Blackstone Credit

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

CREDIT INSIGHTS

May 2022 Market Commentary

- **Relief rally rounds out wild month for credit**
- **HY, IG net first positive monthly return in 2022**
- **Loans succumb to broader weakness**
- **Credit concerns increase amid slower growth, rising default rates**

Performance Overview

Credit markets experienced a wild ride in May as inflation and duration risk gave way to mounting concern about lower global growth. Central banks turned increasingly hawkish, prompting fears about their ability tame inflation without tipping economies into recession.

The prolonged war in Ukraine and ongoing supply chain issues due to China's COVID lockdowns added to the risk-off sentiment.

The Fed's early month 50bp rate hike, the largest in 20 years, underpinned Chairman Powell's intention to do whatever it takes to get inflation under control and restore price stability.[1] May's 40-year high CPI print forced the Fed to hike by a subsequent 75bp in June, sparking another spate of heighted volatility amid increased recession fears.

This more hawkish tone sparked a selloff across risk assets that pushed credit returns into negative territory. This was followed by a broad based rally into month-end after the release of the Fed's May minutes, which left the door open to less aggressive tightening should the US economy start to slow. Stocks rebounded, with the S&P 500 ending the month down 12% versus -18% previously, the 10-year Treasury yield tightened to 2.74% and bond prices snapped back.[2]

Loans finally capitulated to the mounting concerns over the potential for economic weakness versus the sole focus on rates that has weighed on this year's performance across other credit markets. Loan returns dropped into negative territory and outflows from retail funds exacerbated the move lower. Nonetheless, loans remain the best performing asset class among credit so far this year.[3]

In a reversal of fortunes, a respite from rising rates resulted in strong rebounds in both high yield and investment grade bonds. The rebound tempered losses made earlier in the month and enabled both markets to turn out positive returns for May.[4]

Transacting was tough as secondary market liquidity and primary supply dried up. Issuance further lags last year leading a number of bank research teams to lower their full-year supply forecasts.[5]

European credit had a harder time given the region's weaker growth outlook due to the war in Ukraine. Energy disruption and embargoes, together with higher food prices lifted inflation to an all-time high of 8.1% in May.[6] The ECB is expected to lift rates for the first time in over a decade in July and then again in September.

The decompression trade played out across all credit markets as investors rotated up in quality amid tightening financial conditions. Earnings were also scrutinized to assess the impact of slower growth and rising costs on credit performance.

In terms of stress, the US high yield and loan default rates increased to 0.72% and 0.94% in May.[7] Meanwhile prospects for slower growth led JPM to raise its high yield bond and leveraged loan default forecasts to 1.25% each in 2022, rising to 1.75% and 2.25% in 2023, respectively.[8]

Market Stats (as of May 31, 2022)[9]

	May	QTD	YTD
S&P / LSTA U.S. Leveraged Loan Index	-2.56%	-2.48%	-2.45%
Bloomberg U.S. Corporate Investment Grade Index	0.93%	-4.48%	-11.92%
Bloomberg U.S. High Yield Index	0.25%	-3.17%	-8.00%
Credit Suisse Western European Leveraged Loan Index	-2.44%	-2.57%	-3.09%
Credit Suisse Western European High Yield Index	-1.08%	-5.45%	-9.11%
S&P 500	0.01%	-9.10%	-13.30%
Euro Stoxx 50	-0.36%	-3.30%	-11.85%

Past performance is not necessarily indicative of future results.

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

	Spread			Yield/Yield w. Forward Rates			Price		
	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD	Level	ΔMTD	ΔYTD
U.S. Loans	483	67	72	5.78%/ 7.40%	0.95%/ 0.40%	1.58%/ 2.1%	$ 94.64	$ (2.84)	$ (4.00)
U.S. HY	406	27	123	7.17%	0.12%	2.31%	$ 92.67	$ (0.39)	$ (10.89)
EU Loans	574	97	161	4.32%/ 5.96%	0.20%/ 0.92%	0.50%/ 2.43%	€ 94.13	€ (2.67)	€ (4.58)
EU HY	510	30	150	6.28%	0.40%	2.52%	€ 91.33	€ (1.38)	€ (8.90)

