

Franklin BSP Private Credit Fund

March 2025 | Quarterly Update

Fund Overview

Summary

Franklin BSP Private Credit Fund (the Fund) offers investors access to a diversified, multi-strategy solution targeting attractive opportunities across the credit market within the convenience and oversight of a continuously offered, closed-end interval fund.

Strategy

The Fund seeks to generate attractive risk-adjusted returns with consistent current income by investing primarily in private credit investments of "middle market" companies in the U.S. (typically, those with annual revenues up to \$1B), including privately offered secured and unsecured debt, special situations, real estate debt and collateralized loan obligations across directly originated corporate loans, broadly syndicated corporate loans, and high yield corporate bonds.

Fund Snapshot

NASDAQ Symbol	FBSPX
Fund structure	1940 Act-registered, continuously offered closed-end interval fund
Fund Inception Date	10/3/2022
Dividend Frequency, if any	Monthly
NAV Frequency	Daily
Subscriptions	Daily
Tax Reporting	1099-DIV
Liquidity ¹	Quarterly repurchase offer, at least 5% of total outstanding shares

Fund Characteristics

Managed Assets	\$188.4M
Number of Holdings	216
Effective Duration	0.54 Years
Weighted Average Maturity	4.82 Years
Distribution Rate at NAV (%) ²	7.83
Floating Rate	81.00%
Senior Secured 1st Lien	74.23%
Senior Secured 2nd Lien	7.60%
Leverage	39.66%

Fund Performance Summary

Fund Average Total Return (% as of March 31, 2025)

	YTD*	3-Mths*	6-Mths*	1-Yr	Since Inception
Franklin BSP Private Credit Fund-Advisor Class-Net (USD)	0.75	0.75	6.90	13.40	11.45
Morningstar LSTA US Leveraged Loan Index (USD)	0.48	0.48	2.76	6.86	10.13
ICE BofA High Yield Index (USD)	0.94	0.94	1.10	7.60	10.45

All data shown is as of March 31, 2025, unless otherwise stated. **Total Annual Operating Expenses—Net: 4.28% Gross: 7.00% Maximum Initial Sales Charge—None.** Since inception date: October 3, 2022.

Performance data quoted represents past performance, which does not guarantee future results. Current performance may be lower or higher than the figures shown. Principal value and investment returns will fluctuate, and investors' shares, when redeemed, may be worth more or less than the original cost. Performance would have been lower if fees had not been waived in various periods. Total returns assume the reinvestment of all distributions and the deduction of all fund expenses. Returns for periods of less than one year are not annualized. All classes of shares may not be available to all investors or through all distribution channels. For current month-end performance, please call Franklin Templeton at (800) DIAL BEN/(800) 342-5236 or visit www.franklintempleton.com.

Incentive Fee: The Net returns also reflect the Fund's incentive fee (if the Fund has charged the fee), which is 12.50% per quarter on the funds pre-incentive fee net investment income (with a 6.0% annualized hurdle rate), payable to the fund quarterly in arrears and subject to a catch up feature.

The returns and associated portfolio characteristics have been prepared using unaudited data and valuations of the underlying investments in the fund's portfolio which are estimates of fair value and form the basis for the fund's NAV. Valuations based on unaudited reports from the underlying investments may be subject to later adjustments, may not correspond to realized value and may not accurately reflect the price at which assets could be liquidated.

Gross expenses are the fund's total annual operating expenses as of the fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 4/30/2025 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

