Blackstone / GSO Floating Rate Enhanced Income Fund ("BGFREI")

Blackstone

Blackstone Advisory Partners L.P., Dealer Manager / Member FINRA

An investor should consider the investment objective, risks, and charges and expenses of the Fund carefully before investing. The prospectus contains this and other information about the Fund and may be obtained by visiting www.bgfrei.com. The prospectus should be read carefully before investing.

An income-oriented strategy targeting floating rate senior loans with potentially low sensitivity to rising rates

Income Generation

BGFREI seeks to provide attractive income primarily from floating rate senior loans

Resilient to Rising Rates

Given their floating rate nature, senior loans typically have short duration and their performance is relatively resilient during periods of rising interest rates[2]

Institutional Platform

BGFREI provides individual investors access to GSO, a leading institutional credit platform with significant scale and experience in the credit markets

Efficient Structure

An interval fund structure reduces the need to hold cash and permits the use of leverage[3] to potentially enhance yield

Lower Target Volatility

BGFREI will seek to provide exposure to the floating rate senior loan market with less price volatility than comparable listed closed-end vehicles[1]

Portfolio Diversification

Because floating rate senior loans have low correlation to traditional fixed income investments[2], we believe BGFREI can help diversify a client's existing bond portfolio

Potential Benefits of Interval Fund Structure[4]

Periodic Liquidity

BGFREI's monthly liquidity better matches floating rate senior loan settlement times, potentially allowing greater efficiency in managing the portfolio

Ease of Purchase

Simplified daily purchase process at daily NAV

NAV-Pricing

NAV-pricing eliminates market price discounts (or premiums) associated with listed closed-end funds

Attractive Yield

Periodic liquidity enables use of leverage (up to 33 1/3% of total assets)[3] to seek to enhance yield; most mutual funds/ETFs have limits on leverage given daily redemptions and statutory restrictions

1. We hope to achieve lower price volatility through the use of an "interval fund" structure. Interval funds do not trade on a secondary market and are offered for sale and repurchase at net asset value ("NAV"). The value of underlying investments may fluctuate and shares may be worth less than the original amount invested. There can be no assurance that the Fund will achieve its investment objective or avoid losses. Interval funds are closed-end funds but are different from listed closed-end funds in that their shares do not trade on the secondary market. Instead, interval fund shares are subject to periodic repurchase offers by the fund at a price based on NAV. Interval funds are also permitted to continuously offer their shares at a price based on NAV.
2. Information on the duration of floating rate senior loans, their positive correlation to rising interest rates, and their low correlation to traditional fixed income investments is sourced from Morningstar Direct, Federal Reserve Bank. Data provided is for informational use only. Indices are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. Fees and expenses will be deducted from any investment in the Fund. The performance of the Fund will differ and may vary materially from any index. An investment in the Fund is different from a direct investment in any of the asset classes discussed in this brochure. Performance data quoted represents past performance for the asset class shown, which is no guarantee of future results. Please see the Important Disclosure Information section of this brochure for additional information.
3. The Fund anticipates utilizing leverage in an amount not to exceed 33 1/3% of total assets at the time the leverage is incurred in order to buy additional securities. Leverage may result in greater volatility of the net asset value and distributions on shares because changes in the value of the Fund's portfolio investments, including investments purchased with the proceeds from Borrowings, if any, are borne entirely by shareholders. In addition, the Fund's use of leverage will result in increased operating costs. There can be no assurance that the Fund's leveraging strategy will be successful. For more information please see the Important Disclosure Information section of this brochure.
4. BGFREI is is a newly organized, non-diversified, closed-end management investment company that continuously offers its Common Shares and is operated as an "interval fund", which conducts periodic repurchase offers to provide liquidity to shareholders. The Fund will offer to repurchase 5% of outstanding Common Shares at net asset value monthly. The Fund will provide notification of each repurchase offer at least 7 calendar days before the repurchase request deadline. The Fund may impose a repurchase fee of up to 2.00% on Common Shares that are accepted for repurchase by the Fund and have been held by an investor for less than one year.