US Investment Grade Market

Investment grade was one of just two credit markets posting positive returns in May, helped by the month-end rally which pulled Treasury yields down from highs posted earlier in the month. Returns rounded out at 0.93% for the month. That left performance for 2022 at -11.92% from more than -13% earlier in the month.[10]

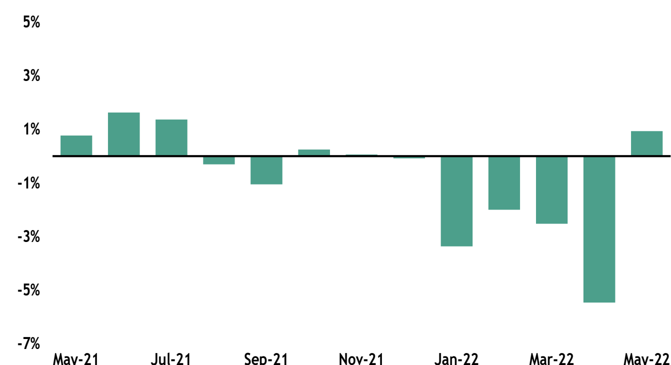
It's the first positive monthly return since November 2021, the best total return since July 2021, and follows the longest losing streak since 1994.[11] Spreads narrowed over five consecutive sessions in the final week to 138bp after hitting 148bp earlier in the month, levels not seen since July 2020 and up from 92bp at the start of 2022.[12]

May is historically an active month for supply, but issuance was limited due to volatility. A late month spate of deals lifted supply to $85.4 billion but that's still inside the $104 billion that priced in April and compares with $131 billion in May 2021.[13] The drop off leaves this year's $639 billion of issuance 3.5% behind the 2021 pace.[14]

Issuers had to pay up to price deals pushing reported new-issue spread concessions to 30bp or more mid-month. The year-to-date average new issue spread increased to T+114, versus T+74 for the comparable span last year.[15] Despite the need for higher concessions, issuers were able to raise oversubscriptions on deals, which demonstrated ongoing demand at the right level.[16] Rising star volumes also picked up in May with an upgrade of HCA taking this year's total to $49 billion.[17]

IG retail fund outflows continued but were muted by the overall reduced supply. Demand from Asia slowed in May as the rates rally and rise in hedging costs eroded the relative value of investment grade yields.[18]

US IG returns back to poistive for the first time since November 2021[19]



US Loan and High Yield Markets

US loans experienced the largest monthly drop since March 2020 as the market finally caught up with the rest of credit in dramatic style. May's 2.56% loss is the third worst since the end of the global financial crisis ("GFC"),[20] while the year-to-date return, at -2.45%, is the second-worst reading for any comparable period since the GFC.[21]

Outflows from retail funds appeared to be the primary driver of the sharp price move lower as managers sold loans to cover redemptions. US loan funds and ETFs recorded $3 billion of outflows for the four weeks ending May 25, including the largest weekly outflow since the onset of the pandemic.[22]

Average loan prices dipped to a May low of $93.8, below levels reached in March of this year.[23] With liquidity at a premium, the largest loans fell more than the index as managers sold the most liquid instruments to raise cash.

Issuers held back amid the tough markets and as new issue discounts increased. $16 billion of US loans priced in May, down from $50 billion in April, and the $6.2 billion of institutional loans that priced was the second-lowest monthly figure since the end of the GFC.[24]

Higher-rated loans have outperformed lower-rated loans as marginal buyers appear to favor quality. That was certainly apparent in May's loan market selloff. Prices declined across the board, but it was the CCC-rated cohort that bore the brunt of the risk aversion losing 3.87% in May, compared with single-Bs which lost 2.85% and BB-rated loans, which 'only' lost 1.77%.[25]

Meanwhile, loan spreads, which had proved relatively stable this year, have finally started to widen as credit risk fears increased.

The snap back in the final days of May saved the US high yield market from what would have been another

Past performance is not necessarily indicative of future results.

miserable performance month. Big daily moves drove returns as low as -3.15% at one point as average prices fell below $90.

