



Mit einer systematischen  
ESG-Strategie die CO2  
Bilanz des Rentenportfolios  
deutlich verbessern – ein  
Ansatz von Blackstone  
Credit

Q1 2022



TELOS GmbH

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## Ask your Fund Manager

*„Wir können den Wind nicht ändern,  
aber die Segel anders setzen.“*

- Aristoteles

Seit dem Pariser Klimaabkommen haben nachhaltige Geldanlagen deutlich an Bedeutung gewonnen. In diesem Kontext laufen Eigentümer von Vermögenswerten Gefahr, massive Mengen ihrer Assets zu verlieren, wenn sie ihre festverzinslichen Portfolios nicht rechtzeitig auf kohlenstoffarme Anlagen umstellen können. Ein integrierter Ansatz, der über reine Ausschlussverfahren hinausgeht, bietet Anlegern die Chance, ihre CO<sub>2</sub>-Bilanz zu verringern, ohne dabei zusätzliche Risiken einzugehen oder auf Rendite verzichten zu müssen. Durch die Einbeziehung der Carbon Intensity (WACI Scope 1 + 2) in ihr proprietäres Default Probability Model zielt Blackstone Credit Systematic Strategies auf eine CO<sub>2</sub>-Ersparnis von 50%+ gegenüber einer vergleichbaren Benchmark.

**Blackstone Credit zielt mit neuer systematischer ESG-Strategie auf Low Carbon ab**

Die Reduzierung der Treibhausgasemissionen steht im Vordergrund der politischen Agenda, da Länder auf der ganzen Welt bestrebt sind, bis 2050 Netto-Null zu erreichen. An den Finanzmärkten konzentrieren sich Anleger zunehmend auf nachhaltige Anlagen und tendieren zu Managern, die robuste Strategien anbieten können, die ihnen helfen, ihre ESG-Ziele zu erreichen.

Blackstone Credit Systematic Strategies „Systematic Strategies“ bereitet eine neue, nachhaltige Fixed-Income-Lösung vor, die es Anlegern ermöglichen soll, ihre Portfolios zu dekarbonisieren, ohne die Performance zu beeinträchtigen. Wie Sie als Anleger davon profitieren und warum dies einem ausschlussbasierten Verfahren gegenüber vorteilhaft sein kann, erfahren Sie im Interview mit Tim Kasta, Senior Managing Director und Co-Head of Blackstone Credit's Systematic Strategies Einheit.



## Tim Kasta

*Senior Managing Director and Co-Head  
of Blackstone Credit's Systematic Strategies*

Prior to Blackstone's acquisition of DCI in 2020, Mr. Kasta was CEO of DCI, LLC, which he joined at its inception in 2004. Before joining DCI, Mr. Kasta was Partner and Managing Director of KMV LLC where he held a variety of roles, including designing and leading the development and marketing of the firm's flagship web product – CreditEdge. After the sale of KMV to Moody's in 2002, Mr. Kasta became Managing Director of Moody's Analytics (formerly Moody's KMV), where he was Co-Head of Business Development and Head of Product Development for the asset management sector. Mr. Kasta began his career in 1993 at Bank of Montreal in Toronto where he was one of the original members of the credit portfolio management team within corporate banking.

Mr. Kasta is a CFA charter holder and received his Bachelor of Arts (HBA) from the Ivey Business School at Western University located in London, Ontario, Canada.

### **About Blackstone Credit Systematic Strategies:**

Blackstone Credit Systematic Strategies (formerly DCI) is an asset management firm specializing in investment grade and high yield corporate credit strategies. The firm manages long-only and long/short strategies for some of the world's largest

institutional and private wealth investors. Blackstone Credit Systematic Strategies deploys a fundamental based, systematic approach seeking to exploit potential inefficiencies in the corporate credit markets. The firm offers daily dealing funds including regulated UCITS V compliant funds, offshore funds, onshore funds, and custom managed accounts. The cofounders' achievements include the creation of the world's first equity index fund at Wells Fargo in 1971, cofounding Dimensional Fund Advisors in 1981 and cofounding KMV in 1989. While at KMV between 1989 and 2002, a group of DCI's founders and principals developed the world's first credit default probability model. This model was empirically shown to predict corporate defaults with more precision and accuracy than any previous methods. After Moody's acquired KMV, the team co-founded DCI in 2004 with the singular objective of creating well-diversified portfolios that seek to produce consistent, low-volatility alpha. On December 18, 2020, The Blackstone Group Inc. acquired DCI, LLC which has become a part of Blackstone Credit the credit-focused business of Blackstone. DCI, LLC was subsequently renamed Blackstone Credit Systematic Strategies LLC.

Learn more under:

[Blackstone Credit Systematic Strategies](#)

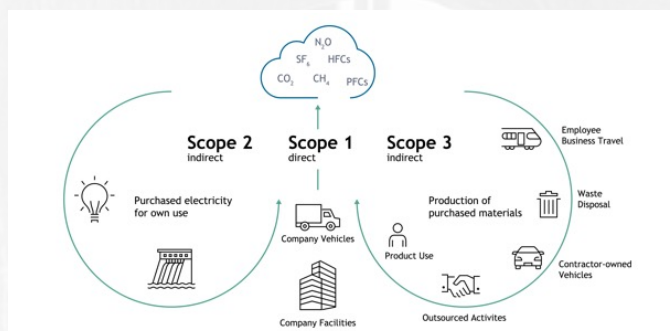


*Investment firms are looking to integrate sustainable finance solutions across their fund strategies. How can Blackstone Credit Systematic Strategies help clients with these goals?*

Systematic Strategies already incorporates responsible investing across all our existing portfolios through Socially Responsible Investing exclusions. We have built on this by converting a number of our Article 8 compliant UCITS<sup>1)</sup> strategies, including Global Investment Grade, U.S. High Yield and EUR Short Duration Bond to a low carbon offering.

