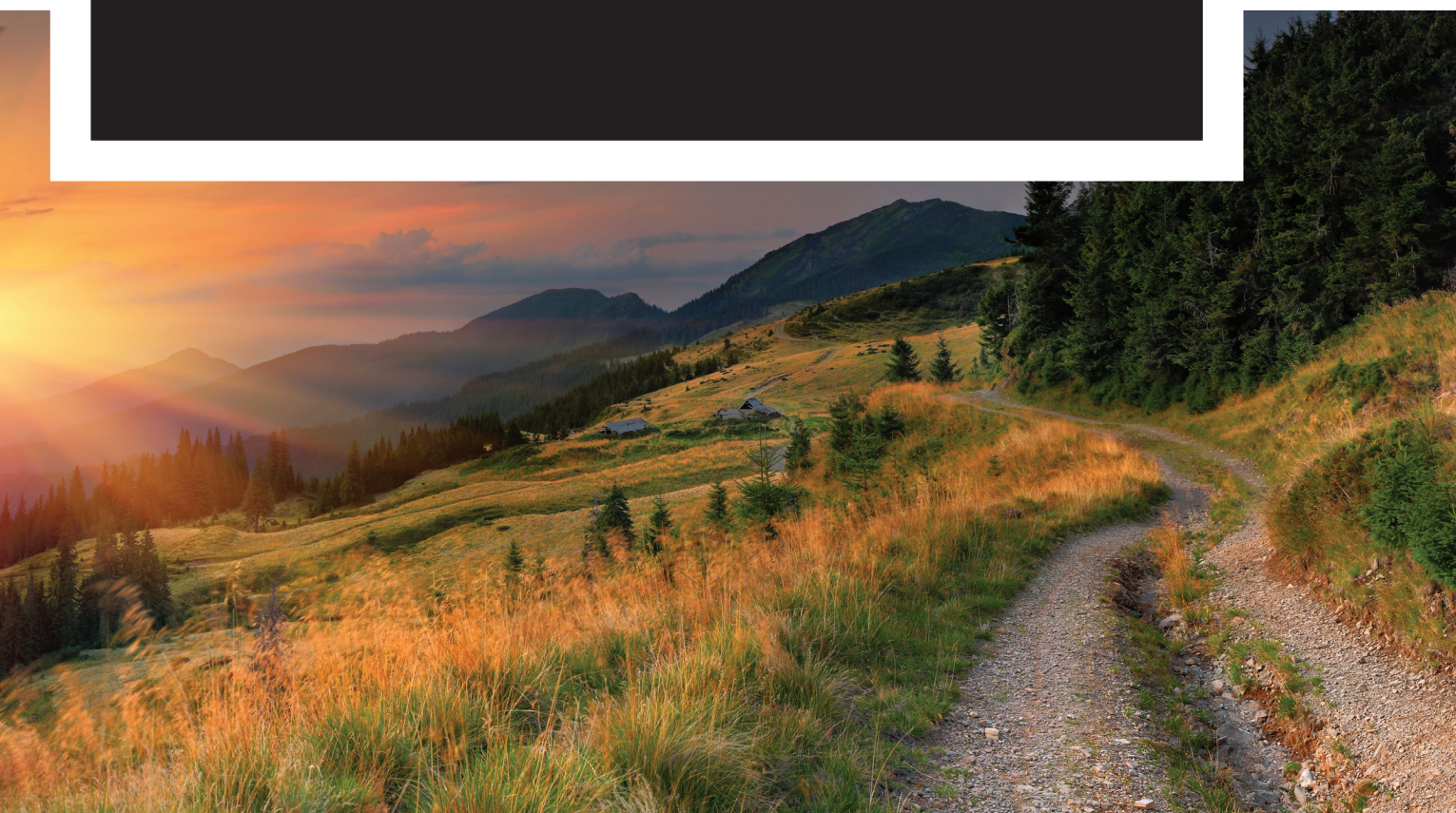


BXCI Insights

Systematic Credit: A Disciplined Path to Excess Return





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Introduction

Consistently generating excess returns is difficult. Investors in corporate bond markets face the added challenge of an asset class characterized by low volatility, relatively high transaction costs, and asymmetric risk profiles. In these conditions, discipline across the full investment lifecycle often matters as much as the quality of individual insights. Systematic credit strategies attempt to produce and preserve alpha by integrating forecasting, portfolio construction, and implementation into a unified process. These strategies are gaining significant traction as investors increasingly recognize their applicability to corporate bond markets.

At Blackstone Corporate Bond Strategies (BCBS), we've been building systematic credit portfolios for over 20 years and have established a long track record of generating excess return for our clients. We view systematic investing as a discipline built around consistency. We aim to make fundamentally driven investment decisions that are transparent, repeatable, and grounded in economic intuition — while recognizing real-world constraints.

For allocators, a key value of a systematic framework is reliability. Making expected return forecasts explicit, translating them into implementable portfolios, and focusing on efficient execution can help to control costs, reduce unintended exposures, and improve outcomes across market cycles.

