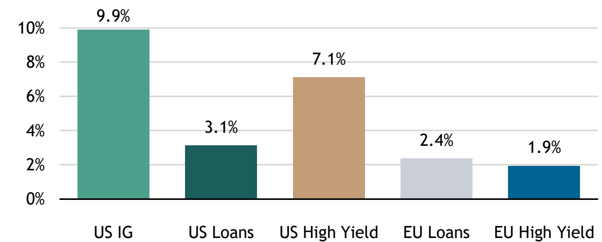
CREDIT INSIGHTS

2021 US and European Credit Market Outlook

2020 Global Credit Market Recap

In 2020, the global credit markets experienced the worst bout of volatility and market disruption since the 2008 financial crisis. This disruption was caused by the rapid spread of the novel coronavirus ("COVID-19") across the globe in the first quarter against a backdrop of a dramatic slowdown in economic activity resulting from related business shutdowns and travel restrictions. Global central banks intervened at an unprecendented rate, filling the market's demand for liquidity that arose in March 2020. At the same time, aggressive fiscal stimulus measures helped ease investors' and business owners' fundamental concerns. The global credit markets rebounded at an impressive rate in the months following March and ended the year with positive returns. However, our outlook for 2021 is influenced by the fact that the market recovery in 2020 was largely stimulus-led, driven by the speed and magnitude of global policy responses rather than economic fundamentals which in many cases have yet to fully recover.[1]

2020 Returns



	Spread			Yield			Price		
	2020	Peak	2019	2020	Peak	2019	2020	Trough	2019
US IG	96bp	373bp	93bp	1.79%	4.58%	2.86%	$115.93	$96.74	$109.29
US Loans	443bp	1071bp	423bp	4.71%	12.87%	6.13%	$96.19	$76.23	$96.72
US HY	360bp	1100bp	336bp	4.97%	11.69%	5.98%	$104.96	$79.13	$101.23
EU Loans	459bp	968bp	406bp	3.88%	4.81%	4.14%	€97.35	€ 83.64	€ 98.32
EU HY	424bp	1332bp	381bp	3.79%	13.38%	4.42%	€98.58	€ 79.06	€ 99.43

Despite experiencing economic stress and a stall in new issue supply in March 2020, the global credit markets quickly reopened to issuers in need of capital. Corporations took advantage of low interest rates to draw down revolving lines of credit and extended existing debt at more favorable rates. Issuance in the US investment grade bond, loan, and high yield bond markets increased year-over-year; gross investment grade issuance in 2020 totaled $1.7 trillion, a 60% increase from 2019, gross loan issuance totaled $422 billion, an 8% increase, gross high yield issuance totaled $450 billion, a 57% increase. European high yield bonds similarly experienced a 14% increase in annual issuance totaling €85 billion. Bucking this trend was European loan issuance, which decreased by 20% in 2020 to €65 billion.[2]

Global loan and high yield bond default rates were manageable throughout 2020, contrary to initial dire forecasts. After peaking at 4.4%, the US loan last-twelve-month ("LTM") par-weighted default rate ended the year at 4.0%, only 95bp above the long-term average. Due to the higher energy exposure of the US high yield market, the LTM par-weighted default rate stands at 6.2% at the end of December, compared to the peak of 6.3%; however, this default rate is significantly lower than the 2009 rate of 10.3%.[3] Defaults in Europe were more muted with LTM default rates peaking at just 1.3% for loans and 3.3% for bonds and ending the year at 1.2% and 3.3%, respectively.[4]

Demand for both US and European collateralized loan obligations ("CLOs") was slower to materialize following the market downturn as higher CLO liability spreads reduced the arbitrage on new issue equity making it less attractive. As a result, full year US CLO issuance decreased by 22% to $92 billion, and European CLO issuance decreased by 26% to €22 billion.[5] When demand resurfaced it was for CLOs with shorter reinvestment and non-call periods. This allowed equity investors the optionality to reset liability spreads in a tighter spread environment if one materialized, and in doing so potentially boosting future CLO equity returns. US and European liability spreads began to quickly normalize as the global loan market recovered and defaults slowed, allowing new CLO issuance to accelerate to pre-COVID-19 levels beginning in May.

