GSO

CAPITAL PARTNERS

1Q 2020

Global Credit Market Update

Macroeconomic Update

We are pleased to incorporate as a regular feature the following market commentary from Blackstone Investment Strategist Joe Zidle[1].

We wish to express our sympathies to everyone affected by the unprecedented events of the past several months. The first quarter of 2020 upended society and rewrote economic and financial market history. The rapid spread of COVID-19 forced much of the global economy to close. Nearly two billion people were quarantined or subjected to some form of shelter-in-place policy. In the US, more than half of small businesses closed or planned to close temporarily by mid-April[2]. All told in 1Q, the US and global economy faced economic challenges not seen in generations.

In the short term, we think the worst-case scenarios have been taken off the table. Decisive global policy responses in many major economies have currently prevented an even deeper global recession. The combination of fiscal and monetary policy measures implemented around the world equals about 20% of global GDP.[3] Notably, we believe policymakers took swift action to significantly reduce the risk of a credit crisis. In the US, the Federal Reserve (the "Fed") deployed tools it developed in the aftermath of the Global Financial Crisis ("GFC") and rolled out new programs to keep underlying economic gears moving. For example, corporate issuance in investment grade credit markets continued even as the economic data worsened. In 1Q, companies issued over $400 billion of investment grade debt, nearly five times the volume issued in the three months after Lehman Brothers collapsed in 2008.[4]

As we publish, there is significant uncertainty about when the economic recovery can begin. What we know is that the start of any recovery will likely depend on comprehensive and reliable testing for COVID-19. We also know that the shape of the eventual recovery, rather than the depth of the recession, needs to be analyzed carefully. Some argue that pandemics will be the new normal, but there is little evidence to support that. If that view were to become widespread, then we could expect significantly higher savings, deleveraging, and stockpiling to define a generation. What we believe to be more likely is a gradual rollback of social distancing policies with more universal testing.

We expect growth rates to bounce back rather robustly as the economy ramps back up, but the recovery won't be a V-shape. In a service-based economy, one person's spending is another's income. Consumer expenditures on leisure activities will likely take years to return to normal levels. And that is significant because leisure spending comprises approximately 10% of GDP in the US and EU. Capital expenditures comprise around 15% and 13% of the US and EU[5] economies, respectively.[6] Recovery in this category is also likely to be slow, as the slack in the economy means that companies won't need major capital investment. As a result, we expect US unemployment rates to remain elevated for some time, and personal income for a large swath of the population to depend on further government transfers.

We think a major, long-term implication of the pandemic is that it likely accelerates the pullback in globalization and creates risks to the global supply chain. But it will also present opportunities for countries to reshore manufacturing, refine job and skill training, and increase supply chain security. Further, we expect coordinated efforts to improve the medical supply chain and technology infrastructure to drive innovation.

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1 The views expressed in Section I are the personal views of the author, Joe Zidle, and do not necessarily reflect the views of Blackstone (as hereinafter defined) or GSO (as hereinafter defined). The views expressed reflect the current views of Zidle as of the date hereof and the author, Blackstone, and GSO each undertake no responsibility to advise you of any changes in the views expressed herein. The views expressed should not be used as a basis for any investment decisions.

2 US Chamber of Commerce, as of April 3, 2020.

3 Cornerstone Macro, as of April 10, 2020. Based on year-end 2019 GDP.

4 Moody's and Wall Street Journal, as of March 31, 2020.

5 Cornerstone Macro and Eurostat. Based on 2018 GDP data.

6 US Bureau of Economic Analysis and Eurostat. US data represent private nonresidential fixed investment, as of December 31, 2019. EU data represent business investment, as of December 31, 2018.

Performance Overview

Against this backdrop, global markets experienced their worst-performing month (March), and quarter, since 2008. Volatility in the US equity market started in mid-February, about two weeks before the broader credit market selloff.

Spreads and prices of loans and high yield bonds initially reacted to investors' rising concerns regarding the negative impact of COVID-19 and declining oil prices on the global economy. This reaction was further exacerbated in the latter part of March by large capital outflows and resulting liquidity issues throughout the traded capital markets. The run of unprecedented daily declines in US and European credit markets ended when the US central bank and government quickly intervened in late March with an impressive package of monetary and fiscal support, at which point markets began to recover.

US loans and high yield bonds returned -13.05% and -12.68%, respectively, in the quarter ending March 31. This represented a marked improvement from the low point reached on March 23 when year-to-date returns for loans and high yield bonds were registering -20.07% and -19.78%, respectively. US investment grade bonds experienced a similar fate, returning -3.36% for the quarter after falling to as low as -10.58%. US investment grade bonds staged an impressive quarter-end recovery on the Fed's announcement that it would begin buying investment grade corporate bonds and exchange-traded funds containing the same for its balance sheet and that the government would be providing financial support for individuals and businesses.

