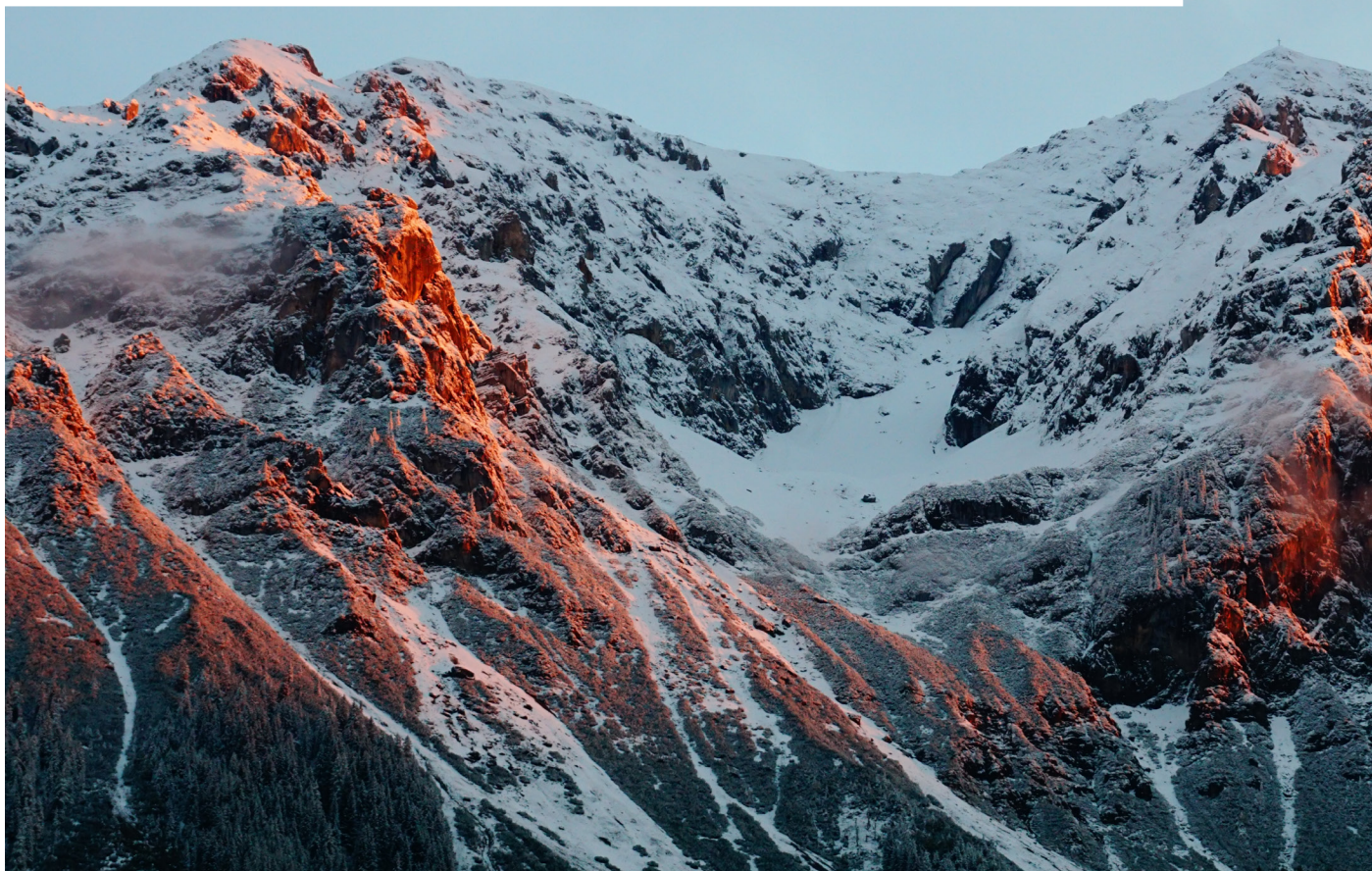


Essentials of Private Markets

Private Credit

PRIVATE WEALTH SOLUTIONS (EMEA & APAC)



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 protection 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

