Blackstone

Primary Roars Back as Credit Risk Reprices in Robust Q1

CREDIT INSIGHTS
MARCH 2024 MONTHLY COMMENTARY

Market Outlook

March's Everything Rally

Sentiment and markets rallied over the first quarter, buoyed by strong market technicals and as macroeconomic resilience kept markets in risk-on mode.[1]

High yield ("HY") and broadly syndicated loan ("BSL") markets produced positive returns for the quarter, and even investment grade bonds pared earlier losses with a return to positive performance in March. Issuance and inflows soared, pushing spreads tighter and investors further down the ratings spectrum in search of yield.

Against this backdrop, the broader macro narrative has shifted again. Last year's recession concerns were replaced at the start of the year with a focus on a soft landing. Now markets are taking their cues from economic growth prospects; US growth is holding up and Europe's economy is showing signs of a potential recovery.

Risk has repriced as a result, lending support for the significant tightening in investment grade and high yield spreads over the last five months. However, there is a question whether markets can continue in the current "have your cake and eat it too" mode for the rest of 2024 as higher interest costs keep downside risk in play. We remain focused on credit selection between the good and the not-going-to-make-it.

Credit Spreads Heat Map Relative to History[2]

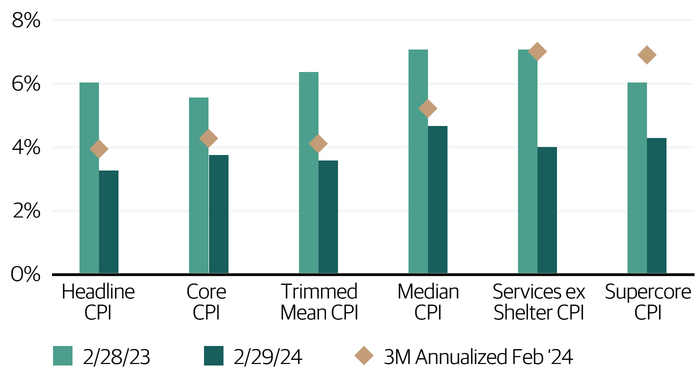
	Spread Percentile	Yield Percentile
HY	5.3%	73.7%
Leveraged Loan	46.2%	89.5%
CLO 2.0	80.7%	95.9%
CLO BBB/BB	56.6%	84.1%
Opportunistic	49.7%	80.7%

Lowest → Highest

The Waiting Game

We believe that the Fed's view that rates are high enough to gradually slow the economy and bring inflation back to target over a reasonable horizon is a fair reading of the current situation.[3] However, the recent upside surprises in core CPI may cause the Fed to delay cutting rates until later this year. Indeed, our strategists suggest a June cut depends on all the data released between now and June going the right way.[4]

Core Inflation Provides Upside Surprises[5]



Elevated rates have impacted corporate performance, as higher interest expenses continue to put pressure on interest coverage ratios.[6] A longer wait for a Fed pivot will frustrate more highly levered borrowers needing to refinance.[7]

Glass Half Full

That said, leverage and interest coverage among high yield borrowers remain better than their 2015-19 averages, and corporate profits registered strong quarter-on-quarter growth, both of which should reassure investors.[9] Rate cuts amid a still-growing economy should create a bullish credit scenario that will ease the pressure on corporate balance sheets, reducing potential stress.[10]

Loose financial conditions and continued efforts by high yield and leveraged loan borrowers to push out near-term debt maturities has also eased some of the pressure on the record maturity wall they faced heading into 2024. Borrowers have reduced debt due in 2024-2026 by $329 billion,[11] which, although still elevated by historical standards, is 40% lower than a year ago.

Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

Falling risks to economic growth have provided a tailwind to spread compression, and the improving outlook has led several sellside research desks to reduce their 2024 spread forecasts recently.[12]

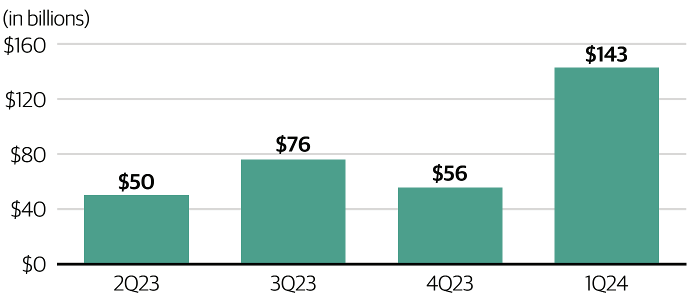
Technicals continue to support credit market performance as the lure of higher yields underpins demand. The relative attractiveness of loans has drawn strong demand from high yield and other 'tourist' investors.[13]

Pumped-Up Supply

Spread compression has fueled new issue supply in 2024, across investment grade, loans, high yield and CLO markets. Borrowers in the US and Europe have taken advantage of a more supportive economic backdrop and tighter new issue spreads and yields to churn out deals at a pace not seen since the post-COVID-19 issuance rush.[14]

The run-up in loan prices encouraged another spate of loan repricings, such that roughly 10% of the $1.4 trillion US loan asset class has repriced in 2024. That's an annual saving of $787 million for speculative grade borrowers, and many more are waiting in the wings assuming conditions remain supportive as their call protection expires.[15]

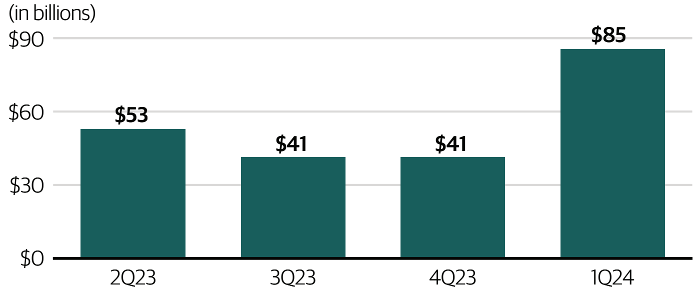
US Loan Issuance Soars in First Quarter[16]



The return of second-lien and lower-rated issuers to the loan market also highlights the increased risk tolerance among investors. Truist Insurance Holdings priced the largest second-lien facility since July 2021, at the tightest spread for a second-lien LBO loan post GFC.[17] B-minus borrowers issued more refinancing-related loans over the first quarter than during all of 2023 ($29.2 billion),[18] and the first CCC-rated loan priced since May 2023.[19]

The $85 billion of US high yield issuance marks a 10-quarter high, while the volume of bond-for-loan takeouts (institutional and pro rata) swelled to $17.6 billion, the second highest YTD total over the last decade. Unsecured notes also made a return having trailed secured issuance through 2023.[20]

US HY Issuance Doubles in First Quarter of 2024[21]