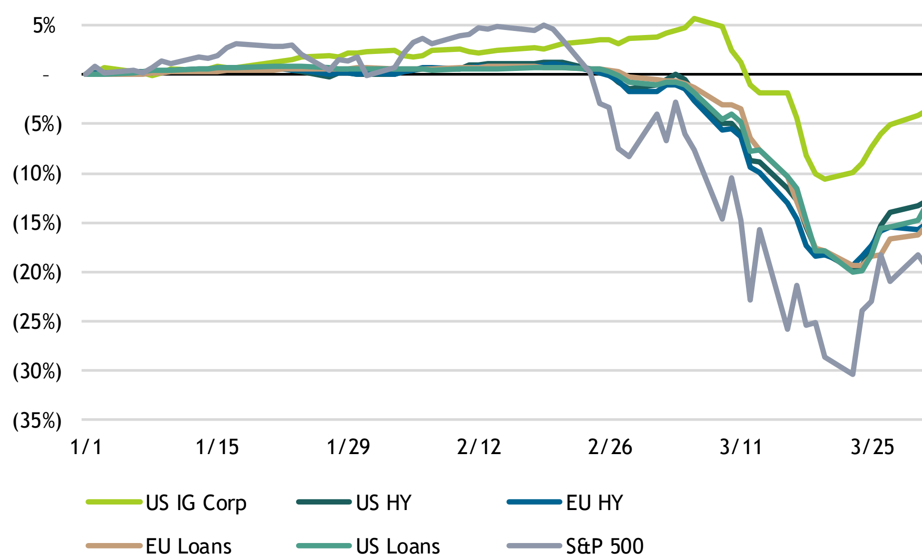
The European credit markets experienced a similar theme with loan and high yield total returns of -15.14% and -15.09%, respectively, for the quarter, after falling to as low as -19.39% and -19.32%, on March 23.

The S&P 500 was significantly more volatile during the quarter with a total return of -19.60% after bottoming at -30.43% on March 23.

Global markets experienced their worst month and quarter since 2008

After hitting lows, equity and credit markets began to rebound toward the end of 1Q20

Year-to-Date Returns as of March 31, 2020 (%)[7]



[7] All performance data above sourced from Bloomberg Finance LP, Credit Suisse, S&P/LSTA, and Bloomberg Barclays as of March 31, 2020. US IG Corp represented by Bloomberg Barclays Investment Grade Corporate Index, US HY represented by Bloomberg Barclays HY Index, US Loans represented by S&P/LSTA Leveraged Loan Index EU HY represented by Credit Suisse High Yield Index (hedged to Euro), EU Loans represented by S&P European Leveraged Loan Index.

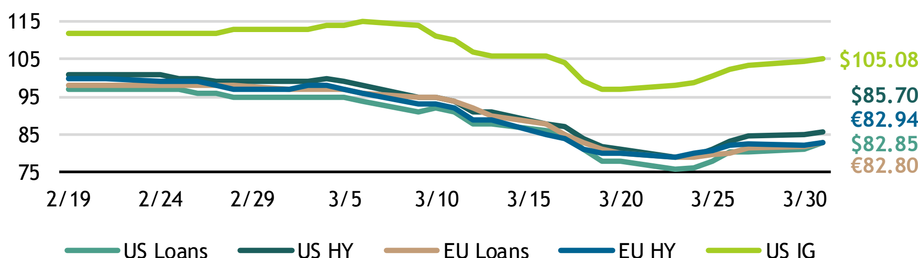
During March, US loans endured an historic collapse in prices – the largest on record – with a one-day decline of $3.41 on March 18. In fact, five of the six largest daily average price declines in the market's history occurred during the two weeks prior to March 18. (Data on the loan market goes back to December 1996). Then the following week, US loans showed signs of rebounding and posted two of the three largest daily price gains in history. Average US loan prices ended March at $82.85, down $13.88 year-to-date but above the 2020 low of $76.23 and far above the GFC low of $60.33. In similar fashion, US loan spreads peaked on March 23 at 1071 basis points (bp) – the highest since May 1, 2009. Spreads have since decreased to 822bp as of March 31, 2020 after experiencing the third largest daily spread drop of 99bp on March 26.[8]

Similarly, US HY bonds endured an historic sell off in March. Spreads experienced five of the six largest daily widenings in history over the two weeks ending March 20. Peak to trough, spreads widened by 785bp from January 13 to March 23 to a high of 1100bp (relative to a GFC high of 1971bp). Similar to loans, this was followed by an historic three-day reprieve the following week. The $2.16 price increase in the US HY index on March 26 exceeded the largest on record of $1.93 on September 17, 2008 and spreads contracted back to settle in at 880bp by the end of March.

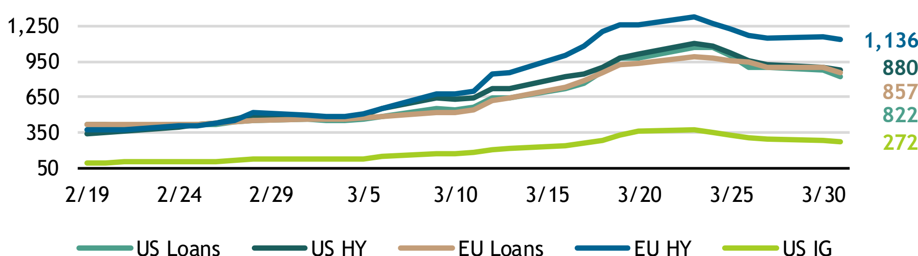
Average European loan prices ended March at €82.80, representing a decline of €15.48 for the quarter. The monthly close reflected an improvement from the 2020 low of €78.92 and was still far above the GFC low of €59.05. Spreads followed a similar trend ending the quarter at 857bp after increasing to 987bp on March 23. Similarly, European HY bonds endured an historic selloff in March with prices decreasing by almost €20 peak to trough. Spreads also widened by 967bp peak to trough to a high of 1332bp (relative to a GFC high of 1866bp). Similar to loans, this was followed by a reprieve and spreads contracted to settle in at 1136bp at month end.

Prices across fixed income endured historic single-day swings during 1Q20

Prices ($,€)[9]



Spreads (bp)[9]



[8] S&P/LSTA has recorded daily spread data since December 31, 2008.

