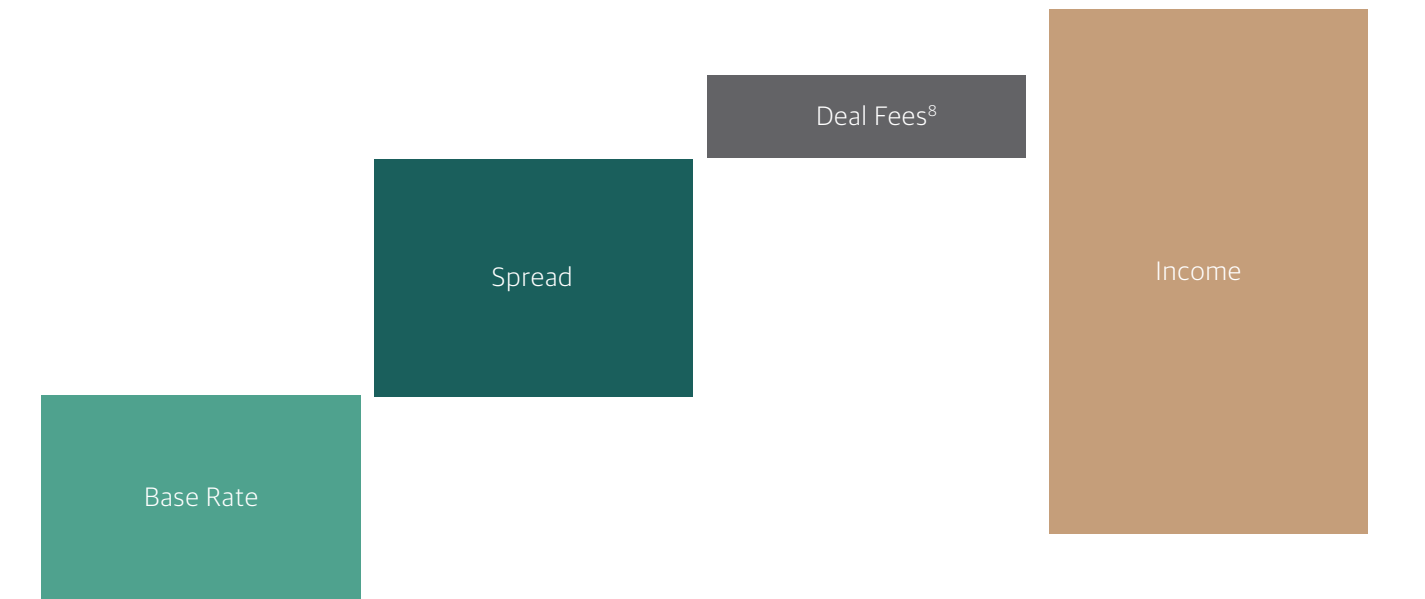
Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment. There are no guarantees or assurances regarding the achievement of investment objectives or performance and you could lose some or all of your investment.

7. Investment performance may be volatile. An investment should only be considered by sophisticated investors who can afford to lose all or a substantial amount of the investment. Fees and expenses may offset or exceed profits. See also "Considerations Before Allocating" on page 8.

High Income Potential

In private credit, income is derived from three main components: the base rate, spread, and deal fees. The base rate is the benchmark interest rate tied to a reference rate like the secured overnight financing rate (SOFR). The spread represents the additional interest charged above the base rate and is determined based on factors such as the borrower's creditworthiness, market conditions, and the specific terms of the loan agreement. Deal fees also contribute to income. Together, these components can result in significant current income for lenders.

