Blackstone Credit

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

CREDIT INSIGHTS

February 2022 Market Commentary

Performance Overview

- **Risk-off sentiment intensifies as Russia invades Ukraine**
- **Loans continue to outperform credit markets**
- **Rising energy costs may exacerbate inflation**
- **Fed expected to hike, ECB faces stagflation threat**

Returns across all credit asset classes pushed into negative territory in February as Russia's invasion of Ukraine rattled global markets. The crisis added economic uncertainty and additional rate volatility to the existing strain of tightening monetary policy.

Stocks tumbled, Brent topped $100 a barrel for the first time since 2014, the euro sank, and the VIX rose above 30. By month-end the S&P 500 had fallen another 2.99%, pushing the year-to-date return to -8.01%.[1]

High yield bond and loan prices also fell in the immediate aftermath before retracing some losses over subsequent sessions, while measures of investment grade and high-yield credit default risk rose, and trading liquidity stalled as dealers and investors stepped back.

US Treasuries were caught between the rush to safe-haven assets and concerns over the inflationary impact of rising energy and commodity prices. Having risen steadily to a high of 2.04% during the first half of the month the 10-year Treasury closed the month at ~1.83%,[2] contributing to the flattening Treasury curve.

Loans continued to outperform other asset classes for a second month demonstrating their resilience against the uncertainty and rising rates. Even so, loan returns slipped into the red by the end of the month amid the broader contagion and negative macro and geopolitical headlines.

High yield decoupled from equities in February, and a supportive supply/demand technical enabled the market to pare back losses compared to January. Longer-duration investment grade bonds remained under pressure, although the market managed to just outperform equities.

Despite falling debt prices over the first two months of 2022, default activity is expected to remain negligible over the next 18 months. The par-weighted US high yield and loan default rate stand at 0.32% and 0.61%, respectively, at the end of February. [3]

The war continues to escalate, and market volatility is expected to persist while the longer-term economic and inflationary impacts unfold. The response by central banks to the compounding inflationary effects of the war and its potential to slow global growth will be closely watched. Fed Chairman Powell has already removed some uncertainty by backing a measured Fed interest-rate liftoff in March, although a less-certain monetary policy outlook for the ECB has pushed Germany's 10-year Bund back below zero.

Market Stats (as of February 28, 2022)[4]

	February	QTD	YTD
S&P / LSTA U.S. Leveraged Loan Index	-0.51%	-0.15%	-0.15%
Bloomberg U.S. Corporate Investment Grade Index	-2.00%	-5.30%	-5.30%
Bloomberg U.S. High Yield Index	-1.03%	-3.73%	-3.73%
Credit Suisse Western European Leveraged Loan Index	-0.90%	-0.62%	-0.62%
Credit Suisse Western European High Yield Index	-2.92%	-4.52%	-4.52%
S&P 500	-3.14%	-8.23%	-8.23%
Euro Stoxx 50	-6.00%	-8.71%	-8.71%

Past performance is not necessarily indicative of future results.

Market Stats (cont'd) (as of February 28, 2022)

	Spread			Yield			Price		
	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD
U.S. Loans	429	18	(14)	4.43%	0.23%	-0.27%	$ 97.88	$ (0.76)	$ 1.69
U.S. HY	359	76	(1)	5.84%	0.98%	0.88%	$ 98.57	$ (4.99)	$ (6.39)
EU Loans	459	46	-	3.92%	0.10%	0.04%	€ 97.43	€ (1.28)	€ 0.08
EU HY	484	124	60	5.11%	1.34%	0.86%	€ 95.09	€ (5.14)	€ (3.49)

US Investment Grade Market

US investment grade credit experienced its weakest start to any year since 1980[5] amid the volatility. Returns fell another 2% over the month, split between a -2.28% price return and a 0.28% credit return, and taking the year-to-date return to a negative 5.3%.[6]

Spreads widened to 114bp, 15bp wider from the end of January resulting in a monthly excess return versus the risk free rate of -114bp. The CDX.IG widened by 8bp on the month to 68bp.[7]

Prices across investment grade corporates sold off following the Russian invasion, reaching lows during the morning of February 24 before rebounding.

