Blackstone

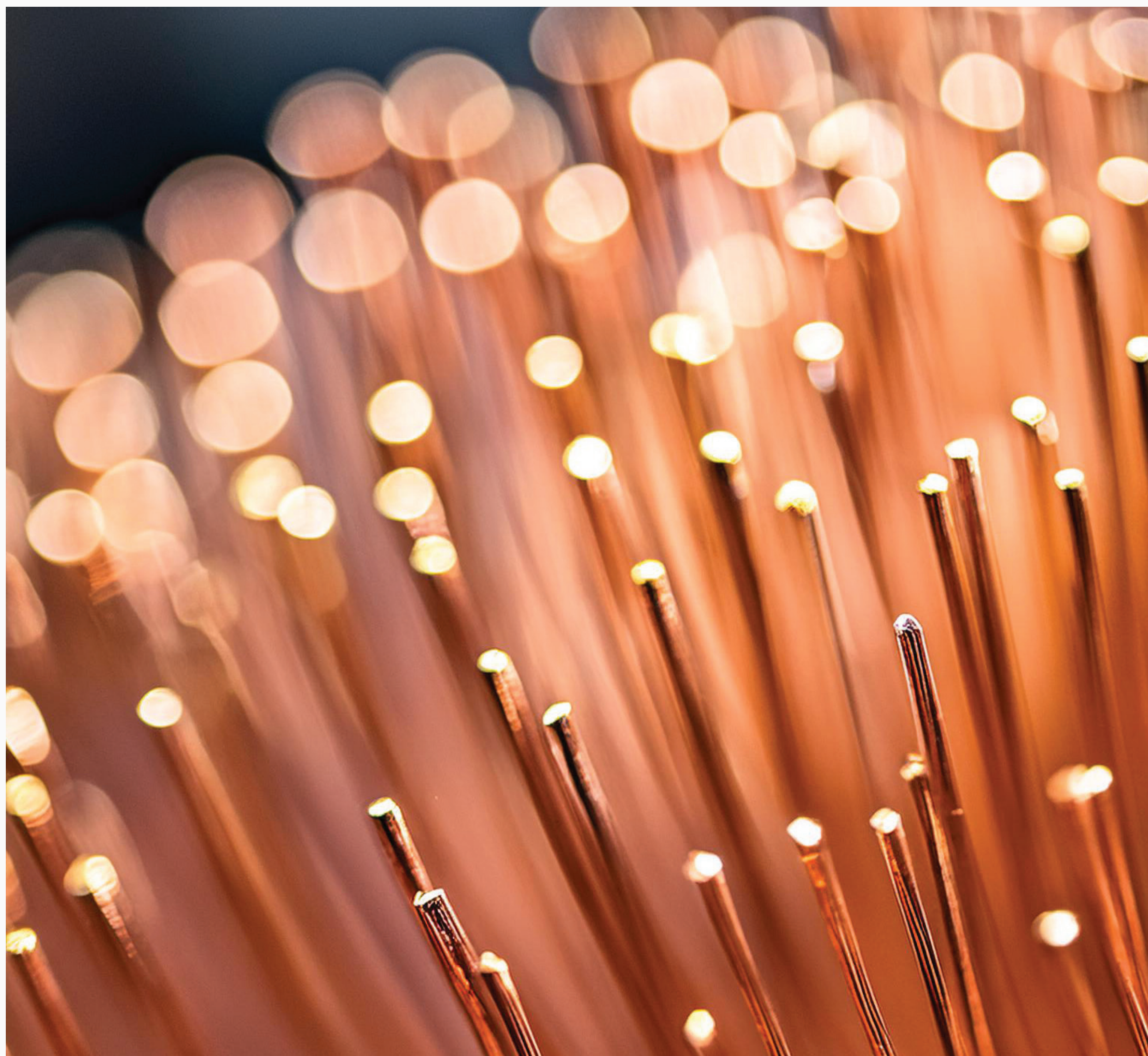
The Connection

Joe Zidle - Chief Investment Strategist, Private Wealth Solutions

What to Expect When You Are Expecting

Private Credit: From Mid-Market to Real Economy Financier

Through the Private Market Lens



SUMMER 2024

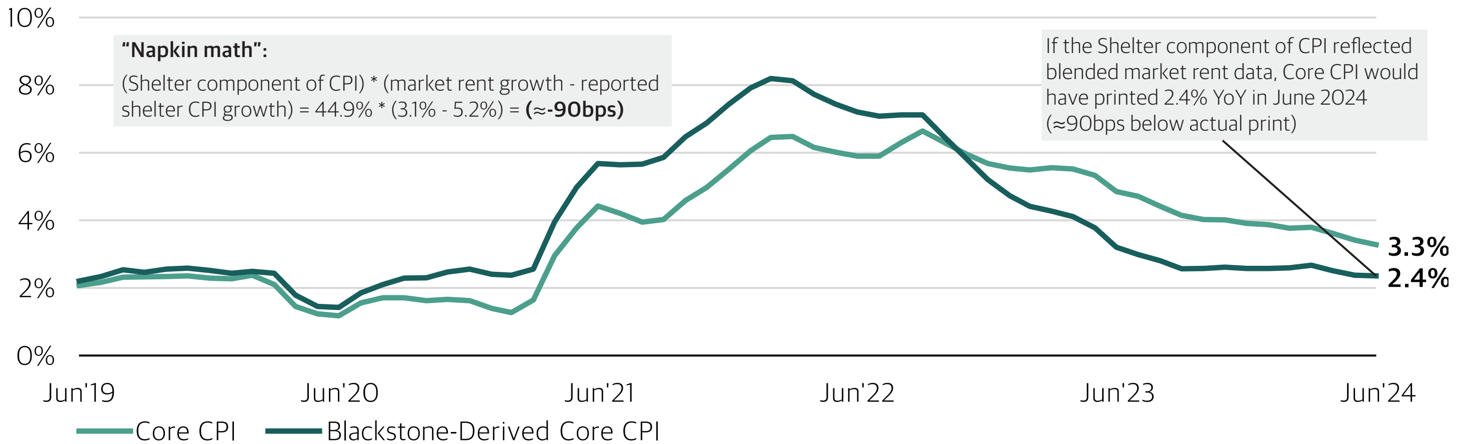
What to Expect When You Are Expecting

Now that COVID-19-era distortions have moved through the economy, we believe it is time to start trusting the indicators again. Over the last few years, we experienced a huge exogenous shock followed by unprecedented stimulus into a supply-side constrained economy. Traditional recession signals like the inverted yield curve, jobless claims, and contracting PMIs gave false signals because the pandemic and the policy response did not comprise a true economic cycle. We knew we would eventually reach normalization where the temporary supports for growth would fade, allowing traditional economic indicators to regain their predictive power. Growth has slowed from its rapid pace last year, and some cracks are beginning to appear.

