# Blackstone Real Estate Income Fund (“BREIF II” or the “Fund”)

Blackstone

# Investment Summary

*For purchase by qualified clients only*

*Registered Fund Focused on Liquid Commercial Real Estate Debt*

*As of May 2020*

## Strategy Overview

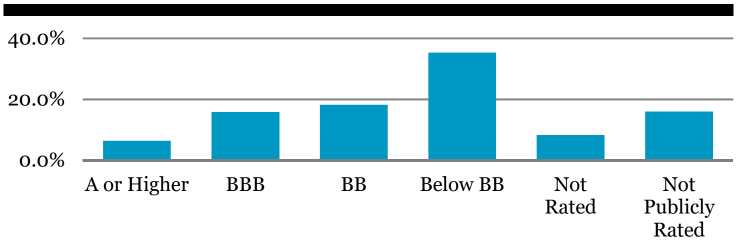
The Fund seeks to generate long-term total return, with an emphasis on current income, by primarily investing in a broad range of real estate debt investments. At least 80% of the Fund’s Managed Assets will be invested in liquid investments in public and private real estate debt, including, but not limited to, commercial mortgage-backed securities, mortgages, loans, mezzanine and other forms of debt (including residential mortgage-backed securities and other residential credit) and equity interests in collateralized debt obligation vehicles, collateralized loan obligation vehicles, real estate investment trusts, listed vehicles and other entities that invest in real estate debt as one of their core businesses.

## Portfolio Snapshot

Data as of May 31, 2020

| | | | |
|---|---|---|---|
| Avg Price | $72.94 | Repurchase Agreement Leverage(5) | 23.8% |
| Avg Coupon | 4.2% | 1940 Act Leverage(6) | 0.0% |
| Avg Loan to Value | 64.3% | Total Investments | 249 |
| Hedged Duration(7) | -0.1 years | Top 10 Holdings % | 32.4% |
| Avg Maturity | 5.0 years | Non-U.S. Holdings % | 8.0% |
| Derivatives %(8) | 16.5% | | |

## Ratings Distribution(10)



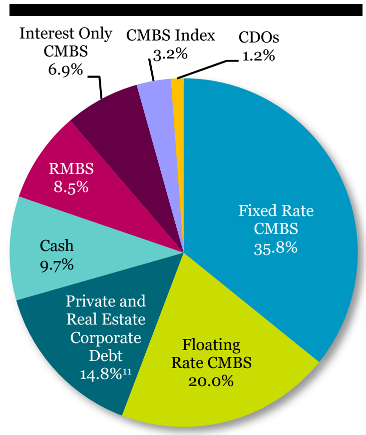

## Fund Performance

BREIF Fund Complex AUM(1): $553mm | As of *May 31*, 2020

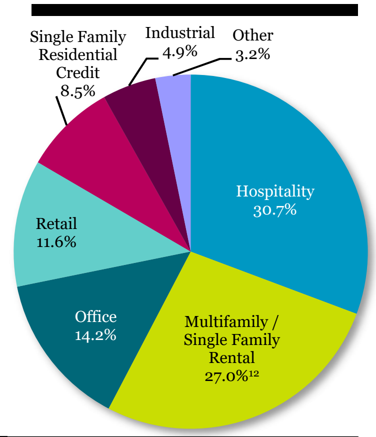
| | Performance Metrics | | | | Additional Performance Metrics | |
|---|---|---|---|---|---|---|
| | MTD Return(2) | YTD Return | 1 Yr Return | ITD Return(2) | Volatility | Sharpe Ratio |
| BREIF II(3,4) | -0.59% | -28.98% | -26.34% | -0.18% | 10.83% | 0.04 |
| Barclays US Agg Bond | 0.47% | 5.47% | 9.42% | 4.02% | 3.06% | 1.11 |
| SOLHY Interest Hedged | 3.97% | -11.40% | -7.54% | 0.27% | 8.20% | -0.01 |
| Barclays CMBS BBB | 1.17% | -19.06% | -16.45% | 1.88% | 8.94% | 0.14 |

Note: **Past performance is historical and is not necessarily indicative of future results.**

## Portfolio Allocation(9)




## Property Types(9)




## Historical Performance(3,4)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2014 | NA | NA | NA | 0.51% | 0.29% | 1.30% | -0.26% | -0.48% | -0.08% | 0.28% | 0.53% | 0.51% | 2.62% |
| 2015 | 1.01% | 1.90% | 1.26% | 0.77% | 0.64% | -0.48% | 0.72% | -0.70% | -0.15% | 0.23% | 0.47% | -0.40% | 5.36% |
| 2016 | -3.50% | -3.30% | 2.47% | 1.73% | -0.11% | 0.23% | 2.03% | 0.62% | 0.12% | 1.07% | -0.03% | 0.80% | 1.98% |
| 2017 | 1.64% | 0.78% | 0.50% | 2.00% | 0.82% | 0.96% | 0.58% | 0.41% | 0.20% | 0.51% | 0.27% | 0.17% | 9.18% |
| 2018 | 1.06% | 0.35% | 0.52% | 0.88% | 1.33% | 0.45% | 0.82% | 0.46% | 1.00% | -0.22% | -0.63% | -2.29% | 3.75% |
| 2019 | 3.08% | 1.61% | 0.63% | 1.25% | 0.74% | 1.14% | 0.45% | 0.23% | 0.71% | 0.30% | 0.40% | 0.43% | 11.51% |
| 2020 | 0.36% | -0.30% | -24.60% | -5.30% | -0.59% | | | | | | | | -28.98% |

**Investment Products: Are not FDIC insured, are not guaranteed, may lose value. All potential shareholders should consider the investment objective, risks, charges and expenses of Blackstone Real Estate Income Fund II (“BREIF II” or the “Fund”) carefully before investing. The Fund’s Prospectus contains this and other information about the Fund. You can obtain a Prospectus from your financial professional. All potential shareholders are urged to carefully read the Prospectus in its entirety before investing. Performance data quoted represents past performance and is no guarantee of future results. There is no assurance the Fund will achieve its investment objective or avoid substantial losses. This is not an offer to sell, or the solicitation of an offer to buy, the Fund’s securities and is not soliciting an offer to buy the Fund’s securities in any jurisdiction where the offer or sale is not permitted. Any offer of the securities will be made only by means of the Fund’s Prospectus. Blackstone Advisory Partners L.P. (“BAP”), a FINRA member, is acting as distributor of shares of the Fund (“Shares”) on a best efforts basis. BAP is an affiliate of Blackstone Real Estate Income Advisors L.L.C. (the “Manager”), the Fund’s investment manager, which is controlled by the Blackstone Real Estate Debt Strategies group (“BREDS”). Please see definitions and additional risk disclosures at the end of this document for important information regarding terms, risks and limitations of BREIF II.** A shareholder’s Shares, if repurchased in a tender offer, may be worth more or less than original cost. Current performance may be higher or lower than performance data quoted. Diversification does not assure a profit or protection against losses. Financial data is estimated and unaudited.