Longer-duration credit remained under pressure and in the flight to quality BBB-rated credits underperformed higher-rated names.

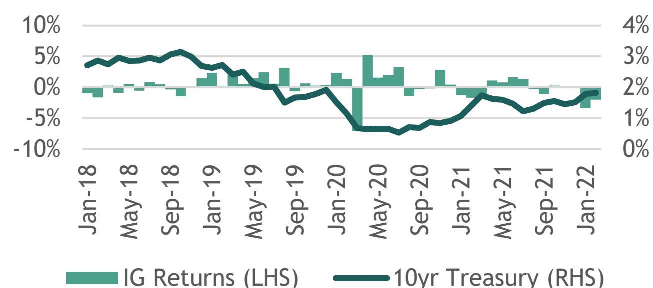
Borrowers struggled against the turbulent backdrop and issuance slowed to $84.8 billion in February,[8] amid double-digit new issue concessions, and as average new issue yields increased to 3.25%, helping to reprice the secondary market.

Looking ahead there remains a pricing gap between borrowers who want to issue while rates are low and investors who want to lend at higher rates. The forward calendar is busy for March, but conditions are likely to dictate how successful borrowers will be.

The demand side was mixed in February, as investment grade retail funds saw their first monthly inflow since November, totaling $4 billion and driven entirely by ETFs, while active funds continue to see outflows.[9]

On a more positive note, February logged another $6.5 billion in rising stars, bringing the YTD total to $20 billion, with another $125 billion expected over the next 12-18 months.[10]

Investment Grade Returns vs 10Y Treasury Yields[11]



US Loan and High Yield Markets

US loans outperformed high yield and investment grade markets once again in February as CLO demand helped mitigate the impact of a move away from risk assets on loans.

That said, loan prices did weaken on the back of the macro and geopolitical headlines, and returns fell by 0.51% in February, the market's worst performance since March 2020 and reversing all of January's gains.[12]

There was a somewhat unusual dynamic where loan prices declined despite a supportive technical backdrop amid ongoing inflows. The percentage of loans trading above par stands at 1.81% compared with 45.47% on January 20th.[13]

Coupled with limited primary issuance, the cheaper loan prices presented buying opportunities for CLO managers ramping new deals in a reprieve from the recent run up in loan prices to post-pandemic highs in January.[14]

That demand helped average prices recover quickly after dropping nearly half a point to $97.58 on February 24, the lowest reading since April 2021.

February's $28.1 billion of loan issuance was met with another $5.5 billion of retail loan fund inflows, and another $8.9 billion of CLO issuance.

Notably, loans tied to SOFR increased from 11% of the new issue market in 4Q21 to 97% of the new issuance market in January.

High yield generated a -1.03% return in February as a more supportive technical backdrop cushioned volatility. High yield spreads managed to hold up relatively well, widening

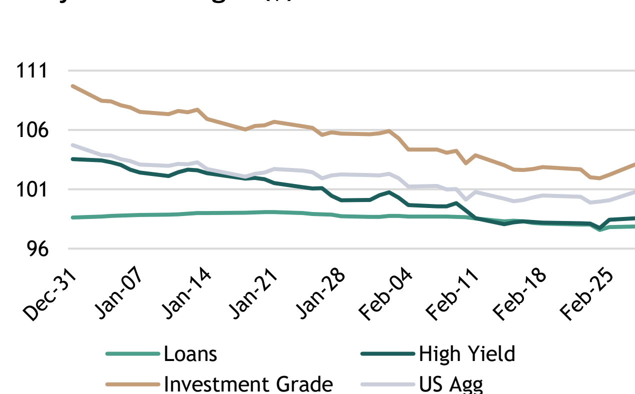
Past performance is not necessarily indicative of future results.

only 9bp over the month, due in part to some late-month relief as rate pressure eased on safe-haven demand. [15]

$8.1 billion exited high yield retail accounts during the month[16] but the month's limited issuance of $9.3 billion of new deals was the lowest since March 2020,[17] and high levels of bond repayments padded cash balances. Rising-star upgrades are expected to further support the technical backdrop, sending more cash back to investors. Spiking oil and gas prices underpinned performance with energy and higher-rated bonds outperforming.

