FOR PROFESSIONAL INVESTORS/ QUALIFIED INVESTORS USE ONLY.
NOT FOR DISTRIBUTION TO RETAIL OR UNQUALIFIED INVESTORS.

Blackstone Credit

CREDIT INSIGHTS

August 2022 Market Commentary

- **Credit markets weaken after summer rally as central banks stay hawkish**
- **ECB, Fed continue to hike rates**
- **Loans outperform equity and debt markets**
- **Eyes turn to expected return of primary supply post Labor Day**

Performance Overview

Global credit markets began August in fine spirits, building on the broad-based recovery underway since the beginning of July. Prices rallied and spreads contracted from June's wides, and the lower-than-expected July US CPI release bolstered the growing consensus that inflation may have peaked, giving the green light for investors to add risk.

However, the rally lost steam with the return of volatility during the second half of the month and as the Fed pushed back on premature expectations for a dovish pivot. Previous gains were erased to leave returns across most credit markets back in negative territory for the month and the year-to-date period.

Fed Chairman Powell's Jackson Hole speech left little ambiguity over the Fed's ongoing commitment to tighter monetary policy. Meanwhile the still-strong labor market,[1] and a stronger than expected August CPI report,[2] provided further impetus for another 75bp hike in September.

In Europe, the ECB hiked by 75bp in early September[3] and additional hikes are expected to follow after CPI jumped 9.1% from last August, led by energy and food.[4] Higher inflation comes against a weakening economic backdrop amid the intensifying energy and cost of living crises.

Performance weakened across equities and debt alike in August. The S&P 500 fell by 4.1% and is now down 16% for the year.[5] The 10-year Treasury yield closed at 3.19%, 62bp wider since the start of the month as rising rates moved back into focus.[6] The inverted Treasury yield curve continues to signal a recession with the 2-year Treasury yield closing the month at 3.48%.[7]

After a strong first half of the month, where high yield bonds outperformed other credit markets, gains quickly vanished. By month end, US and European loans were the only credit market to post a positive return for August.[8]

Moves across credit markets were exacerbated by thin liquidity and trading volumes as the summer slowdown took hold.

Corporate performance through the second quarter earnings cycle proved better-than-feared as companies showed their ability to use strong forward momentum to push through higher prices to customers on more units to grow revenues.

Three new bankruptcies and one distressed exchange pushed the US high yield bond and loan LTM default rates to 1.20% and 1.36%, respectively in August.[9] The first eight months' combined total of $32.5 billion defaults/distressed exchanges is more than double last year's full-year $13.9 billion, (a 14-year low) but remains below the average annual total recorded from 2014 through 2020.[10]

In Europe, the trailing 12-month par default rate remained at 0.0% for high yield and rose to 0.6% (from 0.2%) for loans, respectively through month end.[11]

Market Stats (as of August 31, 2022)[12]

	August	QTD	YTD
S&P / LSTA U.S. Leveraged Loan Index	1.54%	3.72%	-1.01%
Bloomberg U.S. Corporate Investment Grade Index	-2.93%	0.21%	-14.21%
Bloomberg U.S. High Yield Index	-2.30%	3.46%	-11.22%
Credit Suisse Western European Leveraged Loan Index	1.91%	4.33%	-2.74%
Credit Suisse Western European High Yield Index	-1.10%	2.55%	-12.09%
S&P 500	-4.24%	4.48%	-17.02%
Euro Stoxx 50	-5.15%	1.81%	-18.17%

Past performance is not necessarily indicative of future results.

Market Stats (cont'd) (as of August 31, 2022)

	Spread			Yield/Yield w. Forward Rates			Price		
	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD
U.S. Loans	496	(18)	85	7.37%/ 8.30%	0.24% / (0.1%)	3.17%/ 2.5%	$ 94.56	$ 0.92	$ (4.08)
U.S. HY	484	15	201	8.45%	0.68%	3.59%	$ 87.93	$ (2.49)	$ (15.63)
EU Loans	595	(56)	182	4.96%/ 8.63%	0.20%/ (0.47%)	1.11%/ 2.89%	€ 93.51	€ 1.40	€ (5.20)
EU HY	583	(37)	223	7.56%	0.43%	3.80%	€ 87.50	€ (1.38)	€ (12.73)

US Investment Grade Market

Spreads tightened and supply roared back with the early month rally in investment grade bonds, although despite the better start the second-half retrenchment meant that both month-to-date and year-to-date returns recorded a loss of -2.93% and -14.21% respectively.[13]

Investment grade bond yields drifted with rates, leaving the index yield to worst at 4.83% and spreads at around 140bp by the end of the month up from 4.39% and 130bp respectively mid-month.[14] Illiquidity exacerbated the move wider during the second half of the August.