Private, Public Give and Take

As new issue spreads sank to multi-year lows, syndicated loan issuers began to regain market share from private credit over the quarter. In the US, 27 companies issued new broadly syndicated loans this year to refinance $11.5 billion of debt previously provided by direct lenders. Although many of those being refinanced are the more expensive second-lien facilities, that has still allowed the BSL market to claw back more than half of the $20 billion that left the space in favor of private credit providers in 2023.[22] European direct lenders also experienced their share of BSL refinancings totaling roughly €4.2 billion over the first quarter.[23]

The renewed push and pull between these two markets is expected to continue, with direct lenders actively repricing deals in order to stay invested, and offering additional carrots, including delayed draw facilities and junior debt. Banks have also started to offer delayed-draw term loans in a bid to win future mandates.[24] To date, 27% of European direct lending buyout deals featured both players together, while in 2020 the same measure was just 6%.[25]

There is also a benefit to borrowers having more financing options. Greater confidence in securing financing from either one or other market may encourage private equity sponsors back to the deal table. The much hoped-for M&A recovery has yet to materialize in earnest, but some green shoots provide reasons for optimism. Blockbuster deals more than doubled in the first quarter of this year, signaling a nascent recovery in the mergers and acquisitions market following a lengthy drought.[26] And in Europe, total BSL buyout transaction volume has risen to €16.3 billion in the last 12 months, from €14.1 billion across 2023.[27]

As always, we welcome the opportunity to engage with you on any themes discussed in this piece.

Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

Performance Overview

Dovish Fed spurs 1Q 'everything rally'

Credit spreads grind still-tighter

Primary supply soars over first quarter

Defaults moderate, markets brush off idiosyncratic developments

Credit markets turned out another month of gains as the dovish FOMC meeting spurred an 'everything rally' across markets energized by the prospect of rate cuts. Fixed rate bonds outperformed floating rate through March, and investment grade bonds recorded their first monthly gain of the year. Floating rate assets continue to be buoyed by strong carry to lead the credit pack in terms of first quarter performance.[28]

Sticky inflation and ongoing labor market strength convinced the Fed to hold rates once again, while increasing its year-end 2024 inflation forecast. But it was the unchanged guidance for three rate cuts in 2024 that put the wind in the markets' sails, lifting equities to all-time highs and driving a further tightening in credit spreads.[29]

As ever, the timing of those first reductions depends on data releases, and there is the potential for ongoing volatility should the anticipated summer pivot prove elusive. Treasuries continued to gyrate as a result, although at 4.2% the 10-year closed largely unchanged from the start of the month.[30]

The Swiss National Bank surprised with a 25bps cut, becoming the first major central bank in the developed markets to bring down rates. Meanwhile, the Bank of Japan moved the other way, hiking by 10bps to reverse its negative interest rate policy and removing its yield curve control program.[31]

The ECB and BoE both paused again, although the former signaled the potential to cut in June, after fresh projections showed inflation hitting the 2% target in 2025.[32] BoE Governor Andrew Bailey flagged that rate cuts were "in play" for upcoming meetings as CPI rose by 3.4% in the 12 months to February, from 11% in October 2022.[33,34]

The quarter's pervading theme of technical strength amid a thirst for yield continued through March, driving high yield and investment grade bond spreads yet tighter. Corporate borrowers pushed issuance schedules right up to the Easter break, taking advantage of those tighter spreads and reduced new issue yields to refinance existing deals. In many markets, issuance over the first quarter has topped all others going back to 2021.

However, the month also brought with it some idiosyncratic pitfalls, as the debt of several large and widely held leveraged loan and high yield issuers came under pressure in Europe and the US. Contagion appeared limited as issuers continued to find strong demand for new deals across credit markets, while also building second-quarter pipelines.

The developments did spark some volatility within European credit, causing some accounts to reduce holdings in the affected names. High yield spreads increased to YTD wides, underperforming the US, although they remain close to the long-term average.[35]

For now, the European defaults remain subdued with the high yield and leveraged loan par default rate at 1.1% and 1.2%, respectively, at the end of March.[36]

US default activity moderated in March following an active February, leaving the par-weighted US high yield bond and loan default rates at 2.59% and 3.52%, respectively, in March (on a last-twelve-month basis and including distressed exchanges).[37]

Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

Market Stats

(as of March 31, 2024)[38]

	March	QTD	YTD
Morningstar LSTA US Leveraged Loan Index	0.85%	2.46%	2.46%
Bloomberg US High Yield Index	1.18%	1.47%	1.47%
Bloomberg US Corporate Investment Grade Index	1.29%	-0.40%	-0.40%
Credit Suisse Western European Leveraged Loan Index	0.19%	2.04%	2.04%
Credit Suisse Western European High Yield Index	0.23%	1.20%	1.20%
S&P 500	3.22%	10.55%	10.55%
Euro Stoxx 50	4.38%	12.94%	12.94%

	Spread (in bps)			Yield			Price		
	Level	MTD	YTD	Level	MTD	YTD	Level	MTD	YTD
US Loans	436	(8)	(23)	9.82%	-0.11%	-0.11%	$96.73	$0.28	$0.28
US HY	320	(13)	(27)	7.66%	-0.20%	-0.20%	$93.43	$0.84	$0.84
EU Loans	495	12	(10)	8.57%	0.08%	0.08%	€97.12	€(0.02)	€(0.02)
EU HY	399	17	(37)	7.16%	-0.03%	-0.03%	€93.19	€(0.09)	€(0.09)

Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

US Investment Grade Market

The investment grade bond market was heading for another month of losses before the dovish Fed-fueled risk-on sentiment enabled it to produce its first gain of 2024. March's 1.29% return tops the credit market leaderboard for the month and helps pare some rate-induced volatility suffered over the first two months, leaving the quarterly return at -0.40%.[39]