1. Includes the net asset value of BREIF and Blackstone Real Estate Income Fund II.
2. “ITD Return” reflects annualized performance of BREIF II and the indices from the inception of BREIF II on April 1, 2014 to the end of the time period shown. “MTD Return” reflects BREIF II’s return for the month of this Investment Summary. For more information, please see "Important Information and Disclosures – Market Conditions."
3. Reflects performance of Blackstone Real Estate Income Fund II. The returns presented are based on pricing information provided by pricing vendors, dealer quotes and other secondary price inputs. This performance information is unaudited and is subject to change.
4. Performance is net of management fees, accrued incentive fees, distribution and servicing fees and expenses. Performance does not include a deduction of the maximum sales charge (up to 3.00%), which would lower the performance shown.
5. Represents leverage incurred by the Master Fund through the use of reverse repurchase agreements over the Fund's total assets. Please refer to footnote 6 for further information.
6. The Master Fund incurs leverage, primarily through the use of reverse repurchase agreements and also the use of derivative instruments, as part of its investment strategy. 1940 Act Leverage is calculated in a manner consistent with the Investment Company Act of 1940, as amended (the "1940 Act"), as follows: (x) "senior securities" under the 1940 Act over (y) the Fund's total assets, less liabilities and indebtedness not represented by "senior securities." "Senior securities" generally consist of (i) traditional borrowings such as loans or notes and (ii) effective forms of leverage such as reverse repurchase agreements or derivatives to the extent not offset or covered by segregated cash or liquid assets in accordance with applicable SEC guidance. As of May 31, 2020, the Master Fund had $161 million of segregated cash and liquid assets in excess of reverse repurchase agreements, derivatives and the amount of other leverage required to be covered, resulting in a 1940 Act senior securities balance of zero, or 0.0% of total assets. For more information, please see "Important Information and Disclosures - Glossary of Terms – 1940 Act Leverage" and " – Reverse Repurchase Agreements Risk."
7. For more information, please see “Important Information and Disclosures – Glossary of Terms – Hedged Duration”.
8. For more information, please see “Important Information and Disclosures – Glossary of Terms – Derivatives”.
9. Totals may not sum to 100% due to rounding.
10. For more information, please see “Important Information and Disclosures – Glossary of Terms – Ratings Disclosure”
11. Includes Real Estate Corporate Debt (14.8%) and private debt (0.0%).
12. Includes multifamily (25.2%), single family rental (0.9%), and manufactured housing (0.9%).

## Key Terms

| | |
|---|---|
| Inception Date | April 1, 2014 |
| Investment Manager | Blackstone Real Estate Income Advisors L.L.C. |
| Structure[13] | Registered closed-end investment company |
| Management Fee[15] | 0.75% annually of Managed Assets |
| Incentive Fee | 15% above a "High Water Mark" |
| Service Fee | 0.00% Institutional Share Class<br>0.25% annually of net assets attributable to Advisory Share Class |
| Other Expenses[14] | 0.35% annualized of net assets |
| Leverage[16] | Up to 33⅓% of Total Assets |
| Derivatives | Up to 30% of Managed Assets |
| Tax Reporting | Form 1099 (generally issued within 45 days of year-end, or as soon as possible thereafter) |
| Strategy Reporting | **All documents posted to Blackstone.com**<br>**Performance Estimates:** Generally by business day 7 after month-end<br>**Monthly Investment Summary:** Generally 20 business days after month-end<br>**Semi-annual Financials:** Generally posted within 60 days of June 30 & Dec 31 |

## Eligibility

| | |
|---|---|
| Eligible Investors | Qualified Clients. An individual will generally be considered a Qualified Client if, immediately prior to their subscription, they have at least (i) $1 million under the management of the Manager or (ii) $2.1 million net worth. |
| ERISA/IRA Eligible | Yes |

## Subscriptions

| | |
|---|---|
| Minimum Investment | $25,000 |
| Subsequent Investment | $5,000 |
| Subscriptions | For information on the deadline for submission of the subscription agreement, please contact your financial advisor. |
| Placement Fees | None |

## Investment Process

The Fund's portfolio is managed day-to-day by its portfolio managers under a consistent investment and approval process utilized for all of Blackstone's liquid commercial real estate debt investment vehicles, which leverages the broader Blackstone Real Estate platform. Blackstone Real Estate is one of the largest buyers, owners and sellers of real estate in the world with $161 billion of investor capital under management.[14] The Fund's investment process combines fundamental analysis with an opportunistic value-oriented philosophy to evaluate and allocate capital to seek to provide attractive risk-adjusted returns.

## Portfolio Management

Mike Nash
Senior Managing Director
37 Years Experience

Jonathan Pollack
Senior Managing Director
22 Years Experience

Michael Wiebolt
Senior Managing Director
12 Years Experience

## Distributions[17]

| | |
|---|---|
| Quarterly | Generally, net investment income |
| Annually | Net capital gains |
| Opt-Out | Distributions paid by the Fund will be reinvested in additional Shares unless a shareholder opts out (elects not to invest in Shares). |

## Liquidity[18]

| | |
|---|---|
| Tender Offers (Liquidity) | Generally, expected quarterly. Generally 10-25% of outstanding Shares at the Board of Trustees' (the "Board") discretion. A 2% repurchase fee applies to Shares tendered within 12 months of issuance. |
| Notice | **Tender Offer Commencement:** Generally 95 days prior to quarter-end<br>**Investor Tender Due Date:** Generally 65 days prior to quarter-end |

13. The Fund intends to pursue its investment objective by investing substantially all of its assets in Blackstone Real Estate Income Master Fund (the "Master Fund"), a Delaware statutory trust registered under the 1940 Act, as a closed-end management investment company with the same investment objective and substantially the same investment policies as the Fund. The Master Fund may have shareholders in addition to the Fund from time to time that may (individually or in the aggregate) own a greater percentage of the Master Fund than is owned by the Fund. All descriptions of the investment portfolio refer to the Master Fund's investment portfolio.
14. As of March 31, 2020.
15. The Fund's or the Master Fund's, as the case may be, annual contractual Management Fee under its investment management agreement with the Manager is 1.50% of the Fund's or the Master Fund's Managed Assets, as applicable. The Manager has temporarily reduced its Management Fee to an annualized rate of 0.75% of the Fund's or the Master Fund's Managed Assets, as the case may be, effective from October 1, 2014 until December 31, 2020 (which may be extended, terminated or modified by the Manager in its sole discretion). The Manager has agreed to waive its fees and/or reimburse expenses of the Fund to the extent the Fund's other expenses (with certain exceptions) exceed 0.35% of net assets (annualized). This arrangement cannot be terminated prior to December 31, 2020 without the Board's consent. See "Important Information and Disclosures – Risk Factors – Fees and Expenses."
16. Please refer to footnote #6 on page #1 for information regarding portfolio leverage.
17. Any distributions we make are at the discretion of the Board, considering factors such as our earnings, cash flow, capital needs and general financial condition and the requirements of Delaware law.
18. Any tender offers we make are at the discretion of the Board. All tendering shareholders will receive (i) an initial payment equal to 95% of the unaudited net asset value of the Shares tendered and repurchased determined as of the tender valuation date and (ii) a contingent payment equal to any excess of the net asset value of the Shares tendered and repurchased over the initial payment promptly after the completion of the Fund's next annual audit. The Fund did not conduct a tender offer with a June 30, 2020 valuation date.