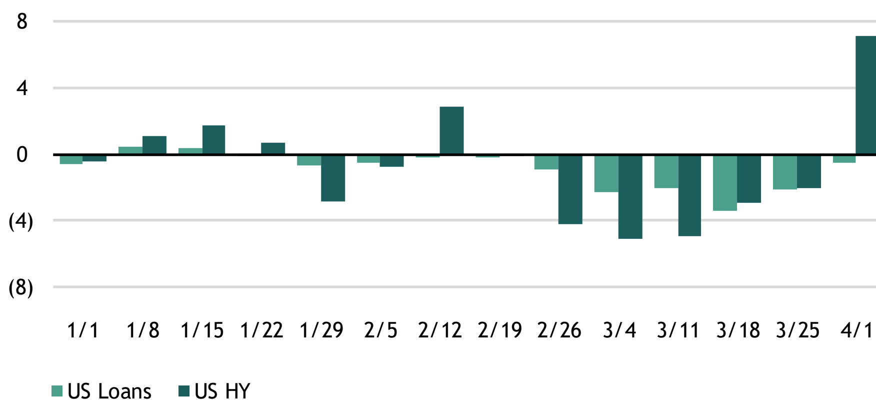
[9] All price and spread data above sourced from Credit Suisse, S&P/LSTA, and Bloomberg Barclays as of March 31, 2020. US Loans represented by S&P/LSTA Leveraged Loan Index (STM), US HY represented by Bloomberg Barclays HY Index (OAS), EU Loans represented by S&P European Leveraged Loan Index (spreads represented by JP Morgan European Leveraged Loan Index STM), EU HY represented by Credit Suisse High Yield Index (hedged to Euro) (STW), US IG Corp represented by Bloomberg Barclays Investment Grade Corporate Index (OAS).

Technicals

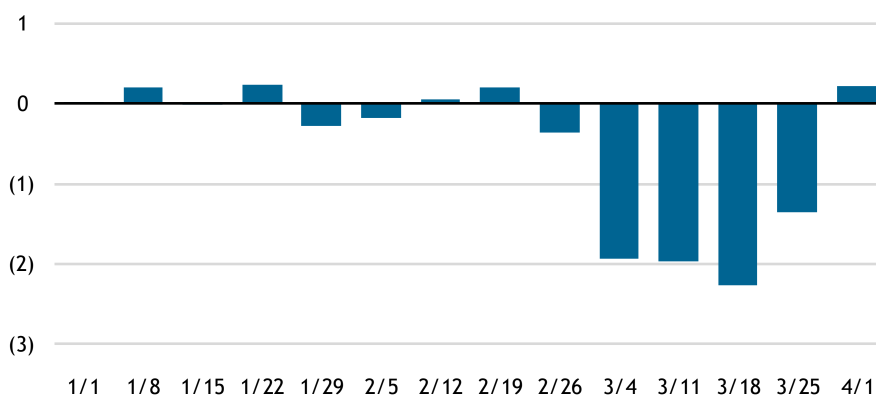
As previously stated, some of the worst of March's volatility in the global credit markets resulted from forced selling by retail loan and high yield funds to meet daily redemptions. Although retail investors comprise a smaller portion of the global credit markets compared to institutional investors, they tend to be the most reactionary, generating incremental volatility when the markets are at extremes.

US loan outflows totaled -$16.0 billion during 1Q20 with -$10.9 billion occurring over the five weeks ending March 25, but collateralized loan obligations ("CLOs"), private equity firms, and other opportunistic investors stepped in as buyers of US loans. US high yield funds also experienced outflows during the first quarter of 2020 totaling -$15.4 billion, with a peak of -$19.2 billion of outflows occurring during the five weeks ending March 25. European high yield funds experienced outflows with year-to-date outflows totaling -€7.7 billion. Weekly outflows for these asset classes slowed or reversed toward the end of the quarter in reaction to the unprecedented monetary and fiscal support being offered by the US Central Bank and government. In fact, high yield retail funds experienced inflows of $7.6 billion in the week ending April 8, the most on record, beating the prior week's record inflow of $7.1 billion.

Weekly US Loan and High Yield Fund Flows ($ in billions)[10]



Weekly European High Yield Fund Flows ($ billions)[10]



Retail fund outflows largely drove selling pressure in 1Q20

Year-to-Date Fund Flows as of March 31, 2020

-$16.0B

US Loan

-$13.4B

US High Yield

-€7.7B

European High Yield

[10] All US and European fund flows sourced from J.P. Morgan, Lipper, as of April 1, 2020. Year-to-date figures as of March 31, 2020 include weekly and monthly reporting funds if reported by April 15, 2020; fund flows graphs include weekly reporting funds only.

Despite subdued new-issue supply in March amid the selloff in below investment grade credit, global quarterly issuance volumes remain in line with or higher than historical averages. For example, the US loan primary market issued just $4.3 billion of new transactions in March, with no issuance taking place after March 12. As a monthly statistic, this amounted to the lowest total since January 2010. However, given strong issuance in January and February, 1Q20 ranks as the seventh-largest quarterly total on record.

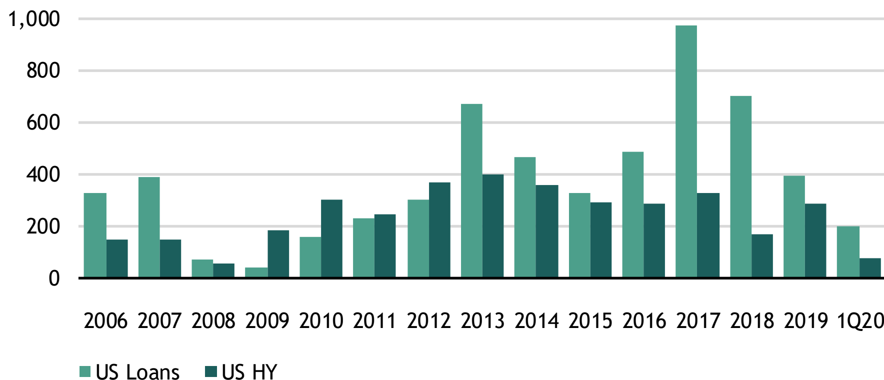
New issue supply stalled as the markets experienced historic volatility

US high yield issuance also suffered amid the global pandemic crisis totaling just $4.2 billion in March. However, 1Q20 issuance totaled $73 billion, which is $4 billion above the quarterly average over the last five years.

