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Blackstone / GSO Loan Financing Limited
Q3 2017 Report

Dear Investor,

We are pleased to provide you with the quarterly update letter for the Blackstone / GSO Loan Financing Limited (the "**Fund**"), for the quarter ended 30 September 2017.

Capitalised terms used herein and not otherwise defined have the meaning assigned to such term in the Offering Document of the Fund.

I. Market Review[1]

The third quarter of 2017 closed on a strong economic note with the European forecast of GDP growth rate for 2017 increasing to 2.1%, Q2 U.S. GDP having been revised to 3.1%, and synchronised economic growth continuing across major global regions.[2] The Eurozone Investor Confidence Index reached 29.7 in September, up from 18.2 in January. Macroeconomic data in September was broadly positive with increases in manufacturing, retail, and services PMI data supporting the narrative of continued recovery and strength. Coming out of the third quarter, investors and analysts alike anticipate one more rate hike by the Federal Reserve in response to what is seen as sufficient underlying growth and reasonable inflation. With renewed expectations of some form of U.S. tax reform by year-end, periods of market softness due to geopolitical events were short-lived during the third quarter as investors generally viewed them as buying opportunities.

In August, Mario Draghi, President of the European Central Bank, addressed the Jackson Hole Economic Policy Symposium, where he remarked that the global economy was experiencing a broad-based uptick in economic growth off the back of an accommodative central bank monetary policy but highlighted that the Eurozone inflation target of 2% was still off the pace. The euro spiked to its highest price against the U.S. dollar since January 2015 following his address. The German federal election also took place during the quarter and Angela Merkel secured a fourth term as German chancellor.

During the third quarter of 2017, the U.S. experienced what is projected to be the costliest hurricane season on record with Hurricanes Harvey and Irma. We observe, in particular, that energy & oil, chemicals & packaging, retail, restaurants, and insurance were generally the most adversely affected sectors, with companies projected to experience varied levels of headwinds depending on exposure to the Texas, Georgia, and Florida regions, amongst others. We continue to monitor the impact of these and other storms across the U.S. and its territories as these regions continue to recover.

We generally expect the current market environment to persist and volatility to remain relatively contained as we move into the fourth quarter of 2017. However, a number of headwinds remain, including the potential

[1] Source: S&P/LCD.
[2] Sources: OECD, 30 September 2017. Bureau of Economic Analysis, as of 28 September 2017.

for an unprecedented level of central bank balance sheet unwinding in the upcoming months, ever-present geopolitical risk surrounding North Korea, and investor frustration over legislative fiscal promises, all of which continue to add sensitivity and uncertainty to the market.

European Bank Loan Market

The European senior loan market returned 0.80% over the third quarter, posting the seventh consecutive quarter of positive returns. Lower-rated loans outperformed again with the Lower Tier (CCC, Split CCC, and Default) of the Credit Suisse Western European Leveraged Loan Index, returning 2.55% while Middle Tier loans (Split BB, B, and Split B) and Upper Tier loans (Split BBB and BB) gained 0.68% and 0.64%, respectively. Year-to-date, senior loans have provided a 2.88% total return, compared to 5.14% for the same period in 2016.

The third quarter European new-issue loan volume came in at €27.0 billion, bringing year-to-date issuance to €85.0 billion, up 71% from €49.6 billion in the same period last year. This is a post-crisis year-to-date record and behind only the same period in 2007, which had €143.3 billion of deal flow. Much of this issuance was driven by refinancing activity, though 3Q did produce a healthy amount of M&A driven volume (55% of total issuance), which resulted in a supply surplus of €9.1 billion, a stark reversal of 2Q's €5.4 billion shortage.

Quarterly repayments fell from €13.7 billion to €7.0 billion in the third quarter, although the bid in the secondary market was still well supported by investors looking to deploy capital. As the quarter drew to a close, there were fresh signs of a limit being reached by lenders with recent issues being better offered. Most investors continue to focus on the new issue market, while volumes continue to remain sporadic in the secondary market. The average three-month spread of new Term Loan B issues increased to E+385 in September from E+ 371 in June.