In a nutshell the low carbon strategy evaluates credits based on their carbon emissions, essentially targeting companies with the lowest carbon intensity scores to create a portfolio of assets with meaningfully less carbon exposure than the index.

The Systematic Strategies selection process uses an optimizer that systematically identifies the highest alpha credits based on our fundamental credit models, while controlling turnover and ensuring the portfolio remains risk-matched to the benchmark.



That process starts with filtering out the least liquid issuers from the defined list of credits in the relevant index to remove liquidity risk. In addition, the Socially Responsible Investing exclusions are applied to the index universe. Then the portfolio is matched against the credit beta and interest rate risk of the index so that no macro beta bets are taken. Finally, the model selects the names deemed to have the highest absolute mispricing relative to their market spreads and which are fundamentally improving. The spreads on these credits should tighten as the market rewards the firm’s improvement in credit quality to generate returns that are uncorrelated to the index.

The low carbon approach extends upon this framework by adding a carbon constraint to the selection process to achieve a 50%+ lower weighted average carbon intensity score (“WACI”) for the portfolio compared to the index. For reference, the WACI scores the portfolio’s exposure to carbon-intensive companies, based on a company’s Scope 1 and Scope 2 carbon emissions relative to its revenue. Where carbon intensity is not available for a company we use the subsector carbon intensity, which is the ratio of the total emissions of the subsector over the total revenue in the subsector as of that date. If there is an insufficient number companies with data in the relevant subsector, we use the sector carbon intensity, which is the ratio of the total emissions of the sector over the total revenue in the sector as of that date. The measure allows for comparison across the portfolio regardless of the firm size.

*What’s the impact on the portfolio when converting to low carbon?*

Our systematic investment process allows us to build our carbon targets directly into the portfolio construction. Carbon intensity becomes another condition in the portfolio optimization and is solved for dynamically so that as a firm’s WACI score changes, so will its relative weight in our portfolios. In reality there are currently only a small number of credits in the indices with levels of carbon that are meaningfully higher than the average, and we believe those can be easily substituted. This makes it relatively straightforward to create a portfolio with the same excess return potential but with much lower carbon intensities and substantially reduced WACI relative to the relevant index.

The shift to low carbon format requires a minimal repositioning that could be executed over a normal month’s trading at minimal cost.

<sup>1)</sup> Blackstone Systematic Strategies UCITS Funds have been identified as Article 8 products under the EU’s Sustainable Finance Disclosure Regulation. Please visit <https://www.blackstone.com/systematic-strategies/> for additional information.

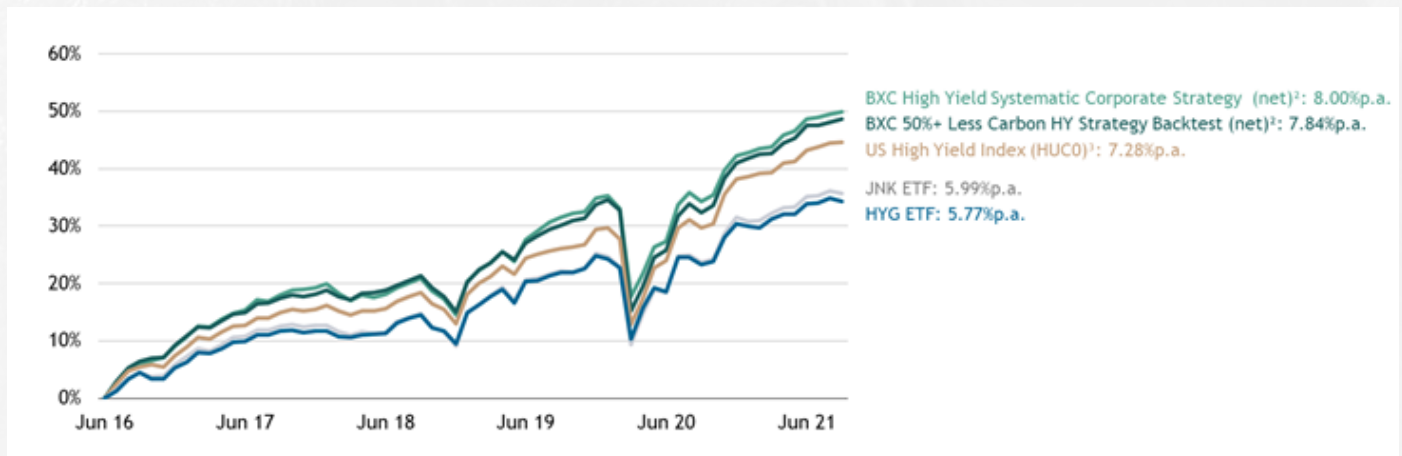
The reference to SFDR product categories is provided on the basis of the European Directive (EU) 2019/2088 on the sustainability-related disclosures in the financial services sector (“SFDR Regulation”) and state of knowledge as of 10 March 2021. As of publication date, the SFDR-related regulatory technical standards are not yet finalized and enforced. The product categorization shall be re-assessed once such regulatory technical standards are completed and may evolve.

