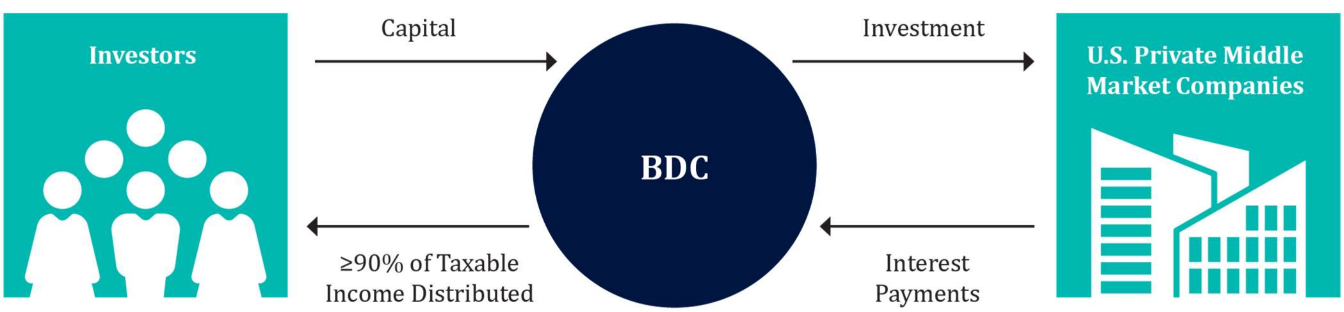
The Basics of BDCs

Income-focused investors interested in gaining exposure to private credit in their portfolios should consider evaluating the business development company (BDC) as a potential investment structure to achieve their objectives.

What Is a Business Development Company?

BDCs were established by Congress in 1980 as part of the Small Business Development Act, which primarily sought to encourage the flow of capital to small and middle market companies within the U.S. at a time when bank balance sheets were strained. Over the ensuing four decades, banks have become less economically incented to originate and hold private, non-investment grade loans to small and middle market companies due to regulatory changes implemented following the Financial Crisis of 2008. At the same time, BDCs have grown with the non-bank direct lending industry, evolving into a straightforward and generally tax-efficient vehicle that facilitates individual investor capital investment in small and middle market companies. By investing in a BDC, these individual investors can access investment strategies, such as direct lending, that have historically only been accessible to institutional investors or high-net-worth individuals.



BDCs are a type of closed-end fund that most typically serves as a vehicle for investors to participate in direct lending to middle market companies. However, there are venture capital and other equity focused BDCs as well. The investment process of a BDC is either internally managed by its own employees or, more commonly, externally managed by an investment advisor pursuant to an investment advisory agreement. BDCs can be exchange traded, public non-exchange traded, or sold through private placement.

As of June 2021, there were more than 85 BDCs with approximately $140bn[1] in combined assets under management, approximately half of which were exchange traded. The vast majority of BDCs were created in the last 15 years as the direct lending market scaled and matured.

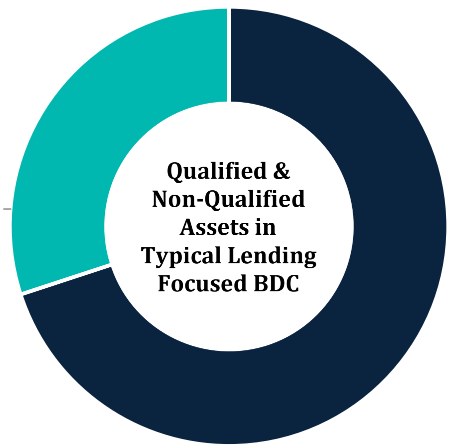
[1] Source: Keefe, Bruyette & Woods as of July 1, 2021.

What Are the Key Elements of BDC Regulation?

- The Investment Company Act of 1940, as amended, governs permitted investments and leverage levels for BDCs, among other things. At least 70% of each BDC's total assets must be 'qualified assets', generally defined as privately placed loans or securities in U.S. operating companies that are either (a) private or (b) exchange traded and have a market value of less than $250 million. BDCs are permitted to hold other types of assets if capped at 30% of total fair value.