As the third quarter came to a close, first-lien issuance again increased along with first-lien leverage, which increased from 4.50x in June 2017 to 4.57x in September 2017, both of which are ahead of the 4.45x debt multiple average at December 2016. Second-lien leverage has increased over the quarter from 0.11x in June to 0.14x at end of September. These are both below the second-lien leverage at the end of 2016 of 0.19x. The average equity cushion fell for European LBO transactions in Q3, with the average equity contribution in 2017 year-to-date for Europe-only LBOs coming in at 45.67%.

During the third quarter, there were no new defaults among loans in the S&P European Leveraged Loan Index ("**ELLI**"). As a result, in September, the lagging 12-month default rate by principal amount fell for the fourth-consecutive month, to a 19-month low of 1.44%, In the 12 months ended 30 September, the ELLI tracked €1.5 billion of institutional loan defaults and restructurings, down from €2.3 billion at the end of 2016.

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U.S. Bank Loan Market

Returns for U.S. loans during the third quarter were bolstered by strong results in July and September, despite a negative return in August. The Credit Suisse Leveraged Loan Index posted a 1.06% quarterly gain to bring the cumulative year-to-date return to 3.04%. These levels trail year-to-date performance for both rate sensitive investment grade assets (+5.19%) and high yield (+6.46%), as well as the S&P 500 (+14.24%). We believe that the relatively muted performance of loans year-to-date is primarily driven by modest net supply and persistent repricings, which produced full valuations and spread compression despite increasing LIBOR. Third quarter returns for loans continue to project a predominantly coupon clipping year for 2017.

Loan and high yield prices remained elevated relative to historical averages as demand continued to outpace supply in the third quarter. Prices for both the Credit Suisse Leveraged Loan Index and the Credit Suisse High Yield Index finished September up 15bp and 50bp, respectively, versus 2Q17 prices. While we believe that there is little price upside to the asset class given already elevated prices, as of 30 September 2017 average loan prices are still inside those of high yield, and loan spreads are 30bp wide to high yield. Given the seniority of senior loans in the capital structure, their limited duration risk, and relatively low volatility, senior loans appear cheap relative to high yield and present an attractive buying opportunity. Overall spreads are trading tight to historical averages and loan coupons have remained relatively consistent as the steady increase in LIBOR has offset modest repricing activity.

While elevated levels of demand continued to far outpace supply at the beginning if the third quarter, institutional new-issue volume in September surged to a six-month high of $54.3 billion, of which $35.9 billion represented new supply in the form of institutional loan issuance backing mergers, acquisitions, and buyouts. This fresh supply of M&A paper, combined with sustained outflows from loan funds during the month, brought the supply/demand equation for institutional loans closer to equilibrium by the end of the third quarter.

While repricings continued to dominate new issues, their pace slowed as many issuers had already taken advantage of the borrower-friendly environment leaving fewer viable candidates. Refinancings of institutional loans totalled just $24.8 billion, the lowest amount since 1Q16 and a small fraction of the $75.5 billion seen in the first quarter of 2017. While institutional volume increased at the end of 3Q, overall loan issuance decreased 37% quarter-over-quarter with just $155 billion in gross issuance, and new issue volume overall continues to be largely comprised of repricing activity. Year-to-date repricing volume has totalled $323.1 billion (44% total gross volume) compared to refinancing volume of $213.2 billion (29%) and acquisition financing volume of $159.9 billion (22%).

The third quarter of 2017 recorded the lowest quarterly amount of defaulted assets since 4Q13 with $2.7 billion in default volume across loans and high yield bonds ($1.9 billion in loans and $0.8 billion in high yield bonds, respectively), and a par-weighted U.S. loan LTM default rate of 1.31% (1.12% ex-energy). This U.S. loan LTM default rate is 18bp below the default rate at the beginning of 2017 and 165bp below the 10-

year historical average default rate of 2.96%. Defaulted issuers this quarter were in the retail sector and included True Religion Brands and Toys R Us, the largest toy store in the U.S.

U.S. issuer fundamentals remain strong, with debt multiples hovering at 5.0x EBITDA and interest coverage ratios climbing to 4.0x year-to-date despite the modest increase in LIBOR. Coming out of the most recent earnings season, credit metrics for high yield issuers tracked by J.P. Morgan also demonstrate strong performance with 2Q17 revenue and EBITDA growth of 5.4% and 11.1%, respectively. Growing cash flow and flat to declining leverage for most high yield sectors is a positive fundamental backdrop that is consistent with continued expansion into the end of the year.

