Blackstone Credit

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

CREDIT INSIGHTS

June 2022 Market Commentary

- **Credit suffers heavy losses in tough month**
- **Retail outflows, credit concerns exacerbate loan, bond selloff**
- **Recession in focus even as Fed, ECB turn more hawkish**
- **Banks discount deals amid primary quagmire**

Performance Overview

If May was tough, June was tougher still for global credit markets as they rounded out a bruising first half of the year facing mounting headwinds. Persistent inflation and rate volatility continued to roil markets, joined now by increased concern about slowing growth and recession.

These headwinds drove steep losses in equity and credit markets in June. The S&P 500 fell 8.6% and posted its worst first half performance in more than 50 years,[1] while returns across all credit markets moved further into negative territory. High yield was the most impacted, suffering its worst monthly performance since March 2020.[2] Loans continued to outperform high yield and investment grade, although CLOs stood out as the best performing credit asset class.[3]

An early month rally proved short-lived as central banks moved to front load rate hikes in the face of fresh inflation highs. May's 40-year-high CPI print[4] pushed the Fed to hike rates by 75 basis points.

Markets fretted about the potential for a policy misstep to trigger a recession after Chairman Powell acknowledged that a soft landing would be "very challenging," while also emphasizing the Fed's "unconditional" determination to fight inflation.

For some that left the door open for a less aggressive hiking cycle if growth slows materially, although after the June jobs report surprised to the upside, expectations are for another 75 basis point hike in July.[5]

10-year Treasuries spiked to almost 3.50% after the June hike, although had narrowed back to 3% by month end as recessionary fears crept into the market.[6]

Monetary policy was also in focus in Europe as the ECB hiked rates for the first time in over a decade, after wrapping its net bond-buying program on July 1. The central bank lifted rates by 50bp to bring the deposit rate to zero for the first time in eight years.[7]

As asset prices tumbled towards post-pandemic lows, credit spreads, and primary markets seized up once again, leaving banks facing underwriting losses as they sold debt at deep discounts. Sustained outflows from investment grade, high yield and loan retail funds exacerbated the price drop.

As a result, the below-$90 cohort of loans climbed to 16.2% in June from 3.0% in April,[8] while the distressed universe of bonds experienced its largest increase since March 2020 to reside at a $84.8 billion, the highest since June 2020.[9]

The up-in-quality theme persisted over the month as concerns over credit risk increased amid recession fears. Credit metrics showed below investment grade companies remained healthy over the first quarter but highlighted a dip in profit margins amid inflationary pressures.[10]

Defaults continue to tick up with another two recorded in June, pushing up the US high yield bond and loan LTM default rates to 1.08% and 1.14%, respectively.[11] In Europe, the high yield default rate dropped to 0.4% at the end of June, with no high yield defaults recorded in the second quarter.[12]

Market Stats (as of June 30, 2022)[13]

	June	QTD	YTD
S&P / LSTA U.S. Leveraged Loan Index	-2.16%	-4.45%	-4.55%
Bloomberg U.S. Corporate Investment Grade Index	-2.80%	-7.26%	-14.39%
Bloomberg U.S. High Yield Index	-6.73%	-9.83%	-14.19%
Credit Suisse Western European Leveraged Loan Index	-3.80%	-6.28%	-6.78%
Credit Suisse Western European High Yield Index	-6.37%	-10.00%	-14.90%
S&P 500	-8.39%	-16.45%	-20.58%
Euro Stoxx 50	-8.82%	-11.47%	-19.62%

Past performance is not necessarily indicative of future results.