The larger drop in bond prices relative to loans this year has opened up select opportunities to rotate out of loans and into more cheaply priced senior secured bonds in the same capital structure.

Daily Price Changes ($) [18]



European Loan and High Yield Markets

Similar to the US, European loans continued to outperform high yield despite weakening in February as sentiment deteriorated and secondary market liquidity eased.

Again, technical support from CLO buyers looking for cheaper assets helped support loan prices relative to other asset classes, CLO issuance gained pace up after a slow start, while loan issuance slowed to €4.5 billion.[19] Loan repayments also accelerated during the month, increasing cash needing to be put to work.[20]

These supportive technicals helped reduce the drag on performance but the loan index nonetheless declined -0.9% on the month pushing year-to-date returns into the red. Average loan prices experienced the sharpest monthly decline since March 2020, and average current yields rose to 3.94%.[21]

Meanwhile, sanctions, geopolitical escalation and spiking in energy and commodity prices combined to push high yield returns down -2.92% in February, taking the cumulative year-to-date return to -4.52%. Spreads have widened 120bp on the year to 484bp, while the yield-to-worst reached a 16-month high of 5.00%.[22]

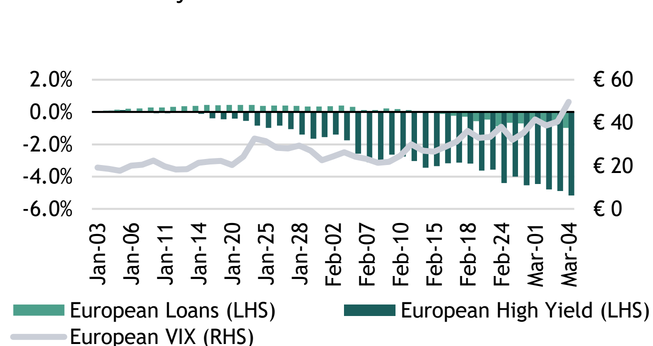
The iTraxx Crossover bore the brunt of macro volatility amid reduced cash trading volumes. The index, which measures the cost of insuring against European high yield bond default, briefly hit its highest level since June 2020 as war broke out on February 24 and has remained volatile since.

High yield experienced another ~€2 billion of outflows[23] although cash balances remain strong. [24] Issuance at €3.84 billion of supply was less than half January's total and a quarter of the supply logged in February 2021.[25]

Higher-duration, higher-quality high yield names outperformed amid the risk-off sentiment. Companies with any exposure to energy/commodity inflation, supply chain or Russia/emerging markets came under pressure as the crisis escalated.

Loan outperformance versus high yield was most notable further down the rating spectrum. CCC loan performance remains positive on the year, at 0.3% including carry, while CCC bonds are down -6.0%.[26]

Cumulative Daily Returns[27]



US and European CLO Markets

CLOs were not immune from the ripple effect that first the rising tension, and then the war in Ukraine has had on credit markets. Liability spreads had been widening since the beginning of the year, but news of the invasion caused a further shock across all CLO tranches as investors were reluctant to take on risk amid elevated geopolitical concerns. CLOIE total returns are now slightly down YTD (-0.14%).[28]

Ahead of the Ukraine crisis, European issuers priced €5.10 billion of new transactions following a month of zero issuance in January. In the US, managers have priced $18.66 billion across 36 deals year-to-date, compared to $25.05 billion from 51 transactions during the same period in 2021.[29]

New issuance volumes will likely remain sluggish in the near term under the stress of current events and given the

Past performance is not necessarily indicative of future results.

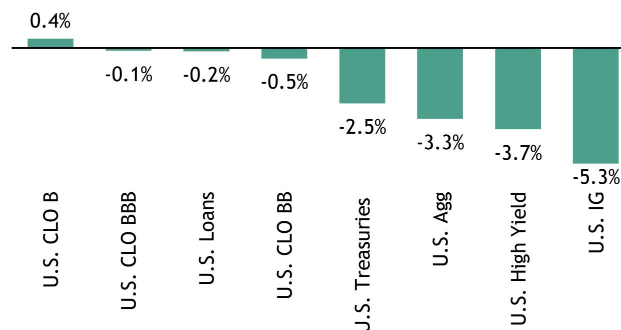
potential for wider spreads to impact CLO equity arbitrage economics.