Common Non-Qualified Assets

- Investments in non-U.S. companies
- Investments in strategic lending joint ventures or investment companies
- Structured credit such as CLOs



Common Qualified Assets

- Investments in private U.S. companies
- Investments in public U.S. companies with market cap < $250M

- There are also limits on how much leverage a BDC can employ – currently that's a 2:1 debt to equity ratio[2].
- Similar to publicly traded companies, BDCs must file regular public reports (10Ks, 10Qs, 8Ks, etc.) with the Securities Exchange Commission to provide investor transparency.
- BDCs are also required to have a board that is comprised by a majority of independent directors or trustees. The board provides oversight of the BDC's operations and acts as a fiduciary on behalf of investors.

What Are the U.S. Tax Highlights of the BDC/RIC Structure?[3]

A BDC generally elects to be treated as a regulated investment company (RIC) for U.S. federal income tax purposes. RICs are generally not subject to entity-level U.S. federal income taxes on their net taxable income that is distributed to shareholders. To qualify for this treatment, RICs generally must (a) derive at least 90% of their income from interest, dividends or certain capital gains; (b) distribute at least 90% of net taxable income to shareholders on an annual basis; and (c) meet certain portfolio diversification requirements.

Dividends paid by a RIC are generally taxable to U.S. shareholders as ordinary income. However, certain dividends of a BDC's net capital gains are taxable as long-term capital gains. In addition, because a RIC is a corporation for U.S. federal income tax purposes, tax-exempt shareholders should generally not derive any "unrelated business taxable income" solely as a result of investing in a RIC.

[2] The 1940 Act permits all BDCs to have a debt-to-equity ratio of 1.5x. BDCs can increase their ratio to 2.0x by a vote of shareholders or a majority of the independent directors / trustees.
[3] Terms used but not defined in this subsection are as defined for U.S. federal income tax purposes.

Similarly, for non-U.S. shareholders, a RIC generally blocks “effectively connected income,” subject to certain exceptions with respect to gains related to U.S. real property. Dividends paid by a RIC to a non-U.S. shareholder that represent distributions of certain U.S.-sourced interest and/or capital gains (and meet certain other requirements) are generally exempt from U.S. federal withholding tax. Dividends not eligible for such exemptions are generally subject to U.S. federal withholding tax at a rate of 30% (or lower treaty rate).

What Are the Key Differences in BDC Structures?

BDCs come in a variety of flavors. The three most common are exchange traded, public non-exchange traded, and traditional private placement. Some funds bridge categories. For example, they are privately placed, but have a stated intent or obligation to become exchange traded (or otherwise provide liquidity) within a defined period. The following is a comparison of the key characteristics of the most common types of BDCs.

	Exchange Traded	**Public Non-exchange Traded**	**Private Placement**
Investor Eligibility	No eligibility requirement	$250K net worth, or $70K annual income and $70K net worth[4]	Qualified Purchaser or Accredited Investor
Basis for Share Transactions	Share price set by market	Net Asset Value	Net Asset Value
Funding/ Capital Management	Fully funded at purchase; fund manages capital efficiency	Fully funded at purchase; fund manages capital efficiency	Capital called as needed; investor manages capital efficiency
Liquidity	Exchange listed	Periodic share repurchases	None, potential for liquidity pending exchange listing, or periodic share repurchases
Investment Period	Perpetual with recycled investment capital	Perpetual with monthly net fund raise and recycled capital, or 5 – 7 years with recycled capital	Typically 4 years with some further recycling in years 5 – 7 if pursue liquidity event
Fee Framework	Mgmt. fees generally charged on gross assets (1.0% – 1.5%); Incentive fees generally 17 – 20% with a 6% – 8% hurdle	Pre-listing: mgmt. fees generally charged on net assets (0.75% – 1.25%); Incentive fees generally 12% – 17% with a 5% – 7% hurdle; fees typically revert to exchange traded levels if list	Mgmt. fees generally charged on net assets (0.75% – 1.25%); Incentive fees generally 10% – 17% with a 5% – 7% hurdle

[4] Selected states and brokers have additional investor eligibility and suitability requirements.

Risks Associated with an Investment in a BDC

Investments in BDCs carry many potential risks. The investments of a BDC carry credit risk to the underlying borrowers, substantially all of which are sub-investment grade or not rated. These investments may be subject to mark down or loss of capital. In addition, BDCs have the ability to employ leverage that could ultimately result in the magnification of any potential investment losses. Depending on the respective BDC's type and terms, an investment in a BDC may have limited or no liquidity; therefore, investors may not have the ability to liquidate their investment when desired or at all. Investments in BDCs also carry tax risks, including that if a BDC fails to be treated as RIC, the resulting corporate taxes could substantially reduce the BDC's net assets and income available for distribution. Investments in BDCs are typically subject to fees and expenses, which lower the fund's investment returns to shareholders. Finally, BDCs and externally managed BDCs, in particular, are subject to potential conflicts of interest.