At BCBS, we combine systematic tools with human stewardship. Our models aim to provide structure and consistency, while experienced portfolio managers enforce risk-reducing controls, manage situations where modeled inputs may be incomplete, and maintain accountability for live portfolio outcomes. Our dedicated credit trading team focuses on obtaining best execution, minimizing costs, and feeding real-market execution experience back into the ongoing calibration of the process.

This three-part series describes how Blackstone's systematic credit investing process works in practice.

Part I

Alpha Signals — Forecasting Expected Returns



- What are alpha signals?
- Defining alphas in practice
- Fundamental Mispricing and Fundamental Momentum

Part II

Portfolio Optimization — Building Model Portfolios



- Optimization principles
- Constraints and trade-offs
- How model portfolios support scalability

Part III

Implementation — Delivering Live Portfolios



- Why implementation is critical
- Market structure considerations
- The portfolio manager's role

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Part I: Alpha Signals — Forecasting Expected Returns

Overview

We begin with the foundation of any active investment process — forecasting expected returns. The distinction between a traditional discretionary investment approach and a systematic process is not whether forecasts exist, but whether they are made explicit and applied consistently over time. The systematic forecasting process also emphasizes the importance of evaluating a broad opportunity set given the inherent uncertainty of predicting returns.

At BCBS, we express return forecasts through alpha signals which we design to be robust and economically intuitive. In this section, we define alpha signals in practical terms and explain how the two core pillars of Fundamental Mispricing and Fundamental Momentum provide the foundation of our expected return forecasts.

Expected Returns as the Foundation of Portfolio Decisions

Actively managed portfolios reflect a set of forward-looking views. Decisions about what to own, how much to own, and what to avoid all embed beliefs about relative opportunity — even if those beliefs are not explicitly stated.

At BCBS, we make expected return forecasts explicit because clarity improves discipline. Alpha signals force us to articulate what we believe should outperform, by how much, and why.

This clarity matters because expected returns are the primary input into active portfolio construction. They determine how capital is allocated across securities. Without a coherent framework for forecasting returns, portfolio decisions can become inconsistent, reactive, or overly influenced by short-term market noise.

Defining Alpha Signals in Practice

An alpha signal is a normalized score that summarizes an expected return forecast for each asset at a given point in time.

We express alpha signals as standardized, cross-sectional rankings, which allows us to compare opportunities consistently across a broad universe. This approach focuses on relative opportunity by answering a simple question: which assets look more attractive than others today?

Importantly, an alpha signal combines all relevant information about an asset's expected return into a single number that serves as the fundamental building block for portfolio construction. Every day, each asset receives one score that summarizes its attractiveness relative to every other asset in the investible universe.

The Grinold Alpha Equation¹

$$\alpha_i = IC \cdot \sigma_i \cdot z_i$$

α_i = expected excess return for security i

IC = information coefficient

σ_i = idiosyncratic volatility

z_i = standardized forecast score

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See endnotes on page 15 for additional information.

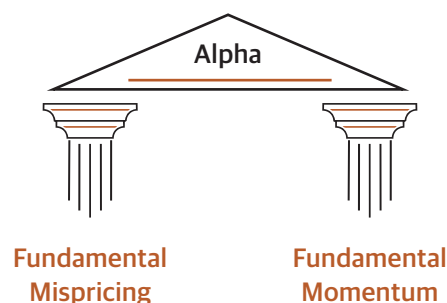
Alpha signals are an input to portfolio construction. They are not trade recommendations, position sizes, or portfolios themselves. Instead, they provide daily, security-level expected return forecasts that can be translated into coherent model portfolios only through a subsequent portfolio construction process.

A useful way to think about an alpha signal is as a continuously updated analyst recommendation. However, unlike a traditional analyst rating, the alpha signal process is systematically and consistently applied across the entire investable universe every day. The result highlights two defining advantages of a systematic process: broad coverage of the opportunity set and the continuous incorporation of new information.

Building Signals on Fundamentals and Economic Intuition

There are many different ways to design alphas, but at BCBS, we build alpha signals around a small number of robust ideas that map directly to how credit markets work. We prefer signals that are economically intuitive, directly relatable to fundamental characteristics, and stable enough to scale across large portfolios. We intentionally design signals that are persistent rather than those that require frequent recalibration.

Two pillars sit at the center of our alpha framework: Fundamental Mispricing and Fundamental Momentum.



Fundamental Mispricing: Where Does a Bond Trade Compared to Where It Should Trade?

Fundamental Mispricing captures the idea that market prices do not always fully reflect fair compensation for an issuer's credit risk.

In practice, we compare where a bond trades today with where we believe it should trade based on our modeled view of the issuer's risk. This is a relative value framework that compares the market spread to a model-implied spread derived from issuer fundamentals and risk characteristics.

When market spreads are meaningfully wider than model-implied spreads, a credit may be undervalued (cheap). When market spreads are meaningfully tighter than model-implied spreads, it may be overvalued (rich).

