Blackstone

2020 Annual Report

Blackstone Loan Financing Limited

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A Note from our Chair

The Company's performance was impacted by actual and expected downgrade stresses arising from the onset of COVID-19 on the global economy in the first quarter, before largely recovering in the second half of the year.

Despite this backdrop, the Company delivered an IFRS NAV total return per Ordinary Share of 8.85% in 2020, ending the year at €0.8557 per share.

The Board's outlook for 2021 is optimistic but remains uncertain as it is predicated on the successful rollout of COVID-19 inoculations and a reduction in the virus infection rate. However, we believe a strong rebound will likely occur during the second half of 2021 due to additional stimulus, pent-up consumer demand, and the continued roll-out of vaccinations.

Charlotte Valeur
Chair
29 April 2021

Key Performance Indicators

	IFRS NAV	Published NAV
NAV[1]	€0.8557 (31 Dec 2019: €0.8543)	€0.8435 (31 Dec 2019: €0.9187)
NAV total return[1]	8.85% (31 Dec 2019: (18.31)%)	(0.22)% (31 Dec 2019: 14.46%)
Discount[1]	(21.70)% (31 Dec 2019: (3.43)%)	(20.57)% (31 Dec 2019: (10.20)%)
Dividend	€0.07 (31 Dec 2019: €0.10)	€0.07 (31 Dec 2019: €0.10)

Further information on the reconciliation between the IFRS NAV and the Published NAV can be found on page 5. Refer to Discount Management in the Chair's Statement on page 9 for the latest share price discount to the Published NAV.

Performance

Ticker	IFRS NAV per Share	Published NAV per Share	Share Price[2]	Discount IFRS NAV	Discount Published NAV	Dividend Yield
BGLF						
31 Dec 2020	€0.8557	€0.8435	€0.6700	(21.70)%	(20.57)%	10.45%[3]
31 Dec 2019	€0.8543	€0.9187	€0.8250	(3.43)%	(10.20)%	12.12%
BGLP						
31 Dec 2020	£0.7647	£0.7538	£0.6000	(21.54)%	(20.40)%	10.47%[3]
31 Dec 2019	£0.7226	£0.7771	£0.7050	(2.44)%	(9.28)%	12.00%

	LTM Return[1]	3-Year Annualised	Annualised Since Inception	Cumulative Since Inception
BGLF IFRS NAV	8.85%	7.31%	6.76%	52.42%
BGLF Published NAV	(0.22)%	6.79%	6.51%	50.21%
BGLF Ordinary Share Price	(9.92)%	(1.56)%	3.45%	24.41%
European Loans	2.38%	2.63%	3.20%	22.50%
US Loans	2.78%	3.98%	3.84%	27.47%

(1) Refer to the Glossary for an explanation of the terms used above and elsewhere within this report
(2) Bloomberg closing price at period end
(3) Dividend Yield presented as €0.07 per annum, given the first three quarterly dividends of €0.015 per share and fourth quarter dividend of €0.025, and the share price as at 31 December 2020

Strategic Report

1.0

Reconciliation of IFRS NAV to Published NAV

At 31 December 2020, there was a difference between the NAV per Ordinary Share as disclosed in the Statement of Financial Position, €0.8557 per Ordinary Share, ("IFRS NAV") and the published NAV, €0.8435 per Ordinary Share, which was released to the LSE on 22 January 2021 ("Published NAV"). A reconciliation is provided in Note 16 in the Notes to the Financial Statements. The difference between the two valuations is entirely due to the different valuation bases used.

Valuation Policy for the Published NAV

The Company publishes a NAV per Ordinary Share on a monthly basis in accordance with its Prospectus. The valuation process in respect of the Published NAV incorporates the valuation of the Company's CSWs and underlying PPNs (held by the Lux Subsidiary). These valuations are, in turn, based on the valuation of the Blackstone Corporate Funding Designated Activity Company ("BCF") (formerly Blackstone/GSO Corporate Funding Designated Activity Company) portfolio using a CLO intrinsic calculation methodology per the Company's Prospectus, which we refer to as a "mark to model" approach. As documented in the Prospectus, certain "Market Colour" (market clearing levels, market fundamentals, bids wanted in competition ("BWIC"), broker quotes or other indications) is not incorporated into this methodology. The Directors believe that this valuation process is the appropriate way of valuing the Company's holdings, and of tracking the long-term performance of the Company as the underlying portfolio of CLOs held by BCF are comparable to held to maturity instruments and the Company expects to receive the benefit of the underlying cash-flows over the CLOs' entire life cycle.

€0.8557

IFRS NAV per Ordinary Share

€0.8435

Published NAV per Ordinary Share

Valuation Policy for the IFRS NAV

For financial reporting purposes on an annual and semi-annual basis, to comply with IFRS as adopted by the EU, the valuation of BCF's portfolio is at fair value using models that incorporate Market Colour at the period end date, which we refer to as a "mark to market" approach. IFRS fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date, and is an "exit price" e.g. the price to sell an asset. An exit price embodies expectations about the future cash inflows and cash outflows associated with an asset or liability from the perspective of a market participant. IFRS fair value is a market-based measurement, rather than an entity-specific measurement, and so incorporates general assumptions that market participants are applying in pricing the asset or liability, including assumptions about risk.

Both the mark to model Published NAV and mark to market IFRS NAV valuation bases use modelling techniques and input from third-party valuation specialists. The smaller number of CLOs held directly by the Company, as a result of the Rollover Offer, are valued using a mark to market approach for both the Published NAV and IFRS NAV, consistent with the valuation methodology per the Company's Prospectus.

The Directors, as set out in the Prospectus, will continue to assess the performance of the Company using the Published NAV. Additional information and commentary on Market Colour, credit risk exposure and any material divergence from the different valuation bases referred to above will be communicated by the Directors and Portfolio Adviser if and when appropriate.

Dividend History

Whilst not forming part of the Company's investment objective or investment policy, it is currently intended that dividends are payable in respect of each calendar quarter, two months after the end of that quarter.

On 23 April 2020, pursuant to a review of BCF's portfolio in light of COVID-19, the Board announced that the Company had adopted a revised dividend policy targeting a total 2020 annual dividend of between €0.06 and €0.07 per Ordinary Share, to consist of quarterly payments of €0.015 per Ordinary Share for the first three quarters and a final quarter payment of a variable amount to be determined at that time. In accordance with the Company's revised dividend policy, the Board declared dividends of €0.015 per Ordinary Share for the first three quarters of 2020 and a dividend of €0.025 per Ordinary Share for the fourth quarter.

The Board also announced that it would keep the dividend policy under close review as the impact of the COVID-19 pandemic unfolds. Refer to Note 21 for an update to the dividend policy after the year end.

Ordinary Share Dividends for the Year Ended 31 December 2020

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Ordinary Share €
1 Jan 2020 to 31 Mar 2020	23 Apr 2020	30 Apr 2020	29 May 2020	0.0150
1 Apr 2020 to 30 Jun 2020	21 Jul 2020	30 Jul 2020	28 Aug 2020	0.0150
1 Jul 2020 to 30 Sept 2020	21 Oct 2020	29 Oct 2020	27 Nov 2020	0.0150
1 Oct 2020 to 31 Dec 2020	22 Jan 2021	4 Feb 2021	5 Mar 2021	0.0250

Ordinary Share Dividends for the Year Ended 31 December 2019

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Ordinary Share €
1 Jan 2019 to 31 Mar 2019	18 Apr 2019	2 May 2019	31 May 2019	0.0250
1 Apr 2019 to 30 Jun 2019	18 Jul 2019	25 Jul 2019	23 Aug 2019	0.0250
1 Jul 2019 to 30 Sept 2019	18 Oct 2019	31 Oct 2019	29 Nov 2019	0.0250
1 Oct 2019 to 31 Dec 2019	21 Jan 2020	30 Jan 2020	28 Feb 2020	0.0250

C Share Dividends for the Period Ended 31 December 2019

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per C Share €
1 Oct 2018 to 31 Dec 2018	22 Jan 2019	31 Jan 2019	1 Mar 2019	0.01452
1 Jan 2019 to 31 Mar 2019	18 Apr 2019	2 May 2019	31 May 2019	0.0205
1 Apr 2019 to 30 Jun 2019	18 Jul 2019	25 Jul 2019	23 Aug 2019	0.0214
1 Jul 2019 to 30 Sept 2019	18 Oct 2019	31 Oct 2019	29 Nov 2019	0.0221

Refer to Corporate Activity and Note 9 for details on the conversion of the Company's C Shares into Ordinary Shares. Consequently, no dividends were declared on the C Shares between 1 January 2020 and their conversion on 6 January 2020.

Year Highs and Lows

	2020 High	2020 Low	2019 High	2019 Low
Published NAV per Ordinary Share	€0.8992	€0.7663	€0.9215	€0.8824
BGLF Share Price (last price)	€0.8400	€0.4500	€0.8550	€0.7500
BGLP Share Price (last price)	£0.7200	£0.4200	£0.7600	£0.6600

Schedule of Investments

As at 31 December 2020

	Nominal Holdings	Market Value €	% of Net Asset Value
Investment held in the Lux Subsidiary:			
CSWs	284,879,854	381,605,063	93.48
Shares (2,000,000 Class A and 1 Class B)	2,000,001	6,395,083	1.57
CLOs held directly	6,522,171	549,437	0.13
Other Net Assets		19,655,592	4.82
Net Assets Attributable to Shareholders		408,205,175	100.00

Schedule of Significant Transactions

Date of Transaction	Transaction Type	Quantity	Amount €	Reason
CSWs held by the Company – Ordinary Share Class				
3 Feb 2020	Subscription	6,800,000	6,800,000	Investments in PPNs
14 Feb 2020	Redemption	9,282,079	12,304,242	To fund dividend
15 May 2020	Redemption	12,896,006	15,096,970	To fund dividend
12 Aug 2020	Redemption	11,256,352	14,063,391	To fund dividend
16 Nov 2020	Redemption	8,244,293	10,375,908	To fund dividend

Refer to Corporate Activity and Note 9 for details on the conversion of the Company's C Shares into Ordinary Shares.

Chair's Statement

Company Returns and Net Asset Value[(4)]

The Company delivered an IFRS NAV total return per Ordinary Share of 8.85% in 2020 ((18.31)% in 2019), ending the year at €0.8557 per share (€0.8543 at 31 December 2019). This return was composed of 9.11% from dividends and (0.26)% from net portfolio movement.

8.85%

IFRS NAV total return per Ordinary Share

(0.22)%

Published NAV total return per Ordinary Share

On a Published NAV basis, the Company delivered a total return per Ordinary Share of (0.22)% in 2020 (14.46% in 2019), ending the year at €0.8435 per share (€0.9187 at 31 December 2019). This return was composed of 8.63% from dividends and (8.85)% from net portfolio movement.

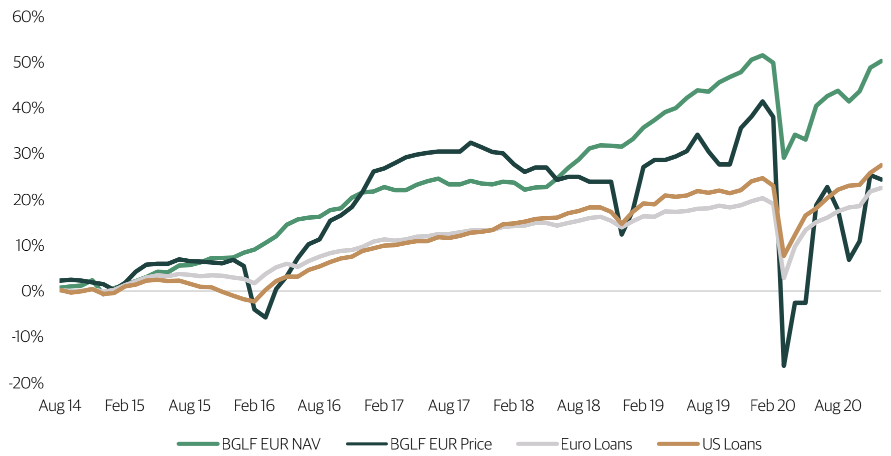
The Company's performance was impacted by actual and expected downgrade stresses arising from the onset of COVID-19 on the global economy in the first quarter, before largely recovering in the second half of the year.

An explanation of the difference between the IFRS NAV and the Published NAV is included on page 5.

On 23 April 2020, the Board announced that the Company had adopted a revised 2020 dividend policy targeting a total annual dividend of between €0.06 and €0.07 per Ordinary Share, ultimately achieving the top end of this target range. The policy was revised downwards to prepare for potential losses and reduction in expected cash flows from the underlying CLOs as a result of the impact of COVID-19. The Company declared four dividends in respect of the year ended 31 December 2020, totalling €0.07 per share. Details of all dividend payments can be found within the Dividend History section at the front of this Annual Report.

Historical BGLF NAV and Share Price

The graph shows cumulative Published NAV and Ordinary Share price total returns and cumulative returns on European and US loans.



(4) Past performance is not necessarily indicative of future results, and there can be no assurance that the Company will achieve comparable results, will meet its target returns, achieve its investment objectives, or be able to implement its investment strategy

STRATEGIC REPORT: CHAIR'S STATEMENT

Market Conditions

In 2020, the world witnessed a global pandemic not matched in over a century. To quell the skyrocketing levels of infection, countries across the globe effectively shuttered their economies to protect their citizen's lives. The economic impact of these efforts was severe and resulted in significant financial and social repercussions. The contraction of global growth for 2020 is estimated at (3.5)%[(5)]. In the face of such unprecedented events, central banks and federal governments rolled out support packages to insulate economies as best they could. Advanced economies, less constrained by elevated debt levels, generally were better able to deliver large direct spending and liquidity supports relative to GDP.

In what undoubtedly would otherwise have been centre stage if not for the novel coronavirus ("COVID-19"), the Brexit trade deal discussions dragged on throughout 2020. It was not until 30 December 2020 that after much negotiating, a deal was agreed. This was greeted with welcome relief on both sides and provided certainty to businesses around trade and tariffs. In the US, Joe Biden won the presidential election and was sworn in as the 46th President of the United States. As part of President Biden's COVID-19 rescue plan, he has proposed a $1.9 trillion support package which should spur the economy forward in 2021.

Financial markets ended the year strongly, as equity bull markets recorded new highs and US and European credit assets finished the year in positive territory. This is even more impressive given the dramatic selloff in risk assets during Q1, with volatility reaching levels not recorded since the global financial crisis. The Company, through its investment in BCF was not immune to this volatility, however, with its diversified and defensively positioned portfolio, invested across multiple sectors, geographies and vintages, it was able to navigate the worst of this volatility. Global central banks' intervention and individual government support packages helped to allay market concerns around liquidity and corporate fundamentals, which provided a tailwind to risk assets as the year progressed.

Looking ahead, with growing vaccine availability and improved test and tracing capabilities, local transmission of the virus is expected to fall. As economies reopen and fiscal support packages remain in place, economic activity should increase and fiscal deficits in most countries should decline as revenues rise and expenditures decline in line with the recovery. The IMF projects global economic growth of 5.5% in 2021. This is predicated on a successful suppression of the virus, a consistent recovery in global trade activity (8% growth in 2021) and inflation to remain subdued below the 1.5% target rate of central banks. All three of these assumptions are less than certain and the inflation assumption now looking particularly suspect. Until recently investors dismissed the idea of a rapid recovery, believing that the recession led to significant scarring and a return to normality would take time. The pace of the recovery has therefore taken market participants by surprise. As demand surges, inflationary pressures will rise and leave policy makers in the unenviable position of balancing inflation and the economic recovery.

Discount Management

The share price discount to Published NAV was in the range 8.81%[(6)] to 36.71%[(6)] and averaged 21.91%[(6)] throughout 2020 and ended the year trading at a discount of 20.57%[(6)] (versus discount of 10.20% at 2019 year-end). This was mainly due to the market uncertainty brought about by the COVID-19 pandemic. As a Board, we regularly weigh the balance between maintaining liquidity of the shares, the stability of any discount, and the desire of Shareholders to see the Ordinary Shares trade as closely as possible to their intrinsic value[(7)]. During 2020, the Company repurchased 3,498,507 shares for €2,118,749 at an average discount of 25.18% using available cash with the goal of reducing the discount. From 1 January 2021 to 28 April 2021, the Company further repurchased 125,000 shares for €81,250 at an average discount of 23.02%. As of 28 April 2021, the share price discount to Published NAV was 8.17%.

Blackstone Loan Financing C Share Update

On 7 January 2020, the conversion of the BGLF C shares into Ordinary shares was completed. The intention to undertake this conversion was announced by BGLF on 24 October 2019, following the investment of €62.6 million into BCF with proceeds from the sale of relevant assets acquired under the C Share rollover process, which represented 85.8% (87.3% including cash) of the value of assets in the C share pool. The Conversion Ratio was based on the net assets attributable to the Ordinary Shares and C Shares as at close of business on 29 November 2019.

Brexit Update

The Board closely monitored the Brexit trade deal negotiations during 2020, which culminated with a deal being finalised on 30 December 2020. The potential implications of a "hard Brexit" as a result of no trade deal being agreed before the year end deadline to BGLF was evaluated across its service providers, including areas such as human resources, counterparty relationships, supply chains, macroeconomic, and regulatory policy, as well as with regards to its marketing registrations, and was deemed to have a negligible impact on the long-term sustainability of the Company.

(5) Source: IMF, as of January 2021
(6) The discount has been calculated with reference to the Published NAV pertaining to the reporting periods ending each month end date
(7) Represents the BGLF Euro share price

COVID-19

The Directors continue to carefully monitor the ongoing developments regarding COVID-19, which continues to adversely impact global commercial activity and has contributed to significant volatility in financial markets. The global impact of the outbreak continues to evolve, however, the successful development of multiple vaccines and the rollout of vaccination programmes across the globe is encouraging. Nevertheless, COVID-19 continues to present material uncertainty and risk with respect to portfolio asset performance and financial results of the Company. In addition to the factors described above, other factors that may affect market, economic and geopolitical conditions, and thereby adversely affect the Company include, without limitation, a slowdown in economic recovery in Europe and internationally, changes in interest rates and/or a lack of availability of credit in Europe and internationally, commodity price volatility and changes in law and/or regulation, and uncertainty regarding government and regulatory policy.

ESG

The practice of responsible investing remains a key focus for investors. The Board regularly engages with the Company's Portfolio Adviser regarding their ESG policy. Blackstone has committed to being a responsible investor for over 35 years. This commitment is affirmed across the organisation and guides its approach to investing. A summary of Blackstone's responsible investing approach can be found on pages 18 to 20.

The Board

Good governance remains at the heart of our work as a Board and is taken very seriously. We believe that the Company maintains high standards of corporate governance. The Board was very active during the year, convening a total of 13 Board meetings and 30 Committee meetings, as well as undertaking a virtual due diligence review in September 2020 of our Portfolio Adviser. The Board used these meetings to discuss various aspects of operational risk and controls, the loan and CLO markets, and the current market conditions.

In addition, as can be seen from the corporate activity during the year, the Board and its advisers have worked hard to ensure the continued success and growth of the Company to put it in the best position to take advantage of all appropriate opportunities.

The work of the Board is assisted by the Audit Committee, NAV Review Committee, Management Engagement Committee, the Remuneration and Nomination Committee, the Risk Committee and the Inside Information Committee. The joint work of the Risk and Audit committees has given valuable support to the longer-term viability considerations of the Board as described under the Viability Statement in Risk Overview.

The Company is a member of the AIC and adheres to the AIC Code which is endorsed by the FRC, and meets the Company's obligations in relation to the UK Code.

Shareholder Communications

During 2020, using our Portfolio Adviser and Brokers, we continued our programme of engagement with current and prospective Shareholders. We sincerely hope that you found the monthly factsheets, quarterly letters, quarterly update webcasts and market commentary valuable. We are always pleased to have contact with Shareholders, and we welcome any opportunity to meet with you and obtain your feedback.

Prospects and Opportunities in 2021

Sales of CLO positions
The Company sold part of their equity position in one CLO in February 2021 and completely sold their equity positions in two CLOs in March 2021. All three sales were at levels accretive to the Published NAV and favourable to mark-to-market valuations.

As of 28 April 2021, the latest Published NAV was €0.8494 per share.

The Board's outlook for 2021 is optimistic but remains uncertain as it is predicated on the successful rollout of COVID-19 inoculations and a reduction in the virus infection rate. However, we believe a strong rebound will likely occur during the second half of 2021 due to additional stimulus, pent-up consumer demand, and the continued roll-out of vaccinations. With this uncertain trajectory of the markets and global economy in 2021, the Board gains comfort from the robust investment approach of the Company's Portfolio Adviser that selects an underlying portfolio of high-quality companies supported by robust underlying protections.

The Board wishes to express its thanks for the support of the Company's Shareholders.

Charlotte Valeur
Chair
29 April 2021

Portfolio Adviser's Review

We are pleased to present our review of 2020 and outlook for 2021.

- Following the extreme market volatility induced by the COVID-19 pandemic and subsequent recovery in global credit markets, investors experienced a full market cycle throughout 2020.
- US loans and European loans returned 2.78% and 2.38% in 2020 and experienced a default rate of 4.4% and 1.2%, respectively[(8)]. By the end of the year, US and European CLO liability spreads normalised to pre-COVID-19 levels in tandem with a loan market recovery.
- Blackstone Credit CLOs outperformed peers with respect to ratings actions. Following the COVID-19 shock to credit markets, only 1.4% of Blackstone Credit US CLO bonds were downgraded, compared to 9.6% for the market. For European CLOs, 1.4% of BXC CLO bonds were downgraded, compared to 2.5% for the market[(9)].
- CLO securitisations in BCF generated positive cashflow over 2020. The weighted average annualised cash on cash distribution rates for European and US CLO income notes was 15.6% and 17.1%, respectively, with strong contributions across vintages[(10)].
- BCF used the robust market technical in the fourth quarter to reduce a number of CLO excess positions at levels above both the mark-to-model and mark-to-market bid prices for those positions. By freeing up capital, BCF was able to extend reinvestment periods, invest in higher return propositions, increase vintage diversity, and be better prepared for potential volatility.

Bank Loan Market Overview[(11), (12)]

In 2020, global loan markets experienced the worst bout of volatility and market disruption since the 2008 financial crisis. This disruption was caused by the rapid spread of COVID-19 across the globe in the first quarter and the dramatic slowdown in economic activity resulting from related business shutdowns and travel restrictions. Central banks began to intervene on an unprecedented scale in March to ensure sufficient liquidity and orderly market functioning. At the same time, US and European governments enacted aggressive fiscal stimulus measures to help ease investors' and business owners' fundamental concerns. Both the US and European credit markets rebounded at an impressive rate in the months following March and ended the year with positive returns. US loans and European loans returned 2.78% and 2.38% in 2020, respectively.