2020 again proved the resiliency of the CLO structure whereas other structured products did not fare as well. US and European CLOs returned 5.5% and 3.9% to BBB-rated tranche investors, respectively. This compares to -0.9% for CMBS BBB-rated tranches.[6]

The outlook for 2021 remains encouraging but uncertain as it is predicated on the successful global rollout of COVID-19 inoculations and a reduction in the virus infection rate. As of this writing, global cases of COVID-19 and related hospitalizations remain high, and lockdowns/travel restrictions imposed by governments globally continue. However, we believe a strong rebound will likely occur during the second half of 2021 due to the timing of additional stimulus, pent-up consumer demand, and the continued roll-out of vaccinations.

[1] US loans represented by S&P/LSTA Leveraged Loan Index, US high yield represented by Bloomberg Barclays High Yield Index, EU loans and EU high yield represented by Credit Suisse European Leveraged Loan and High Yield Bond Indices, as of December 31, 2020. Peak/trough as of March 23, 2020, except for EU loans, which is as of March 31, 2020 as index data is only available as of month end.
[2] JP Morgan Leveraged Loan and High Yield Bond Market Monitor, January 5, 2020. LCD, as of December 31, 2020.
[3] JP Morgan Default Monitor, January 4, 2021.
[4] Credit Suisse Default Report, January 5, 2021.
[5] LCD, as of December 31, 2020.
[6] JP Morgan CLOIE for US CLOs, BAML for European CLOs, Bloomberg Barclays CMBS Index, as of December 31, 2020.

2021 US Loan and High Yield Outlook

+4.5-5.5%

2021 US loan return forecast

+2.5-3.5%

2021 US HY return forecast

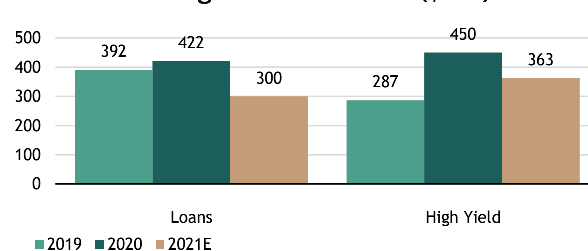
As our base case, we expect mid-single digit returns in US loans and low single digit returns in high yield in 2021, primarily driven by interest payments rather than dramatic changes in price. Specifically, we forecast returns of +4.5-5.5% for US loans, which assumes limited credit loss and stable to rising prices. For US high yield bonds, we believe total returns will reach +2.5-3.5% by the end of 2021 assuming modest spread tightening and limited credit loss being more than offset by a rise in rates.[7]

Interest rates: We expect LIBOR to remain low given the expectation for continued low short-term rates.[8] A steepening in the yield curve would likely present the biggest risk for US high yield bond investors.

Stable demand for loans and high yield bonds: Although challenging to forecast, we expect relatively stable demand for loans from retail funds following two years of significant outflows from 4Q 2018 through 4Q 2020. Open-end loan funds have historically reacted to changes in expectations for interest rates and, although we do not believe a rate hike will occur in 2021, a steepening of the yield curve could signal change on the horizon, particularly to investors interested in reducing duration. We also expect demand from institutional investors, which comprise a much larger portion of the loan market investor base than retail investors, to be positive based on indications from our institutional clients as well as expectations for continued CLO creation. Demand for high yield bonds from retail funds was strong in 2020 as evidenced by $44.4 billion of net inflows, and we expect this demand to continue into 2021, likely at a more modest pace.[9] Depending on inflation and interest rate expectations, we could see loan inflows begin to outpace high yield inflows if the market begins to price in a rate hike within one year, a consideration that may surface towards the end of 2021.[10]

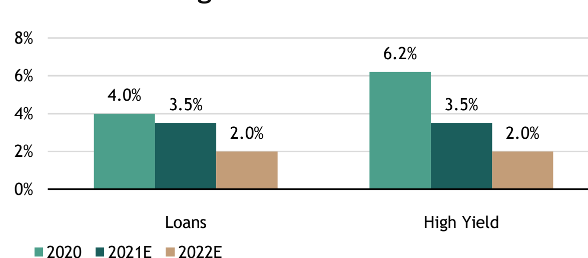
Modest decline in new issue loan and high yield supply: We expect modest declines in both loan and high yield primary issuance in 2021. For loans, we believe 2021 full year gross issuance will reach $275-325 billion, representing a 23-35% decrease from 2020's total of $422 billion. We expect a modest amount of refinancing and repricing activity; however, one of the biggest risks for the loan market is the potential for a more meaningful refinancing/repricing wave. After experiencing a record amount of high yield issuance in 2020 of $450 billion, we expect $350-375 billion of gross issuance in 2021, representing a 17-22% decrease year over year. 2021 would still represent one of the busiest years of primary activity for high yield with a second consecutive year of heavy refinancing activity anticipated.[11]