Market Stats (cont'd) (as of June 30, 2022)

	Spread			Yield/Yield w. Forward Rates			Price		
	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD
U.S. Loans	554	71	143	5.78%/ 8.40%	(0.24%) / 1%	1.34%/ 3.1%	$ 92.16	$ (2.48)	$ (6.48)
U.S. HY	569	163	286	8.91%	1.74%	4.05%	$ 85.83	$ (6.84)	$ (17.73)
EU Loans	725	151	312	4.60%/ 5.89%	0.28%/ (0.07%)	0.78%/ 2.36%	$ 90.69	$ (3.44)	$ (8.02)
EU HY	678	168	318	8.15%	1.87%	4.39%	$ 85.04	$ (6.29)	$ (15.19)

US Investment Grade Market

Rate volatility and recession fears left the month's returns for investment grade credit at -2.8%, the worst since June 2013. The market also experienced its worst first half performance in over two decades losing -14.4% over the first six months.[14]

Investment grade spreads hit two-year wides of 155bp and the yield-to-worst reading touched 4.75%, the highest it has been in 13 years.[15] We expect the build-up in impending supply, macro volatility, outflows, as well as recession fears into a hiking cycle to maintain pressure on spreads over the near term.[16]

Outflows persisted amid duration concerns, and the $3.64 billion flowing out of IG funds in the final week continued a record streak of outflows of over $110 billion from investment grade funds.[17] For context, March 2020 alone saw over $170 billion in outflows, while investment grade as a whole saw over $750 billion of inflows between April 2020-December 2021.[18] Foreign demand has also dropped off from European and Japanese investors (due to hedging costs).

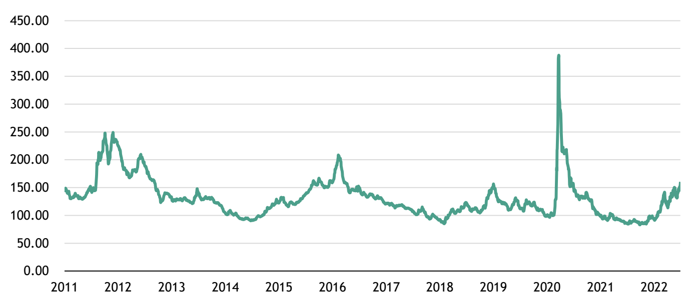
Against this backdrop, issuers held back on transactions with multiple supply blackout days in June.[19] As a result, primary volume amounted to just $69.1 billion making it the lightest June total since 2013. Meanwhile, this year's $708 billion issuance total was down nearly 9% compared to the first six months of last year and reflects a sharp drop in non-financial issuance as refinancing scope narrows.[20]

Borrowing costs marched higher and the average yield at issuance rose to 5.26%, versus 4.55% in May, and 2.14% in June 2021. [21]

Sector wise, metals and energy underperformed in June as commodity prices fell over the last month, and higher-quality bonds outperformed lower-rated ones again.[22]

Rising stars had been a key theme earlier in the year, but in a reversal, June saw the largest monthly volume of fallen angels since 2020, as rating momentum turned negative.[23]

US Investment Grade Bond Spreads since 2011[24]



US Loan and High Yield Markets

Heavy retail outflows and rising credit concerns took their toll on the US leveraged loan and high yield markets in June. Six consecutive down days for the S&P/LSTA Leveraged Loan Index through June 29 left returns at -2.16% for the month and -4.55% for the first half.[25]

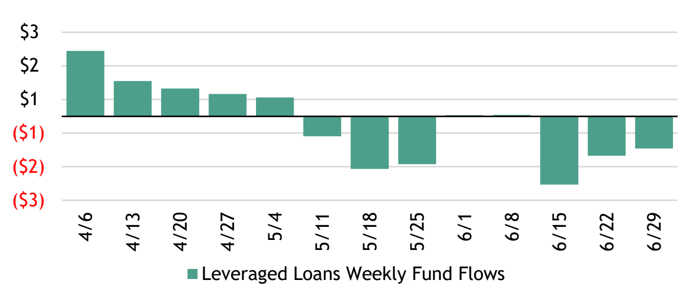
After a brief early month rally, secondary market loan prices tumbled three points to $92.05 on average by month-end. It's the first time prices have dropped below $93 since August 2020.[26] Loan spreads and yields rose to levels last seen in August and April 2020, respectively.[27]

High yield fared worse still, losing 6.8% for the month and 14% for the year-to-date as rate and equity volatility took their toll.[28] Average high yield prices dropped to a post-pandemic low $85.83,[29] yields rose to 9% and spreads widened to 569bp by month end.[30]

Loan fund outflows contributed to price drops, with $4.1 billion exiting loan retail funds in June.[31] ETFs featured prominently, selling liquid loans to cover redemptions. The outflows were partially offset by CLO issuance, which kept a steady pace in June.