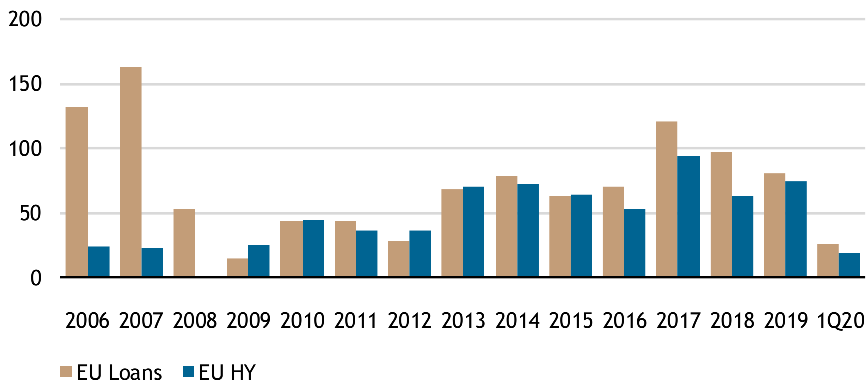
The lack of new issue supply in March was even more apparent in the European credit markets, with just €150 million of institutional loan volume from two deals and no high yield issuance. 1Q20 loan issuance totaled €26 billion and high yield issuance totaled €19 billion, however, relative to historical quarterly averages of €22 billion and €17 billion.

According to LCD, US primary market activity has opened up with new transactions now launching. Twenty high yield transactions totaling $14 billion and two loan transactions totaling $420 million priced between March 23 through April 17. In Europe, just two high yield transactions, totaling €700 million, have come to market over the same time period.[11]

US Loan and High Yield Issuance ($ in billions)[12]



European Loan and High Yield Issuance (€ in billions)[13]



[11] LCD for US and European Issuance from March 23-April 17, 2020.
[12] JP Morgan Leveraged Loan and High Yield Monitor, as of March 31, 2020.
[13] LCD, as of March 31, 2020.

CLO Investing

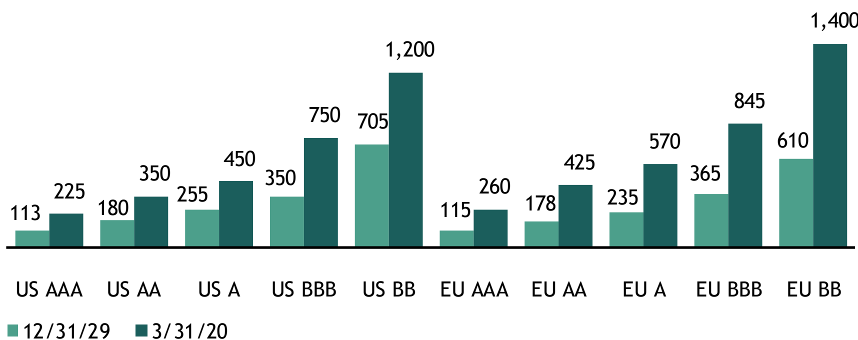
Following the selloff in loans, US and European CLO spreads exhibited significant volatility toward the end of the first quarter, with historic levels of spread widening followed by swift contraction across the highest rated tranches.

Investors in both markets were focused on raising capital by selling shorter duration, higher-priced AAA-rated CLO tranches that were liquid, and where prices remained relatively high. Large money managers traded this paper in sizable blocks, something the market had not experienced since the GFC.

CLO spreads in the US and Europe reached their peaks around March 24 with AAA spreads widening the most on a percentage basis in both markets. US CLO spreads then quickly tightened as loans rallied, with US AAA spreads ending the quarter at 225bp, still double where they began the quarter. In Europe, AAA through A spreads also tightened from peaks, but BBB-BB spreads remained close to peak levels at quarter end. CLO Bids Wanted in Competition (BWIC) volume was elevated during this period, suggesting that managers were assessing risk and actively managing their portfolios.

US and European CLO spreads experienced significant volatility in March but started to retreat toward the end of the quarter

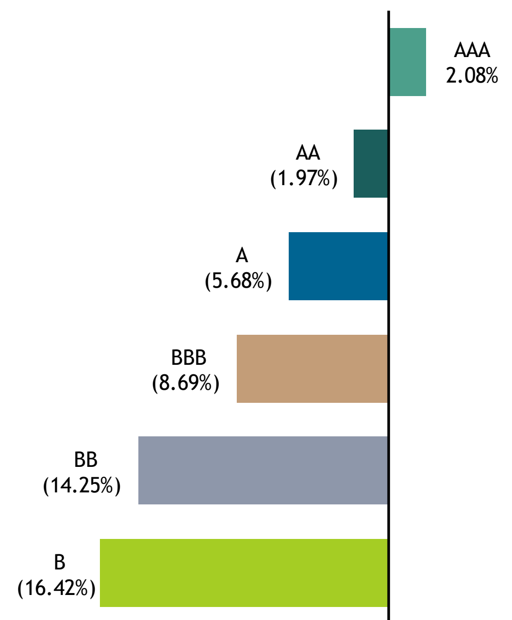
US and European CLO Spreads (bp)[14]



Maximum YTD CLO Spreads and YTD % Change

US AAA	US AA	US A	CLO BB	CLO B
394bp	530bp	641bp	781bp	1274bp
+248%	+194%	+151%	+123%	+81%
EU AAA	**EU AA**	**EU A**	**EU BB**	**EU B**
350bp	450bp	613bp	875bp	1400bp
+204%	+154%	+161%	+140%	+130%

US CLO Returns March 23-27[15]



The CLO new-issue market ground to a halt in March after GSO issued both a US and European CLO early in the month. GSO priced a total of two CLOs in 1Q20 and refinanced two others. For the year-to-date period ending March 31, $17 billion of US CLOs were priced, down 41% from $29 billion in the same period in 2019. There were no CLOs priced in the second half of March given market volatility. In Europe, €5.8 billion of CLOs were priced in the quarter, a 15% decline compared to the €6.9 billion of issuance over the same period in 2019.[16] On April 2, GSO also priced the first US CLO since the market shut down due to the COVID-19 crisis. Stratus 2020-1 CLO is $477 million in size and GSO's first static transaction.