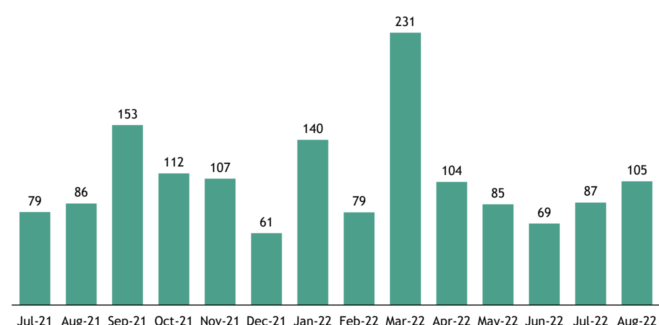
The investment grade market experienced its busiest week of issuance since March at the start of the month as issuers made full use of the improved conditions to price a total of $104 billion of new deals in August. It's just the third time August issuance has moved above $100 billion in a decade.[15]

YTD issuance now totals $898.7 billion, just 4% behind the same period last year.[16] Looking to September supply is expected to pick up quickly as issuers bring out deals ahead of the next Fed hike.

On the demand side, investment grade retail funds snapped an 18-week record streak of outflows with three straight weeks of inflows through August 20.[17]

By sector, Metals and Energy outperformed in August, while TMT and Healthcare underperformed. Higher quality bonds underperformed in August.[18] The inverted yield curve ensured a steady bid for the front end, while bonds at the longer end underperformed. [19]

US Investment Grade Supply Roars Back in August[20] (Bn)



US Loan and High Yield Markets

Having underperformed high yield in July, loans outperformed in August, returning 1.54% for the month and recouping much of the loss incurred during May and June. While the market is still posting a -1.01% loss for the year-to-date period, it's significantly improved from the 4.90% loss logged through July 6.[21]

Average loan prices rallied nearly 4 points to $95.5 by mid-August from July's low, helped by demand from ramping CLOs, before easing back slightly by month end.[22] The rally pushed 65.4% of the loan market above $96, compared to 49.01% at the start of the month and just 14% in early July.[23]

Single B loans outperformed other ratings buckets in August, while from a sector perspective Building Products outperformed, while Pharmaceuticals underperformed.[24]

After chalking up a return of 7.57% from July through mid-August, high yield performance weakened considerably ending the month with a 2.30% loss.[25]

Following the summer rally average high yield prices lost more than three points to end the month at $87.93.[26] Spreads widened to 484bp by the end of August although remain inside wides of 586bp at the end of June.[27]

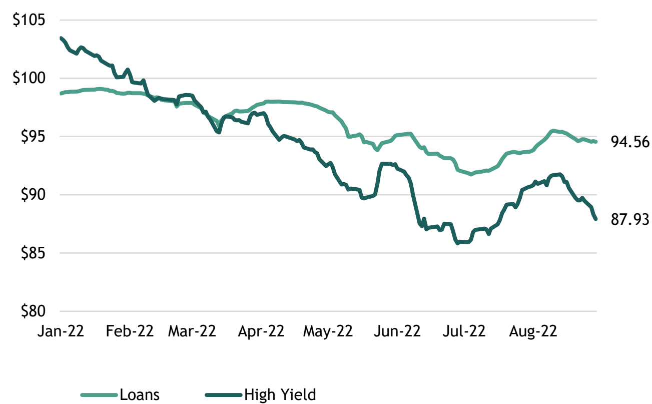
Lower-rated bonds outperformed such that CCCs eked out a positive return for the month compared to Bs and BBs, which posted a loss.[28] Metals/Mining outperformed while Cable/Satellite lagged in both markets.[29]

The improved backdrop enticed some high yield issuers back to market boosting August volume to $8.1 billion from $1.8 billion in July. The year-to-date tally continues to trail last year by 78%.[30] In loans, new issue activity declined as

Past performance is not necessarily indicative of future results.