High yield retail fund outflows accelerated in June, and included the heaviest weekly redemption since February 2018, to leave year-to-date outflows at $34.7 billion.[32]

US Q2 Leveraged Loan Weekly Fund Flows[33]



Past performance is not necessarily indicative of future results.

Primary markets remained lethargic, forcing banks to issue deals with significant discounts. June's $15.9 billion of new loan deals improved on $6.1 billion in May, but supply over the first six months continues to lag last year by 49%.[34]

High yield issuance was boosted by an active start, but June's $9.7 billion still left year-to-date volumes 76% behind the same period last year.[35]

The up-in-quality and decompression themes continued in June in loans. In high yield, performance between the ratings categories was more uniform, although CCCs continue to significantly underperform for the year-to-date period; the 15.72% loss is the largest six-month loss on record.[36] Meanwhile, loan downgrades outnumbered upgrades in May and June.[37]

European Loan and High Yield Markets

European credit endured a tough month as a mix of macro and geopolitical concerns fed the weaker sentiment.

Inflation continues to rise to fresh highs in the UK and Europe,[38] while, below consensus Eurozone PMIs highlight an ongoing slowdown in economic expansion.[39]

The intensifying energy crisis and potential shortages and rationing of natural gas heading into winter, as well as fragmentation across Europe amid widening peripheral spreads increased the pressure.

German 10-year bond yields hit 1.77% during the month,[40] and indices tracking European credit risk rose into month end, pushing the iTraxx Crossover to 600 for the first time since April 2020.[41]

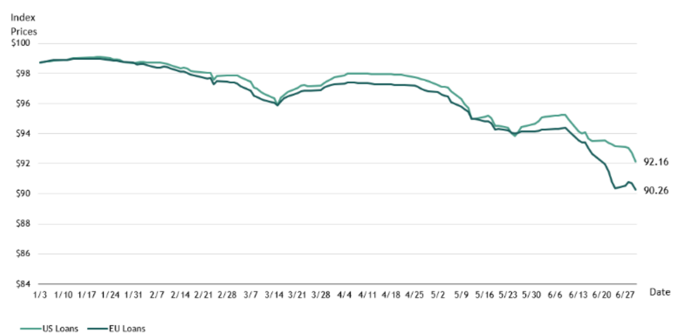
Excluding COVID, high yield's -6.37% return in June marked the worst performance for high yield cash since the Global Financial Crisis. The market's first half loss of 14.90% return leaves European high yield the worst performing credit asset class globally this year.[42]

High yield spreads reached 678bp, levels last seen in June 2020.[43]

Loans held up better, but also lost ground in June weighed by ongoing outflows and credit risk worries, so that half of the year's -6.78% return was attributable to June's -3.80% loss.[44] At 736bp, discount margins are a long way off COVID wides, but are at levels similar to the Greek crisis in 2011-2013.[45]

Secondary loan prices fell to lows last witnessed in the aftermath of the pandemic and dislocated from the US market.

US vs European Loan Prices[46]



Primary markets struggled, with deals delayed, pulled or issued with heavy discounts. European loan and high yield volumes are running 66% and 80% behind the same last period last year, respectively.[47]

Decompression continues to play out across both markets with higher quality paper holding in better than lower-rated.[48] Sector wise, retail, food, consumer durables and non-durables, and housing underperformed, while energy, aerospace, and transportation outperformed in the loan space.[49]

US and European CLO Markets

The CLOIE index returned -0.45% in June, outperforming all other US credit products, including US Loans, US IG and US HY. Price returns drove the weaker performance (-0.69%) versus carry returns (+0.30%).[50] Meanwhile, monthly performance across all rated CLO tranches was negative in June.[51]

Conditions in the CLO market remain challenging as liability spreads widened further, and amid a relative shortage of primary loans. US managers still managed to issue 29 new deals focusing on print and sprint, lightly ramped, short-dated and static transactions in a bid to take advantage of cheap loans.