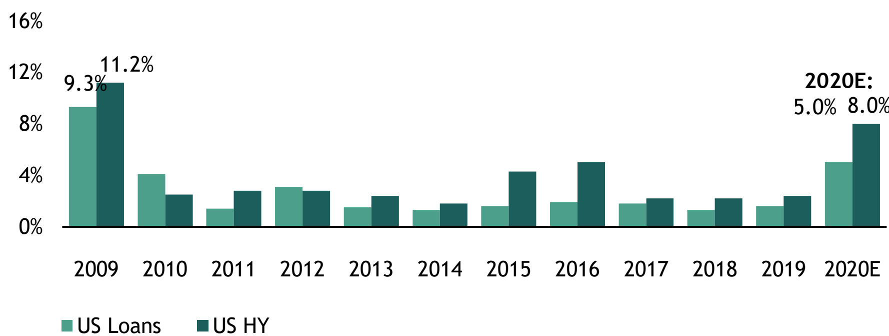
GSO issued two CLOs in 1Q20 and was the only manager to issue both a US and European CLO amid the selloff

[14] All US CLO spreads sourced from BofA Global Research, all European CLO spreads sourced from Citi, as of March 31, 2020.
[15] JPM CLOIE, as of March 27, 2020.
[16] LCD, as of March 31, 2020.

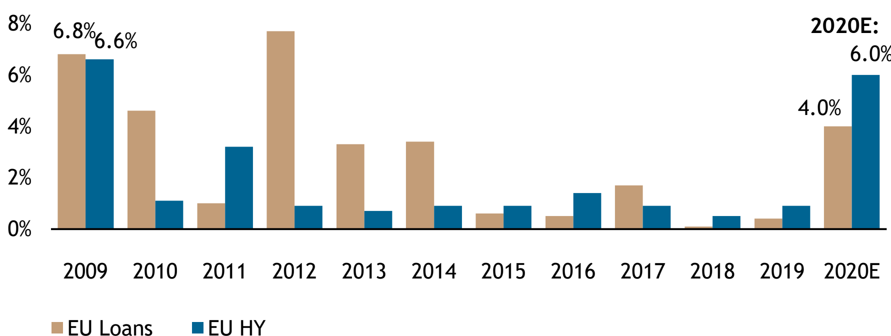
Fundamentals

The impact of COVID-19 on the global economy is expected to be felt across most sectors and companies. It is anticipated that 2Q20 financial performance will be severely impacted resulting in a significant year-over-year decline in earnings and cash flow across most issuers. The ability to accurately forecast economic performance, much less company performance, for the balance of 2020 is very limited and will be highly dependent on the duration of mandatory social distancing measures and the pace at which the global economy emerges from the COVID-19 induced freeze.[17] At this point, default rates in below-investment-grade credit are expected to increase meaningfully in 2020 compared to the rate experienced in the prior several years. However, these 2020 default rate projections still remain below levels experienced in 2009. It should be noted that these are projections for the market, and portfolios actively managed by experienced credit professionals have generally experienced a much lower incident of default and higher recovery. GSO's own experience over the past 22 years has been a default rate of one sixth that of the market and a recovery rate 10 points or approximately 17% above the market average.

US Loan and High Yield Default Rates[18]



European Loan and High Yield Default Rates[19]



The precusor to defaults is credit rating downgrades and the current pace of these actions by the rating agencies is the strongest on record[20]. The energy, gaming, lodging, leisure, food, beverage, and healthcare sectors have been the most impacted thus far. In 2020 there has been $150.4 billion of US Fallen Angel volume, already exceeding 2009's annual record of $141.4 billion.[21]

Market expectations for 2020 default rates have been revised higher but remain below peak rates

Expected 2020 Default Rates[22]

5%
US Loan

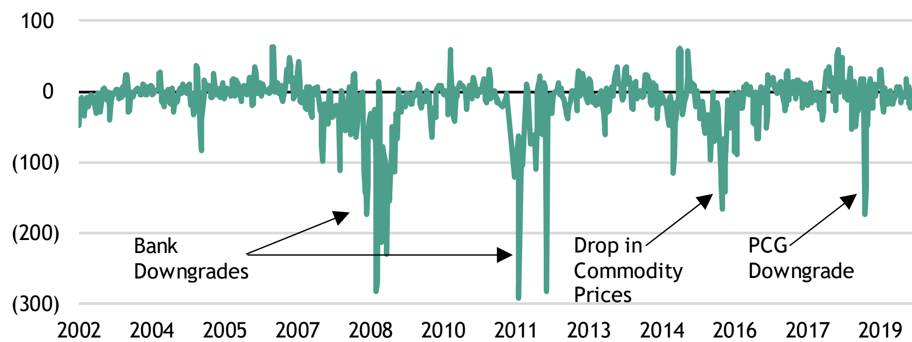
8%
US High Yield

4%
European Loans

6%
European High Yield

[17] Reflects GSO's views and beliefs.
[18] Credit Suisse Default Monitor for historical default rates,
[19] Credit Suisse Default Report for historical default rates,
[20] Record dates back to 2002.
[21] JP Morgan, as of April 13, 2020.