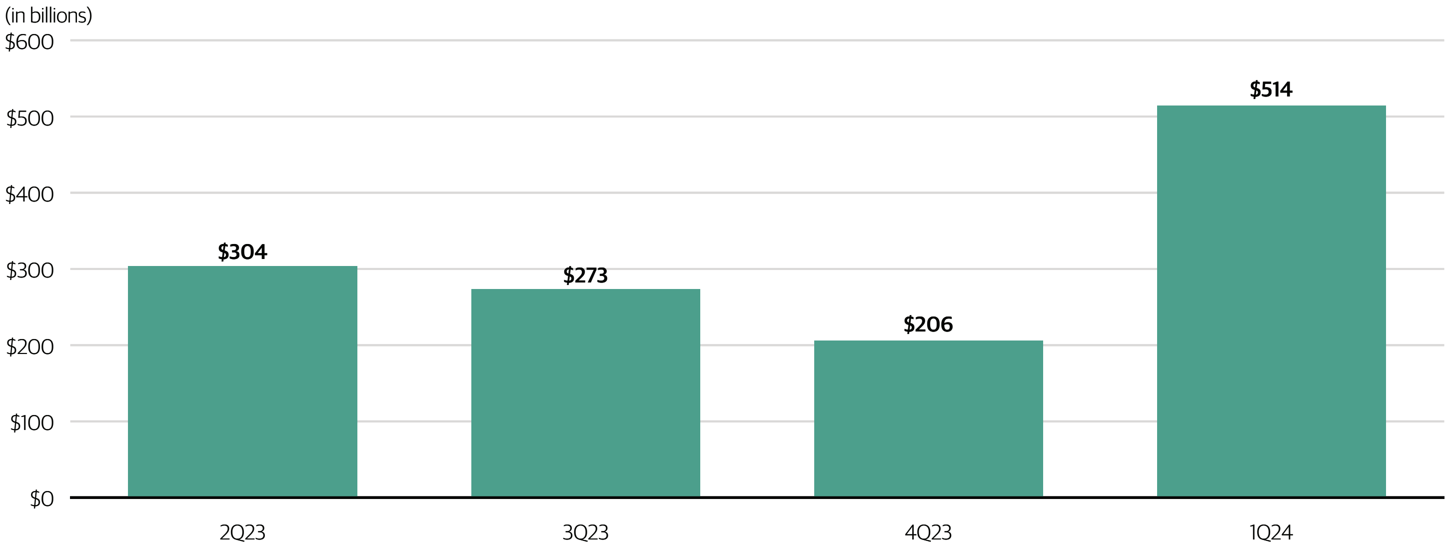
Technicals remained strong amid low volatility and healthy demand, following 13 weeks of inflows through mid-month. The IG OAS index touched fresh tights at 87bp from 130bps a year ago.[40] Despite the compression in spreads, the marginal investor in US credit remains yield-driven, as the all-in yield offering across IG remains attractive at 5.36% (compared with average yields closer to 2% in the post-COVID-19 years).[41]

While easing from the breakneck pace of January and February, borrowers nonetheless continued to use demand and tight spreads to price $136 billion of new deals over the month. The quarter's $514.3 billion represents the second highest quarterly issuance record, and runs 34% ahead of last year in the same period.[42] Refinancings remained the bulk of supply, up 41% year over year, although M&A staged a comeback at $86 billion, a quarterly high since 2018.[43]

Average new issue spreads for BBB-rated deals reduced to T+134 for the YTD late March, from T+174 for the same period last year and compared to the March average of T+128.2.[44] New issue yields reduced to 5.45%.[45]

Supply looks set to continue with dealer estimates in the $100 billion area, compared to about $65 billion sold in the same month last year.[46]

IG Borrowers Price Second-Highest Quarterly Total on Record[47]



Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

US Loan and High Yield Markets

US loans gained another 0.85% in March, resulting in a quarterly gain of 2.46%. Loans outperformed high yield and investment grade credit over the quarter, although trailed last year's 2.85% gain through the same period.[48]

Average prices have gained half a point since the start of the year to $96.7 billion, the highest level in nearly two years.[49] The number of loans priced above par rose to 38% by quarter-end.[50]

Gross loan issuance over the first quarter totaled $314 billion, the third highest in the past decade.[51] M&A-driven supply increased, although not enough to meet demand, and the rise in prices encouraged more opportunistic transactions, such as dividend recaps. Loan repricings also picked up, following a quieter February, taking the quarter's total to a seven-year high of $143 billion.[52] Additional 'synthetic' loan supply came from the ongoing flow of loan BWICs as managers take advantage of the rally in loan prices to redeem CLOs.[53]

New issue yields fell and spreads trended back to 2021 levels, leading some borrowers to refinance more expensive private loans in the syndicated markets.[54]

Strong demand underpinned the increased primary flow. The CLO buyer base recorded its strongest start to a year since the GFC, while retail demand also picked up after last year's outflows. The quarter's $2 billion of inflows is the highest reading in two years.[55] Non-traditional loan accounts, such as high yield and crossover, continued to add loans in decent size, looking to benefit from the increased carry available.[56]

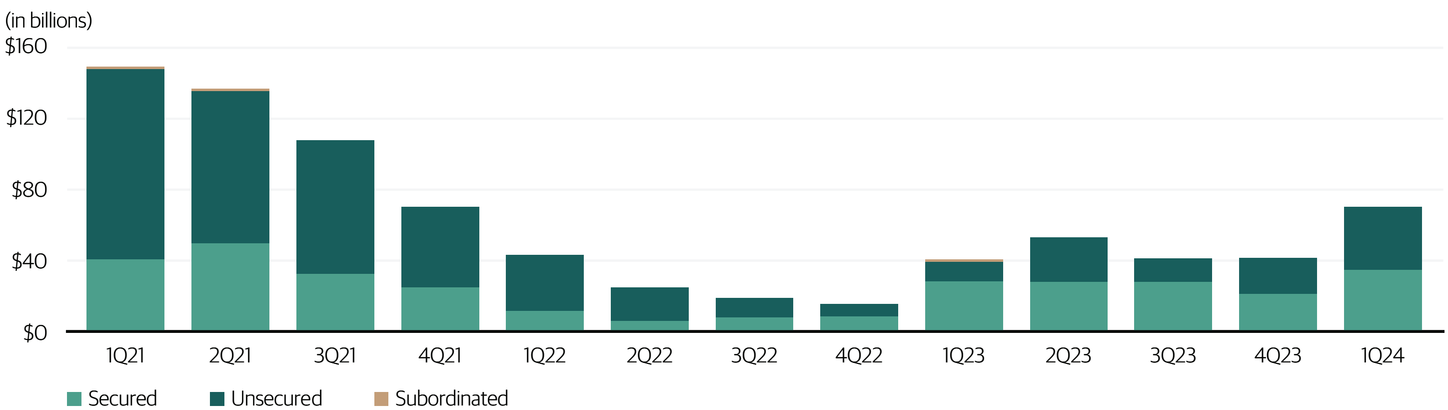
US high yield bonds outperformed loans in March, returning 1.2%, the strongest gain this year, and taking YTD returns to 1.47%.[57] Strong technicals continued to drive performance, while the post-FOMC rally pushed high yield index spreads inside 300bps for the first time since January 2022.[58] The average high yield YTW finished the month at a 10-week low of 7.6%.[59]

Gains spanned the ratings cohorts, and CCCs outperformed higher-rated assets over the month and quarter.[60] Dispersion among CCC-rated credits remains high as investors focus on avoiding tail risk. The telecom sector underperformed following the downgrade of Altice France to CCC.[61]

Cheaper borrowing costs supported $27.6 billion of new deals—mostly refinancings—in March. At $84.6 billion, the quarterly total is the highest since 2021.[62] Demand remains strong following $9 billion of inflows during the first quarter (vs. $18 billion of outflows in the same period last year).[63]