*Cumulative Total Returns

Market Update

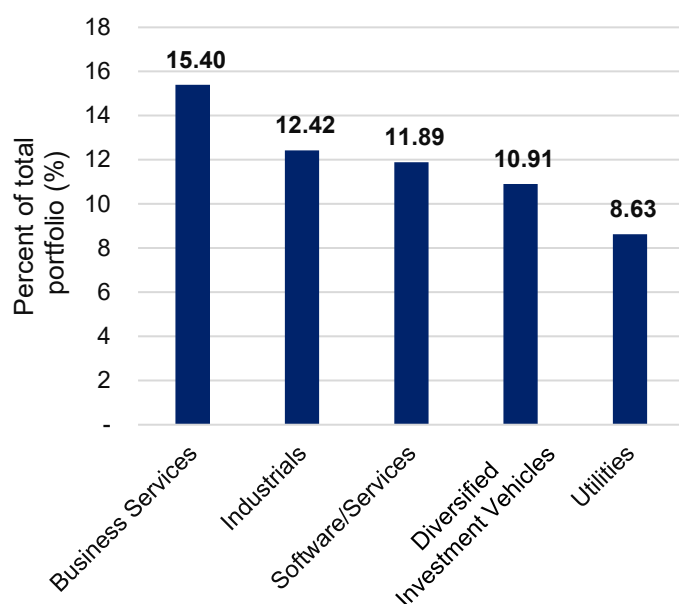
The markets got a sobering reality check in Q1, after the euphoria seen in the last quarter of 2024, which was driven by the Trump victory. The first quarter was over by the time the seismic shock of "Liberation Day" (April 2nd) roiled the markets, but there was already a heightened level of uncertainty being priced by the markets. High yield spreads widened from a historically tight +259 bps in mid-January, to a more normal level of +354 bps by the end of the quarter. Fears around mercurial policies related to government spending and tariffs dominated the headlines, and many economists started issuing warnings of a coming slowdown. The uncertainty had already begun to manifest in the soft data (surveys around consumer sentiment, inflation expectations, capex plans) by Q1, which is what caused the Fed to maintain a neutral stance by keeping rates on hold. This also dashed the hopes of market participants who were hoping for a more accommodative Fed, in light of the progress being made on bringing inflation down.

Quarterly Key Performance Drivers

Contributors

The top contributor to performance was Jump Financial, where we hold a position in the term loan. Jump Financial is a market maker that thrives in periods of equity volatility as bid-ask spreads tend to widen, so it was expected that the company would do well in this environment. Alibaba was also another important contributor, as our position in the convertible bonds surged due to the prospect of the company's proprietary LLM model, Qwen, gaining market share in the AI space. New Fortress was amongst the contributors during the quarter, as the company exchanged its existing term loan into a new term loan with a higher coupon and provided an amendment fee to investors who exchanged their loan. Our existing term loan got the benefit of these changes, so it shows up as a positive contributor. However, New Fortress will also appear in the detractors segment, as the new term loan traded down after the deal was consummated. Rounding out the top 5 contributors, Reagent Chemical and Volunteer Materials were two direct lending names that continued to perform well and were not subject to the volatility seen in the publicly traded names.

Top 5 Industries (% of Managed Assets)



Top 5 Holdings (% of Managed Assets)

Issuer	Fund (%)
Twitter Inc	2.51
Pacific Gas & Electric	2.44
Volunteer Materials	2.39
Allied Benefit Systems	2.17
City Square White Plains	1.88
Total	11.39

Weightings as % of Managed Assets as of March 31, 2025. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Contributors as % of Managed Assets: Jump Financial – 1.37%, Alibaba Group Holding – 0.79%, New Fortress Energy – 0.00%, Reagent Chemical and Research, Inc. – 1.46%, Volunteer Materials – 2.22%. Please see important disclosures at the end of this document for further information.