There was significant bifurcation between higher-quality bonds, which were generally unchanged over the month and some lower-quality CCCs which were down as much as 3 points mid-month.[26]

Average spreads also widened, breaching 500bp, while CCC-rated high yield spreads widened by over 100bp on the month.[27]

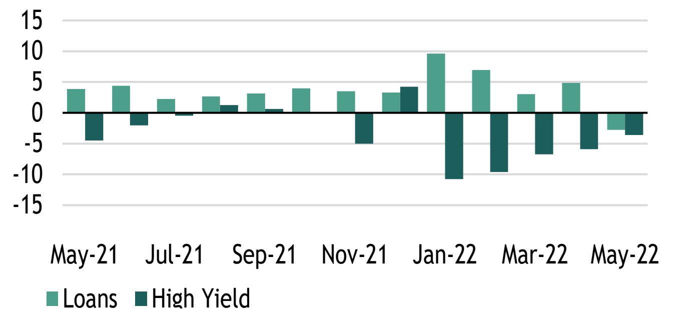
The late month rebound pulled monthly returns back into positive territory for the first time this year at 0.25%. It also pared back the year-to-date losses to -8.00%.[28] Prices improved, and spreads contracted to 434bp by month end.[29]

Inflows accompanied the snap back, with high yield retail funds reporting demand of $4.77 billion for the week to June 1, the largest positive weekly reading since the period to June 10, 2020.[30]

High yield issuance continues to lag last year by 77% and the month's $2.2 billion of new deals made it the quietest May since 2005.[31]

Still, limited supply, together with high cash levels, low dealer inventory, more attractive all-in-yields and a shrinking HY universe ($12 billion had left the high yield index by month end), have all supported the technical backdrop. That's in spite of this year's $26.1 billion of retail outflows.[32]

Loan, High Yield Mutual Fund and ETF Flows ($ billions)[33]



European Loan and High Yield Markets

European credit markets experienced extreme choppiness through the first half of May as growth fears took hold.

This was accompanied by further hawkish positioning from the ECB, which will raise rates by 25bp and out of negative territory in July. It will also bring an end to quantitative easing. The 10-year bund crossed 1% early in the month to close at 1.12% by month end.[34]

Similar to the US, themes of decompression, dispersion, up in quality and low issuance played out across Europe's loan and high yield markets in May. Decompression was in evidence across ratings, in small less liquid versus large liquid credits, in second lien versus first lien and in cyclicals versus defensives.[35]

The risk-off tone caught up with the loan market in May pushing average prices to €94.1, levels seen last in late 2020. Liquidity was at a minimum and the limited appetite to add risk from CLO buyers held back any potential for a lift in loan prices at month-end.[36]

Just €420 million of new loans priced in May putting the 2022's €25.4 billion of supply 61% behind the same period last year. Arrangers were expected to tackle the more than €30 billion inventory of deals after the UK jubilee holiday.[37]

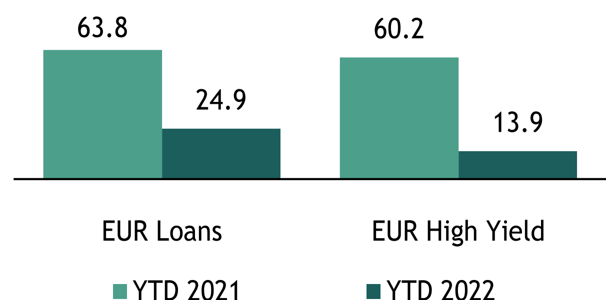
In high yield, returns lost 2.29% amid the early month risk-off sentiment and increased ETF outflows. The iTraxx Crossover, a measure of risk, rose to a year-to-date wide of 489bp.