$71.4 billion of US transactions priced in the first half, 14% behind last year's record pace, but ahead of any other comparable period.[52]

In stark contrast, Europe priced just one new transaction in June, leaving the €13.73 billion of issuance through the first six months running 9% behind last year.[53]

Spreads widened through the CLO debt stack in both regions. AAA/AA/A-rated tranches for US CLOs widened sharply over the month to 186/273/356bp, pushing average funding costs to 249bp.[54] With the exception of BBBs, CLO spreads are now near the highest levels since the COVID-19-induced market turmoil.

Past performance is not necessarily indicative of future results.

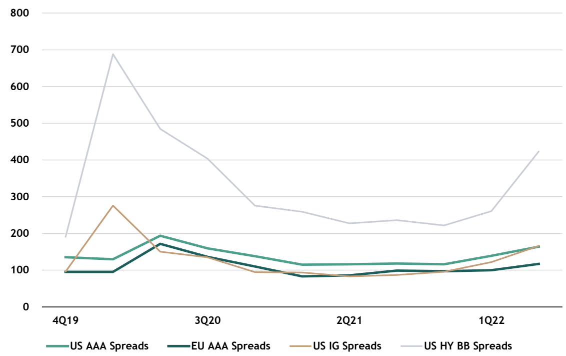
With just one transaction pricing early in the month it's harder to get a firm steer on European pricing, but generally liabilities have widened to 2020 levels.[55]

CLO bond bucket usage has increased by $1.7 billion year-to-date as managers seek to build par or mitigate par loss on loans sold at deeply discounted levels.[56]

Revlon's bankruptcy filing rippled across the market given it is relatively widely held across US CLO portfolios.[57]

In Europe, CLO credit quality has remained quite stable in the first half, with WARFs still inside 3,000 and CCC/Caa buckets inside where they were at the start of the year. However, issuer downgrades to CCC increased to 9 in the second quarter, compared with 12 in the fourth quarter of 2020.[58]

CLO AAA Spreads vs Corporate IG, HY Spreads [59]



Past performance is not necessarily indicative of future results.

Market Outlook

Predicting what's ahead has become increasingly difficult given how fast markets are moving. Investors continue to fret about both the margin impact of stubborn inflation as well as the potential for a US recession as the Fed seeks to restore price stability.

Slowing growth has brought with it expectations for a recession to hit earlier than previously thought, including a potential Fed policy turnaround in 2023,[60] and the market has recently begun to price in peak rates in the first quarter of next year.[5]

June jobs data, which surprised to the upside, showed that the US labor market is powering on through, challenging this view and suggesting another 75bp Fed rate hike may happen this month. We continue to believe that tight labor markets, continued high wage growth and housing related costs mean inflation is likely to remain persistent.

Our Chief Investment Strategist, Joe Zidle argues for higher rates and a longer tightening cycle, interpreting the Fed's 'more restrictive' discussion in the June minutes as indication Fed officials are looking for positive real rates all along the curve before stepping off the hiking pedal.

In his latest essay,[61] Zidle downplays prospects for a severe downturn given strong household and corporate balance sheets and the positive outlook on US housing. The three main indicators of economic health, the LEI, corporate profits and labor markets, although weakening in some cases, are not yet signaling a recession, he notes.

Instead of focusing on the 'when,' Zidle takes the long view. "Cycles have their ups and their downs. If greed were investors' worst enemy at the top of a market, fear is their worst enemy when markets are challenged. The winner in either environment will be the clear-eyed investor who considers the long-term fundamentals and invests with conviction in themes that can deliver attractive risk-adjusted returns."

We believe these words provides a solid investment strategy as we forge ahead with the second half of this challenging year. Certainly, we expect volatility to continue given the still considerable macroeconomic headwinds, as markets continue to adjust to the evolving rate environment, and as credit risk rises amid the growth slowdown. And we will remain selective and cautious, staying up in the capital structure, focusing on defensive sectors with secular growth tailwinds and companies with steady free cash flow generation.