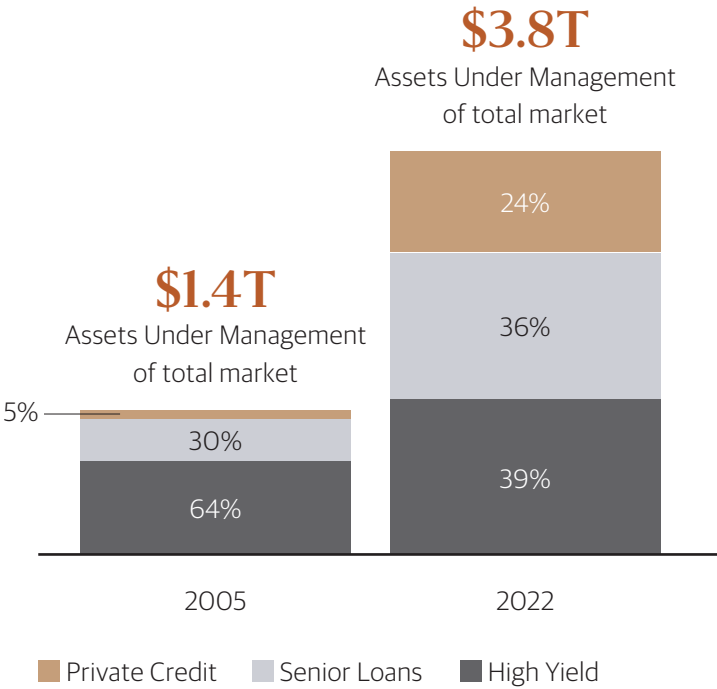


The information herein is provided for educational purposes only and should not be construed as financial or investment advice, nor should any information in this document be relied on when making an investment decision. Opinions expressed reflect the current opinions of Blackstone as of the date hereof 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.

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 20% 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



The above reflects Blackstone Credit's views and beliefs unless otherwise indicated. For illustrative purposes only.
4. Source: Preqin, Credit Suisse, as of September 30, 2022. The total US below-investment-grade credit market is 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.

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.⁵ 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 (2016-2022)

2016	2017	2018	2019	2020	2021	2022	Total Return Aggregate Performance
17.1% US High Yield	10.4% Global High Yield	8.1% Private Credit	14.3% US High Yield	9.2% Global Investment Grade Bonds	12.8% Private Credit	6.3% Private Credit	8.8% Private Credit
14.3% Global High Yield	8.6% Private Credit	0.4% US Leveraged Loans	12.6% Global High Yield	7.5% US Investment Grade Bonds	5.3% US High Yield	-0.8% US Leveraged Loans	5.0% US High Yield
11.2% Private Credit	7.5% US High Yield	0.0% US Investment Grade Bonds	9.0% Private Credit	7.1% US High Yield	5.2% US Leveraged Loans	-11.2% US High Yield	4.4% US Leveraged Loans
10.2% US Leveraged Loans	7.4% Global Investment Grade Bonds	-1.2% Global Investment Grade Bonds	8.7% US Investment Grade Bonds	7.0% Global High Yield	1.0% Global High Yield	-12.7% Global High Yield	3.7% Global High Yield
2.6% US Investment Grade Bonds	4.1% US Leveraged Loans	-2.1% US High Yield	8.6% US Leveraged Loans	5.5% Private Credit	-1.5% US Investment Grade Bonds	-13.0% US Investment Grade Bonds	0.9% US Investment Grade Bonds
2.1% Global Investment Grade Bonds	3.5% US Investment Grade Bonds	-4.1% Global High Yield	6.8% Global Investment Grade Bonds	3.1% US Leveraged Loans	-4.7% Global Investment Grade Bonds	-16.2% Global Investment Grade Bonds	0.1% Global Investment Grade Bonds