The Fed Is in a Position to Cut

Current data supports the case for rate cuts. In June, both headline CPI ex-shelter and core CPI ex-shelter were 1.8% year-over-year, below the Fed's 2% target and down considerably from their respective peaks of 10.8% and 7.7% in 2022. In terms of shelter, we've tracked the easing in real-time and ahead of public data. By replicating the Bureau of Labor Statistics (BLS) methodology and leveraging Blackstone's proprietary analysis, which utilizes real-time rent prices instead of BLS-reported shelter costs, we find that inflation decreased by an additional 90 basis points (bps). It is only a matter of time before the BLS data catches up with reality.

Figure 1: Actual vs Blackstone Derived Core CPI



Source: US Bureau of Labor Statistics, John Burns Real Estate Consulting, Zelman & Associates, Green Street and Axiometrics, as of June 2024. BX-Derived Core CPI replaces Shelter component of Core CPI with a blended market rate at the following composition: single-family rental housing (83%, accounting for SFR, townhomes and owned houses) at an evenly-split average of John Burns Single-Family Rent Index and Zelman & Associates seasonally-adjusted single-family blended rent growth, multifamily (15%) at the Axiometrics national multifamily effective market rent growth on a 13-month basis and manufactured housing (2%) at an evenly-split average of Equity Lifestyle Properties and Sun Communities reported rent growth.

Later in this edition of *The Connection*, we present the quarterly CEO survey, which includes key insights on wages.[1] We observed that wage growth in our portfolio companies peaked at over 7% in 2022 and has been on a downward trajectory ever since. Notably, Blackstone portfolio company CEOs anticipate wage growth moderating to around 3% in the next 12 months, closer to pre-COVID-19 wage gains. This response coupled with our own analysis suggests that the Fed has enough justification to cut rates.

1. The Blackstone CEO Survey referred to herein is a survey of a subset of portfolio company CEOs. For 2024, the CEO Survey reflects responses from 92 US Blackstone Portfolio companies (59 US CEOs) (the "CEO Survey"). The CEO Survey was initiated on June 10, 2024 and closed on June 20, 2024. The responding portfolio companies are not necessarily a representative sample of companies across Blackstone's portfolio and the views expressed do not necessarily reflect the views of Blackstone. The views expressed reflect the responding CEOs' views as of the date of their responses, and Blackstone does not undertake any responsibility to advise you of any changes in such views. Note: See "Important Disclosures" for additional information about the Survey and the views expressed within.

But They Don't Have to Cut That Much

Household and corporate balance sheets are largely sound and can handle a slowdown in growth. They will likely be tested, but they are not overextended. Corporations termed-out their debt during the era of ultra-low interest rates and have an interest coverage ratio of 14x, an all-time high at almost 3x the historical average.[2]

In terms of households, almost 90% of US homeowners with a mortgage have a rate below 6%, which has helped debt service and financial obligation ratios as a percent of disposable income remain at 40-year lows.[3] Rising real estate values and equity market highs have led to widespread growth of household wealth. Naturally, low-income consumers who do not own homes or financial assets are feeling more of the effects of higher rates. More reliant on credit, this cohort is disproportionately affected by higher costs, and delinquencies are rising.

Similarly, bifurcation is evident among corporations. Despite the Fed keeping rates at a 23-year high and at this level for the second-longest period on record, large-cap companies have maintained operating margins near record highs, while small-cap companies' margins are close to 30-year lows.[4]

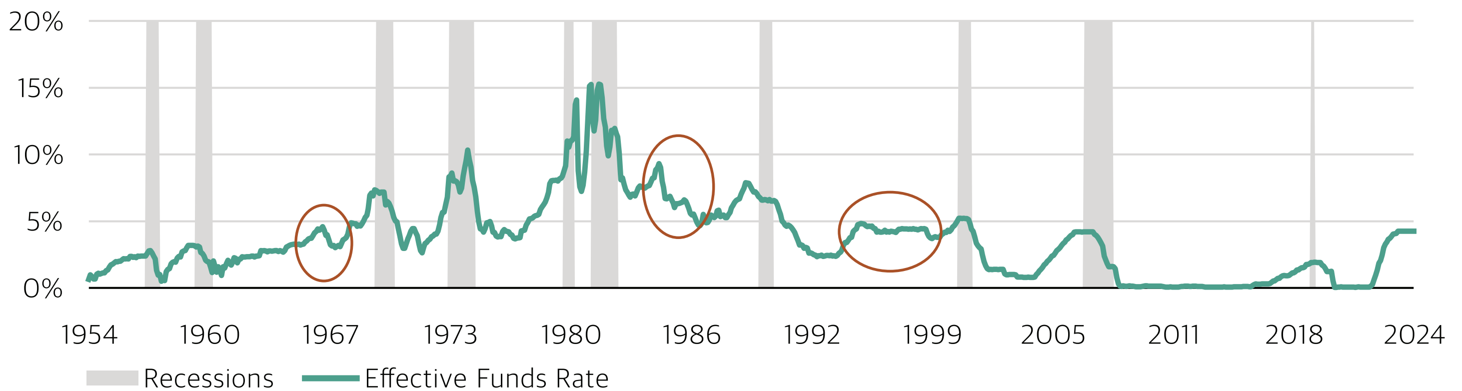
There are two reasons for this stark difference: 1) Smaller companies tend to have less pricing power, and 2) they face difficulty accessing credit, relying more on short-term financing. Nearly two-thirds of small caps have debt maturing in the next five years, compared to less than half of their large cap counterparts.[5] This upcoming maturity wall and higher leverage leave small-cap companies more exposed to rising interest costs, which typically increase before margins turn negative.

Preparing for a Mild Rate-Cut Environment

Moving beyond the "when" and focusing on the "why" is crucial. Over the last 30 years, most interest rate cuts responded to economic stresses like the 2008 Great Financial Crisis or the 1999 Tech Bubble. What's less familiar is a cutting cycle with low unemployment, record-setting stock market prices, and all-time-high household net worth. This time, the "why" behind the Fed's cuts is different, and that matters for how investors may consider positioning their portfolios.