Detractors

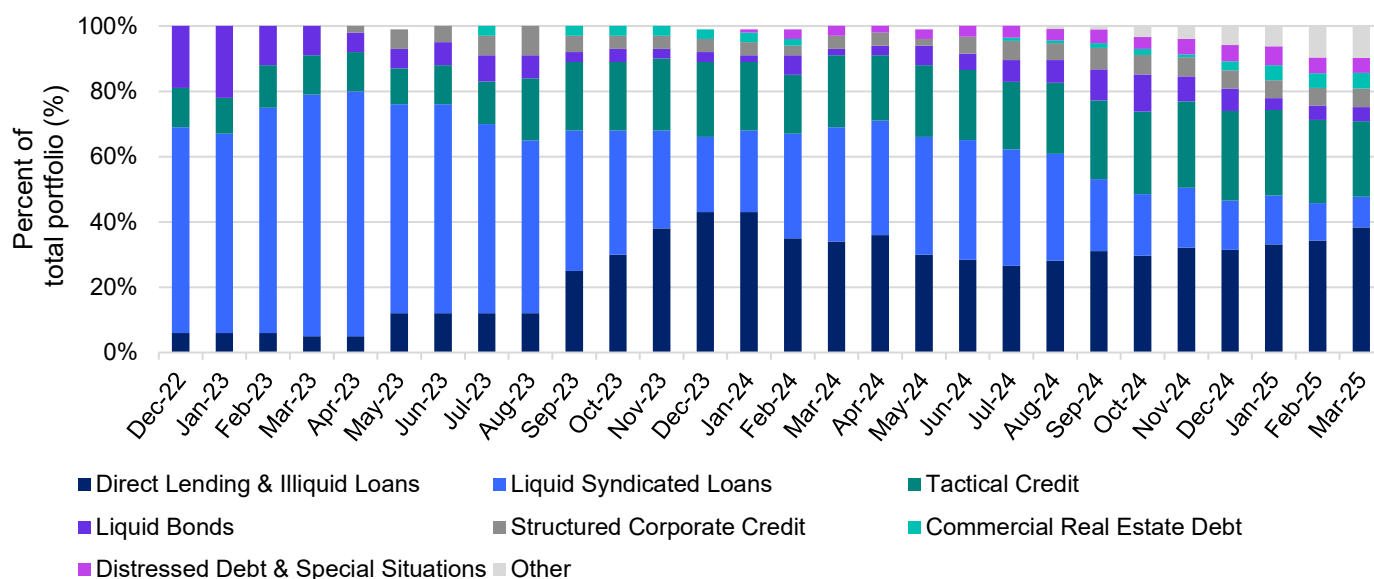
The biggest detractors in performance were our positions in the convertible notes of JetBlue and Coinbase, which moved lower in conjunction with the swoon in the equity markets. JetBlue was affected by negative sentiment around the airline space as the prospect of a growth slowdown or recession started gaining traction. Discretionary leisure spending is normally one of the earliest places consumers cut expenditures when faced with uncertainty, and this was compounded by growing concerns about air safety following a spate of airline accidents and near misses in the quarter. Coinbase was primarily affected by the risk-off sentiment around digital assets, and the negative price action for Bitcoin, which typically drives down trading volumes in the asset class. Our secured bond position in Grafftech, which manufactures electrodes used in steel-making, saw a decline in price as the sector is highly cyclical and depends on the global price for steel that is set on the margin at the cost of production in China, the world's largest steel exporter. There are fears that China will undercut prices in steel as a way to maintain its share in steel production, even as the impact of the sector-specific tariffs on steel begins to bite its exporters. New Fortress shows up as a detractor and contributor for the reasons explained in the contributors section; on a net basis the impact across both the old and new term loans was a -9 bps detraction in performance. Finally, Brightline rounds out the detractors list, as it is a higher beta name and the bonds traded off with the broader market sell-off.

Outlook & Strategy

Looking ahead, we do not expect the uncertainty gripping the markets to subside in the near term. We expect the economy to slow down as the tariffs start to roll through and prices begin to reflect the new reality of the average effective tariff rate going from 2.5% at the end of 2024 to somewhere between 12.5%-20%, depending on where the final tariff schedule shakes out for the rest of the world. In short, the probability of outcomes has a wide distribution, with fat tails.

While there will be an inevitable slowdown in growth, with the economy potentially even tipping into a short technical recession, there are reasons to be constructive. Firstly, it is still possible to be tactical and trade headline news over short term horizons, even as the economy slows on a secular basis. There could be a cadence of positive news as trade deals with countries (except China) are announced. Furthermore, if Congress passes a tax cut that the markets are not pricing in, it will cause markets to gyrate depending on the size and scope of the "surprise". This could present a window for short-term swing trades.

Strategy Allocation (% of Managed Assets)



Weightings as % of Managed Assets as of March 31, 2025. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Detractors as % of Managed Assets: JetBlue Airways – 1.15%, Coinbase Global Inc. – 1.39%, Grafftech Finance Inc. – 0.87%, New Fortress Energy – 1.18%, Brightline East LLC – 1.58%. Please see important disclosures at the end of this document for further information.