Rolling Two Week Net Rating Change[23]



We anticipate that the pace of rating agency downgrades will continue. This likely puts further pressure on rating-sensitive investors like CLOs, which face limits on the amount of CCC rated investments allowed in a portfolio. In these structures, there are typically economic ramifications to the equity investors when the amount of CCC rated debt exceeds the established limitations by a sufficient amount such that the CLO is required to temporarily divert excess interest away from the equity investor to buy more assets or pay down debt. We expect that this phenomenon may negatively impact the demand for the loans of companies rated below B-/B3, while at the same time potentially increasing the supply, and placing extra downward pressure on prices of these loans.

Outlook

Recent government and central bank intervention in markets across the globe is unprecedented and has helped markets recover from the late March troughs. While one could argue this support has never really ceased since the GFC, it has certainly become more elevated and surpassed what was implemented in 2008/09. An extensive list of programs and facilities have been created or revived to inject capital into the financial markets in support of liquidity. These now include measures oriented directly at the investment grade and high yield bond markets, and indirectly at the leveraged loan market. When looking ahead, it should be kept in mind that this will all have to be unwound at some point. But, in the near term, we believe this market intervention has been essential in addressing short-term market imbalances, as seen in the chart below.[24]

	US IG Corp	US HY	US Loans	EU Loans	S&P 500	EU HY
YTD Returns (4/17)	1.23%	(7.57%)	(8.44%)	(9.29%)	(10.49%)	(10.50%)
Max YTD Drawdown	(10.58%)	(19.78%)	(20.07%)	(19.39%)	(30.43%)	(19.32%)
Recovery	11.81%	12.21%	11.63%	10.10%	19.94%	8.82%

While it is hard to predict how long the economic slowdown will last, our expectation is that there will be further strain on issuers in the credit market due to the extended timeframe of social distancing requirements and associated business closures. We have undertaken a bottoms-up review of our global portfolio to determine how much liquidity is available to each company and to ascribe the probability and potential timing of downgrade and/or default

[22] JP Morgan Default Monitor for US loan & HY and EU HY 2020E default rates, as of March 31, 2020; Fitch Ratings for EU loan 2020E default rates, as of March 30, 2020, as JP Morgan data is not available.

[23] BofA Global Research as of March 25, 2020. Net rating changes equals upgrades less downgrades. Based on the average Moody's, S&P, and Fitch, if available. Watch is included as 2/3 of a notch and the outlook is included as 1/3 of a notch. Restricted to bonds in ICE BofA IG Corporate index C0A0. Notches * index notional ($ in billions).

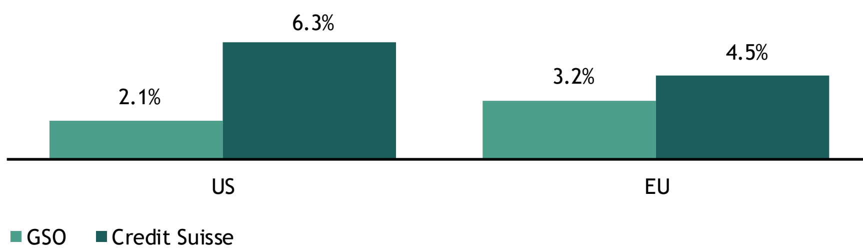
[24] Bloomberg LP, Credit Suisse, S&P/LSTA, and Bloomberg Barclays as of April 9, 2020. US IG Corp represented by Bloomberg Barclays Investment Grade Corporate Index, EU HY represented by Credit Suisse High Yield Index (hedged to Euro), EU Loans represented by S&P European Leveraged Loan Index, US Loans represented by S&P/LSTA Leveraged Loan Index, US HY represented by Bloomberg Barclays HY Index.

under two-industry specific COVID-19 stress scenarios.

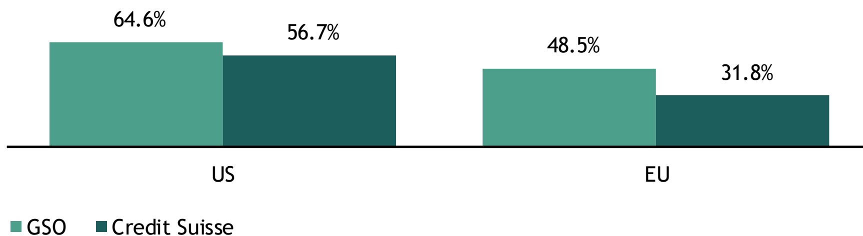
Overall, we believe our portfolios have benefited from active management: over the previous 24 months when the markets were strong, we decided to prune risk given the advanced stages of the economic cycle. As a result, our portfolios are conservatively positioned and have relatively limited exposure to virus-impacted sectors like travel and leisure, as well as upstream oil & gas. We have been very active in repositioning portfolios where needed over the last month; the market sell-off was relatively indiscriminant, offering opportunities to upgrade holdings and exit riskier positions in favor of higher conviction investments at similar prices and yields.

GSO's default track record has been strong during periods of distress. Over the course of the 2008-2009 crisis, our average annual US loan default rate was 2.05% vs. 6.25% for the market, and our recoveries were 64.6% vs. 48.45% for the market. In Europe, our average annual loan default rate was 3.16% vs. 4.47% for the market during the period, and our recoveries were 56.69%, compared to 31.78% for the market.

