

ADVISOR NEWS

Blackstone Private Credit Fund Balloons to \$33B in First Year

By Amey Stone

Private credit has been a popular income-oriented alternative asset class with advisors in the past year as interest rates rose and traditional bonds turned south. And for private investment shop Blackstone (BX), which launched its own vehicle a year ago, the timing was perfect.

The Blackstone Private Credit fund reported Wednesday a net return of 12.4% since inception with an 8.5% distribution yield in 2021. While many credit funds were down in January, BCRED, the informal name for the fund, was up close to 1%.

The S&P 500 was down more than 5% that month, and a key bond benchmark, the Bloomberg U.S. Aggregate Bond Index, was down more than 2%.

“We’ve been talking all year about how it is good to be in floating-rate senior secured loans in an inflationary, rising-rate environment,” says Brad Marshall, Blackstone’s head of North America private credit and CEO of BCRED, which is structured as a private business development company, or BDC. “Then, boom, in January we really saw that come into play.”

BCRED offers investors only quarterly redemptions, in good part because private debt is far less liquid than syndicated debt. Many alternative income funds also allow only quarterly liquidity through an interval fund structure, which may include other restrictions as well. In general, advisors who offer clients alternative investments will need to spend extra time explaining how these often complex structures work and why they may need to give up some liquidity for higher income.

Five years ago, Blackstone created BREIT, a nontraded REIT, which now has more than \$50 billion in assets and is Blackstone’s largest fund. BCRED is significantly outpacing the growth of that fund. As private vehicles, both are available only through financial advisors, and investors may need to meet certain income and wealth hurdles to qualify.

Blackstone Private Credit benefits from holding only floating-rate loans, which yield more as interest rates rise. It also is positioned somewhat defensively, because it is made up of 95% senior secured loans, which are high up in a company’s capital

structure, and has an average weighted loan-to-value of 43%, which indicates that its holdings aren’t leveraged to the hilt.

Marshall adds that investors have benefited from the fund’s large size as scale has enabled BCRED to lower its expense ratio since inception and provide more returns to investors. Blackstone lends directly to private companies, allowing investors to hold on to more of the yield than funds that invest in syndicated loans.

It also seeks to lend to companies in industries where it sees economic “tailwinds,” so that there is more visibility into revenues and cash flows and less risk that profit margins will get squeezed if inflation persists, says Marshall. “At the end of the day, we want a stable, reliable return,” he says.

Blackstone’s expertise in investing in private companies differentiates it from competitors in private credit, says Joan Solotar, who leads Blackstone’s private wealth solutions business. “We are owning these loans,” she says. “We are not syndicating them out. That gives us more control over the asset and leads to better outcomes for our investors.”

Important Disclosure Information and Risk Factors

Posted from Barron's.com, February 23, 2022, copyright by Dow Jones & Company, Inc. with all rights reserved. This reprint implies no endorsement, either tacit or expressed, of any company, product, service or investment opportunity and it may not be representative of all articles and views on private credit generally or BCRED and has been selected for use by Blackstone Credit. The author, Amey Stone, is a writer and editor for Barron's Advisor. Barron's, which is published by Dow Jones & Company, Inc., is a leading source of financial news, providing in-depth analysis and commentary on stocks, investments and market activity across the world.

Corrections: Blackstone Credit notes the following corrections and clarifications to the article reprinted above: BCRED is a non-listed BDC (as defined below) and both BCRED and BREIT are publicly offered and are not sold or distributed exclusively through financial advisors; BREIT's total gross asset value as of January 31, 2022 was approximately \$96 billion (and its net asset value was approximately \$57 billion); and performance information for BCRED reported in the article is for a single class of BCRED shares. Investors should review this Important Disclosure Information and Risk Factors carefully for additional information regarding BCRED.

Summary of Risk Factors

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 have implemented 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 in the best interest of or suitable for you if you need access to the money you invest. See "Suitability Standards" and "Share Repurchase Program" in the prospectus.
- You will bear substantial fees and expenses in connection with your investment. See "Fees and Expenses" 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 the sale of assets, borrowings, return of capital or offering proceeds, and although we generally expect to fund distributions from cash flow from operations, we have not established limits on the amounts we may pay from such sources.
- Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by the Blackstone Credit BDC Advisors LLC (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 use and continue to expect to use leverage, which will magnify the potential for loss on amounts invested in us.
- 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 Blackstone 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 the BCRED 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.

The words "we", "us", and "our" refer to BCRED, unless the context requires otherwise.

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 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"). The Dealers are not affiliated with BCRED and have not prepared the material or the information herein.

Investments mentioned may not be in the best interest of, or 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 in the best interest of, or suitable 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. 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 member FINRA and 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.

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, has had and will likely continue to have a negative impact on the economy and business activity globally (including in the countries in which BCRED invests), and thereby is expected to 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.

Index Definitions.

Bloomberg Barclays 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.

S&P 500 is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States.

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 is available upon request.