KEY TERMS			
Product	BGFREI is an interval fund focused on providing attractive current income with low sensitivity to rising rates. The Fund expects to invest at least 80% in floating rate loans, notes, or bonds, which is anticipated to be primarily senior loans		
Symbol	Class T: BGFTX Class D: BGFDX Class I: BGFLX		
Structure	1940 Act registered, continuously offered, closed-end fund		
Investment adviser	GSO / Blackstone Debt Funds Management LLC		
Minimum initial investment[1]	$10,000 (Class D and Class T Shares); $1,000,000 (Class I Shares)		
Pricing	Daily NAV		
Subscriptions	Daily at NAV		
Liquidity	5% of shares outstanding monthly; 2% redemption fee on shares repurchased within 12 months		
Distributions[2]	Monthly distributions of realized and accrued income; automatic enrollment into distribution reinvestment plan (DRP)		
Management fee	1.0% on NAV		
Leverage[3]	The Fund anticipates using borrowings in an amount not to exceed 33 1/3% of total assets		
Tax reporting	1099-DIV		
SHARE CLASS-SPECIFIC FEES	CLASS T	CLASS D	CLASS I
Availability[1]	Through transaction/ brokerage accounts	Through fee-based (wrap) programs, registered investment advisors, and other institutional and fiduciary accounts	
Selling Commission[1]	Up to 2.5%	None	None
Servicing Fees	0.25%	0.25%	None
Distribution fees (per annum, payable monthly)	0.25%	None	None

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1. Select broker-dealers may have different suitability standards, may not offer all share classes, and/or may offer BGFREI at a higher minimum initial investment. The actual sales load paid may vary among and within Selling Agents.
2. The amount of distributions that the Fund may pay, if any, is uncertain. The Fund may pay distributions in significant part from sources that may not be available in the future and that are unrelated to the Fund's performance, such as return of capital.
3. The Fund anticipates utilizing leverage in an amount not to exceed 33 1/3% of total assets at the time the leverage is incurred in order to buy additional securities. Furthermore, the Fund may add leverage to its portfolio through the issuance of Preferred Shares in an aggregate amount of up to 50% of the Fund's total assets immediately after such issuance. The use of leverage involves increased risk, including increased variability of the Fund's net income, distributions and net asset value in relation to market changes. The Fund's leverage strategy may not work as planned or achieve its goal. Currently, the Fund has no intention to issue Preferred Shares.

Important Disclosure Information and Risk Factors

There can be no assurance that the Fund will achieve its investment objectives.

Duration and Correlation Considerations. Duration is a forward looking measure of interest rate sensitivity. The longer the measure of duration, the greater the expected volatility in price as current interest rates change. Floating rate senior loans, unlike traditional fixed income investments, typically have very little duration (less than one year). As of December 31, 2017, duration for Floating Rate Senior Loans (as represented by the Credit Suisse Leveraged Loan Index) was approximately 0.25 years and the duration for Traditional Fixed Income (as represented by the Bloomberg Barclays U.S. Aggregate Bond Index) was 5.98 years. Please see the Index Definitions below for additional information on reference indices.

Floating Rate Senior Loans have outperformed Traditional Fixed Income in periods of rising interest rates, specifically in historical periods when the fed funds rate rose more than 100 basis points. It should be noted that over the full 25 year time period under analysis (February 1994 – September 2017) the annualized return for Traditional Fixed Income (referenced by the Barclays US Aggregate Bond Index) was 5.47% with 3.56% volatility, while the Floating Rate Senior Loans (referenced by the Credit Suisse Leveraged Loan Index) returned 5.65% annually with 5.10% volatility. We focus specifically on those periods, Feb 1994-Feb 1995, Jun 1999-May 2000, Jun 2004-Jun 2006, and Dec 2015-Sept 2017, when the historical Fed Fund Rate increased 300, 175, 325, and 100 basis points respectively. Please see the Index Definitions below for additional information on reference indices.

As of September 30, 2017, Floating Rate Senior Loans had low correlation to Traditional Fixed income (-0.02) versus Treasuries, Investment Grade, Municipals, and High Yield, with correlations to the Traditional Fixed Income of 0.91, 0.85, 0.70, and 0.19, respectively. Data sourced from Morningstar Direct as of 9/30/17. Please see the Index Definitions below for additional information on reference indices.