The narrowing of these valuation gaps as prices converge to fair value can be a powerful source of excess return, and often occurs through normal market function rather than a specific catalyst. Investors tend to rotate toward credits where compensation for risk appears more attractive, leading to outperformance of undervalued credits and underperformance of overvalued credits, on average, over time.

Fundamental Momentum: Is an Issuer's Credit Quality Improving or Deteriorating?

Fundamental Momentum captures the direction of travel. It answers a different question than mispricing: not whether a credit looks cheap or rich today, but whether the issuer is improving or deteriorating.

Our empirical research suggests that in credit markets, trajectory often drives outcomes. Improving issuers tend to tighten, gain resilience, and improve market access. Deteriorating issuers can widen and become more fragile, often before ratings changes or headline metrics fully reflect the shift.

By systematically tracking changes in fundamental characteristics over time, we identify improving and deteriorating issuers in a consistent and disciplined way. This helps distinguish between credits that look similar today but are moving along different paths.

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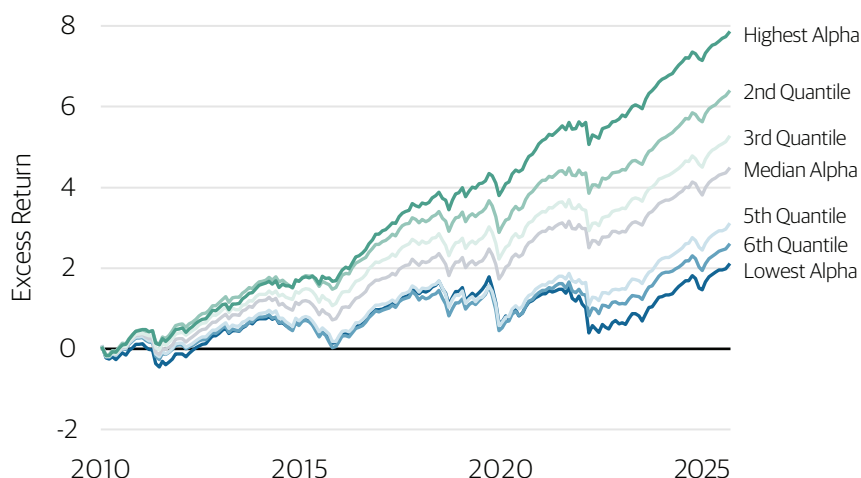
Why the Combination Matters

Each pillar is powerful on its own, but the combination is especially important in credit.

Mispricing tells us whether the market is offering attractive compensation for risk relative to fundamentals. Momentum tells us whether the underlying credit story is improving or deteriorating. Together, they favor credits that are attractively priced and improving, while helping us avoid credits that are rich or deteriorating.

This structure is particularly important in credit markets, where downside outcomes can be asymmetric and avoiding the wrong credits can matter even more than identifying the right ones.

Higher Alpha Portfolios Tend to Outperform Lower Alpha Portfolios²



Preferring Parsimony over Proliferation

At BCBS, we do not believe that more signals necessarily lead to better outcomes.

Extensive empirical research has led us to favor a small, carefully chosen set of well-understood alpha drivers rather than a large collection of loosely related indicators. Approaches built around many rapidly changing signals depend on constant recalibration, which can introduce instability and reduce transparency.

We find that stable alpha signals support better portfolio construction and implementation. When expected return forecasts fluctuate excessively, portfolios can become overly reactive, leading to unnecessary turnover and higher trading costs.

Managing Noise, Turnover, and Signal Stability

Alpha signals that change rapidly can look attractive in backtests but prove difficult to implement in practice. Frequent signal turnover can drive higher transaction costs, increased portfolio churn, and degraded net outcomes.

We design alpha signals with a deliberate focus on stability. This does not mean ignoring new information. It means distinguishing between information that should change positioning, and information that should not.

That discipline matters in credit markets, where liquidity is uneven and trading costs are real. Robust signals that evolve gradually are easier to translate into portfolios efficiently and consistently.

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Scaling Through Breadth and Consistency

Corporate bond markets are large, heterogeneous, and fragmented. Individual opportunities may be modest, but can become meaningful in aggregate.

We believe systematic strategies are well suited to this environment because they apply the same framework across a broad opportunity set. At BCBS, we generate security-level alpha signals across large investment universes, allowing us to express small edges consistently across many positions rather than relying on a small number of concentrated convictions.

Part I Takeaways

At BCBS, we treat alpha signals as the fundamental building block of our credit portfolios. Alpha signals compress a large amount of information into a single, normalized score that summarizes the relative expected return opportunity for each asset every day, across the full investable universe.

We base our expected return framework on two complementary concepts: Fundamental Mispricing, which asks where an asset trades relative to where it should trade, and Fundamental Momentum, which asks whether an issuer's fundamentals are improving or deteriorating. Together, they help us identify attractively priced credits with strengthening fundamentals while avoiding issuers that don't offer sufficient compensation for risk or are moving in the wrong direction.