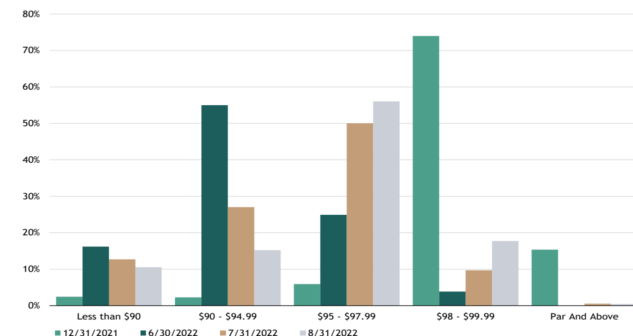
the month progressed leaving August volume at $7.5 billion and year to date issuance lagging last year by 38%.[31]

US Loan and HY Prices Since Start of 2022[32]



On the demand side, high yield retail funds experienced their second largest outflow of the year late month, reversing a four-week run of inflows, and driven by ETFs. Loan retail funds experienced a brief inflow mid-month, snapping a 10-week streak of outflows, before outflows resumed again. That's whittled away this year's overall inflow to $8.33 billion compared with over than $24 billion at the end of April.[33]

US Loan Price Buckets Throughout the Year[34]



European Loan and High Yield Markets

European markets were characterized by muted new issue supply and trading activity in August.

Europe's energy crisis — combined with hawkish signaling from the ECB— triggered a fresh wave of outflows from European high-yield funds in the final week of August, pushing the iTraxx Crossover back out to July levels at 572.[35] A hotter-than-expected UK inflation release, which rose 10.1% in July, also raised the prospect of additional BoE rate action this year.

After a strong start high yield came under renewed pressure during the second half of the month as rates moved wider. The rally through mid-August produced a gain of 1.03% by mid-month, which reduced the year's losses to -9.40% from the lows of -15.05% in early July.[36] However, by month end those gains turned to a loss of -1.10% for August and -12.09% in the year-to-date period.[37]

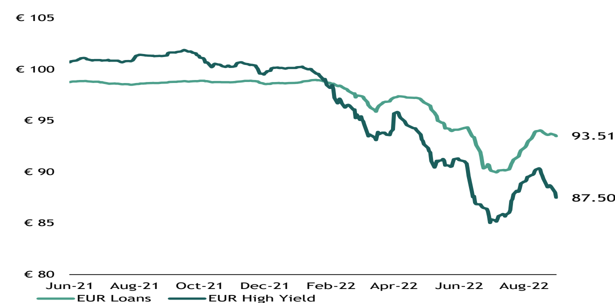
High yield prices had weakened to €87.5 by the end of the month, following a 5-point rally to €90.37 in mid-August, from the end of June. It was a different story with spreads, which ended the month 32bp inside where they started, at 583bp.[38]

Credits at the longer end of the duration curve came under most pressure, including those in the TMT, Cable and Healthcare sectors.[39] Prices also pivoted on earnings, with companies rewarded or punished for beats and misses.

Like their US counterparts, European loans outperformed in August as demand from ramping CLOs supported prices in the absence of primary supply.

Returns ended the month with a gain of 1.91%, helping to reduce the year's total return loss to -2.72% from -6.78% at the end of June.[40]

European Loan and High Yield Prices Rally In July, Dip in August[41]



Average prices strengthened by just over a point to €93.51 from July month end, while spreads were essentially unchanged.[42] Lower-priced credits outperformed due to CLOs looking to build par, while accounts lightened up on higher priced credits to make room for new supply in September.[43]

Primary supply was limited. Issuers priced just €1.56 billion of loans in August, while no new high-yield deals surfaced. Through the end of August total loan volumes stood at €37.1 billion and high yield at €16.5 billion, compared with €95.9 billion and €87.5 billion respectively in the same period last year.[44]

Past performance is not necessarily indicative of future results.

US and European CLO Markets

Supply eased and liability spreads contracted in August, finally catching up with the broader market rally since early July. Performance improved as a result, with the CLOIE index posting a positive return of 0.90% for August, outperforming US investment grade and high yield corporates, while underperforming US Loans.[45]

Performance was positive across all ratings categories, with CLO BBs leading the pack at 2.98%.[46]

Issuance fell amid the summer slowdown and a worsening CLO arbitrage dynamic, so that August's $7.63 billion of US supply was the lowest since January.[47] European CLO issuers remained active pricing €1.89 billion of new transactions.[48] In both regions the respective year-to-date supply trails the same period last year by 17%.[49]