The late month relief rally helped pare losses to -1.08% by month end, while YTD returns ended the month at -9.11% from losses of -10.21% earlier.[38]

High yield spreads hit annual wides of 547bp before contracting to 510bp by month-end. Average prices closed the month at €91.3 from two-year lows of €90.5 earlier in the month.[39]

Issuers stepped back so that €2.05 billion of high yield deals priced during the month leaving YTD volumes 77% behind last year in the same period.[40]

YTD European Loan and High Yield Issuance vs same period 2021 ($ billions)[41]



Past performance is not necessarily indicative of future results.

US and European CLO Markets

The CLO market suffered a month of negative returns across all rated CLO debt tranches in May. The CLOIE index returned -1.86%, trailing US Investment Grade and US High Yield, while outperforming US Loans.[42]

Managers continued to price new deals despite the challenging backdrop. It was the most active month this year for new deals in the US with 29 issuers pricing $14.05 billion of new transactions. Still, the year-to-date tally lags last year's record supply year by 15%.[43]

Liability spreads widened again in May so that 82% of US transactions priced their triple-A rated tranche at over 150bp, versus 37% in April.[44]

European primary market activity was slower and only five new deals priced in May. The month's €2.09 billion leaves issuance for 2022 7% ahead of the same period last year.[45] Of the region's 65 active managers 40 have not yet issued a new deal this year.[46]

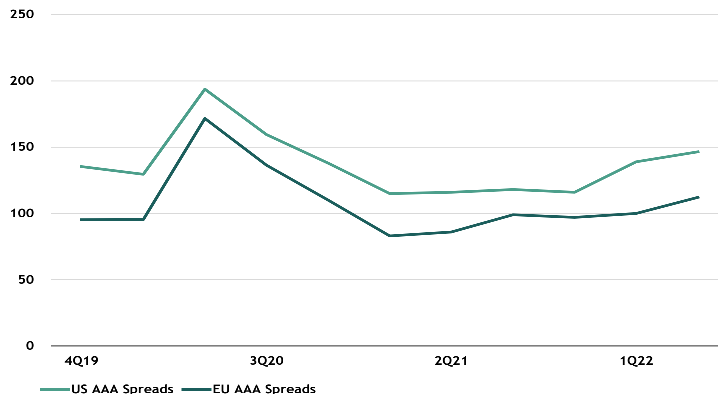
Spreads on triple-A-rated CLO tranches in Europe increased beyond their March wides to between 150-160bp in the secondary market.[47]

In response to the wider liability spreads, managers looked to anchor investors for support, and priced deals with short-dated structures, so-called turbo features which improve the risk profile of single-B rated tranches helping to keep pricing tight,[49] while also structuring in fixed-rated AA-rated tranches to tap into demand.[50] In Europe, managers priced deals with Euribor tranches capped at 2.5% ahead of the anticipated ECB rate hikes in July.[51]

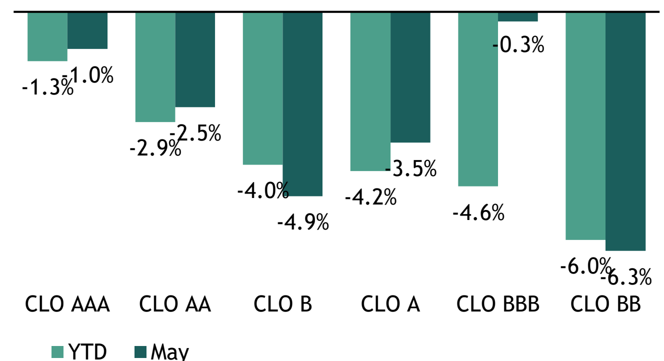
"Print and sprint" CLO issuance appeared in both regions after the loan selloff mid-month created a potential opportunity for managers with access to available financing to buy discounted assets to offset the wider liability spreads in order to boost equity returns. June's snap back in US loan prices may have eroded some of the benefit of these transactions, however.

Portfolio quality is back in focus given the impact of higher inflation on corporate performance and upward revisions to default forecasts. Loan downgrades outpaced upgrades in May with downgrades from Moody's and S&P affecting $20 billion of loans in CLO portfolios.[52]

US vs. Europe AAA CLO Spreads (bp)[48]



U.S. CLO Performance (bp)[53]



Past performance is not necessarily indicative of future results.