Importantly, alpha signals are only valuable if they can be translated into coherent portfolios in a disciplined way. In Part II, we describe how we use portfolio optimization to convert expected return forecasts into model portfolios that balance return, risk, constraints, and costs.

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Part II: Portfolio Optimization — Building Model Portfolios

Overview

Expected return forecasts do not become portfolios on their own. Once we form views on relative opportunity, we face the challenge of capturing returns by allocating capital while balancing return, risk, constraints, and costs.

At BCBS, we use portfolio optimization to make these trade-offs explicit and consistent. Optimization translates expected return forecasts into coherent model portfolios that respect real-world requirements. By embedding diversification and risk control directly into the portfolio construction process, optimization helps ensure that return opportunities are pursued within a disciplined and well-balanced framework.

In this section, we explain portfolio optimization in practical terms and describe how it produces implementable model portfolios that scale consistently and support our client accounts.

Why Picking Good Assets Is Not Enough

Identifying attractive opportunities is essential, but it is only one component of portfolio construction. Portfolios are shaped not just by the assets they own, but by how capital is allocated across positions, how those positions interact, and how they change over time.

Risks that matter most to investors often emerge at the portfolio level. Concentration in correlated exposures, unintended factor bets, and sensitivity to specific sectors or issuers can all arise even when individual holdings appear sensible in isolation.

Portfolio optimization exists to address this gap. It forces us to consider interactions explicitly rather than relying on intuition, rules of thumb, or incremental adjustments. As portfolios grow larger and more diversified, this discipline becomes increasingly important.

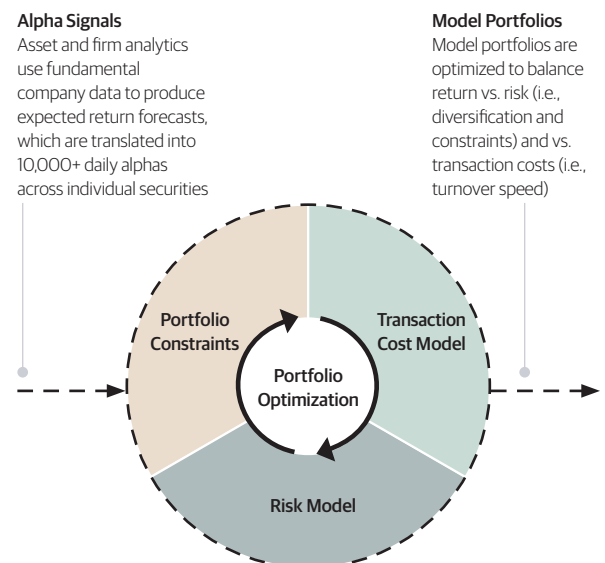
What Portfolio Optimization Actually Does

Optimization is not a return-forecasting tool, and it does not generate investment ideas, but it provides a useful framework for translating views into portfolios.

In intuitive terms, optimization:

- takes forecasted returns as inputs
- balances how risk and correlation shape portfolio behavior
- incorporates constraints that reflect real-world requirements
- selects holding weights that produce a portfolio that balances competing objectives coherently

Optimization helps to manage the trade-offs among objectives given the constraints faced by the investor. The goal is not perfection, but robustness and consistency.



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The Inputs That Matter Most

Portfolio optimization relies on a collection of inputs.

Forecasted expected returns represent views on relative opportunity. In systematic strategies, we express these views explicitly through alpha signals. Risk and correlation describe how assets move together, particularly during stress. Constraints encode portfolio requirements such as issuer limits, sector exposures, liquidity considerations, turnover guidelines, and client-specific objectives. Costs capture the real-world impact of trading, including transaction costs and market impact.

Optimization forces these inputs to be considered simultaneously rather than sequentially or informally and produces a useful output of target holding weights that maximizes a utility function.

Portfolio Optimization Utility Function³

$$U = \underbrace{h^T \alpha}_{\text{expected return}} - \underbrace{\lambda \cdot h^T V h}_{\text{risk}} - \underbrace{k \cdot TC(h-h_0)}_{\text{trading costs}}$$

solve for portfolio holdings (h), that maximize U s. t. $\underbrace{A^T h = c1 \text{ and } B^T h \leq c2}_{\text{constraints}}$

Managing Trade-Offs and Robustness

Optimization always involves trade-offs. Higher expected returns typically come with higher risk. Greater diversification can dilute strong views. Tighter constraints improve robustness but limit flexibility. Higher turnover improves fit but increases transaction costs.

Effective optimization does not eliminate these tensions — it makes them explicit and manageable. In credit markets, where estimates are noisy and relationships change over time, a consistent disciplined process often matters more than precision.

Treating Constraints as Design Features

Constraints are often viewed as obstacles to performance. In practice, they are essential to delivering durable results.

Constraints prevent unintended concentration, control exposure to correlated risks, ensure portfolios remain investable across market environments, and reflect client-specific objectives. At BCBS, we embed constraints directly into the optimization process so portfolios are constructed with full awareness of the environment in which they must operate.