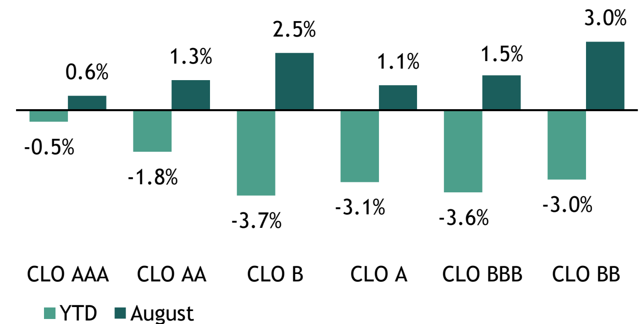
Liability spreads improved over the month, reducing the weighted average cost of capital ("WACC") for new transactions in both regions. Spreads declined across the stack in the US, while in Europe the decline was pronounced for BBB-rated and below debt in Europe, with AAA spreads still increasing month on month.[50]

The WACC for US CLOs reduced to 279bp by month end, while in Europe funding costs narrowed to 330bp.[51]

In the US, price talk came at around S+190 for several deals late month, compared to the mid-200bp range for some managers earlier in August. Price tiering remains a feature of the new issue market.

Despite reduced funding costs, the CLO arbitrage dynamic remains in question given the higher prices on loan assets.

US CLOs Post Positive Returns in August [52]



European CLO equity distributions stayed strong for over the third quarter, although they weakened for US CLOs,[53] as heightened interest rate volatility pushes loan issuers to switch to one-month SOFR/LIBOR (from three months).[54] That has increased the asset/liability rate mismatch risk in vehicles given CLO liabilities pay over a three-month base rate.

Past performance is not necessarily indicative of future results.

Market Outlook

Macro factors are likely to remain a key driver of global credit markets as we move into the final stretch of 2022. Inflationary pressures remain high globally, while recession risk has moved front and center highlighted by the ongoing yield curve inversion and a downtrend in leading economic indicators, which has kept the pressure on risk assets.

Despite this, we continue to see some near-term momentum in the economy given positive corporate profits growth, still-tight labor markets, and strong household/corporate balance sheets.

Jackson Hole dampened any wishful thinking for a quick end to the US hiking cycle. Policy makers instead signaled the need for rates to rise further, which they did in September, and likely remain elevated over an extended period to calm inflation.

Russia's renewed shutdown of the Nord Stream 1 pipeline and gas supply to Europe intensifies the energy crisis, while continuing to stoke inflationary pressures in the region. A coordinated EU intervention in the form of price caps or support for corporates and consumers is expected to bring some relief, and gas prices have already eased. However, the current macro backdrop remains challenging given additional concerns around exposure to China, ongoing political upheaval, and uncertainty around economic growth.[55]

By the end of August markets had priced in more than 200bp of hikes for the ECB and BoE through to the middle of 2023,[56] potentially resulting in one of the most coordinated global tightening cycles in decades in the battle against red-hot inflation.[57]

We anticipate additional volatility as the market digests higher rates but remain of the view that in markets such as these, it is vital to take advantage of opportunities as they arise. For example, the summer rally enabled investors to take risk off the table at higher prices and re-adjust portfolios that had been jarred since Russia's invasion of Ukraine.

The ongoing weakness is less helpful for banks hoping for calmer markets to clear the more than $80 billion[58] of debt funded leveraged buyout mandates underwritten across the US and Europe that were setting on their books as September got underway. Investors are proving more selective given the myriad headwinds facing markets, and while several large deals have now cleared the market, they have done so at steeper discounts than anticipated, leaving banks shouldering additional underwriting losses.

Any success in clearing deals could free up banks to make commitments to new financings, creating a more favorable supply/demand technical in the secondary market given the relatively light calendar for the rest of the year. Of course, markets have rarely played ball this year and any further weakness could require banks to seek other solutions, including working with private debt investors.

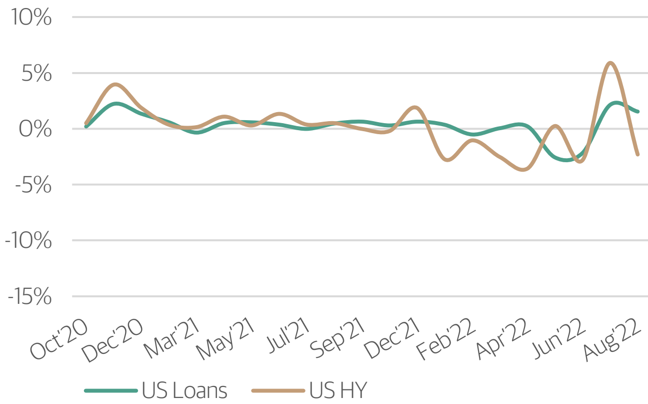
Perhaps the one certainty is that the investment environment is likely to remain challenging for some time to come. But as Blackstone President Jon Gray noted in a recent update, we have confidence in our approach, and our discipline has never been higher. We continue to believe we are well positioned for the inflationary environment given most debt investments across our corporate credit portfolio are floating rate, and so are set to benefit from rising rates.