Market Outlook

We approach the end of the second quarter in a much more cautious frame of mind following the broad market repricing that has taken place recently. Recession concerns have overtaken rate fears as investment enemy number one as growth forecasts are lowered globally.

Credit risk has also increased, and we have seen this play out in widening spreads, the rotation into higher-quality assets, as well as heavy scrutiny of first-quarter earnings for signs of any impact of higher input costs and slowing growth on credit performance. Warnings from large retailers have raised concerns of what might lie ahead, while earnings misses have been punished in secondary markets.

Perhaps the clearest sign that risk is growing is rising default rate expectations. Corporate stress has been almost absent from credit markets since the pandemic reset the cycle, and the pool of distressed assets remains relatively small. However, inflationary pressure on corporate performance, tightening monetary policy, more restrictive financing rates and slower growth have led a number of bank research teams to hike their default forecasts in 2023 and 2024.[54]

With the days of easy money and the 'everything rally' behind us, Blackstone's Chief Strategist Joe Zidle in his June essay lays out how this new global tightening cycle calls for a new approach to investing.[55] While previous ultra-low interest rates and balance sheet expansion benefited beta strategies, in this higher interest rate environment, active management and high-conviction investing will be needed to deliver outperformance.

We believe current dynamic market environment plays to our strengths at Blackstone Credit. Our active management approach has already enabled us to take advantage of investment opportunities to generate alpha, and also preserve performance:[56]

- We have been early in the move up in quality and have also taken advantage of the mid-month sell off to pick up assets at what we believe to be attractive discounts.
- The CLO markets are particularly challenging given the significant hike in funding cost as liability spreads continue to widen, but we have responded by structuring static vehicles that execute liabilities and fill the portfolio with discounted loans in a condensed timeframe compared with a typical reinvesting CLO. If timed right this strategy can use the principal appreciation across the assets as they 'pull to par' to offset the wide liability spreads to drive the CLO equity return.
- Our ability to provide public and private financing solutions is another benefit as we use our strong relationships to partner with banks looking to de-risk deals piled up on their balance sheets amid the temperamental primary markets.
- Another area of opportunity is the increased credit spread dispersion caused by this year's volatility. Experience tells us that while volatility creates the mis-pricings, it also leads to more rapid convergence back to fair value as investors identify the opportunity – the realization of alpha. The key is being quick to identify the opportunity and execute and is where an investor's experience, process and systems can add considerable value.
- Finally, rising rates and input costs will put leveraged borrowers under pressure impacting corporate margins unevenly. Effective asset managers will need to differentiate between companies with increased earnings power who can offset the increased cost of capital, and those for whom shrinking EBITDA will amplify the increased costs.

As Zidle notes, investing in good neighborhoods, and in those companies and sectors with secular growth tailwinds, is now more important than ever. Free cash flow generation, and the ability to grow it, will be critical as inflation remains a concern for longer. And, in the face of increased credit risk, senior secured debt and investments that are higher in the capital structure could be well positioned to weather a potential storm.

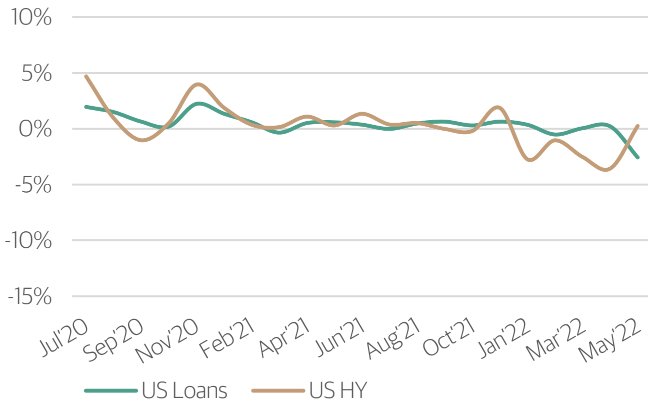
Additionally, we believe our emphasis on strong fundamental credit analysis and selection, while maintaining a large and diverse portfolio, should help us to avoid defaults and protect against principal loss.[57]

Past performance is not necessarily indicative of future results.