This whitepaper does not constitute tax or legal advice. Before deciding to invest in any fund, prospective investors should consult their financial, tax and accounting advisors and read the fund's prospectus carefully for the U.S. tax consequences of, and a full list of risks associated with, an investment in the fund, as well as a description of any fees and expenses associated with the fund.

Important Disclosures

Summary of Risk Factors

HPS Corporate Lending Fund ("HLEND") 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 (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 HLEND. These risks include, but are not limited to, the following:

- We have no 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 fee waivers or expense reimbursements borne by HPS or its affiliates, that may be subject to reimbursement to HPS 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 requirement applicable to emerging growth companies will make our Common Shares less attractive to investors.
- We intend to invest primarily 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 HPS name, but we are permitted to use it as part of our corporate name pursuant to the investment advisory agreement between HLEND and HPS Investment Partners, LLC (together with its affiliates, "HPS"). Use of the name by other parties or the termination of the use of the HPS 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 reference to the contrary is a criminal offense.

This sales material must be read in conjunction with the HLEND prospectus in order to fully understand all the implications and risks of an investment in HLEND. This sales material is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only under HLEND's registration statement filed with the Securities Exchange Commission and only by means of the prospectus, which must be made available to you prior to making a purchase of shares. Shares of HLEND may not be sold until the registration statement becomes effective. Investors are advised to carefully consider the investment objectives, risks and charges and expenses of HLEND before investing. When available, a copy of the prospectus will contain this and other information about HLEND and can be obtained from the SEC's website at http://www.sec.gov and at www.HLEND.com. You are advised to obtain a copy of the prospectus and to carefully review the information contained or incorporated by reference therein before making any investment decision, 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. At this time, the information in the prospectus (or Statement of Additional Information) is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective.

No Operating History. The Fund is a non-diversified, closed-end management investment company that will elect to be regulated as a BDC with no operating history. As a result, prospective investors have no track record or history on which to base their investment decision. There can be no assurance that the results achieved by similar strategies managed by HPS or its affiliates will be achieved for the Fund. Past performance should not be relied upon as an indication of future results. Moreover, the Fund is subject to all of the business risks and uncertainties associated with any new business, including the risk that it will not achieve its investment objective and that the value of an investor's investment could decline substantially or that the investor will suffer a complete loss of its investment in the Fund.

The Adviser and the members of the Investment Team have no prior experience managing a BDC, and the investment philosophy and techniques used by the Adviser to manage a BDC may differ from the investment philosophy and techniques previously employed by the Adviser, its affiliates, and the members of the Investment Team in identifying and managing past investments. In addition, the 1940 Act and the Code impose numerous constraints on the operations of BDCs and RICs that do not apply to the other types of investment vehicles. For example, under the 1940 Act, BDCs are required to invest at least 70% of their total assets primarily in securities of qualifying U.S. private companies or thinly traded public companies, cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the time of investment. The Adviser's and the members of the Investment Team's limited experience in managing a portfolio of assets under such constraints may hinder their respective ability to take advantage of attractive investment opportunities and, as a result, achieve the Fund's investment objective.

Numerical data is approximate and as of June 30, 2021 unless otherwise noted. The words "we," "us" and "our" refer to HLEND, 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 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. HLEND 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 HLEND'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 HLEND (each a "Dealer"). The Dealers are not affiliated with HLEND and have not prepared the material or the information herein.

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 HPS as of the date appearing in the materials only and are based on HPS'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.sec.gov or www.HLEND.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.

Past performance is not a 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 may 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. Prospective investors in HLEND should carefully read HLEND's prospectus for more information. HLEND does not provide any tax or legal advice and none of the data provided herein should be construed as investment, tax, accounting or legal advice.

Prospective investors should consult their own tax, legal and accounting advisors with respect to the tax consequences to them of investing in HLEND in light of their particular circumstances.

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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 HLEND invests), and thereby could adversely affect the performance of HLEND'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 HLEND and the performance of its investments or operations.

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