In both markets, lower-rated issuers were able to tap into demand for yield pricing CCC-rated loans and second-lien tranches in loans, and increasing the volume of unsecured bonds in high yield.[64]

Unsecured HY Supply Rises in Q1 in Risk-On Appetite[65]



Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

European Loan and High Yield Markets

High yield outperformed loans in Europe, gaining 0.23% for the month vs. 0.19% for loans. Loan performance remains ahead of high yield for the year at 2.04% vs. 1.20%.[66]

Technicals kept European credit markets relatively steady, limiting contagion despite the rise of single name risk, including Altice France (SFR), Intrum and Ardagh Packaging.[67] The iTraxx Crossover, a gauge of sentiment in the European credit market, narrowed inside 300bps by month-end.[68]

Average loan prices eased back to €97 as increased supply over the quarter created a more balanced technical dynamic within the European loan market.[69] Several more CLO-related BWICs also provided focus in secondary, and we noted increased interest from credit opportunity/hedge fund buyers as the number of idiosyncratic movers increased through the month.[70]

Average loan spreads increased to a YTD wide of 386bps in the Altice aftermath, but remain inside levels at the end of 2023.[71]

Institutional loan supply eased in March, although the quarter's €22 billion of issuance is running 163% ahead of last year in the same period, with refinancings continuing to dominate. M&A-related financing, while still limited overall, is 55% ahead of last year.[72] Companies continue to refinance private credit loans in the syndicated markets, providing another source of new deals for loan buyers.

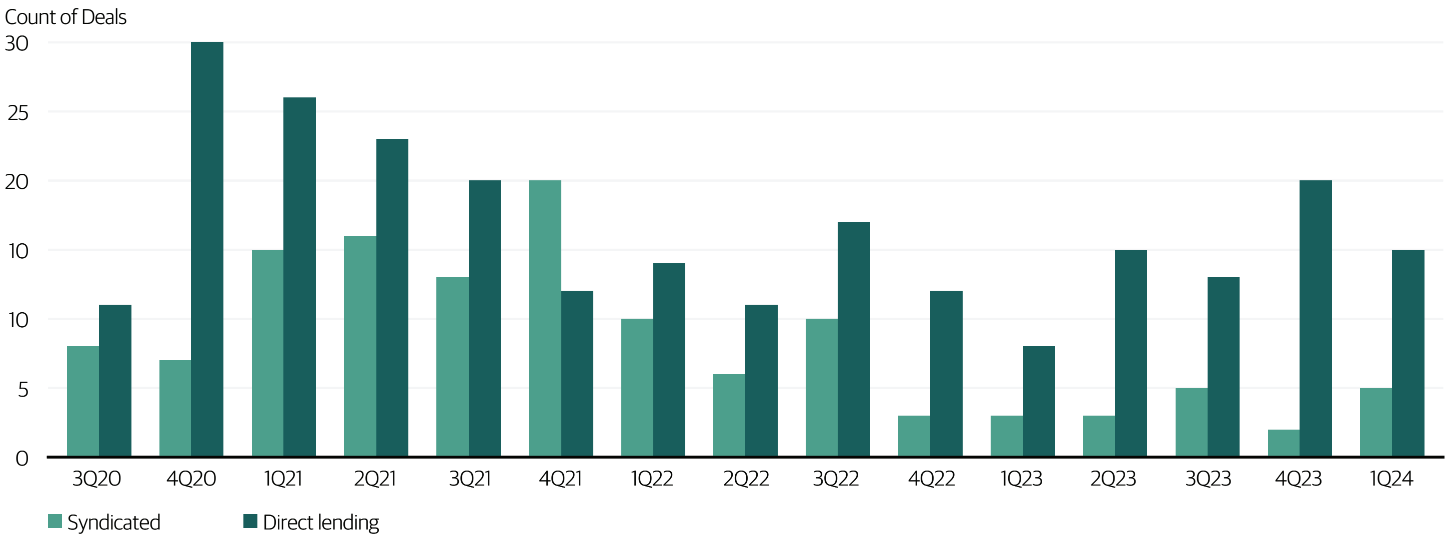
New issue spreads tightened to 425bps, from 432bps in February, but remain wide to 406bps in January.[73]

From a demand perspective, European CLO issuance rose to the highest level since November 2021.[74] However, many were takeouts of more heavily ramped 2023 warehouses, and so, didn't need to rely so heavily on the secondary market for additional assets.[75]

In high yield, spreads widened by roughly 13bps, but remain tighter than at the start of the year. The overall technical remained supportive given the €4 billion of inflows into high yield funds across 14 consecutive weeks this year.[76]

High yield borrowers priced €9.25 billion of supply in March, with activity skewed to refinancings once again. The quarter's €21.5 billion is the most since 4Q21, although the immediate pipeline for the second quarter looks relatively thin.[77]

BSL Market Takes Increasing Share of LBO Financing[78]



Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

US and European CLO Markets

The $-CLOIE index returned 0.72% in March, underperforming US investment grade, high yield and loans. In Europe, the €-CLOIE index returned 0.64%, outperforming both European high yield and loans.[79]

Despite easing from February's frenetic pace, March's $15.5 billion of new deals took the quarter's total to $48.8 billion, the highest first-quarter total in the CLO 2.0 era.[80] Middle-market CLOs accounted for $10 billion of the overall first quarter supply.[81]

In Europe, issuers stepped up the pace to price another €5.4 billion in March, pushing the quarterly total to €10.8 billion, roughly 62% ahead of last year in the same period.[82] Increased demand enabled several managers to issue single-B delayed-draw tranches included in transactions priced in the past 18 months.[83]

Barclays now forecasts $135 billion-$145 billion of US CLO volume and €26 billion of European volume in 2024.[84] Deutsche Bank raised its full year US forecast to $145 billion.[85]

Spread compression—to two-year tights—supported the elevated primary supply, allowing managers to ramp and price 2023 warehouses.[86] US CLO BSL primary AAA spreads appear to have found a floor around the 150bps level for tier-one managers. Funding costs fell to 214bps at the end of Q1 from 270bps a year ago, producing a healthy CLO spread arbitrage dynamic for the first time in several years.[87]

We believe that the subsequent increased attractiveness of CLO equity IRRs relative to CLO BB-rated tranches (where spreads have tightened from last year's wides), is another driver for this year's increased new issuance.[88]

