

PRIVATE WEALTH SOLUTIONS

Private Credit's Rapid Growth: A Secular Trend

Private credit has become a rapidly growing segment of the credit markets.¹ This is no accident. The emergence of this diverse, \$1.2 trillion² field is driven by long-term, secular trends that, in our view, are here to stay.

EXHIBIT 1: Comparing Risk and Return across Select Asset Classes (15 Years Annualized)



Source: Morningstar, Cliffwater Direct Lending Index, as of December 31, 2021. Volatility is measured using standard deviation. Morningstar computes standard deviation using trailing quarterly total returns for 15 years. All of the monthly standard deviations are then annualized and the volatility is expressed as a percentage.

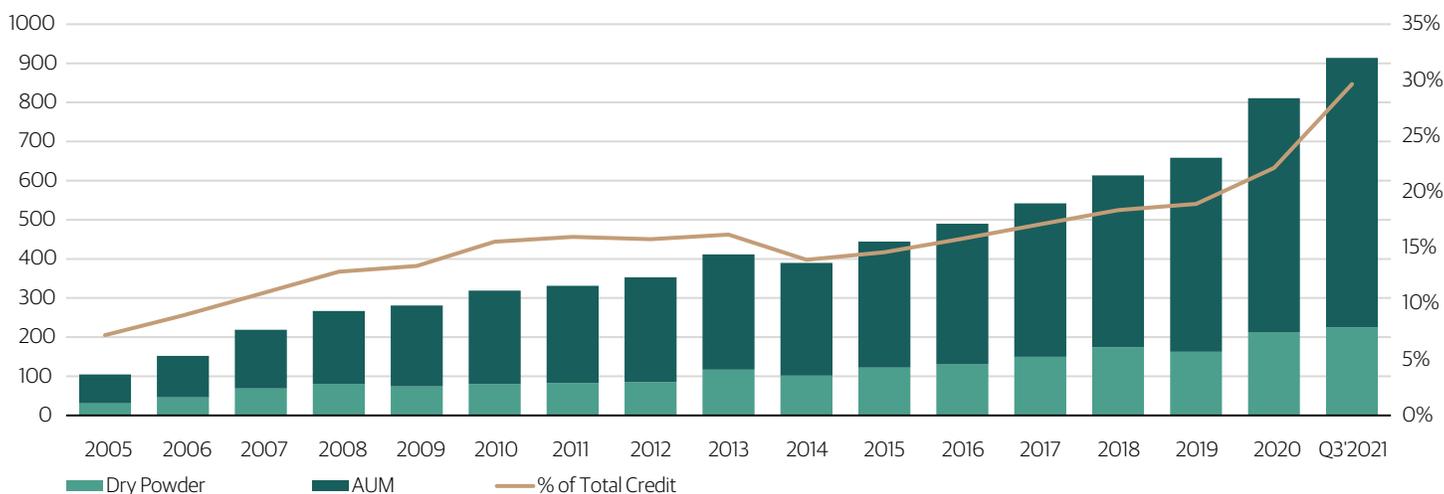
- i Indices.** "Private Credit" is represented by the Cliffwater Direct Lending Index. "Senior Loans" is represented by the S&P/LSTA Leveraged Loan Index. "High Yield" is represented by the Bloomberg US Corporate High Yield Index. "Corporates" is represented by the Bloomberg US Corporate Bond Index. "Investment Grade Bonds" is represented by the Bloomberg US Aggregate Bond Index. "Treasuries" is represented by the Bloomberg US Treasury Index. The indices presented (excluding Private Credit) represent investments that have material differences from an investment in BCRED or the investments that BCRED may make.
- ii Investments/Risks.** BCRED expects to invest primarily in U.S. middle market loans similar to those represented in the Private Credit index and therefore will face risks similar to those facing the assets represented by that index. BCRED's investments and Private Credit assets are expected to face risks different than those faced by the other indices, including (i) significantly less liquidity as Private Credit assets generally do not have liquid markets, (ii) greater risk of default and related risk of loss of principal, (iii) unlike certain of the indices above (Corporates, Investment Grade Bonds and Treasuries), being unrated or rated below investment grade and (iv) unlike Treasuries, not being guaranteed and are not backed by the U.S. government. BCRED may also invest in instruments not represented by Private Credit or the other indices above, including equities, preferred securities or non-U.S. securities (including non-U.S. dollar denominated instruments), among others, and therefore is subject to additional risks, such as increased volatility, currency risk, risk of regulation or foreign market events.
- iii Fees and Expenses.** An investment in BCRED is subject to fees and expenses, which will lower BCRED's returns. The indices presented are not subject to fees or expenses and it is not possible to directly invest in any index presented.
- iv Use of Leverage.** Unlike the indices presented, BCRED will employ leverage, which will increase the volatility of BCRED's investments and will magnify the potential for loss of amounts invested in BCRED.

