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10 July 2014

Blackstone / GSO Loan Financing Limited

Initial Public Offering – Publication of Prospectus

Introduction

Blackstone / GSO Loan Financing Limited ("BGLF" or the "Company") is pleased to announce the publication of a prospectus (the "Prospectus") in relation to the proposed admission of the Company's ordinary shares of no par value (the "Shares") at €1.00 per Share to trading on the Specialist Fund Market of the London Stock Exchange plc ("Admission"). The Company is seeking to raise in excess of €200 million through a Placing of Shares by Dexion Capital plc and Nplus1 Singer Advisory LLP.

It is expected that Admission will become effective and that dealings will commence at 8.00 am on 23 July 2014.

The Company is a newly established closed-ended investment company incorporated in Jersey on 30 April 2014. It has been established with an objective to provide investors with exposure to a new loan origination company, Blackstone / GSO Corporate Funding Limited (the "Originator"). The Company will invest, through the Originator, in a portfolio of assets comprising predominantly of European senior secured loans and the most subordinated tranches of debt issued by collateralised loan obligations ("CLOs", such tranches being "CLO Income Notes") issued by CLOs that are managed by Blackstone / GSO Debt Funds Management Europe Limited ("DFME" or, in its capacity as manager of CLOs, the "CLO Manager").

Highlights

- **Access to a leading European CLO manager** - provides access to control stakes in CLOs managed by GSO Capital Partners LP (together with its affiliates, "GSO"); GSO is the largest manager of CLOs in both Europe with €7.5bn AuM and 20 CLOs, and globally, with \$21.4bn of AuM across 49 deals¹. CLOs managed by GSO are in the top quartile of European CLOs (measured by quarterly distributions paid to holders of CLO Income Notes)²
- **Attractive target returns** – targeting annual dividend of 8 per cent, with expectation for progressive growth, and mid teen total return over the medium term (see Target Total Return and Dividend below)

¹ As at 31 December 2013

² Citi Research, Global Structured Credit Strategy, 11 October 2013

- **Investment at NAV** – launch costs, estimated at c. 2 per cent, will be funded by GSO
- **Rebate of CLO management fee** – GSO will rebate to the Originator 20 per cent of the annual management fee it receives for acting as CLO manager to the CLOs established by the Originator, pro rata to the Originator’s investment in CLO Income Notes in such CLOs
- **No management/performance fee borne by Originator or Company** - Annual ongoing expenses are expected to be substantially met by the CLO management fee rebate

Initially, the Originator will predominantly purchase floating rate senior secured loans and subsequently, on the availability of appropriate market opportunities, establish new Originator CLOs. Each time the Originator establishes a new CLO it will transfer some or all of the senior secured loans it owns at that time to the new Originator CLO and will ensure that it retains at least 51 per cent. of the CLO Income Notes in each Originator CLO.

Target Total Return and Dividend

The Company is targeting an annualised mid-teen total return over the medium-term, once the Net Placing Proceeds are substantially invested in CLO Income Notes (the “Target Total Return”). The Company intends to seek to deliver this return through a combination of dividend payments and capital appreciation.

The Company will target a dividend in respect of the period from Admission to 31 December 2014, payable in February 2015, equating to a 6 per cent. annualised return and, thereafter, will target 2 per cent. a quarter equating to an 8 per cent. annualised return (in each case, based on the Placing Price) (the “Target Dividend”), with the expectation of progressive growth.³

Indicative Timetable

Placing closes	1.00 pm on 17 July 2014
Announce results of the Placing	18 July 2014
Admission, commencement of unconditional dealings in the Shares and crediting of CREST stock accounts in respect of the Shares	8.00 am on 23 July 2014

The dates and times specified are subject to change without further notices. All references to times in this announcement are to London times unless otherwise stated.

Terms used not defined in this announcement shall have the meaning given in the Prospectus.

³ The Target Total Return and the Target Dividend should not be taken as an indication of the Company's expected future performance or results. The Target Total Return and the Target Dividend are targets only and there is no guarantee that they can or will be achieved and should not be seen as an indication of the Company's expected or actual return. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Actual events and conditions may differ materially from the assumptions used to establish the Target Total Return and Target Dividend.

Enquiries:

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Select information regarding the Company and the Originator is set out at the end of this announcement. Further details of the IPO are set out in the Prospectus, which is available at

[http://www.blackstone.com/businesses/aam/credit-\(gso\)/closed-end-funds/blackstone-gso-bglf-In](http://www.blackstone.com/businesses/aam/credit-(gso)/closed-end-funds/blackstone-gso-bglf-In)
and from the Company's registered office.

A copy of the Prospectus will be submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/NSM.

Further information on the Company

Further information regarding the Company, extracted without material amendment from the Prospectus, is set out below:

Investment Objective

The Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure predominantly to floating rate senior secured loans directly and indirectly through CLO Income Notes. The Company will seek to achieve its investment objective solely through exposure to the Originator.