But there are also reasons for optimism as new opportunities arise. As an active manager, we have already moved in to buy discounted assets we like at cheap levels and will take advantage of further opportunities, including price volatility, to generate additional alpha for the portfolio. In Europe, the deeper selloff in loan and bond prices relative to the US created a compelling relative value opportunity in cross-border transactions where the euro-denominated tranche was significantly weaker than the dollar piece from the same issuer.[62]

Defaults are already rising, albeit gradually,[63] but we believe the depth of the current sell-off is overdone relative to fundamentals. Further, past experience has demonstrated that loan and bond yields at current levels have resulted in compelling returns over a longer time horizon.[64]

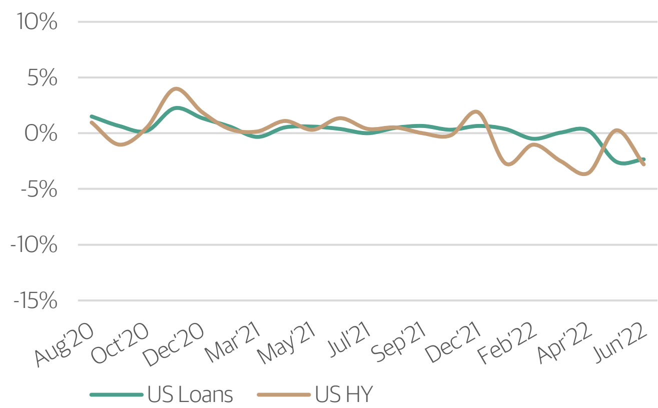
Floating-rate assets are already benefiting from higher loan rates, and we expect loan performance to further benefit as loan coupons reset and additional rate hikes flow through in the months ahead. In high yield, greater credit spread dispersion resulting from this year's volatility has created mispricing opportunities.

Finally, as a manger that invests across public and private credit markets, we also see ongoing opportunities to partner directly with banks and private equity sponsors to facilitate new M&A activity either through the syndicated or direct route.

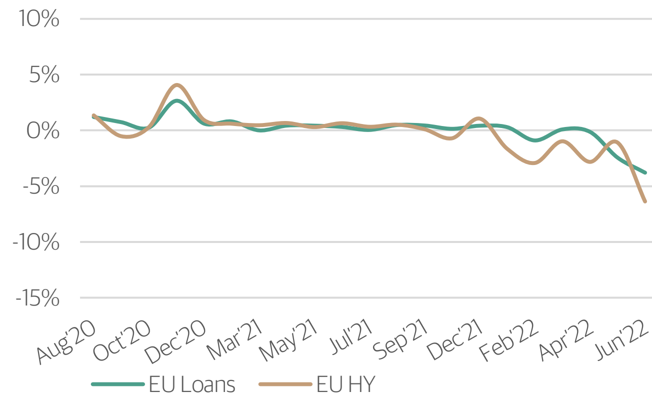
Past performance is not necessarily indicative of future results.

Market Snapshot
(As of June 30, 2022)[65]