Global CLO Market

Global CLO volume slowed modestly quarter-over-quarter with €4.0 billion across 10 CLOs in Europe, versus €6.0 billion / 15 CLOs last quarter, and $29.7 billion across 55 CLOs in the U.S., versus $35.1 billion / 61 CLOs last quarter. European CLO issuance year to date was slightly ahead of last year with €12.8 billion compared to €11.8 billion for the first nine months of 2016. U.S. CLO year to date issuance has surpassed the full year volume of 2016, totalling $82.2 billion year to date 2017 versus last year's total tally of $72.3 billion.

Limited supply of loans and greater volumes of loan refinancings broadly have led to significant spread compression and reduced equity distributions. Loan spreads have been an important driver of CLO liability spreads, which have also compressed meaningfully given their correlation. Loan refinancings and the resulting loan spread tightening have also been a driver of CLO refinancing activity, although CLO refinancings have slowed during the third quarter. Third quarter CLO refinancing transaction volume totalled €6.5 billion in Europe and $29.0 billion in the U.S., bringing year-to-date volumes to €20.4 billion and $127.5 billion in Europe and the U.S., respectively.

Credit fundamentals of the CLO portfolios remain strong with minimum exposure to CCC rated and distressed assets below the typical 7.5% CCC threshold. With materially low default rates in the loan market, the beneficial flow through to CLOs has been positive. There has been a decrease in the broad industry concern in relation to collateral quality tests as the number of CLOs failing their Weighted Average Rating Factor ("**WARF**") and Weighted Average Spread ("**WAS**") tests remaining flat, suggesting CLO managers are continuing to work to maintain passing test levels despite spreads grinding tighter.

II. Fund Performance and Commentary

The total net return for Q317 was -0.59%, including total net portfolio income of 2.76% and net portfolio movements of -3.35%. As of 29 September 2017, BGLF has returned 1.37% net year to date and 6.77% net annualised since inception.

	Cumulative		Annualised		
	1 Year	Since Inception	2 Year	3 Year	Since Inception
BGLF	4.74%	23.25%	7.56%	6.86%	6.77%
European Loans	4.23%	12.85%	4.66%	4.09%	3.86%
US Loans	5.36%	12.05%	5.67%	3.96%	3.63%

2017	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
BGLF	0.14%	0.76%	-0.53%	0.01%	0.95%	0.63%	0.44%	-1.01%	-0.02%				**1.37%**
European Loans	1.00%	0.46%	-0.29%	0.29%	0.52%	0.03%	0.48%	-0.02%	0.34%				**2.88%**
US Loans	0.53%	0.59%	0.08%	0.44%	0.38%	-0.06%	0.78%	-0.14%	0.41%				**3.04%**
2016	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF	0.95%	0.67%	1.32%	1.28%	2.31%	0.98%	0.34%	0.13%	1.28%	0.37%	1.96%	0.97%	**13.28%**
European Loans	-0.32%	-0.93%	2.06%	1.35%	0.74%	-0.60%	1.16%	0.88%	0.74%	0.50%	0.18%	0.63%	**6.52%**
US Loans	-0.73%	-0.56%	2.64%	1.90%	0.91%	0.03%	1.41%	0.79%	0.87%	0.77%	0.32%	1.15%	**9.88%**
2015	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF	1.36%	0.82%	0.76%	0.86%	1.05%	-0.07%	1.42%	0.09%	0.57%	0.83%	0.07%	0.07%	**8.11%**
European Loans	0.42%	1.06%	0.73%	0.88%	0.50%	-0.23%	0.50%	-0.17%	-0.33%	0.18%	-0.11%	-0.32%	**3.14%**
US Loans	0.26%	1.41%	0.39%	0.90%	0.20%	-0.31%	0.09%	-0.65%	-0.67%	-0.14%	-0.89%	-0.95%	**-0.38%**
2014	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF								0.78%	0.21%	0.26%	1.12%	-3.05%	**-0.73%**
European Loans								0.13%	-0.07%	0.03%	0.37%	-0.61%	**-0.16%**
US Loans								0.23%	-0.52%	0.29%	0.46%	-1.10%	**-0.65%**