Despite economic uncertainty and a pause on new issue loan supply in March 2020, the global credit markets quickly reopened to issuers in need of capital. Many corporations first bolstered their liquidity by drawing down revolving lines of credit and then refinanced existing debt at favourable rates given the downward shift in treasuries and the strong investor demand for corporate credit. Issuance in the US and European loan markets decreased year-over-year; gross US loan issuance totalled $96.6 billion, a 20% decrease, while European loan issuance also decreased by 20% in 2020 to €65 billion[(13)]. We expect issuance to increase in both regions in 2021.

(8) Source: Credit Suisse Leveraged Loan Index, Credit Suisse Western European Leveraged Loan Index (Hedged to Euro), Credit Suisse Default Report, 31 December 2020
(9) Source: Blackstone Credit analysis as at 31 December 2020. Certain tranches of CLOs may have been placed on negative watch, affirmed, or downgraded by more than one rating agency. Analysis includes non-BCF CLOs
(10) Blackstone Credit, Intex. As at 7 January 2021
(11) Source: S&P LCD, data as of 31 December 2020
(12) Source: Credit Suisse, as of 31 December 2020. US loans and European loans are represented by the Credit Suisse Leveraged Loan Index and Credit Suisse Western European Leveraged Loan Index (Hedged to Euro), respectively
(13) Source: S&P LCD, data as of 31 December 2020

Global loan spreads diverged in 2020. The US loan spread narrowed by 1bp to end the year at 358bp (compared to 11bp widening in 2019), while the European loan market spread widened by 14bp in 2020 (compared to 4bp widening in 2019) to end the year at 363bp[14].

Global loan default rates were manageable throughout 2020. After peaking at 4.5%, the US loan LTM par-weighted default rate ended the year at 4.4%[15]. Defaults in Europe were more muted with the LTM default rate peaking at just 1.3% for European loans and ending the year at 1.2%. In 2021, default rate forecasts are predicted to decrease by more than half in the US to 2.0% and fall to 1.1% in Europe[16].

CLO Market Overview[17]

Demand for both US and European CLOs was slower to materialise following the market downturn resulting in higher CLO liability spreads. Global issuance of CLOs fell in 2020 to $118 billion (down from the $151 billion in 2019). Regionally, US CLOs recorded 2020 gross issuance of $93 billion, down 21% on 2019's issuance of $118 billion. European CLO issuance fell in tandem with the US, recording gross issuance of €22 billion which was a 26% decrease on the €30 billion recorded in 2019[18]. When demand resurfaced it was for CLOs with shorter reinvestment and non-call periods. This allowed equity investors the optionality to reset liability spreads in a tighter spread environment if one materialised, and in doing so potentially boosting future CLO equity returns. By year end, US and European CLO liability spreads normalised to pre-COVID-19 levels, as the global loan market recovered and defaults slowed. CLO refinancings and resets were limited primarily to early Q1 and late Q4 when the environment was more favourable. US CLO managers completed $32 billion in CLO refinancings and resets in 2020, while European CLO issuers recorded just €1 billion of refinancings and resets.

US CLO fundamentals mostly deteriorated in 2020 due to difficulties experienced by the underlying companies. Year on year, minimum OC cushions fell (from 410bp to 277bp), WARF levels deteriorated (from 2862 in 2019 to 3116 in 2020), and exposure to CCC assets rose (from 3.7% in 2019 to 7.7% in 2020). Although a deterioration when compared to 2019 year end, these fundamentals improved significantly from their June 2020 levels. Weighted Average Asset Price ("WAP") ended 2020 at 97.3%, broadly in-line with December 2019 levels and Weighted Average Spreads ("WAS") increased by 27bp to 377bp.

European CLO fundamentals also deteriorated in 2020. OC cushions decreased from 430bp to 348bp, WARF increased from 2964 to 3261 and CCC buckets increased from 1.9% in 2019 to 6.4%. WAP recovered well to 97.9%, although remained below the 2019 level of 98.8%, while WAS decreased by 2bp to 377bp. Fundamental CLO deterioration in both the US and Europe during 2020 resulted in some CLOs in the market breaching their OC or interest diversion tests and impacting cash flows to investors.

Gross primary CLO issuance forecasts are up in both the US and Europe for 2021 as a result of favourable equity arbitrage, anchored in a tightening of the AAA spread and continued improvement in loan fundamentals. US CLO issuance is forecast to grow by 9-19% to $100-$110 billion. In Europe, the 2021 CLO gross issuance is forecast to return to the 2019 levels of between €25-€30 billion. Including forecasts for refinancing/reset volumes for 2021, European CLO issuance could reach a new record of between €54-€64 billion.

Portfolio Update

BCF

In recognition of a credit cycle that extended well beyond the average cycle, we had been proactively reducing risk within the loan portfolios in the years leading up to 2020. As such, the BCF CLOs were well positioned for the unexpected dislocation related to the economic shutdowns due to COVID-19 and demonstrated greater resilience relative to the broader universe of CLOs both in the US and in Europe[19]. BCF CLOs experienced lower CCC exposures and fewer CLO tranche downgrades versus peers in 2020. All 45 BCF CLO equity positions continued to receive uninterrupted cash flows, with none of the BCF CLOs experiencing a breach in either their minimum OC or interest diversion tests during the year.

Performance of Blackstone managed CLOs was broadly recognised by the market in 2020[20]. Blackstone was able to access the capital markets and reopen the CLO market with the first new CLO issuance after the market had been shut for several weeks in the first quarter. Additionally, in 2020, as CLO debt investors re-engaged in the CLO market, they recognised and compensated BX Credit for superior portfolio quality and performance with lower cost of CLO liabilities to the benefit of BX Credit subordinated note investors, including BCF and BGLF.

(14) Source: Blackstone Credit analysis as at 31 December 2020. Certain tranches of CLOs may have been placed on negative watch, affirmed, or downgraded by more than one rating agency. Analysis includes non-BCF CLOs
(15) Source: Credit Suisse, as of 31 December 2020
(16) Source: Credit Suisse, as of 31 December 2020, J.P.Morgan, as of 1 March 2021
(17) Sources: S&P/LCD, Barclays, data as of 31 December 2020
(18) Source: LCD, data as of 31 December 2020
(19) Demonstrated by the BCF portfolio recorded a loss rate below that of both US and European loans as measured by Credit Suisse
(20) Demonstrated by demand for BX Credit CLO Equity positions sold during the year and pricing achieved on new issue CLOs

STRATEGIC REPORT: PORTFOLIO ADVISER'S REVIEW

Throughout 2020, BCF purchased €5.6 billion of assets (€2.2 billion net of sales). Additionally, BCF grew its CLO portfolio, through investments in four European CLOs, and four US CLOs, together representing €2.9 billion of loan assets. BCF also invested $32.1 million in a US CLO warehouse, a portion of which was termed out into a CLO during the year. These new CLOs further diversified the portfolio across vintages and while their reinvestment periods were zero to three years and shorter than the four-to-five-year reinvestment periods of prior years, the addition of new CLOs to the portfolio helped to offset the effect of the passage of time within the existing CLO portfolio. Overall, the pro-forma year end portfolio reinvestment period was 1.9 years versus 2.6 years in January 2020.

CLOs continued to generate positive cashflow in BCF during 2020 albeit net income declined year-over-year due in part to a second quarter LIBOR mismatch experienced in the US CLOs which was subsequently corrected by the third quarter. The weighted average annualised cash-on-cash distribution rates for European and US CLO income notes was 15.6% and 17.1%, respectively, with strong contributions across vintages.

As of 31 December 2020, 41% of BCF's portfolio was composed of US CLO Income Notes (the most subordinated tranche of debt issued by a CLO) and CLO warehouses (first loss positions), compared to 45% in December 2019. European CLO Income Notes increased to 41% from 36% at the end of 2019. Exposure to directly held loans, net of leverage, reduced from 19% to 13%[21].

Through its investment in BCF, BGLF took advantage of improved liquidity and equity valuations in the market and sold down certain positions in which the holding quantities were in excess of required retention or majority level. These market transactions demonstrated a depth of demand for the positions sold, with executed prices that exceeded modelled marks, as well as mark-to-market bid prices. **We believe this strong execution was in part due to scarcity of Blackstone CLO equity, as well as in recognition of expected future performance. We view the successful sale of the excess CLO positions as a validation of the mark-to-model valuation used by BCF.**

As the impact of COVID-19 on the global economy became apparent in early 2020, our analyst team engaged with management of our borrowers and sponsors in an effort to re-underwrite the risk across our loan portfolio and better understand the economic impact of the pandemic on our borrowers, as well as the risk of potential downgrade and default. These views were then utilised to help forecast for each CLO, the potential failures of interest diversion or OC tests in order to determine the potential for CLO equity cash flow disruptions, if any. This analysis has continued to be updated each quarter and provides guidance on projected net income available to BGLF.

Importantly, because every CLO owned within this strategy is also managed by Blackstone Credit, we have underwritten in detail every loan to which each CLO is exposed. This, in conjunction with our team and proprietary tools, allows us to conduct the type of bottom up analysis which differentiates BGLF relative to peer funds. This analysis is a critical component of our investment process, and as a result, is one of our core competencies. While individual company analysis is clearly central to what we do, aggregating this into a portfolio view and then a CLO view is central to our day-to-day CLO management process.

The NAV is influenced by both the actual performance of loans and CLOs as well as by forward views and assumptions for credit performance. Loans performed throughout the year and the default loss rate for the portfolio was 0.08%, compared to 0.48% for European Loans and 2.46% for US loans[22]. Following the initial dislocation in the broader markets in March, swift response by governments with fiscal stimulus provided an ample injection of liquidity to financial markets, which in turn had the effect of positively shifting the market sentiment and outlook for credit with each subsequent quarter. These factors supported a continued improvement in the NAV and by year end, while the NAV had not fully recovered to pre-COVID levels, the outlook remains positive for further recovery.

We continue to focus on liability management and while 2020 did not afford many opportunities to refinance liabilities or extend maturities, as we look ahead, we find the portfolio well positioned to take advantage of the current technical strength in the CLO liability market. So far in 2021, there has been a steady volume of CLO refinancings and resets of all vintages. Within our portfolio, we continue to actively evaluate each CLO that is callable in this calendar year and anticipate a busy year of CLO activity including new issues and refinancings and resets where accretive to do so. As it relates to liability management, we are focused on improving the portfolio net interest margins in the near term and ensure that the structures provide for sufficient flexibility in portfolio and risk management over the longer term.

(21) Portfolio percentages are based on BCF NAV as of 31 December 2020
(22) Source: Credit Suisse, as of 31 December 2020

CLO Portfolio Positions[23]

	Closing Date	Deal Size (M)	Position Owned (M)	% of Tranche	% of BCF NAV	Reinvest Period Left (Yrs)	Current Asset Coupon	Current Liability Cost	Current Net Interest Margin	NIM 3M Prior	Distributions Through Last Payment Date Ann.	Distributions Through Last Payment Date Cum.
EUR CLO Income Note Investments												
Phoenix Park	Jul-14	€417	€23.3	51.4%	1.3%	2.32	3.65%	1.78%	1.87%	1.91%	14.2%	89.2%
Sorrento Park	Oct-14	€310	€29.5	51.8%	0.9%	0.00	3.63%	1.92%	1.71%	1.76%	15.3%	93.1%
Castle Park	Dec-14	€261	€24.0	52.2%	1.2%	0.00	3.59%	1.95%	1.64%	1.68%	15.2%	88.8%
Dartry Park	Mar-15	€338	€22.8	51.1%	1.1%	0.00	3.58%	1.82%	1.76%	1.85%	14.2%	79.7%
Orwell Park	Jun-15	€357	€24.2	51.0%	1.4%	0.00	3.57%	1.56%	2.01%	2.08%	15.5%	83.5%
Tymon Park	Dec-15	€375	€22.7	51.0%	1.5%	0.00	3.61%	1.40%	2.22%	2.27%	16.1%	77.8%
Elm Park	May-16	€544	€31.9	56.1%	2.4%	0.00	3.60%	1.39%	2.21%	2.27%	13.8%	60.8%
Griffith Park	Sep-16	€456	€26.0	53.4%	1.6%	2.38	3.68%	1.82%	1.86%	1.86%	10.1%	42.6%
Clarinda Park	Nov-16	€415	€23.1	51.2%	1.3%	0.00	3.67%	1.81%	1.86%	1.86%	11.6%	46.3%
Palmerston Park	Apr-17	€415	€24.0	53.3%	1.5%	0.30	3.65%	1.55%	2.10%	2.12%	13.7%	48.4%
Clontarf Park	Jul-17	€414	€29.0	66.9%	1.7%	0.59	3.56%	1.59%	1.97%	1.99%	15.4%	51.0%
Willow Park	Nov-17	€412	€23.4	60.9%	1.7%	1.54	3.59%	1.58%	2.01%	2.03%	17.8%	51.1%
Marlay Park	Mar-18	€413	€24.6	60.0%	1.8%	1.29	3.56%	1.40%	2.16%	2.21%	19.4%	49.5%
Milltown Park	Jun-18	€409	€24.1	65.0%	1.9%	1.54	3.64%	1.50%	2.15%	2.16%	17.5%	41.0%
Richmond Park	Jul-18	€548	€46.2	68.3%	2.1%	0.53	3.60%	1.53%	2.06%	2.08%	18.0%	40.6%
Sutton Park	Oct-18	€408	€24.0	66.7%	1.9%	2.37	3.61%	1.72%	1.89%	1.90%	15.9%	33.1%
Crosthwaite Park	Feb-19	€513	€33.0	64.7%	2.2%	2.70	3.67%	2.00%	1.66%	1.65%	13.3%	23.9%
Dunedin Park	Sep-19	€409	€25.3	52.9%	1.8%	3.31	3.66%	1.78%	1.89%	1.90%	10.7%	11.8%
Seapoint Park	Nov-19	€406	€21.6	70.5%	1.8%	3.39	3.66%	1.84%	1.82%	1.84%	13.1%	13.0%
Holland Park	Nov-19	€428	€39.1	72.1%	1.8%	3.37	3.67%	1.91%	1.76%	1.73%	11.4%	11.4%
Vesey Park	Apr-20	€405	€24.5	80.3%	2.1%	3.88	3.70%	1.96%	1.73%	1.70%	37.0%	20.3%
Avondale Park	Jun-20	€284	€18.7	63.0%	1.8%	2.55	3.60%	2.52%	1.08%	1.07%	n/a	n/a
Deer Park	Sep-20	€344	€28.5	100.0%	2.3%	2.79	3.58%	2.27%	1.32%	1.16%	n/a	n/a
Marino Park	Dec-20	€324	€17.0	71.4%	1.6%	3.04	3.85%	1.84%	2.01%	n/a	n/a	n/a

(23) As of 31 December 2020

	Closing Date	Deal Size (M)	Position Owned (M)	% of Tranche	% of BCF NAV	Reinvest Period Left (Yrs)	Current Asset Coupon	Current Liability Cost	Current Net Interest Margin	NIM 3M Prior	Distributions Through Last Payment Date Ann.	Distributions Through Last Payment Date Cum.
USD CLO Income Note Investments												
Dorchester Park	Feb-15	$503	$44.5	67.0%	1.2%	0.00	3.83%	1.67%	2.16%	2.23%	16.8%	94.8%
Grippen Park	Mar-17	$611	$29.8	50.1%	1.6%	1.30	3.86%	1.95%	1.91%	1.97%	14.5%	52.1%
Thayer Park	May-17	$515	$27.4	50.1%	1.1%	1.30	3.67%	1.98%	1.69%	1.77%	16.2%	55.7%
Catskill Park	May-17	$1029	$56.0	51.6%	2.3%	1.30	3.66%	1.94%	1.72%	1.81%	15.6%	53.3%
Dewolf Park	Aug-17	$614	$31.7	51.6%	1.7%	1.79	3.92%	1.96%	1.96%	1.98%	16.1%	50.4%
Gilbert Park	Oct-17	$1022	$51.8	50.8%	2.7%	1.79	3.86%	1.92%	1.95%	2.01%	16.2%	48.3%
Long Point Park	Dec-17	$611	$29.5	50.1%	1.6%	2.05	3.73%	1.64%	2.09%	2.15%	21.3%	59.7%
Stewart Park	Jan-18	$874	$92.2	50.1%	1.9%	2.00	3.75%	1.70%	2.05%	2.11%	14.0%	38.3%
Greenwood Park	Mar-18	$1075	$53.9	50.1%	3.2%	2.29	3.85%	1.61%	2.24%	2.30%	19.7%	51.4%
Cook Park	Apr-18	$1025	$53.6	50.1%	2.9%	2.29	3.69%	1.56%	2.13%	2.20%	18.4%	46.5%
Fillmore Park	Jul-18	$561	$30.2	54.3%	1.7%	2.54	3.70%	1.82%	1.88%	1.94%	15.6%	34.6%
Myers Park	Sep-18	$510	$26.4	50.1%	1.5%	2.80	3.74%	1.87%	1.87%	1.92%	16.4%	34.2%
Harbor Park	Dec-18	$716	$39.7	50.1%	2.1%	3.05	3.83%	1.92%	1.90%	1.91%	16.6%	30.5%
Buckhorn Park	Mar-19	$502	$24.2	50.1%	1.4%	3.30	3.73%	2.18%	1.55%	1.62%	17.1%	27.1%
Niagara Park	Jun-19	$453	$22.1	50.1%	1.4%	3.54	3.90%	1.98%	1.92%	1.90%	15.6%	20.3%
Southwick Park	Aug-19	$503	$26.1	59.9%	1.5%	3.55	3.94%	2.16%	1.78%	1.80%	16.8%	19.5%
Beechwood Park	Dec-19	$810	$48.9	61.1%	2.8%	4.05	3.99%	2.20%	1.79%	1.78%	15.8%	13.1%
Allegany Park	Jan-20	$505	$30.2	66.2%	1.8%	4.04	3.91%	2.16%	1.76%	1.81%	9.8%	7.5%
Harriman Park	Apr-20	$502	$29.2	70.0%	2.0%	2.30	3.78%	1.99%	1.79%	1.34%	38.1%	19.1%
Cayuga Park	Aug-20	$393	$22.8	71.7%	1.8%	2.54	3.83%	2.34%	1.48%	1.44%	n/a	n/a
Stratus 2020-2	Sep-20	$299	$24.2	100.0%	1.7%	n/a	3.55%	2.04%	1.51%	1.54%	n/a	n/a

As at 31 December 2020, the portfolio was invested in accordance with BCF's investment policy and was diversified across 682 issuers (684 issuers in 2019) through the directly held loans and CLO portfolio, and across 30 countries (27 countries in 2019) and 29 different industries (31 industries in 2019). No individual borrower represented more than 2% of the overall portfolio at the end of 2020.

Key Portfolio Statistics[24]

	% of NAV	Current WA Asset Coupon	Current WA Liability Cost	WA Remaining RPs (CLOs)
EUR CLOs	40.56%	3.63%	1.76%	1.5 Years
US CLOs	39.82%	3.80%	1.89%	2.2 Years
Directly Held Loans (less leverage)	12.66%	3.85%	1.85%	n/a
US CLO Warehouses	0.86%	3.99%	1.34%	n/a
Net Cash & Expenses	6.10%	–	–	n/a

(24) As of 31 December 2020

Top 10 Industries

Industry	% of Portfolio 31 December 2020
Healthcare and Pharmaceuticals	15.21%
Services Business	10.44%
High Tech Industries	9.32%
Banking, Finance, Insurance , Real Estate	8.71%
Media Broadcasting and Subscription	6.81%
Hotels, Gaming and Leisure	6.22%
Chemicals, Plastics and Rubber	6.03%
Construction and Building	5.21%
Telecommunications	4.55%
Services Consumer	3.72%

Industry	% of Portfolio 31 December 2019
Healthcare and Pharmaceuticals	15.03%
Services Business	10.84%
High Tech Industries	9.71%
Banking, Finance, Insurance , Real Estate	8.84%
Hotels, Gaming and Leisure	7.80%
Chemicals, Plastics and Rubber	5.40%
Construction and Building	4.96%
Telecommunications	4.95%
Media Broadcasting and Subscription	4.67%
Services Consumer	3.92%

Top 5 Countries

	% of Portfolio	
Country	31 December 2020	31 December 2019
United States	52.73%	54.39%
United Kingdom	9.81%	10.35%
France	7.36%	7.63%
Luxembourg	6.26%	5.79%
Netherlands	4.52%	**

** Netherlands was not part of the Top 5 as at 31 December 2019. Germany made up 3.86% of the Portfolio as at 31 December 2019.

Top 20 Issuers

	# Facilities	Portfolio Par (€M)	Total Par Outstanding (€M)	Moody's Industry	Country	WA Price	WA Spread	WA Coupon (All-In Rate)	WA Maturity (Years)
Paysafe	4	216	2,685	Banking, Finance, Insurance and Real Estate	Luxembourg	99.8	4.28%	4.74%	4.3
Paysafe is a payment service provider offering services to businesses and consumers. Operating across three segments i) payment processing, ii) prepaid solutions and iii) digital wallets. It has been growing significantly both organically and by M&A (strong track record in M&A in identifying, acquiring, and extrapolating synergies).									
Refinitiv	2	176	7,620	Services Business	United States	100.0	3.25%	3.30%	4.8
Refinitiv is a leading player in the financial data and technology markets with strong positions in data feeds, desktop, compliance and risk services, and trading volumes. It provides critical news, information, and analytics, enabling transactions and connecting communities of trading, investment, financial and corporate professionals. It also provides leading regulatory and operational risk management solutions.									
Euro Garages	5	170	4,829	Retail (Global Petrol Stations)	United Kingdom	98.6	4.04%	4.15%	4.1
Euro Garages is the leading global independent convenience retail and fuel station operator with a fuel, convenience retail and Food-to-Go offering with partnerships with leading brands such as Esso, BP, Shell, Dunkin Donuts and Pizza Hut among others.									
Siemens Audio	2	169	2,911	Healthcare and Pharmaceuticals	Denmark	97.4	3.96%	3.98%	5.2
WS Audiology/Siemens Audio was created following the completion of the merger between Sivantos and Widex. The combined company operates in 125 markets and holds the third position in the hearing aid market globally.									
Numericable	4	162	4,887	Media Broadcasting and Subscription	France	98.7	3.10%	3.15%	4.9
Numericable is one of the largest telecommunications operators in France by revenues and number of subscribers, with major positions in residential fixed, residential mobile, B2B, wholesale and media.									