Dissipating inflation and restrictive inflation-adjusted interest rates are driving this cutting cycle. Slowing growth will play a role, but we must look beyond recent cycles defined by emergency responses to economic shocks. Three episodes come to mind: 1994/1995, 1984, and 1966/1967.

Figure 2: Effective Federal Funds Rate



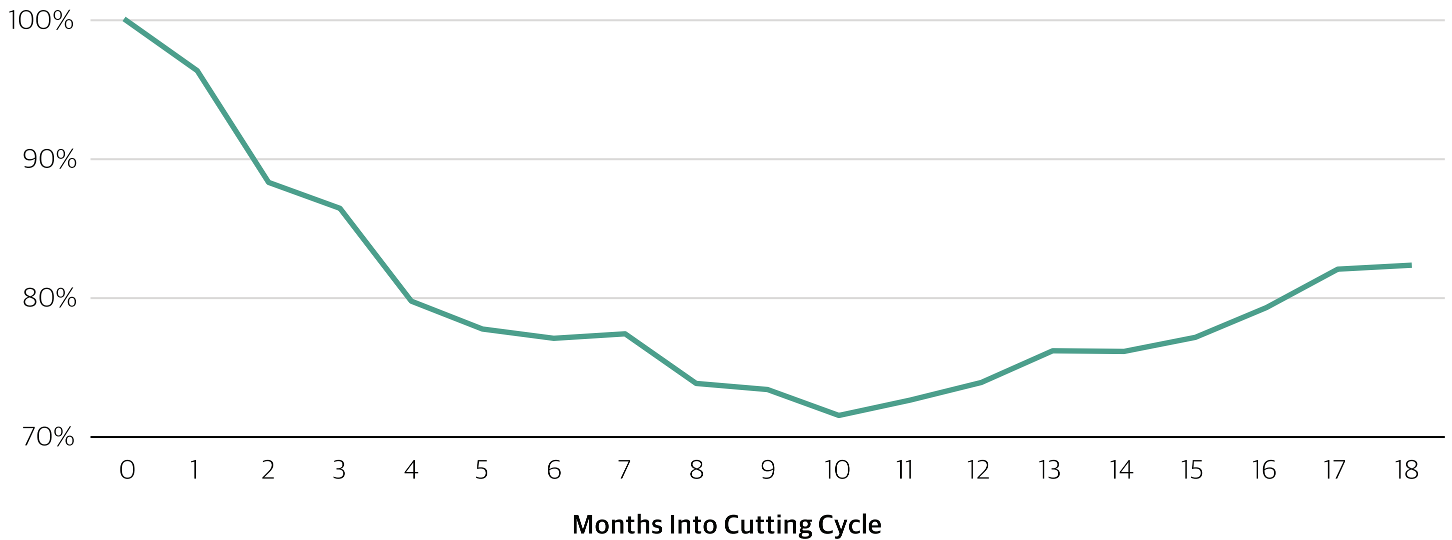
Source: Federal Reserve. Red circles represent interest rate cut cycles shaped by dissipating inflation and soft landing – 1966, 1984, and 1995 cutting cycles.

These periods featured inflationary bumps and rising interest rates. But rather than a bubble bursting, Fed easing came after inflation dissipated. Growth slowed without a "financial accident," Fed cuts were shallow, and the economy avoided recession. Collectively, these soft landings featured fewer interest rate cuts, and in all three instances, the Fed had to pivot back to rate hikes soon after.

2. Ned Davis Research, as of March 31, 2024.
3. FHFA, National Mortgage Database, as of March 31, 2024.
4. Federal Reserve, Bloomberg, Standard & Poor's, as of June 30, 2024. Operating margins on firm size based on S&P 500 ex Financials and S&P 600 ex-Financials.
5. Bloomberg, as of November 19, 2023.

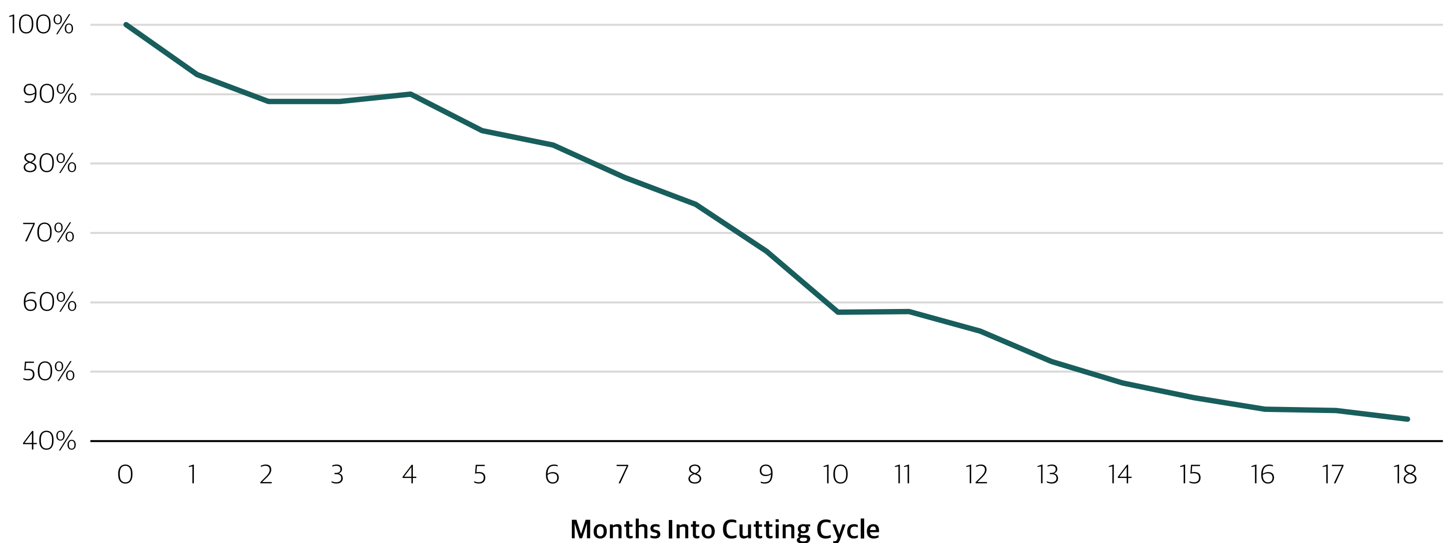
The charts below illustrate how these soft landings triggered a different policy response than the other cutting cycles. We track the 18 months following the first Fed cut in interest rates for soft landings (Figure 3) and hard landings (Figure 4). There are two key points: 1) The Fed doesn't cut as much in soft landings, with the average reduction being almost 30% from peak rates compared to almost 60% from peak rates in hard landings, and 2) When the Fed lands the plane, they quickly take off again. Notice how rates trough about 10 months after the first cut but then rise again.