Past performance is not necessarily indicative of future results.

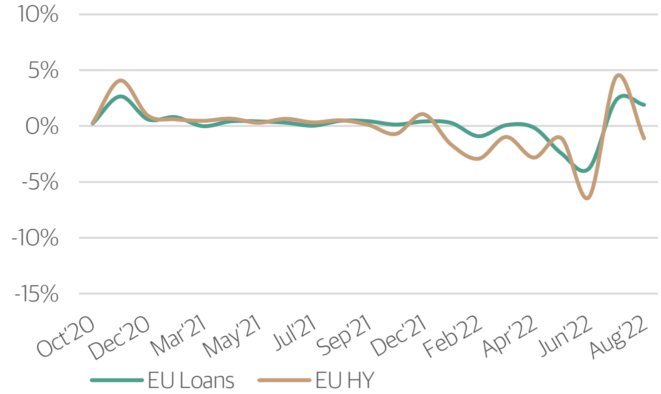
Market Snapshot

(As of August 31, 2022)[59]

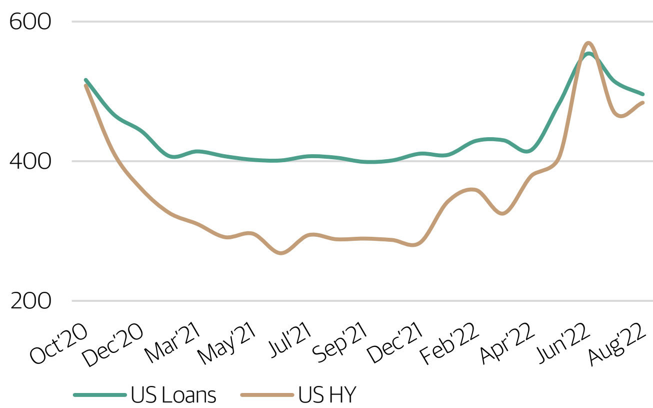
US Credit Monthly Return



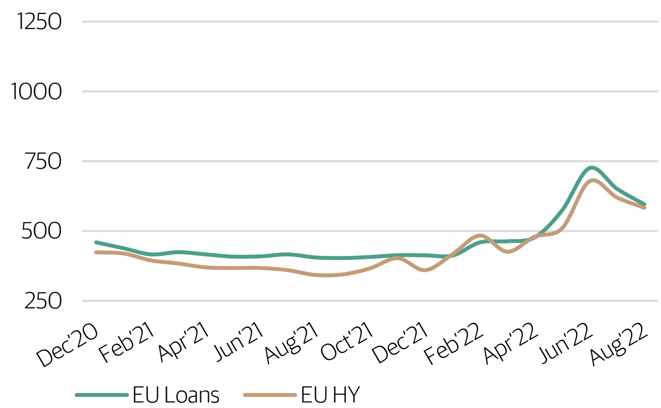
EU Credit Monthly Return



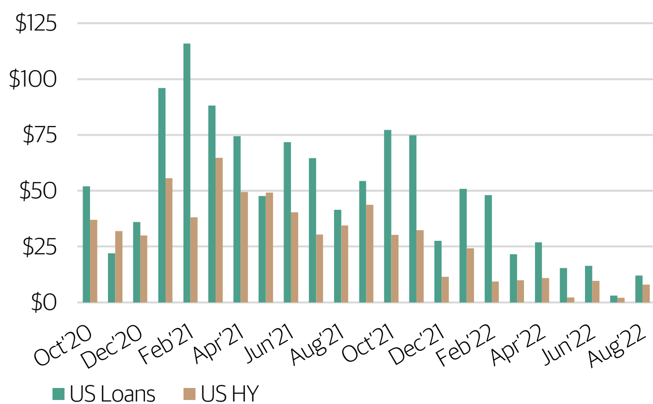
US Credit Spreads (in bp)



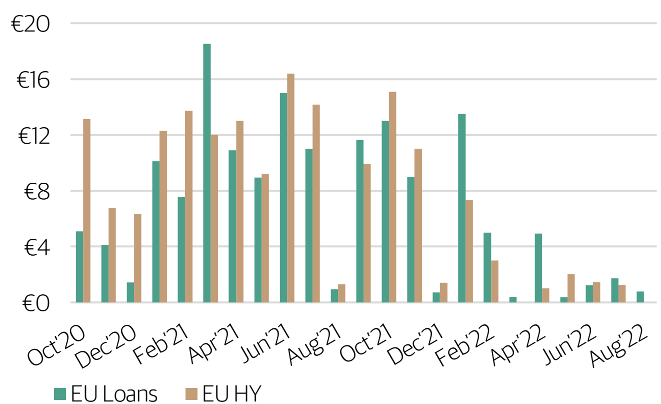
EU Credit Spreads (in bp)



US Credit Issuance ($ in billions)



EU Credit Issuance (€ in billions)



Past performance is not necessarily indicative of future results.