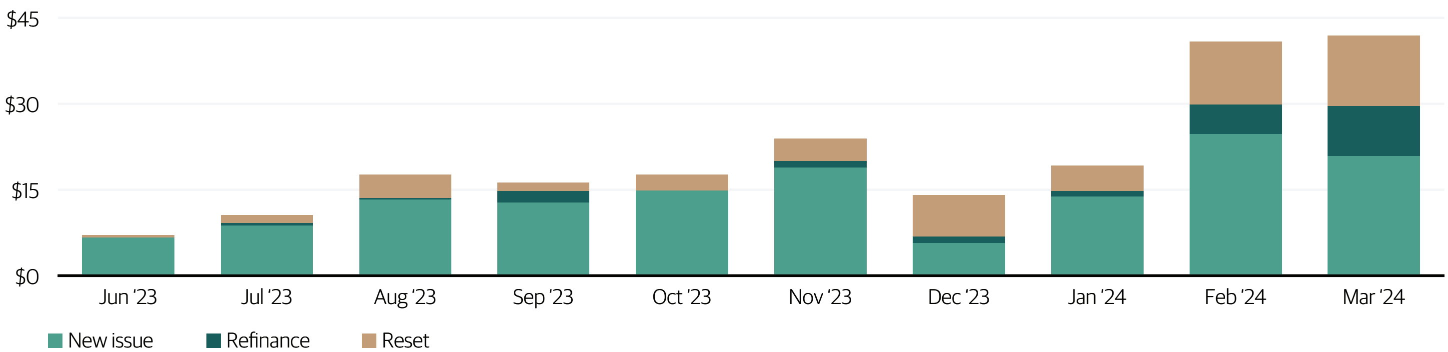
In Europe, triple-A spreads moved to 147bps-150bps for repeat issuers, reducing funding costs to ~230bps.[89]

After several years of limited refinancing activity, the tighter spreads drove US managers to price $19 billion of refis and resets over the month, and $38 billion over the quarter. Managers are expected to continue to refinance newer vintage CLOs priced at much higher spreads.[90] In Europe, managers priced €4 billion of refis and resets over the quarter.

The uptick in reset activity across seasoned portfolios may provide a natural floor to further spread tightening in our view, particularly at the AAA level.[91]

The CLO market took the Altice downgrade in its stride, given CLOs are not forced sellers of downgraded assets. Citi estimates that US CLO exposure to Altice / Altice Financing loan and bonds amounts to roughly $5 billion (or 0.5% of total CLO collateral). Another $3.6 billion of CSC Holdings (the Altice entity in the US) loans sit within US CLOs.[92] Moody's downgrade of Altice France will push the median CCC exposure in US CLOs to roughly 5% from 4.5% currently and any potential impact on OC cushion should be limited except for lower-quality seasoned CLOs.[93]

US CLO Refi, Reset Volume Increases as Spreads Decrease[94]

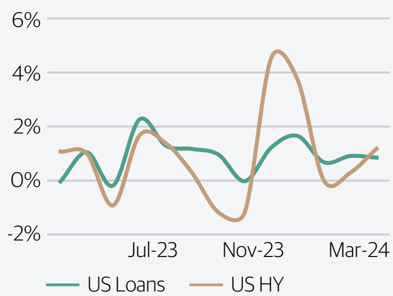


Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

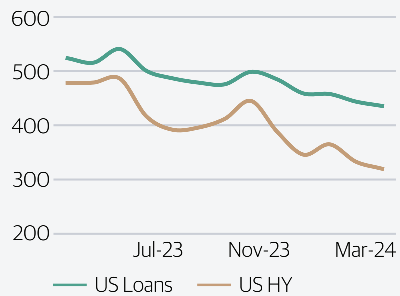
Market Snapshot

(as of March 31, 2024)[95]

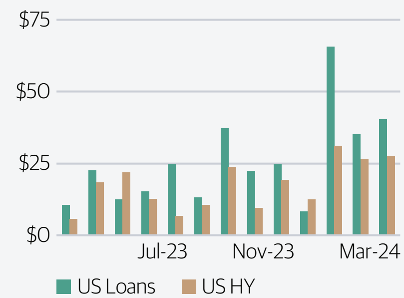
US Credit Monthly Returns



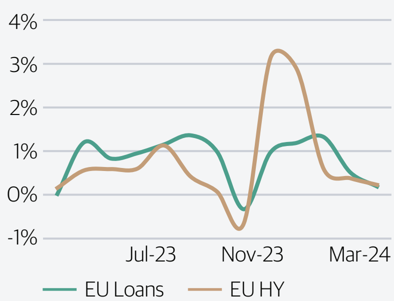
US Credit Spreads (in bps)



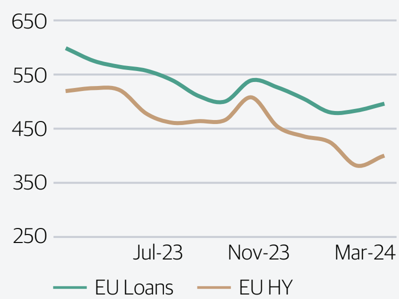
US Credit Issuance (in billions)



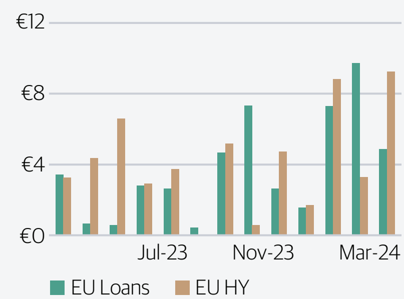
EU Credit Monthly Returns



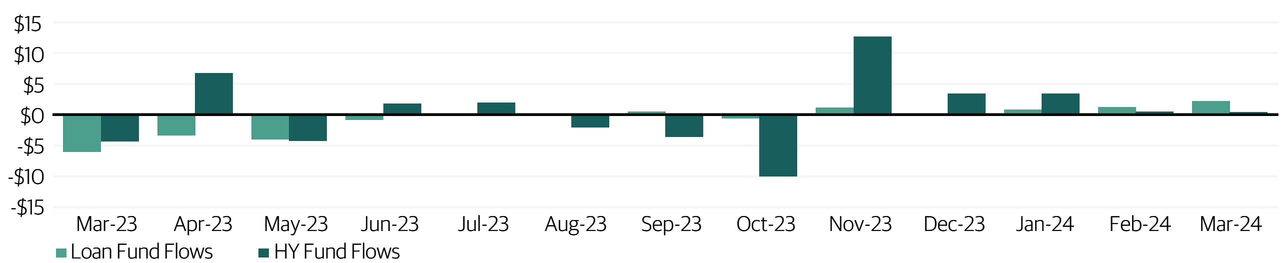
EU Credit Spreads (in bps)



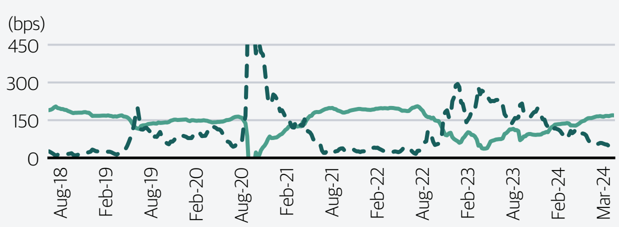
EU Credit Issuance (in billions)