Figure 3: Soft Landings: Change in Average Effective Fed Funds Rate Following First Cut
(Percent of Initial Rate)



Source: Blackstone Investment Strategy Calculations, US Federal Reserve, and Bloomberg. The figure reflects the average monthly change in the effective Federal Funds Rate during interest rate cutting cycles in 1966, 1984, and 1995.

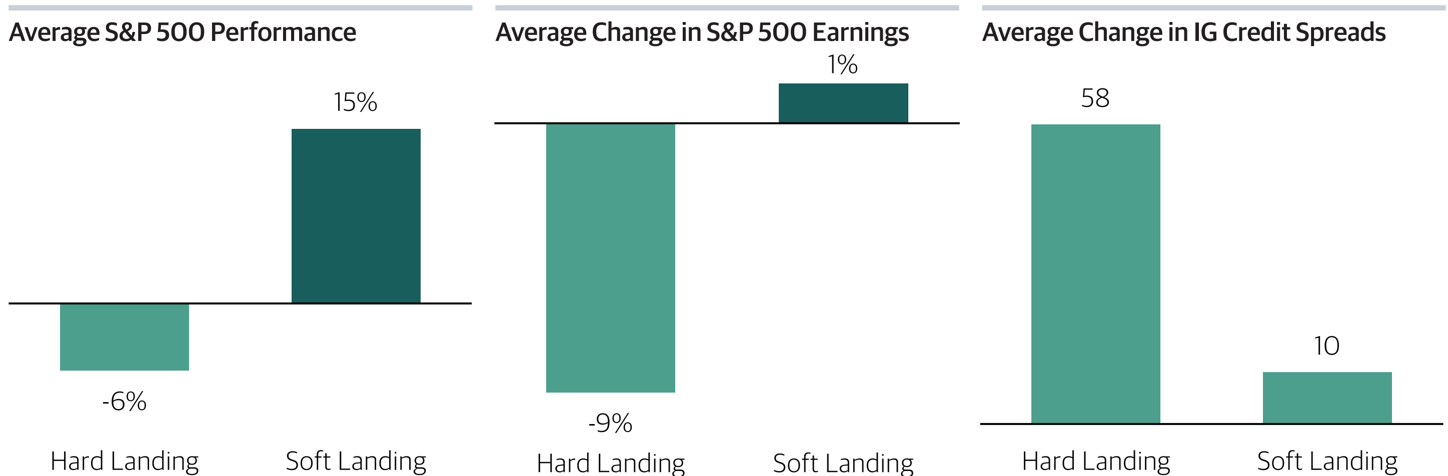
Figure 4: Hard Landings: Change in Average Effective Fed Funds Rate Following First Cut
(Percent of Initial Rate)



Source: Blackstone Investment Strategy Calculations, US Federal Reserve, and Bloomberg. The figure reflects the average monthly change in the effective Federal Funds Rate during interest rate cutting cycles in 1981, 1990, 2001, and 2007.

Soft landings can be seen as an extension of a cycle rather than a new one. This is why the "why" matters (Figure 5). A modest reduction in rates from slowing growth and moderating inflation affects profits, credit spreads, size and style factors much differently than an environment where the Fed is cutting longer and deeper.

Figure 5: In the 12 Months Following the First Cut



Source: Bloomberg, Standard & Poor's, and Macrobond. Investment grade credit spreads represent the spread between Bloomberg Barclays Investment Grade Corporate Bond Index yield-to-worst and US 10-Year Treasury yield. Increasing spreads reflect market perceived economic weakness. Hard Landing scenario is based on interest rate cutting cycles in 1981, 1990, 2001, and 2007. Soft Landing scenario is based on interest rate cutting cycles in 1966, 1984, and 1995 (average increase in IG credit spreads in based on cutting cycles in 1984 and 1995).

Portfolio Implications

While it is too early to determine with confidence whether the Fed will achieve a soft landing, we remain optimistic that a slowdown in growth is manageable given the strong household and corporate balance sheets. Simply put, they are not stretched compared to more recent peaks in the economic cycle. Therefore, a milder cutting cycle should be our base case as investors. This base case also implies a higher level of interest rates for the next few years.

History shows that periods of higher interest rates translate to lower equity returns as the composition of returns shifts. The S&P 500 had an average annual return of just 6% in a rising rate environment from 1953 to 1981, as compared to 10% from 1981 to 2021 when interest rates structurally declined and price multiples expanded.[6] With higher rates, expanding valuations cannot be relied upon. Rather, returns are likely to be driven by earnings and dividends over multiples, and current cash flow and growth over future earnings.

In this higher rate environment, a greater dispersion of returns should be expected. For nearly 40 years, falling rates have shaped how companies operate, leaving many inexperienced with the current conditions. Consider this: the 10-year Treasury yield peaked at 14.6% in 1981 and fell below 1% by 2021.[7] With corporate debt averaging a five-year maturity, no rolling five-year period since 1981 has required companies to refinance at higher rates.[8] Today, only one S&P 500 CEO, Warren Buffett of Berkshire Hathaway, has experience running a business in a higher interest rate environment. He's been at the helm for 54 years. The second longest-serving S&P 500 CEO, Blackstone's Steve Schwarzman, has 39 years of experience.

Nearly 45% of Russell 2000 companies under-earn their interest expense, and there is limited C-suite experience in refinancing and operating businesses in a higher rate environment.[9] This dynamic makes identifying high-quality companies with low leverage and recurring cash flow to service existing debt especially important today. As returns from passive investments are likely to be challenged by less support for valuation multiples, active investment approaches become more crucial, and we believe private assets can feature more dominantly in that effort.

In his guest column, Gilles Dellaert, Global Head of Blackstone Credit and Insurance, highlights how we leverage our expertise and scale to invest in and finance these high-quality firms across our favorite neighborhoods while providing investors diversified returns.