Controlling Turnover, Costs, and Net Outcomes

Portfolio construction that ignores trading costs is incomplete. Even modest transaction costs, when compounded over time, can materially erode returns.

At BCBS, our optimization framework explicitly incorporates turnover and transaction cost considerations. This allows us to evaluate whether the expected benefit of trading exceeds the cost and to prioritize portfolio changes that matter most. The focus is on net outcomes, not theoretical appeal.

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Demystifying Optimization

Portfolio optimization is often perceived as complex or opaque. In reality, outcomes are driven far more by inputs and constraints than by the mathematical solver itself.

Poor assumptions lead to poor portfolios regardless of technique. Reasonable assumptions combined with sensible constraints tend to produce intuitive, explainable outcomes. Human judgment remains critical in deciding which risks matter most, how much turnover is acceptable, and where robustness should take precedence over precision.

How We Use Optimization at Blackstone

At BCBS, we use portfolio optimization to produce a target or model portfolio that serves as the north star for portfolio managers every day. Model portfolios provide a consistent and disciplined framework for day-to-day portfolio management decisions.

We build model portfolios at the asset level using bonds in the investable universe available to each strategy. Each model portfolio explicitly incorporates the specific constraints of every account we manage, including issuer limits, sector exposures, liquidity requirements, turnover guidelines, benchmark considerations, and client-specific objectives.

This approach enables scalability and consistency across the platform. Portfolio managers do not have to manually translate high-level views into bespoke portfolios. Instead, optimization applies a common framework systematically across accounts and enables portfolio managers to oversee many accounts simultaneously.

This approach also provides a powerful foundation for portfolio management. We embed constraints directly into portfolio construction rather than relying on ad hoc adjustment so that each account's model portfolio reflects its unique requirements while aiming to maximize alpha and remaining aligned with broader strategy objectives.

Part II Takeaways

At BCBS, we use portfolio optimization to translate alpha forecasts into diversified, risk-controlled portfolios. By explicitly balancing expected return, risk, trading costs, and implementation constraints, optimization helps ensure that investment views are expressed efficiently at the portfolio level.

We build model portfolios at the security level and embed account-specific constraints directly into the optimization process. That design supports both scalability and unique strategy considerations. It allows us to deliver coherent portfolios across a large platform while tailoring exposures to strategy-specific objectives and requirements.

Model portfolios are the bridge between forecasting and implementation. In Part III, we describe how we translate model portfolios into live portfolios in real markets, and why trading infrastructure and experienced portfolio managers are critical to delivering modeled expectations.

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Part III: Implementation – Delivering Live Portfolios

Overview

The investment process is completed by implementation. Even the best forecasts and model portfolios only matter if they can be translated into real portfolios.

At BCBS, we treat implementation as a critical component of investment discipline. Trading costs, liquidity constraints, timing delays, and other frictions can create meaningful performance drag if left unmanaged. As a result, we focus intently on minimizing the gap between modeled and realized portfolios, helping ensure that expected alpha is effectively captured in practice.

In this section, we explain what high-quality implementation looks like for systematic credit, how we measure success, and why an institutional trading platform and experienced portfolio managers are essential to delivering strong returns.

Implementation as the Mechanism for Delivering Modeled Returns

A systematic investment process produces a model portfolio that reflects desired exposures implied by forecasts, risks, and constraints. In over-the-counter markets like corporate bonds this portfolio serves as a reference point, not a literal trading instruction.

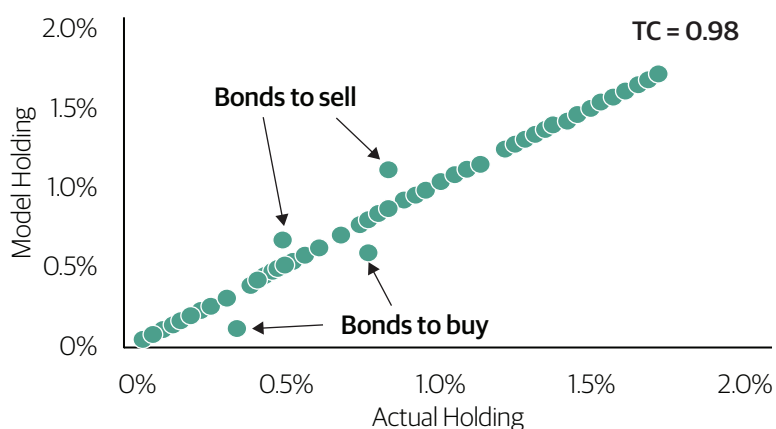
The objective of implementation is to ensure that live portfolios reflect the intended exposures of the model portfolio, on average, over time. Deviations between model portfolios and actual portfolios arise naturally from liquidity conditions, trading costs, timing decisions, and many other factors. The relevant question is not whether deviations exist, but whether they are persistent, material, and lead to different outcomes.

High-quality implementation minimizes the erosion of modeled expected returns while respecting real-world trading constraints.