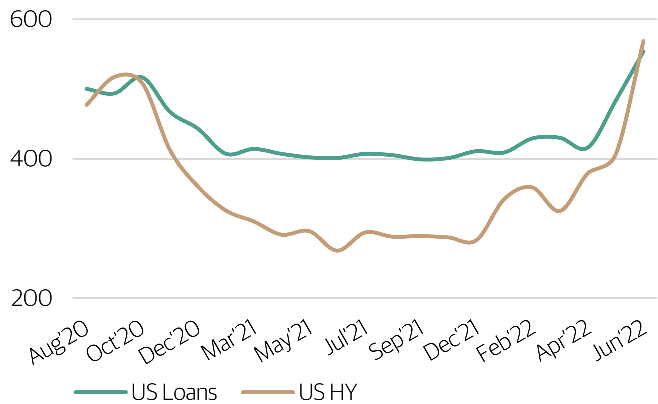
US Credit Monthly Return



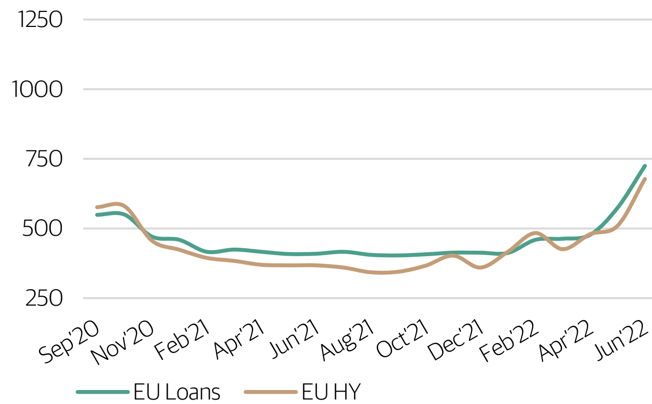
EU Credit Monthly Return



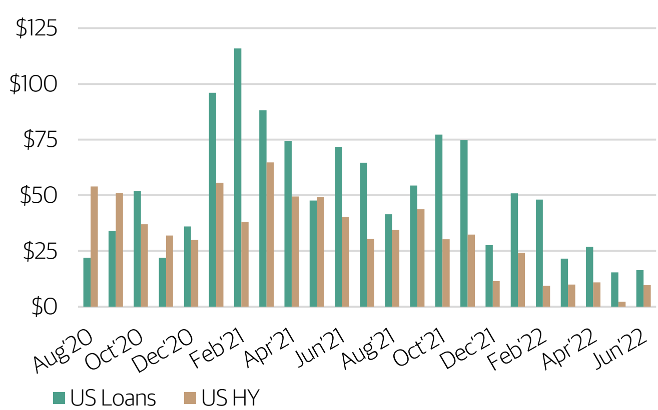
US Credit Spreads (in bp)



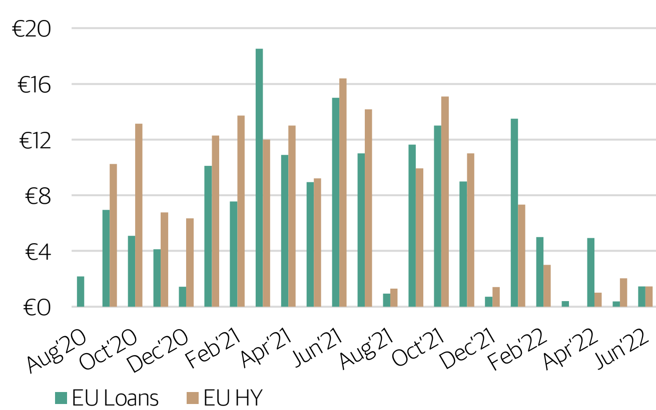
EU Credit Spreads (in bp)



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.