	# Facilities	Portfolio Par (€M)	Total Par Outstanding (€M)	Moody's Industry	Country	WA Price	WA Spread	WA Coupon (All-In Rate)	WA Maturity (Years)
AkzoNobel Specialty Chemicals	2	160	5,237	Chemicals, Plastics and Rubber	Netherlands	99.5	3.14%	3.21%	4.8
AkzoNobel Specialty Chemicals represents a collection of specialty and commodity chemical and polymer businesses split across five divisions: Surface Chemistry (surfactants and polymers), ethylene and sulphur derivatives, polymer chemistry (includes catalysts and polymer additives), industrial chemicals (includes chlor-alkali and other industrial chemicals), and pulp and performance chemicals (includes hydrogen peroxide and other bleaching chemicals, and variety of other chemicals).									
Ziggo	2	154	4,314	Media Broadcasting and Subscription	Netherlands	99.8	2.85%	2.90%	7.9
Ziggo is one of the largest cable operators in the Netherlands. The company provides radio, television, internet, and telephone services. The company was created as a result of the merger between Multikabel, @Home and Casema.									
McAfee, LLC	2	152	3,306	High Tech Industries	United States	100.3	3.61%	3.67%	3.8
McAfee, LLC is the second largest security software vendor globally, after Symantec. McAfee serves both the consumer and enterprise security markets, with a focus on consumer endpoint protection.									
Virgin Media	4	147	5,260	Media Broadcasting and Subscription	United Kingdom	99.9	2.66%	2.71%	7.8
Virgin Media is a British telecommunications company which provides telephone, television, and internet services in the United Kingdom. Virgin Media is a subsidiary of Liberty Global, an international television and telecommunications company.									
Ion Trading	2	145	2,944	Banking, Finance, Insurance and Real Estate	Ireland	100.1	3.45%	4.45%	3.9
Ion Trading is a global financial software and services company that offers mission critical trading infrastructure solutions to banks and other financial institutions. In particular, the company provides high performance trading solutions for electronic fixed income markets, including support for cash, futures, repos, money markets, interest rate swaps and credit default swaps. The group serves 800+ customers worldwide.									
Froneri	4	133	4,797	Beverage, Food and Tobacco	United Kingdom	99.1	2.59%	2.66%	6.1
Froneri is a global ice cream manufacturer with its headquarters in North Yorkshire, England. It is the second largest ice cream producer by volume in the world, after Unilever. Froneri was created in 2016 as a joint venture between Nestle and PAI Partners to combine their ice cream activities.									
Quintiles IMS Incorporated	5	130	3,528	Healthcare and Pharmaceuticals	United States	99.8	1.91%	1.99%	3.7
Quintiles IMS Incorporated provides information and technology services to the pharmaceutical and healthcare industries. The company offers services such as product and portfolio management capabilities, commercial effectiveness solutions, managed care, and consumer health. Quintiles IMS operates in the United States.									
TDC A/S	2	117	2,950	Telecommunications	Denmark	99.8	3.12%	3.12%	4.4
TDC Group is the Danish telecom incumbent offering mobile services, broadband as well as TV and entertainment services. The company is active in B2B and Wholesale segments and has a presence in Norway.									
UPC	6	114	3,897	Media Broadcasting and Subscription	Netherlands	100.0	2.83%	2.91%	8.1
UPC is a cable operator in Switzerland, Poland & Slovakia. It offers broadband, TV and mobile services.									
Micro Focus International plc	5	112	3,920	High Tech Industries	United States	99.8	3.51%	3.65%	3.9
Micro Focus International is a software business that specialises in managing a portfolio of infrastructure software assets and provides customers with application management solutions to improve the effectiveness and efficiency of their core IT systems. It provides enterprise application solutions, specifically software solutions for assessing, developing, testing, managing and modernizing existing applications. Micro Focus' solutions offer cost effective ways for organisations to avoid replacing their mission critical applications with expensive, risky and lengthy package software implementations or rewriting custom upgrades.									
TKE	3	110	3,859	Capital Equipment	Germany	101.0	4.34%	4.46%	6.6
Thyssenkrupp is the number four player in the global market for elevator and escalator technology. The company designs, manufacturers, installs, services, and modernises elevators, escalators, and platform lifts.									
Ineos Finance plc	4	108	4,280	Chemicals, Plastics and Rubber	Luxembourg	99.2	2.15%	2.55%	3.8
Ineos, through its subsidiaries, manufactures specialty and intermediate chemicals such as ethylene oxide, acetate esters, glycol, and specialty polymers. Ineos serves customers worldwide.									

	# Facilities	Portfolio Par (€M)	Total Par Outstanding (€M)	Moody's Industry	Country	WA Price	WA Spread	WA Coupon (All-In Rate)	WA Maturity (Years)
Nets – Evergood	3	106	2,502	Banking, Finance, Insurance and Real Estate	Denmark	100.0	3.38%	3.42%	4.1
Based in Denmark, Nets is the number one operator in the Nordic region and number two in the European payments space (behind Worldpay). The business is vertically integrated across the card and account-based payments value chain, operating across 3 segments; Merchant Acquiring; Financial and Network Services and Corporate Services.									
Tipico	2	103	1,437	Hotels, Gaming and Leisure	Luxembourg	99.7	3.54%	3.54%	1.9
Tipico is the market leader in German retail and online sportsbetting. It operates its retail channel through its 1250 outlets. The company is primarily active in sportsbetting.									
Xella International S.A	2	101	1,673	Construction and Building	Luxembourg	99.6	3.95%	3.95%	5.3
Xella International is a leading European producer of wall building materials and insulation products. The company operates 95 plants across 17 countries and key countries of operation include Germany, France, Poland and the Netherlands.									

Directly Held CLOs

The majority of the outstanding positions of Rollover Assets were sold within the first quarter of 2020. As of 31 December 2020, the market value of Rollover Assets totalled €549,437 or 0.13% of NAV.

Regulatory Update

In Europe, the European Regulation on sustainability-related disclosures in the financial services sector ("SFDR") was published on 27 November 2019. With an effective date of 10 March 2021, SFDR requires certain firms, including private banks, wealth managers and advisers to comply with new rules on disclosure as regards sustainable investments and sustainability risks. Asset managers, including Blackstone Credit ("BX Credit") (formerly GSO Capital Partners LP), have been working to implement procedures which will allow us to comply with the SFDR when the regulatory reporting requirements come into effect in January 2022. BX Credit continues to monitor regulatory developments with regards to SFDR, including the publication of additional Regulatory Technical Standards.

In connection with the Securitisation Regulation, widely anticipated secondary legislation setting out the prescribed form of reporting templates was published on 3 September 2020 and use of these reporting templates became mandatory to investors from 23 September 2020. BX Credit was well positioned to transition to the use of these formal reporting templates, and these reporting templates are used in respect of all in-scope CLOs.

Risk Management

Given the natural asymmetry of fixed income, our experienced credit team focuses on truncating downside risk and avoiding principal impairment and believes that the best way to control and mitigate risk is by remaining disciplined in all market cycles and by making careful credit decisions while maintaining adequate diversification.

BCF's portfolio is managed to minimise default risk and credit related losses, which is achieved through in-depth fundamental credit analysis and diversified portfolios in order to avoid the risk of any one issuer or industry adversely impacting overall performance. As outlined in the Portfolio Update section, BCF is broadly diversified across issuers, industries, and countries.

BCF's base currency is denominated in Euro, though investments are also made and realised in other currencies. Changes in rates of exchange may have an adverse effect on the value, price, or income of the investments of BCF. BCF may utilise different financial instruments to seek to hedge against declines in the value of its positions as a result of changes in currency exchange rates.

Through the construction of solid credit portfolios and our emphasis on risk management, capital preservation, and fundamental credit research, we believe the Company's investment strategy will continue to be successful.

Blackstone Responsible Investing Approach

The Importance of Responsible Investing

For over 35 years, Blackstone has been committed to being a responsible investor. This commitment is affirmed across the organisation and guides our approach to investing. We believe that adequate consideration of environmental, social, and governance ("ESG") factors for each potential investment enhances our assessment of risk and also helps us identify opportunities for transformation at each company where we invest. Consequently, we believe that a comprehensive ESG program drives value and enhances returns. We also believe that understanding ESG factors helps us understand trends and how they will shape demand and markets in years to come. Our framework applies to all investment opportunities, though the exact application of that framework varies by asset class, investment objective and the unique characteristics of each investment.

STRATEGIC REPORT: PORTFOLIO ADVISER'S REVIEW

Objectives

Blackstone's responsible investing objectives are outlined below:

Integration
Consider environmental, social, and governance issues when evaluating investment opportunities and when managing/monitoring portfolios and assets. Pursue high-quality sources of ESG data and intelligence; where appropriate, integrate that data into our research process and also use that data to enhance our understanding of markets and consumer trends. Actively use ESG considerations to transform our portfolio companies in ways that both manage risk and are value accretive for our investment portfolios. In addition, integrate ESG considerations into our business practices outside of the investment process.

Engagement
Work together with our portfolio entities, managers, transaction partners, peers, and other partners to advance principles of responsible investment and corporate social responsibility. Share our ESG philosophy broadly and use our leadership position to influence others and advance the dialogue of the importance of ESG integration in finance and for corporate actors generally.

Reporting
Be transparent with our investors and other stakeholders about Blackstone's responsible investing initiatives, successes, and goals.

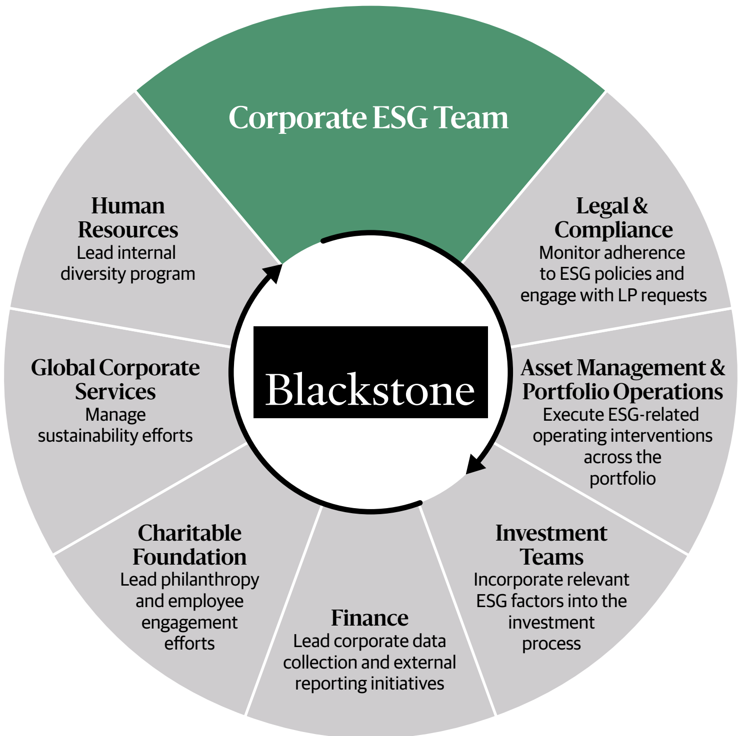
Approach and Responsibilities

Across all of Blackstone's businesses, ESG is core to what we do. Our approach includes an evaluation of ESG considerations (pre- and post-investment decision making) as a standard part of the investment and the asset/portfolio management processes. Primary responsibility lies with our investment teams because these considerations support investment decisions. Together with Portfolio Operations and our asset management teams, the investment teams are also expected to continue to keep these issues front of mind through the life of the investment.

BX Credit's Chief Sustainability Officer supports the investment and asset management teams by driving initiatives that are aimed at improving operational and environmental performance across the portfolio. Other functional experts within Portfolio Operations (including Talent Management, Procurement and Healthcare Cost Containment) are expected to consider ESG insights in delivering operating intervention capabilities across the portfolio.

The ESG team coordinates ESG initiatives across the firm to ensure consistency in approach and, with the assistance of the Legal & Compliance department, compliance with this policy. The ESG team is also responsible for establishing and/or revising this Policy in consultation with BX Credit's ESG Steering Committee which is comprised of professionals from across the firm's business units and functional groups, investor reporting, and also for reporting on ESG integration across BX Credit to Blackstone's President and Chief Operating Officer.

ESG Structure



Blackstone Credit's Commitment to ESG

BX Credit believes that a key component of being a prudent investor is an active evaluation of the ESG components of its investments to assess the potential economic effects thereof. Review of ESG risks to investment performance is integrated into BX Credit's investment analysis and decision-making processes from pre-investment diligence to post-investment monitoring. BX Credit recognises the value that incorporating ESG factors in our investment research creates both in terms of mitigating risk and enhancing long-term performance across our various investments. To that end, BX Credit integrates review and consideration of applicable ESG factors into its decision-making processes, as summarised below:

1 Due Diligence Process
Investment teams within BX Credit consider ESG factors that may impact investment performance during the due diligence phase of an investment. ESG due diligence will vary based on (i) the nature of BX Credit's investment, (ii) the transaction process and timeline, (iii) the level of access to information, specifically as it pertains to ESG factors, and (iv) the target portfolio company's (the "Target") sector or business model. For all investments, BX Credit endeavours to review all syndication materials and other public sources of information to develop insights into the Target's business and operations and to facilitate the identification of environmental, social or governance matters that have affected or may be affecting the Target.

2 Reporting to Investment Committee
Material ESG issues arising from diligence are described in the appropriate investment committee materials and discussed in the relevant investment committee forum.

3 Post-Investment Monitoring
On an ongoing basis, investment teams monitor the performance of BX Credit's investments, which includes, but is not limited to, assessing financial, operational, industry-specific and ESG-related factors, as applicable. Periodically, BX Credit investment teams will update the investment committee on the performance of issuers and highlight any material ESG considerations that warrant investment committee discussion, both in the context of the company's industry and on a stand-alone basis.

As a credit investor, BX Credit will have less control over portfolio companies than equity investors; however, we may seek to reinforce certain aspects of value-enhancing ESG compliance through contractual obligations and covenants in governing agreements with portfolio companies. Underwriting due diligence includes among other things, material environmental, public health, safety, social and governance issues associated with lending to a company.

At this time the BX Credit does not explicitly track exposure to climate risk or monitor the carbon footprint of an investment. In practice, we take the ESG factors that may impact investment performance into consideration and incorporate such factors into our initial evaluation of an investment and our ongoing investment monitoring process. Our evaluation criteria are based on the materiality of the ESG risk considering (a) whether it has a current impact or a potential future impact and (b) any mitigating actions the issuer undertakes to address the risk. In general, industries with a high carbon footprint face significant transition risk with regard to climate change, and that risk would need to be evaluated before making an investment decision.

Furthermore, in 2020, BX Credit worked with a third party ESG consulting firm to draft a set of ESG sector-specific guidelines. These sector guidelines are intended to help analysts conduct focused due diligence on the issuers in which we invest through active engagement with the company and, if applicable, the sponsor. BX Credit is working to directly integrate the sector guidelines into our investment procedures during 2021.

Blackstone Ireland Limited
29 April 2021

Strategic Overview

Purpose

The Company's purpose is to provide permanent capital to BCF, a company established by Blackstone Ireland Limited ("BIL") (formerly Blackstone/GSO Debt Funds Management Europe Limited) as part of its loan financing programme, with a view to generating stable and growing total returns for Shareholders through dividends and value growth.

The Board delivers the Company's purpose by working in line with our values, which form the backbone of what the Company does and are an important part of our culture.

Values

Integrity and Trust – The Company seeks to act with integrity in everything it does and to be trustworthy. We seek to uphold the highest standards of professionalism driven by our corporate governance processes.

Transparency – The Company aims to ensure all of its activities are undertaken with the utmost transparency and openness to sustain trust.

Opportunity – The ability to see and to seize opportunities which are in the best interests of our shareholders.

Sustainability – As an investment company we aim to maintain and deliver attractive and sustainable returns for our shareholders.

Principal Activities

The Company was incorporated on 30 April 2014 as a closed-ended investment company limited by shares under the laws of Jersey and is authorised as a listed fund under the Collective Investment Funds (Jersey) Law 1988. The Company continues to be registered and domiciled in Jersey. The Company's Ordinary Shares are quoted on the Premium Segment of the Main Market of the LSE. Up until their conversion into Ordinary Shares on 7 January 2020, the Company's C Shares were quoted on the SFS of the Main Market of the LSE. Refer to Corporate Activity for further details on the C Share conversion.

The Company's authorised share capital consists of an unlimited number of shares of any class. As at 31 December 2020, the Company's issued share capital was 477,023,331 Ordinary Shares. The Company also held 5,879,463 Ordinary Shares in treasury.

The Company has a wholly-owned Luxembourg subsidiary, Blackstone/GSO Loan Financing (Luxembourg) S.à r.l. which has an issued share capital of 2,000,000 Class A shares and 1 Class B share. As at 31 December 2020 all of the Class A and Class B shares were held by the Company together with 284,879,854 Class B CSWs issued by the Lux Subsidiary. The Lux Subsidiary invests in PPNs issued by BCF, which in turn invests in CLOs and loans. The Company also holds directly held CLO Mezzanine Notes which formed part of the Rollover Assets and are yet to be realised and reinvested in CSWs.

The Company is a self-managed company. BIL acts as Portfolio Adviser to the Company and, pursuant to the Advisory Agreement, provides advice and assistance to the Company in connection with its investment in the CSWs. Blackstone Liquid Credit Strategies LLC ("BLCS") (formerly GSO/Blackstone Debt Funds Management LLC) acts as Portfolio Manager in relation to the Rollover Assets (as defined in the Company's Prospectus published on 23 November 2018).

BNP Paribas Securities Services S.C.A., Jersey Branch acts as Administrator, Company Secretary, Custodian and Depositary to the Company.

Investment Objective

As outlined in the Company's Prospectus, the Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure to floating rate senior secured loans and bonds directly and indirectly through CLO Securities and investments in Loan Warehouses. The Company seeks to achieve its investment objective through exposure (directly or indirectly) to one or more companies or entities established from time to time ("Underlying Companies"), such as BCF.

Investment Policy

Overview

As outlined in the Company's Prospectus, the Company's investment policy is to invest (directly, or indirectly through one or more Underlying Companies) in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Underlying Companies directly or through investments in Loan Warehouses), bonds and CLO Securities, and generate attractive risk-adjusted returns from such portfolios. The Company intends to pursue its investment policy by investing (through one or more subsidiaries) in profit participating instruments (or similar securities) issued by one or more Underlying Companies.

Each Underlying Company will use the proceeds from the issue of the profit participating instruments (or similar securities), together with the proceeds from other funding or financing arrangements it has in place currently or may have in the future, to invest in: (i) senior secured loans, bonds, CLO Securities and Loan Warehouses; or (ii) other Underlying Companies which, themselves, invest in senior secured loans, bonds, CLO Securities and Loan Warehouses. The Underlying Companies may invest in European or US senior secured loans, bonds, CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Underlying Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior finance provided by third-party banks, will typically be in the form of an obligation to purchase preference shares or a subordinated loan. There is no limit on the maximum US or European exposure. The Underlying Companies do not invest substantially directly in senior secured loans or bonds domiciled outside North America or Western Europe.

Investment Limits and Risk Diversification

The Company's investment strategy is to implement its investment policy by investing directly or indirectly through the Underlying Companies, in a portfolio of senior secured loans and bonds or in Loan Warehouses containing senior secured loans and bonds and, in connection with such strategy, to own debt and equity tranches of CLOs and, in the case of European CLOs and certain US CLOs, to be the risk retention provider in each.

The Underlying Companies may periodically securitise a portion of the loans, or a Loan Warehouse in which they invest, into CLOs which may be managed either by such Underlying Company itself, by BIL or BLCS (or one of their affiliates), in their capacity as the CLO Manager.

Where compliance with the European Risk Retention Requirements is sought (which may include both EUR and US CLOs) the Underlying Companies will retain exposures of each CLO, which may be held as:

- CLO Income Notes equal to: (i) between 51% and 100% of the CLO Income Notes issued by each such CLO in the case of European CLOs; or (ii) CLO Income Notes representing at least 5% of the credit risk relating to the assets collateralising the CLO in the case of US CLOs (each of (i) and (ii), (the "horizontal strip"); or
- Not less than 5% of the principal amount of each of the tranches of CLO Securities in each such CLO (the "vertical strip").

In the case of deals structured to be compliant with the European Risk Retention Requirements, the applicable Underlying Company may determine that, due to its role as an "originator" with respect to such transaction, such Underlying Company should also comply with the US Risk Retention Regulations. In addition, an Underlying Company may invest in CLOs, such as middle market CLOs, which are not exempt from the US Risk Retention Regulations and, as a result, may be required to retain exposure to such CLOs in accordance with such rules. In such a scenario, the Underlying Company will retain exposures to such transactions for the purpose of complying with the US Risk Retention Regulations, which may be held as:

- CLO Income Notes representing at least 5% of the fair market value of the CLO Securities (including CLO Income Notes) issued by such CLO (the "US horizontal strip");
- A vertical strip; or
- A combination of a vertical strip and US horizontal strip.

To the extent attributable to the Company, the value of the CLO Income Notes retained by Underlying Companies in any CLO will not exceed 25% of the Published NAV of the Company at the time of investment.

Investments in CLO Income Notes and loan warehouses are highly leveraged. Gains and losses relating to underlying senior secured loans will generally be magnified. Further, to the extent attributable to the Company, the aggregate value of investments made by Underlying Companies in vertical strips of CLOs (net of any directly attributable financing) will not exceed 15% of the Published NAV of the Company at the time of investment. This limitation shall apply to Underlying Companies in aggregate and not to Underlying Companies individually.

Loan Warehouses may eventually be securitised into CLOs managed either by an Underlying Company itself or by BIL or BLCS (or one of their affiliates), in their capacity as the CLO Manager. To the extent attributable to the Company, the aggregate value of investments made by Underlying Companies in any single externally financed warehouse (net of any directly attributable financing) shall not exceed 20% of the NAV of the Company at the time of investment, and in all externally financed warehouses taken together (net of any directly attributable financing) shall not exceed 30% of the NAV of the Company at the time of investment. These limitations shall apply to Underlying Companies in aggregate and not to Underlying Companies individually.

The following limits (the "Eligibility Criteria") apply to senior secured loans and bonds (and, to the extent applicable, other corporate debt instruments) directly held by any Underlying Company (and not through CLO Securities or Loan Warehouses):

STRATEGIC REPORT: STRATEGIC OVERVIEW

Maximum Exposure	% of an Underlying Company's Gross Asset Value
Per obligor	5
Per industry sector	15 (With the exception of one industry, which may be up to 20%)
To obligors with a rating lower than B-/B3/B-	7.5
To second lien loans, unsecured loans, mezzanine loans and high yield bonds	10

For the purposes of these Eligibility Criteria, "gross asset value" shall mean gross assets, including any investments in CLO Securities and any undrawn commitment amount of any gearing under any debt facility. Further, for the avoidance of doubt, the "maximum exposures" set out in the Eligibility Criteria shall apply on a trade date basis.

Each of these Eligibility Criteria will be measured at the close of each Business Day on which a new investment is made, and there will be no requirement to sell down in the event the limits are breached at any subsequent point (for instance, as a result of movement in the gross asset value, or the sale or downgrading of any assets held by an Underlying Company).

In addition, each CLO in which an Underlying Company holds CLO Securities and each Loan Warehouse in which an Underlying Company invests will have its own eligibility criteria and portfolio limits. These limits are designed to ensure that: (i) the portfolio of assets within the CLO meets a prescribed level of diversity and quality as set by the relevant rating agencies that rate securities issued by such CLO, or (ii) in the case of a Loan Warehouse, that the warehoused assets will eventually be eligible for a rated CLO. The CLO Manager will seek to identify and actively manage assets which meet those criteria and limits within each CLO or Loan Warehouse. The eligibility criteria and portfolio limits within a CLO or Loan Warehouse may include the following:

- A limit on the weighted average life of the portfolio;
- A limit on the weighted average rating of the portfolio;
- A limit on the maximum amount of portfolio assets with a rating lower than B-/B3/B-; and
- A limit on the minimum diversity of the portfolio.