*Investors want to move to ESG but without compromising on returns. How does the performance of the low carbon strategy compare to the regular portfolio?*

Investors look to active managers to outperform an index and that is their chief concern. ESG solutions that reduce carbon exposure often call for excluding entire sectors which can come at a performance cost and/or additional tracking error. Any solution that excludes entire sectors is going to result in a different return profile compared to the index, as well as a smaller investible universe.

By contrast our decarbonization strategy selects the least emissive names from an equivalent set of portfolio choices that the optimizer faces to preserve the overall expected portfolio performance while targeting low tracking error, something we think is compelling for investors.<sup>2)</sup> Note, while not part of the low carbon optimization process, the strategy will avoid certain issuers considered to be poor SRI performers from categories including but not limited to: (i) the mining of coal; (ii) coal power generation; (iii) the manufacturing of tobacco products; (iv) the manufacture or sale of weapons and/or ammunition; (v) the manufacture of opioids; (vi) and private prisons.

**Cumulative Return<sup>3)</sup>**



*What about energy? Environmentally focused investors may have missed out on the outperformance of this sector this year following the rise in natural gas and oil prices. Are energy names excluded from the low carbon model?*

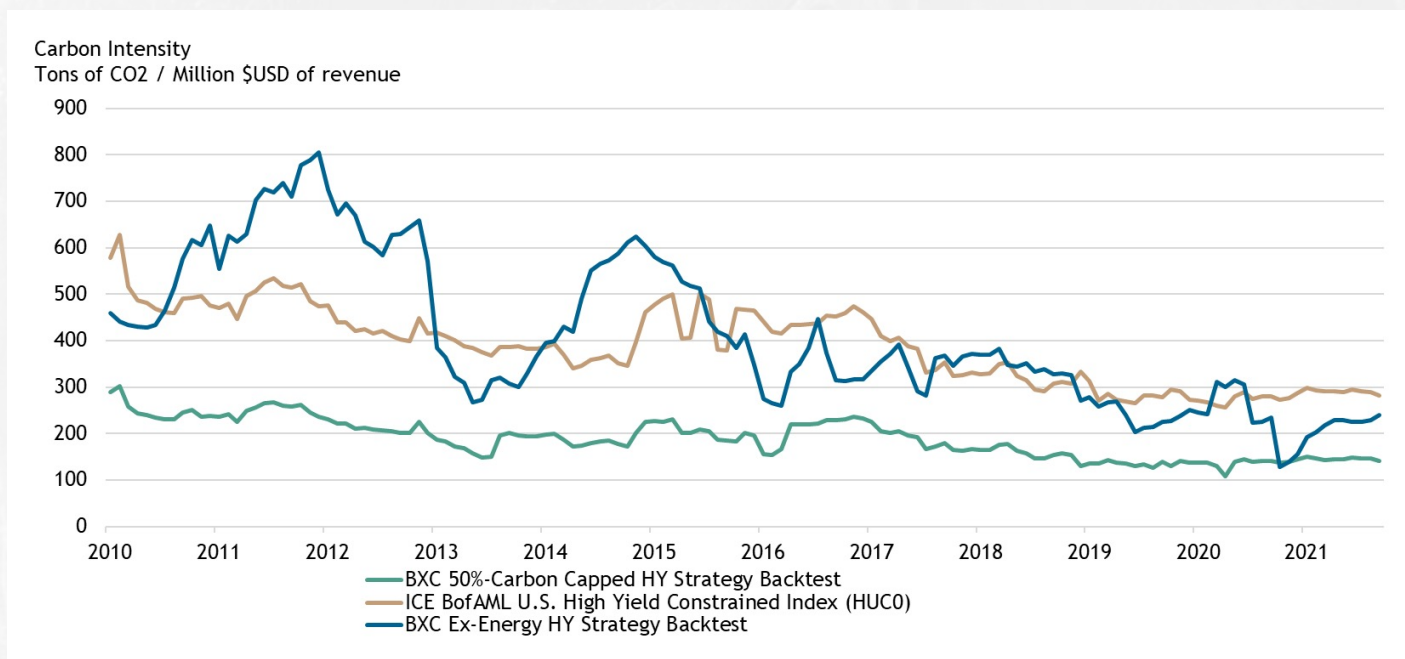
Energy has been one of the strongest performing sectors this year fueled by rising oil and natural gas prices. It's also one of the largest sectors in the high yield market, with a 13.2% weighting in the benchmark (higher on a DTS/risk basis).<sup>4)</sup> For comparison energy is 8% of the investment grade market, and about 3% of the S&P 500 index.<sup>5)</sup>

Sector exclusions are not part of our general systematic approach, although we can easily accommodate any custom sector exclusions or other SRI/ESG restrictions at the request of our clients, and it would be undesirable to exclude a sector that represents such a large part of the index. Note, while not part of the low carbon optimization process, the strategy will avoid certain issuers considered to be poor SRI performers from categories including but not limited to: (i) the mining of coal; (ii) coal power generation; (iii) the manufacturing of tobacco products; (iv) the manufacture or sale of weapons and/or ammunition; (v) the manufacture of opioids; (vi) and private prisons.