Measuring Implementation Slippage and Alpha Delivery

Systematic strategies have the added benefit of enabling explicit monitoring of realized results versus expectations — something that is very difficult to do with discretionary strategies. Because the process generates consistent trade lists and modeled portfolios, we can evaluate if implementation frictions are rising and if they are eroding net outcomes. We can measure modeled turnover vs. realized turnover and modeled transaction costs vs. realized transaction costs, and we have many other tools available to decompose returns into various drivers.

Transfer Coefficient (TC) Compares Model Holdings to Actual Holdings⁴



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We use a measure called the transfer coefficient to assess the correlation between model portfolio holdings and actual holdings. A high transfer coefficient indicates that the modeled intent is translating into live exposures on average, even if some individual holdings may differ.

We can also monitor how well modeled returns translate into realized returns over time. That comparison helps identify where alpha may be degrading due to competition, capacity, or market structure changes.

Applying Human Oversight and Risk-Reducing Controls

While the model portfolios drive day-to-day trading decisions, portfolio managers serve as a critical final control layer and review every trade before execution. Systematic portfolio managers are tasked with consistently implementing the model portfolios over time and must balance the trade-offs between urgency and drift. They prioritize high-impact trades, such as those required to address changing risk conditions or portfolio cash flows, while sequencing less urgent adjustments to take advantage of favorable liquidity and execution conditions.

Systematic portfolio managers are also tasked with overseeing model outputs by identifying situations where model inputs may be incomplete or stale, such as mergers and acquisitions, spinoffs, or other significant capital structure changes. In these cases, portfolio managers can apply exclusions and bounds to avoid unintended exposures.

This discretion is deliberately asymmetric. Portfolio managers can reduce or constrain risk when model inputs are inaccurate, but they do not use discretion to add risk or override the systematic process to express discretionary views



Using Modern Market Structure to Improve Execution

Corporate bond markets have become more transparent and more continuous in recent years. Advances in pricing, electronic execution protocols, and portfolio trading have dramatically improved the set of tools available to portfolio managers, have increased the breadth of tradeable universes, and have reduced implementation costs.

New trading protocols where many securities can be traded simultaneously reduce implementation slippage and improve the efficiency of rebalancing. These tools help systematic portfolio managers efficiently implement model portfolios and are well suited to an investment process that evaluates the entire market cross-sectionally every day. The ongoing evolution of corporate bond market structure is one of the tailwinds fueling the recent proliferation of systematic credit strategies.

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Leveraging an Institutional Trading Platform

High-quality trade execution requires a significant investment in both infrastructure and people. An institutional-quality trading platform, supported by experienced credit professionals, is a significant competitive advantage that is difficult to build and sustain without substantial and consistent trading volumes.

At Blackstone, our systematic credit strategies benefit from a centralized and highly experienced trading desk with deep market relationships across regions and sectors. Our scale supports consistent access to liquidity, minimizes trading costs, and provides operational robustness.

Scale also improves efficiency. Larger platforms can manage dealer interactions more effectively and extract execution advantages that are difficult to achieve in smaller or fragmented operations.

Part III Takeaways

Implementation determines whether modeled returns survive contact with real markets. At Blackstone, we focus on building realistic and implementable model portfolios and consistently aligning live portfolios with model portfolios — while prioritizing the situations that matter most.

We pair modern systematic tools with traditional institutional capabilities. A scaled trading platform helps reduce costs and execution risk, and experienced portfolio managers provide the final control layer by managing exceptions, enforcing risk-reducing bounds, and maintaining discipline in live portfolios.

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Conclusion

Forecasting, portfolio construction, and implementation form an integrated investment process that defines systematic credit investing at BCBS. Each component reinforces the others: expected return forecasts provide clarity on relative opportunity, portfolio optimization translates those views into coherent and constrained portfolios, and disciplined implementation ensures that modeled intent is delivered consistently in real markets.

This integration is particularly powerful in corporate bond markets, where fragmentation, costs, and asymmetric risks place a premium on consistency and execution. A systematic approach may allow investors to apply a common investment framework across a broad opportunity set, express insights at scale, and control unintended exposures more effectively than traditional approaches that rely on episodic decision-making.

At BCBS, this process is designed to be both robust and practical. We base expected return forecasts on economically intuitive signals, embed real-world constraints directly into portfolio construction, and pair systematic portfolios with institutional trading capabilities and disciplined human oversight. The result is a framework that seeks to deliver repeatable outcomes rather than isolated episodes of outperformance.

For allocators, the value proposition is straightforward. Systematic credit strategies offer transparency into how decisions are made, consistency in how they are applied, and a disciplined mechanism for converting investment insight into realized outcomes.

As corporate bond markets continue to evolve, we believe these attributes make systematic credit investing an increasingly relevant approach for investors seeking differentiated options on the path to excess returns.