---

6. Federal Reserve, Standard & Poor's as of June 30, 2024. S&P 500 annualized average return based on price returns and calculated from April 1953 to September 1981 and October 1981 to December 2021.
7. Federal Reserve, as of June 30, 2024.
8. Federal Reserve, as of June 30, 2024.
9. Bloomberg, FTSE Russell, as of June 30, 2024. Based on interest coverage ratio of Russell 2000 ex-Financials.

Private Credit: From Mid-Market to Real Economy Financier

Gilles Dellaert
Global Head of Blackstone Credit & Insurance (BXCI)

A powerful shift is underway in credit markets as private lenders partner with banks to finance real economy assets. This long-term secular trend has helped private credit markets expand rapidly, but we believe that we're still in its early innings. In our view, there's a $25 trillion-plus opportunity ahead that can continue to drive tremendous growth and opportunity for our clients.

The Real Economy Opportunity Knocks

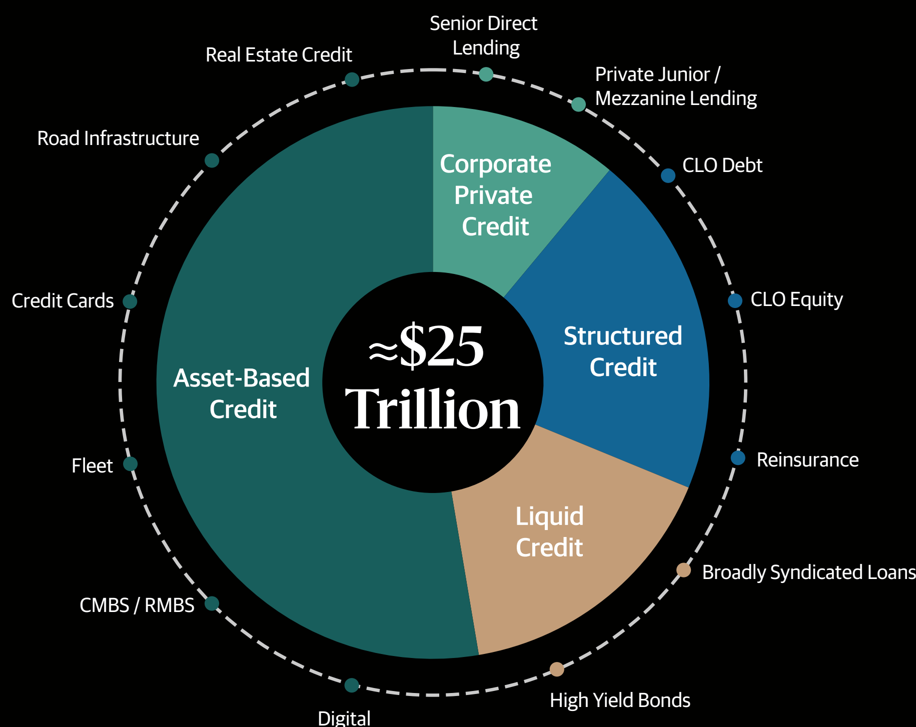
To better understand the opportunity, let's look back at its evolution. The first phase started with corporate direct lending, where lenders financed smaller, middle-market companies. In 2006, that market totaled just $100 billion. Since then, a virtuous circle emerged. Growth in direct lending led to bigger deals, which led to greater growth and today's global direct lending market, a fully-fledged $1 trillion non-investment grade market capable of financing transactions over $5 billion.[10] This market's value proposition—speed of close, structural flexibility, certainty of terms and confidentiality—is increasingly apparent to the private equity sponsor community.

Periods of dislocation only reinforced this awareness, including Russia's war in Ukraine and the regional bank crisis and capital market dislocation in 2023. Private capital financed 86% of LBO transactions in 2023, up from 65% in 2021.[11]

The next phase is just getting started. The accelerating shift to private credit has led to increasing partnerships with banks. These mutually beneficial partnerships enable banks to continue originating assets and serving their customers, and they give us at Blackstone the opportunity to provide our clients with high-quality loans. Importantly, an even broader base of borrowers has ongoing access to financing with the same private credit hallmarks, including speed, flexibility, and certainty of terms.

A good example of the symbiotic nature of these partnerships is our recent forward flow origination arrangement with KeyCorp's (Key) Specialty Finance Lending group, a leading asset-based lender serving clients nationally across the middle-market, growth capital, transportation, and equipment.[12]

Figure 6: Financing the Real Economy with Private Credit[13]
Private Credit markets are vast and rapidly growing beyond direct lending



10. Preqin data, as of December 31, 2023.
11. Pitchbook LCD data, as of July 2024.
12. Blackstone, **KeyCorp and Blackstone Credit & Insurance Announce Forward Flow Origination Partnership**, March 18, 2024.
13. Market size based on BXCI's internal analysis on a combination of strategies including ABF, Infrastructure Credit, Private Placements, Real Estate Lending, Structured Credit, and Direct Lending.

For this next phase, the combination of higher base rates, the shift from banks to private lenders, and the proliferation of strategies to access private credit creates an opportunity that exceeds $25 trillion.[14] Private investment grade strategies including asset-based financing and infrastructure are particularly compelling. The strategies span Blackstone's high-conviction themes, including digital infrastructure, energy transition, and global housing sectors that require large-scale capital to fuel the significant growth underway. For example, within digital infrastructure, we believe ongoing capital formation, mostly investment grade, will finance growth in demand for data centers driven by cloud adoption and the AI revolution.[15] Current expectations suggest roughly $2 trillion of capital expenditure requirements both inside and outside of the US to build and facilitate new data centers over the next five years.[16]