For more information on these indices, please see the Index Definitions section at the back of this brochure. For a more detailed description of BCRED's investment guidelines and risk factors, please refer to BCRED's prospectus.

1. Source: Bloomberg Businessweek, "How Private Credit Soared to Fuel Private Equity Boom," June 2020.

2. Source: Preqin as of September 2021. The \$1.2T size of the private credit market is calculated by the total dry powder and assets under management of U.S.-based managers.

EXHIBIT 2: US Private Credit Market / % of Total Credit Market



Source: Preqin, Credit Suisse, As of September 30, 2021; Total credit market defined as the aggregate of the high yield bond, senior loan, and private credit markets. Senior loans refers to broadly syndicated loans.

Private credit as a sector refers to loans, bonds and other credit instruments that are issued in private offerings or issued by private companies. In this paper, we explain what private credit is, the risks of the asset class, why it has proven attractive to borrowers and lenders alike, and how it has earned a place in a growing number of investment portfolios.

Private lending has many structural features which can provide an attractive risk-return profile. For instance, private loans tend to be relatively senior in the capital structure, often secured by property, plant or equipment, with meaningful covenants. The yield private credit investors may enjoy has historically been higher than those found in public markets.³

Additionally, holders of private loans may be less reliant upon earnings growth or multiple expansion to achieve returns (as they often do when investing in equities); the borrowers need only repay their debt for private credit instruments to realize a return. As such, in today's world of ultra-low or negative interest rates, challenged economic growth, and elevated public asset valuations, private credit may offer an attractive source of return and income potential.

We believe that several of the drivers of the field's growth boil down to private credit's appeal as a funding source for borrowers, even considering the higher rates borrowers tend to pay. In the private credit market, the execution of transactions is relatively rapid when compared to public markets, and there may be greater certainty that deals ultimately close as there are generally no changing terms depending on market conditions between signing and closing. Moreover, loans can be structured in a flexible manner, according to the needs of borrowers and lenders alike, another attractive feature for market participants. We believe these features will continue to exist regardless of the macro environment.

In the past, borrowers tended to engage private loans as an option when they could not tap public markets. Today, many see the benefits and flexibility of working with a private lender and private credit has grown as a sector (See Exhibit 2). Private lenders often act as partners; their presence can be especially valuable during challenging market environments. Then there are matters of sheer speed and convenience. For instance, the roadshows often required to issue debt in public markets, ratings-agency presentations or public financial disclosures frequently are not present. The holder of debt is often a single institution, and the institution is known to the borrower, which is one of the reasons private credit promotes more of a partnership mentality. The result is a market where a growing number of participants can move quickly in competitive processes with sophisticated counterparties, and capital structure needs can be addressed despite varying complexity.

Private Credit: Not A 'Bubble'

Some market commentators have characterized the rapid growth in private credit as unsustainable. There are a number of reasons why we take a different view. One is the rise of private markets generally, as more investors face a possibility of low returns in public markets and therefore may seek out alternatives. Another is the secular decline of syndicated bank lending,⁴ which created a vacuum that private credit helps to fill. A third is that private credit is, in our view, still relatively small (30%) as a proportion of overall credit markets even after its growth in recent years (Exhibit 2).