Managing Risk

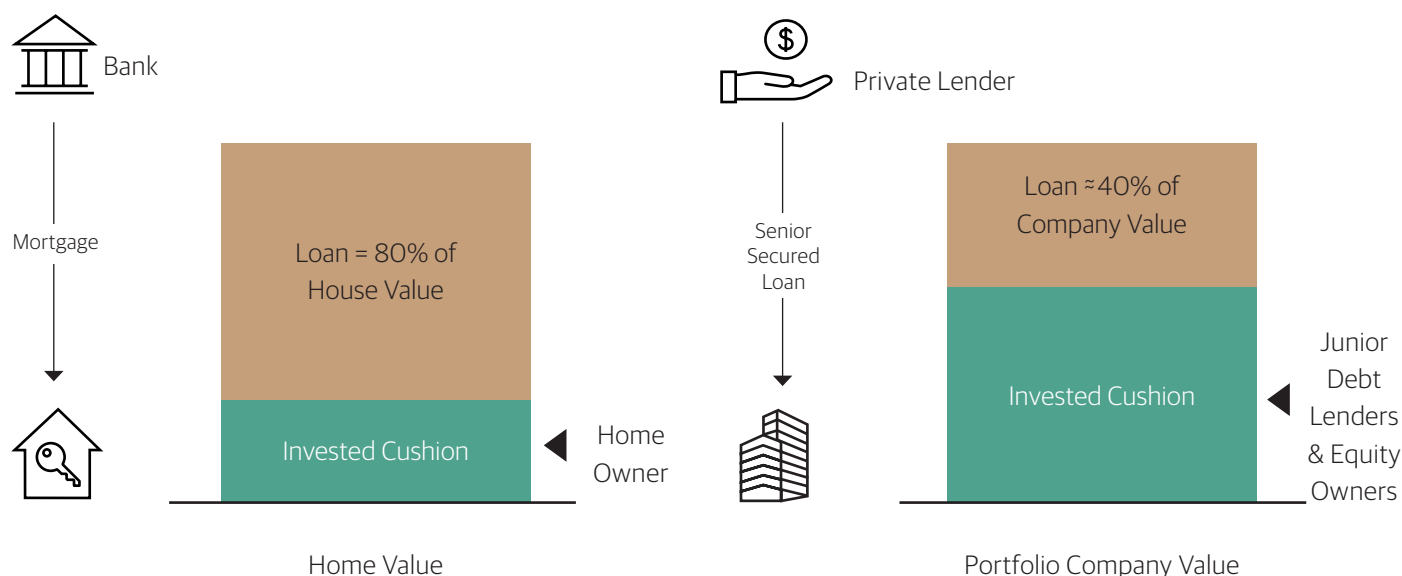
As is true of other segments of the sub-investment grade credit market, private credit carries default risk -- how lenders manage it is key to delivering strong risk-adjusted returns. Since private lenders own loans and the corresponding default risk directly (versus risk being traded in public markets), 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.

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

5. The protections mentioned seek to mitigate risk but do not reduce or eliminate risk and do not protect against losses.

6. Source: Morningstar, Cliffwater. 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 U.S. Corporate High Yield Index for US High Yield, Bloomberg U.S. Aggregate Bond Index for US Investment Grade Bonds, Morningstar LSTA US Leveraged Loan Index for US Leveraged Loans, Bloomberg Global Aggregate Bond Index for Global Investment Grade Bonds, and Bloomberg Global High Yield Index for Global High Yield. **Past performance is not necessarily indicative of future results.** 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 is available upon request. See "Important Disclaimer Information," including "Index Comparison." Total return is calculated over the period 1/1/2016-12/31/2022.

EXHIBIT 3: Similarities between Home Mortgages and Senior Secured Loans



The above information is provided for illustrative purposes only and should not be considered as research or investment advice. Represents Blackstone's view of the current market environment as of the date appearing in this material only.