CLOs in which an Underlying Company may hold CLO Securities or Loan Warehouses in which an Underlying Company may invest also have certain other criteria and limits, which may include:

- A limit on the minimum weighted average of the prescribed rating agency recovery rate;
- A limit on the minimum amount of senior secured assets;
- A limit on the maximum aggregate exposure to second lien loans, high yield bonds, mezzanine loans and unsecured loans;
- A limit on the maximum portfolio exposure to covenant-lite loans;
- An exclusion of project finance loans;
- An exclusion of structured finance securities;
- An exclusion on investing in the debt of companies domiciled in countries with a local currency sub-investment grade rating; and
- An exclusion of leases.

This is not an exhaustive list of the eligibility criteria and portfolio limits within a typical CLO or Loan Warehouse and the inclusion or exclusion of such limits and their absolute levels are subject to change depending on market conditions. Any such limits applied shall be measured at the time of investment in each CLO or Loan Warehouse.

Changes to Investment Policy

Any material change to the investment policy of the Company would be made only with the approval of Ordinary Shareholders.

It is intended that the investment policy of each substantial Underlying Company will mirror the Company's investment policy, subject to such additional restrictions as may be adopted by a substantial Underlying Company from time to time. The Company will receive periodic reports from each substantial Underlying Company in relation to the implementation of such substantial Underlying Company's investment policy to enable the Company to have oversight of its activities.

If a substantial Underlying Company proposes to make any changes (material or otherwise) to its investment policy, the Directors will seek Ordinary Shareholder approval of any changes which are either material in their own right or, when viewed as a whole together with previous non-material changes, constitute a material change from the published investment policy of the Company. If Ordinary Shareholders do not approve the change in investment policy of the Company such that it is once again materially consistent with that of such substantial Underlying Company, the Directors will redeem the Company's investment in such substantial Underlying Company (either directly or, if the Company's investment in a subsidiary is invested by such subsidiary in such substantial Underlying Company (either directly or through one or more other Underlying Companies), by redeeming the securities held by the Company in such subsidiary and procuring that the subsidiary redeems its investment in such substantial Underlying Companies (either directly or through one or more other Underlying Companies)), as soon as reasonably practicable but at all times subject to the relevant legal, regulatory and contractual obligations.

The Board considers BCF to be a substantial Underlying Company.

Company Borrowing Limit

The Company will not utilise borrowings for investment purposes. However, the Directors are permitted to borrow up to 10% of the Company's Published NAV for day-to-day administration and cash management purposes. For the avoidance of doubt, this limit only applies to the Company and not the Underlying Companies.

In accordance with the Company's Prospectus, the Company may use hedging or derivatives (both long and short) for the purposes of efficient portfolio management. It is intended that up to 100% (as appropriate) of the Company's exposure to any non-Euro assets will be hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

Investment Strategy

Whether the senior secured loans, bonds or other assets are held directly by an Underlying Company or via CLO Securities or Loan Warehouses, it is intended that, in all cases, the portfolios will be actively managed (by the Underlying Companies or the CLO Manager, as the case may be) to minimise default risk and potential loss through comprehensive credit analysis performed by the Underlying Companies or the CLO Manager (as applicable).

Vertical strips in CLOs in which Underlying Companies may invest are expected to be financed partly through term finance for investment-grade CLO Securities, with the balance being provided by the relevant Underlying Company investing in such CLO. This term financing may be full-recourse, non-mark to market, long-term financing which may, among other things, match the maturity of the relevant CLO or match the reinvestment period or non-call period of the relevant CLO. In particular, and although not forming part of the Company's investment policy, the following levels of, or limitations on, leverage are expected in relation to investments made by Underlying Companies:

- Senior secured loans and bonds may be levered up to 2.5x with term finance;
- Investments in "first loss" positions or the "warehouse equity" in Loan Warehouses will not be levered;
- CLO Income Notes will not be levered;
- Investments in CLO Securities rated B- and above at the time of issue may be funded entirely with term finance; and
- Investments in a vertical strip may be levered 6.0-7.0x, with term finance as described above.

To the extent that they are financed, vertical strips are anticipated to require less capital than horizontal strips, which is expected to result in more efficient use of the Underlying Companies' capital. In addition, since the return profile on financed vertical strips is different to retained CLO Income Notes, BX Credit believes that vertical strips may be more robust through a market downturn, although projected IRRs may be slightly lower. However, an investment in vertical strips is not expected to impact the Company's stated target return.

From time to time, as part of its ongoing portfolio management, the Underlying Companies may sell positions as and when suitable opportunities arise. Where not bound by risk retention requirements, it is the intention that the Underlying Companies would seek to maintain control of the call option of any CLOs securitised.

With respect to investments in CLO Securities, while the Underlying Companies maintain a focus on investing in newly issued CLOs, it will also evaluate the secondary market for sourcing potential investment opportunities in CLO Securities.

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

The portfolio of the Underlying Companies in which the Company invests (through its wholly-owned subsidiary) remains broadly divided between European CLOs and US CLOs.

The Company incorporates ESG factors as part of its investment strategy. Refer to page 46 for further details.

The Company operates with Euro as its functional currency. The Rollover Assets and a significant proportion of the portfolio of assets held by Underlying Companies to which the Company has exposure may, from time to time, be denominated in currencies other than Euro. In accordance with the Company's investment policy, up to 100 per cent. (as appropriate) of the Company's exposure to such non-Euro assets is hedged, subject to suitable hedging contracts being available at appropriate times and on acceptable terms.

Section 172(1) Statement

The Company, being a member of the AIC, complies with Provision 5 of the AIC Code and consequently voluntarily complies with section 172(1) of the UK Companies Act 2006 to act in a way that promotes the success of the Company for the benefit of its shareholders as a whole, having regard to (amongst other things):

- the likely consequences of any decision in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board maintains a reputation for high standards of business conduct and endeavours to act fairly as between members of the Company by acting with integrity and establishing trust as referred to in the Company's Values. Additionally, the Company complies with the Principles and Provisions of the AIC Code as detailed in the Statement of Compliance with Corporate Governance on page 47. Information on how the Board has engaged with its stakeholders and promoted the success of the Company, whilst having regard to the above, is outlined on pages 26 to 28. This covers the key decisions the Board has taken during the year.

Stakeholder engagement

Shareholders

Why we engage	How we engage
Shareholders provide the necessary capital for the Company to pursue its purpose and strategy as outlined in the Company's Prospectus. **The Company also aims to ensure its long-term success and sustainability through its shareholder relationships, based on transparency and openness, and thereby fostering shareholder confidence. This in-turn benefits the liquidity of the Company's shares and the Company's reputation as an esteemed market participant.**	The Board engages with its shareholders by: a) publishing: i) announcements on the LSE, including: ▪ the Company's Published NAV performance, announced on a monthly basis; ▪ updated dividend guidance, as announced with regard to the Company's updated dividend policy on 23 April 2020; ii) monthly performance reports, on the Company's website, covering the performance of the Company and its underlying portfolio, and including information on the composition of the underlying portfolio; iii) monthly market commentary reports issued by BX Credit and published on the Company's website (since July 2020) covering US and EU loan, high yield and CLO performance figures with commentary, as well as the market outlook; iv) quarterly investor reports, published on the Company's website, which provide an overview of the Company's and the Underlying Company's quarterly results, together with a market overview; v) the Company's Half-Yearly Financial Report and the Annual Report and Audited Financial Statements; vi) the Company's Key Information Document and a memorandum on costs; vii) ad-hoc reports, on the Company's website, as and when required to provide further insights into the relevant market situation; b) the Board and representatives of the Portfolio Adviser holding investor calls to provide market updates. In addition to quarterly updates the Company scheduled an ad hoc call on 27 March 2020 to provide all shareholders with a corporate update in light of the Coronavirus pandemic and its expected impact on the global economy. Going forward it is anticipated that investor calls will be scheduled as required; c) telephone discussions between Directors and individual shareholders. Four such calls were held at shareholders' request during 2020, on which the matters discussed included: i) total return – Shareholders' return since inception; ii) ESG – Shareholders' desire and expectations for ESG-compliant investments and greater transparency; iii) marketing – the level of marketing being done and the need to ensure this is sufficient; iv) discount management – actions being undertaken by the Company to remedy the share price discount and the timeliness of any such actions; v) liquidity – how liquidity in the Company's shares could be improved, including the possibility of liquidity events and restructuring; and vi) Directors' shareholdings – with a view to promoting the alignment of Directors' and shareholders' interests; vii) transparency in the Company's reporting – disclosure of underlying loans and ability to disclose expected IRR under different scenarios; and viii) confirmation of the foreign exchange rate applied where shareholders have elected to receive their dividend in Sterling. d) the Board engaging with its shareholders through its Portfolio Adviser and Brokers who communicate pertinent information from any discussions they have had with the Company's shareholders; and e) written communication with shareholders in response to queries received, as applicable. Additionally, the Board (including the different committee Chairs) is available at the AGM to answer questions in their areas of responsibility and the Chair encourages shareholders to contact her or any other Director with any queries or comments they may have.

Outcome

Shareholders receive relevant information allowing them to make informed decisions about their shareholding(s), and to engage with the Company and its advisers on any matters they consider relevant.

During the year, actions taken by the Board following on from shareholder discussions include:

- enhanced ESG and responsible investment disclosure in this Annual Report;
- the inception of quarterly investor calls;
- buybacks and the share repurchase programme undertaken, please refer to the Chair's Statement on page 9 and the share repurchase programme coverage on page 31;
- The Board, Brokers and Portfolio Adviser discuss liquidity and discount management on both an ongoing and frequent basis; and
- Enhancement of portfolio information covered on the quarterly investor call; and
- The announcement of the foreign exchange rate applied for shareholders who have elected to receive their dividend in Sterling.

There was no impact on the Directors' remuneration as a result of the above discussions.

All Directors are kept informed of shareholder engagement, as necessary, so that they are aware of and understand the views communicated. Any pertinent matters are followed up on by the Board and shareholder views are considered as part of the Directors' decision-making processes.

Service Providers

Why we engage	How we engage
As an investment company with no employees, the Company is reliant on its service providers to conduct its business. The Board considers the Portfolio Adviser, the Administrator and the Registrar to be critical to the Company's day-to-day operations. **The Board views the Company's other service providers, such as brokers, auditors and lawyers as being highly important in enabling the Company to meet its regulatory and legal requirements as necessary.**	The Board engages with its Portfolio Adviser on an on-going basis through: a) Regular communication with representatives as required, such as telephone and email correspondence, discussing ad-hoc matters which may arise; b) monthly meetings to receive updates on the performance of the portfolio; c) quarterly board meetings to receive detailed updates on, but not limited to, the loan and CLO markets and activity updates for the Underlying Company. This includes discussions about capital inflows, performance of current investments and return attribution; d) due diligence meetings with senior representatives of the Portfolio Adviser held virtually in 2020; and e) ad-hoc meetings to discuss various day-to-day operational matters or strategic matters. The Board engages with its Administrator on an on-going basis including: a) Regular communication with representatives, such as telephone and email correspondence, to discuss any ad-hoc matters; b) monthly meetings to discuss the Published NAV as computed by the Administrator; c) quarterly Board meetings at which the Board receives accounting, company secretarial and compliance updates and liaises with the Administrator on any pertinent matters; d) production of the Company's Half-Yearly Financial Report and Annual Report and Audited Financial Statements; e) ad-hoc meetings to discuss various day-to-day operational matters; and f) annual service review meetings. The Company's Registrar is responsible for maintaining the Company's share register and for processing any corporate actions. The Registrar's reports are available via an online platform, and the Company otherwise engages as necessary with the Registrar via email and telephone.

Outcome

The Company is well managed and the Board receives appropriate and timely advice and guidance, together with responses to any queries the Board has. The Board's engagement with its service providers enables it to help facilitate the effective running of the Company. This in-turn helps promote the Company's sustainability.

Underlying Company

Why we engage	How we engage
The Board's purpose and strategy is implemented through investment in the Underlying Company, BCF. Understanding the capital requirements, specifically the timing and quantum, of the Underlying Company is important to the Board to ensure the Company can provide capital as required and so that redemptions of Cash Settlement Warrants are appropriately factored in so as to not adversely impact the operations of the Underlying Company. **Additionally, understanding the performance of the Underlying Company is vital to ensuring the Company can deliver on its investment objective of income and capital appreciation.**	The Board engages with the Portfolio Adviser and the board of directors of the Underlying Company to understand their capital requirements and performance. It does so through the methods described above. The Board also had a virtual meeting with the board of BCF during 2020.

Outcome
The Board keeps abreast of capital requirements and the performance of the Underlying Company. In doing so the Board aims to understand the Underlying Company's past performance and contributing factors to this, together with their prospective outlook. From this process the Board looks to help ensure effectiveness of the Portfolio Adviser and so promote the long-term success of the Company.

Wider Society

Why we engage	How we engage
As a responsible corporate citizen the Company recognises that its operations have an environmental footprint and an impact on wider society.	The Board welcomes the views of stakeholders to remain current in their understanding of stakeholder views relating to environmental and social matters. The Board seeks to uphold the highest standards of professionalism and corporate governance and embraces diversity, inclusion and ESG. The Board expects the same from its service providers, and asks its service providers to provide an overview of their diversity and ESG policies on an annual basis. Mr Clark has taken responsibility for ESG items at Board-level. During 2020 Mr Clark liaised with BX Credit to better understand their processes for upholding high standards of ESG and responsible investing; such discussions remain ongoing as ESG procedures and requirements evolve. In endeavouring to exemplify best corporate governance practice, the Board aims to positively influence the wider corporate and economic environment and inspire stakeholder trust. In light of the COVID-19 pandemic in 2020 the majority of the Company's meetings were held virtually, meaning a reduced amount of travel and corresponding emissions.

Outcome
The Board is conscious of the importance of good governance, including diversity, inclusion and ESG specifically and seeks to positively influence the wider society and its service providers.

Corporate Activity

The principal decisions taken as detailed below and on pages 30 and 31 are the ones that the Board considers have the greatest impact on the Company's long-term success. The Board considers the factors outlined under the Section 172(1) Statement and the wider interests of stakeholders as a whole in all decisions it takes on behalf of the Company.

C Share Conversion

Description
On 7 January 2020, the Company announced the completion of the conversion of its C Shares into Ordinary Shares. 133,451,107 C Shares were converted into 78,202,348 Ordinary Shares based on a Conversion Ratio of 0.5860 Ordinary Shares per C Share.

Impact on long-term success	Stakeholder considerations
The issue and subsequent conversion of the C shares were undertaken with a view to increasing the Company's size thereby improving diversification of the Company's portfolio and improving liquidity.	An increase in the number of Ordinary Shares in issue spreads the Company's fixed costs over a wider shareholder base thereby reducing the total expense ratio.

Broker Update

Description
On 4 March 2020, the Board announced that Winterflood Securities Limited had been appointed as joint corporate broker and joint financial adviser with immediate effect. Winterflood Securities Limited acts alongside Nplus1 Singer Advisory LLP.

Impact on long-term success	Stakeholder considerations
To increase the strength and depth of the broker advice received by the Company and the scope of the Joint Brokers' market coverage, with the intention of improving the liquidity of the Company's shares.	The Board views the appointment of Winterflood as complimentary to the Company's existing engagement with N+1 Singer, and deems this to be in the best interests of stakeholders for the increase in knowledge and contacts available to the Company.

COVID-19

Description
As explained in the Chair's Statement, during 2020, COVID-19 adversely impacted global commercial activity and presented significant volatility in financial markets. Refer also to the Portfolio Adviser's Review. In light of the COVID-19 pandemic the Directors spoke regularly with BX Credit regarding market conditions and the performance of the portfolio, and published the following updates to investors, together with hosting an ad hoc investor call on 27 March 2020. The Company also amended its dividend policy, as detailed below. The latter half of the year saw more certainty in the markets and any updates were covered as part of the routine quarterly investor calls. On 23 March 2020, the Company announced a detailed review of the companies within the BCF portfolio to determine the potential impact of COVID-19 on these businesses and an investor call on 27 March 2020 to provide a market update. On 23 April 2020, the Company announced an update on the status of the Portfolio Adviser's portfolio review, together with an amended dividend policy and subsequent dividend declaration in light of COVID-19. The Company announced that BX Credit had conducted a detailed, bottom up review of all c. 970 companies within the BCF portfolio and the likely impact of COVID-19 on cashflows. While the medium and long-term impacts of the global pandemic remained uncertain, in the short-term BX Credit expected that rating agency downgrades and corporate defaults may lead to temporary cashflow diversions away from subordinate note distributions as a result of breaches in interest diversion and/or over-collateralisation ratios within a number of CLOs to which the Company has exposure (through BCF). Pursuant to this, BX Credit took numerous steps to seek to mitigate the impact of COVID-19 on the performance of the BCF portfolio and monitored the economic environment to identify risks and opportunities.

Impact on long-term success	Stakeholder considerations
A review, together with relevant actions, were taken to help mitigate the impact of COVID-19 and with a view to avoiding a significant reduction or significant volatility in the Company's performance during a period of high uncertainty.	The Board kept stakeholders informed of the review; the likely impact of COVID-19 on the BCF portfolio; and any actions taken by the Board and BX Credit to mitigate such impacts to enable stakeholders to make informed decisions during a difficult period.

Revised Dividend Policy

Description
On 23 April 2020, the Company announced that pursuant to the review of BCF's portfolio in light of COVID-19, the Board had adopted a revised Dividend Policy targeting a total 2020 annual dividend of between €0.06 and €0.07 per ordinary share, to consist of quarterly payments of €0.015 per ordinary share for the first three quarters and a final quarter payment of a variable amount to be determined at that time, later declared as €0.025 for Q4 2020. The Company further announced that it would keep the dividend policy under close review as the impact of the COVID-19 pandemic unfolded. On 21 January 2021, the Board announced that the Company has adopted a revised dividend policy targeting a total 2021 annual dividend of between €0.07 and €0.08 per Ordinary Share, which will consist of quarterly payments of €0.0175 per Ordinary Share for the first three quarters and a final quarter payment of a variable amount to be determined at that time.

Impact on long-term success	Stakeholder considerations
Amending the dividend to ensure the long-term sustainability of the Company, particularly in light of any uncertainty presented by the COVID-19 pandemic. At the same time the revised dividend policy provides sufficient flexibility to pay more or less for Q4 dependent on the year's results.	Stakeholders are provided with a degree of certainty as to the level of shareholder dividends and the sustainability of the Company is also enhanced.

Share Repurchase Programme

Description
From 30 June 2020 to 27 November 2020 the Company undertook 30 share repurchases and repurchased a total of 3,498,507 shares at a weighted average price of €0.66 per share. The repurchased shares were held in treasury during 2020 and remain in treasury. On 21 October 2020 the Company announced that it intended to continue repurchasing shares in the market using available cash with a view to reducing the discount to NAV at which the Company's Ordinary Shares were currently trading, noting the Directors' ability to do this using available cash, subject to having been granted authority to do so, should the Ordinary Shares trade at an average discount to NAV per Share of more than 7.5 per cent. as measured each month over the preceding six month trading period, as covered by the Company's prospectus issued on 23 November 2018. It was noted that the Directors were conscious of the discount at which the Company's Ordinary Shares were trading and they would continue to monitor the Company's share price and relevant factors such as the Company's available cash resources, in connection with any decision to repurchase shares, together with the Company's approach to share repurchases. Since 31 December 2020 the Company has repurchased 125,000 shares at a price of €81,250.

Impact on long-term success	Stakeholder considerations
Increasing the NAV per Ordinary Share and assisting to minimise the discount to the NAV per Ordinary Share at which the Ordinary Shares are trading.	The Board believes that undertaking repurchases of Ordinary Shares addresses any imbalance between the supply of, and demand for, the Ordinary Shares.

Risk Overview

Each Director is aware of the risks inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls to enable it to manage these risks within acceptable limits and to meet all of its legal and regulatory obligations.

The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis and these risks are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

Risk Appetite

The Board's strategic risk appetite is to balance the amount of income distributed by the Company by way of dividend with the opportunity to reinvest the returns received from the underlying CLO investments in further CLO equity through the structure. The Board seeks to ensure that the dividend policy is sustainable without eroding capital. Where the Company's share price is at a material discount to the NAV per share the Board may decide to repurchase shares in accordance with its share buyback policy instead of, or as well as, reinvestment into CLOs.

When considering other risks, the Board's risk appetite is effectively governed by a cost benefit analysis when assessing mitigation measures. However, at all times the Company will seek to follow best practice and remain compliant with all applicable laws, rules and regulations.

Principal Risks and Uncertainties

As recommended by the Risk Committee, the Board has adopted a risk management framework to govern how the Board: identifies existing and emerging risks; determines risk appetite; identifies mitigation and controls; assesses, monitors and measures risk; and reports on risks.

The Board reviews risks at least twice a year and receives deep-dive reports on specific risks as recommended by the Risk Committee (refer to the Risk Committee Report). Throughout the year under review the Board considered 15 main risks which have a higher probability and a significant potential impact on performance, strategy, reputation, or operations (Category A risks). Of these, the first four risks identified on pages 33 and 34 were considered the principal risks faced by the Company where the combination of probability and impact was assessed as being most significant. The Board also considered another 14 less significant existing or emerging risks (Category B risks) which are monitored on a watch list.

During the year, as the COVID-19 pandemic grew, the Board and the Risk Committee considered the impact that the situation would have on the Company's business and its service providers. As a result, the Board elevated risks relating to Reliance on Service Providers and Business Continuity from Category B to Category A and downgraded risk relating to Third Party Investors in the Originator from Category A to Category B. Category A risks relating to Reporting and Filing Deadlines and Tax, Legal and Regulatory Requirements were merged. Due to the material impact that the epidemic was expected to have on the Company, society and the economy, the existing four principal risks on pages 33 and 34 were considered through the lens of COVID-19 and a fifth principal risk was added regarding operational risk, that aggregates a number of Category A risks that are operational in nature.