Our research also shows that often it isn't the energy names that are the worst carbon emitters, which means that excluding energy does not automatically lead to lower WACI compared to the index. If we converted our High Yield strategy to low carbon today the top three names that we would remove are all steel producers.<sup>6)</sup> Our low carbon approach rewards energy companies that successfully transition to renewable energy sources as they stay in our investible universe rather than being permanently excluded from a manager's investment strategy.

Jul 16 -Sep 21 <sup>(7)</sup>	Return (ann.)	Volatility (ann.)	Sharpe Ratio	Tracking Error	Excess Return
BXC 50%+ Less Carbon HY Strategy Backtest (net) <sup>(8)</sup>	7.84%	7.72%	1.02	1.04%	0.57%
BXC High Yield Systematic Corporate Strategy Composite (net)	8.00%	7.27%	1.10	1.18%	0.73%
US High Yield Index (HUCO)	7.28%	7.25%	1.00	--	--
JNK ETF	5.99%	7.33%	0.82	1.62%	-1.29%
HYG ETF	5.77%	6.82%	0.85	1.95%	-1.50%



Based on our backtest performance our Low Carbon Systematic High Yield Strategy outperforms both the ICE BofAML U.S. High Yield Constrained Index and the ICE BofA US High Yield Excluding Energy, Metals & Mining Index (HXNM).

We think the strategy is a win-win for investors who consider carbon intensity a good measure when it comes to working towards ESG targets, allowing them opportunity to run a portfolio at 50% less carbon while still working to outperform the index.

## Über Active Fund Placement:

Active Fund Placement ist seit 2009 als Third Party Marketer für eine ausgewählte Anzahl an best-in-class Fondsanbietern im deutschsprachigen Raum aktiv. Die Investmentstrategien werden sowohl bei Institutionellen Investoren als auch im Wholesale vertreten.

Für weitere Informationen steht Ihnen [unser Sales Team](#) gerne zur Verfügung.

### Active Fund Placement GmbH

Schäfergasse 52 | 60313 Frankfurt am Main

Telefon: +49 69 34 872 77 99

[info@fundplacement.de](mailto:info@fundplacement.de) | [www.fundplacement.de](http://www.fundplacement.de)

Amtsgericht Frankfurt am Main | HRB 87594

Geschäftsführer: Andreas Kümmert, Günther Kümmert

Rechtliche Hinweise gem. §16 Abs. 2 und §17 FinVermV

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### Key Risk Factors

In considering any investment performance information contained in the Materials, prospective and current investors should bear in mind that past or estimated **performance is not necessarily indicative of future results** and there can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met.

**Conflicts of Interest.** There may be occasions when a Fund's general partner and/or the investment advisor, and their affiliates will encounter potential conflicts of interest in connection with such Fund's activities including, without limitation, the allocation of investment opportunities, relationships with Blackstone's and its affiliates' investment banking and advisory clients, and the diverse interests of such Fund's limited partner group. There can be no assurance that the Sponsor will identify, mitigate, or resolve all conflicts of interest in a manner that is favorable to the Partnership.

**Epidemics / Pandemics.** Countries have been susceptible to epidemics which may be designated as pandemics by world health authorities, most recently COVID-19. The outbreak of such epidemics, together with any resulting restrictions on travel or quarantines imposed, has had and will continue to have a negative impact on the economy and business activity globally (including in the countries in which the Funds invest), and thereby is expected to adversely affect the performance of the Funds' investments. Furthermore, the rapid development of epidemics could preclude prediction as to their ultimate adverse impact on economic and market conditions, and, as a result, presents material uncertainty and risk with respect to the Funds and the performance of their investments.

**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 predictions 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 most recent fiscal year ended December 31 of that year, 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](http://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. 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.

**Leverage.** A Fund may use leverage or borrow, subject to regulatory limitations where applicable. 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 addition, because a Fund will pay all expenses, including interest, associated with the use of leverage or borrowings, investors will indirectly bear such costs.

**Material, Non-Public Information.** In connection with other activities of Blackstone, certain Blackstone personnel may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities, including on a Fund's behalf. As such, a Fund may not be able to initiate a transaction or sell an investment. In addition, policies and procedures maintained by Blackstone to deter the inappropriate sharing of material non-public information may limit the ability of Blackstone personnel to share information with personnel in Blackstone's other business groups, which may ultimately reduce the positive synergies expected to be realized by a Fund as part of the broader Blackstone investment platform.

**No Assurance of Investment Return.** Prospective investors should be aware that an investment in a Fund is speculative and involves a high degree of risk. There can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met (or that the returns will be commensurate with the risks of investing in the type of transactions described herein). The portfolio companies in which a Fund may invest (directly or indirectly) are speculative investments and will be subject to significant business and financial risks. A Fund's performance may be volatile. An investment should only be considered by sophisticated investors who can afford to lose all or a substantial amount of their investment. A Fund's fees and expenses may offset or exceed its profits.

**Reliance on Key Management Personnel.** The success of a Fund will depend, in large part, upon the skill and expertise of certain Blackstone professionals. In the event of the death, disability or departure of any key Blackstone professionals, the business and the performance of a Fund may be adversely affected. Some Blackstone professionals may have other responsibilities, including senior management responsibilities, throughout Blackstone and, therefore, conflicts are expected to arise in the allocation of such personnel's time (including as a result of such personnel deriving financial benefit from these other activities, including fees and performance-based compensation).