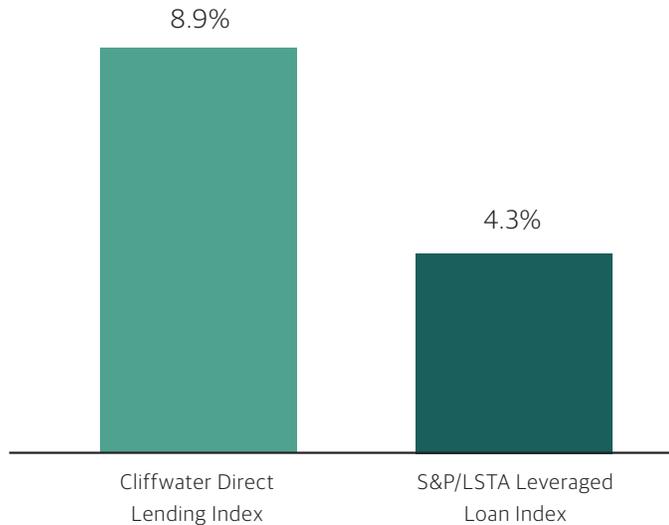
Additionally, substantial undeployed capital exists in the private equity space, and fundraising has been strong in areas of private credit such as direct lending.⁵ One of private credit's differentiators is sponsor-backed lending, which is the practice of providing

3. Source: Morningstar, Cliffwater, December 31, 2021. See Exhibit 4.

4. Source: LCD, Preqin, December 2021. Bank participation in lending declined from 25% in 2005 to 13% in 2021.

5. Source: Preqin as of January 2022. Private equity "undeployed capital" stood at \$530 billion as of January 2022. Direct lending fundraising was \$69 billion for the year 2021.

EXHIBIT 3: Yield Comparison of Direct Loans and Leveraged Loans Index (%)



Borrower interest in private financing due to:

- Faster execution and higher certainty to close compared to public markets
- Ability to partner with sophisticated lenders and have structuring flexibility
- Terms are less likely to change due to market conditions once terms are set
- More efficient process with less management distraction
- Private assets with few public disclosure requirements

Source: Cliffwater Direct Lending Index, S&P/LSTA Leveraged Loan Index, as of December 31, 2021. Figures represent one-year annualized yields.

- Investments/Risks.** BCRED expects to invest primarily in U.S. middle market loans similar to those represented in the Cliffwater Direct Lending Index and therefore will face risks similar to those facing the assets represented by that index. The Credit Suisse Leveraged Loan Index represents investments that have material differences from an investment in BCRED or the investments that BCRED may make. BCRED's investments and Cliffwater Direct Lending Index assets are expected to face risks different than those faced by the Credit Suisse Leveraged Loan Index, including significantly less liquidity as Cliffwater Direct Lending Index assets generally do not have liquid markets, and greater risk of default and related risk of loss of principal. BCRED may also invest in instruments not represented by the Cliffwater Direct Lending Index or the Credit Suisse Leveraged Loan Index, including equities, preferred securities or non-U.S. securities (including non-U.S. dollar denominated instruments), among others, and therefore is subject to additional risks, such as increased volatility, currency risk, risk of regulation or foreign market events.
- Fees and Expenses.** An investment in BCRED is subject to fees and expenses, which will lower BCRED's returns. The Cliffwater Direct Lending Index and the Credit Suisse Leveraged Loan Index are not subject to fees or expenses and it is not possible to directly invest in these indices.
- Use of Leverage.** Unlike the Cliffwater Direct Lending Index and the Credit Suisse Leveraged Loan Index, BCRED will employ leverage, which will increase the volatility of BCRED's investments and will magnify the potential for loss of amounts invested in BCRED.

For more information on these indices, please see the Index Definitions section at the back of this brochure. For a more detailed description of BCRED's investment guidelines and risk factors, please refer to BCRED's prospectus.

financing to companies backed by private equity sponsors who play an active role in the management of these companies. Under sponsor-backed lending arrangements, both sponsors and, to a lesser extent, lenders play an active role in the management and operations of the business. This is distinct from passive ownership and one of the key operating levers in the space. Heading into the Coronavirus-induced market selloff of 2020, sponsor-backed companies enjoyed record levels of cash reserves with which to navigate a more challenging environment.⁶ All of these are reasons that we believe the market—which is approximately 70% institutional⁶ and until recently was difficult for individual investors to access—is in the early innings of its expansion.

What is Sponsor-Backed Lending, and Why Does it Matter?