J.P. Morgan has cut its 2022 US CLO new issue forecast to a range of $110 billion-$120 billion from its previous $130 billion-$140 billion projection. The decline in loan prices could put pressure on warehouses with existing assets bought at higher prices, which, combined with widening CLO spreads, could present near-term headwinds for issuance. [30]

At the same time, the lower loan prices created a buying opportunity for CLOs looking for cheaper assets for recently priced deals. Others may have looked to free up cash by selling higher-priced loans to rotate into investments like high yield bonds that have seen a larger drawdown. Tail risk remains low given the current low default rate and shrinking pool of CCC assets.

A Deutsche Bank analysis of the underlying collateral in European CLOs shows no direct country exposure to Russia or Ukraine, although there will likely be indirect impacts to businesses due to soaring energy prices.[31]

2022 YTD Return (%)[32]



Market Outlook

This month's letter comes at a time of great concern amid Russia's war in Ukraine. Our thoughts first and foremost are with the Ukrainian people undergoing a humanitarian tragedy that is worsening each day.

So much remains uncertain, and the fluidity and pace of developments in the region makes assessing the potential economic impact challenging. Much will depend on the duration and outcome of the war, the progress of economic sanctions, and the potential for further economic and/or military retaliation from Russia.

The conflict is likely to put further pressure on already elevated inflationary trends as energy and commodity prices increase. Supply chains will likely be disrupted again and already there's been an impact on ocean freight rates and freight transport.[33] We believe that credit dispersion will increase for companies within sectors reliant on energy, raw material and commodities from Russia, including airlines and auto manufacturers, and this could result in an increase in negative rating agency actions for those companies.

Within the context of financial markets all eyes are now on the response by the Fed and the ECB to the crisis, and whether they will continue to tighten policy as planned, or whether the fear of recession will hold them back.

Europe's much greater reliance on energy from Russia has led economists to revise down forecasts for Eurozone GDP growth, at the same time that inflation increased to an all-time high in February. Those revisions have been small so far, and no major analysts are yet calling for recession. We think that Europe's economy has a cushion to absorb higher energy prices without falling into recession, especially if there is significant policy support, which appears likely. The EU is reportedly considering joint bond sales that would be used to finance energy and defense spending.[34] In addition, the ECB may continue asset purchases and delay rate hikes if the situation deteriorates.

The US is much less reliant on Russia and economically it is in a strong position. We believe the Fed will go ahead with rate liftoff in March, albeit at a reduced 25bp, following Chairman Powell's March House Financial Services Committee address, where he also indicated that the US economy can weather higher borrowing costs.

At Blackstone we have spent the past weeks closely reviewing our portfolios for direct and indirect economic or regulatory exposure to Russia, including sanctions. At this point we foresee limited financial impact in our highly diversified liquid credit strategies and believe that the crisis is a low earnings risk for US and European companies in our portfolios.[35]

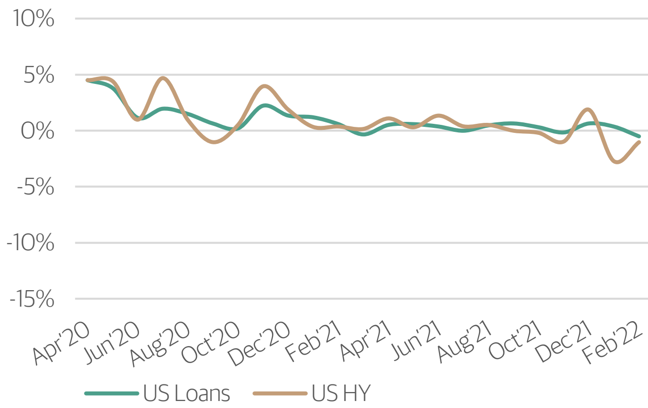
Despite turning negative in February, loans proved to be something of a safe haven given their outperformance versus other credit markets. Demand for floating rate assets should persist as stability returns, and as rates rise. We will continue to take advantage of the volatility where possible to increase exposure to assets we like and which we consider to be well insulated against both inflation and Russian sanctions. The greater headwinds faced by European credit markets could generate attractive relative value opportunities, especially within the same issuer complex, as US and European spreads diverge.[36] At the same time, we appreciate that liquidity may be impacted while uncertainty over the war persists, and we will proceed with caution.