# Important Information and Disclosures

**SELECTED SUMMARY RISK FACTORS**

An investment in the Fund should be considered a speculative investment that entails substantial risks, including, but not limited to:

- Loss of capital.
- The Shares are not listed on any securities exchange and it is not anticipated that a secondary market for the Shares will develop.
- The Shares are subject to substantial restrictions on transferability and resale and may not be transferred or resold except as permitted in the Fund's Amended and Restated Agreement and Declaration of Trust and as further discussed in the Fund's Prospectus.
- Although the Fund may offer to repurchase Shares (or a portion thereof) from time to time, no assurance can be given that repurchases will occur or that any Shares properly tendered will be repurchased by the Fund.
- Shares will not be redeemable at a shareholder's option. As a result, a shareholder may not be able to sell or otherwise liquidate his or her Shares.
- The Shares are appropriate only for shareholders who can tolerate a high degree of risk and do not require a liquid investment.
- Investment in the Shares is speculative and there is no guarantee that the Fund will achieve its investment objective.

**GLOSSARY OF TERMS**

**1940 Act Leverage:** The Master Fund uses leverage through borrowings (collectively, "Borrowings"), which may include loans from certain financial institutions, the issuance of debt securities, reverse repurchase agreements, securities lending arrangements, and derivatives, including, but not limited to, interest rate swaps, total return swaps, and credit default swaps (collectively, "effective leverage") in an aggregate amount of up to 33⅓% of the Master Fund's total assets immediately after giving effect to such leverage. Only forms of effective leverage that are considered senior securities under the 1940 Act will be considered leverage for the Master Fund's leverage limits. The Master Fund incurs leverage, primarily through the use of reverse repurchase agreements, as part of its investment strategy; such form of leverage is considered senior securities under the 1940 Act to the extent not covered by segregated cash or liquid securities in accordance with applicable SEC guidance. The Master Fund covers its cash-settled total return swap positions for purposes of determining whether such positions are considered senior securities under the 1940 Act by maintaining an amount of cash or liquid securities in a segregated account equal to the mark-to-market value of such positions instead of the notional amount of such positions. Although it has no current intention to do so, the Master Fund may use leverage through the issuance of preferred shares in an aggregate amount of up to 50% of the Master Fund's total assets immediately after such issuance. There can be no assurance that any leveraging strategy the Master Fund employs will be successful during any period in which it is employed.

**Average Coupon:** The weighted average interest rate of the investments in the portfolio.

**Barclays CMBS BBB:** The Barclays CMBS BBB Index measures the market of conduit and fusion CMBS deals with a minimum current deal size of $300mn and a credit rating of BBB (using the middle rating of Moody's, S&P, and Fitch).

**Barclays US Aggregate Bond Index:** Provides a measure of the performance of the U.S. investment grades bonds market. This includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass-through securities and asset-backed securities that are publicly offered for sale in the United States.

**CDS Index ("CDX"):** A credit default swap index used to hedge credit risk or to take a position on a basket of credit entities. CDX indices contain North American and Emerging Market companies.

**CMBS Index ("CMBX"):** An index designed to reflect the creditworthiness of CMBS. CMBX is made up of 25 equally weighted tranches of CMBS reference obligations, each with different credit ratings.

**Collateralized Debt Obligations ("CDO"):** A trust typically collateralized by a pool of loans, which may include, among others, auto loans, credit card debt, mortgages or corporate debt, including loans that may be rated below investment grade or equivalent unrated loans.

**Collateralized Loan Obligations ("CLO"):** A trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

**Commercial Mortgage-Backed Securities ("CMBS"):** In a typical multi-issuer CMBS issuance, one or more mortgage loans of varying size, asset type (including, but not limited to, office, retail, multifamily, hospitality, industrial and single-family rental), and geography are pooled and transferred to a trust. The trust then issues a series of bonds that vary in duration, payment priority, and yield. Then rating agencies (such as Standard & Poor's, Moody's, or Fitch) assign credit ratings to the various bond classes ranging from investment grade to below investment grade.

**Derivatives:** The Master Fund invests in derivatives and may invest up to 30% of its Managed Assets in derivatives. The Master Fund uses derivatives for investment and hedging purposes and as a form of effective leverage. The Master Fund's principal investments in derivative instruments include investments in interest rate swaps, total return swaps, credit default swaps and credit default swap indices, but the Master Fund may also invest in futures transactions, options or options on futures as well as certain currency instruments. For purposes of calculating the Master Fund's total return swap exposure towards its 30% of Managed Assets cap on derivatives, the Master Fund values total return swaps on a mark-to-market basis instead of on a notional basis. If the Master Fund valued total return swaps on a notional basis, its derivatives would have a greater impact on such cap.

**Duration:** The measurement of the interest rate risk of a portfolio quoted in years. Generally speaking, when duration is positive (negative), for every 1% increase or decrease in interest rates, the portfolio's value will change approximately 1% in the opposite (same) direction for every year of duration, holding all other factors constant.

**Hedged Duration:** Represents the Duration of a portfolio when such portfolio is hedged with fixed income instruments, such as Treasury futures or interest rate swaps, to limit the sensitivity of the portfolio to a change in interest rates.

**High Water Mark:** For the purposes of calculating the incentive fee payable to the Manager, a high water mark exists if there is no positive balance in the Master Fund's loss carryforward account. The loss carryforward account is an account that will have an initial balance of zero upon commencement of the Master Fund's operations and, thereafter, will be credited as of the end of each Fiscal Period with the amount of any Net Capital Depreciation of the Master Fund for that Fiscal Period and will be debited with the amount of any Net Capital Appreciation of the Master Fund for that Fiscal Period, as applicable.

**High Yield:** Bonds with corporate credit ratings lower than investment-grade.

**Inception Date:** April 1, 2014, the date the Fund closed its initial offering and admitted shareholders into the Fund.

**Interest-Only CMBS:** A security holding a claim to excess interest in a CMBS securitization which is only entitled to receive interest payments until the reference pool has been reduced to zero.

**Liquid:** According to the Securities and Exchange Commission's (the "SEC"), standard applicable to registered investment companies, securities that can be disposed of within seven days in the ordinary course of business at approximately the value at which the Master Fund has valued the securities.

**Loan to Value:** Calculated by summing the balance of a loan and all debt with a senior claim on the loan's collateral, and dividing the result by the value of the loan's collateral.

**Managed Assets:** Net assets, plus the amount of leverage for investment purposes.

**Mezzanine Loan:** A mezzanine loan may take the form of a subordinated loan secured by a pledge of the ownership interests of either the entity owning the real property or an entity that owns (directly or indirectly) the interest in the entity owning the real property. This type of investment may involve a higher degree of risk than mortgage lending because the investment may become unsecured as a result of foreclosure by the senior lender.