Principal risk	COVID-19 commentary
Investment performance A key risk to the Company is unsatisfactory investment performance due to an economic downturn along with continued political uncertainty which could negatively impact global credit markets and the risk reward characteristics for CLO structuring. This could directly impact the performance of the underlying CLOs that the Company invests in and it could also result in a reduced number of suitable investment opportunities and/or lower shareholder demand.	Credit markets, along with most other asset classes, were initially badly hit by the expected impact of COVID-19 on companies and markets. However, as the actual impact of the pandemic on specific companies and markets has become clearer, markets have adjusted and rebounded somewhat. The Portfolio Adviser conducted detailed reviews of the companies behind the Company's underlying portfolio and, within the parameters of the CLOs, traded in and out of different names to re-orientate the portfolios for the COVID-19 environment. The Board takes comfort from the pedigree of Blackstone Credit as Portfolio Advisers and their ability to trade and manage risk in the portfolios in difficult circumstances, as demonstrated in the GFC and as seen in 2020.
Share price discount The price of the Company's shares may trade at a discount relative to the underlying net asset value of the shares.	Due to the inherent uncertainty created by the onset of the COVID-19 pandemic, the Company's discount initially widened as far as 36.71%, although there had been no sustained selling pressure. The discount subsequently narrowed somewhat but remained in the range 16% – 30% for the rest of the year. As the likely impact of the pandemic became clearer in mid-2020, the Board commenced buying back some of the Company's shares. The Board also began consulting with advisers to formulate a clearer policy regarding the application of cash generated by the underlying portfolio between distributions to shareholders, amounts re-invested into the portfolio and amounts available to buy back the Company's shares where there is a discount. Refer to the sections Discount Management in the Chair's Statement and Share Repurchase Programme in Corporate Activity.
Investment valuation The investment in the Lux Subsidiary is accounted for at fair value through profit or loss and the investment in PPNs issued by BCF held by the Lux Subsidiary are at fair value. Investments in BCF (the PPNs) are illiquid investments, not traded on an active market and are valued using valuation techniques determined by the Directors. The underlying CLO investments held by BCF are valued using modelling methodologies, described in the Company's Prospectus, that are based upon many assumptions. The valuation of the Company's investments therefore requires a significant judgement and there is a risk that they are incorrectly valued due to calculation errors or incorrect assumptions.	The Directors use their judgement, with the assistance of the Portfolio Adviser, in selecting an appropriate valuation technique and refer to techniques commonly used by market practitioners. The board of directors of BCF likewise use their judgement in determining the valuation of investments and underlying CLOs and equity tranches retained by BCF. Independent valuation service providers are involved in determining the fair value of underlying CLOs. The Board and Portfolio Adviser have paid close attention to developing market expectations and assumptions through the pandemic, to ensure that valuations reflect reasonable future scenarios. Sales of equity positions, announced to the stock market on 11 December 2020, in the CLOs held by BCF, to third parties, during the year have validated that the Company's valuation policy is reasonable. The Risk Committee Report mentions a valuation assumption error that was announced in September 2020. This was fully investigated by the Portfolio Adviser and the Risk Committee was satisfied with the action taken to prevent such an error recurring.

Principal risk	COVID-19 commentary
Income distribution model The Company receives cash flows from its underlying exposure to debt and CLO investments held by BCF. Each underlying CLO will pay out a mixture of income and capital return over its life with a terminal capital value in the 70 to 80% range. BCF aims to distribute most of the proceeds that it receives from CLO investments to the Company (via PPNs) whilst reinvesting some of the proceeds back into CLOs to maintain capital invested. In turn, the Company aims to distribute income received to shareholders, in accordance with its distribution policy, without eroding capital. There is a risk that the distribution policy at the Company level may be too generous or re-investment at the BCF level may not be sufficient, resulting in the erosion of underlying capital invested.	The Directors use their judgement, with the assistance of the Portfolio Adviser, in setting the Company's distribution policy to ensure that it is appropriate given the performance of the underlying CLOs. As a result of the initial COVID-19 impact assessment conducted by the Portfolio Adviser in March/April 2020, the Company decided to amend its dividend policy. The target for 2020 dividends was announced as a range from €0.06 to €0.07 per share. This was to ensure that there was sufficient cover for distributions in the reasonable downside scenarios identified by the Portfolio Adviser. Due to the robust performance of the underlying portfolio relative to the modelled downside scenarios, the Company was able to pay dividends for 2020 of €0.07 per share and announced a target range for 2021 of €0.07 to €0.08 per share.
Operational The Company has no employees, systems or premises and is reliant on its Portfolio Adviser and service providers for the delivery of its investment objective and strategy. The COVID-19 pandemic means that all of the Company's service providers are operating under business continuity procedures with staff mainly working from home. This increases the risk of control breakdowns, errors and omissions and regulatory breaches. As the pandemic takes its course there is also an increased risk that key individuals at the Portfolio Adviser and other service providers will be ill or otherwise unable to work. This will reduce the capacity for the Company to operate.	The Risk Committee has reviewed the arrangements put in place by key service providers to ensure continuity of service to the Company and is currently satisfied that they are sufficient. This will be kept under regular review.

Brexit

The Directors do not believe that the UK's departure from the European Union poses a significant ongoing risk to the Company other than any impact reflected generally in international markets and the global economy. Last year, the Directors held discussions with the Portfolio Adviser's Brexit planning team to gain comfort that any other Brexit associated risk was mitigated. In addition, the Portfolio Adviser's fundamental credit research team of 35 investment professionals reviewed BCF's portfolio of UK-exposed issuers, based on potential impact as a result of Brexit. When considering Brexit's impact on the portfolio, it is important to look at not just where the credit is domiciled, but what the exposure is to the UK and the impact of Brexit specifically related to that business. The team identified and analysed what they believed to be the main risks for UK businesses that could potentially have an impact on margins, availability of goods, and employees, which include but are not limited to: foreign exchange risk, tariffs, supply chain impacts, availability of workers, consumer confidence, and regulatory changes.

Going Concern

The Directors have considered the Company's investment objective, risk management and capital management policies, its assets and the expected income from its investments while factoring in the economic impact the outbreak of COVID-19 had during 2020 and continues to have into 2021, as discussed further in the Chair's Statement and the Portfolio Adviser's Review. The Directors are of the opinion that the Company is able to meet its liabilities and ongoing expenses as they fall due and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis and the Directors believe it is appropriate to continue to adopt this basis for a period of at least 12 months from the date of approval of these financial statements.

Viability Statement

At least once a year the Directors carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors also assess the Company's policies and procedures for monitoring, managing and mitigating its exposure to these risks. In assessing viability the Directors have considered the principal risks of the Company as detailed on pages 32 to 34 along with the evolution of market conditions pursuant to the outbreak of the COVID-19 pandemic, the Company's current position, investment objective and strategy and the performance of the Portfolio Adviser.

As explained on pages 21 to 24, the Company's underlying investment exposure is to the investment portfolio of BCF. BCF's portfolio comprises the following categories of investments: (i) CLO Debt and CLO Income Notes securitised by BCF, (ii) a portfolio of senior secured loans and bonds; and (iii) preference shares. The majority of CLO investments in the portfolio have a non-call period of approximately two years from their origination date and cannot be redeemed until these expire. The Directors have considered each of the principal risks of the Company that could materially affect the cash flows derived from these investments and hence how these could impact the cash flows received by BGLF from BCF.

The Directors adjusted the Company's dividend policy for the calendar year 2020, pursuant to the comprehensive discussions between the Directors and the Portfolio Adviser regarding the portfolio review and uncertain near-term outlook. On 23 April 2020, the Directors announced they had adopted a revised dividend policy targeting a total 2020 annual dividend of between €0.06 and €0.07 per Ordinary Share, to consist of quarterly payments of €0.015 per Ordinary Share for the first three quarters and a final quarter payment of a variable amount to be determined at that time. The adjustment to the Company's dividend policy had a positive effect on the Company's cash and cash equivalents while allowing the Directors to assess the impact of the COVID-19 pandemic and provide for any unforeseen consequences. As the year progressed and more information became available on the impact of COVID-19 on BCF's portfolio, in line with the revised dividend policy, the Board declared dividends of €0.015 per Ordinary Share for the three quarters of 2020, and a dividend of €0.025 per Ordinary Share for the fourth quarter.

On 23 April 2020 the Directors announced they had adopted a revised dividend policy targeting a total 2020 annual dividend of between €0.06 and €0.07 per Ordinary Share, to consist of quarterly payments of €0.015 per Ordinary Share for the first three quarters and a final quarter payment of a variable amount to be determined at that time. In line with this policy, the Board declared dividends of €0.015 per Ordinary Share for the three quarters of 2020, and a dividend of €0.025 per Ordinary Share for the fourth quarter.

The Directors continue to regularly review the revised dividend policy, but at present are satisfied that the outcomes modelled by the Portfolio Adviser under extreme market scenarios, in light of COVID-19 and the adoption of a revised dividend policy will allow the Company to generate sufficient cash flow and ensure that the Company would be able to meet its liabilities, as they fall due.

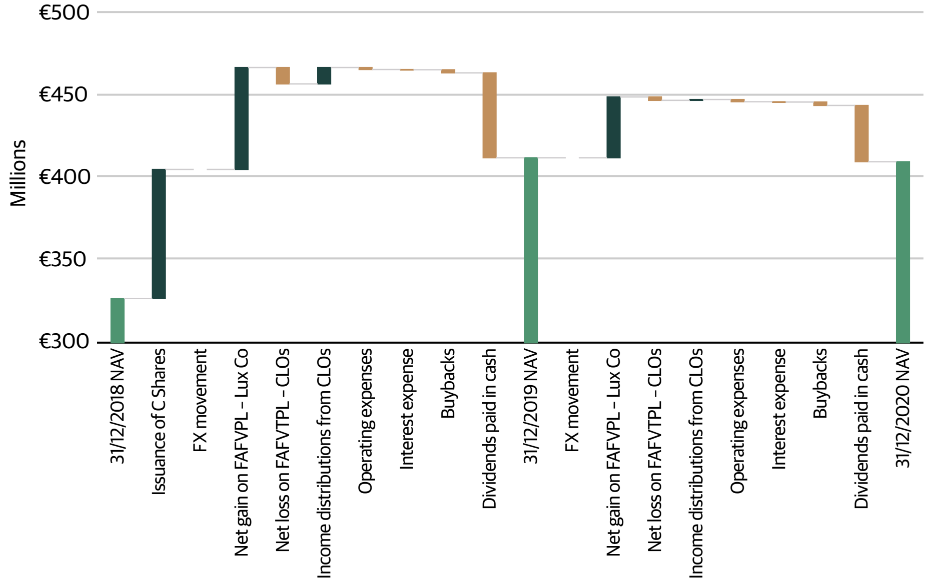
The Directors have assessed the prospects of the Company over the five-year period to 30 April 2026, which the Directors have determined constitutes an appropriate period to provide its viability statement. The Directors regularly receive financial forecasts from the Portfolio Adviser presented on a quarterly basis for at least the next four to five years. The Directors believe that financial forecasts to support its investment strategy can be subject to changes dependent upon investment performance, deployment of capital and regulatory, legal and tax developments for which the impact beyond a five year term is difficult to assess. In addition, the extent to which macroeconomic, political, social, technological and regulatory changes beyond a five-year term may have a plausible impact on the Company are difficult to envisage.

The Directors also considered other key risks. Whilst each of these key risks could have an impact on the long-term sustainability of the Company, the Directors concluded that each was sufficiently mitigated and would therefore not impact the viability of the Company over a five-year period.

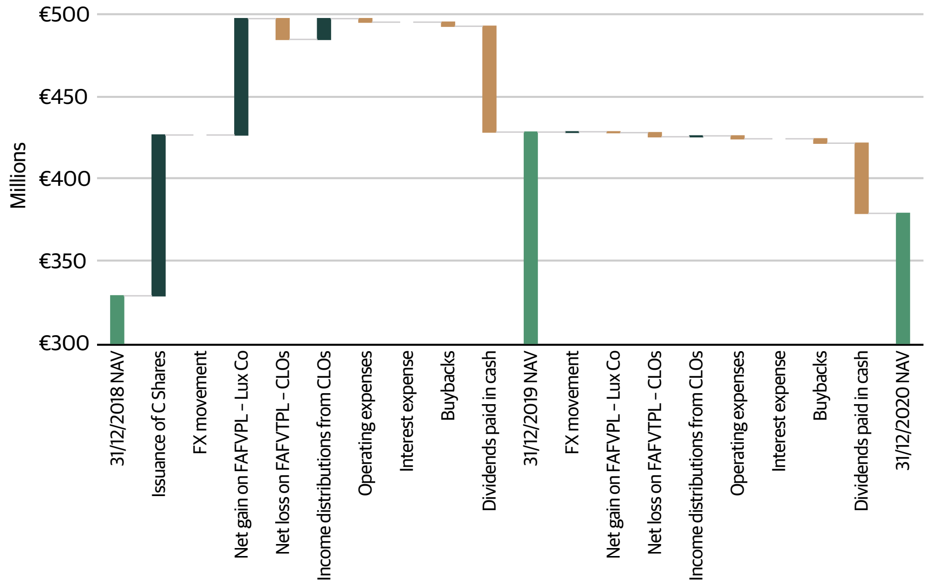
On the basis of this assessment of the principal risks facing the Company and the modelled extreme market scenarios by the Portfolio Adviser, including the potential impact of COVID-19, used to assess the Company's prospects, and in the absence of any unforeseen circumstances, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment. However, it is worth noting that there is no intention for the life of the Company to be limited to this five-year period.

Performance Analysis

IFRS NAV Performance Analysis for the Years Ended 31 December 2020 and 31 December 2019 – Contributors to Change



Published NAV Performance Analysis for the Years Ended 31 December 2020 and 31 December 2019 – Contributors to Change



"Net gain on FAFVPL – Lux Co" for the years ended 31 December 2020 and 31 December 2019 reflects the Company's pro-rated share of the underlying activity of BCF.
"Net loss on FAFVTPL – CLOs" and "Income distributions from CLOs" for the years ended 31 December 2020 and 31 December 2019 relate to the directly held CLOs from the Rollover Offer.

Further commentary on the Company's performance is contained in the Chair's Statement and the Portfolio Adviser's Review.

Other Information

Valuation Methodology

As noted on page 5, the Published NAV and the IFRS NAV may diverge because of different key assumptions used to determine the valuation of the BCF portfolio. Key assumptions which are different between the two bases as at 31 December 2020 and 31 December 2019 are detailed below:

Asset	Valuation Methodology	Input	IFRS NAV	Published NAV	IFRS NAV	Published NAV
			31 December 2020		31 December 2019	
CLO Securities	Discounted Cash Flows	Constant default rate	1.75%	1.83%	1.98%	2.00%
		Conditional prepayment rate	23%	24%	25%	20%
		Reinvestment spread (bp over LIBOR)	370.00	359.23	354.77	380.82
		Recovery rate loans	60.00%	60.00%	70.00%	70.00%
		Recovery lag (Months)	0	12	0	12
		Discount rate	14.55%	14.00%	15.67%	12.04%

All of the assumptions above are based on weighted averages.

Certain assumptions, which underpin the year-end Published NAV, such as a lower conditional prepayment rate, discount rate and a 12-month recovery lag on assumed defaulted assets, are generally more conservative. The below table further explains the rationale regarding the differences in the assumptions that significantly contributed to the valuation divergence as at 31 December 2020.

Assumptions	IFRS NAV	Published NAV
Reinvestment Spread	Largely weighted by a CLO's current portfolio weighted average spread, which assumes that the CLO investment manager will continue to reinvest in collateral with a similar spread and rating composition to the existing collateral pool. In addition, weighting may be given to primary loan spreads to the extent current primary market opportunities suggest different spreads than the existing portfolio.	Represents a normalised, long-term view of loan spreads to be achieved over the life of the CLO's remaining reinvestment period. Initially informed by the underwriting model at issuance, the assumption is periodically reviewed and updated to the extent of secular changes in loan spreads.
Discount Rate	Intended to reflect the market required rate of return for similar securities and is informed by market research, BWICs, market colour for comparable transactions, and dealer runs. The discount rate may vary based on underlying loan prices, exposure to distressed assets or industries, manager performance, and time remaining in reinvestment period. Discount rates have tightened materially since Q1 2020 given the recovery of the loan market and central bank stimulus. The Company completed several opportunistic trades of excess positions in Q4 2020. The discount rates implied by such trades helped inform the discount rates assumed for mark to market valuations.	Based on the expected rate of return for a newly originated CLO equity security on a hold to maturity basis. The expected rate of return is based on a long-term market average and is periodically reviewed and updated to the extent of secular changes in the market.

Source of the Company's Dividend – Ordinary Class

The Company through its investments in the Lux Subsidiary receives income, on a quarterly basis, on the PPNs held by the latter in BCF, which continues to generate positive cash flows from its CLO Income Note investments and from its portfolio of directly held and warehoused loans.

The Company redeems CSWs on a quarterly basis to transfer the income from the Lux Subsidiary. As detailed on page 7, the Company redeemed 41,678,730 CSWs in the Lux Subsidiary during the year with a fair value of €51,840,511 to fund the quarterly dividend.

Alternative Investment Fund Managers' Directive

The Alternative Investment Fund Managers' Directive ("AIFMD") requires certain information to be made available to investors in alternative investment funds ("AIFs") before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. There have been no material changes (other than those reflected in these financial statements) to this information requiring disclosure.

Alternative Performance Measures

In accordance with ESMA Guidelines on APMs, the Board has considered which APMs are included in the Annual Report and Audited Financial Statements and require further clarification. An APM is defined as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. APMs included in the financial statements, which are unaudited and outside the scope of IFRS, are detailed in the table below.

	Published NAV total return per Ordinary Share[25]	Published NAV per Ordinary Share[25]	(Discount)/Premium per Ordinary Share
Definition	The increase in the Published NAV per Ordinary Share plus the total dividends paid per Ordinary Share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at period end	Gross assets less liabilities (including accrued but unpaid fees) determined in accordance with the section entitled "Net Asset Value" in Part I of the Company's Prospectus, divided by the number of Ordinary Shares at the relevant time	BGLF's closing share price on the LSE less the Published NAV per share as at the period end, divided by the Published NAV per share as at that date
Reason	NAV total return summarises the Company's true growth over time while taking into account both capital appreciation and dividend yield	The Published NAV per share is an indicator of the intrinsic value of the Company.	The discount or premium per Ordinary Share is a key indicator of the discrepancy between the market value and the intrinsic value of the Company
Target	~11%+	Not applicable	Maximum discount of 7.5%
Performance			
2020	(0.22)%	0.8435	(20.57)%[26]
2019	14.46%	0.9187	(10.20)%
2018	6.70%	0.8963	(15.21)%
2017	1.38%	0.9378	5.03%
2016	13.28%	1.0238	(1.10)%

(25) Published NAV is an APM from which these metrics are derived
(26) Refer to details on management of the discount in the Chair's Statement

A reconciliation of the above-mentioned APMs to the most directly reconcilable line items presented in the financial statements for the year ended 31 December 2020 is presented below:

Published NAV total return per Ordinary Share

	31 December 2020	31 December 2019
Opening Published NAV per Ordinary Share (A)	€0.9187	€0.8963
Adjustments per Ordinary Share (B)	€(0.0644)	€(0.0898)
Opening IFRS NAV per Ordinary Share (C=A+B)	€0.8543	€0.8065
Closing Published NAV per Ordinary Share (D)	€0.8435	€0.9187
Adjustments per Ordinary Share (E)	€0.0122	€(0.0644)
Closing IFRS NAV per Ordinary Share (F=D+E)	€0.8557	€0.8543
Dividends paid during the year (G)	€0.0700	€0.1000
Published NAV total return per Ordinary Share (H=(D-A+G)/A)	(0.57)%	13.66%
Impact of dividend re-investment (I)	0.35%	0.80%
Published NAV total return per Ordinary Share with dividends re-invested (J=H+I)	(0.22)%	14.46%
IFRS NAV total return per Ordinary Share (K=(F-C+G)/C)	8.36%	18.33%
Impact of dividend re-investment (L)	0.49%	(0.02)%
IFRS NAV total return per Ordinary Share with dividends re-invested (M=K+L)	8.85%	18.31%

Refer to Note 16 for further details on the adjustments per Ordinary Share.

Published NAV per Ordinary Share

	31 December 2020	31 December 2019
Published NAV per Ordinary Share (A)	€0.8435	€0.9187
Adjustments per Ordinary Share (B)	€0.0122	€(0.0644)
IFRS NAV per Ordinary Share (C=A+B)	€0.8557	€0.8543

Refer to Note 16 for further details on the adjustments per Ordinary Share.

(Discount)/Premium per Ordinary Share

	31 December 2020	31 December 2019
Published NAV per Ordinary Share (A)	€0.8435	€0.9187
Adjustments per Ordinary Share (B)	€0.0122	€(0.0644)
IFRS NAV per Ordinary Share (C=A+B)	€0.8557	€0.8543
Closing share price as at 31 December per the LSE (D)	€0.6700	€0.8250
Discount to Published NAV per Ordinary Share (E=(D-A)/A)	(20.57)%	(10.20)%
Discount to IFRS NAV per Ordinary Share (F=(D-C)/C)	(21.70)%	(3.43)%

Refer to Note 16 for further details on the adjustments per Ordinary Share.

Future Developments

Significant Events after the Reporting Period

Name Change
On 6 January 2021, the Company announced that at the Extraordinary General Meeting held earlier that day a special resolution had been duly passed to change the name of the Company from 'Blackstone/GSO Loan Financing Limited' to 'Blackstone Loan Financing Limited'.

On 13 January 2021, the Company announced that the name change had taken effect from and including 11 January 2021.

Dividends
On 22 January 2021, the Board declared a dividend of €0.025 per Ordinary Share in respect of the period from 1 October 2020 to 31 December 2020 with an ex-dividend date of 4 February 2021. A total payment of €11,923,083 was processed on 5 March 2021.

On 23 April 2021, the Board declared a dividend of €0.0175 per Ordinary Share in respect of the period from 1 January 2021 to 31 March 2021 with an ex-dividend date of 6 May 2021. The dividend will be paid on 4 June 2021.

Updated Conflict Disclosures
On 2 March 2021 the Company announced that it was seeking acknowledgment by Shareholders of certain updated disclosures with respect to potential conflicts of interest which may arise within The Blackstone Group, Inc., available online at www.bglf.co.uk under Terms of Reference & Key Roles. A formal request was sent to Shareholders asking for their acknowledgement.

Share Repurchase Programme
On 12 March 2021 the Company announced that the Company's Joint Brokers had been appointed to manage a share repurchase programme to repurchase Ordinary shares within certain pre-set parameters, which would run until 26 May 2021.

Repurchase of Ordinary Shares
During the period from 1 January 2021 to 28 April 2021, the Company repurchased 125,000 shares at a cost of €81,250.

Outlook

It is the Board's intention that the Company will pursue its investment objective and investment policy as detailed on pages 21 to 24. Further comments on the outlook for the Company for the 2021 financial year and the main trends and factors likely to affects its future development, performance and position are contained within the Chair's Statement and the Portfolio Adviser's Review.

Governance

2.0

Directors' Biographies

The Directors appointed to the Board as at the date of approval of this Annual Report and Audited Financial Statements are:

Charlotte Valeur

Position: Chair of the Board (non-executive and independent director, resident in Jersey)

Date of appointment: 13 June 2014

Charlotte Valeur has extensive experience in financial markets as an investment banker and is an experienced FTSE Non-Executive Director and Chair.

She is a regular public speaker and delivers training in corporate governance globally. In addition, she conducts board reviews and advises boards on corporate governance through her company Global Governance Group and is a visiting Professor in governance at University of Strathclyde.