Past performance is not necessarily indicative of future results.

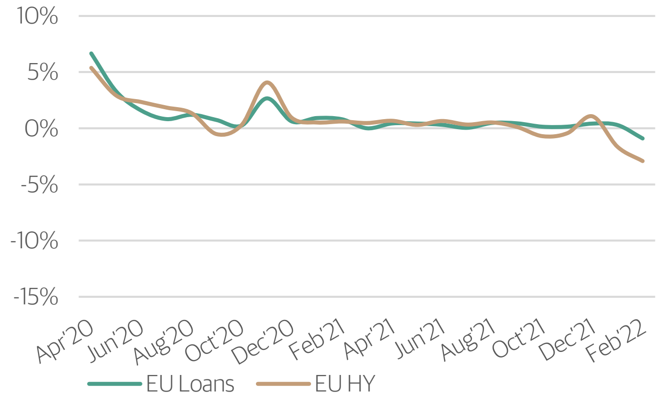
Market Snapshot

(As of February 28, 2022)[37]

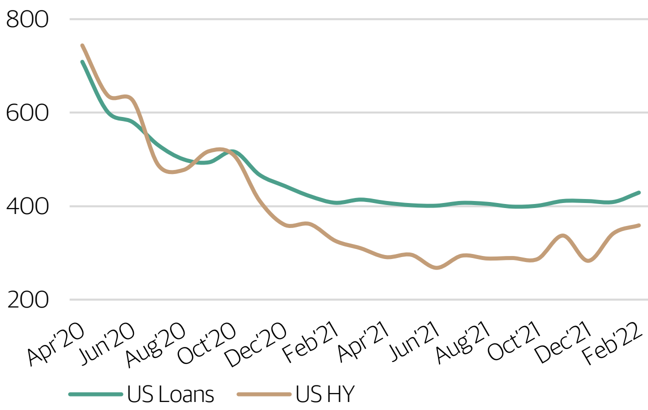
US Credit Monthly Return



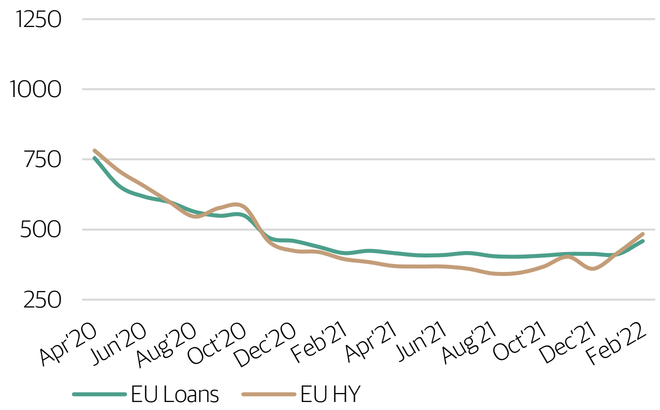
EU Credit Monthly Return



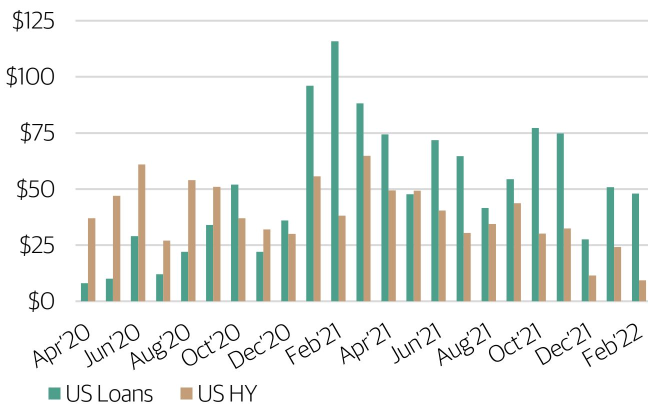
US Credit Spreads (in bp)