**Non-U.S. Holdings %:** Market value of the non-U.S. positions of the Master Fund divided by the total market value of the assets of the fund. Excludes credit hedges, interest rate hedges, and currency hedges.

**Private and Real Estate Corporate Debt:** Includes commercial real estate Mezzanine Loans (both securitized and unsecuritized) and Real Estate Corporate Debt.

**Qualified Client:** Has the meaning set forth in Rule 205-3(d)(1) under the Investment Advisers Act of 1940, as amended. An individual will generally be considered a Qualified Client if, immediately prior to their subscription, they have at least (i) $1 million under the management of the Manager or (ii) $2.1 million net worth.

**Ratings Disclosure:** Except as noted below, ratings shown are assigned by one or more Nationally Recognized Statistical Credit Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from multiple agencies are available, the average rating is used, and when only one rating is available, that rating is used. Derivatives (i.e., total return swaps, CMBX and CDX) are included in this breakdown. CMBX and CDX are comprised of a pool of securities, each with the same NRSRO rating with such rating reflected in the title of the derivative (e.g., CMBX.7.BBB-), but the derivative itself is not rated by an NRSRO. Total return swaps consist of various underlying referenced securities, each of which has an NRSRO rating, but the derivative itself is not rated by an NRSRO. As a result, this breakdown attributes the NRSRO rating of the securities underlying the derivative (which is based on a weighted average in the case of total return swaps). The "Not Rated" category consists of ratable securities that have been rated "NR" by an NRSRO. The "Not Publicly Rated" category consists of investments that are either not ratable or have not been submitted to rating agencies (e.g., equities). Cash and equivalents (defined as bonds with stated maturities, or that can be redeemed at intervals, of seven days or less) are excluded from this breakdown. As a result, the chart does not reflect the Master Fund's total net assets. The credit quality of the investments in the Master Fund's portfolio does not apply to the stability or safety of the Master Fund. These ratings may change over time. Please note that the Master Fund itself has not been rated by an NRSRO. For the purposes of this definition, a CDX is a credit default swap index, which is used to hedge credit risk or to take a position on a basket of credit entities. CDX indices contain North American and emerging market companies. In addition, CMBX is an index designed to reflect the creditworthiness of CMBS. CMBX is made up of 25 tranches of CMBS, each with different credit ratings.

**Real Estate Corporate Debt:** Secured and unsecured obligations issued by REITs or other companies whose primary business is the ownership, management or development of real estate.

**Real Estate Investment Trust ("REIT"):** Typically a publicly traded corporation or trust that invests in residential or commercial real estate or real estate-related assets (e.g., debt).

**Residential Mortgage-Backed Securities ("RMBS"):** In a typical RMBS issuance, residential mortgages of varying size and geographic location are pooled and transferred to a trust. The trust then issues a series of bonds that vary in duration, payment priority, and yield. Then rating agencies (such as Standard & Poor's, Moody's, or Fitch) assign credit ratings to the various bond classes ranging from investment grade to below investment grade.

**Sharpe Ratio:** A risk-adjusted measure calculated by using standard deviation and excess return to derive the reward per unit of risk. The higher an investment's Sharpe ratio, the more favorable the investment's historical risk-adjusted performance is.

**Single Asset Single Borrower ("SASB"):** The collateral for a SASB security is one loan to a single borrower backed by one or multiple properties that are generally cross-collateralized and cross-defaulted.

**Solactive High Yield Corporate Bond Interest Rate Hedged Index ("SOLHY"):** This index is a rule based index that tracks the performance of a basket of US dollar denominated high yield liquid corporate bonds. The treasury rate exposure of the US dollar denominated high yield liquid corporate bonds is hedged by a duration-matched short position in US Treasury bonds. This index was formerly provided by DBIQ.

**Top 10 Holdings %:** Market value of the top 10 positions of the Master Fund divided by the total market value of the assets of the fund. Excludes credit hedges, interest rate hedges, and currency hedges.

**Total Assets:** Total assets under U.S. Generally Accepted Accounting Principles.

**Yield to Maturity ("YTM"):** The total return anticipated on a bond if the bond is held until the end of its lifetime.

**Volatility:** A statistical measure of the uncertainty or risk in the size of changes in an investment's value.

## RISK FACTORS

The following list of risk factors is not a complete summary or explanation of the various risks involved in an investment in the Fund and should be read together with the Prospectus. There can be no assurance that the Fund will be able to achieve its investment objective, and investment results may vary substantially depending on when a shareholder purchased his or her Shares. Instances of "the Manager" that appear in these materials refer to Blackstone Real Estate Income Advisors, L.L.C, the Fund's investment manager, and opinions reflected in the presentation are of the Manager as of the date of this document.

**Market Conditions:** During the first quarter of 2020, there was a global outbreak of a novel coronavirus, which continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as cases of the novel coronavirus have continued to be identified in additional countries, many countries have reacted by instituting quarantines, restrictions on travel, closing financial markets and/or restricting trading, and limiting hours of operations of non-essential offices and retail centers. Such actions are creating disruption in global supply chains, and adversely impacting a number of industries, such as transportation, hospitality and entertainment. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Fund's performance and financial results, such as the potential negative impact to occupancy at properties underlying the Fund's investments (including the potential closure of certain hotel assets, financing arrangements, changes in law and/or regulation, and uncertainty regarding government and regulatory policy). The Fund is unable to estimate the impact the novel coronavirus will have on its financial results at this time.

The novel coronavirus outbreak has also resulted in extreme volatility in a variety of global markets, including the real estate-related debt investments markets in which the Master Fund invests. U.S. financial markets, in particular, are experiencing limited liquidity and present a dearth of opportunities for refinancing existing indebtedness. In reaction to these tumultuous and unpredictable market conditions, reverse repurchase agreement lenders generally are aggressively margin-calling assets they finance, which include certain assets held by the Master Fund. Additionally, lenders are not accepting unencumbered assets as collateral and are not opening new balances for unencumbered assets. While the Master Fund has $339 million of unencumbered assets as of May 31, 2020 and remains moderately leveraged, in lieu of selling such assets into a market experiencing unprecedented volatility or borrowing from a third-party at excessive rates, Blackstone has agreed to extend the Master Fund a $50 million unsecured line of credit at a rate of LIBOR plus 2.50% with no fees that would otherwise be customary for an agreement of this type, including no upfront, unused, prepayment, arrangement or exit fees. The line of credit has minimal covenants and an initial duration of one-year. The Master Fund intends to draw on this line of credit as needed to pay down the principal of its existing reverse repurchase agreements when and if the lenders call additional margin. Based upon the recommendation of the Investment Manager and their consideration of the factors described above, on March 24, 2020, the Board of Trustees approved the Master Fund's entry into the line of credit.