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Glossary

TERM	DEFINITION
Alpha	The excess return generated by an investment above its benchmark, after accounting for risk.
Bonds	Debt securities issued by companies, governments, or other organizations to raise capital. Bondholders lend money to the issuer and receive periodic interest payments and repayment of principal at maturity.
Diversification	The practice of spreading investments across multiple securities, issuers, sectors, or other sources of risk to reduce concentration risk and improve portfolio resilience.
Issuers	Entities such as corporations or institutions that issue securities to investors in order to raise capital.
Mispriced / Mispricing	A situation in which a security's market price differs from its estimated fair value based on underlying fundamentals and market information. Mispricing may create investment opportunities if prices eventually move toward fair value.
Mispricing Models	Quantitative or analytical models used to identify securities that may be overvalued or undervalued relative to their fundamentals.
Model Portfolios	Target portfolios created through the portfolio optimization process that serve as a reference point for constructing, managing, and trading client portfolios.
Portfolio Management	The process of constructing and managing a portfolio of investments to achieve specific financial goals, balancing risk and return.
Proprietary	Information, data, research, models, or technology developed and owned by an organization that is not publicly available.
Transfer Coefficient (TC)	A measure of how closely actual portfolio holdings align with model portfolio holdings, indicating how effectively modeled investment intentions are translated into live portfolios.

End Notes

1. Grinold, Richard C. "Alpha is Volatility Times IC Times Score." The Journal of Portfolio Management, vol. 20, no. 4, 1994, pp. 9–16.
2. Source: Blackstone. Data from April 1, 2010 to December 31, 2025. Note: The index returns are hypothetical, representing historical DTS risk-adjusted returns on the ICE US High Yield Index (HUCO) universe. The scenario presented is indicative of Blackstone's analysis regarding potential risk-adjusted returns of the HUCO and are not reflective of its actual or future performance. While Blackstone believes that the assumptions used are reasonable under the circumstances, there is no guarantee that the HUCO would have achieved the risk-adjusted returns depicted herein, which are presented for illustrative purposes only. The examples do not constitute a prediction of any Blackstone investment or a recommendation to buy or sell any specific securities. Please refer to Key Risk Factors and Important Disclosure Information, including Index Comparison.
3. Illustration of a standard mean variance Utility maximization formula designed to convert alphas into optimal holding weights (h) where: V is the forecasted asset covariance matrix, λ is the risk aversion parameter, k is the turnover amortization parameter, $TC(h-h_0)$ is the forecasted transaction cost for each asset, and $c1$ and $c2$ are sets of portfolio constraints to be satisfied.
4. Source: Blackstone. For illustrative purposes only.

Key Risk Factors

Set out below is a summary of the rewards and associated risks of an investment in the Blackstone Corporate Bond Strategies ("the Strategies", and each, a "Strategy"). This summary does not purport to be a comprehensive statement

of all such rewards and risks and investors should refer to the private placement memorandum of the Strategy before making a final investment decision. Please see the "Important Disclosure Information" section.

REWARDS	RISKS
Awards. This document refers to awards and rankings issued to Blackstone, our investments and/or our investment professionals.	Awards. Any awards or rankings referred to are provided solely for informational purposes and should not be construed as or relied upon as an indication of future performance or activity.
Blackstone's Breadth, Edge, Scale and Expertise. Blackstone's brand, dedicated expertise and position in the market as a leading alternative asset manager with a strong network in the alternatives industry means that it is well positioned to capitalize on opportunities through market cycles to aim to enhance value for our investors and portfolio companies.	Blackstone's Breadth, Edge, Scale and Expertise. There is no assurance that any Blackstone product, investment or portfolio company will achieve their objectives or avoid significant losses. Sharing of expertise is subject to Blackstone's policies and procedures regarding the management of conflicts of interest and information walls. The activity of identifying, completing and realizing attractive investments is highly competitive and uncertain.
Blackstone's Differentiated Insights. Blackstone's proprietary insights enhance our due diligence and underwriting.	Blackstone's Differentiated Insights. Information gained from Blackstone proprietary data is subject to change and reflects Blackstone's opinions 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.
Systematic Investment Process and Portfolio Construction. The Strategy seeks to achieve its investments objective by investing in a portfolio of exposures to the credit risk of companies with equity listed on Recognised Exchanges, applying a quantitatively driven approach to asset selection and portfolio constitution.	Systematic Investment Process and Portfolio Construction. There is no assurance that current expectations for the portfolio will hold, that the Fund or any of its investments will meet their objectives or avoid substantial losses. Future investments are inherently uncertain and transactions, whether committed or pending, may not successfully close as expected or at all.
Diversification, Dynamic Allocation and Risk Management. Our dynamic allocation across strategies and asset classes aims to achieve diversification, which has the potential to mitigate risk, and result in higher returns. Blackstone takes an active approach to risk management, and applies extensive credit and sector analysis, focusing on the underlying credit fundamentals and assessing downside risk.	Diversification, Dynamic Allocation and Risk Management. The number of investments that a Strategy makes may be limited, which would cause the Strategy's investments to be more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. Diversification does not ensure a profit or protect against losses. There can be no assurance that the risk management program will be successful. Risk management seeks to mitigate risk but does not reduce or eliminate. Capital is at risk.
Downside Protection. We believe the Strategy can help solve financial challenges in an elevated rates environment while protecting the downside.	Downside Protection. There can be no assurance that any of the downside control features will be successful. Capital is at risk and investors may not get back the amount originally invested.
Estimates / Forward-Looking Statements. This material contains certain forward-looking statements and their underlying assumptions and analysis, in order to offer BXCI's expectations for future developments and events.	Estimates / Forward-Looking Statements. Estimates and other forward-looking information are based on assumptions that Blackstone believes to be reasonable as of the date hereof. Future results are inherently uncertain and subject to many important factors.
Key Personnel. Blackstone has a strong global investment team with experience across asset classes, strategies and various investment styles.	Key Personnel. Certain professionals are not dedicated to the Strategy and will perform work for other Blackstone business units or are not employed by Blackstone. There is no assurance that such professionals will continue to be associated with the Fund throughout its life.