EXHIBIT 5: Illustrative Components of Income in Private Credit Loans⁸

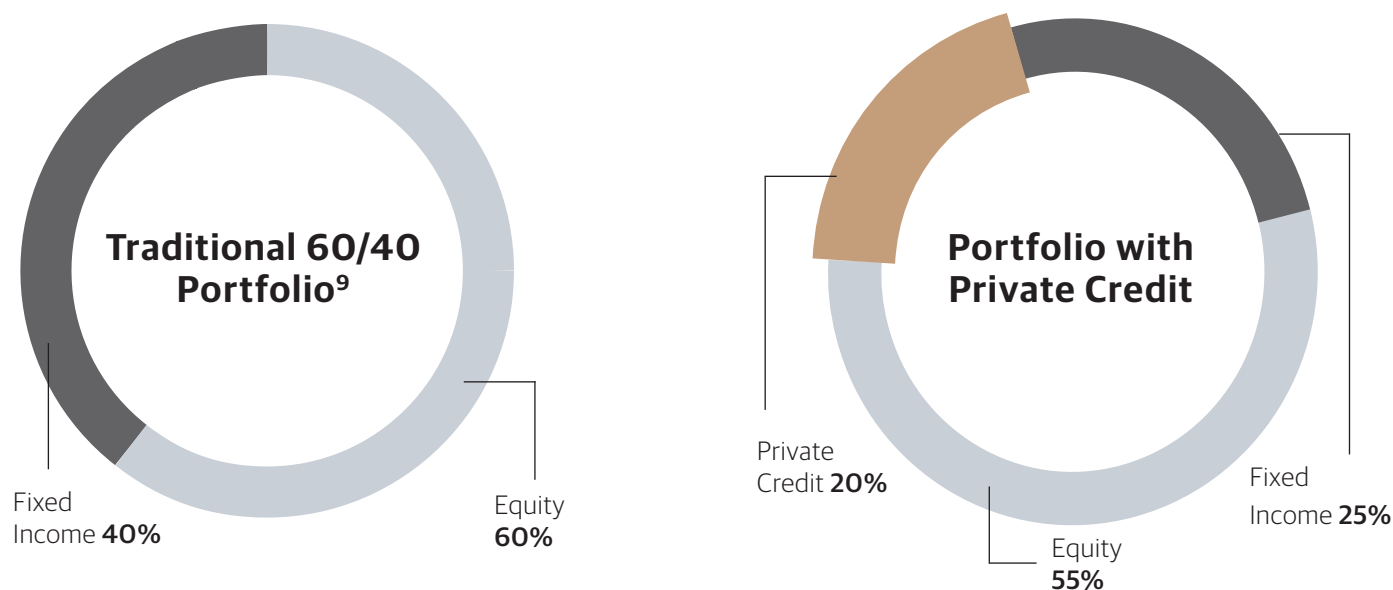


Note: The above investment is not representative of all investments of a given type or of investments generally. **Past performance does not predict future returns.** There can be no assurance that any Blackstone fund or investment will achieve its objectives or avoid substantial losses. The opinions expressed herein reflect the current opinions of Blackstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. The above is not intended to be indicative of future results to be achieved by the proposed fund; actual results may differ materially from the information generated through the use of illustrative components of return. While Blackstone believes that these assumptions are reasonable under the circumstances, there is no assurance that the results will be obtained, and unpredictable general economic conditions and other factors may cause actual results to vary materially. Any variations could be adverse to the actual results.

⁸ Deal fees include original issue discount and call premiums/prepayment fees.

Historically, private credit has helped to enhance returns, reduce volatility, and improve the income potential of traditional investment portfolios (Exhibit 6). For investors seeking defensive positioning with return potential in the face of interest rate volatility, inflation, and continued uncertainty in public markets, these characteristics may be attractive.

EXHIBIT 6: Reshaping the Risks and Returns of Traditional Portfolios with Private Credit (Q4 2015-2023)



Traditional 60/40 Portfolio

Annualized return	8.9%
Annualized volatility	11.0%
Current yield	2.9%



Portfolio with a 20% Private Credit Allocation

Annualized return	9.9%
Annualized volatility	10.2%
Current yield	4.5%

Source: Bloomberg, Morningstar, Cliffwater, as of 12/31/2023. 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. Private Credit is represented by the Cliffwater Direct Lending Index. **Past performance does not predict future returns.** 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 October 2015 to December 2023 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 October 2015 to December 2023. 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 annualized Cliffwater Direct Lending Index quarterly income.