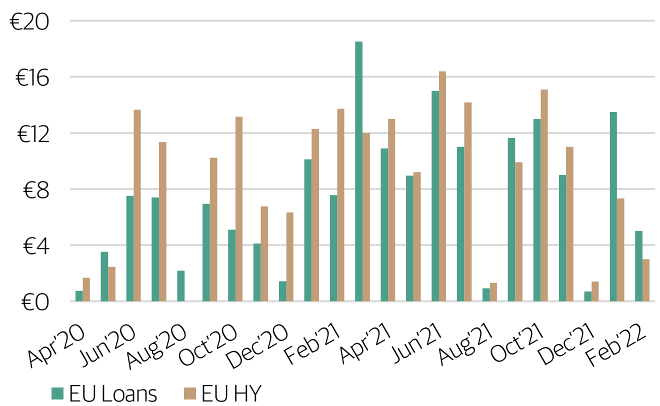
EU Credit Spreads (in bp)



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 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.

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.

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.

Past performance is not necessarily indicative of future results.

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.

BXC202203223S

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, March 1, 2022.
[2] Bloomberg, March 1, 2022.
[3] J.P. Morgan Default Monitor, March 1, 2022.
[4] 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.
[5] Bloomberg Credit Daybook, March 1, 2022.
[6] Bloomberg US Corporate Investment Grade Index, March 1, 2022.
[7] Bloomberg US Corporate Investment Grade Research, March 1, 2022.
[8] Leveraged Commentary & Data, March 1, 2022.
[9] CS Credit Strategy Daily Comment, March 2, 2022.
[10] CS Credit Strategy Daily Comment, March 2, 2022.
[11] Bloomberg as of January 31, 2022.
[12] Leveraged Commentary & Data, March 1, 2022.
[13] J.P. Morgan data as of March 4, 2022.
[14] Leveraged Commentary & Data, March 1, 2022.
[15] Bloomberg US High Yield Index, March 1, 2022.
[16] Lipper FMI; JPMorgan
[17] Leveraged Commentary & Data, March 2, 2022.
[18] S&P/LSTA Leveraged Loan Index, Bloomberg High Yield Bond Index, and US VIX index, as of 31 January 2022.
[19] LCD Research, March 1, 2022.
[20] LCD Research, March 1, 2022.
[21] CS Western European Leveraged Loan Index, March 1, 2022.
[22] CS Western European High Yield Index, March 1, 2022.
[23] Lipper FMI; JPMorgan
[24] Lipper FMI; JPMorgan
[25] LCD Research, March 1, 2022.
[26] CS Credit Strategy Daily, March 7, 2022.
[27] Credit Suisse Western European Leveraged Loan, High Yield Bonds Indices, and European VIX index, February 28, 2022.
[28] J.P. Morgan CLOIE Research, February 25, 2022.
[29] Leveraged Commentary & Data, March 1, 2022.
[30] J.P. Morgan Research, February 25, 2022.
[31] Deutsche Bank ABS Barometer, March 4, 2022.
[32] J.P. Morgan CLOIE Index, S&P Leveraged Loan Index, Bloomberg High Yield Index, Bloomberg U.S. Aggregate Bond Index, Bloomberg Corporate Bond Index, and Bloomberg U.S. Treasuries Index.
[33] Wall Street Journal, Freight Operators Seek Routes Around Ukraine, Russia, February 26, 2022.
[34] Bloomberg, *EU to Consider Massive Joint Bond Sales to Fund Energy*, *Defense*, March 8, 2022.
[35] Information as of March 4. The rapid development of the Russian invasion of Ukraine could preclude prediction as to its 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.
[36] CS Daily Credit Strategy Daily Comment, March 3, 2022.
[37] 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 January 31, 2022.

Past performance is not necessarily indicative of future results.