**Sustainable Finance Disclosure Regulation („SFDR“).** The Systematic UCITS funds, in consultation with Blackstone, have identified certain Systematic UCITS funds as Article 8 for the purposes of SFDR. Systematic UCITS funds may seek to make sustainable investments including investments in economic activities that qualify as environmentally sustainable under Article 3 of Regulation (EU) 2020/852 (the „Taxonomy“). At this time the Systematic UCITS funds have not identified a proportion of investments in such activities or proportion of investments which relate to enabling or transitional activities as referred to in Article 16 and Article 10(2) of the Taxonomy but that may be subject to change. The Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm Taxonomy objectives and is accompanied by specific EU criteria. Similarly, any other sustainable investments must also not significantly harm any environmental or social objectives. The "do not significant harm" principle applies only to sustainable investments (if any). Other investments do not take into account the EU criteria for environmentally sustainable economic activities and are not required to apply the "do not significant harm" principle. It is possible that none of the investments underlying the Systematic UCITS funds will take into account the EU criteria for environmentally sustainable economic activities.



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	October 2016 - September 2017	October 2017 - September 2018	October 2018 - September 2019	October 2019 - September 2020	October 2020 - September 2021
ICE BofA US High Yield Index (H0A0)	9.06%	2.94%	6.30%	2.30%	11.46%
ICE BofA US High Yield Excluding Energy Metals & Mining Index (HXNM)	8.34%	2.44%	9.01%	4.60%	9.20%
BXC 50+% less Carbon HY strategy backtest (gross)	10.85%	3.65%	7.61%	2.07%	12.73%
BXC 50+% less Carbon HY strategy backtest (net)	10.47%	3.29%	7.23%	1.72%	12.34%
ICE BofAML US High Yield Master II Constrained Index (HUCO)	9.03%	2.93%	6.34%	2.22%	11.46%
Blackstone High Yield Strategy Composite (net)	11.52%	2.51%	8.73%	2.13%	11.62%

Data from inception (January 2010) as of September 30, 2021. Past performance is not necessarily indicative of future results. There can be no assurance that the Fund will achieve its objectives or avoid significant losses. Performance is based on backtesting returns. Returns are hypothetical results achieved by the retro-active application of a model that has been prepared for general information purposes for consideration by sophisticated prospective investors in the Strategy. The returns are not the actual historical results of the Strategy and accordingly are subject to inherent limitations. The information in this presentation may contain projections or other forward-looking statements regarding future events or expectations. There is no guarantee that the backtest returns, allocations and projections will be realized or achieved and investors may experience a loss. Investors should keep in mind that markets are volatile and unpredictable. Please see Important Disclosure Information and the Limitations of Backtesting Performance Returns. Gross returns are before fees and expenses and net of simulated transaction costs. Net returns are shown after fees and expenses. For illustrative purposes. Backtesting returns are not indicative of past or future results, and there can be no assurance that a fund has or will achieve comparable results. Actual results may vary materially. 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.

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Performance for individual investors will vary (in some cases materially) from the performance stated herein as a result of the management fees paid or not paid by certain investors; the investor servicing fees paid by certain investors, as applicable; the timing of their investment; and/or their individual participation in Fund investments. Fund performance shown may not reflect returns experienced by any particular investor in a Fund since actual returns to investors depend on when each investor invested in such Fund, which may be at a point in time subsequent to a Fund's equalization period, if applicable. The Fund's Documents contain detailed provisions relating to the timing, methodology and recording of fund expenses, including incentive and management fees. An investment in the Fund is subject to significant risks and is suitable only for investors of substantial financial means that have no need for immediate liquidity in this investment. The Fund uses sophisticated investment techniques and may not be suitable for all investors. The BXCSS fee schedule is presented in its Form ADV Part 2A.

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Index Comparison. The volatility and risk profile of the indices presented is likely to be materially different from that of a Fund. In addition, the index employs 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 index. The index is not subject to fees or expenses, and it may not be possible to invest in the index. The performance of the index may not necessarily have been selected to represent an appropriate benchmark to compare to a Fund's performance, but rather is disclosed to allow for comparison of a Fund's performance to that of a well-known and widely recognized index. A summary of the investment guidelines for the indices presented are available upon request. In the case of equity indices, performance of the indices reflects the reinvestment of dividends.

Target Allocations. There can be no assurance that a Fund will achieve its objectives or avoid substantial losses. Allocation strategies and targets depend on a variety of factors, including prevailing market conditions and investment availability. There is no guarantee that such strategies and targets will be achieved, and any particular investment may not meet the target criteria.

#### *Returns and Performance Impact*

Credit return is the return achieved over and above the default risk free return, not including fees or expenses. The Credit Return is calculated for each period by subtracting the fees and expenses and the default risk-free return from the return implied by the published NAV. Gross Returns used herein do not reflect the payment of investment advisory fees or other expenses. The performance results of an actual client investment advisory account invested by Blackstone in accordance with the Account would be reduced by the advisory fees and performance fees and other expenses actually incurred in the management of the account; these and other expenses are not reflected in the Credit Returns or Gross Returns. For example, an investment account that over a five-year period had an average annual investment return of 8% before deduction of an 0.35% annual investment advisory fee would have had a lower average annual investment return of 7.65% after deduction of such annual investment advisory fee. Blackstone's investment advisory fees are described in Part 2 of Form ADV. The information contained herein is unaudited and preliminary. Final amounts will not be available until a later date.