GSO and Credit Suisse Loan Default Rates (2008-2009)[25]



GSO and Credit Suisse Loan Recovery Rates (2008-2009)



It should also be said that global credit markets have had a historically strong track record of performance following periods of major dislocation. In all nine examples during the GFC where loan spreads closed above 1000bp, loan returns over the following 12 months averaged 36.8%. Additionally, in the four periods between 2000 and 2016 when US high yield spreads exceeded 900bp, returns in the following 12, 24, and 36 months have been 11.6%, 31.8%, and 61.4%, respectively, on average.

European loans and high yield bonds have also experienced meaningful rebounds following market disruptions. Cumulative European loan returns totaled 8.1%, 11.9%, and 14.3% for the 12-, 24-, and 36-month periods following February 2016 when spreads crossed 600bp. For European high yield bonds, these returns on average have been 22.7%, 35.9%, and 45.6%, respectively, for the three instances when spreads have exceeded 900bp.[26]

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[25] GSO and Credit Suisse ("CS"), 2008-2009. CS's default and recovery rates are intended to be representative of the broad loan market. The calculation of GSO's default and recovery rates differs from Credit Suisse's methodology, since GSO is working with data around specific trades while Credit Suisse's data is a proxy for the market, and these differences should be considered when comparing the data herein. The preceding is provided for informational purposes only, and does not constitute an offer to sell or a solicitation of interest in any particular fund or strategy managed or advised by The Blackstone Group Inc. or its affiliates (a "Blackstone Fund"). Any such offer or solicitation would be made only pursuant to the confidential private placement memorandum for a Blackstone Fund ("PPM"), which would qualify in its entirety the information set forth herein and would contain a description of the risks of investing. Past performance is not necessarily indicative of future results, and there can be no assurance that GSO / Blackstone will achieve comparable results or that any entity or account managed or advised by GSO / Blackstone will be able to implement its investment strategy or achieve its investment objectives. Please refer to the GSO Loan Default Track Record in the "Important Disclosure Information" section of this Presentation for further information on the default track record and for information on the potential impacts of COVID-19. Principal Loss Rate calculated by multiplying default rate by (1 minus recovery rate).

[26] US loans and HY represented JP Morgan Leveraged Loan and High Yield Indices; EU loans represented by S&P European Loan Index; EU HY represented by Credit Suisse European High Yield Index (hedged to Euro).

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The foregoing pages contain performance information of certain investments made by certain current and former senior members of the Manager's investment team (" while at IndoSuez Capital Division of Crédit Agricole (" from 1998 to 2001 RBC Capital Partners' Debt Investments Group (the "RBC Group"), a division of Royal Bank of Canada, from 2001 to 2005 and GSO's Debt Funds Group from 2005 to 2008 (prior to Blackstone's acquisition of GSO described below) following GSO's acquisition of the RBC Group In March 2008 together with the acquisition of GSO and certain of its affiliates by Blackstone, the legacy collateralized loan obligation business of GSO Debt Funds Management LLC (now known as GSO Blackstone Debt Funds Management LLC) was combined with the legacy collateralized loan obligation business of Blackstone Debt Advisors L P ..(" After Blackstone's acquisition of GSO, the CLOs previously managed by BDA were combined with those managed by Blackstone GSO The track record of Blackstone GSO referred to herein includes those U S accounts previously managed by BDA as of April 2008 Also in connection with the Blackstone's acquisition of GSO in 2008 GSO assumed the management of Blackstone's credit businesses and certain senior members and the Principals joined Blackstone.

Such historical performance information, which may be referred to as Blackstone GSO performance, has been included solely for illustrative purposes as representative examples of the Principals' general respective experiences and the types of investments that were previously managed by the Principals, respectively, that employed substantially similar investment objectives, policies and strategies to a Fund and invested in similar asset classes as a Fund is expected to invest in, and should not be considered a recommendation of any particular strategy or security Investments presented herein that the Principals made while at IndoSuez, RBC Group and GSO were managed over a long period of time and during significantly different economic and market conditions which may not be replicated It should not be assumed that the performance of the investments presented herein that were made between the period 1998 2008 while the Principals were at IndoSuez, RBC Group and GSO (prior to its acquisition by

Blackstone) is necessarily representative of the overall performance of the Principals while at these firms, particularly given that such investments reflected herein represent only a small percentage of investments made by the Principals during the period 1998 2001 2001 2005 and 2005 2008 respectively In addition, while each of the Principals were primarily responsible for overseeing the investment activities at their prior firm(s), they were also part of investment teams comprised of other persons (including those with senior responsibilities) who were also involved in such activities who will not be involved with the investment activities of a Fund As described above, certain historical performance information presented herein includes references to loans, investment portfolios, vehicles and managed accounts managed by the Principals while at IndoSuez and/or RBC Group as managing directors or managing partners in the alternative investments units of those firms and the investment teams at the entities associated with the Manager, which inherently carry different strategies, responsibilities and objectives as those tied to such Principal's prior and current roles at GSO and more specifically, on certain investment committees for funds and products of GSO Such information also does not reflect returns of actual investments made by the Principals as investment managers of a portfolio of investments

In considering an investment in a Fund, potential investors should attach correspondingly qualified consideration to the results presented herein and are strongly cautioned against giving undue significance or reliance on these returns Prospective investors should be aware that a Fund will not be comprised of all investment professionals of the investments teams at the Principals' prior firm(s) and certain professionals may not be part of the team managing investments for the current strategies employed by funds and products of GSO Similarly, there are team members currently responsible for managing the investments for funds and products of GSO who had no involvement with the investments and performance information presented herein Moreover, the characteristics of the Principals' prior firm(s), and the market conditions under which they were operated, differ in certain respects from those applicable to a Fund and that the Fund may experience.

Unless otherwise stated or sourced, the information contained in this document reflects GSO's views and beliefs.

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Certain countries have been susceptible to epidemics, most recently COVID-19, which may be designated as pandemics by world health authorities. 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.