9. 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.

Why Borrowers Go Private



In March 2024, Blackstone Credit & Insurance led a \$2 billion loan package to Park Place Technologies, a leading provider of third-party maintenance services for data center hardware, one of Blackstone's highest conviction sectors. 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.

Patient Capital

From the perspective of the manager, private investing means active value creation, versus passively holding stocks and bonds, which are very "liquid" and can be sold at any time. Private investing involves long-term commitments because value creation generally takes time. This gives rise to the concept of the "illiquidity premium," meaning the return that investors seek to offset the risk of holding a non-liquid asset. This potential return can be pursued in private asset classes through funds with long-term capital lockups as well as those with semi-liquid structures which offer the potential, but not a guarantee, to redeem capital at regular intervals.

Some of the methods used by private market managers include:



Informational
Advantage



Operating
Intervention



Strong
Governance



Customized
Terms

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

Manager selection can be important when allocating to private credit. Investors should be aware of considerations such as credit selection and the acumen of the managers conducting borrower due diligence.

Liquidity and time horizons can also be key considerations. The compounding power of private credit returns typically requires a medium- to long-term investment horizon.¹⁰ Investors should carefully consider their liquidity needs within the context of their overall portfolio to determine whether and how much to commit to private credit.



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¹⁰. "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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Blackstone personnel who will not be involved in the management and operations of such Fund. Certain investment examples described herein may be owned by investment vehicles managed by Blackstone and by certain other third-party equity partners, and in connection therewith Blackstone may own less than a majority of the equity securities of such investment. Further investment details are available upon request.

Conflicts of Interest. There may be occasions when a Fund's general partner and/or the investment advisor, and their affiliates will encounter potential conflicts of interest in connection with such Fund's activities including, without limitation, the allocation of investment opportunities, relationships with Blackstone's and its affiliates' investment banking and advisory clients, and the diverse interests of such Fund's limited partner group. There can be no assurance that Blackstone Credit will identify, mitigate, or resolve all conflicts of interest in a manner that is favorable to the Fund.

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.

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Forward-Looking Statements. Certain information contained in the Materials constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar words, or the negatives thereof. These may include financial predictions estimates and their underlying assumptions, statements about plans, objectives and expectations with respect to future operations, and statements regarding future performance. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. Blackstone believes these factors include but are not limited to those described under the section entitled "Risk Factors" in its Annual Report on Form 10K for the most recent fiscal year ended December 31 of that year, and any such updated factors included in its recent periodic filings with the Securities and Exchange Commission, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the Materials and in the filings. Blackstone undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

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.

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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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Opinions. Opinions expressed reflect the current opinions of Blackstone as of the date appearing in the Materials only and are based on Blackstone's opinions of the current market environment, which is subject to change. Certain information contained in the Materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Recent Market Events Risk. Local, regional, or global events such as war (e.g., Russia/Ukraine), acts of terrorism, public health issues like pandemics or epidemics (e.g., COVID-19), recessions, or other economic, political and global macro factors and events could lead to a substantial economic downturn or recession in the US and global economies and have a significant impact on the Fund and its investments. The recovery from such downturns is uncertain and may last for an extended period of time or result in significant volatility, and many of the risks discussed herein associated with an investment in the Fund may be increased.

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Index Definitions

Bloomberg US 1-3 Month Treasury Bill: The index measures the performance of public obligations of the U.S. Treasury with maturities of 1-3 month, including securities roll up to the U.S. Aggregate, U.S. 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 U.S. Treasury with maturities of 1-10 years, including securities roll up to the U.S. Aggregate, U.S. 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.