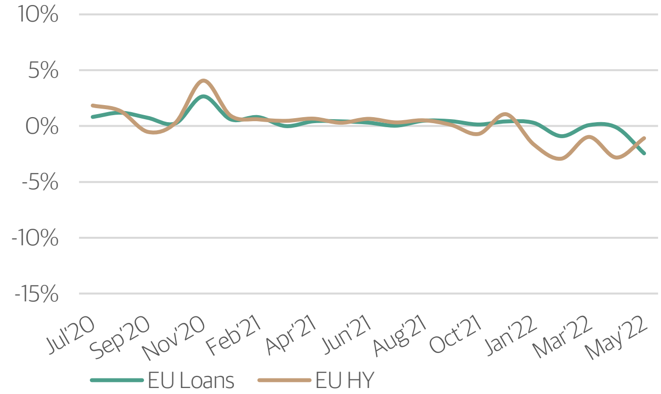
Market Snapshot

(As of May 31, 2022)[58]

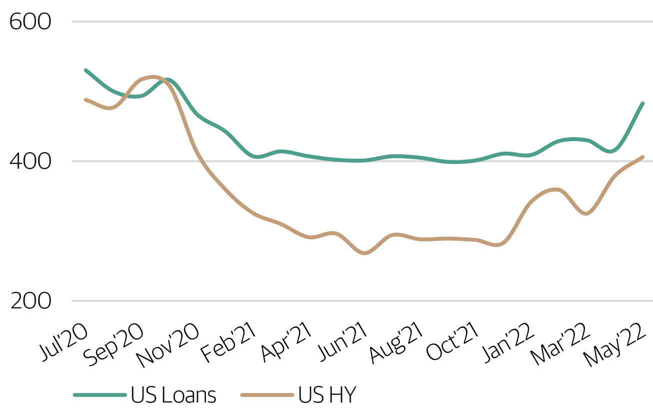
US Credit Monthly Return



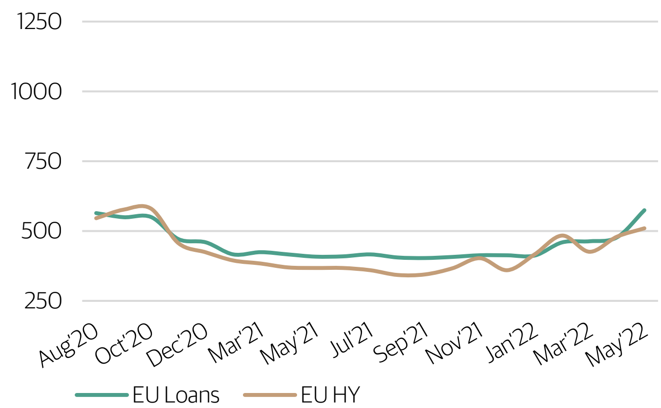
EU Credit Monthly Return



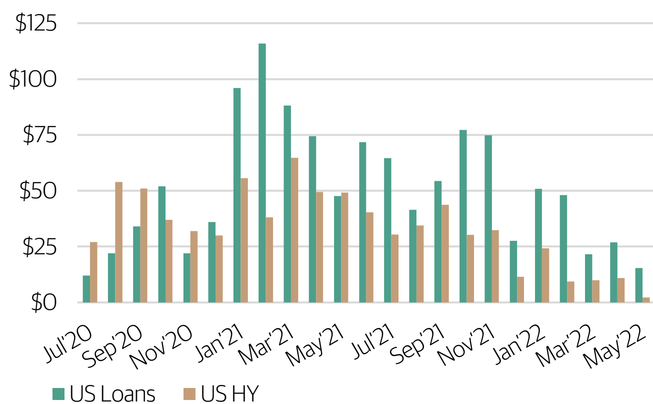
US Credit Spreads (in bp)