Performance Commentary

The Fund continues to generate strong cash flows from its retained CLO Income Note investments ("**CLO Income Notes**") and from a core portfolio of directly held loans. During the third quarter, the CLO Income Notes produced an average annualised distribution rate of 13.9% which represents distributions from 11 of BGCF's 16 CLO positions and a reduction versus 2Q17 annualised average distribution rate of 16.6%.[3] Five CLOs recently priced have not yet made their first distributions. Of the 11 CLOs which made distributions

[3] Annualised quarterly cash distribution based on cost. Calculated using Intex data.

during the quarter, five CLOs' liabilities were recently refinanced and the rest remain within their respective non-call periods.

Asset spread compression continued to reduce income received from directly owned loans, and warehouse first loss positions (levered 4x), and CLO equity (levered ~10x). Additionally, spread compression has had a negative impact on the valuations of CLO equity positions.

Consistent with, and in support of, CLO issuance activity, BGCF's loan portfolio balance ebbed and flowed throughout the third quarter. As at 29 September, BGCF's exposure to European loans was €392 million, held directly (average of €206 million over the quarter) and exposure to USD loans was $818 million, held in two external warehousing facilities (average of $299 over the quarter). In line with the broader market, the weighted average all-in rate of the Fund's loans declined over the quarter – from 4.48% in June 2017 to 3.92% in September 2017 for directly held European loans, though increased from 4.65% to 4.81% for USD loans held with external warehouses. Similarly to the market, the average valuation of BGCF's loan portfolio increased over the quarter, contributing positively towards the Fund's performance.

During the quarter, the Fund held investments in two U.S. CLO warehouses. As at 29 September, BGCF had first loss investments in the Gilbert Park CLO warehouse, which supported $798 million of traded loans, and in the newly opened Greenwood Park CLO warehouse, which supported $20 million of traded loans.[4] Gilbert Park CLO priced on 29 September and was closed on 24 October 2017. External warehouse investments are held at their cost (investment amount) and net income earned and net settled gains/losses on the warehouse assets are realised by BGCF when the warehouse is converted into a CLO.

Investment Activity

During the third quarter of 2017, BGCF invested €27.6 million ($32.8 million) into Blackstone / GSO US Corporate Funding, Ltd., the U.S. Majority Owned Affiliate ("**U.S. MOA**"), in order to sponsor one U.S. CLO.

	Size (€/$)	Investing Entity	Closing Date	Reinvestment Period End	Non-Call Period	AAA Spread	Invested Capital (€/$)	Position as a % of Tranche	Expected % Ramp at Closing
Dewolf Park	$613.5m	U.S. MOA	Aug-17	Apr-22	Oct-19	121bp	$32.8m	60.0%	72.0%

BGLF continues to refinance existing CLOs soon after expiration of their respective non-call periods. Year to date, five CLOs were refinanced and as of the end of the third quarter, there remains one CLO within the portfolio (Dorchester Park CLO) that was eligible to be refinanced and has yet to be refinanced. During the

[4] Greenwood Park CLO had an additional third party first loss provider invested alongside of BGCF.

third quarter, BGCF refinanced the liabilities of Orwell Park CLO which had a remaining reinvestment period of 2.0 years and achieved a reduction in its weighted average cost of debt of approximately 0.60%.

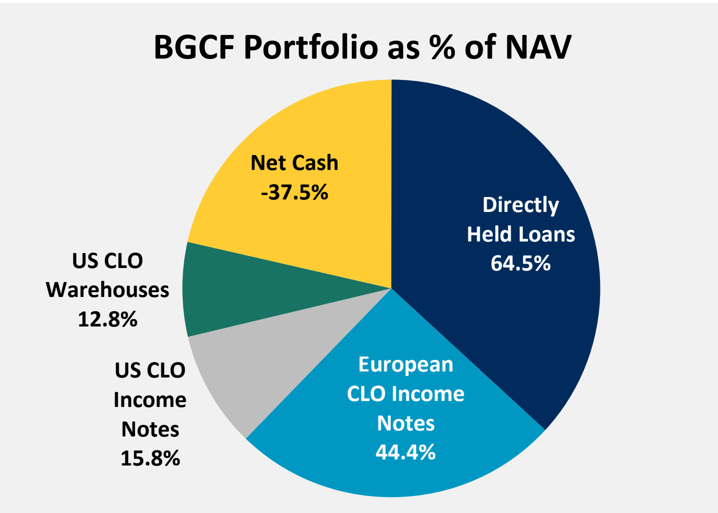
	Closing Date	Refinancing Date	Reinvestment Period End	Original AAA Spread	Refinanced AAA Spread	Position (€/$)
Orwell Park	Jun-15	Jul-17	Jul-19	130bp	78bp	€24.2m