Sponsor-backed lending is the practice of providing financing to companies backed by private equity sponsors who play an active role in the management of these companies. The relationship between lenders and borrowers in a sponsor-backed lending context differs from more conventional lending in important ways. For one, lenders may be more actively

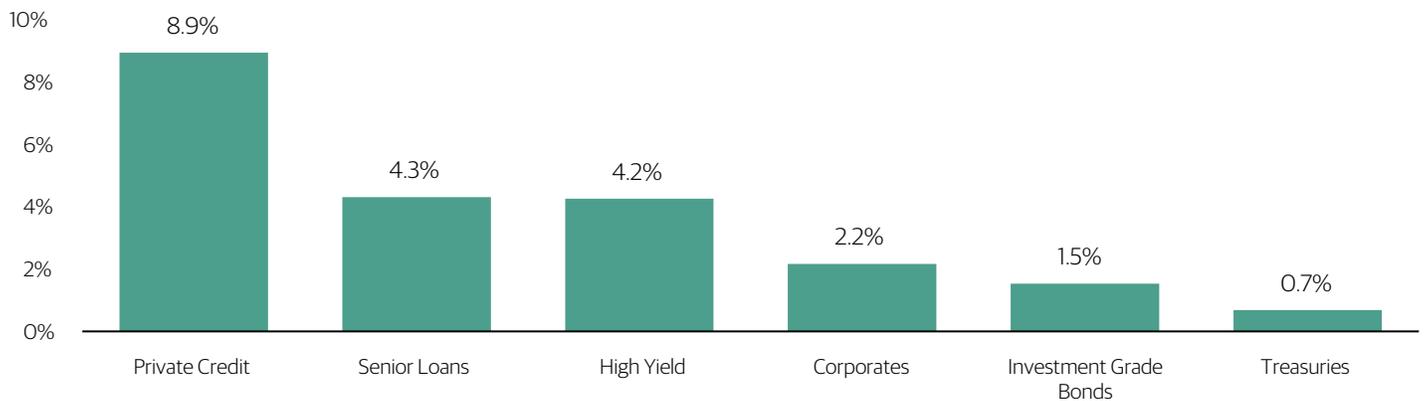
involved in corporate decision-making, including providing assistance to companies to restructure for future growth and/or navigating a path through crisis. Additionally, borrowers may be able to partner with relatively sophisticated lenders who can bring to bear financing support and operational expertise. In sponsor-backed lending, the typical term of an investment is 3-to-6 years. When private equity sponsors exit their investment, lenders are repaid or in some instances may remain a lender. Because of the terms and factors related to speed, convenience, and ease, direct lenders are typically able to charge a premium in sponsor-backed lending (Exhibit 3).

Relatively Attractive Terms for Lenders Compared to Loans in Public Markets

In private credit, lenders generally negotiate terms directly with borrowers. Negotiating directly can result in better structures which often include lower leverage, additional collateral and maintenance covenants. Economics can be enhanced by up-front fees and call protection. A partnership mindset can also lead to better access to management for deal due diligence and ongoing monitoring.

6. Source: Preqin data, June 2020.

EXHIBIT 4: Yield Comparison across Fixed Income Asset Classes (12-month annualized)



Source: Morningstar, Cliffwater, as of December 31, 2021. Please refer to the source note for Exhibit 1 for a more detailed explanation of the material differences between BCRED and the indices presented. For more information on these indices, please see the Index Definitions section at the back of this brochure. For a more detailed description of BCRED's investment guidelines and risk factors, please refer to BCRED's prospectus.

Risks and Tradeoffs

Investors in private credit funds take credit risk when investing in private credit. They rely on the quality of the due diligence process of the lender to minimize the risk of defaults. In addition, investors face risks associated with leverage, potential conflicts of interest and securities which are generally below investment grade or not rated. Liquidity is another risk; investors experience lower liquidity in private credit compared to public markets. Capital invested in funds with limited liquidity is locked up for periods which require investors to assess the liquidity of their overall portfolios. Investors who face liquidity needs will find it advantageous to source that liquidity from other, less restricted parts of their portfolio. Furthermore, investors should consider that an investment in a fund such as BCRED is subject to fees and expenses, which will lower the fund's returns. Before making the decision to invest, investors should read the prospectus carefully for a description of the fund's fees and expenses as well as the risks associated with an investment in the fund.