The difference between the preliminary and the final amounts could be material. Certain factors may cause monthly performance to vary from investor to investor. Thus, individual investor performance, as well as the aggregate performance, may differ from the performance reflected herein.

Total return is the combination of the Default Risk-Free Return and Credit Return. The Total Return reflects the reinvestment of all distributions, coupons and other earnings. Total returns are gross of all fees expenses and residual returns due to currency share class hedging. Gross returns are before fees and expenses, calculated by Blackstone, and unaudited. Gross returns reflect the reinvestment of all distributions, coupons and other earnings. Net returns are after fees and expenses.

Certain performance information presented in the presentation is based on the performance of a funded separate account. This approach is subject to certain inherent limitations, and individual investor performance, as well as the aggregate performance, may differ materially from the performance information reflected herein. For individual investor performance, investors should rely on information contained in account statements produced by the administrator. The Fund's Documents contain detailed provisions relating to the timing, methodology and recording of fund expenses, including incentive and management fees. Past performance is no guarantee of future results. No assurance can be given that the investment objective will be achieved. Certain factors may cause monthly performance to vary from investor to investor.

The Blackstone High Yield Systematic Corporate Strategy is a composite containing all fully discretionary Blackstone high yield corporate bond accounts which includes fund vehicles and separately managed accounts. The returns are asset weighted and the accounts in the composite may have different fees and expenses. Blackstone's investment advisory fees are described in Part 2 of Form ADV. Fees and expenses are a combination of management fees and other fund expenses, including but not limited to, custodian and administration fees which may differ between accounts within the composite. Gross returns reflect the reinvestment of all distributions, coupons and other earnings. Additional information on the composite is available upon request to Blackstone. The Strategy may be implemented in a variety of legal structures. Individual accounts may incur additional expenses outside of Blackstone's control in the operation of their account. The statistical information presented is based on the most representative account in the composite as determined by Blackstone. The Blackstone High Yield Systematic Corporate Strategy Composite was created July 1, 2016. The Index is the ICE BofAML US HY Constrained Index (HUC0).

#### *Limitations of Backtesting Performance Returns*

Where backtesting performance results or returns are shown they are hypothetical results achieved by the retroactive application of a model that has been prepared for general information purposes only for consideration by sophisticated prospective investors in the Fund and should not be considered indicative of the skill of BX Credit. The backtest returns do not represent actual trading, and they may not reflect the impact that material economic and market factors, including collateral requirements necessary to achieve the leverage expressed in the backtest performance results, might have had on BX Credit investment decision-making if BX Credit had actually been managing client accounts using the different criteria as described in this presentation during the periods indicated. The backtest performance results are based on the assumptions described herein, which have been made for modeling purposes and may not be realized. No representation or warranty is made as to the reasonableness of the assumptions, or that all assumptions used in modeling the backtest results have been stated or fully considered. The backtest performance results do not guarantee or determine the Fund's actual future results, and BX Credit may not be able to implement the investment strategy expressed in the backtest performance results in the future. One of the limitations of hypothetical performance results is that they are prepared with the benefit of hindsight. There are numerous other factors related to the markets in general and to the implementation of any specific trading strategy which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

BXC Ex-Energy HY strategy backtest performance results are presented for the period from January 1, 2010 to June 30, 2021. It leverages the same settings as Blackstone High Yield Systematic Corporate Bond Strategy backtest but constrains the energy sector so that oil & gas, coal mining and metals mining constituents (as determined by a Blackstone classification scheme), are excluded from the investable universe. The Backtest returns reflect a 25bp management fee and 10bp in expenses p.a., net of simulated transaction costs and a one-week lagged implementation. Transaction costs are simulated in the backtesting by using the average relationship between the bonds liquidity score and the median bid-offer as a percentage of spread level. Assumes index interest rate return implying interest rate exposure of the Index matched by strategy. Updated backtest performance results are available upon request. The returns reflect the reinvestment of income and anticipated management fees, unless otherwise indicated.



BXC 50%+ Less Carbon HY Strategy Backtest performance results are presented for the period from January 1, 2010 to June 30, 2021. It leverages the same settings as Blackstone High Yield Systematic Corporate Strategy backtest but constrains carbon intensity so that it is consistently 50% less than the ICE BofAML US High Yield Index (HUCO). The Backtest returns reflect a 50bps management fee and 10bp in expenses p.a., net of simulated transaction costs and a one-week lagged implementation. Transaction costs are simulated in the backtesting by using the average relationship between the bonds liquidity score and the median bid-offer as a percentage of spread level. Assumes index interest rate return implying interest rate exposure of the Index matched by strategy. Updated backtest performance results are available upon request. The returns reflect the reinvestment of income and anticipated management fees, unless otherwise indicated.

The investment environment and market conditions may be markedly different in the future and investment results will fluctuate in value. The scenarios included in the presentation are based on BX Credit assumptions and calculations and are subject to change. Estimates and other forward-looking statements are inherently uncertain, and changing factors, such as those affecting the markets generally, or those affecting particular industries or issuers, may cause events or results to differ from those discussed herein. Therefore, there can be no assurances that the stated returns can be achieved and the client may experience a loss.