Charlotte has substantial board experience as Chair of FTSE250 Kennedy Wilson Europe Real Estate Plc, Chair of DW Catalyst Fund Ltd, NED of Renewable Energy Generation Ltd, NED of Phoenix Spree Deutschland Ltd, NED of JPMorgan Convertibles Income Fund, NED of FTSE250 3i Infrastructure Plc and NED of DGI9 Plc. Her unlisted company board experience includes NED of NTR Plc, NED of Laing O'Rourke and Chair of the U.K. Institute of Directors. She is also Chair and founder of Board Apprentice.

She is a member of the London Stock Exchange Primary Markets Group and serves on the Advisory Board of the Moller Institute, Churchill College, and University of Cambridge.

Gary Clark, ACA

Position: Chair of the Remuneration and Nomination Committee and NAV Review Committee; Senior Independent Director (non-executive and independent director, resident in Jersey)

Date of appointment: 13 June 2014

Gary Clark acts as an independent non-executive director for a number of investment managers including Emirates NBD, Aberdeen Standard Capital and ICG. Until 1 March 2011 he was a managing director at State Street and their head of Hedge Fund Services in the Channel Islands. Gary Clark, a Chartered Accountant, served as chairman of the Jersey Funds Association from 2004 to 2007 and was managing director at AIB Fund Administrators Limited when it was acquired by Mourant in 2006. This business was sold to State Street in 2010. Prior to this Gary Clark was managing director of the futures broker, GNI (Channel Islands) Limited in Jersey.

A specialist in alternative investment funds, Gary Clark was one of several practitioners involved in a number of significant changes to the regulatory regime for funds in Jersey, including the introduction of both Jersey's Expert Funds Guide and Jersey's Unregulated Funds regime.

As a Chartered Accountant with over 30 years' experience in financial services, including many years focused on running fund administration businesses in alternative asset classes, Gary Clark brings a wealth of highly relevant experience, at both board level and as an executive, in fund/asset management operations, including in particular valuation, accounting and administrative controls and processes.

Heather MacCallum, CA

Position: Chair of the Audit Committee (non-executive and independent director, resident in Jersey)

Date of appointment: 7 September 2017

Heather MacCallum is a Chartered Accountant and was a partner of KPMG Channel Islands for 15 years before retiring from the partnership in 2016.

Heather MacCallum now holds a portfolio of non-executive directorships including Aberdeen Latin American Income Fund Limited and City Merchants High Yield Trust Limited, both of which are investment companies listed on the London Stock Exchange. She is the Chair of Jersey Water, an unlisted Jersey utility company.

She is a member of the Institute of Directors and the Institute of Chartered Accountants of Scotland (ICAS). She is also a past president of the Jersey Society of Chartered and Certified Accountants.

With 20 years' experience gained in a global professional services firm, Heather MacCallum brings financial experience including technical knowledge of accounting and auditing, especially in the context of financial services, and in particular the investment management sector.

Steven Wilderspin, FCA, IMC

Position: Chair of the Risk Committee (non-executive and independent director, resident in Jersey)

Date of appointment: 11 August 2017

Steven Wilderspin, a qualified Chartered Accountant, has been the Principal of Wilderspin Independent Governance, which provides independent directorship services, since 2007. He has served on a number of private equity, property and hedge fund boards as well as commercial companies.

In February 2021 Steven Wilderspin was appointed as a director of FTSE 250 GCP Infrastructure Investments Ltd and in May 2018 Steven Wilderspin was appointed as a director of FTSE 250 HarbourVest Global Private Equity Limited.

In December 2017 Steven Wilderspin stepped down from the board of FTSE 250 3i Infrastructure plc, where he was chairman of the audit and risk committee, after ten years' service.

From 2001 until 2007, Steven Wilderspin was a director of fund administrator Maples Finance Jersey Limited where he was responsible for fund and securitisation structures. Before that, from 1997, Steven Wilderspin was Head of Accounting at Perpetual Fund Management (Jersey) Limited.

Steven Wilderspin has significant listed corporate governance experience, particularly in the area of risk management, so is well placed to lead the board through the development of its risk framework.

Mark Moffat

Position: Non-executive and independent director (resident in UK)

Date of appointment: 8 January 2019

Mark Moffat has been involved in structuring, managing and investing in CLOs for over 20 years. Mark Moffat left GSO Capital Partners LP (now Blackstone Credit), part of the credit businesses of The Blackstone Group L.P., in April 2015 to pursue other interests.

Whilst at GSO Capital Partners LP Mr Moffat was a senior managing director and the portfolio manager responsible for investing in structured credit and co-head of the European activities of the Customised Credit Strategies division.

Mark Moffat joined GSO Capital Partners LP in January 2012 following the acquisition by GSO Capital Partners LP of Harbourmaster Capital Management Limited where he was co-head. Prior to joining Harbourmaster in 2007, Mark Moffat was head of European debt and equity capital markets and the European CLO business of Bear Stearns. At Bear Stearns, Mr Moffat was responsible for the origination, structuring and execution of CLOs in Europe over a seven-year period. Prior to Bear Stearns, Mark Moffat was global head of CLOs at ABN AMRO and a Director in the principal finance team of Greenwich NatWest.

With over 20 years of experience structuring, managing and investing in CLOs Mark Moffat brings a deep knowledge of how CLO structures and markets perform over the credit cycle.

Directors' Report

The Directors present the Annual Report and Audited Financial Statements for the Company for the year ended 31 December 2020.

Directors

The Directors of the Company on the date the financial statements were approved are detailed on pages 43 to 44. All directors were directors of the Company throughout the year ended 31 December 2020.

The Board and Employees

The Board currently comprises three male and two female Directors. The Company has no employees and therefore there is nothing further to report in respect of gender representation within the Company.

Full details of the Company's policy on Board Diversity can be found in the Corporate Governance Report on page 49.

Share Capital

The Company's share capital consists of an unlimited number of shares. As at 31 December 2020, the Company's issued share capital consisted of 477,023,331 Ordinary Shares, excluding 5,879,463 treasury shares (31 December 2019: 402,319,490 Ordinary Shares and 133,451,107 C Shares, excluding 2,380,956 treasury shares).

Share Repurchase Programme

At the 2019 AGM, held on 11 July 2019, the Directors were granted authority to repurchase up to 60,307,691 Ordinary Shares (being equal to 14.99% of the aggregate number of Ordinary Shares in issue at the date of the AGM) for cancellation, or to be held as treasury shares.

Under this authority, the Company has repurchased a total of 105,000 Ordinary Shares at a total cost of €70,100 (excluding fees and commissions).

At the 2020 AGM, held on 16 July 2020, the Directors were granted authority to repurchase up to 72,014,484 Ordinary Shares (being equal to 14.99% of the aggregate number of Ordinary Shares in issue at the date of the AGM) for cancellation, or to be held as treasury shares.

Under this authority, the Company has repurchased a total of 3,393,507 Ordinary Shares at a total cost of €2,048,649 (excluding fees and commissions) during the year ended 31 December 2020.

Under this authority, the Company has repurchased a total of 125,000 Ordinary Shares at a total cost of €81,250 (excluding fees and commissions) during the period from 1 January 2021 to 28 April 2021.

The Directors intend to seek annual renewal of this authority from Shareholders.

Authority to Allot

At the 2020 AGM, the Directors were granted authority to allot, grant options over, or otherwise dispose of up to 48,041,683 Ordinary Shares (being equal to 10.00% of the aggregate number of Ordinary Shares in issue at the date of the AGM). This authority will expire at the 2021 AGM.

Shareholders' Interests

As at 31 December 2020, the Company had been notified, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following Shareholders with an interest of greater than 5% in the Company's issued share capital:

Shareholder	Percentage of Voting Rights
BlackRock Inc	22.95%
Quilter plc	21.26%
Blackstone Treasury Asia Pte Ltd	9.01%
FIL Limited	6.89%

Between 31 December 2020 and 28 April 2021, no notifications were received.

Statement of Disclosure of Information to the Auditor

The Directors who held office as at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and that they have taken the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Environmental, Employee, Social, Community and Human Rights Matters

The Company is a closed ended investment company with no employees, and therefore its environmental and climatic impact is minimal. The Board notes that the companies in which BCF invests (either directly or indirectly) may have an environmental, social and governance impact. The Board have obtained and reviewed BX Credit's Responsible Investing Policy and considered their perspective on climate change. The Board noted that BX Credit is of the belief that a key component of being a responsible investor is an active evaluation of ESG components of its investments. Hence, a review of ESG risks is integrated into BX Credit's investment analysis and decision-making processes from pre-investment diligence to post-investment monitoring. BX Credit recognises the value that incorporating ESG factors in investment research creates both in terms of mitigating risk and enhancing long-term performance across investments. BX Credit integrates review and consideration of applicable ESG factors into its decision-making processes. Refer to the Portfolio Adviser's Review on pages 18 to 20 for further details on the Portfolio Adviser's ESG policy.

Modern slavery

The Company would not fall into the scope of the UK Modern Slavery Act 2015 (as the Company does not have any turnover derived from goods and services) if it was incorporated in the UK. Furthermore, as a closed-ended investment company, the Company has no employees and its supply chain is considered to be low risk given that suppliers are typically professional advisers based in either the Channel Islands or the UK. Based on these factors, the Board have considered that it is not necessary for the Company to make a slavery and human trafficking statement.

Gary Clark
Director
29 April 2021

Corporate Governance Report

Statement of Compliance with Corporate Governance

The Board of the Company has considered the Principles and Provisions of the AIC Code. The AIC Code addresses the Principles and Provisions set out in the UK Code, as well as setting out additional Provisions on issues that are of specific relevance to the Company, as an investment company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the FRC and supported by the Jersey Financial Services Commission provides more relevant information to shareholders.

The Company has complied with the Principles and Provisions of the AIC Code as they apply to the Company.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board

The Board consists of five non-executive directors. Their biographies can be found on pages 43 to 44.

The Board meets at least four times a year and is in regular contact with the Portfolio Adviser, the Portfolio Manager, the Administrator and the Company Secretary. Furthermore, the Board is supplied with information in a timely manner from the Portfolio Adviser, Portfolio Manager, the Company Secretary and other advisers in a form and of a quality appropriate for it to be able to discharge its duties.

Board Apprentices

The Board participates in the Board Apprentice scheme and took on 2 Board Apprentices from 1 April 2021, having previously taken on two Board Apprentices for one year in October 2018. The Board consider this a valuable exercise in mentoring already accomplished individuals to be future directors, fostering equality and developing board culture.

Duties and Responsibilities

The Board has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- statutory obligations and public disclosure;
- strategic matters and financial reporting;
- risk assessment and management including reporting, compliance, governance, monitoring and control; and
- other matters having a material effect on the Company.

The Board is responsible to Shareholders for the overall management of the Company. The Board has delegated certain operational activities of the Company to the Portfolio Adviser, Administrator and Company Secretary. The Board reserves the power of decisions relating to the determination of investment policy, the approval of changes in strategy, capital structure, statutory obligations and public disclosure, and the entering into of any material contracts by the Company.

Board Attendance

The following table shows the number of meetings held by the Board and each committee for the year ended 31 December 2020, as well as the Directors' and Committee Members' attendance.

Meeting	Total	Charlotte Valeur	Gary Clark	Steven Wilderspin	Heather MacCallum	Mark Moffat
Quarterly Board	4	4	4	4	4	4
Ad Hoc Board	5	4	5	5	5	5
Ad Hoc board (Dividend Declaration)	4	4	4	4	4	4
Audit Committee	6	N/A	6	6	6	6
Management Engagement Committee	1	1	1	1	1	1
NAV Review Committee	12	N/A	11	12	12	12
Remuneration and Nomination Committee	4	4	4	4	4	4
Risk Committee	4	4	4	4	4	4
Inside Information Committee[27]	3	1	2	3	2	2

Chair

The Chair is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chair is also responsible for ensuring that the Directors receive accurate, timely and clear information and for effective communication with Shareholders.

Board Independence

For the purpose of assessing compliance with principle G, provisions 10 and 13 of the AIC Code, the Board considers all of the current Directors to be independent.

The Directors consider that there are no factors, as set out in provision 13 in the AIC Code, which compromise the other Directors' independence and that all Directors contribute comprehensively to the affairs of the Company. The Board reviews the independence of all Directors annually. The Company Secretary acts as secretary to the Board and Committees and, in doing so, assists the Chair in ensuring that all Directors have full and timely access to all relevant documentation, organises induction of new Directors, is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters.

Board Evaluation

During 2020, the Board conducted their own review using BoardMetrix, a board evaluation tool. This evaluation assessed the Board's performance in the following areas:

- board composition/skills;
- strategic review;
- workings of the board;
- risk oversight;
- performance oversight; and
- stakeholder management.

The performance of each Director and the Committees of the Board were also assessed as part of this evaluation.

The evaluation concluded that the Board was strong across all of the above areas and that the Directors and the Board's Committees were performing effectively. No significant recommendations were made which are required to be brought to the attention of the Shareholders.

Committees of the Board

The Board has established six committees: an Audit Committee; a Management Engagement Committee; a NAV Review Committee; a Remuneration and Nomination Committee; a Risk Committee; and an Inside Information Committee. Each committee has formally delegated duties and responsibilities within written terms of reference. These are available on the Company's website, blackstone.com/bglf, under "Terms of Reference".

The current committee memberships are detailed on the following page.

(27) The Inside Information Committee is a committee of any two Directors

Audit Committee

The Audit Committee comprises all Directors, except Charlotte Valeur, and is chaired by Heather MacCallum.
The terms of reference state that the Audit Committee will meet not less than three times a year and will meet with the Auditor at least once a year. The report on the role and activities of this committee and its relationship with the Auditor is included in the Audit Committee Report on pages 55 to 57.

Management Engagement Committee

The Management Engagement Committee comprises all Directors and is chaired by Charlotte Valeur.
The terms of reference state that the Management Engagement Committee shall meet at least once a year; will have responsibility for monitoring and reviewing the Portfolio Adviser's performance; and will recommend to the Board whether the continued appointment of the Portfolio Adviser is in the best interests of the Company and Shareholders.

NAV Review Committee

The NAV Review Committee comprises all Directors, except Charlotte Valeur, and is chaired by Gary Clark.
The terms of reference state that the NAV Review Committee shall meet at least once a month to review and consider the Company's NAV calculation, fact sheet and related stock exchange announcement(s).

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises all Directors and is chaired by Gary Clark.
The terms of reference state that the Remuneration and Nomination Committee will meet not less than twice a year and shall be responsible for all aspects of the appointment and remuneration of Directors. The remuneration duties of the committee include determining and agreeing with the Board the framework or broad policy for the remuneration of the Directors and to review its ongoing appropriateness and relevance.

The nomination duties of the committee include regularly reviewing the structure, size and composition of the Board, including the balance of skills, experience, independence and knowledge, as well as identifying, nominating and recommending for the approval of the Board, candidates to fill Board vacancies as they arise.

Director Re-Election and Tenure

The Remuneration and Nomination Committee and the Board are strongly committed to striking the correct balance between the benefits of continuity and those that come from the introduction of new perspectives to the Board.

It is the intention of the Board that each Director will retire after no longer than nine years in their role and the Board has adopted a policy whereby all Directors will be put up for re-election every year. Accordingly, all Directors will be put forward for re-election at the forthcoming AGM. Each of the Directors has demonstrated a strong commitment to the Company and the Board believes each Director's re-election to be in the best interests of the Company.

The Board also maintains a succession planning matrix covering the Directors' skills, the Board's diversity, and the Directors' expected year of retirement should they hold office for nine years. The matrix is used by the Remuneration and Nomination Committee to identify any additional skills that would benefit the Board and to help the Remuneration and Nomination Committee establish when to begin recruiting for any new directors. The Board also keeps its diversity under review.

Risk Committee

The Risk Committee comprises all Directors and is chaired by Steven Wilderspin.
The terms of reference state that the Risk Committee shall meet at least two times a year. The activities of this committee are outlined in the Risk Committee Report on pages 51 and 52.

Inside Information Committee

The Inside Information Committee comprises any two members of the Board.
The Inside Information Committee is responsible for considering whether anything brought to its attention constitutes inside information and monitoring the disclosure and control of such information.

Board Diversity

The Board believes in and values the importance of a broad range of skills, experience and diversity, including gender, for the effective functioning of the Board, all of which are considered when determining the optimum composition of the Board. The Board has a policy that aims to have a minimum of 40% of either gender represented on the Board, and also recognises the importance of inclusivity in its diversity policy. The Board ensures compliance with its policy in respect of any appointments to the Board. At 31 December 2020 and at the date of approval of these financial statements, 60% of the Directors were male and 40% were female.

Internal Controls

The Board has applied principle O of the AIC Code by establishing a continuous process for identifying, evaluating and managing the principal risks that the Company faces. The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from the Portfolio Adviser and BCF to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring.

The Audit Committee assists the Board in discharging its monitoring responsibilities.

During the course of the Board's review of the system of internal controls, it has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, no confirmation in respect of necessary actions has been made.

The Board is also responsible for setting the overall investment policy and monitors the services provided by the Portfolio Adviser at regular Board meetings. The Board receives regular reports from the Portfolio Adviser, together with quarterly reports from the Administrator, the Company Secretary, the Depositary, Compliance (including the Money Laundering Compliance Officer and Money Laundering Reporting Officer) and from the Portfolio Adviser covering compliance matters.

The Directors clearly define the duties and responsibilities of their agents and advisers, whose appointments are made after due consideration, and monitor their ongoing performance, which is done with the assistance of the Management Engagement Committee. All of the Company's agents and advisers maintain their own systems of internal control on which they report to the Board. These systems are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and the costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Directors are satisfied that the continued appointment of the relevant service providers is in the best interests of the Shareholders.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Portfolio Adviser, including their own internal controls and procedures, provide sufficient assurance that a sound system of risk management and internal control, to safeguard the Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary. Full details are set out in the Audit Committee Report on pages 55 to 57.

The Company has appointed Nplus 1 Singer Advisory LLP and Winterflood Investment Trusts as its joint brokers. Together with the brokers, the Portfolio Adviser assists the Board in communicating with and understanding the views of the Company's major Shareholders.

Risk Committee Report

Membership

The Risk Committee comprises Steven Wilderspin (Chair), Charlotte Valeur, Heather MacCallum, Gary Clark and Mark Moffat.

Key Objectives

The Risk Committee has been established to assist the Board in its oversight of risk through ensuring the Company maintains a high standard of risk identification, monitoring and management so as to minimise investment risks and any other risks not covered by the Audit Committee.

Responsibilities

The Risk Committee's key responsibilities are:

- ensuring the Company's compliance with its investment objectives, policies, restrictions and borrowing limits;
- ensuring that appropriate policies and reporting exists for the monitoring of the Company's key risks;
- developing and maintaining a risk register documenting identified risks, their mitigants, likelihood and impact, which is reviewed regularly by the Board with action points and newly identified risks being appropriately dealt with;
- defining risk review activities regarding investment decisions, transactions and exposures for approval by the Board; and
- ensuring due regard is given to all regulations, codes, and laws that the Company is subject to.

Committee Meetings

In 2020, the Risk Committee met on four occasions. The specific areas of focus for the Committee during the year included:

- **The impact of the COVID-19 pandemic.** The Committee reviewed the operational resilience of the Company's key service providers to ensure that they could continue providing services throughout the year, particularly during periods of lockdown. The Committee reviewed all of the Company's risks through the lens of the pandemic to ensure that any new or heightened risk was identified and appropriately dealt with – see the Risk Overview on page 32. Other than the heightened operational risk, the most material increase in risk related to the sustainability of the Company's dividend and level of the Company's share price discount to Published NAV. These areas were addressed by the Board as described on pages 32 to 34.
- **The structuring of the Company's investments through Luxembourg and governance of the Company's Luxembourg subsidiary.** Just before the COVID-19 pandemic hit, early in 2020, the Chairs of the Risk and Audit Committees conducted a due diligence visit to the subsidiary in Luxembourg and met the board and members of the Portfolio Adviser's Luxembourg team. The visiting Chairs were very satisfied with the engagement of the subsidiary board and the strength of the operational team in Luxembourg.
- **Cyber Risk.** The Committee considered a report, commissioned from KPMG, that focused on the cyber threat resilience of the Company's main service providers – Blackstone Credit (Portfolio Adviser), BNP Paribas (Administrator) and Link (Registrar). Minor action points from this report were followed up by the Committee. KPMG also made some general recommendations regarding the risk around the activities of the Board and consequently the board has engaged a dedicated IT service provider in Jersey to manage an email service for the directors as well as providing back-up and access to more secure document management capabilities.
- **Registration Services.** The Committee considered a reasonably straight forward data issue that arose at the Registrar who confirmed there was no loss of data or data sent externally. Taking account of their length of service since IPO, the Committee recommended to the Board that the registration service be re-tendered. This process will be completed in 2021.

- **Guidance for Risk Committees issued by the Risk Coalition.** During the year the Chair of the Committee considered the guidance for risk committees published by the Risk Coalition and engaged with the authors and the AIC regarding its application to Investment Companies. As a result, after the year-end, in February 2021 the Committee approved new terms of reference for the Risk Committee incorporating its key principles, but not its detailed provisions which will instead be used for reference purposes.
- **The potential Brexit impact on the Company and its investments, and on the operations of the Portfolio Adviser.** Although this was kept under review, Brexit was not considered likely to have a major impact on the Company, and the Portfolio Adviser was well-placed to arrange its affairs between Dublin, London and Luxembourg to mitigate any operational risk to its business. No issues for the Company actually arose when the UK left the EU or at the end of the transition period.
- **Valuation Assumption Error.** The Committee investigated the circumstances giving rise to the valuation assumption error announced to the stock market on 1 September 2020. Following the identification of this valuation assumption error, no adjustment was made to the Published NAV. The Committee satisfied itself that the Portfolio Adviser had established robust new procedures with the third-party valuation agent to prevent such errors recurring. After the year-end a new third-party valuation agent was engaged.

Risk Monitoring

Being internally managed, the Company is responsible for both portfolio and risk management. However, due to the nature of the investment and the limited ability to look through, traditional market and credit risk techniques do not apply at the Company level. That said, the Board regularly engages with the board of BCF and discusses with them key areas of risk.

Investment risk management and monitoring, to ensure the successful pursuance of our investment objective, is therefore mainly through the Company's monthly NAV reporting process and the monitoring of investment restrictions and eligibility criteria as carried out by the Depositary.

Steven Wilderspin
Risk Committee Chair
29 April 2021

Directors' Remuneration Report

Directors' Remuneration

This report provides relevant information in respect of the Directors' remuneration.

The tables below outlines the remuneration the Directors were entitled to during the year ended 31 December 2020 for their services.

	Total fixed remuneration for the year ended 31 December 2020	Total fixed remuneration for the year ended 31 December 2019
	£	£
Charlotte Valeur	61,000	61,000
Gary Clark	46,000	46,000
Heather MacCallum	46,590	44,500
Steven Wilderspin	44,500	44,500
Mark Moffat	38,000	38,000
Total Directors' Remuneration	**236,090**	**234,000**
Total Directors' Remuneration (€)	**263,391**	**264,988**

The Chairs of the Management Engagement Committee, NAV Review Committee, Remuneration and Nomination Committee, Audit Committee and Risk Committee each received additional fees, which are included in the amounts above, for the additional responsibilities and time commitment required in undertaking these roles. Additionally, the Senior Independent Director received additional fees for the additional responsibilities and time commitment required in undertaking this role.