Key Risk Factors

In considering any investment performance information contained in the Materials, **prospective investors should bear in mind that past or estimated performance is not necessarily indicative of future results** and there can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met.

Conflicts of Interest. There may be occasions when a Fund's general partner and/or the investment advisor, and their affiliates will encounter potential conflicts of interest in connection with such Fund's activities including, without limitation, the allocation of investment opportunities, relationships with Blackstone's and its affiliates' investment banking and advisory clients, and the diverse interests of such Fund's limited partner group. There can be no assurance that the Sponsor will identify, mitigate, or resolve all conflicts of interest in a manner that is favorable to the Partnership.

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 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.

Diversification; Potential Lack Thereof. Diversification is not a guarantee of either a return or protection against loss in declining markets. The number of investments which a Fund makes may be limited, which would cause the Fund's investments to be more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect thereto. There is no assurance that any of the Fund's investments will perform well or even return capital; if certain investments perform unfavorably, for the Fund to achieve above-average returns, one or a few of its investments must perform very well. There is no assurance that this will be the case. In addition, certain geographic regions and/or industries in which the Fund is heavily invested may be more adversely affected from economic pressures when compared to other geographic regions and/or industries.

Forward-Looking Statements. Certain information contained in the Materials constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology or the negatives thereof. These may include financial estimates and their underlying assumptions, statements about plans, objectives and expectations with respect to future operations, and statements regarding future performance. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. Blackstone believes these factors include but are not limited to those described under the section entitled "Risk Factors" in its Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and any such updated factors included in its periodic filings with the Securities and Exchange Commission, which are accessible on the SEC's website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in the Materials and in the filings. Blackstone undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Highly Competitive Market for Investment Opportunities. The activity of identifying, completing and realizing attractive investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that a Fund will be able to locate, consummate and exit investments that satisfy its objectives or realize upon their values or that a Fund will be able to fully invest its committed capital. There is no guarantee that investment opportunities will be allocated to a Fund and/or that the activities of Blackstone's other funds will not adversely affect the interests of such Fund.

Illiquidity and Variable Valuation. There is no organized secondary market for investors' interests in any Fund nor is there an organized market for which to sell a Fund's underlying investments, and none is expected to develop. Withdrawal and transfer of interests in a Fund are subject to various restrictions, and similar restrictions will apply in respect of the Fund's underlying investments. Further, the valuation of a Fund's investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such investments, from values placed on such investments by other investors and from prices at which such investments may ultimately be sold.

Leverage; Borrowings Under a Subscription Facility. A Fund may use leverage, and a Fund may utilize borrowings from Blackstone Inc. or under its subscription-based credit facility in advance of or in lieu of receiving investors' capital contributions. The use of leverage or borrowings magnifies investment, market and certain other risks and may be significant. A Fund's performance will be affected by the availability and terms of any leverage as such leverage will enhance returns from investments to the extent such returns exceed the costs of borrowings by such Fund. The leveraged capital structure of such assets will increase their exposure to certain factors such as rising interest rates, downturns in the economy, or deterioration in the financial condition of such assets or industry. In the event an investment cannot generate adequate cash flow to meet its debt service, a Fund may suffer a partial or total loss of capital invested in the investment, which may adversely affect the returns of such Fund.

Past performance is not necessarily indicative of future results.

Material, Non-Public Information. In connection with other activities of Blackstone, certain Blackstone personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities, including on a Fund's behalf. As such, a Fund may not be able to initiate a transaction or sell an investment. In addition, policies and procedures maintained by Blackstone to deter the inappropriate sharing of material non-public information may limit the ability of Blackstone personnel to share information with personnel in Blackstone's other business groups, which may ultimately reduce the positive synergies expected to be realized by a Fund as part of the broader Blackstone investment platform.