During the third quarter, BGCF originated approximately €439 million of senior secured loans and floating rate notes expanding the size of the directly held portfolio. BGCF also invested €77.2 million ($90.0 million) million in two U.S. CLO warehouses during the quarter.

	Initial Investment Date	Target Closing Date	Investment ($)	Loan Exposure ($)
Gilbert Park	Jul-17	Oct-17	$87.5m	$798m
Greenwood Park	Sep-17	[2018]	$2.5m	$20m

Portfolio Positioning

The Fund has steadily increased its total exposure to the U.S. loan market through additional investments in U.S. CLO warehouses and U.S. CLO Income Notes. As at 29 September, BGCF's portfolio was composed of 44% European CLO Income Notes and 29% U.S. CLO Income Notes, CLO warehouses and non-retention CLO equity. This compares to its portfolio at year end 2016, which was 56% European CLO Income Notes and mezzanine notes and 9% U.S. CLO Income Notes, CLO warehouses, and non-retention CLO equity. The portfolio's net cash balance was -38% as a percentage of net assets at the end of the quarter due to drawings on its leverage facility used to purchase directly held loans. At the end of the quarter, BGCF's leverage as a percentage of total assets was approximately 27%, calculated as net cash dividend by gross assets.



Portfolio vintage diversification is an important part of the Fund’s strategy. The rapid pace of CLO issuance year to date has increased the portfolio’s concentration in newer vintage CLOs with longer reinvestment periods, which benefit from greater investment flexibility to participate in the primary loan market and opportunity to take advantage of secondary market dislocations.

BGCF’s loan portfolios, held both directly on the balance sheet and indirectly through CLO warehouses, continue to be invested at a healthy pace in order to maintain flexibility in with respect to the CLO creation strategy. We continually monitor the global arbitrage opportunity, optimising the loan portfolio in order to both maximise the returns and be better positioned with a sufficiently ramped portfolio in order to swiftly capture the favourable liability execution. The portfolio ramp within each external warehouse has focused on primary loans, in an effort to minimise any vintage effect of prepayment risk and higher secondary purchase prices that may burden future CLO take-out opportunities.

III. Fund Update

Capital Raising and Call Activity

During the quarter, Blackstone / GSO Corporate Funding EUR Fund (“**BGCF EUR**”), an investor in BGCF, received €46 million of capital commitments, bringing total BGCF EUR capital commitments to €529 million. BGCF EUR called €30 million over the same period, which was invested into BGCF on 2 October 2017, and an additional €30 million after quarter end, which will be invested into BGCF on 1 November 2017. As of 30 September 2017, BGCF EUR had €275 million of undrawn capital, and proforma for the November investment, had €245 million of undrawn capital.

Given the demand in both the global loan and CLO markets, the portfolio's pace of investment has been ahead of plan and we have been able to invest capital more efficiently than initially expected. Our outlook on the global CLO market remains positive, and we are optimistic about future CLO creation given investor demand for CLO liabilities in both Europe and the U.S.

As of 29 September 2017, BGCF's portfolio was allocated 63.9% to BGLF and 36.1% to BGCF EUR. BGCF's ownership of the U.S. MOA was 66.3%.

Distributions

BGLF declared a dividend of €0.025 per share in respect of the period from 1 July 2017 to 30 September 2017. This dividend is payable on 24 November 2017 to shareholders on the register as at the close of business on 27 October 2017, and the corresponding ex-dividend date is 26 October 2017

Regulatory Update

On 6th October, the U.S. Treasury Department released its regulatory reform report on capital markets, which included a recommendation that could result in a less punitive requirement for CLO risk retention. Potential changes to U.S. risk retention requirements, if any, will likely not occur for quite some time, and any effects of such change may be marginal to the overall market.