The Remuneration and Nomination Committee increased Heather MacCallum's additional fee for services provided as Audit Committee Chair by £5,000 effective 1 August 2020 to reflect the increased time commitment required. The table above includes a pro-rated amount of £2,090.

Directors' remuneration is payable in Sterling quarterly in arrears. No other remuneration (fixed or variable) or compensation was paid or is payable by the Company during the year to any of the Directors. There has been no change to the Company's remuneration policy.

The Company has no employees, accordingly, there is no difference in policy on the remuneration of Directors and the remuneration of employees. No Director is entitled to receive any remuneration which is performance-related.

The Remuneration and Nomination Committee reviews the Remuneration Policy and Directors' remuneration on an annual basis.

Remuneration Policy

Directors' fees are determined by the Remuneration and Nomination Committee under the terms of the remuneration policy (the "Remuneration Policy") approved on 11 July 2019, as derived from the Company's Articles of Association. The Remuneration and Nomination Committee also considers the remuneration levels of similar companies and consults external remuneration consultants where this is deemed appropriate.

The Remuneration and Nomination Committee consists of all Directors and is involved in deciding Directors' remuneration and ensuring that remuneration received reflects the Directors' duties, responsibilities and the value of their time.

The Company does not provide pensions or other retirement or superannuation benefits, death or disability benefits, or other allowances or gratuities to the Directors or specified connected parties. The Remuneration Policy also prohibits payments to a Director for loss of office or as consideration for, or in connection with, his or her retirement from office. Whilst the Remuneration Policy permits part of their fee to be paid in the form of fully-paid up shares in the capital of the Company, the Directors' fees are not currently paid this way.

In addition, the Remuneration Policy allows for reasonable travel, hotel and other expenses incurred by the Directors in the course of performing their duties or from their performance of a special service on behalf of the Company.

The limit for the aggregate fees payable to the Directors is £300,000 per annum.

Directors' Interests

The Directors held the following number of Ordinary shares in the Company as at the year end:

Shares	Type	As at 31 December 2020	As at 31 December 2019
Charlotte Valeur	Ordinary	11,500	11,500
Gary Clark	Ordinary	168,200	108,200
Heather MacCallum	Ordinary	-	-
Steven Wilderspin	Ordinary	20,000	20,000
Mark Moffat	Ordinary	771,593	601,028
Mark Moffat	C	-	291,068

Prior to 8 January 2020, Mark Moffat held 601,028 Ordinary Shares and 291,068 C Shares. The Company's C Shares were converted to Ordinary Shares with effect from 8 January 2020 and Mr Moffat's resulting Ordinary Shareholding is included above (this is unchanged from 8 January 2020 to 31 December 2020).

There have been no other changes to the Directors' Interests as at the date of the approval of these financial statements.

Service Contracts and Policy on Payment of Loss of Office

No Director has a service contract with the Company. The Directors have each entered into a letter of engagement with the Company setting out the terms of their appointment. Directors' appointments may be terminated at any time by giving three month's written notice, with no compensation payable upon leaving office for whatever reason.

Gary Clark
Remuneration and Nomination Committee Chair
29 April 2021

Audit Committee Report

Audit Committee

The Audit Committee comprises Heather MacCallum, Mark Moffat, Steven Wilderspin and Gary Clark and is chaired by Heather MacCallum. Heather MacCallum has recent and relevant financial experience in accounting and auditing, and the Audit Committee as a whole has competence relevant to the sector in which the Company operates.

In addition to formal meetings, the Audit Committee has worked with the Portfolio Adviser and Auditor to assess the operations and controls of BCF and to assess in particular what reliance the Audit Committee can place on the control environment. The Chair has also had a number of discussions with the Auditor, the Portfolio Adviser and the Administrator around the annual audit and half year financial reporting processes.

Role of the Audit Committee

The function of the Audit Committee is to ensure that the Company maintains high standards of integrity, financial reporting and internal controls.

The Audit Committee's main roles and responsibilities include, but are not limited to, the following:

- monitoring the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- reviewing and reporting to the Board on any significant financial reporting issues and judgements;
- reviewing and monitoring the effectiveness of the Company's risk management and internal control arrangements;
- monitoring the statutory audit of the annual financial statements of the Company and its effectiveness;
- reviewing the external auditor's performance, independence and objectivity;
- making recommendations to the Board in relation to the appointment, reappointment and/or removal of the external auditor, the approval of the external auditor's remuneration and the terms of the engagement;
- implementing policies surrounding the engagement of the external auditor to supply non-audit services, where appropriate;
- reviewing and challenging where necessary significant accounting policies and practices; and
- reporting to the Board on how it has discharged its responsibilities.

How the Audit Committee Has Discharged Its Responsibilities

The Audit Committee met six times during the year. Representatives of the Portfolio Adviser, Company's Auditor and the Administrator were invited to the meetings as appropriate.

Monitoring the Integrity of the Financial Statements Including Significant Judgements

We reviewed the Company's Annual Report and Audited Financial Statements for the year ended 31 December 2019 and the Half Yearly Financial Report for the six months ended 30 June 2020 prior to discussion and approval by the Board, and the significant financial reporting issues and judgements which they contain. We also reviewed the external auditor's reports thereon, which were discussed with the Auditor. We reviewed the appropriateness of the Company's accounting principles and policies, and monitored changes to, and compliance with, accounting standards on an ongoing basis.

After the year end, we had further meetings and we reviewed, prior to making any recommendations to the Board, the Annual Report and Audited Financial Statements for the year ended 31 December 2020. In undertaking this review, we discussed with the Auditor, the Portfolio Adviser and the Administrator the critical accounting policies and judgements that have been applied.

The Auditor reported to the Committee on any non-trivial misstatements that they had found during the course of their work and confirmed that under ISA (UK) no material amounts remained unadjusted.

As requested by the Board, we also reviewed the Annual Report and are able to confirm to the Board that, in our view, the Annual Report, taken as a whole, is fair, balanced and understandable and provided the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

Significant Accounting Matters

The Committee considered the key accounting issues, matters and judgements regarding the Company's 2020 Annual Report and Financial Statements and disclosures including those relating to:

Significant Area	How Addressed
Valuation of investments	The investment in the Lux Subsidiary is accounted for at fair value through profit or loss and the investment in PPNs issued by BCF held by the Lux Subsidiary are at fair value. Investments in BCF (the PPNs) are illiquid investments, not traded on an active market and are valued using valuation techniques determined by the Directors and classified as Level 3 under IFRS 13 "Fair Value Measurement." Valuation is therefore considered a significant area and is monitored by the Board, the Audit Committee, the Portfolio Adviser and the Administrator. The Audit Committee receives and reviews reports on the processes for the valuation of investments. Following discussion, we were satisfied that the judgements made and methodologies applied were prudent and appropriate and that an appropriate accounting treatment has been adopted in accordance with IFRS 9. Please see Notes 2, 6, 10 and 16 in the financial statements for further details

Assessment of Risks and Uncertainties

The risks associated with the Company's financial instruments, as disclosed in the financial statements, particularly in Note 10, represent a key accounting disclosure. The Audit Committee and the Risk Committee review critically, on the basis of input from the service providers, the process of ongoing identification and measurement of these risks disclosures.

Other Matters

During the year, the Committee considered compliance with relevant legislation, performance metrics and related disclosures in the Company's financial statements.

Risk Management and Internal Controls

The Board as a whole is responsible for the Company's system of internal controls; however, the Audit Committee assists the Board in meeting its obligations in this regard. The daily operational activities of the Company were delegated to its service providers and as a result the Company has no direct internal audit function and instead places reliance on the external and internal audit controls of the service providers as regulated entities. However, the Audit Committee reviews periodic reports from the service providers to ensure that no material issues have arisen in respect of the system of internal controls and risk management operated by the Company's service providers. The Committee confirms that this is an ongoing process conducted in order to manage the risks faced by the Company. We deem that, to date, there are no significant issues in this area which need to be brought to your attention.

External Audit

It is the responsibility of the Audit Committee to monitor the performance, independence, objectivity and re-appointment of the Auditor. The Audit Committee met with Deloitte LLP ("Deloitte") to consider the audit strategy and plan for the audit. The audit plan for the reporting period was reviewed, including consideration of the key financial statement and audit risks, to seek to ensure that the audit was appropriately focused.

The Auditor attends the Audit Committee meetings throughout the year, as applicable, which allows the opportunity to discuss any matters the Auditor may wish to raise without the Portfolio Adviser or other service providers being present. The Auditor provides feedback at relevant Audit Committee meetings on topics such as the key accounting matters, mandatory communications and the control environment. The Audit Committee also discusses the performance of the Auditor independently of the Auditor.

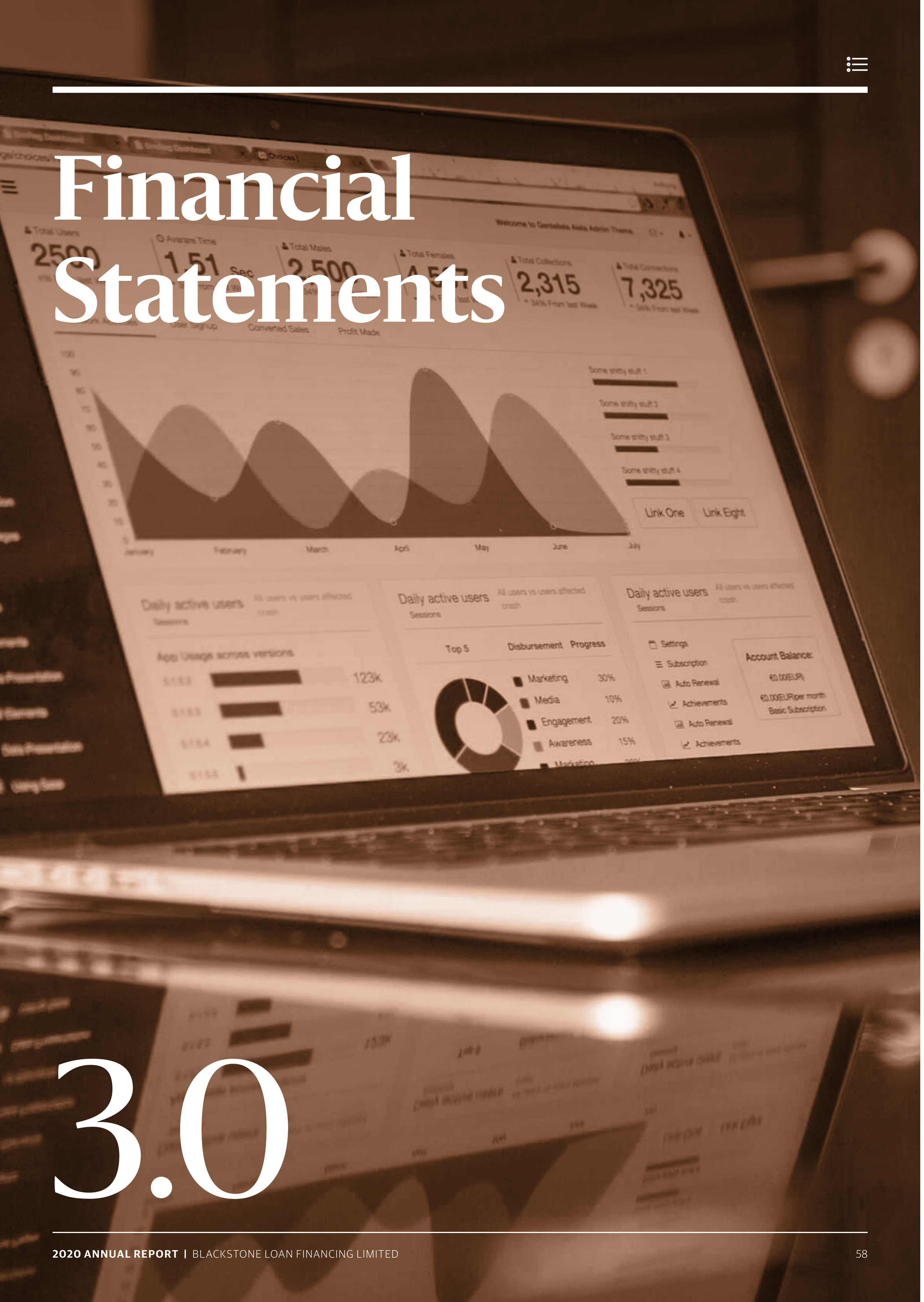
Deloitte was formally appointed as Auditor for the Company's 2014 period-end audit following a competitive tender process during 2014. The lead audit partner is rotated every five years to ensure continued independence and objectivity; consequently a new lead audit partner has been in place since the interim review to 30 June 2019.

The Audit Committee continues to be satisfied with the performance of the Auditor. We have therefore recommended to the Board that the Auditor, in accordance with agreed terms of engagement and remuneration, should continue as the Company's auditor after the forthcoming Annual General Meeting. Accordingly, a resolution proposing the reappointment of Deloitte as the Company's auditor will be put to the Shareholders at the 2020 AGM.

In advance of the commencement of the annual audit, the Audit Committee reviewed a statement provided by the Auditor confirming their independence as defined under relevant regulation and professional standards. In addition, in order to satisfy itself regarding the Auditor's independence, the Audit Committee undertook a review of the Auditor's compensation and the balance between audit and non-audit fees.

During 2019, the Audit Committee reviewed its policy with respect to non-audit services and continually monitored the level of non-audit services provided by the Auditor to ensure alignment and compliance with best practice. The Company's policy sets out the permitted types of non-audit services that can be provided by Deloitte, which are consistent with the FRC's Revised Ethical Standard (2019). All proposed non-audit services required explicit approval from the Audit Committee. During the year, Deloitte were contracted to review the Company's interim financial statements. Audit fees for the year ended 31 December 2020 have increased by 5% compared to 2019 (refer to Note 3 for further details). This is mainly due to the additional work undertaken by the Auditor with respect to going concern and valuations due to the uncertainty created by the COVID-19 pandemic. Audit-related services decreased 17% year on year. In the prior year the Auditor had undertaken additional work as Reporting Accountant and reviewing the C Share Conversion Ratio as required by the Articles. An amount of €12,095 was also incurred during the year and this related to additional fees for the audit for the year ended 31 December 2019. These items has been given due consideration by the Audit Committee, who reviewed inter-alia the role of the respective engagement teams and the independence of individuals from the audit engagement team and concluded it was satisfied the Auditor had acted in an independent and professional manner.

Heather MacCallum
Audit Committee Chair
29 April 2021



Financial Statements

3.0

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Audited Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with IFRS, as adopted by the EU. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the EU are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed on page 107, confirms that, to the best of that Director's knowledge and belief:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and audited financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Charlotte Valeur
Director
29 April 2021

Heather MacCallum
Director

Independent Auditor's Report
to the Shareholders of Blackstone Loan Financing Limited

Report on the audit of the financial statements

1 Opinion
In our opinion the financial statements of Blackstone Loan Financing Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the company statement of comprehensive income;
- the company statement of financial position;
- the company statement of changes in equity;
- the company cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

2 Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of investments in the Luxembourg subsidiary. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the financial statements in the current year was EUR 8,200,000, which was determined on the basis of Net Assets Value of the company.
Scoping	All of the audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There are no significant changes in our approach in the current year.

4 Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Carrying out the following on the forecasts provided by the directors':
  - Testing the arithmetic accuracy and integrity of the model used for preparation of the forecasts;
  - Assessing whether the cash flows included in the forecast were in line with relevant agreements and market expectations; and
  - Assessing the other key inputs used in the forecasts for reasonableness and consistency with prior years and industry norms.
- Evaluating the forecasts prepared by the directors' in prior years to assess whether they are in line with actual results in current year;
- Evaluating the directors' assessment of the impact of Brexit and Covid-19 on the operations of the company and its regulatory and liquidity requirements.
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the company has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5 Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Valuation of investments in Luxembourg subsidiary

Key audit matter description	The investments in subsidiary are accounted at Fair Value Through Profit and Loss. Investments in Blackstone/GSO Loan Financing (Luxembourg) S.a.r.l. which total EUR 388,000,146 (2019: EUR 396,392,271) as detailed on page 75 in note 6 to the financial statements, are illiquid investments, not traded on an active market and are valued using valuation techniques determined by the Directors and classified as level III under IFRS : Fair Value Measurement ("IFRS 13"). Valuation is therefore a key area of judgement and has a significant impact on the Net Assets Value ("NAV") which is the most significant Key Performance Indicator ("KPI") of the Company and has a direct effect on the recognition of gains and losses on investments. The investments, commitments and obligations contracted by Blackstone Corporate Funding Designated Activity Company ("BCF") are driving the performance of its NAV, the valuation of the investments in BCF and ultimately the performance of the Company and its listed shares. We consider BCF as the principal source of risks and rewards for the Company with BCF's financial situation represented by its Net Asset Value as the main component for the fair valuation of the investments. The Covid-19 pandemic led initially to a dearth of transaction activity for Collateralised Loan Obligations ("CLO") equity notes. In comparison to the half year, by year end activity levels had recovered which helped provide market evidence more akin to that seen in prior years. Reviewing risk monitoring, performance and the investments' valuation for the Company, requires an assessment of the positions within BCF. BCF's investment positions in debt instruments, related credit risk and liquidity exposures should be compliant with the quality, diversification and overall limitations imposed by the Prospectus.

	The Directors use their judgment, with the assistance of the Adviser, Blackstone Ireland Limited ('BIL'), in selecting an appropriate valuation technique and refer to techniques commonly used by market practitioners. For investments in BCF and the underlying collateralised loan obligations (CLOs) and the equity tranches retained by that company, assumptions are made based on quoted market rates adjusted for specific features of any instrument. BCF uses Markit to price loan asset portfolio. There is a risk that a third party valuer has used an incorrect methodology, inaccurate data is supplied by the CLO Manager of the Originator or inappropriate assumptions are used concerning market information. The key assumptions include discount, prepayment, reinvestment and default rates. Refer to page 55 to 57 (audit committee report), pages 70 to 73 (Significant Accounting Policies) and pages 75 to 79 (Note 6 to the Financial statements).
How the scope of our audit responded to the key audit matter	In response to this key audit matter: ▪ We obtained understanding of the relevant controls over the valuation process. ▪ We assessed the valuation methodology for the financial instruments issued by BCF against industry standards and IFRS 13. ▪ We involved our financial instruments specialists to assess the valuation of investments and related disclosures in the financial statements. ▪ We involved our own CLO valuation specialists to review the test of valuations performed by the auditors of BCF, comparing information and assumptions used by management to information available from external independent reliable sources such as Bloomberg or Intex, including any impact of discount / premium to NAV. ▪ We tested the calculation of the change in value of investments for the year and its recognition in the statement of comprehensive income. ▪ We assessed the appropriateness of disclosures (including disclosures related to sensitivity) made by the Company in accordance with requirements of IFRS 13.
Key observations	Based on the work performed we concluded that the valuation of investments in the Luxembourg subsidiary is appropriate.

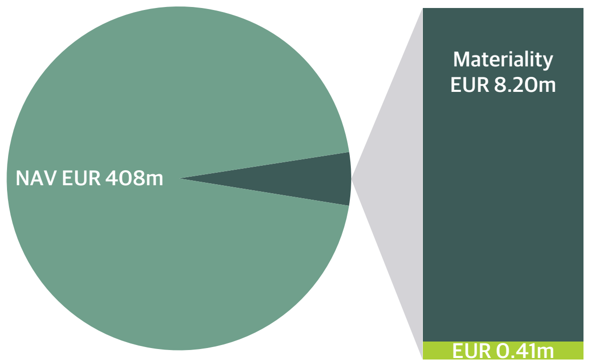
6 Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	EUR 8,200,000 (2019: EUR 8,200,000)
Basis for determining materiality	We determined materiality for the Company, which is approximately 2% (2019: 2%) of the Net Asset Value of the Company.
Rationale for the benchmark applied	Net Asset Value is the key performance indicator for investments in the Company and is therefore selected as the appropriate benchmark.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered our risk assessment, including our assessment of the Company's overall control environment including impact of Covid-19 and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of EUR410,000 (2019: EUR410,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7 An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2 Our consideration of the control environment

A third party administrator maintains the books and records of the Company. Our audit therefore included obtaining an understanding of the controls at this service organisation, to the extent that they are relevant to the Company.

8 Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

9 Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the board of directors, the audit committee and risk committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and including significant component audit teams and relevant internal specialists, including; tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud exists in the valuation of investments in the Luxembourg subsidiary. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Jersey) Law, 1991, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's compliance with the Jersey Financial Services Commission (JFSC) regulatory requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of investments in the Luxembourg subsidiary as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the JFSC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12 Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 34;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 35;
- the directors' statement on fair, balanced and understandable set out on page 59;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 35;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 56; and
- the section describing the work of the audit committee set out on pages 55 to 57.

13 Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept, or proper returns for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14 Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Marc Cleeve, BA, FCA
For and on behalf of Deloitte LLP
Recognised Auditor
Jersey
29 April 2021

Statement of **Financial Position**

As at 31 December 2020

	Notes	As at 31 December 2020 €	As at 31 December 2019[28] €
Current assets			
Cash and cash equivalents		20,725,819	11,464,088
Other receivables	5	151,038	232,474
Financial assets at fair value through profit or loss – Lux Co	6	388,000,146	396,392,271
Financial assets at fair value through profit or loss – CLOs	6	549,437	3,192,772
Total current assets		**409,426,440**	**411,281,605**
Non-current liabilities			
Intercompany loan	7	(869,988)	(534,660)
Total non-current liabilities		(869,988)	(534,660)
Current liabilities			
Payables	8	(351,277)	(240,954)
Total current liabilities		**(351,277)**	**(240,954)**
Total liabilities		**(1,221,265)**	**(775,614)**
Net assets	15,16	**408,205,175**	**410,505,991**
Capital and reserves			
Stated capital	9	471,465,875	480,304,329
Retained earnings		(63,260,700)	(69,798,338)
Shareholders' Equity		**408,205,175**	**410,505,991**
Net Asset Value per Share	15	**0.8557**	**0.8543**

These financial statements were authorised and approved for issue by the Directors on 29 April 2021 and signed on their behalf by:

Charlotte Valeur
Director

Heather MacCallum
Director

The accompanying notes on pages 70 to 105 form an integral part of the financial statements.

(28) Refer to Note 13 Segmental reporting for further details

Statement of **Comprehensive Income**

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 €	Year ended 31 December 2019[29] €
Income			
Realised gain/(loss) on foreign exchange		29,321	(20,526)
Net gain on financial assets at fair value through profit or loss – Lux Co	6	36,356,525	60,950,562
Net loss on financial assets at fair value through profit or loss – CLOs	6	(1,953,328)	(9,910,600)
Income distributions from CLOs		407,376	9,928,261
Total income		**34,839,894**	**60,947,697**
Expenses			
Operating expenses	3	(1,312,505)	(1,285,114)
Profit before taxation		**33,527,389**	**59,662,583**
Taxation	2.11	–	–
Profit after taxation		**33,527,389**	**59,662,583**
Loan interest expense	7	(11,335)	(6,196)
Bank interest expense		(95,397)	(49,555)
Total interest expense		**(106,732)**	**(55,751)**
Total comprehensive income for the year attributable to Shareholders		**33,420,657**	**59,606,832**
Basic and diluted earnings per Share	14	**0.0699**	**0.1348**

The Company has no items of other comprehensive income, and therefore the profit for the year is also the total comprehensive income.