GSO U.S. Loan Default Track Record

GSO's track record includes the U.S. middle market and broadly syndicated loans held by U.S. portfolios managed, advised, or sub-advised by LCS, and excludes U.S. portfolios that were acquired from other managers where the acquired portfolios did not fully reflect GSO's investment discretion. In the case where a significant portion of a global portfolio is in U.S. loans, those U.S. loans are also included in the track record. As part of an internal reorganization of GSO's business lines, certain Business Development Companies which had been sub-advised by GSO were re-allocated from LCS to GSO's performing credit team on January 1, 2016.

GSO defines defaults as (a) missed a payment, (b) filed bankruptcy, or (c) were downgraded by Moody's or S&P to D. GSO may sell a loan, including immediately prior to default, and such loan will not be treated as a default.

GSO's average annual principal loss rate for the period from June 1998 through December 2018 is calculated by multiplying the average annual default rate for that period by (1 minus the average recovery rate for that period).

GSO's average annual default rate is a weighted average of the yearly GSO default rates, weighted by GSO U.S. loan portfolio notional exposure for each year. In other words, the average annual default rate is calculated by multiplying each year's default rate by the portfolio notional exposure in that year and dividing that total by the sum of portfolio notional exposures across all years. For a given year, the default rate is calculated as the GSO defaulted notional amount for the year, divided by GSO U.S. loan portfolio notional exposure for the year. The portfolio notional exposure for a year is the sum of portfolio notional amounts at the end of the prior year and the portfolio loan purchases made during the current year.

GSO's average recovery rate is a weighted average of the yearly GSO recovery rates, weighted by GSO defaulted notional amount for each year. In other words, the average recovery rate is calculated by multiplying each year's recovery rate by the defaulted notional amount in that year and dividing that total by the sum of defaulted notional amounts across all years. For a given year, the recovery rate is calculated as the weighted average of the recovery rates for each default that occurred in GSO portfolios during the year, weighted by defaulted notional amount. In other words, the year's recovery rate is calculated by multiplying each defaulted asset's recovery rate by the defaulted notional amount of that defaulted asset and dividing that total by the sum of defaulted notional amounts of all assets defaulted in that year. For a given defaulted position, the recovery rate is calculated as the amount received on the position by GSO via (a) sale, (b) paydown, and/or (c) restructuring of the defaulted asset, divided by the amount originally paid by GSO for the asset (across all portfolios in which the asset was held).

Credit Suisse's U.S. loan principal loss rate is calculated by multiplying the average annual default rate by (1 minus the average annual recovery rate).

Credit Suisse's U.S. loan default rate for a given year is calculated as the notional amount of U.S. loan defaults for the year divided by the average U.S. loan market size during that year.

Credit Suisse's U.S. loan recovery rate is the average price on the day of default for all defaulted loans during the year.

GSO European Loan Default Track Record

GSO's track record includes the U.S. middle market loans, European floating rate notes, and broadly syndicated loans held by portfolios managed, advised, or sub-advised by LCS, and excludes those portfolios that were acquired from other managers where the acquired portfolios did not fully reflect GSO's investment discretion. In the case where a significant portion of a global portfolio is in loans, those loans are also included in the track record. As part of an internal reorganization of GSO's business lines, certain Business Development Companies which had been sub-advised by GSO were re-allocated from LCS to GSO's performing credit team on January 1, 2016.

GSO defines defaults as (a) missed a payment, (b) filed bankruptcy, or (c) were downgraded by Moody's, S&P, or Fitch (in the case of European issuers) to D. GSO may sell a loan, including immediately prior to default, and such loan will not be treated as a default.

GSO's average annual principal loss rates for the period from June 1998 through March 2019 in the U.S. and the period from March 2001 through March 2019 in Europe are calculated by multiplying the respective average annual default rate for that period by (1 minus the respective average recovery rate for that period).

GSO's average annual default rate is a weighted average of the yearly GSO default rates, weighted by GSO U.S. or European loan portfolio notional exposure for each year, as applicable. In other words, the average annual default rate is calculated by multiplying each year's default rate by the portfolio notional exposure in that year and dividing that total by the sum of portfolio notional exposures across all years. For a given year, the default rate is calculated as the GSO defaulted notional amount for the year, divided by GSO U.S. or European loan portfolio notional exposure for the year, as applicable. The portfolio notional exposure for a year is the sum of portfolio notional amounts at the end of the prior year and the portfolio loan purchases made during the current year.

GSO's average recovery rate is a weighted average of the yearly GSO recovery rates, weighted by GSO defaulted notional amount for each year. In other words, the average recovery rate is calculated by multiplying each year's recovery rate by the defaulted notional amount in that year and dividing that total by the sum of defaulted notional amounts across all years. For a given year, the recovery rate is calculated as the weighted average of the recovery rates for each default that occurred in GSO portfolios during the year, weighted by defaulted notional amount. In other words, the year's recovery rate is calculated by multiplying each defaulted asset's recovery rate by the defaulted notional amount of that defaulted asset and dividing that total by the sum of defaulted notional amounts of all assets defaulted in that year. For a given defaulted position, the recovery rate is calculated as the amount received on the position by GSO via (a) sale, (b) paydown, and/or (c) restructuring of the defaulted asset, divided by the amount originally paid by GSO for the asset (across all portfolios in which the asset was held).

Credit Suisse's loan principal loss rate is calculated by multiplying the average annual default rate by (1 minus the average annual recovery rate).

Credit Suisse's loan default rate for a given year is calculated as the notional amount of U.S. or European loan defaults for the year divided by the average U.S. or European loan market size during that year, as applicable.

Credit Suisse's loan recovery rate is the average price on the day of default for all defaulted loans during the year.