BXC202206159S

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, July 1, 2022.
[2] Bloomberg High Yield Index, July 1, 2022.
[3] JP Morgan CLOIE Monitor, July 1, 2022.
[4] Bloomberg News, June 10, 2022.
[5] Bloomberg News, July 5, 2022.
[6] Bloomberg, July 5, 2022.
[7] Bloomberg News, July 2, 2022.
[8] LCD, Revlon raises loan default rate to 0.28% in June; share of stressed loans jumps, July 1, 2022.
[9] JPM High-Yield and Leveraged Loan Morning Intelligence, July 6, 2022.
[10] JP Morgan Research, June 9, 2022.
[11] JP Morgan Default Monitor, July 1, 2022.
[12] European High Yield Talking Points: A summer surge in distress, July 12, 2022.
[13] 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).
[14] Bloomberg Corporate Index, July 1, 2022.
[15] Bloomberg Corporate Index, July 1, 2022.
[16] Blackstone Credit, June 30, 2022.
[17] Lipper, June 2022.
[18] Lipper, June 2022.
[19] LCD News, June 2022.
[20] LCD News, June 30, 2022.
[21] LCD News, June 30, 2022.
[22] CS Credit Strategy Daily, July 5, 2022.
[23] CS Credit Strategy Daily, July 5, 2022.
[24] Bloomberg Corporate Index, July 1, 2022
[25] LCD, S&P/LSTA Leveraged Loan Index, July 1, 2022.
[26] LCD, S&P/LSTA Leveraged Loan Index, July 1, 2022.
[27] JP Morgan Research, June 30, 2022.
[28] Bloomberg High Yield Index, July 1, 2022.
[29] Bloomberg High Yield Index, July 1, 2022.
[30] Bloomberg High Yield Index, July 1, 2022.
[31] Lipper, LCD, July 1, 2022.
[32] Lipper, LCD, June 17, 2022.
[33] JP Morgan, Lipper, July 1, 2022.
[34] LCD, July 1, 2022.
[35] LCD, June 27, 2022.
[36] Bloomberg High Yield Index, June 30, 2022.
[37] JP Morgan Default Monitor, July 1, 2022.
[38] Bloomberg News, June 2022.
[39] Blackstone Credit, June 23, 2022.
[40] Bloomberg, June 30, 2022.
[41] Bloomberg, June 30, 2022.
[42] Credit Suisse Western European High Yield Index, June 30, 2022.
[43] Credit Suisse Western European High Yield Index, June 30, 2022.
[44] Credit Suisse Western European Loan Index, June 30, 2022.
[45] CS Loans Monthly Recap, July 7, 2022.
[46] Credit Suisse Western European High Yield Index, Credit Suisse Western European Loan Index, June 30, 2022.
[47] LCD European Playbook, July 1, 2022.
[48] Blackstone Credit, June 2022.
[49] Credit Suisse Western European High Yield Index, June 30, 2022.
[50] Total returns for the CLOIE are the sum of returns from price, interest, and principal. Where (1) price return is the daily change in price, calculated as the clean price divided by yesterday's dirty price; (2) coupon return is the daily contribution from coupons calculated as the accrued interest throughout the month divided by yesterday's dirty price; and (3) principal return is the return from payments of principal factoring in the redemption price. 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.
[51] JP Morgan CLOIE Monitor, July 1, 2022.
[52] LCD, Global Databank, July 4, 2022.
[53] LCD, Global Databank, July 4, 2022.
[54] Barclays Research, CLO & Leveraged Loan Monthly Update, July 5, 2022.
[55] LCD, Global CLO Roundup, June 28, 2022.

Past performance is not necessarily indicative of future results.

[56] BofA Global Research CLO Weekly, June 10, 2022.
[57] LCD, *CLOs face widespread impact from Revlon bankruptcy* — Moody's, June 17, 2022.
[58] Deutsche Bank Research, European CLO Mid-Year Outlook 2022, July 1, 2022.
[59] LCD, CLO Global Databank, Bloomberg High Yield BB Index, Bloomberg Corporate Index July 1, 2022
[60] Bloomberg News, US Stocks Decline as Recession Fears Intensify: Markets Wrap, July 5, 2022.
[61] Joe Zidle, Taylor Becker, The Optimist Plays the Long Game, July 6, 2022.
[62] Credit Suisse Western European High Yield Index, June 30, 2022. Credit Suisse Western European Loan Index, June 30, 2022.
[63] JPM has raised its 2022 and 2023 high-yield bond and leveraged loan default forecasts to 1.25% each in 2022, rising to 1.75% and 2.25% in 2023, respectively, JP Morgan, Default Monitor, June 2, 2022. Citi's default outlook for the next 12 months remains unchanged for loans at 2.5% and is revised upwards for HY, to 3.3%, Citi, US Leveraged Loans Strategy, June 6, 2022. DB expects US HY defaults to first climb to 5.0% by YE 2023, and peak at 10.3% in 2024 (assuming a recession at the end of 2023 into 2024), DB, 2022: The end of the ultra-low default world? June 6, 2022.
[64] JP Morgan, May 16, 2022.
[65] 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.