**Fees and Expenses:** The Fund bears other expenses incurred in its business, including its pro rata share of the Master Fund's expenses, as described in the Prospectus. Such other expenses include professional fees and other expenses, including, without limitation, SEC filing fees, Financial Industry Regulatory Authority, Inc. filing fees, printing fees, administration fees, investor servicing fees, custody fees, trustee fees, insurance costs, financing costs, fees and expenses related to subsidiaries and other expenses that the Fund will bear directly and indirectly through the Master Fund, taking into account the expense cap described below.

The Manager has contractually agreed to waive its fees and/or reimburse expenses of the Fund to limit the amount of the Fund's Specified Expenses (as defined below and including the Fund's pro rata share of the Master Fund's Specified Expenses) to 0.35% of net assets (annualized), subject to recapture by the Manager if the Specified Expenses of the Fund (including the Fund's pro rata share of the Master Fund's Specified Expenses) subsequently fall below 0.35% of net assets (annualized) (or, if a lower expense limit is then in effect, such lower limit) within the three-year period after the Manager bears the expense; provided, however, that the Manager may recapture a Specified Expense in the same year it is incurred. This arrangement cannot be terminated prior to December 31, 2020 without the Board's consent.

"Specified Expenses" is defined to include all expenses incurred in the business of the Fund and the Fund's pro rata share of all expenses incurred in the business of the Master Fund, including organizational costs, with the exception of (i) the Management Fee, (ii) the Incentive Fee, (iii) the Distribution and Service Fee, (iv) brokerage costs, (v) dividend/interest payments (including any dividend payments, interest expenses, commitment fees, or other expenses related to any leverage incurred by the Fund or Master Fund), (vi) taxes, and (vii) extraordinary expenses (as determined in the sole discretion of the Manager). The Manager has undertaken several temporary measures to waive its fees and/or reimburse certain expenses of the Fund and the Master Fund, including entering into an Expense Limitation and Reimbursement Agreement described above and temporarily reducing its Management Fee to an annualized rate of 0.75% of the Fund's or the Master Fund's Managed Assets, as the case may be, effective from October 1, 2014 until December 31, 2020 (which may be extended, terminated or modified by the Manager in its sole discretion). The Manager may also enter into arrangements in the future to waive or cap certain fees or expenses. To the extent that the Expense Limitation and Reimbursement Agreement, the voluntary waiver of a portion of the Management Fee or other future waivers are not renewed, continued or entered into, the expenses of the Fund and the Master Fund may increase and subsequently reduce the investment return of the Fund and the Master Fund.

**COVID-19:** Certain countries have been susceptible to epidemics which may be designated as pandemics by world health authorities, most recently COVID-19. The outbreak of such epidemics, together with any resulting restrictions on travel or quarantines imposed, has had and will continue to have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and thereby is expected to adversely affect the performance of the Fund's investments. Furthermore, the rapid development of epidemics could preclude prediction as to their ultimate adverse impact on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Fund and the performance of its investments.

**Net Asset Value:** Certain of our investments or liabilities are subject to high levels of volatility from time to time and could change in value significantly between the end of the prior month as of which our net asset value is determined and the date that you acquire our shares.

**Leverage Risk:** The Master Fund uses leverage, which magnifies investment, market and certain other risks. The Master Fund uses leverage directly at the Master Fund level which will create exposure to such leverage indirectly at the Fund level. While such implicit leverage does not constitute actual borrowing of the Fund for purposes of the 1940 Act, in an effort to mitigate the overall risk of leverage, the Fund does not intend to incur additional direct long-term leverage at the Fund level, but may use leverage for short-term purposes. Since the Fund generally may not withdraw from the Master Fund, the Fund's level of implicit leverage from its indirect investment in the Master Fund cannot be controlled. This may constrain the Fund's ability to utilize additional direct leverage at the Fund level. Leverage involves risks and special considerations for holders of the Shares, including that when the Master Fund uses leverage, the Management Fee payable by the Master Fund to the Manager will be higher than if the Master Fund did not use leverage; the likelihood of greater volatility of net asset value of the common shares of the Master Fund than a comparable portfolio without leverage; the risk that fluctuations in interest rates on borrowings and short-term debt or in the dividend rates on any preferred shares that the Master Fund may pay will reduce the return to shareholders or will result in fluctuations in the distributions paid on the common shares; and the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of the common shares than if the Master Fund were not leveraged. As a closed-end investment company registered with the SEC, the Master Fund is subject to the federal securities laws, including the 1940 Act, the rules thereunder, and various SEC and SEC staff interpretive positions. In accordance with these laws, rules and positions, the Master Fund may "set aside" liquid assets (often referred to as "asset segregation"), or engage in other SEC- or staff-approved measures, to "cover" open positions with respect to certain portfolio management techniques, such as engaging in reverse repurchase agreements, dollar rolls, entering into credit default swaps or futures contracts, or purchasing securities on a when-issued or delayed delivery basis, that may be considered senior securities under the 1940 Act. The Master Fund intends to cover its derivative positions by maintaining an amount of cash or liquid securities in a segregated account equal to the face value of those positions and by offsetting derivative positions against one another or against other assets to manage the effective market exposure resulting from derivatives in its portfolio. To the extent that the Master Fund does not segregate liquid assets or otherwise cover its obligations under such transactions, such transactions will be treated as senior securities representing indebtedness for purposes of the requirement under the 1940 Act that the Master Fund may not enter into any such transactions if the Master Fund's borrowings would thereby exceed 33⅓% of its total assets, less all liabilities and indebtedness of the Master Fund not represented by senior securities. However, these transactions, even if covered and not treated as leverage for the 1940 Act, may represent a form of economic leverage and will create risks. In addition, these segregation and coverage requirements could result in the Master Fund maintaining securities positions that it would otherwise liquidate, segregating assets at a time when it might be disadvantageous to do so or otherwise restricting portfolio management. Such segregation and cover requirements will not limit or offset losses on related positions. See "Investment Objective and Strategies – Portfolio Investments—Reverse Repurchase Agreements", "Leverage" and "Derivatives Risk" in the Fund's Prospectus.

**Reverse Repurchase Agreements Risk.** The Master Fund uses reverse repurchase agreements as a form of leverage, as the proceeds from reverse repurchase agreements generally will be invested in additional securities. There is a risk that the market value of the securities acquired from the proceeds received in connection with a reverse repurchase agreement may decline below the price of the securities underlying the reverse repurchase agreement that the Master Fund has sold but remains obligated to repurchase. Reverse repurchase agreements also involve the risk that the counterparty liquidates the securities delivered to it by the Master Fund under the reverse repurchase agreements following the occurrence of an event of default under the applicable master repurchase agreement by the Master Fund. The buyer or lender of securities under a reverse repurchase agreement has broad discretion in determining the value of the repurchased securities. In addition, the market value of the securities subject to the repurchase agreement will decline from time to time. If the buyer of securities under a reverse repurchase agreement were to file for bankruptcy or experiences insolvency, the Master Fund may be adversely affected. Furthermore, the Master Fund's counterparties will, from time to time and based on the value determined by the lender, require the Master Fund to provide additional margin in the form of cash, securities or other forms of collateral under the terms of the master repurchase agreement. The Master Fund does get margin called, and gets margin called more frequently during periods of market volatility, such as the events resulting from the outbreak of the novel coronavirus. If the Master Fund is unable to provide such margin, the counterparties may sell the securities the Master Fund delivered and such sales may be at inopportune times or otherwise result in loss to the Master Fund. Also, in entering into reverse repurchase agreements, the Master Fund would bear the risk of loss to the extent that the proceeds of the reverse repurchase agreement are less than the value of the underlying securities. In addition, due to the interest costs associated with reverse repurchase agreements transactions, the Master Fund's net asset value may decline, and, in some cases, the Master Fund may be worse off than if it had not used such instruments. The use of reverse repurchase agreements also increases the Master Fund's Managed Assets, which in turn increases the management fee payable to the Investment Manager.