Private Credit: Why Now?

Below are two reasons why we believe private credit makes sense in today's market.

Income Potential in a Low Interest-rate Environment

As of December 2021, with bond yields near record lows, private credit yields stood at significantly higher levels than the yields offered by senior loans or high yield bonds (Exhibit 4). These higher yields may prove attractive to investors searching for income in today's low-rate environment.

Private Credit during the 2007-2008 Global Financial Crisis

Private credit may offer the potential for shallower maximum downturn than other credit products, such as senior loans or high yield bonds. While it remains to be seen how private credit will perform through the entirety of the Coronavirus pandemic and its aftermath, private credit experienced a shallower maximum downturn than senior loans or high yield bonds in the Global Financial Crisis of 2007-2008.⁷ During that crisis, senior loans and high yield bonds experienced maximum drawdowns of -30.1% and -27.1%, respectively. Private credit, however, saw a maximum downturn of -7.7% during the same period.⁸

Where Private Credit May Fit in Investment Portfolios

Investors may ask how private credit fits into investment portfolios. One way to answer the question is to consider goals. For instance, private credit may be especially helpful in alleviating the pressure that an ultra-low interest rate environment places on distributions in income portfolios. Private credit could be a complement to, or substitute for, income-oriented allocations such as high yield bonds, dividend-oriented equities, or other fixed income sleeves. Private credit can also be used to diversify return streams within a fixed income portfolio.

⁷. Source: Morningstar data, as of April 2022.

⁸. Source: Morningstar and Cliffwater, as of April 2022.

Summary of Risk Factors of the Underlying Fund

Blackstone Private Credit Fund ("BCRED") is a non-exchange traded business development company ("BDC") that expects to invest at least 80% of its total assets (net assets plus borrowings for investment purposes) in private credit investments (loans, bonds and other credit instruments that are issued in private offerings or issued by private companies). This investment involves a high degree of risk. You should purchase these securities only if you can afford the complete loss of your investment. You should read the prospectus carefully for a description of the risks associated with an investment in BCRED. These risks include, but are not limited to, the following:

- We have limited prior operating history and there is no assurance that we will achieve our investment objectives.
- This is a "blind pool" offering and thus you will not have the opportunity to evaluate our investments before we make them.
- You should not expect to be able to sell your shares regardless of how we perform.
- You should consider that you may not have access to the money you invest for an extended period of time.
- We do not intend to list our shares on any securities exchange, and we do not expect a secondary market in our shares to develop prior to any listing.
- Because you may be unable to sell your shares, you will be unable to reduce your exposure in any market downturn.
- We intend to implement a share repurchase program, but only a limited number of shares will be eligible for repurchase and repurchases will be subject to available liquidity and other significant restrictions.
- An investment in our Common Shares is not suitable for you if you need access to the money you invest. See "Suitability Standards" and "Share Repurchase Program" in the prospectus.
- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources. A return of capital (1) is a return of the original amount invested, (2) does not constitute earnings or profits and (3) will have the effect of reducing the basis such that when a shareholder sells its shares the sale may be subject to taxes even if the shares are sold for less than the original purchase price.
- Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by the Adviser or its affiliates, that may be subject to reimbursement to the Adviser or its affiliates. The repayment of any amounts owed to our affiliates will reduce future distributions to which you would otherwise be entitled.
- We expect to use leverage, which will magnify the potential for loss on amounts invested in us.
- We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Common Shares less attractive to investors.
- We intend to invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be illiquid and difficult to value.

- We do not own the Blackstone name, but we are permitted to use it as part of our corporate name pursuant to the investment advisory agreement between BCRED and an affiliate of The Blackstone Group Inc. (together with its affiliates, "Blackstone"). Use of the name by other parties or the termination of the use of the Blackstone name under the investment advisory agreement may harm our business.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This sales material must be read in conjunction with the BCRED prospectus in order to fully understand all the implications and risks of an investment in BCRED. This sales material is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the prospectus, which must be made available to you prior to making a purchase of shares and is available at www.BCRED.com. Prior to making an investment, investors should read the prospectus, including the "Risk Factors" section therein, which contains a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects and financial condition.