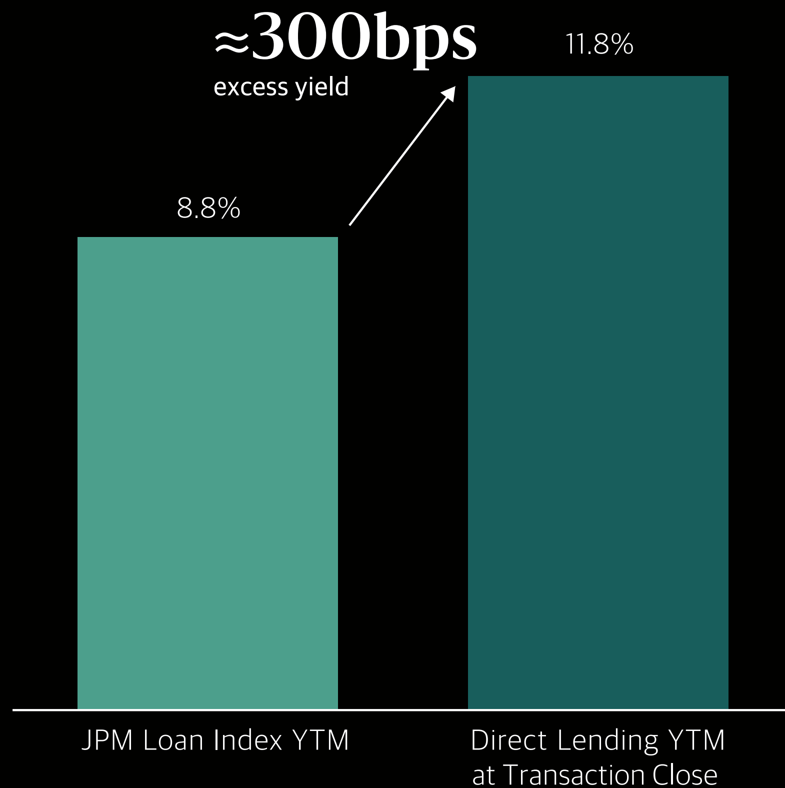
The Private Credit Advantage for Investors

The investor base has evolved alongside the growth of private credit markets, expanding from liability-driven insurance funds to pension capital and sovereign wealth funds to individual investors. These investors are facilitating the movement of assets from bank balance sheets, which are levered and funded by short-duration deposits, to the end accountholders, who want to hold these assets for life against their long-duration liabilities. In this respect, we like to think of ourselves as being in the storage business; we are effectively underwriting these loans with a view to owning them for our clients to maturity.

We believe there are clear advantages for investors. Direct origination via a private lender means less intermediation, bringing investors closer to the asset, which in turn results in a better yield for the same or lower risk. The economics of private capital are compelling. Currently, direct lending generates double-digit yields on roughly 50% LTV loans with around 300bps of excess yield compared to public loans (Figure 7).[17] And in private high grade, we have generated about 200bps of excess spread to corporates on origination activity year-to-date.[18]

From an asset allocation perspective, these assets offer diversification to traditional corporate credit, with reduced volatility and low correlation. We anticipate increasing demand for multi-asset credit from institutional accounts so that they can potentially capitalize on opportunities across the broad spectrum. For individual investors, our flagship fund provides opportunities to diversify their existing 60/40 portfolio.

Figure 7: Excess Return Opportunity in Private Credit Today[19]



14. Green Street, "Data Center Insights", as of January 20, 2024.
15. Stephen A. Schwarzman -- Chairman and Chief Executive Officer of Blackstone, 2Q24 Earnings Call, as of July 18, 2024.
16. Market size based on BXCI's internal analysis on a combination of strategies including ABF, Infrastructure Credit, Private Placements, Real Estate Lending, Structured Credit, and Direct Lending.
17. LTV refers to the approximate leverage through leveraged loans utilized to finance US buyouts over the last 12 months based on data from PitchBook LCD, as of March 31, 2024.
18. BXCI Strategic Insurers Portfolio Data, as of 2Q 2024.
19. JPM Loan Index YTM data is as of March 31, 2024. Direct Lending YTM data represents a BXCI estimate and is approximated from prospective and committed deals observed in BXCI's private credit pipeline for first-lien and unitranche loans, as of March 31, 2024.

Scaling Up to the Task

Not all private credit managers have the advantages of being part of a large and diverse credit platform, including scale, sector expertise, access to information, underwriting and origination, and value creation. We do, and our scale and breath enable us to take full advantage of the significant opportunity ahead, especially from underwriting and origination perspectives.

In underwriting, we try to harness the data and the signals across Blackstone to inform our views on where to invest. We also deploy the three S's in our underwriting approach —seniority, sector selection, and scale.

For origination, we leverage relationships across all our divisions to identify new opportunities while our global presence and deep-rooted partnerships with sponsors, corporates, advisors, and bankers help us create a high-quality funnel of deals. Examples include our lead lender status in Sentinel's acquisition of the Industrial Fire division of Carrier Global Corporation[20] and our over $1 billion acquisition of credit card receivables from Barclays for our insurance accounts.[21]

Our scale and breadth also help us to capitalize on the risk, collateral, and liquidity opportunity set across the private credit universe by nimbly pivoting to the most attractive sectors or strategies at any given time. Access to proprietary data gives us a valuable real-time information relative to our peers, including early reads on macro trends, such as inflation, which in turn informs our investment decisions. With these unique advantages, we build differentiated portfolios within and across each of our private credit verticals.

These attributes should position us well in the months ahead. We believe the low default environment of the past decade kept the performance playing field relatively even, but as more lending migrates from the banks and public markets to the portfolios of private credit funds, we anticipate managers will have portfolios that perform very differently. Larger managers with the necessary scale, resource, and experience, will be best positioned to stand up to the test.

Figure 8: Performance Dispersion Increases Among Private Credit Managers[22]

20. Bloomberg News, Blackstone Finances Sentinel's Purchase of Fire Unit, as of March 20, 2024.
21. Blackstone, **Barclays and Blackstone Credit & Insurance Agree to Sale of Credit Card Receivables**, February 27, 2024.
22. As of March 31, 2024, unless otherwise indicated. Reflects Blackstone Credit & Insurance's views and beliefs as of the date appearing on this material only, which is subject to change. Note: Non-accrual rate is calculated for each BDC as the amortized cost of loans on non-accrual status divided by total amortized cost of the investment portfolio and excludes equity investments in unconsolidated joint ventures and separately managed accounts. Non-accrual status of a given loan is self-reported by each BDC and is intended to indicate when there is reasonable doubt that said loan's principal or interest will be collected in full. Includes traded and non-traded BDCs.