On 26th October, the European Parliament approved the final text of the simple, transparent and standardised ("**STS**") regulation, which was substantially unchanged from the drafts released earlier this year. The new STS regulation will be in effect effective for transactions, including a refinancing or reset of an existing transaction, issued on or after 1st September 2019, though any effect on the market should be marginal, if any at all. The STS regulation includes securitisation party restrictions, transparency, and risk retention.

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BGLF Portfolio Composition

Net Asset Value: € 389,558,554.2	% of BGLF NAV
Directly Held Loans	64.3%
European CLO Income Notes	44.3%
US CLO Income Notes	15.8%
US CLO Warehouses	12.7%
Net Cash	-37.1%
Total	**100.0%**

Footnotes

Data as of 29 September 2017. Note that portfolio composition figures may not add to 100.0% due to rounding.

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BGLF Retained CLO Income Note Investments

	Investing Entity	Closing Date	Refinancing Date (Closing)	Remaining RI Period (Yrs)	Deal Size (mm)	Equity Tranche (mm)	BGLF Position (mm)[1]	BGLF Cost (mm)[1]	Risk Reten. Position as % of Tranche	Valuation as % of BGLF NAV	Ann. Dist. [2]	Cum. Dist. [2]	Wt. Avg. Cost of Liabilities[3]	Gross Coupon[2]
EUR CLO Income Notes														
Phoenix Park	BGCF	Jul-14	Jan-17	0.8	€ 413.2	€ 45.3	€ 14.9	€ 14.1	51.4%	3.0%	18.0%	54.3%	1.53%	4.13%
Sorrento Park	BGCF	Oct-14	May-17	1.1	€ 517.0	€ 57.0	€ 18.9	€ 17.9	51.8%	4.1%	19.0%	53.7%	1.43%	4.21%
Castle Park	BGCF	Dec-14	Mar-17	1.3	€ 415.0	€ 46.0	€ 29.4	€ 26.9	100.0%	6.3%	18.6%	47.8%	1.51%	4.14%
Dartry Park	BGCF	Mar-15	Jul-17	1.6	€ 411.1	€ 44.6	€ 14.6	€ 13.8	51.1%	3.2%	16.8%	39.8%	1.63%	3.94%
Orwell Park	BGCF	Jun-15	Aug-17	1.8	€ 415.0	€ 47.5	€ 15.5	€ 14.2	51.0%	3.4%	18.2%	38.7%	1.44%	4.12%
Tymon Park	BGCF	Dec-15	n/a	2.3	€ 414.0	€ 44.5	€ 14.5	€ 13.2	51.0%	2.7%	17.6%	28.1%	2.25%	4.09%
Elm Park	BGCF	May-16	n/a	2.5	€ 558.2	€ 56.9	€ 30.0	€ 30.0	82.4%	6.4%	15.2%	17.3%	2.39%	4.10%
Griffith Park	BGCF	Sep-16	n/a	2.9	€ 453.6	€ 48.7	€ 18.5	€ 16.5	59.5%	3.7%	13.6%	11.6%	2.19%	4.09%
Clarinda Park	BGCF	Nov-16	n/a	3.1	€ 415.1	€ 45.1	€ 14.8	€ 12.4	51.2%	2.8%	13.1%	9.8%	2.03%	3.99%
Palmerston Park	BGCF	Apr-17	n/a	3.5	€ 414.5	€ 45.0	€ 17.9	€ 16.0	62.2%	4.2%	n/a	n/a	1.73%	3.82%
Clontarf Park	BGCF	Jul-17	n/a	3.8	€ 413.6	€ 43.3	€ 18.5	€ 16.8	66.9%	4.4%	n/a	n/a	1.59%	n/a
EUR CLO Income Note Total							**€ 207.5**	**€ 191.9**		**44.3%**	**16.7%**	**33.3%**	**1.81%**	**4.07%**
US CLO Income Notes														
Dorchester Park	BGCF	Feb-15	n/a	1.3	$509.4	$45.9	$17.9	$17.0	60.9%	2.6%	19.2%	46.0%	3.39%	4.78%
Grippen Park	US MOA	Mar-17	n/a	4.6	$611.4	$59.4	$22.8	$20.2	60.0%	2.8%	n/a	n/a	2.88%	4.78%
Thayer Park	US MOA	May-17	n/a	4.6	$514.6	$54.6	$19.1	$16.2	54.6%	2.4%	n/a	n/a	2.94%	4.80%
Catskill Park	US MOA	May-17	n/a	4.6	$1,028.5	$108.5	$41.6	$36.5	60.0%	4.9%	27.4%	4.7%	2.81%	4.72%
Dewolf Park	US MOA	Aug-17	n/a	5.0	$613.5	$61.5	$23.6	$21.0	60.0%	3.1%	n/a	n/a	3.04%	n/a
US CLO Income Note Total							**$124.9**	**$110.8**		**15.8%**	**25.0%**	**17.1%**	**2.97%**	**4.76%**