US Loan and High Yield Issuance ($ bn)



Decline in loan and high yield bond default rates: We expect loan and high yield bond LTM par-weighted default rates, which ended 2020 at 4.0% and 6.2%, respectively, to decrease to 3.5% apiece in 2021.[12] We expect default rates to decrease further to 2% apiece in 2022. This outlook is predicated on a successful roll-out of the COVID-19 vaccine in 2021.

US Loan and High Yield Default Rates



Significant dispersion in recoveries and sector default rates: In both our 2019 and 2020 outlooks, we forecasted an overall decline in average recoveries coupled with greater dispersion among recoveries. This largely materialized, and we expect this trend to continue, primarily due to the outsized proportion of defaults expected from the retail and energy sectors, which have historically experienced lower recoveries, as well as a broad-based loosening of covenant quality. Moreover, our proprietary default risk model and analytics, which we are integrating following our recent acquisition of DCI and incorporate firm level and market-wide information from global equity and credit markets, suggest that although high yield spreads broadly have compressed to pre-COVID levels, probabilities of default remain elevated, particularly in certain sectors. As such, we expect greater return dispersion among underlying loans and bonds in 2021, underscoring the importance of careful credit selection.

Credit issuer upgrades: We expect rating agencies to begin upgrading issuers alongside the improvement in credit fundamentals; however, these upgrades will likely proceed at a much slower rate than the downgrades that occurred in 2020.

Continued spread tightening: We expect the dynamics above to drive both loan and high yield secondary spreads modestly tighter in 2021.

Modest price appreciation for loans and high yield bonds: We expect loan prices to appreciate to levels in-line with their trading range during most of 2017-2019. On the other hand, high yield bond prices have already recovered to $105, almost $4 higher than where they started in 2020. Although nearly two thirds of the US bond market trades above call price, we expect modest price appreciation for high yield bonds given fixed coupons should continue to look attractive in the current low interest rate environment, enticing investors to pay even higher prices for fixed cash flow streams.

We believe that US loan and high yield bond investors remain well compensated for credit risk, especially compared to the Bloomberg Barclays US Aggregate Bond Index, which currently delivers negative real yields. Given the risk for a steepening yield curve, we currently favor loans for investors seeking to reduce duration.

[7] US loans represented by the S&P/LSTA Leveraged Loan Index; US high yield represented by the Bloomberg Barclays High Yield Bond Index. All data and forecasts as of December 31, 2020.
[8] The replacement of LIBOR has been extended to June 2023 for all tenors except 1W and 2M, which will be phased out by the end of 2021.
[9] JP Morgan, Lipper, as of December 30, 2020; includes weekly and monthly reporting funds if reported by December 30, 2020.
[10] Morgan Stanley US Credit Outlook, November 23, 2020.
[11] JP Morgan High Yield Bond and Leveraged Loan Market Monitor for 2020 issuance volumes, January 5, 2021.
[12] JP Morgan Default Monitor for LTM default rate, January 4, 2021.

2021 European Loan and High Yield Outlook

We believe interest earned on European loans and high yield bonds should be the primary driver of returns in 2021, similar to the US. We expect European loan returns to reach +3-5% and high yield returns to reach +3-5% in 2021. This view is predicated on continued spread tightening, modest credit loss, and price appreciation given the strong technical backdrop and improving fundamentals.[13]

+3-5%

2021 European loan return forecast

+3-5%

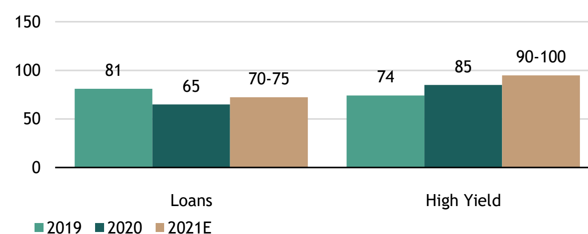
2021 European high yield return forecast

Stable Euro Inter-Bank rates: European central banks created liquid market conditions through unprecedented quantitative easing stimulus packages in 2020 and continue to play a role in the market recovery; however, these programs have yet to materially temper inflation expectations. As a result, we expect Euro Inter-Bank Rates to remain stable in 2021.