No Assurance of Investment Return. Prospective investors should be aware that an investment in a Fund is speculative and involves a high degree of risk. There can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met (or that the returns will be commensurate with the risks of investing in the type of transactions described herein). The portfolio companies in which a Fund may invest (directly or indirectly) are speculative investments and will be subject to significant business and financial risks. A Fund's performance may be volatile. An investment should only be considered by sophisticated investors who can afford to lose all or a substantial amount of their investment. A Fund's fees and expenses may offset or exceed its profits.

Reliance on Key Management Personnel. The success of a Fund will depend, in large part, upon the skill and expertise of certain Blackstone professionals. In the event of the death, disability or departure of any key Blackstone professionals, the business and the performance of a Fund may be adversely affected. Some Blackstone professionals may have other responsibilities, including senior management responsibilities, throughout Blackstone and, therefore, conflicts are expected to arise in the allocation of such personnel's time (including as a result of such personnel deriving financial benefit from these other activities, including fees and performance-based compensation).

Russian Invasion of Ukraine. On February 24, 2022, Russian troops began a full-scale invasion of Ukraine and, as of the date of this Material, the countries remain in active armed conflict. Around the same time, the United States, the United Kingdom, the European Union, and several other nations announced a broad array of new or expanded sanctions, export controls, and other measures against Russia, Russia-backed separatist regions in Ukraine, and certain banks, companies, government officials, and other individuals in Russia and Belarus. The ongoing conflict and the rapidly evolving measures in response could be expected to have a negative impact on the economy and business activity globally (including in the countries in which the Fund invests), and therefore could adversely affect the performance of the Fund's investments. The severity and duration of the conflict and its impact on global economic and market conditions are impossible to predict, and as a result, could present material uncertainty and risk with respect to the Fund and the performance of its investments and operations, and the ability of the Fund to achieve its investment objectives. Similar risks will exist to the extent that any portfolio entities, service providers, vendors or certain other parties have material operations or assets in Russia, Ukraine, Belarus, or the immediate surrounding areas.

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

Past performance is not necessarily indicative of future results.

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 ALLEGED 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_U.S./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.

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.

EEA & UK. Issued by The Blackstone Group International Partners LLP ("BGIP"), which is authorised and regulated by the Financial Conduct Authority (firm reference number 520839) in the United Kingdom. This communication is directed only at persons: (a) who are "Professional Clients" as defined in the Glossary to the UK Financial Conduct Authority Handbook; or (b) to whom it may otherwise lawfully be communicated. It is intended only for the person to whom it has been sent and must not be distributed onward.

So far as relevant, the only clients of BGIP are its affiliates. No investor or prospective investor is a client of BGIP and BGIP is not responsible for providing them with the protections afforded to clients. Investors and prospective investors should take their own independent investment, tax and legal advice as they think fit. No person representing BGIP is entitled to lead investors to believe otherwise.

If communicated in Belgium, Denmark, Finland, the Republic of Ireland, Lichtenstein or Norway, to per se Professional Clients or Eligible Counterparties for the purposes of the European Union Markets in Financial Instruments Directive (Directive 2014/65/EU), this communication is made by The Blackstone Group International Partners LLP ("BGIP") of 40 Berkeley Square, London, W1J 5AL (registration number OC352581), which is authorised and regulated by the Financial Conduct Authority (firm reference number 520839) in the United Kingdom and which maintains appropriate licences in other relevant jurisdictions.

If communicated in any other state of the European Economic Area or to elective Professional Clients for the purposes of the European Union Markets in Financial Instruments Directive (Directive 2014/65/EU), this communication is made by Blackstone Europe Fund Management S.à r.l. ("BEFM") of 2-4 Rue Eugène Ruppert, L-2453, Luxembourg (registration number B212124), which is authorized by the Luxembourg Commission de Surveillance du Secteur Financier (reference number A00001974).

This communication is exclusively for use by persons identified above and must not be distributed to retail clients. It is intended only for the person to whom it has been sent and must not be distributed onward.

This communication does not constitute a solicitation to buy any security or instrument, or a solicitation of interest in any Blackstone fund, account or strategy. The content of this communication should not be construed as legal, tax or investment advice.

Switzerland. Issued by The Blackstone Group International Partners LLP ("BGIP"), which is authorised and regulated by the Financial Conduct Authority (firm reference number 520839) in the United Kingdom. This communication is exclusively directed at Qualified Investors as defined in article 10 3 of the Swiss Federal Act on Collective Investment Schemes CISA.

BXC202208203S

Past performance is not necessarily indicative of future results.

Approved for professional and qualified investors in: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden, Jersey, UK, Switzerland.