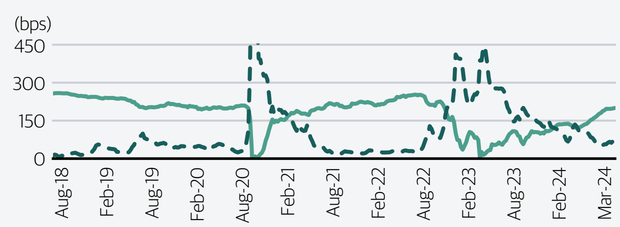
US Loan, HY Retail Fund Flows (in billions)[96]



US CLO Interest Arb and Three-Year PO Value[97]



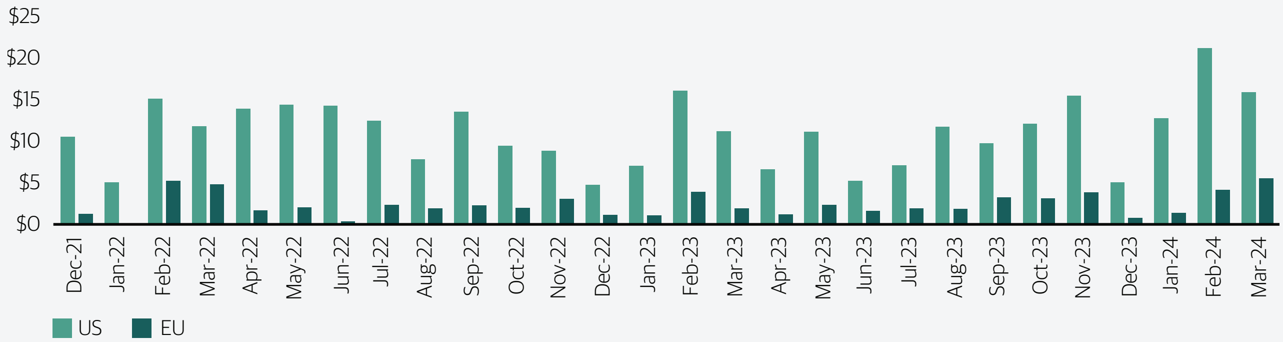
EU CLO Interest Arb and Three-Year PO Value[97]



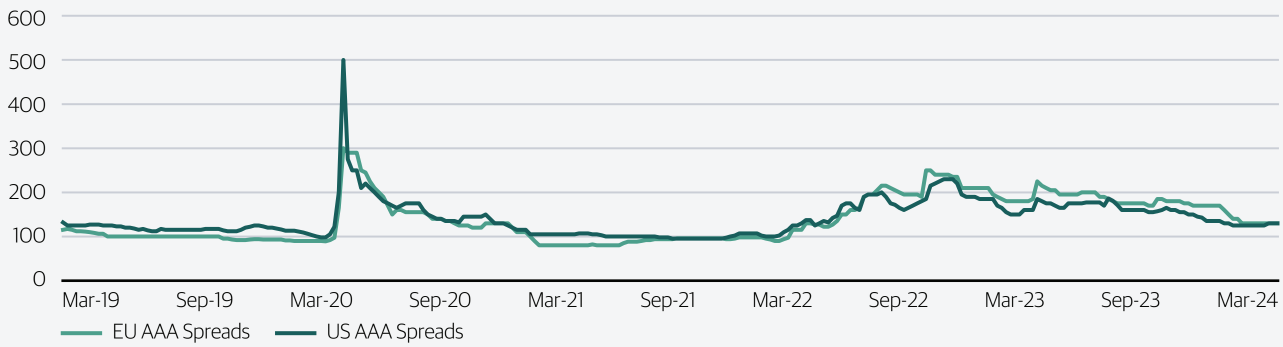
Interest Arb — Three-Year PO Value

Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

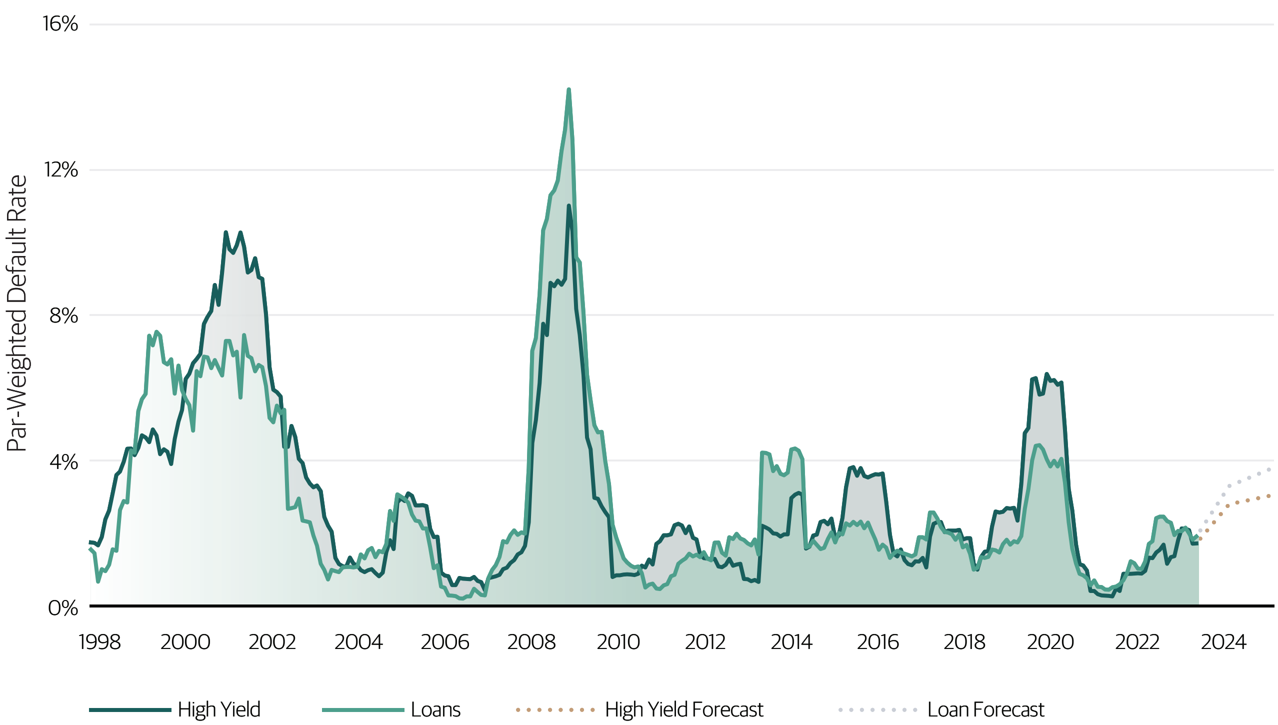
CLO Issuance (in billions)[98]



CLO AAA Spreads (in bps)[99]



US Default Rates (LTM)[100]



Past performance does not predict future returns. There can be no assurance that any Blackstone strategy or product will achieve its objectives or avoid significant losses. Capital is at risk and investors may not get back the amount originally invested.