Stable demand for loans and high yield bonds: Due to the lack of yield elsewhere in the European credit markets, namely, investment grade bonds, we expect demand for European loans and high yield bonds to continue in 2021. We expect continued demand for loans from institutional investors as they look to increase risk in their portfolios amid minimal expected 2021 loss rates and an increase in European CLO creation year over year. Although difficult to forecast, we expect positive retail demand for high yield bonds in 2021, reversing at least some of the outflows that occurred in 2020. This expectation is also based on our observation that 2020 outflows were primarily from short-duration bond funds, which suffered from redemptions throughout the year as investors viewed them as a low-volatility cash alternative. On the other hand, regular actively managed funds have logged small net inflows in 2020, which is likely an indicator of further demand for the asset class.[14]

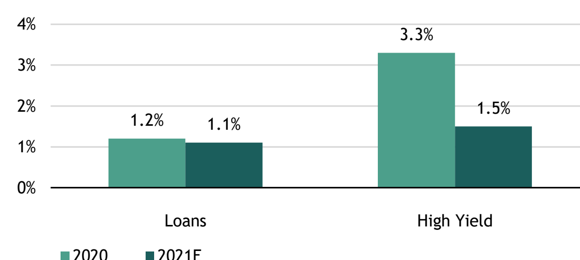
Increase in new issue loan and high yield supply: We expect increases in both European loan and high yield primary issuance in 2021. For loans, we believe 2021 full year gross issuance will reach €70-75 billion, representing an 8-15% increase compared to 2020's issuance levels.[15] We also expect an increase in high yield primary issuance but at a lesser scale given 2020's strong issuance levels. The increase in issuance across loans and high yield bonds will likely be driven by an increase in M&A and refinancing activity encouraged by further market strength. Additionally, the expansion of the high yield universe, driven partially by the wave of fallen angels in 2020, has created a larger base of bonds and issuers from which to drive growth next year. This trend will be partially offset by a decrease in fallen angels / increase in rising stars as the credit cycle improves.[16]

European Loan and High Yield Issuance (€ bn)



Decline in loan and high yield bond default rates: We expect European loan and high yield bond LTM par-weighted default rates, which currently stand at 1.2% and 3.3%, respectively, to decrease to 1.1% and 1.5% in 2021. Our outlook is based on an expectation for continued economic recovery driven by central bank support and vaccine inoculations, limited near-term maturities, and improving credit issuer fundamentals.

European Loan and High Yield Default Rates



Continued spread tightening: As a result of the above supply/demand technicals and default and recovery forecasts, we expect spread tightening across the European loan and high yield markets in 2021 with more significant tightening to occur in high yield bond spreads.

Modest loan price appreciation and stable high yield bond prices: We also expect European loan and high yield prices to appreciate modestly resulting from the above, which would bring prices back up to pre-COVID levels.

We believe that both European loan and high yield bond investors are well compensated for credit risk, particularly in the current low-yielding environment. With European central bank stimulation not yet boosting inflation expectations, we do not expect the low yielding environment to change materially in 2021.

[13] European loans and high yield bonds represented by the Credit Suisse European Leveraged Loan and High Yield Bond Indices. All data and forecasts as of December 31, 2020.
[14] JPM European Credit Outlook & Strategy 2021, November 18, 2020.
[15] LCD, as of December 31, 2020.
[16] Credit Suisse Lev Fin Issuance Expectations 2021, November 25, 2020.

2021 US and European CLO Outlook

We expect the positive momentum in global CLO performance experienced during the second half of 2020 to continue into 2021, particularly in CLO equity which benefits as liability spreads continue to tighten.