Authors

Joe Zidle | Chief Investment Strategist, Private Wealth Solutions

Gilles Dellaert | Global Head of Blackstone Credit & Insurance (BXCI)

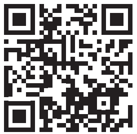
Anders Nielsen | Managing Director, Private Wealth Solutions

David Stubbs | Managing Director, Private Wealth Solutions

Sarah Husband | Principal, Blackstone Credit & Insurance (BXCI)

Kristin Roesch | Vice President, Private Wealth Solutions

Anav Bagla | Analyst, Private Wealth Solutions



At the heart of our *Insights* lies a wide set of timely articles, educational publications and market views. For more information, please visit our *Insights* page at:

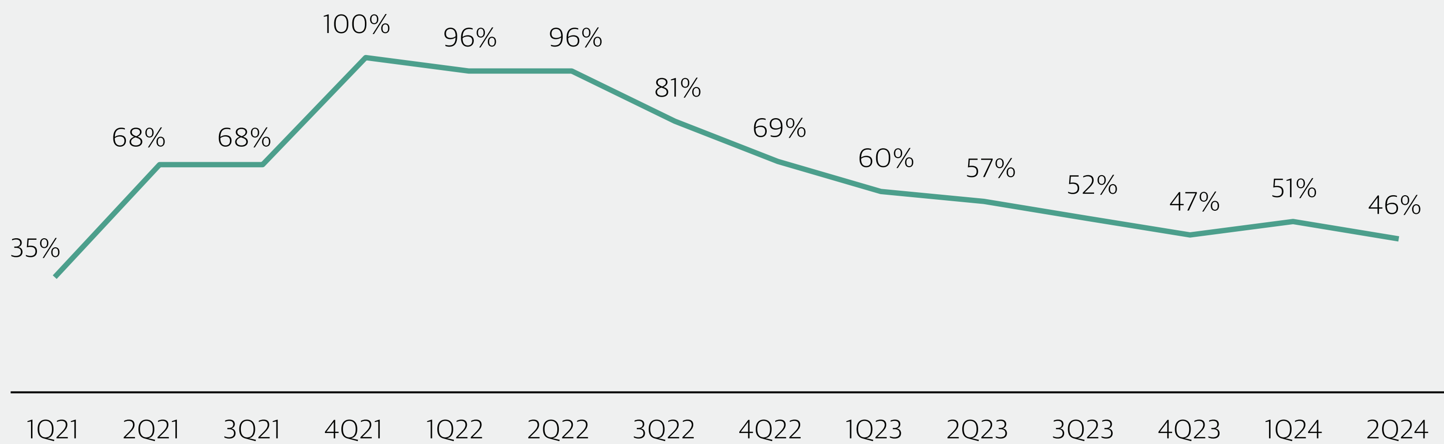
www.blackstone.com/insights/

Through the Private Market Lens

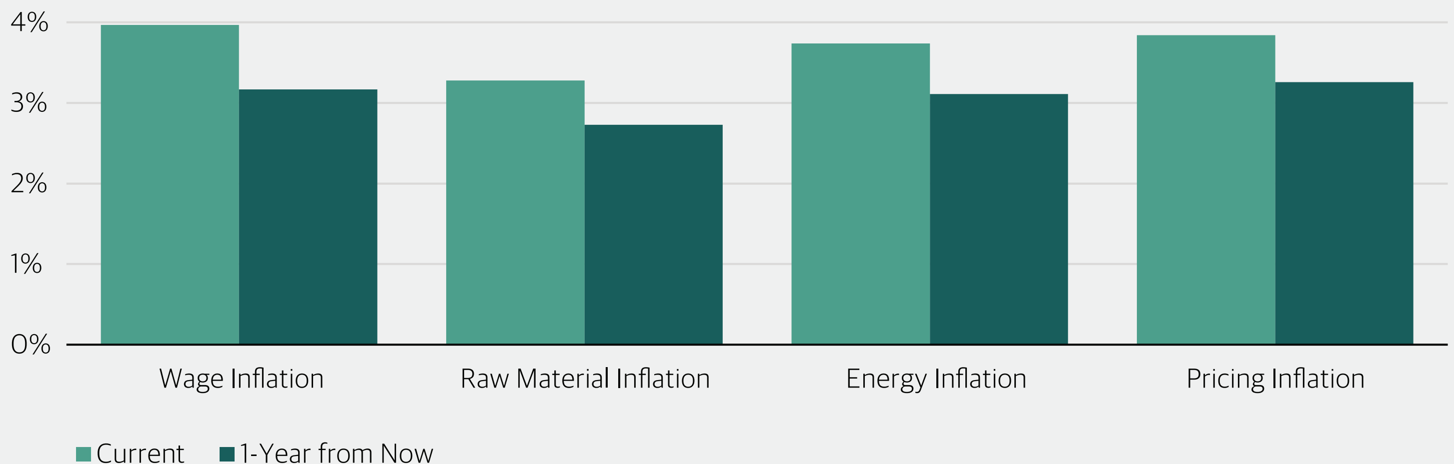
Blackstone's global portfolio spans more than 230 companies employing over 700,000 people. Each quarter, led by **Prakash Melwani**, **CIO of Corporate Private Equity**, we survey a sample of these companies' CEOs on the current business environment and what they see on the horizon. Explore a few key findings from our Q2 2024 survey of 92 Blackstone portfolio company CEOs (59 US CEOs).

Labor Market Conditions Appear to Be Normalizing, with Fewer CEOs Finding It Challenging to Hire Workers

Percent of CEOs Facing Hiring Challenges[23,24]



CEOs Expect Inflation to Continue Moderating



CEOs Don't See the Economy Tipping to a Recession

While we see clear signs that the US economy is slowing, thus far our CEOs do not foresee an imminent recession. However, we will continue to monitor this data vigilantly for any changes in their outlook.

23. Prior to 4Q21, question was worded slightly differently as "Are unemployment benefits making it more challenging to hire workers or bring back furloughed employees?"
24. For periods prior to 1Q24, each quarter's figures are as reported in that time period. As a result, the responses for periods prior to 1Q24 are not on the same set of comparable CEO responses as the periods from 1Q24 to 2Q24.

Note: See "Important Disclosures" for additional information about the survey and the views expressed within. The Blackstone CEO survey referred to herein is a survey of a subset of portfolio company CEOs. For 2Q24, the survey reflects responses from 92 Blackstone portfolio company CEOs (59 US CEOs) largely within Blackstone's private equity, real estate and credit & insurance businesses (the "CEO Survey"). Note that survey composition varies from quarter to quarter. The CEO Survey was initiated on June 10, 2024 and closed June 20, 2024. Quarter-over-quarter presentations reflect data only for companies who responded to the survey question in both quarters, which may result in a smaller subset of portfolio companies CEOs represented in such presentation than the overall CEO Survey. The responding portfolio companies are not necessarily a representative sample of companies across Blackstone's portfolio and the views expressed do not necessarily reflect the views of Blackstone. The views expressed reflect the responding CEOs' views as of the date of their responses, and Blackstone does not undertake any responsibility to advise you of any changes in such views. References to "CEO" or "CEOs" herein refer to respondents to the 2Q24 Blackstone CEO survey. See "Important Disclosures" for additional information about the survey and the views expressed within.