**Reliance on the Manager and Key Blackstone Personnel:** The success of the Fund and the Master Fund depends, in large part, upon the skill and expertise of the Manager and key Blackstone personnel, including Michael Nash, Jonathan Pollack and Michael Wiebolt, to develop and implement investment strategies that achieve the Master Fund's investment objective. The Manager is responsible for the Master Fund's investment activities, and shareholders must rely on the Manager and such key Blackstone personnel, including Michael Nash, Jonathan Pollack and Michael Wiebolt, to conduct and manage the Master Fund's activities. In the event of the death, disability or departure of one or more such persons, or to the extent any such persons do not fulfill their time commitment to the Master Fund, the business and the performance of the Fund and the Master Fund may be adversely affected. In addition, such Blackstone personnel may have other responsibilities, including serving on committees, throughout Blackstone and/or its portfolio companies and, therefore, conflicts may arise in the allocation of personnel, management time, services or functions. The ability of the Manager and such personnel to access other professionals and resources within other groups at Blackstone for the benefit of the Fund and the Master Fund may be limited under certain circumstances. See "Conflicts of Interest - Blackstone Policies and Procedures" in the Fund's Prospectus. Moreover, the portfolio management decisions of the Master Fund are generally made independently and without regard to the activities or positions of a variety of the other investment funds, vehicles and accounts sponsored, closed, managed and/or acquired by Blackstone or its affiliates on a global basis or that focus on specific types of investments (collectively, the "Other Blackstone Vehicles"), which may create circumstances where different actions or investment decisions are made or taken with respect to the Master Fund relative to such Other Blackstone Vehicles. For example, there may be circumstances where one or more such Other Blackstone Vehicles determines to dispose of an investment that is also held by the Master Fund but where the Master Fund continues to hold such investment or where one or more such Other Blackstone Vehicles elects to purchase investments with respect to which the Master Fund does not participate (or vice versa) or where such funds may participate in the same investment at different times and/or on different terms.

**Liquidity Risks:** The Shares are not listed for trading on any securities exchange. There is no public market for the Shares and none is expected to develop. The Shares therefore are not readily marketable and shareholders must be prepared to hold Shares for an indefinite period of time. Because the Fund is a closed-end management investment company, the Shares may not be redeemed at the option of the shareholder and may not currently be exchanged for shares of any other fund.

Although the Fund may offer to repurchase Shares from shareholders, no assurance can be given that these repurchases will occur as scheduled or at all. The Fund will conduct repurchase offers on a schedule and in amounts that will depend on the Master Fund's repurchase offers. The Master Fund may need to suspend or postpone repurchase offers if it is not able to dispose of portfolio securities or loans in a timely manner. Consequently, the Fund and the Master Fund may be a highly illiquid investment.

Even if the Fund makes a tender offer, there is no guarantee that shareholders will be able to sell all of the Shares that they desire to sell in any particular tender offer. If a tender offer is oversubscribed by shareholders, the Fund will generally repurchase only a pro rata portion of the Shares tendered by each shareholder. A large shareholder in the Fund seeking repurchase may cause a greater likelihood of all shareholders seeking repurchase having their requests reduced pro rata. The potential for pro ration may cause some shareholders to tender more Shares for repurchase than they otherwise would wish to have repurchased, which may adversely affect others wishing to participate in the tender offer. In addition, in extreme cases, a Fund may not be able to complete repurchases if the Master Fund is unable or unwilling to repurchase a portion of that Fund's interest in the Master Fund due to the Master Fund's inability to liquidate a portion of its portfolio.

**Interest Rate Fluctuation Risk:** The Master Fund's investments include loans with both floating interest rates and fixed interest rates. Floating rate investments earn interest at rates that adjust from time to time (typically monthly) based upon an index (typically one-month LIBOR). These floating rate loans are insulated from changes in value specifically due to changes in interest rates; however, the coupons they earn fluctuate based upon interest rates (again, typically one-month LIBOR) and, in a declining and/or low interest rate environment, these loans will earn lower rates of interest and this will impact our operating performance. Fixed interest rate investments, however, do not have adjusting interest rates and the relative value of the fixed cash flows from these investments will decrease as prevailing interest rates rise or increase as prevailing interest rates fall, causing potentially significant changes in value.

The Manager employs various hedging strategies to limit the effects of changes in interest rates (and in some cases credit spreads), including engaging in interest rate swaps, caps, floors and other interest rate derivative products. The Manager believes that no strategy can completely insulate the Master Fund from the risks associated with interest rate changes and there is a risk that they may provide no protection at all and potentially compound the impact of changes in interest rates.

**Nature of Real Estate-Related Debt Securities:** The debt securities and other interests in which the Master Fund may invest may include secured or unsecured debt at various levels of an issuer's capital structure. The debt securities in which the Master Fund may invest may not be protected by financial covenants or limitations upon additional indebtedness, may have limited liquidity, and may not be rated by a credit rating agency. Debt securities are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations, and (iii) environmental liabilities that may arise with respect to collateral securing the obligations. The Master Fund's investments may be subject to early redemption features, refinancing options, pre-payment options, or similar provisions which, in each case, could result in the issuer repaying the principal on an obligation held by the Master Fund earlier than expected, resulting in a lower return to the Master Fund than anticipated or underwritten on such obligation or reinvesting in a new obligation at a lower return to the Master Fund.

**Risks Associated with Mortgage-Backed Securities, including CMBS and RMBS:** The Master Fund invests a significant portion of its assets in pools or tranches of CMBS and a portion of its assets in pools or tranches of RMBS. The collateral underlying (a) CMBS generally consists of commercial mortgages on real property that has a single-family, multifamily or commercial use, such as retail space, office buildings, warehouse property and hotels, and may include assets or properties owned directly or indirectly by one or more Other Blackstone Vehicles, and (b) RMBS generally consists of mortgages on residential properties. Both CMBS and RMBS have been issued in a variety of issuances, with varying structures including senior and subordinated classes. The commercial mortgages underlying CMBS generally have shorter maturities than residential mortgages, allow all or a substantial portion of the loan balance to be paid at maturity, commonly known as a "balloon payment," and are usually nonrecourse against the commercial borrower. The investment characteristics of CMBS differ from traditional debt securities in a number of respects, and are similar to the characteristics of structured credit products in which investors participate through a trust or other similar conduit arrangement. Both commercial and residential mortgage loans are obligations of the borrowers thereunder and are not typically insured or guaranteed by any other person or entity. RMBS are not traded on an exchange and there may be a limited market for the securities, especially when there is a perceived weakness in the mortgage and real estate market sectors; without an active trading market, mortgage-related securities held in a Fund's portfolio may be particularly difficult to value because of the complexities involved in assessing the value of the underlying mortgage loans. Investments in CMBS and RMBS are subject to various risks and uncertainties, including credit, market, interest rate, structural and legal risks. These risks may be magnified by volatility in the credit markets the real estate markets generally. RMBS are also subject to the risk of prepayment by borrowers. While the Manager analyzes and underwrites its investments from a fundamental real estate perspective, there can be no assurance that underwriting practices will yield their desired results and there can be no assurance that the Master Fund will be able to effectively achieve its investment objective or that projected returns will be achieved.