115bp

2021 US CLO AAA spread forecast

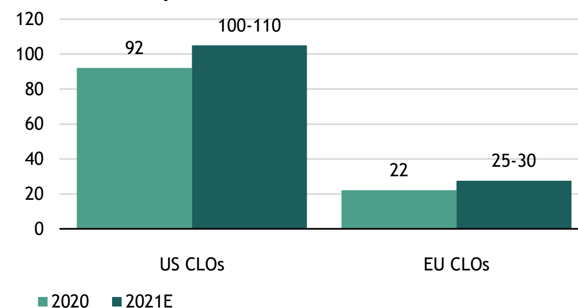
90bp

2021 European CLO AAA spread forecast

Continued spread tightening: As the global credit markets recover further, we expect new issue and secondary CLO spreads to continue to tighten in 2021. Specifically, we expect new issue AAA spreads to tighten to 115bp for US CLOs and 90bp for European CLOs, from 132bp and 105bp, respectively.[17]

Increase in new issue global CLO supply: We expect US and European 2021 CLO issuance to reach $100-110 billion and €25-30 billion, respectively, which represents a 9-19% and 13-36% increase year-over-year.[18] This increase will likely be a result of the continued favorable equity arbitrage as liability spreads continue to tighten alongside a continued improvement in US and European loan fundamentals. Additionally, the health of the primary CLO market should continue to attract new managers as the CLO investor base continues to broaden.

US and European CLO Issuance ($/€ in bn)



Increase in refinancing/reset supply: We also expect an increase in CLO refinancing/reset activity in 2021 given the number of CLOs becoming eligible to reduce their cost of capital. Approximately $102 billion of US CLOs have AAA spreads that are greater than 135bp and €34 billion of European CLOs have AAA spreads greater than 100bp and will exit their non-call period by the end of 2021. These CLOs are potentially viable for a refinancing if CLO spreads continue to tighten, as equity holders and CLO managers seek to lock in longer-term financing at lower rates.[19]

Return of longer reinvestment periods: We expect US and European new issue CLOs to be structured with longer, four and a half or five-year investment periods with two-year non-call term structures in 2021. This CLO structure was the market standard before the COVID-19 induced crisis; however, no deals supported such a reinvestment and non-call period from April through August of last year. Equity investors did not want longer non-call periods because CLO liability spreads had widened significantly, hurting equity returns. In the final quarter of 2020, this longer dated structure reemerged in the US CLO primary market. In Europe, reinvestment periods have increased to four years but have yet to revert back to pre-COVID-19 structures of four and a half years with non-call periods two years in length.[20] Now that primary and secondary CLO liability spreads are approaching early 2020 levels in the US and Europe, we believe longer reinvestment periods will once again become the norm in both regions.

Continued evolution of CLO structures: We believe US and European CLO structures will continue to evolve in 2021, with new issue CLOs continuing to incorporate restructuring workout flexibility into their indentures. In 2020, several new CLOs included this language allowing managers greater flexibility to continue to hold assets and increase capital allocated to these positions in the event of a restructuring. The inclusion of such loss-mitigation loan language and workout loan language is viewed positively given this provides CLO managers with greater flexibility to navigate challenging markets.[21]

CLO equity expected to deliver attractive returns: CLO equity investors own the call options on CLOs and therefore will be able to monetize on the compression of liability spreads that result from CLO refinancings. CLO equity will also receive additional excess interest payments through the LIBOR floor mechanic. As a result, we agree that US CLO equity can achieve total returns of approximately 20% in 2021.[22] We similarly have a positive outlook for European CLO equity returns.

Risks remain despite fundamental improvement: Although there have been fundamental improvements across the loan and CLO markets, uncertainty remains, and we believe the skills of experienced CLO managers have become increasingly more important and that this will continue to drive outperformance in 2021.

Basis of CLO yields remain attractive: We believe that US and European CLO debt and equity tranches provide yield seeking investors with attractive income versus other asset classes.

[17] Barclays CLO and Leveraged Loan Monthly Update, January 5, 2021.
[18] LCD, as of December 31, 2020.
[19] Nomura 2021 CLO Outlook, November 20, 2020; Morgan Stanley 2021 European CLO & ABS Outlook, November 17, 2020.
[20] LCD, US CLO Q4 Review: Market comes full circle in turbulent year, December 17, 2020.
[21] Moody's 2021 US and European CLO Outlooks, December 1, 2020.
[22] Morgan Stanley 2021 Securitized Outlook, November 18, 2020.