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

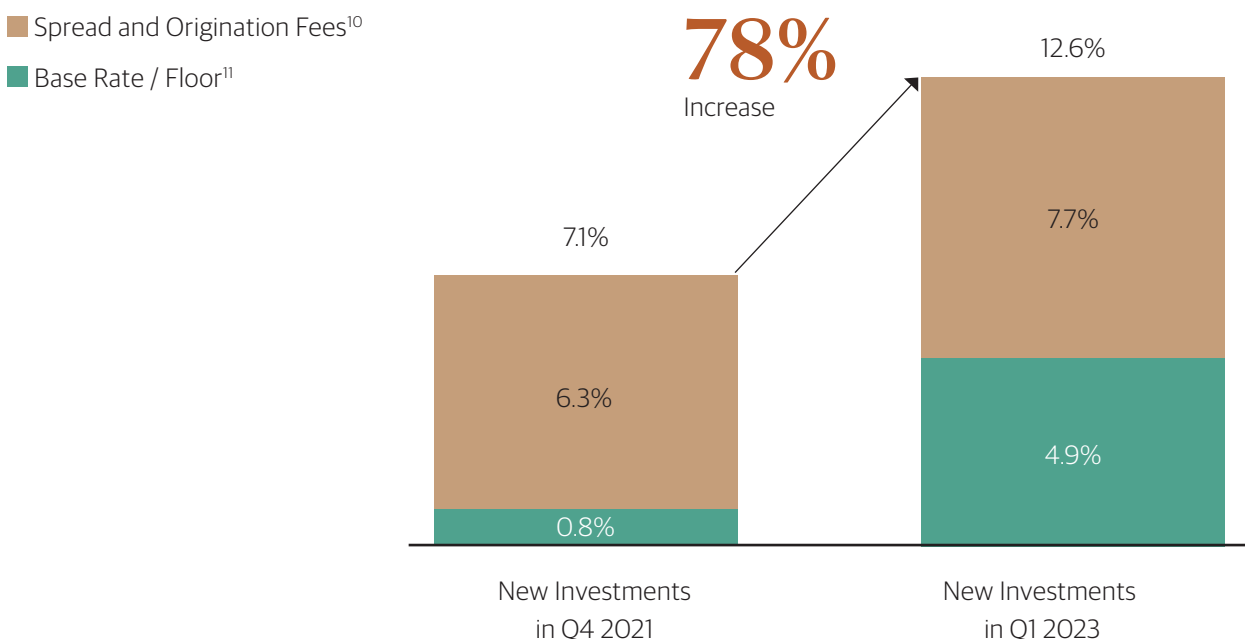
Any investment involves a high degree of risk and should only be made if an investor can afford the loss of the entire investment. There are no guarantees or assurances regarding the achievement of investment objectives or performance and you could lose some or all of your investment.

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.

Resilience Amid Volatility

Recent trends have served to underscore the role private credit can play in today's marketplace. As interest rates increased in 2022 and markets turned more volatile, the pace of issuance in US high yield bond and leveraged loan markets slowed, driving a larger share of overall deal flow to private credit. The result has been beneficial for both lenders and investors.⁸ Lenders have gained an edge in the negotiation process as capital from the public markets has become limited. Investors have received higher income due to the floating rate feature of private credit, which has allowed yields to increase as interest rates have risen.

EXHIBIT 5: Asset-Level Yields Have Increased⁹



Note: The above investment is not representative of all investments of a given type or of investments generally. **Past performance is not necessarily indicative of future results.** 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. 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.

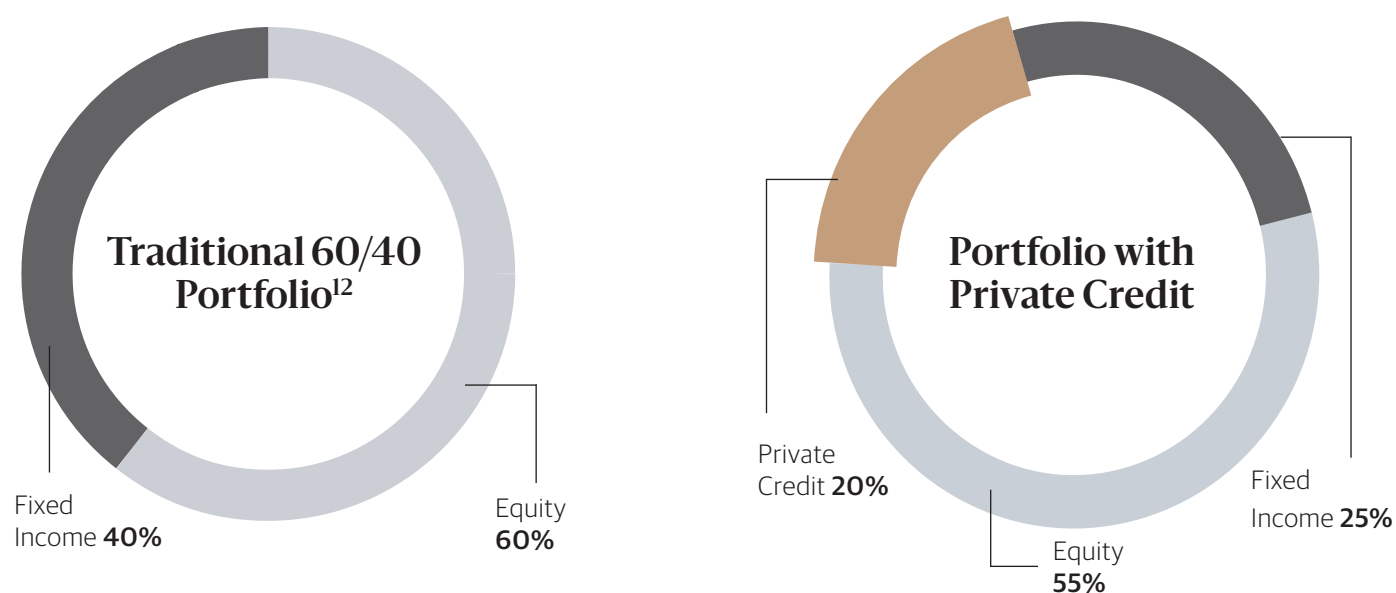
9. Includes all privately originated deals funded in respective quarters. Q4 2021 and Q1 2023 represent periods of contrasting baserates. Yields reflect average spread and origination fees or OID of private deals completed during respective quarters.