### Definitions

**ICE BofAML US High Yield Index (HUCO):** The ICE BofAML US High Yield Master II Constrained Index contains all securities in the ICE BofAML US High Yield Index but caps issuer exposure at 2%.

Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the Index, each is equally weighted, and the face values of their respective bonds are increased or decreased on a prorata basis. Accrued interest is calculated assuming next-day settlement. Cash flows from bond payments that are received during the month are retained in the index until the end of the month and then are removed as part of the rebalancing. Cash does not earn any reinvestment income while it is held in the Index. The Index is rebalanced on the last calendar day of the month, based on information available up to and including the third business day before the last business day of the month. Issues that meet the qualifying criteria are included in the Index for the following month. Issues that no longer meet the criteria during the course of the month remain in the Index until the next month-end rebalancing at which point they are removed from the Index. Inception date: December 31, 1996. Source: ICE Data Indices, LLC ("ICE"), used with permission. ICE PERMITS USE OF THE ICE BofAML INDICES AND RELATED DATA ON AN "AS IS" BASIS, MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE ICE BofAML INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THE USE OF THE FOREGOING, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND BXC Systematic Strategies LLC., OR ANY OF ITS PRODUCTS OR SERVICES.

**ICE BofAML US High Yield Index (H0A0):** ICE BofAML US High Yield Index tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of \$250 million. In addition, qualifying securities must have risk exposure to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. Original issue zero coupon bonds, 144a securities (both with and without registration rights), and pay-in-kind securities (including toggle notes) are included in the index. Callable perpetual securities are included provided they are at least one year from the first call date. Fixed-to floating rate securities are included provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. Contingent capital securities ("cocos") are excluded, but capital securities where conversion can be mandated by a regulatory authority, but which have no specified trigger, are included. Other hybrid capital securities, such as those issues that potentially convert into preference shares, those with both cumulative and non-cumulative coupon deferral provisions, and those with alternative coupon satisfaction mechanisms, are also included in the index. Securities issued or marketed primarily to retail investors, equity-linked securities, securities in legal default, hybrid securitized corporates, eurodollar bonds (USD securities not issued in the US domestic market), taxable and tax-exempt US municipal securities and DRD-eligible securities are excluded from the index.

**iShares iBoxx \$ High Yield Corporate Bond ETF (HYG):** Seeks to track the investment results of an index composed of US dollar-denominated, high yield corporate bonds.

**SPDR® Bloomberg Barclays High Yield Bond ETF (JNK):** Seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of the Bloomberg Barclays High Yield Very Liquid Index.

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- (a) to a person who is an investment business; or
- (b) to a person who meets the investment activity criteria specified in clause 38 of Schedule 1 of the Financial Markets Conduct Act (N.Z.); or
- (c) to a person who is large within the meaning of clause 39 of Schedule 1 of the Financial Markets Conduct Act (N.Z.); or
- (d) to a person who is a government agency; or
- (e) to a person who is a close business associate within the meaning of clause 4 of Schedule 1 of the Financial Markets Conduct Act (N.Z.) of the Offeror; or
- (f) in other circumstances where there is no contravention of the Financial Markets Conduct Act (N.Z.) (or any statutory modification or re-enactment of, or statutory substitution for, the Financial Markets Conduct Act (N.Z.)).

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The Interests subscribed or purchased pursuant to Sections 304 or 305 of the SFA may only be transferred in accordance with provisions of Sections 304A and 305A of the SFA respectively.

Where the Interests are acquired under Section 305 of the SFA by a relevant person which is a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the securities (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for 6 months after that corporation has acquired the Interests under Section 305 except:

- (1) to an institutional investor or to a relevant person as defined in Section 305(5) or arising from an offer under Section 275 (1A) of the SFA;
- (2) where no consideration is given for the transfer; or
- (3) where the transfer is by operation of law.

Where the Interests are acquired under Section 305 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, the beneficiaries' rights and interests in that trust shall not be transferable for 6 months after that trust has acquired the Interests under Section 305 except:

- (1) to an institutional investor or to a relevant person as defined in Section 305 (5) of the SFA or arising from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) (or such other amount as may be prescribed under the SFA) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
- (2) where no consideration is given for the transfer; or
- (3) where the transfer is by operation of law.

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**Uruguay**

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If communicated in Belgium, Denmark, Finland, the Republic of Ireland, Lichtenstein or Norway, to per se Professional Clients or Eligible Counterparties for the purposes of the European Union Markets in Financial Instruments Directive (Directive 2014/65/EU) and the Glossary to the UK Financial Conduct Authority Handbook, or in the UK, this communication is made by The Blackstone Group International Partners LLP („BGIP“) of 40 Berkeley Square, London, W1J 5AL (registration number OC352581), which is authorised and regulated by the Financial Conduct Authority (firm reference number 520839) in the United Kingdom and which maintains appropriate licences in other relevant jurisdictions.

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This communication is intended only for the person to whom it has been sent, is strictly confidential and must not be distributed onward or distributed to retail clients. The content of this communication should not be construed as legal, tax or investment advice.