2021 US Investment Grade Outlook

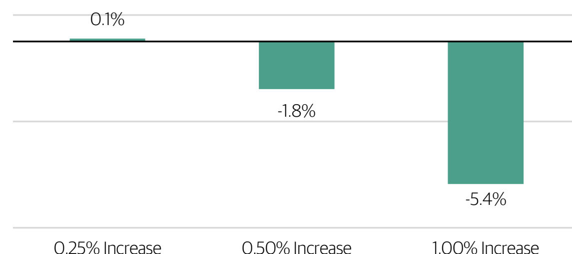
We expect a combination of modest spread widening and a continued back up in rates to drag on investment grade bond performance in 2021. Accordingly, we are expecting full year returns in the -2-3% range, which includes our expectation that the Federal Reserve will increase purchases of longer dated bonds.[23]

-2-3%

2021 US IG return forecast

Interest rates: Investment grade corporates, which are more sensitive to duration than loans or high yield, have already experienced some pressure in the longer dated segment given the steepening of the Treasury curve in January. Our investment grade forecast assumes a modest steepening of the yield curve, but to the extent rates shift meaningfully higher during 2021, the negative impact on returns could be significant. Illustratively, we estimate that a 1.00% parallel upward shift of the yield curve, which would imply a 1.9% yield on the 10-year Treasury at year-end 2021, would result in an approximate -5.4% total return before any normalization in spread. It is worth noting that spreads on investment grade bonds were 45bp tighter than their 10-year average of 138bp at the beginning of 2021.[24]

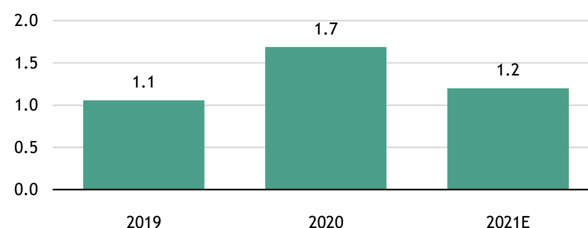
Sensitivity of US Investment Grade Returns to Higher Rates



Muted demand for investment grade bonds: Retail flows into investment grade funds surged to a record high of $211 billion in 2020, and we do not expect 2021 flows to match this level given many investment grade bonds are currently delivering marginal or even negative real yields.[25] However, we do expect the Federal Reserve to increase the pace of bond purchases in an effort to reduce the impact of higher rates.

Modest decline in new issue investment grade supply: We expect investment grade primary issuance in 2021 to total $1.2 trillion, representing a 29% decrease year over year but still a very active year of issuance compared to previous years. We expect a rebound in M&A activity in 2021 driven by low funding costs and a bullish forward economic outlook.[26]

US Investment Grade Issuance ($ tr)



Credit issuer upgrades: We expect rating agencies to begin upgrading issuers resulting in a pick-up in rising star volumes in 2021 following the nearly $200 billion of fallen angels that exited the investment grade universe in 2020. However, we expect the rising stars to re-enter the asset class at a much slower pace.

Spread widening: We expect modest spread widening to occur in investment grade bonds in the secondary market. This will likely be largely driven by technical selling pressure offset slightly by mandatory purchases of rising stars by index funds as they re-inter the investable universe.

Modest price decrease for investment grade bonds: Due to our expectation for both spread widening and continued rate moves, we expect investment grade bond prices to decrease throughout the year.

[23] US investment grade represented by the Bloomberg Barclays Corporate Bond Index. All data and forecasts as of December 31, 2020.
[24] Reflects illustrative returns calculated using Bloomberg PORT to estimate the impact of parallel, upward shifts in the Treasury curve during 2021 on the Bloomberg Barclays US Corporate Bond Index, while holding other factors constant.
[25] Credit Suisse Credit Strategy Daily (IG 2020 Recap), January 5, 2021.
[26] JP Morgan High Grade Bond Issuance Forecasts, November 13, 2020.

Important Disclosure Information

This document has been prepared for informational purposes only about Blackstone's credit focused business group (together with its affiliates, "Blackstone Credit") and it does not constitute an offer to sell, or a solicitation of an offer to buy, any investment in, or to participate in any trading strategy with Blackstone Credit or any fund or account managed, advised or sponsored by Blackstone Credit (each, a "Fund"). Any offering would only be made to qualifying investors through a separate investment management agreement for a Fund as it may be amended or supplemented from time to time and the governing and operating documents for a Fund (together, the "Operative Documents"). The Operative Documents contain material information (including a discussion of potential conflicts of interest) not contained in this document, and supersedes and qualifies in its entirety the information set forth herein. Any decision to invest in, or withdraw from, a Fund should be made after reviewing the appropriate Operative Documents, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of the investment. Risks associated with investment in a Fund include, without limitation, illiquidity of an investment, risk of default of the underlying debt instrument and risk of loss of principal.