Investment Policy

Overview

The Company's investment policy is to invest predominantly in a diverse portfolio of senior secured loans and in CLO Income Notes, and generate attractive risk-adjusted returns from such portfolios. The Company intends to pursue its investment policy by investing the Net Placing Proceeds in Profit Participating Notes issued by the Originator and the acquisition of 15 Class B2 Shares in the Originator (which will be non-voting, and which will be held by a wholly owned subsidiary of the Company).

The Originator will use the proceeds from the issue of the Profit Participating Notes and the equity investment to initially invest predominantly in senior secured loans. Subsequently, on the availability of appropriate market opportunities, the Originator will also invest in CLO Income Notes issued by Originator CLOs. Initially, the Originator's investments will be focussed predominantly in European senior secured loans, but the Originator may in due course also invest in U.S. senior secured loans. As such, there is no limit on the maximum U.S. or European exposure. The Originator does not intend to invest directly in senior secured loans domiciled outside North America or Western Europe.

Investment Limits and Risk Diversification

The Company's investment strategy is to implement its investment policy by investing, through the Originator, in a portfolio of predominantly senior secured loans. It is intended that the Originator will periodically securitise these loans into Originator CLOs managed by DFME (or any affiliate) in its capacity as the CLO Manager. The Originator will retain CLO Income Notes equal to between 51 per cent. and 100 per cent. of the CLO Income Notes in the Originator CLOs. It is anticipated that once substantially invested, the Originator will retain CLO Income Notes in no less than four CLOs, and will also continue to directly hold floating rate senior secured loans. It is further intended that the value of the CLO Income Notes retained by the Originator in any Originator CLO will not exceed 25 per cent. of the Originator's NAV at the time of investment.

The following limits (the "Eligibility Criteria") apply to senior secured loans (and, to the extent applicable, other corporate debt instruments) directly held by the Originator (and not through CLO Income Notes):

Maximum exposure	% of Originator's gross asset value
Per obligor	5
Per industry sector	15 (with the exception of one industry which may be up to 20 per cent.)
To obligors with a rating lower than B/B3/B-	7.5
To second lien loans, unsecured loans, mezzanine loans and high yield bonds	10

In addition, each CLO in which the Originator holds CLO Income Notes will have its own eligibility criteria and portfolio limits. These limits are designed to ensure the portfolio of assets within the CLO meets a prescribed level of diversity and quality as set by the relevant rating agencies rating the securities issued by such CLO. The CLO Manager will seek to identify and actively manage assets which meet those criteria and limits within each CLO.

Company Borrowing Limit

The Company will not utilise borrowings for investment purposes. However, the Directors will be permitted to borrow up to 10 per cent. of the NAV for day to day administration and cash management purposes.

The Company may use hedging or derivatives (both long and short) for the purposes of efficient portfolio management.

Investment Strategy

Whether the senior secured loans or other assets are held directly by the Originator or via CLO Income Notes, it is the Originator's intention that, in both cases, the portfolios will be actively managed (by the Originator or the CLO Manager, as the case may be) to minimise default risk and potential loss through comprehensive credit analysis performed by the Originator (including via the service support provided to it under the Portfolio Service Support Agreement) or the CLO Manager (as applicable).

Whilst the intention is to pursue an active, non-benchmark total return strategy, the Company will be cognisant of the positioning of the loan portfolios against relevant indices. Accordingly, the Originator will track the returns and volatility of such indices, while seeking to outperform them on a consistent basis. In-depth, fundamental credit research dictates name selection and sector over-weights/under-weights relative to the benchmark, backstopped by constant portfolio monitoring and risk oversight. The Originator will typically look to diversify its portfolios to avoid the risk that any one obligor or industry will adversely impact overall returns. The Originator also places an emphasis on loan portfolio liquidity to ensure that if its credit outlook changes, it is free to respond quickly and effectively to reduce or mitigate risk in its portfolio. The Company believes this investment strategy will be successful in the future as a result of its emphasis on risk management, capital preservation and fundamental credit research. The Directors believe the best way to control and mitigate risk is by remaining disciplined in market cycles, by making careful credit decisions and maintaining adequate diversification.

ORIGINATOR

Structure

Subject to the fulfilment of certain conditions, the Company will use the Net Placing Proceeds to invest in: (a) Profit Participating Notes issued by the Originator pursuant to the terms of a Note Purchase Agreement ("NPA") entered into with the Originator, and (b) the acquisition of 15 Class B2 Shares in the Originator (which will be non-voting, and which will be held by a wholly owned subsidiary of the Company). The economic benefit from the Company's investment in the Originator will accrue to the Company through its investment in the Profit Participating Notes. The Company's investment in the Class B2 Shares (through a wholly owned subsidiary) will be repaid on the termination of the Company's investment in the Originator, subject to the availability of funds.

The Originator will use the proceeds from the issue of the Profit Participating Notes, the equity investment and the financing it receives from any Revolving Credit Facility in accordance with its investment objective and policy (which mirrors the Company's investment objective and policy) to initially invest predominantly in senior secured loans and, subsequently, in CLO Income Notes issued by Originator CLOs.