Endnotes

1. Bloomberg News, Fed Sees Rates Staying High for Some Time With Cuts Eyed in '24, as of January 3, 2024
2. High Yield represents Bloomberg HY Index, Leveraged Loans represent Morningstar LSTA LL Index, CLOs represent JPM CLOIE Index, Opportunistic represents 50/50 Bloomberg CCC HY Index & Morningstar LSTA CCC LL Index for Opportunistic, as of March 30, 2024. Historical % ranges are Post-GFC (from January 2010 to present). The yields presented are not to be interpreted as a measure of performance, rather, an indication of potential yields that investments could achieve at origination utilizing current market data.
3. Blackstone Investment Strategy, as of March 22, 2024.
4. Blackstone Investment Strategy, as of March 22, 2024.
5. US Bureau of Labor Statistics and Macrobond, as of March 14, 2024.
6. JP Morgan 4Q23 Leveraged Loan Credit Fundamentals: Credit metrics continue to erode off a strong base, particularly for private loan borrowers, as of April 10. 2024.
7. Barclays US Credit Alpha, as of March 22, 2024.
8. Barclays US Credit Alpha, as of March 22, 2024.
9. Blackstone Investment Strategy, as of March 28, 2024.
10. BofA CLO Research, CLO Weekly: Can you see CCCs: Evolution of CCCs in CLOs and price transitions – Global, as of March 22, 2024.
11. BofA US High Yield Strategy, as of March 22, 2024.
12. DB IG & HY Strategy, as of March 25, 2024. JP Morgan Credit Research, as of March 22, 2024.
13. BXCI views and opinions, as of March 22, 2024.
14. Pitchbook LCD data, as of March 31, 2024.
15. Pitchbook LCD, Q1 US Leveraged Loan Market Wrap: As prices rally, opportunistic activity soars, as of March 26, 2024.
16. Pitchbook LCD, as of March 31, 2024.
17. LCD News coverage, as of March 1, 2024
18. Pitchbook LCD, Q1 US Leveraged Loan Market Wrap: As prices rally, opportunistic activity soars, as of March 26, 2024.
19. JP Morgan High Yield and Leveraged Loan Morning Intelligence, as of March 5, 2024.
20. Pitchbook LCD, Q1 US High yield Market Wrap, as of March 27, 2024.
21. Pitchbook LCD, as of March 31, 2024.
22. Pitchbook LCD, Q1 US Leveraged Loan Market Wrap: As prices rally, opportunistic activity soars, as of March 26, 2024.
23. Pitchbook LCD, Europe's syndicated and direct lenders compete on deal pricing, terms, as of March 15, 2024.
24. Pitchbook LCD, Europe's syndicated and direct lenders compete on deal pricing, terms, as of March 15, 2024.
25. Pitchbook LCD, Europe's private credit players adapt to changing financing landscape, as of March 22, 2024.
26. FT, Blockbuster M&A deals more than double in the first quarter, as of March 28, 2024.
27. Pitchbook LCD, European private equity buyouts show signs of recovery (data reflects total sources of funding for buyouts, including debt and equity to the end of February), as of March 27, 2024.
28. Morningstar LSTA US Leveraged Loan Index, Bloomberg US HY Index, Bloomberg US Corporate Index, as of March 30, 2024.
29. BBG, S&P 500 Index, as of March 30, 2024.
30. BBG, USGG10Y Index, as of March 30, 2024.
31. BBG, BOJ Ends Era of Negative Rates With Few Clues on Further Hikes, as of March 19, 2024.
32. BBC, Lagarde Signals ECB Cut in June With 2% Inflation in Sight, as of March 7, 2024.
33. FT, Bank of England's Andrew Bailey says rate cuts 'in play' in upbeat take on UK economy, as of March 22, 2024.
34. UK Government, Office of National Statistics, as of March 20, 2024.
35. CS European High Yield Index, as of March 30. 2024.

36. UBS Research, US/EU Credit Default and Recovery Rate Analysis – March 2024, as of April 8, 2024.
37. JP Morgan Default Monitor, as of April 1, 2024.
38. 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).
39. Bloomberg US Corporate Index, as of March 30, 2024.
40. Morningstar data, as of March 30, 2024. Bloomberg US Corporate Index, as of March 30, 2024.
41. BXCI Views and Beliefs, as of March 24, 2024. Bloomberg US IG Index, as of March 30, 2024.
42. Pitchbook LCD data, as of March 30, 2024.
43. Pitchbook LCD, US Daily Wrap, as of March 25, 2024.
44. Pitchbook LCD, US Weekly Wrap, as of March 28, 2024.
45. Pitchbook LCD, US Weekly Wrap, as of March 28, 2024.
46. BBG, High-Grade Bond Sales on Easter Pause After Record First Quarter, as of March 28, 2024.
47. Pitchbook LCD, as of March 31, 2024.
48. Morningstar LSTA US Leveraged Loan Index, as of March 30, 2024.
49. Morningstar LSTA US Leveraged Loan Index, as of March 30, 2024.
50. Morningstar LSTA US Leveraged Loan Index, as of March 30, 2024.
51. Pitchbook LCD, Q1 US Leveraged Loan Market Wrap: As prices rally, opportunistic activity soars. Data includes amendment activity, as of March 26, 2024.
52. Pitchbook LCD, Q1 US Leveraged Loan Market Wrap: As prices rally, opportunistic activity soars, as of March 26, 2024.
53. BXCI Views and Beliefs, as of March 2024.
54. Pitchbook LCD, US Weekly Wrap, as of March 21, 2024.
55. Pitchbook LCD, Loan funds take in $664M for seventh straight weekly inflow, as of April 1, 2024.
56. BXCI Views and Beliefs, as of March 24, 2024.
57. Bloomberg US HY Index, as of March 30, 2024.
58. Bloomberg US HY Index, as of March 25, 2024.
59. Bloomberg US HY Index, as of March 30, 2024.
60. Bloomberg US HY Index, as of March 30, 2024.
61. S&P Global Ratings, Moody's, as of March 28, 2024. This information is provided for illustrative purposes only and does not constitute investment research, investment recommendation or investment advice.
62. Pitchbook LCD HY Data, as of March 30, 2024.
63. Morningstar data, as of March 30, 2024.
64. Pitchbook LCD data, as of March 30, 2024.
65. Pitchbook LCD "Europe's Private Credit Players Adjust to Changing Financing Landscape", as of March 22, 2024.
66. CS European HY Index, CS WELLI, as of March 30, 2024.
67. Pitchbook LCD news reporting, March 2024. This information is provided for illustrative purposes only and does not constitute investment research, investment recommendation or investment advice.
68. BBG, iTraxx Crossover Index, as of March 30, 2024.
69. CS WELLI, as of March 30, 2024.
70. BXCI Views and Beliefs, as of March 24, 2024.
71. CS WELLI, as of March 30, 2024.