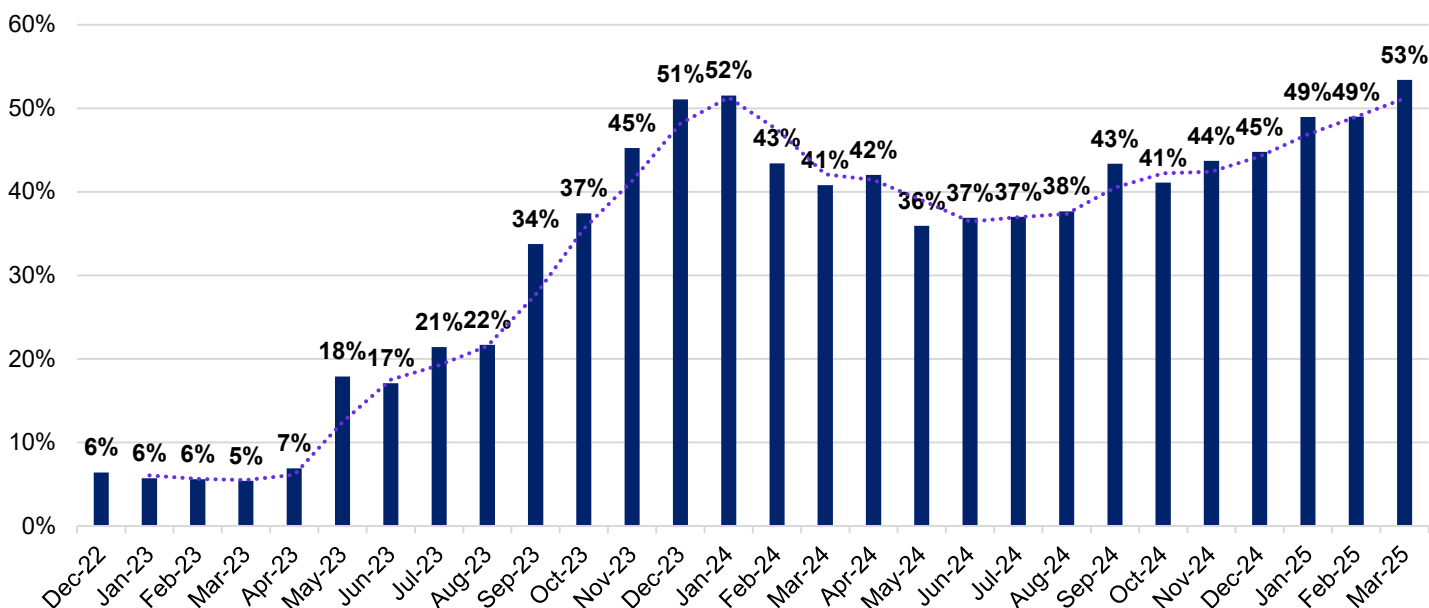
In the longer term, we believe the chief support for risk assets in a slowing economy will be the Fed's reaction function. It is perhaps simplistic to call it a "Fed Put", but the Fed does have a variety of tools at its disposal in the event macroeconomic conditions worsen -

- i. Base rates are still higher than recent years, so they have room to cut
- ii. The Fed balance sheet has shrunk by trillions of dollars as part of Quantitative Tightening. The Fed could alter the pace of the run-off or even outright increase the size of the balance sheet if needed
- iii. The Fed can exercise yield curve control through open market operations

The only governor that would constrain the Fed's hands would be an uptick in inflation. However, we do not think that stagflation is a very likely outcome here - if inflation were to rise, it would be a self-correcting problem as the economy would slow, and demand destruction combined with a softer labor market should reduce inflation. The fear of stagflation is rooted in the experience of the 70's and 80's where the US economy was hit with an exogenous supply shock (oil prices) and had fairly inflexible demand for oil. The modern US economy is energy independent, and tariffs are largely an endogenous hit to the economy, which can be fixed with corrective action if needed.

Given this backdrop, we are comfortable with adding risk that we believe has been oversold, while maintaining some extra liquidity, which will allow us to trade around the continued bouts of volatility that we believe will buffet the economy over the short to medium term.