10. Origination fees are amortized over an average hold of three years.

11. For "New Investments in Q4 2021", 3M SOFR as of December 31, 2021 was below the floor of 0.75%. For "New Investments in Q1 2023", base rate represents 3M SOFR as of March 31, 2023. For illustrative purposes only. There can be no assurance that rates will rise or at any particular pace.

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 (2008-2023)



Traditional 60/40 Portfolio

Annualized return	4.7%
Annualized volatility	12.6%
Current yield	2.9%



Portfolio with a 20% Private Credit Allocation

Annualized return	6.1%
Annualized volatility	11.6%
Current yield	4.4%

Bloomberg, Morningstar, as of 3/31/2023. Time period is based on earliest common inception. As commonly used in the industry, the 60/40 portfolio is 60% allocated to the MSCI ACWI Index and 40% is allocated to the Bloomberg Global Aggregate Bond Index. Private Credit is represented by the Cliffwater Direct Lending Index. There can be no assurance that any Blackstone fund or investment will achieve its objectives or avoid substantial losses, or that alternative investments will generate higher returns than other investments. Annualized returns and volatility are calculated based on the quarterly returns over the period from April 2008 to March 2023. The yield on the portfolio with 20% private credit allocation was calculated using the annualized MSCI ACWI Dividend Yield, the annualized Bloomberg Global Aggregate Bond Yield, and annualized Cliffwater Direct Lending Index quarterly income. 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.

12. 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.

Providing More Than Just Capital¹³



When Blackstone partners with a borrower, its role is to act as more than just a provider of capital. The **Blackstone Value Creation Program** aims to provide borrowers with the resources needed to increase efficiency and accelerate growth. At Blackstone, more than 90% of borrowers introduced to the Value Creation team actively participate in the program.

In May 2019, Blackstone Credit provided a \$280 million direct loan to Custom Ink, an innovative customized apparel brand in the US. Key benefits of private lending, in addition to speed and greater certainty, included the value-add of partnership. By partnering with Blackstone, Custom Ink gained access to the Blackstone Value Creation Program and a breadth of opportunities to cross-sell to other portfolio companies. The goal: accelerate Custom Ink's growth and take its business to the next level.

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.

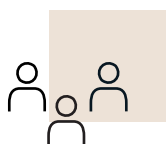
Some of the methods used by private market managers include:



Informational
Advantage



Operating
Intervention



Strong
Governance



Customized
Terms

13. Please see "Important Disclosure Information" including "Case Studies."

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.¹⁴ 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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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.

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

Index Definitions

Bloomberg Global Aggregate Bond Index	The index measures the performance of global investment grade fixed-rate debt markets, including the U.S. Aggregate, the Pan-European Aggregate, the Asian-Pacific Aggregate, Global Treasury, Eurodollar, Euro-Yen, Canadian, and Investment Grade 144A index-eligible securities.
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 Global HY Index	The index measures the performance of the global high-yield income markets. It represents the union of the U.S. High-Yield, Pan-European High-Yield, U.S. Emerging Markets High Yield, and Pan-European Emerging Market High-Yield Indices. The index is a component of the Multiverse Index, along with the Global Aggregate Index.
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.
MSCI ACWI	The index measures the performance of the large and mid cap segments of all country markets.