Investment Strategies. Under normal market conditions, the Fund will invest at least 80% of its Managed Assets (as defined below) in floating rate loans, notes, or bonds. In addition, the Fund may invest up to 20% of its Managed Assets in each of (i) structured products (including, without limitation, the rated debt tranches of collateralized loan obligations (“CLOs”), floating rate mortgage-backed securities and credit linked notes), (ii) derivatives, including credit derivatives, (iii) warrants and equity securities that are incidental to the Fund’s purchase of floating rate instruments or acquired in connection with a reorganization of a Borrower or issuer and (iv) fixed rate instruments (including, without limitation, high-yield corporate debt securities, or bonds, or U.S. government debt securities). To the extent that a structured product or a security underlying a derivative is, or is composed of, a floating rate instrument, the Fund will not include it for purposes of the Fund’s 80% policy.

The Fund may invest in securities of any credit quality, maturity and duration. The Fund may invest in U.S. dollar and non-U.S. dollar denominated securities of issuers located anywhere in the world, and of issuers that operate in any industry. In pursuing the Fund’s investment objective, the Adviser (as defined below) will seek to enhance the Fund’s return by the use of leverage.

No Operating History. The Fund is a non-diversified, closed-end management investment company with no operating history. As a result, prospective investors have no track record or history on which to base their investment decision. The Adviser acts as an investment adviser for collateralized loan obligation vehicles, separately managed accounts, listed investment companies (including closed-end funds and an exchange traded fund) and other investment vehicles.

Investment and Market Risk. An investment in the Fund’s Common Shares is subject to investment risk, including the possible loss of the entire principal amount invested. An investment in the Fund’s Common Shares represents an indirect investment in the portfolio of floating rate instruments, other securities and derivative investments owned by the Fund, and the value of these investments may fluctuate, sometimes rapidly and unpredictably. At any point in time an investment in the Fund’s Common Shares may be worth less than the original amount invested, even after taking into account distributions paid by the Fund and the ability of shareholders to reinvest dividends. The Fund may also use leverage, which would magnify the Fund’s investment, market and certain other risks.

Repurchase Offers Risk. An investment in the Fund is suitable only for long-term investors who can bear the risks associated with the limited liquidity of the Common Shares. The Fund is an “interval fund” and, in order to provide liquidity to shareholders, the Fund, subject to applicable law, will conduct repurchase offers of the Fund’s outstanding Common Shares at NAV, subject to approval of the Board. The Fund believes that these repurchase offers are generally beneficial to the Fund’s shareholders, and repurchases generally will be funded from available cash, cash from the sale of Common Shares or sales of portfolio securities. However, repurchase offers and the need to fund repurchase obligations may affect the ability of the Fund to be fully invested or force the Fund to maintain a higher percentage of its assets in liquid investments, which may harm the Fund’s investment performance. Moreover, diminution in the size of the Fund through repurchases may result in untimely sales of portfolio securities (with associated imputed transaction costs, which may be significant), and may limit the ability of the Fund to participate in new investment opportunities or to achieve its investment objective. The Fund may accumulate cash by holding back (i.e., not reinvesting) payments received in connection with the Fund’s investments and cash from the sale of Common Shares. The Fund believes that it can meet the maximum potential amount of the Fund’s repurchase obligations. If at any time cash and other liquid assets held by the Fund are not sufficient to meet the Fund’s repurchase obligations, the Fund intends, if necessary, to sell investments. In addition, if the Fund borrows to finance repurchases, interest on that borrowing will negatively affect Common Shareholders who do not tender their Common Shares by increasing the Fund’s expenses and reducing any net investment income.

Loans Risk. Under normal market conditions, the Fund will invest primarily in Loans. The Loans that the Fund may invest in include Loans that are first lien, second lien, third lien or that are unsecured. In addition, the Loans the Fund will invest in will usually be rated below investment grade or may also be unrated. Loans are subject to a number of risks described elsewhere in this Prospectus, including credit risk, liquidity risk, below investment grade instruments risk and management risk.