**Debt-Oriented Real Estate Investments Risks Generally:** The Master Fund invests primarily in liquid real estate-related debt investments. Any deterioration of real estate fundamentals generally, and in the United States and Europe in particular, could negatively impact the performance of the Master Fund by making it more difficult for issuers to satisfy their debt payment obligations, increasing the default risk applicable to issuers, and/or making it more difficult for the Master Fund to generate attractive risk-adjusted returns. Changes in general economic conditions will affect the creditworthiness of issuers and/or real estate collateral relating to the Master Fund's investments and may include economic and/or market fluctuations, changes in environmental and zoning laws, casualty or condemnation losses, regulatory limitations on rents, decreases in property values, changes in the appeal of properties to tenants, changes in supply and demand, fluctuations in real estate fundamentals, the financial resources of issuers/borrowers, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations, changes in real property tax rates and/or tax credits, changes in operating expenses, changes in interest rates, changes in foreign exchange rates, changes in the availability of debt financing and/or mortgage funds which may render the sale or refinancing of properties difficult or impracticable, increased mortgage defaults, increases in borrowing rates, negative developments in the economy and/or adverse changes in real estate values generally and other factors that are beyond the control of the Manager.

There can be no assurance that there will be a ready market for the resale of investments because investments may not be liquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale by the Master Fund. The value of securities of companies which service the real estate business sector may also be affected by such risks.

Any declines in the performance of the U.S. and global economies or in the real estate debt markets could have a material adverse effect on the Master Fund's business, financial condition and results from operations. Market conditions relating to real estate debt investments have evolved since the financial crisis, which has resulted in a modification to certain loan structures and/or market terms. For example, it has become increasingly difficult for real estate debt investors in certain circumstances to receive full transparency with respect to underlying investments because transactions are often effectuated on an indirect basis through pools or conduit vehicles rather than directly with the borrower. Any such changes in loan structures and/or market terms may make it relatively more difficult for the Master Fund to monitor and evaluate investments.

**Commercial Mortgage Loans:** The Master Fund invests in commercial mortgage loans, including mezzanine loans and B-notes, which are secured by single-family, multifamily, commercial or other properties and are subject to risks of delinquency and foreclosure and risks of loss. Commercial real estate loans are generally not fully amortizing, which means that they may have a significant principal balance or balloon payment due on maturity. Full satisfaction of the balloon payment by a commercial borrower is heavily dependent on the availability of subsequent financing or a functioning sales market, as well as other factors such as the value of the property, the level of prevailing mortgage rates, the borrower's equity in the property and the financial condition and operating history of the property and the borrower. In certain situations, and during periods of credit distress, the unavailability of real estate financing may lead to default by a commercial borrower. In addition, in the absence of any such takeout financing, the ability of a borrower to repay a loan secured by an income-producing property will depend upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Furthermore, the Master Fund may not have the same access to information in connection with investments in commercial mortgage loans, either when investigating a potential investment or after making an investment, as compared to publicly traded securities.

Commercial mortgage loans are usually non-recourse in nature. Therefore, if a commercial borrower defaults on the commercial loan, then the options for financial recovery are limited in nature. To the extent the underlying default rates with respect to the pool or tranche of commercial real estate loans in which the Master Fund directly or indirectly invests increase, the performance of the Master Fund investments related thereto may be adversely affected. Default rates and losses on commercial loans will be affected by a number of factors, including global, regional and local economic conditions in the area where the properties are located, the borrower's equity in the underlying property and/or assets and the financial circumstances of the borrower. A decline in specific real estate or credit markets may result in higher delinquencies and defaults. In the event of default, the lender will have no right to assets beyond collateral attached to the commercial mortgage loan. In certain instances, a negotiated settlement or an amendment to the terms of the commercial loan are the only options before an ultimate foreclosure on the commercial property. A foreclosure is costly and often protracted by litigation and bankruptcy restrictions. The ultimate disposition of a foreclosed property may also yield a price insufficient to cover the cost of the foreclosure process and the balance attached to the defaulted commercial loan.

In the event of any default under a mortgage or real estate loan held directly by the Master Fund, it will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage or real estate loan, which could have a material adverse effect on the profitability of the Master Fund. In the event of the bankruptcy of a mortgage or real estate loan borrower, the mortgage or real estate loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage or real estate loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Additionally, in the event of a default under any senior debt, the junior or subordinate lender generally forecloses on the equity, purchases the senior debt or negotiates a forbearance or restructuring arrangement with the senior lender in order to preserve its collateral.

**Mezzanine Loans:** Although not secured by the underlying real estate, mezzanine loans are also subject to risk of subordination and share certain characteristics of subordinate loan interests described above. As with commercial mortgage loans, repayment of a mezzanine loan is dependent on the successful operation of the underlying commercial properties and, therefore, is subject to similar considerations and risks, including certain of the considerations and risks described herein. Mezzanine loans may also be affected by the successful operation of other properties, the interests in which are not pledged to secure the mezzanine loan. Mezzanine loans are not secured by interests in the underlying commercial properties.

In addition, a mezzanine lender typically has additional rights vis-à-vis the more senior lenders, including the right to cure defaults under the mortgage loan and any senior mezzanine loan and purchase the mortgage loan and any senior mezzanine loan, in each case under certain circumstances following a default on the mortgage loan.

**B-Notes and A/B Structures:** The Master Fund may invest in B-notes, which investments are subordinate to the A-note portion of the same loan (which the Master Fund would not expect to hold). In addition to the risks related to subordination of B-notes, certain additional risks apply to B-note investments, including those described herein. The B-note portion of a loan is typically small relative to the overall loan, and is in the first loss position. As a means to protect against the holder of the A-note from taking certain actions or, receiving certain benefits to the detriment of the holder of the B-note, the holder of the B-note often (but not always) has the right to purchase the A-note from its holder. If available, this right may not be meaningful to the Master Fund. For example, the Master Fund may not have the capital available to protect its B-note interest or purchasing the A-note may alter the Master Fund's overall portfolio and risk/return profile to the detriment of shareholders. In addition, a B-note may be in the form of a "rake bond." A "rake bond" is a CMBS backed solely by a single promissory note secured by a mortgaged property, which promissory note is subordinate in right of payment to one or more separate promissory notes secured by the same mortgaged property.