Numerical data is approximate and as of December 31, 2021, unless otherwise noted. The words "we", "us", and "our" refer to BCRED, unless the context requires otherwise.

Index Comparison. The volatility and risk profile of the indices presented in this document is likely to be materially different from that of BCRED. In addition, the indices employ different investment guidelines and criteria than BCRED and do not employ leverage; as a result, the holdings in BCRED and the liquidity of such holdings may differ significantly from the securities that comprise the indices. The indices are not subject to fees or expenses and it may not be possible to invest in the indices. A summary of the investment guidelines for the indices presented are available upon request.

Forward-Looking Statement Disclosure

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," "expect," "intend," "anticipate," "estimate," "believe," "continue" or other similar words, or the negatives thereof. These may include our financial projections and 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. BCRED believes these factors include but are not limited to those described under the section entitled "Risk Factors" in its prospectus and any such updated factors included in its periodic filings with the Securities and Exchange Commission (the "SEC"), which will be 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 BCRED's prospectus and other filings. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Additional Important Disclosures

This material was not created by any third-party registered broker-dealers or investment advisers who are distributing shares of BCRED (each, a "Dealer").

Investments mentioned may not be suitable for all investors. Any product discussed herein may be purchased only after an investor has carefully reviewed the prospectus and executed the subscription documents.

Alternative investments often are speculative, typically have higher fees than traditional investments, often include a high degree of risk and are suitable only for eligible, long-term investors who are willing to forgo liquidity and put capital at risk for an indefinite period of time. They may be highly illiquid and can engage in leverage and other speculative practices that may increase volatility and risk of loss.

Opinions expressed herein reflect the current opinions of Blackstone as of the date appearing in the materials only and are based on Blackstone's opinions of the current market environment, which is subject to change. Stockholders, financial professionals and prospective investors should not rely solely upon the information presented when making an investment decision and should review the most recent prospectus, as supplemented, available at www.BCRED.com. Certain information contained in the materials discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Further, opinions expressed herein may differ from the opinions expressed by a Dealer and/or other businesses / affiliates of a Dealer. This is not a "research report" as defined by FINRA Rule 2241 and was not prepared by the research departments of a Dealer or its affiliates.

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.

Past performance is no guarantee of future results. Actual results may vary. Diversification of an investor's portfolio does not assure a profit or protect against loss in a declining market.

Alternative investments involve complex tax structures, tax inefficient investing, and delays in distributing important tax information. Individual funds have specific risks related to their investment programs that will vary from fund to fund. Investors should consult their own tax and legal advisors as Dealers generally do not provide tax or legal advice. BDCs are generally not taxed at the corporate level to the extent they distribute all of their taxable income in the form of dividends. Ordinary income dividends are taxed at individual tax rates and distributions may be subject to state tax. Each investor's tax considerations are different and consulting a tax advisor is recommended. Any of the data provided herein should not be construed as investment, tax, accounting or legal advice.

Interests in alternative investment products are distributed by the applicable Dealer and (1) are not FDIC-insured, (2) are not deposits or other obligations of such Dealer or any of its affiliates, and (3) are not guaranteed by such Dealer and its affiliates. Each Dealer is a registered broker-dealer or investment adviser, not a bank.

Certain countries have been susceptible to epidemics or pandemics, most recently Covid-19. The outbreak of such epidemics or pandemics, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy and business activity globally (including in the countries in which BCRED invests), and thereby could adversely affect the performance of BCRED's investments. Furthermore, the rapid development of epidemics or pandemics could preclude prediction as to their ultimate adverse impact on economic and market conditions, and, as a result, present material uncertainty and risk with respect to BCRED and the performance of its investments or operations.

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, 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.

Index Definitions. The **Cliffwater Direct Lending Index (CDLI)** seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. The **S&P/LSTA Leveraged Loan Index** is a market value-weighted index designed to measure the performance of the US leveraged loan market based upon market weightings, spreads and interest payments. The **Bloomberg US Corporate High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The **Bloomberg US Treasury Index** is a rules-based, market-value weighted index engineered to measure the performance and characteristics of fixed rate coupon US Treasuries which have a maturity greater than 12 months. To be included in the index a security must have a minimum par amount of 1,000MM. The **Bloomberg US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. The **Bloomberg US Aggregate Bond Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.