Forward-Looking Statements. This content may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by the use of words such as "outlook," "indicator," "believes," "expects," "potential," "continues," "may," "will," "should," "seeks," "approximately," "predicts," "intends," "plans," "scheduled," "estimates," "anticipates," "opportunity," "leads," "forecast" or the negative version of these words or other comparable words. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. These factors include but are not limited to those described under the section entitled "Risk Factors" in Blackstone Inc.'s Annual Report on Form 10-K for the year ended December 31, 2023, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission ("SEC"), 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 our other periodic filings. The forward-looking statements speak only as of the date hereof, and we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Important Disclosure Information

None of the information contained herein constitutes an offer to sell, or a solicitation of an offer to buy, any security or instrument, or a solicitation of interest in any Blackstone vehicle, account or strategy. If any such offer is made, it will only be by means of an offering memorandum or prospectus, which would contain material information including certain risks of investing including, but not limited to, loss of all or a significant portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity and volatility of returns. Nothing herein constitutes investment advice or recommendations and should not be relied upon as a basis for making an investment decision.

Recipients 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.

The views expressed in this commentary are the personal views of Joe Zidle, Gilles Dellaert, Prakash Melwani, Anders Nielsen, Sarah Husband, David Stubbs, Kristin Roesch and/or Anav Bagla and do not necessarily reflect the views of Blackstone Inc. (together with its affiliates, "Blackstone"). All information in this commentary is believed to be reliable as of the date on which this commentary was issued, and has been obtained from public sources believed to be reliable. No representation or warranty, either express or implied, is provided in relation to the accuracy or completeness of the information contained herein.

Investment concepts mentioned in this commentary may be unsuitable for investors depending on their specific investment objectives and financial position. Tax considerations, margin requirements, commissions and other transaction costs may significantly affect the economic consequences of any transaction. Concepts referenced in this commentary can and should be reviewed carefully with one's investment and tax advisors.

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.

No Assurance of Investment Return. Prospective investors should be aware that an investment in a fund is speculative and involves a high degree of risk. 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. A fund's performance may be volatile. An investment should only be considered by sophisticated investors who can afford to lose all or a substantial amount of their investment. A fund's fees and expenses may offset or exceed its profits.

Third-Party Information. Certain information contained herein has been obtained from sources outside Blackstone, which in certain cases have not been updated through the date hereof. While such information is believed to be reliable for purposes used herein, no representations are made as to the accuracy or completeness thereof and none of Blackstone, its funds, nor any of their affiliates takes any responsibility for, and has not independently verified, any such information. In particular, you should note that, since many investments of the Funds may be unquoted, net asset value figures in relation to funds may be based wholly or partly on estimates of the values of such funds' investments provided by the originating banks of those underlying investments or other market counterparties, which estimates may themselves have been subject to no verification or auditing process or may relate to a valuation at a date before the relevant net asset valuation for such fund, or which have otherwise been estimated by Blackstone.

Trends. There can be no assurances that any of the trends described herein will continue or will not reverse. **Past performance does not predict future returns.**

NOTICE TO INVESTORS IN THE UK AND THE EEA

In the UK, Belgium, Denmark, Finland, The Republic of Ireland, Italy, Lichtenstein, and Norway, this communication issued by Blackstone Europe LLP ("BELL") of 40 Berkeley Square, London, W1J 5AL (registration number OC352581), which is authorised and regulated by the Financial Conduct Authority (the "FCA") (firm reference number 520839) in the United Kingdom and which maintains appropriate licenses in other relevant jurisdictions.

In the EEA, other than in Belgium, Denmark, Finland, the Republic of Ireland, Italy, Lichtenstein, or Norway, this communication is made by Blackstone Europe Fund Management S.à r.l. ("BEFM") of 2-4 Rue Eugène Ruppert, L-2453, Luxembourg (registration number B212124), which is authorized by the Luxembourg Commission de Surveillance du Secteur Financier (reference number A00001974).

This communication is intended only for the person to whom it has been sent, is strictly confidential and must not be distributed onward. This communication does not constitute a solicitation to buy any security or instrument, or a solicitation of interest in any Blackstone fund, account or strategy. The content of this communication should not be construed as legal, tax or investment advice.

ISRAEL

No action has been or will be taken in Israel that would permit a public offering of a fund, or distribution of this document to the public in Israel. This document has not been approved by the Israel Securities Authority. This document is being distributed only to and is directed only at persons who are Qualified Investors within the meaning of The Securities Law, 5728-1968 (Israel). Persons who are not Qualified Investors must not act on or rely on this document or any of its contents. Any investment or investment activity to which this document relates is available only to Qualified Investors and will be engaged in only with Qualified Investors. Qualified Investors in receipt of this document must not distribute, publish, reproduce, or disclose this document (in whole or in part) to any person who is not a Qualified Investor. Neither the general partner, nor the investment advisor, is registered or intends to register as an investment adviser or an investment portfolio manager under the Israeli regulation of investment advice and investment portfolio management law, 5755-1995 (the "investment law"). Furthermore, these interests are not being offered by a licensed marketer of securities pursuant to the investment law.

SWITZERLAND

In Switzerland, this material is for the exclusive use of qualified investors as defined in article 10(3) Swiss Collective Investment Schemes Act ("CISA").

MIDDLE EAST (UAE, DIFC, ADGM, Jordan, Saudi Arabia, Lebanon, Kuwait, Qatar, Bahrain, and Oman)

The information contained in this document does not constitute and should not be construed as an offer of, an invitation or proposal to make an offer for, recommendation to apply for, or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. The information in this document does not constitute investment advice and should not be relied upon as the basis for any investment decision. You may only reproduce, circulate and use this document (or any part of it) with the consent of Blackstone. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. No marketing or solicitation or inducement activities are being used to offer or market any specific products based on the information contained herein. The information contained in this document is general and may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. All information contained herein is subject to change without notice. If you do not understand the contents of this document, you should consult an authorised financial adviser.

PWS20240431OS Approved for professional / qualified investors in the EEA, UK, Israel, Switzerland, UAE, DIFC, ADGM, Jordan, Saudi Arabia, Lebanon, Kuwait, Qatar, Bahrain, and Oman.