72. Pitchbook LCD loan data, as of March 30, 2024.
73. Pitchbook LCD, European Weekly Wrap, as of March 28, 2024.
74. Pitchbook LCD CLO data, as of March 30, 2024.
75. BXCI Views and Beliefs, as of March 2024.
76. JP Morgan, European Credit Weekly, as of March 29, 2024.
77. Pitchbook LCD, European Weekly Wrap, as of March 28, 2024.
78. Pitchbook LCD, data through March 18, 2024.
79. JP Morgan CLOIE Index, as of April 1, 2024.
80. Pitchbook LCD, CLO data, as of March 30, 2024.
81. Pitchbook LCD, Q1 CLO Wrap: New-deal issuance sets record pace as spreads compress, as of March 27, 2024.
82. Pitchbook LCD, CLO data, as of March 30, 2024.
83. Pitchbook LCD, Global CLO Roundup: Refis/resets keep coming; Barclays lifts FY volume views, as of March 19, 2024.
84. Pitchbook LCD, Global CLO Roundup: Refis/resets keep coming; Barclays lifts FY volume views, as of March 19, 2024.
85. DB US CLO Weekly, as of March 26, 2024.
86. Pitchbook LCD, Q1 CLO Wrap: New-deal issuance sets record pace as spreads compress, as of March 27, 2024.
87. Pitchbook LCD, Q1 CLO Wrap: New-deal issuance sets record pace as spreads compress, as of March 27, 2024.
88. BXCI Views and Beliefs, as of April 8, 2024.
89. Pitchbook LCD, Global CLO Roundup: Refis/resets keep coming; Barclays lifts FY volume views, as of March 19, 2024.
90. BXCI Views and Beliefs, as of March 26, 2024. Pitchbook LCD, data through March 18, 2024.
91. BXCI Views and Beliefs, as of April 8, 2024.
92. Citi Research, US CLO Scorecard, as of April 1, 2024. This information is provided for illustrative purposes only and does not constitute investment research, investment recommendation or investment advice.
93. BXCI Views and Beliefs, as of March 26, 2024. JP Morgan CLO Research, as of March 22, 2024.
94. Pitchbook LCD, as of March 30, 2024.
95. Morningstar 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 March 30, 2024. See "Important Disclosure Information", including "Trends".
96. JPM Research, Lipper, as of March 31, 2024.
97. Barclays Research, CLO, and Leveraged Loan Monthly Update, (Kanerai, Intex, Barclays Research), as of March 31, 2024.
98. Pitchbook LCD data, as of March 31, 2024.
99. BofA Global Research, Markit, ICE Data Indices, LLC, S&P LCD, as of March 31, 2024.
100. JPM Default Monitor (chart does not include distressed exchanges), as of March 31, 2024.

Key Risk Factors

In considering any investment performance information contained in the Materials, **prospective investors should bear in mind that past or estimated performance do not predict future returns** 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.

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, 2022, 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.

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

Key Risk Factors (cont'd)

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.

Recent Market Events Risk. Local, regional, or global events such as war (e.g., Russia/Ukraine), acts of terrorism, public health issues like pandemics or epidemics (e.g., COVID-19), recessions, or other economic, political and global macro factors and events could lead to a substantial economic downturn or recession in the US and global economies and have a significant impact on the Fund and its investments. The recovery from such downturns is uncertain and may last for an extended period of time or result in significant volatility, and many of the risks discussed herein associated with an investment in the Fund may be increased.

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).

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 Insurance") 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 and Insurance or any fund or account managed, advised or sponsored by Blackstone Credit and Insurance (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

Important Disclosure Information (cont'd)

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.

MiFID Terms of Business. For investors in the European Economic Area please refer to https://www.blackstone.com/european-overview/ to find the MiFID Terms of Business which may be applicable to you.

EEA & UK. In the UK, Belgium, Denmark, Finland, The Republic Of Ireland, Italy, Lichtenstein and Norway, this communication is issued by Blackstone Europe LLP ("BELL") of 40 Berkeley Square, London, W1J 5AL (registration number OC352581), which is authorised and regulated by the Financial Conduct Authority (the "FCA") (firm reference number 520839) in the United Kingdom and which maintains appropriate licenses in other relevant jurisdictions.

In the EEA, other than in Belgium, Denmark, Finland, the Republic of Ireland, Italy, Lichtenstein or Norway, 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, is strictly confidential and must not be distributed onward.

Important Disclosure Information (cont'd)

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. This communication is exclusively directed at Qualified Investors as defined in article 10 3 of the Swiss Federal Act on Collective Investment Schemes CISA.

UAE, DIFC, ADGM, Jordan, Saudi Arabia, Lebanon, Kuwait, Qatar, Bahrain and Oman. The information contained in this document does not constitute and should not be construed as an offer of, an invitation or proposal to make an offer for, recommendation to apply for, or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. The information in this document does not constitute investment advice and should not be relied upon as the basis for any investment decision. You may only reproduce, circulate and use this document (or any part of it) with the consent of Blackstone. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. No marketing or solicitation or inducement activities are being used to offer or market any specific products based on the information contained herein. The information contained in this document is general and may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. All information contained herein is subject to change without notice. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Israel. This document has not been approved by the Israel Securities Authority. This document is being distributed only to and is directed only at persons who are Qualified Investors within the meaning of The Securities Law, 5728-1968 (Israel).

Persons who are not Qualified Investors must not act on or rely on this document or any of its contents. Any investment or investment activity to which this document relates is available only to Qualified Investors and will be engaged in only with Qualified Investors. Qualified Investors in receipt of this document must not distribute, publish, reproduce, or disclose this document (in whole or in part) to any person who is not a Qualified Investor. Neither the general partner, nor the investment advisor, is registered or intends to register as an investment adviser or an investment portfolio manager under the Israeli regulation of investment advice and investment portfolio management law, 5755-1995 (the "investment law"). Furthermore, these interests are not being offered by a licensed marketer of securities pursuant to the investment law.

BXCI202404172S

Approved for professional and qualified investors in: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden, Jersey, UK, Switzerland, UAE, DIFC, ADGM, Israel, Jordan, Saudi Arabia, Lebanon, Kuwait, Qatar, Bahrain and Oman.

ブラックストーン・オフィス所在地

米国本社：345 Park Avenue, New York, NY 10154

日本オフィス：東京都千代田区丸の内2丁目4-1 丸の内ビルディング10 階

商号等/ ブラックストーン・グループ・ジャパン株式会社

金融商品取引業者関東財務局長（金商）第1785号

加入協会/日本証券業協会、一般社団法人第二種金融商品取引業協会、一般社団法人日本投資顧問業協会

Blackstone