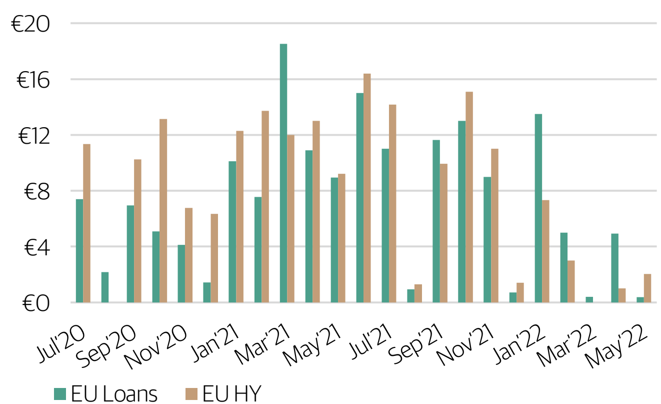
EU Credit Spreads (in bp)



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.

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

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, May 2022.
[2] Bloomberg News, May 2022.
[3] S&P/LSTA Leveraged Loan Index, June 1, 2022
[4] Bloomberg US Corporate Index, June 1, 2022.
[5] JPM, Barclays, BAML, May 2022.
[6] Bloomberg News, May 2022.
[7] JP Morgan Default Monitor, June 2022.
[8] JP Morgan Default Monitor, June 2022.
[9] 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).
[10] Bloomberg US Corporate Index, June 1, 2022.
[11] Bloomberg News, June 1, 2022.
[12] Bloomberg News, June 1, 2022.
[13] LCD, June 6, 2022.
[14] LCD, June 6, 2022.
[15] LCD, June 6, 2022.
[16] LCD, June 6, 2022.
[17] CS Credit Strategy Daily, June 3, 2022.
[18] CS Credit Strategy Daily, June 3, 2022.
[19] Bloomberg, May 31, 2022.
[20] LCD, June 1, 2022.
[21] LCD, June 1, 2022.
[22] Lipper May 25, LCD, June 1, 2022.
[23] S&P/LSTA, May 2022.
[24] LCD, June 1, 2022.
[25] LCD, June 1, 2022.
[26] Blackstone Credit, May 10, 2022.
[27] Bloomberg US HY Index, June 1, 2022.
[28] Bloomberg US HY Index, June 1, 2022.
[29] Bloomberg US HY Index, June 1, 2022.
[30] Lipper, LCD, June 2, 2022.
[31] LCD, June 1, 2022.
[32] Lipper, May 2022.
[33] S&P/LSTA Loan Index, Bloomberg High Yield Corporate Index, May 9, 2022.
[34] JPM European High Yield and Leveraged Loan Daily Updates, May 2022.
[35] Blackstone Credit, May 20, 2022.
[36] Blackstone Credit, May 27, 2022.
[37] LCD, June 3, 2022.
[38] CS Western European HY Index, June 7, 2022.
[39] CS Western European HY Index, June 7, 2022.
[40] LCD, June 3, 2022.
[41] LCD, April 30, 2022.
[42] JPMorgan CLOIE Monitor, June 1, 2022.
[43] LCD, May 31, 2022.
[44] LCD, May 31, 2022.
[45] LCD, May 31, 2022.
[46] Morgan Stanley, May 2022.
[47] LCD, May 31, 2022.

Past performance is not necessarily indicative of future results.

[48] J.P. Morgan, April 30, 2022.
[49] The turbo feature adds an overcollateralization (O/C) test to the single-B rated notes, so that in the event the O/C test is breached, these notes will start to be repaid using interest proceeds that would have gone to pay the equity tranche. Any principal proceeds will continue to pay down the structure from the AAA notes down. (LCD, March 2015.)
[50] Blackstone Credit, May 27, 2022.
[51] DB European CLO Monthly, May 27, 2022.
[52] BofA Global Research, June 3, 2022.
[53] J.P. Morgan, April 30, 2022.
[54] 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.
[55] Joe Zidle, The End of Liquidity Is a New Beginning for Alpha, June 3, 2022.
[56] This product is subject to the risk of capital loss and investors may not get back the amount originally invested.
[57] Diversification does not ensure a profit or protect against losses. This product is subject to the risk of capital loss and investors may not get back the amount originally invested.
[58] 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.