The Fund has not been licensed for distribution to non-qualified investors with the Swiss Financial Market Supervisory Authority FINMA (FINMA) as a foreign collective investment scheme pursuant to Article 120(1) of the Swiss Federal Act on Collective Investment Schemes of June 23, 2006, as amended (CISA). However, the Fund has appointed a duly licensed representative and a Swiss licensed bank as paying agent in Switzerland. Accordingly, pursuant to article 120(4) CISA, the Units of the Fund may be offered, advertised or otherwise distributed, directly or indirectly, in or from Switzerland and this document and any other marketing or offering documents relating to the Fund may only be distributed in or from Switzerland by way of distribution to qualified investors as defined in article 10(3), (3bis) and (3ter) CISA. Regarding the publication of performance data of the Fund, it should be noted that the historic performance does not represent an indicator for the current or future performance and, unless otherwise indicated, the performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

Furthermore, this document and any other marketing or offering documents relating to the Fund may be shared with non-discretionary investment advisors in Switzerland for their information purposes only and without targeting specific investors advised by such investment advisors. Should such a qualified investor be advised by a non-discretionary investment advisor in Switzerland, the investor may instruct the distributor to forward this document or any other marketing or offering documents relating to the Fund directly to that investment advisor. Should this document or any other marketing or offering documents relating to the Fund be distributed to an investor outside Switzerland and should such investor be advised by a non-discretionary investment advisor in Switzerland, then the investor may instruct the distributor to also forward this document or any other marketing or offering documents relating to the Fund directly to that investment advisor.

The representative of the Fund in Switzerland (the “Representative in Switzerland”) is 1741 Fund Solutions AG, Burggraben 16, 9000 St. Galle. The paying agent (“Paying Agent”) of the Fund in Switzerland is Tellco AG, Bahnhofstrasse 4, 6430 Schwyz. In respect of the distribution activity of the Units in Switzerland, the place of performance and jurisdiction is at the registered office of the Representative in Switzerland.

Please refer to the Prospectus and Key Investor Information Document (KIID) before making any final investment decision. The prospectus is available in English and the KIID is available in English, German, French, Swiss English, Spanish, Italian, Danish, Swedish, Portuguese, Dutch, Icelandic on <https://www.blackstone.com/systematic-strategies/>

Termination of marketing arrangements. Please note that the Fund may decide to terminate the arrangements made for the marketing of the Fund in one or more EU member states pursuant to the UCITS marketing passport in accordance with the procedure provided for under the applicable laws that implement Article 93a of Directive 2009/65/EC (the UCITS Directive).

Investor rights and access to collective redress mechanisms. The legal relationship between an investor and Blackstone Systematic Credit Umbrella Fund plc, an umbrella fund with segregated liability between sub-funds (the umbrella fund and each sub-fund, collectively and individually, the “Fund”) is a contractual one, governed principally by the application form executed by the investor when subscribing for shares in the Fund and the constitutional document. As an investor in the Fund, an investor has various rights which derive from:

- the application form, the constitutional document, and other relevant documents of the Fund; and
- Applicable Law and Regulation\*.

Such rights may include, but are not limited to, the right to participate in changes in the net asset value of such investor’s shares; the right to a share of any dividends or distributions paid out by the Fund; the right to attend at general meetings of the shareholders of the Fund and to vote on any motion tabled at such meetings; subject to certain conditions, the right to call a general meeting of investors in the Fund; the right to request the redemption of the investor’s shares by the Fund and certain rights in respect of how the Fund uses the investor’s personal data. The exercise by an investor of these rights is strictly subject to the terms and conditions of the relevant Fund documents and/or legislation from which these rights derive. The foregoing is only a brief summary of examples of the rights of an investor in relation to the Fund. For a more detailed description of their rights vis-à-vis the Fund, investors should consult their own legal advisor. Both the subscription agreement between an investor and the Fund and the constitutional document are governed by Irish law. In the event that an investor believes they have suffered loss as a result of the actions or inactions of the Fund or any relevant UCITS management company, an investor may seek to take proceedings against such parties in the Irish courts or, in certain circumstances, in the courts of another jurisdiction. Whether the judgement of a foreign court will be recognised and enforced against the Fund or a UCITS management company in Ireland will depend on the circumstances of the case and will be subject to the relevant national and international law that governs such matters in Ireland. At present, pending implementation of Directive (EU) 2020/1828 on representative actions for consumers, there are no recognised means, in Ireland or at a European Union level, by which an investor who may have suffered a loss as result of the actions or inactions of the Fund or the UCITS management company may seek collective redress.

\*Applicable Law and Regulation in this regard includes, but is not limited to, the Companies Act 2014, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019, the Irish Data Protection Acts 1988 to 2018, the General Data Protection Regulation (Regulation (EU) 2016/679), the EU ePrivacy Directive 2002/58/EC, each as amended or replaced from time to time.

A summary, in English, of investors rights and information on access to collective redress mechanism can be obtained at the following website <https://www.blackstone.com/systematic-strategies/>

#### **BXC202112051S**

Approved for Professional and Qualified investors in Austria, Belgium, Denmark, France, Finland, Germany, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, UK

### **Wichtiger Hinweis**

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TELOS GmbH

Biebricher Allee 103

D-65187 Wiesbaden

Tel. +49 (0)611 9742 100

E-Mail: [info@telos-rating.de](mailto:info@telos-rating.de)

Web: [www.telos-rating.de](http://www.telos-rating.de)