Private Credit Allocation (% of Managed Assets)



Important Disclosures

1. Any investment entails a risk of loss. The quarterly repurchase offer: Franklin BSP Private Credit Fund is structured as a continuously offered, closed-end interval fund due to the relatively illiquid nature of many of the Fund's investments. Investors can purchase shares on any day the markets are open, but shares are not redeemed daily. Instead, Franklin BSP Private Credit Fund intends to make a quarterly offer to repurchase 5%–25% of the outstanding shares at NAV. Under normal market conditions, the Fund currently expects to offer to repurchase 5% of outstanding shares per quarter, subject to approval by the Fund's Board. There is no guarantee all shares can be repurchased.
2. Distribution Rate is calculated by annualizing the most recent distribution amount paid, divided by the NAV as of the date indicated. The Distribution Rate calculation includes income and return of capital and includes a prorated special distribution in the month it is paid. The Distribution Rate is not guaranteed, subject to change, and is not a quotation of fund performance.

The returns and associated portfolio characteristics have been prepared using unaudited data and valuations of the underlying investments in the fund's portfolio which are estimates of fair value and form the basis for the fund's NAV. Valuations based on unaudited reports from the underlying investments may be subject to later adjustments, may not correspond to realized value and may not accurately reflect the price at which assets could be liquidated.

All investments involve risks, including possible loss of principal. An investment in an **interval fund** is not suitable for all investors. Unlike closed-end funds, an interval fund's shares are not typically listed on a stock exchange. There is also no secondary market for the fund's shares, and none is expected to develop. **An investment in the fund should be considered illiquid.** The fund may be able to invest in private securities that are illiquid and thinly traded, which may limit the manager's ability to sell such securities at their fair market value or when necessary to meet the portfolio's liquidity needs. There is no guarantee that an investor will be able to tender all or any of their requested fund shares in a periodic repurchase offer. Shareholders should not expect to be able to sell their shares regardless of how the fund performs. **Distributions** are not guaranteed and are subject to change. To the extent the fund invests in **privately held companies** they present certain challenges and involve incremental risks as opposed to investments in public companies, such as dealing with the lack of available information about these companies as well as their general lack of liquidity. **Fixed income securities** involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. **Low-rated, high-yield bonds** are subject to greater price volatility, illiquidity and possibility of default. **Derivative instruments** can be illiquid, may disproportionately increase losses, and have a potentially large impact on performance. These and other risks are discussed in the fund's prospectus.

Key Terms

Managed assets: The total assets of the fund (including any assets attributable to indebtedness or any preferred shares that may be issued) minus the fund's liabilities other than liabilities relating to indebtedness. **Effective duration** is a duration calculation for bonds with embedded options. **Effective duration** takes into account that expected cash flows will fluctuate as interest rates change. Duration measures the sensitivity of price (the value of principal) of a fixed-income investment to a change in interest rates. The higher the duration number, the more sensitive a fixed-income investment will be to interest rate changes. **Weighted average maturity:** An estimate of the number of years to maturity for the underlying holdings. **Floating rate:** Sum of the market value of assets with a floating rate coupon as a percentage of managed assets. **Leverage:** Leveraged Assets as a percentage of Total Assets. **Special Situations:** Credits or companies that may be facing financial stress or become distressed. **Structured Credit:** Debt and equity investments in structured credit vehicles, predominately Collateralized Loan Obligations ("CLOs"). **Liability Management Exercise (LME):** Used by companies to help manage, modify, and optimize their outstanding debt to achieve one or more of three primary goals: retire debt, refinance debt, and/or modify existing debt instruments.

Important Information

The Fund's investment adviser is Benefit Street Partners L.L.C. (BSP). Franklin Distributors, LLC and BSP are wholly owned subsidiaries of Franklin Resources, Inc. that, together with its affiliates operates as Franklin Templeton. A Private Debt Investment Committee sits alongside the Portfolio Managers and are involved in all aspects of the private debt investment process. The **Morningstar LSTA US Leveraged Loan Index** is designed to reflect the performance of the largest facilities in the leveraged loan market. The **ICE BofA US High Yield Index** is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as "junk") corporate debt publicly issued in the U.S. domestic market. Source: The index data referenced herein is the property of Intercontinental Exchange ("ICE") and/or its licensors and has been licensed for use by Franklin Templeton. ICE and its licensors accept no liability in connection with this use. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Important data provider notices and terms available at www.franklintempletondatasources.com.

Before investing, carefully consider a fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus, if available, at www.franklintempleton.com. Please read it carefully.