**Illiquid Portfolio Risk:** In addition to the general lack of liquidity of the shares of the Master Fund, the liquidity of the Master Fund's investments will generally fluctuate with, among other things, general market conditions, domestic and international political events (including the outbreak of an infection disease, epidemics/pandemics or other serious public health concerns), and developments or trends in a particular industry. Such changes may develop rapidly and it may be difficult to determine the comprehensive impact of such changes on the Master Fund's investments, particularly for investments that may have inherently limited liquidity. These changes may also create significant volatility in the markets for the Master Fund's investments, which could cause rapid and large fluctuations in the values of such investments. The credit markets, including the CMBS market, have periodically experienced decreased liquidity on the primary and secondary markets during periods of market volatility. Such market conditions could re-occur and would impact the valuations of the Master Fund's investments and impair the Manager's ability to sell securities. In addition, certain of the types of debt instruments in which the Master Fund invests in (e.g., mortgages, B-notes, mezzanine and other loans) are often illiquid and involve greater difficulty of recovery in the event of a default by the borrower. Moreover, certain of the Master Fund's investments, including non-public investments such as those purchased pursuant to Rule 144A under the Securities Act of 1933, as amended, may become more illiquid after the initial acquisition for a variety of reasons, including general market conditions. In addition, in some cases the Master Fund is not able to sell its securities publicly unless their sale is registered under applicable securities laws (or unless an exemption from such registration requirements is available) and in other cases the Master Fund may be prohibited by contract or legal or regulatory reasons or Blackstone policies or procedures from selling certain securities for a period of time.

**Investment and Market Risk:** All securities investing and trading activities (including real estate-related debt investing) risk the loss of capital. No assurance can be given that the Fund's and the Master Fund's investment objective will be achieved, that the performance of the Fund and the Master Fund will be positive over any period of time, or that shareholders will not suffer losses. An investment in the Shares represents an indirect investment in the assets owned by the Master Fund. The value of the Master Fund's portfolio securities and other assets may move up or down, sometimes rapidly and unpredictably, and in certain circumstances investment techniques utilized by the Master Fund may increase the impact of such adverse market movements. At any point in time, the Shares may be worth less than shareholder's original investment. The Investment Manager cannot predict whether economic conditions generally, and the conditions for real estate debt investing in particular, will deteriorate in the future.

**"Spread Widening" Risk:** For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the market spreads of the securities in which the Master Fund invests may increase substantially causing the securities prices to fall. It may not be possible to predict, or to hedge against, such "spread widening" risk. In addition, mark-to-market accounting of the Master Fund's investments will have an interim effect on the reported value prior to realization of an investment.

**Incentive Fee Risk:** The Incentive Fee creates an incentive for the Manager to cause the Master Fund to make investments that are riskier or more speculative than those that might have been made in the absence of the Incentive Fee. In addition, the Manager may time investments in order to maximize income under the Incentive Fee. While the Board does not monitor specific investment decisions by the Manager and the particular timing of individual investment decisions as they relate to the Incentive Fee, the Board, as part of its fiduciary duties and responsibilities under the 1940 Act (relating to future determinations as to whether to renew the investment advisory agreement with the Manager), expects to consider whether the Incentive Fee is fair and reasonable. In addition, although the Incentive Fee payable by the Master Fund to the Manager is similar to those of private investment funds, most registered investment companies do not pay an incentive fee to their investment adviser.

**The Fund may also be subject to the following categories of risk:** Limited Operating History, Deployment Risk, Past Performance; No Assurance of Investment Return, Non-Diversified Risk, Geographic Concentration, Investments in Publicly Traded Securities, No Limitation on Strategies, Enhanced Scrutiny and Regulation of the Financial Services Industry, Concentrated CMBS Investments, CMBS Credit Quality and Selection, Operating and Financial Risks of Issuers; Underlying Default Risk Across Capital Structures, Collateralized Debt Obligations, Highly Competitive Market for Investment Opportunities, Lack of Control Over Investments, Due Diligence Risks, Risks of Acquiring Sub-Performing Real Estate Loans and Participations, Risks Associated with the Insolvency of Obligations Backing CMBS and Other Investments, Distressed Securities or Other Interests; Workouts and Bankruptcy; Administration, Risks Associated with Interest Shortfalls, Prepayment Risk; Interest Rate Fluctuations, Risks Associated with Extensions, Reinvestment Risk, Risks Associated with the Servicers, Risks Related to Securities Ratings, Expedited Transactions Risks, Structured Products Risk, Risks Associated with Hedging, Subordination, Below Investment Grade Securities Risk, Preferred Equity, REIT-Related Risk, Non-U.S. Investments; Non-OECD Investments, UK Exit from the European Union, Active Trading Risk, Access to Non-Public Information Risk, Non-Controlling Equity Investments; Investments and Joint Ventures with Third Parties, Refinancing Risk, Uncertainty of Financial Projections and Projected Results, Bridge Financing Risk, Credit Risk, Foreclosure Risk, Lender Liability Risk, Pricing Risk; Real Estate Valuation Risk, Excise Tax Risk, Derivatives Risks, Repurchase Agreements Risk, Reverse Repurchase Agreements Risk, Segregation and Coverage Risk, Counterparty Risk, Derivatives Legislation and Regulatory Risk, Currency Risk, Commodities Regulation, Short Sales Risk, Contingent Liabilities Risk, General Legal, Tax and Regulatory Risks, Possible U.S. Federal Income Tax Reform, Operational Risk, Intellectual Property Risk, Cyber-Security Risk and Identity Theft Risks, Terrorist Activities, Sanctions and Anti-Corruption Risks, Indemnification; Absence of Recourse, Service Provider Risk, Tax Risks of Investing in the Fund, Multiple Shareholders of the Master Fund Risk and Subsidiary Risk. See "Risk Factors" in the Fund's Prospectus for a more complete discussion of the special risk considerations of an investment in the Fund.

Market indices are obtained through Bloomberg. Indices are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of the Fund. In addition the indices employ different investment guidelines and criteria than the Fund; as a result, the holdings in the Fund may differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of the Fund's performance to that of well-known and widely recognized 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.

*This material may include statements that constitute "forward-looking statements" under the U.S. securities laws, which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Forward-looking statements include, among other things, projections, estimates, and information about possible or future results related to the Fund, market or regulatory developments. The views expressed herein are not guarantees of future performance or economic results and involve certain risks, uncertainties and assumptions that could cause actual outcomes and results to differ materially from the views expressed herein. The views expressed herein are subject to change at any time based upon economic, market, or other conditions and the Manager undertakes no obligation to update the views expressed herein. While the Manager has gathered this information from sources believed to be reliable, the Manager cannot guarantee the accuracy of the information provided. Securities and indices discussed are not recommendations and are presented as examples of issue selection or portfolio management processes. They have been picked for comparison or illustration purposes only. The Manager reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available.