This document is based on information which is otherwise publicly available and, whilst Blackstone Credit uses reasonable efforts to ensure the information is accurate and up to date, no representations or warranties are given as to the reliability, accuracy or completeness of the information. While such information is believed to be reliable for the purpose used herein, Blackstone Credit does not accept any liability for any loss or damage which may arise directly or indirectly from any use of or reliance on such information. The information presented herein is as of the date of preparation unless otherwise indicated and Blackstone Credit is under no obligation to, and shall not, provide updates to the information contained herein.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document is for informational purposes only and does not constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering or investment. It does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase any investment nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document by Blackstone Credit, Blackstone, any Fund, or any of their respective directors, officers, managers, shareholders, partners, members or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions. Tax considerations, margin requirements, commissions and other transaction costs may significantly affect the economic consequences of any transaction concepts referenced in this commentary and should be reviewed carefully with one's investment and tax advisors. Blackstone and others associated with it may have positions in and effect transactions in securities of companies mentioned or indirectly referenced in this commentary and may also perform or seek to perform services for those companies. Investment concepts mentioned in this commentary may be unsuitable for investors depending on their specific investment objectives and financial position.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY SOLELY ON THEIR OWN EXAMINATION OF THE RELEVANT FUND AND THE TERMS OF THE APPLICABLE OPERATIVE DOCUMENTS, INCLUDING THE MERITS AND RISKS INVOLVED, AND NOT ON ANY INFORMATION OR REPRESENTATION MADE OR ALLEDGED TO HAVE BEEN MADE HEREIN OR OTHERWISE.

To the extent that this document contains third party data or information (including, without limitation S&P Credit Ratings) (collectively "Content"), neither Blackstone nor the applicable third party content provider(s) ("Blackstone Parties") guarantee the accuracy, completeness, timeliness or availability of any Content, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the access or use of such Content. In no event shall the Blackstone Parties be liable for any damages, costs, expenses, legal fees or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. Please read the complete disclaimer with respect to S&P Credit Ratings: http://www.standardandpoors.com/en_US/web/guest/regulatory/legal-disclaimers.

The views expressed herein are the personal views of the authors, and do not necessarily reflect the views of Blackstone (as herein defined) or Blackstone Credit (as herein defined). The views expressed reflect the current views of the authors as of the date hereof and the authors Blackstone, and Blackstone Credit each undertake no responsibility to advise you of any changes in the views expressed herein.

ERISA Fiduciary Disclosure. The foregoing information has not been provided in a fiduciary capacity under ERISA, and it is not intended to be, and should not be considered as, impartial investment advice.

For more information about how Blackstone collects, uses, stores and processes your personal information, please see our Privacy Policy here: http://go.pardot.com/e/213192/privacy/68f9x/182811975?h=L3PDlTnbE2h0R6yw-jpiXWquHwiOdKAOzy99H3DK9f8.

Certain countries have been susceptible to epidemics, most recently COVID-19, which may be designated as pandemics by world health authorities. 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 Funds invest), and thereby is expected to adversely affect the performance of the Funds' 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 Funds and the performance of their Investments.

Blackstone Securities Partners L.P. ("BSP") is a broker-dealer whose purpose is to distribute Blackstone managed or affiliated products. BSP provides services to its Blackstone affiliates, not to investors in its funds, strategies or other products. BSP does not make any recommendation regarding, and will not monitor, any investment. As such, when BSP presents an investment strategy or product to an investor, BSP does not collect the information necessary to determine—and BSP does not engage in a determination regarding—whether an investment in the strategy or product is in the best interests of, or is suitable for, the investor. You should exercise your own judgment and/or consult with a professional advisor to determine whether it is advisable for you to invest in any Blackstone strategy or product. Please note that BSP may not provide the kinds of financial services that you might expect from another financial intermediary, such as overseeing any brokerage or similar account. For financial advice relating to an investment in any Blackstone strategy or product, contact your own professional advisor.