Footnotes

Data as of 29 September 2017.

(1) Effective position and cost on a look-through basis.

(2) Source: Intex. Distributions presented based on cost. Gross Coupon not available for deals that are not yet included in Intex.

(3) Sources: For CLOs that have paid an equity distribution: Intex; For CLOs that have not yet paid an equity distribution: S&P/LCD or Trustee Reports. Represents the all-in rate of each liability tranche.

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Important Disclosure Information

This quarterly update letter ("**Letter**") is being furnished to you to provide preliminary summary information regarding an investment in the Fund, is for informational purposes only and it does not constitute an offer to sell, or a solicitation of an offer to buy, any investment in, or to participate in any trading strategy with Blackstone / GSO Debt Funds Management Europe Limited or Blackstone / GSO Debt Funds Management Europe II Limited (together, the "**Manager**") or its affiliates in the credit-focused business unit of The Blackstone Group L.P. ("**Blackstone**"), including without limitation, GSO Capital Partners LP (together with the Manager and their affiliates in the credit-focused business unit of Blackstone, "**GSO**"). The offering is made only to qualifying investors through a separate subscription agreement for the Fund and the governing and operating documents for the Fund (together as may be amended or supplemented from time to time, the "**Operative Documents**"). The Operative Documents contain material information (including a discussion of potential conflicts of interest) not contained in this document, and supersede and qualify in its entirety the information set forth herein. Any decision to invest in, or withdraw from, the Fund should be made after reviewing the appropriate Operative Documents, conducting such investigations as the investor deems necessary and consulting the investor's own legal, accounting, and tax advisors in order to make an independent determination of the suitability and consequences of the investment. Risks associated with investment in the Fund include, without limitation, illiquidity of an investment, risk of default of the underlying debt instrument, and risk of loss of principal.

Certain information contained herein has been obtained from published and non-published sources prepared by other parties, which in certain cases has not been updated through the date hereof. While such information is believed to be reliable for the purpose used herein, GSO does not assume any responsibility for the accuracy or completeness of such information and such information has not been independently verified by GSO. In particular, you should note that, since many of the investments described are unquoted, net asset value figures in relation to the Fund are based wholly or partly on estimates of the values of the Fund's investments provided by the originating banks of those underlying investments or other market counterparties, which estimates may themselves have been subject to no verification or auditing process or may relate to a valuation at a date before the date of the relevant net asset valuation for the Fund, or which have otherwise been estimated by GSO. In addition, certain performance related information contained in this Letter, including information sourced from third parties, may be based on data that was prepared and/or provided to the applicable sources by certain CLO market participants, and there can be no assurance that such data is inclusive or representative of comparable data for the entire CLO market. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs or losses costs by negligence) in connection with any use of their content, including ratings.

Any comparisons herein of investment performance to a benchmark or an index are qualified as follows: (i) the volatility of such benchmark or index may be materially different from that of the performance of the Fund; (ii) such benchmark or index will employ different investment guidelines and criteria than the Fund and, therefore, the holdings in the Fund may differ significantly from the securities that comprise the index; and (iii) the performance of such benchmark or index has not necessarily been selected to represent an appropriate benchmark to compare to the performance of the Fund, but rather is disclosed to allow for comparison of the Fund's performance (or the performance of assets held by the Fund) to that of a well-known benchmark or index. A summary of the investment guidelines for any such benchmark or index is available upon request.