Key Risk Factors (Cont'd)

REWARDS	RISKS
Returns and Past Performance. The Strategies have delivered strong net returns since inception, driven by identifying fundamentally mispriced credits and exploiting market inefficiencies. Excess returns have had low correlations to markets and peers. Themes and Trends. For Blackstone, recognizing significant market trends and good neighbourhoods supported by secular tailwinds is essential to finding quality investment opportunities and achieving strong performance.	Returns and Past Performance. 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. Themes and Trends. There is no assurance that the Strategy will find or close on any opportunities relating to themes or current market trends identified herein or that future initiatives will occur as expected or at all. Trends may not continue and may reverse.

A detailed summary of the risks to which each Strategy is subject is available in applicable governing documents of the relevant Strategy. Capitalized terms used herein but not otherwise defined have the meanings set forth in the "Important Disclosure Information" section or in the Strategy's Offering Documents.

Conflicts of Interest. There may be occasions when the Strategy's investment advisor, and their affiliates will encounter potential conflicts of interest in connection with the Strategy'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.

Exchange Rate. Currency fluctuations may have an adverse effect on the value, price, income or costs of the product which may increase or decrease as a result of changes in exchange rates.

Inflation and Supply Chain Risk. Economic activity has continued to accelerate across sectors and regions. Nevertheless, due to global supply chain issues, a rise in energy prices, strong consumer demand as economies continue to reopen and other factors, inflation has accelerated in the U.S. and globally. We believe inflation is likely to continue in the near to medium-term, particularly in the U.S., with the possibility that monetary policy may tighten in response. Persistent inflationary pressures and supply chain issues could affect our portfolio companies profit margins. In addition, the inflation-adjusted value of the principal on our loan investments could decrease.

Material, Non-Public Information. In connection with other activities of Blackstone, certain Blackstone personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities, including on a Strategy's behalf. As such, a Strategy may not be

able to initiate a transaction or sell an investment. In addition, policies and procedures maintained by Blackstone to deter the inappropriate sharing of material non-public information may limit the ability of Blackstone personnel to share information with personnel in Blackstone's other business groups, which may ultimately reduce the positive synergies expected to be realized by a Strategy as part of the broader Blackstone investment platform.

No Assurance of Investment Return. An investment through a Strategy is speculative and involves a high degree of risk. There can be no assurance that a Strategy will achieve comparable results, implement its investment strategy, achieve its objectives, or avoid substantial losses, or that any expected returns will be met (or that the returns will be commensurate with the risks of investing in the type of transactions described herein). The portfolio companies in which a Strategy may invest (directly or indirectly) are speculative investments and will be subject to significant business and financial risks. A Strategy'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 Strategy will incur costs which will impact the return throughout the life of such Fund. Costs may include, for example: fund management; fund administration and servicing; legal; compliance; record-keeping; certain kinds of distribution charges; and other operating costs. A Strategy's fees and expenses may offset or exceed its profits. A more detailed description of relevant costs and expenses is included in a Strategy's governing documents.

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 U.S. and global economies and have a significant impact on the Strategy and its investments.

Important Disclosure Information

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does not provide an indication as to the borrower's future ability to meet its obligations. It is presented solely to provide the reader with insights into anticipated risk / reward characteristics. It is based on Blackstone's current view of a borrower's default probability and various estimations. While Blackstone believes that assumptions used are reasonable under the circumstances, there is no guarantee that the default probabilities depicted herein are indicative of a borrower's future ability to meet its obligations, and unpredictable general economic conditions and other factors may cause actual default probabilities to vary materially from Blackstone's estimates.

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Index Comparison. The volatility and risk profile of the indices presented is likely to be materially different from that of a Fund. In addition, the index employs different investment guidelines and criteria than a Fund and does not employ leverage; as a result, the holdings in a Fund and the liquidity of such holdings may differ significantly from the securities that comprise the index. The index is not subject to fees or expenses and it may not be possible to invest in the index. The performance of the index may not necessarily have been selected to represent an appropriate benchmark to compare to a Fund's performance, but rather is disclosed to allow for comparison of a Fund's performance to that of a well-known and widely recognized index. 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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Important Disclosure Information (Cont'd)

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