Glossary

The following are explanations of terms you may come across in this presentation. These definitions are not exhaustive and are intended as a guide only.

Assets	Anything that has a commercial or exchange value that is owned by a business.
Assets Under Management "AUM"	Total market value of all financial assets that an individual or financial institution manages on behalf of investors.
Base Rate / Floor	The minimum level reference rate a borrower pays in a floating rate loan.
Below-Investment Grade Credit	Securities that are not rated on one of the four highest rating categories of a nationally recognized rating agency.
Bonds / Fixed Income	A type of investment security that pays out a set level of cash flows to investors, typically in the form of fixed interest or dividends until its maturity date. At maturity, investors are typically repaid the principal amount they had invested.
Debt	Something owed by one company to another, typically money.
Direct Lending / Loans	Loans made by non-bank lenders directly to a corporate issuer, lenders generally hold these loans to maturity or refinancing. They're typically senior secured in the capital structure and offer floating rate coupons.
Equity	Ownership in a company that may be listed on an exchange and purchased in the form of a stock.
Floating Rate Loan	Loans made to borrowers that feature a variable interest rate that is tied to a market reference rate and adjusted periodically.
Floating Rate Coupons	Variable interest payments based on their "Floating Rate" (see definition above) nature.
High Yield Bonds	Bonds that are rated below investment grade so have a higher risk of default or other adverse credit events. They offer higher yields than investment grade bonds to compensate for the increased risk.
Investment Grade Bonds	Bonds with a high credit rating, meaning they generally have a relatively low risk of default.
Junior Debt	Bonds or other forms of debt issued with a lower priority for repayment than other, more senior debt claims in the case of default.
Leveraged Loans	A type of loan that is originated to companies that already have considerable debt or poor credit history and tend to carry a higher risk of default, making the loan more expensive for a borrower.
Liquidity	Ability for fund investors to subscribe and redeem units in a fund. The more liquid a fund, means the greater frequency to subscribe and redeem units.
Meaningful Cushions	The lower portions of a capital structure (more junior debt / equity) that sits below a senior secured loan in the repayment process.
Origination Fees	A fee paid by the borrower to the lender at issuance.
Risk-Return	The relationship between the amount of return gained on an investment and the amount of risk undertaken. Typically, higher return is correlated with higher risk.
Treasuries	Treasury Bonds are government debt issued by the US Federal Government. The rate refers to the yield received for investing in a US government treasury bond.
Senior Secured Loans	Loans made to borrowers that are secured against the company and which sit high up on the capital structure.
Syndicated	When a loan is originated by a lead bank or banks and sold to many other investors.
Yield	Refers to the earnings generated and realized on a investment over a particular period of time.

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In considering any investment performance information contained in the Materials, prospective and current investors should bear in mind that past or estimated performance is not necessarily indicative of future results 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.

Blackstone Proprietary Data. Certain information and data provided herein is based on Blackstone proprietary knowledge and data. Portfolio companies may provide proprietary market data to Blackstone, including about local market supply and demand conditions, current market rents and operating expenses, capital expenditures, and valuations for multiple assets. Such proprietary market data is used by Blackstone to evaluate market trends as well as to underwrite potential and existing investments. While Blackstone currently believes that such information is reliable for purposes used herein, it is subject to change, and reflects Blackstone's opinion as to whether the amount, nature and quality of the data is sufficient for the applicable conclusion, and no representations are made as to the accuracy or completeness thereof.

Case Studies. To the extent the Materials include case studies, such case studies and/or transaction summaries presented or referred to herein may not be representative of all transactions of a given type or of investments generally and are intended to be illustrative of the types of investments that have been made or may be made by a Fund in employing such Fund's investment strategies. It should not be assumed that a Fund will make equally

successful or comparable investments in the future. Moreover, the actual investments to be made by a Fund or any other future fund will be made under different market conditions from those investments presented or referenced in the Materials and may differ substantially from the investments presented herein as a result of various factors. Prospective investors should also note that the selected investment examples, case studies and/or transaction summaries presented or referred to herein have involved Blackstone professionals who will be involved with the management and operations of a Fund as well as other 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 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.

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.

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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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