Past performance is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve results comparable to its earlier results or those of any of GSO's prior funds, special purpose investment vehicles, co-investment vehicles or non-fund relevant transactions, or that the Fund will be able to implement its investment strategy or achieve its investment objectives. Information contained herein which relates to the net asset value performance of the Fund may not be indicative of how the Fund's investments may perform in the future. Moreover the values of such investments may fluctuate considerably and the historic net asset values shown for such Fund take no account of the costs or practical difficulties of realising some or all of such investments. The value of investments mentioned herein may go down as well as up and investors may not get back the amount invested. No assurance can be given that the investment objective will be achieved. Information on past performance, where given, is not necessarily a guide to future performance. Changes in rates of exchange between currencies may cause the value of investments to decrease or increase. Investments mentioned herein may not be suitable for all recipients and in each case potential investors are advised not to take any investment decision unless they have taken independent advice from an appropriately authorised advisor.

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," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund described herein may differ materially from those reflected or contemplated in such forward-looking statements.

Any targets, forecasts, estimates, or similar returns set forth herein are based on GSO's belief about the returns that may be achievable on investments that the Fund intends to pursue. Targets, forecasts, and estimates are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the targets, forecasts, and estimates will not materialize or will vary significantly from actual results. Such returns are based on GSO's current view in relation to future events and financial performance of potential investments and various models, estimations and "base case" assumptions made by GSO, including estimations and assumptions about events that have not occurred. Among the assumptions to be made by GSO in performing its analysis are (i) the amount and frequency of current income from an investment, (ii) the holding period length, (iii) EBITDA growth and cost savings over time, (iv) the manner and timing of sale, (v) exit multiples reflecting long-term averages for the relevant asset type, (vi) customer growth and other business initiatives, (vii) availability of financing, (viii) potential investment opportunities GSO is currently or has recently reviewed and (ix) overall macroeconomic conditions such as GDP growth, unemployment and interest rate levels. While such "base case" assumptions are based on assumptions that GSO believes are reasonable under the circumstances, they are subject to uncertainties, and changes. Any such modification could be adverse to the actual overall returns. The inclusion of targets, forecasts and estimates herein should not be regarded as a representation or guarantee regarding the reliability, accuracy or completeness of the assumptions or information contained herein and neither GSO nor Blackstone is under any obligation to update or otherwise revise the target returns to reflect circumstances existing after the date when made to reflect the occurrence of future events, even in the event that any or all of the assumptions underlying the target returns are later shown to be incorrect. Actual events and conditions may differ materially from the assumptions used to establish returns and there is no guarantee that the assumptions will be applicable to the Fund's investments. None of GSO, Blackstone, its affiliates or any of the respective directors, officers, employees, partners, shareholders, advisers and agents of any of the foregoing makes any assurance, representation or warranty as to the accuracy of such assumptions.

Prospective investors should be aware that an investment in the Fund involves a high degree of risk. There may be occasions when the management company of the Fund, the principals, GSO, Blackstone and their affiliates will encounter potential conflicts of interest in connection with the Fund's activities including, without limitation, the allocation of investment opportunities, relationships with GSO's and/or Blackstone's other activities, and the diverse interests of the Fund's limited partner group. In addition, GSO, Blackstone, and their affiliates engage in a broad spectrum of activities, which may include activities where the interests of certain divisions of GSO, Blackstone and their affiliates or the interests of their clients may conflict with the interest of the partners in the Fund. Because GSO, Blackstone, and their affiliates have many different asset management, advisory and other businesses, they are subject to a number of actual and potential conflicts of interest, greater regulatory oversight, and more legal and contractual restrictions than that to which they would otherwise be subject if they had just one line of business. In addressing these conflicts and regulatory, legal, and contractual requirements across various businesses, GSO, Blackstone, and their affiliates have implemented certain policies and procedures (e.g., information walls) that may reduce the positive synergies that the Fund expects to utilise for purposes of finding attractive investments. As a consequence, that information, which could be of benefit to the Fund, might become restricted to those other businesses and otherwise be unavailable to the Fund, and could also restrict the Fund's activities. There can be no assurance that any conflict of interest will be resolved in the manner most favourable to the Fund or any investor therein.

Blackstone / GSO Loan Financing Limited
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