Although certain Loans in which the Fund may invest will be secured by collateral, there can be no assurance that such collateral could be readily liquidated or that the liquidation of such collateral would satisfy the Borrower’s obligation in the event of non-payment of scheduled interest or principal. In the event of the bankruptcy or insolvency of a Borrower, the Fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a Loan. In the event of a decline in the value of the already pledged collateral, if the terms of a Loan do not require the Borrower to pledge additional collateral, the Fund will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the Borrower’s obligations under the Loans. To the extent that a Loan is collateralized by stock in the Borrower or its subsidiaries, such stock may lose some or all of its value in the event of the bankruptcy or insolvency of the Borrower. Those Loans that are under-collateralized involve a greater risk of loss.

In general, the secondary trading market for Loans is not fully-developed. No active trading market may exist for certain Loans, which may make it difficult to value them. Illiquidity and adverse market conditions may mean that the Fund may not be able to sell certain Loans quickly or at a fair price. To the extent that a secondary market does exist for certain Loans, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods.

Below Investment Grade, or High Yield, Instruments Risk. The Fund anticipates that it may invest substantially all of its assets in instruments that are rated below investment grade. Below investment grade instruments are commonly referred to as "junk" or high-yield instruments and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. Lower grade instruments may be particularly susceptible to economic downturns, which could adversely affect the ability of the issuers of such instruments to repay principal and pay interest thereon, increase the incidence of default for such instruments and severely disrupt the market value of such instruments.

Leverage Risk. Under current market conditions, the Fund generally intends to utilize leverage in an amount up to 33 1/3% of the Fund's total assets principally through Borrowings. In the future, the Fund may elect to utilize leverage in an amount up to 50% of the Fund's total assets through the issuance of Preferred Shares. Leverage may result in greater volatility of the net asset value and distributions on the Common Shares because changes in the value of the Fund's portfolio investments, including investments purchased with the proceeds from Borrowings or the issuance of Preferred Shares, if any, are borne entirely by Common Shareholders. Common Share income may fall if the interest rate on Borrowings or the dividend rate on Preferred Shares rises, and may fluctuate as the interest rate on Borrowings or the dividend rate on Preferred Shares varies. In addition, the Fund's use of leverage will result in increased operating costs. Thus, to the extent that the then-current cost of any leverage, together with other related expenses, approaches the net return on the Fund's investment portfolio, the benefit of leverage to Common Shareholders will be reduced, and if the then-current cost of any leverage together with related expenses were to exceed the net return on the Fund's portfolio, the Fund's leveraged capital structure would result in a lower rate of return to Common Shareholders than if the Fund were not so leveraged. In addition, the costs associated with the Fund's incursion and maintenance of leverage could increase over time. There can be no assurance that the Fund's leveraging strategy will be successful.

Any decline in the net asset value of the Fund will be borne entirely by Common Shareholders. Therefore, if the market value of the Fund's portfolio declines, the Fund's use of leverage will result in a greater decrease in net asset value to Common Shareholders than if the Fund were not leveraged.

The Fund may also be subject to the following categories of risk: Derivatives Risk, Segregation and Coverage Risk, Counterparty Risk, Derivatives Legislation and Regulatory Risk, Commodities Regulation, Potential Conflicts of Interest Risk, Limitations on Transactions with Affiliates Risk, Dependence on Key Personnel Risk, Prepayment Risk, Inflation/Deflation Risk, Non-U.S. Instruments Risk, Foreign Currency Risk, UK Exist from the European Union, Repurchase Agreements Risk, Reverse Repurchase Agreements Risk, Investments in Equity Securities or Warrants Incidental to Investments in Floating Rate Instrument, Possible U.S. Federal Income Tax Reform, Cyber-Security Risk and Identity Theft Risks, Portfolio Turnover Risk, Non-Diversification Risk and Anti-Takeover Provisions.

Please see the Prospectus of the Fund for a full description of the risk factors listed above.

INDEX DEFINITIONS

Floating Rate Loans are represented by the Credit Suisse Leveraged Loan index, which tracks the investable market of the USD-denominated leveraged loan market. Corp High Yield is represented by the Bloomberg Barclays US Corporate High Yield index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, are excluded. Municipals are represented by the Bloomberg Barclays U.S. Municipal Index, a USD-denominated index that tracks the long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Treasuries are represented by the Bloomberg Barclays US Treasury Index, which measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury (excluding T-Bills). Inv Grade Corporates are represented by the Bloomberg Barclays US Corporate Investment Grade index, which measures the investment grade, fixed-rate, taxable corporate bond market.

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