---

[1] Bloomberg News, 'US Jobs Data Have Potential to Push Fed Toward Third Jumbo Hike,' September 1, 2022.
[2] Bloomberg News, September 13, 2022.
[3] Blackstone Credit, GS Economics Research, August 31, 2022.
[4] Bloomberg News, August 31, 2022.
[5] The S&P 500, Bloomberg, September 1, 2022.
[6] CS Credit Research, August 31, 2022.
[7] Blackstone Credit, August 31, 2022.
[8] Bloomberg US Corporate Index, Morningstar LSTA US Leveraged Loan Index, Bloomberg High Yield Corporate Index, September 1, 2022.
[9] JP Morgan Default Monitor, September 1, 2022.
[10] JP Morgan Default Monitor, September 1, 2022.
[11] Credit Suisse Default Statistics, September 13, 2022.
[12] The volatility and risk profile of the indices presented is likely to be materially different from that of a Fund. In addition, the indices employ different investment guidelines and criteria than a Fund and do not employ leverage; as a result, the holdings in a Fund and the liquidity of such holdings may differ significantly from the securities that comprise the indices. Loan YTM (Forward Libor/SOFR) reflects spread to maturity (S&P/LCD) plus 3 year swap to 3-month USD Libor/SOFR (Bloomberg).
[13] Bloomberg Corporate Index, September 1, 2022.
[14] Bloomberg Corporate Index, September 1, 2022.
[15] Pitchbook LCD, September 1, 2022.
[16] Pitchbook LCD, September 1, 2022.
[17] Blackstone Credit, August 20, 2022.
[18] CS Credit Strategy Daily Comment, September 6, 2022.
[19] Blackstone Credit, August 20, 2022.
[20] LCD, August 31, 2022
[21] Morningstar LSTA US Leveraged Loan Index, September 1, 2022.
[22] Morningstar LSTA US Leveraged Loan Index, September 1, 2022.
[23] JP Morgan Research, August 31, 2022.
[24] Pitchbook LCD, September 1, 2022.
[25] Bloomberg High Yield Corporate Index, September 1, 2022.
[26] Bloomberg High Yield Index, August 16, 2022.
[27] Bloomberg High Yield Index, August 16, 2022.
[28] Bloomberg High Yield Index, August 16, 2022.
[29] JP Morgan August 31, 2022.
[30] Pitchbook LCD, September 1, 2022.
[31] Pitchbook LCD, September 1, 2022.
[32] S&P/LSTA Leveraged Loan Index, Bloomberg High Yield Index, as of August 31, 2022.
[33] Lipper/Pitchbook LCD, September 1, 2022.
[34] LCD, August 31, 2022.
[35] Pitchbook LCD, August 30, 2022.
[36] CS European High Yield Index, September 1, 2022.
[37] CS European High Yield Index, September 1, 2022.
[38] CS European High Yield Index, September 1, 2022.
[39] CS European High Yield Index, September 1, 2022.
[40] CS WELLI, September 1, 2022.
[41] CS Western European Leveraged Loan Index and CS Western European High Yield Index, August 31, 2022.
[42] CS WELLI, September 1, 2022.
[43] Blackstone Credit, August 2022.
[44] Pitchbook LCD, September 1, 2022.
[45] JP Morgan CLOIE Index, September 1, 2022.
[46] JP Morgan CLOIE Index, September 1, 2022.
[47] LCD CLO Databank, September 1, 2022.
[48] LCD CLO Databank, September 1, 2022.
[49] LCD CLO Databank, September 1, 2022.
[50] Barclays CLO & Leveraged Loan Monthly Update, September 2, 2022.
[51] Barclays CLO & Leveraged Loan Monthly Update, September 2, 2022.
[52] JP Morgan CLOIE Index, September 1, 2022
[53] Barclays Research, 3Q Equity Distributions – The Tides are Turning, August 19, 2022.
[54] Barclays Credit Alpha, August 19, 2022.
[55] Barclays European Credit Alpha, September 2, 2022.
[56] Barclays European Credit Alpha, September 2, 2022.
[57] Blackstone Investment Strategy, September 2, 2022.
[58] Blackstone Credit Forward Calendar, Pitchbook LCD, August 15, 2022.

Past performance is not necessarily indicative of future results.

[59] S&P/LSTA Leveraged Loan Index (represented by spread to maturity and yield to maturity), Bloomberg US High Yield Index (represented by OAS and yield to maturity), Credit Suisse Western European Leveraged Loan Index (represented by 3-year discount margin and current yield), and Credit Suisse Western European High Yield Index (represented by spread to worst and yield to worst), as of April 29, 2022.

Past performance is not necessarily indicative of future results.