Although not a profit forecast, the Originator expects to generate gross annual cash returns of 10-11 per cent. from loans (including leverage through the term Revolving Credit Facility) and 15-20 per cent. from CLO Income Notes with the risk adjusted IRRs on CLO Income Notes being in the range of 12-15 per cent. per annum. The Originator also benefits from: (i) the ability to evaluate the best time to establish a new CLO; and (ii) through CLO Income Notes, call rights over CLOs, thereby having the ability to maximise IRRs.

Rebate of CLO Management Fees

DFME or any affiliate (in its capacity as the CLO Manager) will also manage Originator CLOs. In consideration of the Originator's role in originating these CLOs, DFME will rebate up to 20 per cent. of the management fee it earns in its capacity as CLO Manager of the Originator CLOs (excluding any incentive/performance management fee the CLO Manager is entitled to receive), pro rata to the CLO Income Notes held by the Originator in such CLOs. After the deduction of all costs (calculated at arm's length) attributable to the Originator, it is expected that the net rebate will be at least 10 per cent. of the CLO Management Fee earned by the CLO Manager in respect of the Originator CLOs (excluding any incentive/performance management fee the CLO Manager is entitled to receive) pro rata to the CLO Income Notes held by the Originator in such CLOs. In addition, the Originator is also expected to receive an upfront fee (the "Upfront Fee") on the closing of each Originator CLO, which is expected to be between 1 per cent. and 5 per cent. of the value of the CLO Retention Income

Notes it retains in such CLO (subject to the repayment of initial expenses related to the Placing and Admission).

Borrowing Limits

It is expected that the Originator will have access to a committed Revolving Credit Facility which will equal no more than 250 per cent. of: (i) the Net Placing Proceeds (together with the net proceeds from any additional Share issues and less the value of any Shares repurchased); plus (ii) retained net income from time to time; less (iii) the aggregate amount invested in CLO Income Notes at cost.

Investment Activity of the Originator Prior to Investment by the Company

In order to facilitate a timely investment of the proceeds of the Placing and to take advantage of existing opportunities the Originator has invested in senior secured loans (the "Warehouse Assets") financed by a subordinated loan facility provided by Blackstone Treasury Asia Pte Ltd ("Blackstone Singapore") and a senior loan facility provided by Bank of America N.A., London Branch.

The Warehouse Assets will, subject to certain conditions (such as the assets being eligible for the Seed CLO on its closing date and the closing date occurring) form the initial part of the portfolio for a new Originator CLO (the "Seed CLO"), and the Originator intends to subsequently acquire CLO Income Notes issued by the Seed CLO. The Seed CLO was priced on 27 June 2014 and all Warehouse Assets are anticipated to be transferred to the Seed CLO on or around 24 July 2014, subject to certain conditions such as the assets being eligible for the Seed CLO on its closing date and the closing date occurring. It is anticipated that the Seed CLO will close on 24 July 2014.

Initial expenses

All costs associated with the Placing, which are estimated to be around 2 per cent of the Gross Placing Proceeds, will be borne by GSO. GSO will be reimbursed for such costs by the Originator to the extent that the Originator earns Upfront Fees at the close of each Originator CLO. If the Placing costs have not been repaid to GSO within 24 months after Admission, GSO will have no further reimbursement claim for any amounts outstanding as at that date.

On-going annual expenses

Based on Gross Initial Proceeds of €200 million the Company's total annual expenses are estimated to be 0.45 per cent. of the net proceeds. On this basis, and once such proceeds are substantially invested in CLO Income Notes, it is expected that the net rebate of at least 10 per cent. of the CLO management fees (as further described above) will meet the majority of the ongoing annual expenses of both the Originator and the Company.

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The shares issued and to be issued by the Company (the “Securities”) have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Securities may not be offered, sold, resold, pledged, delivered, distributed or otherwise transferred, directly or indirectly, into or within the United States, or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act). No public offering of the Securities is being made in the United States. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”) and, as such, holders of the Securities will not be entitled to the benefits of the Investment Company Act. No offer, sale, resale, pledge, delivery, distribution or transfer of the Securities may be made except under circumstances that will not result in the Company being required to register as an investment company under the Investment Company Act. Neither the U.S. Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of the Shares or passed upon or endorsed the merits of the offering of the Shares or the adequacy or accuracy of the Prospectus. Any representation to the contrary is a criminal offence in the United States. In addition, the Shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors may be required to bear the financial risks of their investment in the Shares for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. For further information on restrictions on offers, sales and transfers of the Placing Shares, please refer to the section entitled “Purchase and Transfer Restrictions” in Part VI of the Prospectus.

All investments are subject to risk, including the loss of the principal amount invested. Past performance is no guarantee of future returns. All investments to be held by the Company involve a substantial degree of risk, including the risk of total loss. **The value of shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested.** You should always seek expert legal, financial, tax and other professional advice before making any investment decision.

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