All items in the above statement are derived from continuing operations. No operations were discontinued during the year.

The accompanying notes on pages 70 to 105 form an integral part of the financial statements.

(29) Refer to Note 13 Segmental reporting for further details

Statement of Changes in Equity

For the year ended 31 December 2020

	Notes	Stated Capital	Retained Earnings	Total
		€	€	€
Shareholders' Equity at 1 January 2020	9	**480,304,329**	**(69,798,338)**	**410,505,991**
Total comprehensive income for the year attributable to Shareholders		–	33,420,657	33,420,657
Transactions with owners				
Conversion of C shares	9	(6,719,705)	6,719,705	–
Dividends	18	–	(33,602,724)	(33,602,724)
Ordinary Shares repurchased	9	(2,118,749)	–	(2,118,749)
		(8,838,454)	**(26,883,019)**	**(35,721,473)**
Shareholders' Equity at 31 December 2020	9	**471,465,875**	**(63,260,700)**	**408,205,175**

Refer to Corporate Activity and Note 9 for details on the conversion of the Company's C Shares into Ordinary Shares.

For the year ended 31 December 2019

	Notes	Stated Capital[30]	Retained Earnings[29]	Total
		€	€	€
Shareholders' Equity at 1 January 2019	9	**404,962,736**	**(78,575,592)**	**326,387,144**
Total comprehensive income for the year attributable to Shareholders		–	59,606,832	59,606,832
Transactions with owners				
Issuance of Shares	9	77,270,167	–	77,270,167
Dividends	18	–	(50,829,578)	(50,829,578)
Ordinary Shares repurchased	9	(1,928,574)	–	(1,928,574)
		75,341,593	**(50,829,578)**	**24,512,015**
Shareholders' Equity at 31 December 2019	9	**480,304,329**	**(69,798,338)**	**410,505,991**

The accompanying notes on pages 70 to 105 form an integral part of the financial statements.

(30) Refer to Note 13 Segmental reporting for further details

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020	Year ended 31 December 2019[31]
		€	€
Cash flow from operating activities			
Total comprehensive income for the year attributable to Shareholders		33,420,657	59,606,832
Adjustments to reconcile profit after tax to net cash flows:			
Unrealised gain on financial assets at fair value through profit and loss	6	(25,011,152)	(46,266,826)
Realised gain on financial assets at fair value through profit and loss	6	(9,288,389)	(4,639,594)
Purchase of financial assets at fair value through profit or loss	6	(7,078,010)	(64,585,325)
Proceeds from sale of financial assets at fair value through profit or loss	6	52,413,011	102,401,653
Changes in working capital			
Decrease in other receivables		81,436	579,201
Increase/(decrease) in payables		110,323	(1,056,226)
Net cash generated from operating activities		**44,647,876**	**46,039,715**
Cash flow from financing activities			
Proceeds from issuance of shares		–	7,446,204
Issue cost		–	(780,506)
Ordinary Shares repurchased	9	(2,118,749)	(1,928,574)
Increase in intercompany loan	17	335,328	297,603
Dividends paid	18	(33,602,724)	(50,829,578)
Net cash used in financing activities		**(35,386,145)**	**(45,794,851)**
Net increase in cash and cash equivalents		**9,261,731**	**244,864**
Cash and cash equivalents at the start of the year		11,464,088	11,219,224
Cash and cash equivalents at the end of the year		**20,725,819**	**11,464,088**

Supplemental disclosure of non-cash flow information	31 December 2019 €
Transfer of assets from Rollover Offer	(70,604,469)
Rollover Offer costs	780,506
Issue of C Shares in specie	77,270,167
Cash proceeds from Rollover Offer	**7,446,204**

The accompanying notes on pages 70 to 105 form an integral part of the financial statements.

(31) Refer to Note 13 Segmental reporting for further details

Notes to the Financial Statements

1 General information

The Company is a closed-ended limited liability investment company domiciled and incorporated under the laws of Jersey with variable capital. It was incorporated on 30 April 2014 under registration number 115628. The Company's Ordinary Shares are quoted on the Premium Segment of the Main Market of the LSE and the Company has a premium listing on the Official List of the FCA. The Company's C Shares were quoted on the SFS of the Main Market of the LSE until 6 January 2020.

The Company's investment objective is to provide Shareholders with stable and growing income returns, and to grow the capital value of the investment portfolio by exposure to floating rate senior secured loans and bonds directly and indirectly through CLO Securities and investments in Loan Warehouses. The Company seeks to achieve its investment objective through exposure (directly or indirectly) to one or more companies or entities established from time to time.

As at 31 December 2020, the Company's stated capital comprised 477,023,331 Ordinary Shares of no par value (31 December 2019: 402,319,490), each carrying the right to 1 vote; 5,879,463 Ordinary Shares held in treasury (31 December 2019: 2,380,956); and no C Shares (31 December 2019: 133,451,107 C Shares of no par value, carrying no voting rights). The Company may issue one or more additional classes of shares in accordance with the Articles of Association.

The Company has a wholly owned Luxembourg subsidiary, Blackstone/GSO Loan Financing (Luxembourg) S.à r.l., which has an issued share capital of 2,000,000 Class A shares and 1 Class B share held by the Company as at 31 December 2020 and 31 December 2019. The Company also holds 284,879,854 Class B CSWs (31 December 2019: 319,758,584) issued by the Lux Subsidiary. The Company also holds two directly held CLO Mezzanine Notes (31 December 2019: 6 directly held CLO Income Notes and 2 directly held Mezzanine Notes) which formed part of the Rollover Assets and are yet to be realised and reinvested in CSWs.

The Company's registered address is IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP, Channel Islands.

2 Significant accounting policies

2.1 Statement of compliance

The Annual Report and Audited Financial Statements (the "Annual Report") are prepared in accordance with the Disclosure Guidance and Transparency Rules of the FCA and with IFRS as adopted by the EU. The financial statements give a true and fair view of the Company's affairs and comply with the requirements of the Companies (Jersey) Law 1991, as amended.

The principal accounting policies applied in the preparation of these financial statements are set out below and on pages 71 to 73. These policies have been applied consistently to the Company's financial statements for all years presented except for the adoption of new and amended standards as set out as set out on page 71.

2.2 Basis of preparation

The Company's financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss.

The Company's functional currency is the Euro, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Euro. Therefore, Euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euro, except where otherwise indicated.

The financial statements have been prepared on a going concern basis. The disclosures with respect to the Directors' assessment on the use of the going concern basis are provided on page 34 in the "Strategic Report – Risk Overview" section.

Non-consolidation of BCF

To determine control, there has to be a linkage between power and the exposure to risks and rewards. The main link from ownership would allow a company to control the payments of returns and operating policies and decisions of a subsidiary. To meet the definition of a subsidiary under the single control model of IFRS 10, the investor has to control the investee.

Control involves power, exposure to variability of returns and a linkage between the two:

- the investor has existing rights that give it the ability to direct the relevant activities that significantly affect the investee's returns;
- the investor has exposure or rights to variable returns from its involvement with the investee; and
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the case of BCF, the relevant activities are the investment decisions made by it. However, in the Lux Subsidiary's case, the power to influence or direct the relevant activities of BCF is not attributable to the Lux Subsidiary. The Lux Subsidiary does not have the ability to direct or stop investments by BCF; therefore, it does not have the ability to control the variability of returns. Accordingly, BCF has been determined not to be a subsidiary undertaking as defined under IFRS 10 and the Lux Subsidiary's investment in the PPNs issued by BCF are accounted for at fair value through profit or loss.

Non-consolidation of CLOs

The Company has concluded that CLOs in which it invests, that are not subsidiaries for financial reporting purposes, meet the definition of structured entities because:

- the voting rights in the CLOs are not dominant rights in deciding who controls them, as they relate to administrative tasks only;
- each CLO's activities are restricted by its Prospectus; and
- the CLOs have narrow and well-defined objectives to provide investment opportunities to investors.

2.3 New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2020

Definition of material (amendments to IAS 1 and IAS 8)

The International Accounting Standards Board has redefined its definition of material, issued practical guidance on applying the concept of materiality and issued proposals focused on the application of materiality to disclosure of other accounting policies. The amendments do not have a material impact on the Company's financial statements.

There are no standards, amendments to standards and interpretations that are effective for the financial year beginning 1 January 2020 that have a material effect on the financial statements of the Company.

2.4 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted

There are no standards, amendments and interpretations which have been issued but are not yet effective and not early adopted, that will affect the Company's financial statements.

2.5 Income

2.5a Interest income and expense

Interest income and expense is recognised under IFRS 9 separately through profit or loss in the Statement of Comprehensive Income, on an effective interest rate yield basis.

2.5b Income distributions from CLOs

Income from the financial assets at fair value through profit or loss – CLOs is recognised under IFRS 9 in the Statement of Comprehensive Income as Income distributions from CLOs. Income from the CLOs is recognised on an accruals basis.

2.6 Shares in issue

The shares of the Company are classified as equity, based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32 Financial Instruments: Presentation ("IAS 32").

The proceeds from the issue of shares are recognised in the Statement of Changes in Equity, net of the incremental issuance costs.

Share repurchased by the Company are deducted from equity. No gain or loss is recognised in the Statement of Comprehensive Income on the purchase, sale or cancellation of the Company's own equity instruments. The consideration paid or received is recognised directly in the Statement of Changes in Equity. Shares repurchased are recognised on the trade date.

2.7 Fees and charges

Expenses are charged through profit or loss in the Statement of Comprehensive Income on an accruals basis.

2.8 Cash and cash equivalents

Cash comprises current deposits with banks.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents are revalued at the end of the reporting period using market rates and any increases / decreases are recognised in the Statement of Comprehensive Income. There were no such holdings during the year ended 31 December 2020 (31 December 2019: €Nil).

2.9 Financial instruments

Investments and other financial assets

i. Initial recognition

The Company recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the Company becomes party to the contractual provisions of the instrument. Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment.

ii. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either to be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

Notes to the Financial Statements continued

iii. Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company's business model is to manage its debt instruments and to evaluate their performance on a fair value basis. The Company's policy requires the Portfolio Adviser and the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information. Consequently, these debt instruments are measured at fair value through profit or loss.

Equity instruments
The Company subsequently measures all equity investments at fair value. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in fair value of financial assets at FVPL are recognised in "net gain/(loss) on financial assets at fair value through profit or loss" in the Statement of Comprehensive Income.

iv. Derecognition
Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

v. Fair value estimation
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As at 31 December 2020, the Company held 284,879,854 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (the "Investments") (31 December 2019: 319,758,584 CSWs, 2,000,000 Class A shares and 1 Class B share). These Investments are not listed or quoted on any securities exchange, are not traded regularly and, on this basis, no active market exists. The Company is not entitled to any voting rights in respect of the Lux Subsidiary by reason of their ownership of the CSWs, however, the Company controls the Lux Subsidiary through its 100% holding of the shares in the Lux Subsidiary.

The fair value of the CSWs and the Class A and Class B shares are based on the net assets of the Lux Subsidiary which is based substantially in turn on the fair value of the PPNs issued by BCF.

The Company determines the fair value of the CLOs held directly using third party valuations.

vi. Valuation process
The Directors have held discussions with BIL in order to gain comfort around the valuation of the CLOs, the underlying assets in the BCF portfolio and through this, the valuation of the PPNs and CSWs as of the Statement of Financial Position date.

The Directors, through ongoing communication with the Portfolio Adviser including quarterly meetings, discuss the performance of the Portfolio Adviser and the underlying portfolio and in addition review monthly investment performance reports. The Directors analyse the BCF portfolio in terms of the investment mix in the portfolio. The Directors also consider the impact of general credit conditions and more specifically credit events in the US and European corporate environment on the valuation of the CSWs, PPNs and the BCF portfolio.

Portfolio
The Directors discuss the valuation process to understand the methodology regarding the valuation of its underlying portfolio and direct CLO holding, both comprising Level 3 assets. The majority of Level 3 assets in BCF are comprised of CLOs. In reviewing the fair value of these assets, the Directors look at the assumptions used and any significant fair value changes during the period under analysis.

Net Asset Value
The IFRS NAV of the Company is calculated by the Administrator based on information from the Portfolio Adviser and is reviewed and approved by the Directors, taking into consideration a range of factors including the unaudited IFRS NAV of both the Lux Subsidiary and BCF, and other relevant available information. The other relevant information includes the review of available financial and trading information of BCF and its underlying portfolio, advice received from the Portfolio Adviser and such other factors as the Directors, in their sole discretion, deem relevant in considering a positive or negative adjustment to the valuation.

The estimated fair values may differ from the values that would have been realised had a ready market existed and the difference could be material.

The fair value of the CLOs held directly, CSWs and the Class A and Class B shares are assessed on an ongoing basis by the Board.

Financial liabilities
vii. Classification
Financial liabilities include payables which are held at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

viii. Recognition, measurement and derecognition
Financial liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

2.10 Foreign currency translations
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to Euro at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

Foreign currency gains and losses are included in profit or loss on the Statement of Comprehensive Income as part of "Realised gain/(loss) on foreign exchange". Foreign currency gains and losses on financial assets classified at fair value through profit or loss – CLOs are included in profit or loss on the Statement of Comprehensive Income as part of "Net loss on financial assets at fair value through profit or loss – CLOs" for the year ended 31 December 2020.

2.11 Taxation
Profit arising in the Company for the year of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0% (31 December 2019: 0%).

2.12 Dividends
Dividends to Shareholders are recorded through the Statement of Changes in Equity when they are declared to Shareholders.

2.13 Critical accounting judgements and estimates
The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect items reported in the Statement of Financial Position and Statement of Comprehensive Income. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Estimates
a. Fair value
For the fair value of all financial instruments held, the Company determines fair values using appropriate techniques.

Refer to Note 2.9 and Note 12 for further details on the significant estimates applied in the valuation of the companies' financial instruments and the underlying financial instruments in BCF.

Judgements
b. Non-consolidation of the Lux Subsidiary
The Company meets the definition of an Investment Entity as defined by IFRS 10 and is required to account for its investments at fair value through profit or loss.

The Company has multiple unrelated investors and holds multiple investments in the Lux Subsidiary. The Company has been deemed to meet the definition of an Investment Entity per IFRS 10 as the following conditions exist:

- the Company has obtained funds for the purpose of providing investors with investment management services;
- the Company's business purpose, which has been communicated directly to investors, is investing solely for returns from capital appreciation, investment income, or both; and
- the performance of investments made through the Lux Subsidiary are measured and evaluated on a fair value basis.

The Company has also considered the typical characteristics of an investment entity per IFRS 10 in assessing whether it meets the definition of an Investment Entity.

The Company controls the Lux Subsidiary through its 100% holding of the voting rights and ownership. The Lux Subsidiary is incorporated in Luxembourg.

Refer to Note 11 for further disclosures relating to the Company's interest in the Lux Subsidiary.

Notes to the Financial Statements continued

3 Operating expenses

	Year ended 31 December 2020	Year ended 31 December 2019
	€	€
Professional fees	269,601	263,427
Administration fees	329,706	365,607
Brokerage fees	105,197	57,487
Regulatory fees	44,914	30,661
Directors' fees and other expenses (see Note 4)	264,829	282,075
Audit fees and audit related fees	196,788	214,304
Non-audit fees	–	13,955
Registrar fees	53,964	30,662
Sundry expenses	47,506	26,936
	1,312,505	**1,285,114**

Administration fees

Under the administration agreement, the Administrator is entitled to receive variable fees based on the Published NAV of the Company for the provision of administrative and compliance oversight services and a fixed fee for the provision of company secretarial services. The overall charge for the above-mentioned fees for the Company for the year ended 31 December 2020 was €329,706 (31 December 2019: €365,607) and the amount due at 31 December 2020 was €52,470 (31 December 2019: €46,267).

Advisory fees

Under the Advisory Agreement, the Portfolio Adviser is entitled to receive out of pocket expenses, all reasonable third-party costs, and other expenses incurred in the performance of its obligations. On this basis, the Portfolio Adviser recharged €82,612 to the Company (31 December 2019: €Nil) comprising primarily legal fees of €80,359 for the year ended 31 December 2020. This amount has been included under Professional fees.

Audit and non-audit fees

The Company incurred €196,788 (31 December 2019: €214,304) in audit and audit-related fees during the year of which €116,188 (31 December 2019: €65,497) was outstanding at the year end.

The Company did not incur any non-audit fees during the year (31 December 2019: €13,955 incurred and outstanding at the year end). The table below outlines the audit, audit related and non-audit services received during the year.

	Year ended 31 December 2020	Year ended 31 December 2019
	€	€
Audit of the Company	118,753	113,307
Additional audit fee for the year ended 31 December 2019/2018	12,095	20,740
Audit-related services – review of interim financial report	65,940	62,277
Other audit-related services – C Share Conversion Ratio	–	8,699
Other audit-related services – Reporting Accountant – for the year ended 31 December 2018	–	9,281
Total audit and audit-related services	**196,788**	**214,304**
Tax compliance services	–	13,955
Total non-audit services	**–**	**13,955**
Total fees to Deloitte LLP and member firms	**196,788**	**228,259**

Professional fees

Professional fees comprise €101,994 in legal fees and €167,607 in other professional fees. In 2019, professional fees comprised €104,657 in legal fees and €158,770 in other professional fees.

4 Directors' fees

The Company has no employees. The Company incurred €263,391 (31 December 2019: €264,988) in Directors' fees (consisting exclusively of short-term benefits) during the year of which €66,752 (31 December 2019: €55,467) was outstanding at the year end. No pension contributions were payable in respect of any of the Directors.

Refer to the Directors' Remuneration Report on pages 53 and 54 for further details on the Directors' remuneration and their interests.

5 Other receivables

	As at 31 December 2020	As at 31 December 2019
	€	€
Prepayments	23,190	28,453
Interest receivable	127,848	204,021
	151,038	**232,474**

6 Financial assets at fair value through profit or loss

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2019	As at 31 December 2019
	Total	Ordinary Share class	C Share class	Total
	€	€	€	€
Financial assets at fair value through profit or loss – Lux Co	**388,000,146**	338,476,744	57,915,527	**396,392,271**
Financial assets at fair value through profit or loss – CLOs	**549,437**	–	3,192,772	**3,192,772**

Financial assets at fair value through profit or loss – Lux Co consists of 284,879,854 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (31 December 2019: 319,758,584 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary). Financial assets at fair value through profit or loss – CLOs consists of 2 directly held CLO Mezzanine Notes (31 December 2019: 6 directly held CLO Income Notes and 2 directly held Mezzanine Notes), which formed part of the Rollover Assets. These have yet to be realised and re-invested in CSWs and then used by the Lux Subsidiary to invest in PPNs issued by BCF.

CSWs

The Company has the right, at any time during the exercise period (being the period from the date of issuance and ending on earlier of the 3 February 2046 or the date on which the liquidation of the Lux Subsidiary is closed), to request that the Lux Subsidiary redeems all or part of the CSWs at the redemption price (see below), by delivering a redemption notice, provided that the redemption price will be due and payable only if and to the extent that (a) the Lux Subsidiary will have sufficient funds available to settle its liabilities to all other ordinary or subordinated creditors, whether privileged, secured or unsecured, prior in ranking to the CSWs, after any such payment, and (b) the Lux Subsidiary will not be insolvent after payment of the redemption price.

The redemption price is the amount payable by the Lux Subsidiary on the redemption of CSWs outstanding, which shall be at any time equal to the fair market value of the ordinary shares (that would have been issued in case of exercise of all CSWs), as determined by the Board on a fully diluted basis on the date of redemption, less a margin (determined by the Board on the basis of a transfer pricing report prepared by an independent advisor), and the redemption price for each CSW shall be obtained by dividing the amount determined in accordance with the preceding sentence by the actual number of CSWs outstanding.

Notes to the Financial Statements continued

If at the end of any financial year there is excess cash, as determined in good faith by the Lux Subsidiary board (but for this purpose only), the Lux Subsidiary will automatically redeem, to the extent of such excess cash, all or part of the CSWs at the redemption price provided the requirements in the previous paragraph are met, unless the Company notifies the Lux Subsidiary otherwise. For the avoidance of doubt, to the extent the subscription price for the CSWs to be redeemed has not been paid at the time the CSWs were issued, the subscription price for such CSWs to be redeemed shall be deducted from the Redemption Price.

CSWs listed in an exercise notice may not be redeemed.

Class A and Class B shares held in the Lux Subsidiary

Class A and Class B shares are redeemable and have a par value of one Euro per share. Class A and Class B Shareholders have equal voting rights commensurate with their shareholding.

Class A and Class B Shareholders are entitled to dividend distributions from the net profits of the Lux Subsidiary (net of an amount equal to five per cent of the net profits of the Lux Subsidiary which is allocated to the general reserve, until this reserve amounts to ten per cent of the Lux Subsidiary's nominal share capital).

Dividend distributions are paid in the following order of priority:

- Each Class A share is entitled to the Class A dividend, being a cumulative dividend in an amount of not less than 0.10% per annum of the face value of the Class A shares.
- Each Class B share is entitled to the Class B dividend (if any), being any income such as but not limited to interest or revenue deriving from the receivable from the PPN's held by the Lux Subsidiary, less any non-recurring costs attributable to the Class B shares.

Any remaining dividend amount for allocation of the Class A dividend and Class B dividend shall be allocated pro rata among the Class A shares.

The Board does not expect income in the Lux Subsidiary to significantly exceed the anticipated annual running costs of the Lux Subsidiary and therefore does not expect that the Lux Subsidiary will pay significant, or any, dividends although it reserves the right to do so.

Fair value hierarchy

IFRS 13 requires an analysis of investments valued at fair value based on the reliability and significance of information used to measure their fair value.

The Company categorises its financial assets according to the following fair value hierarchy detailed in IFRS 13 that reflects the significance of the inputs used in determining their fair values:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2**: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable variable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31 December 2020	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss – Lux Co	–	–	388,000,146	**388,000,146**
Financial assets at fair value through profit or loss – CLOs	–	–	549,437	**549,437**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets at fair value through profit or loss – Lux Co	–	–	396,392,271	**396,392,271**
Financial assets at fair value through profit or loss – CLOs	–	–	3,192,772	**3,192,772**

The Company determines the fair value of the financial assets at fair value through profit or loss – Lux Co using the unaudited IFRS NAV of the Lux Subsidiary and the audited IFRS NAV of BCF.

The Company determines the fair value of the CLOs held directly using third party valuations. The Portfolio Adviser can challenge the marks if they appear off-market or unrepresentative of fair value.

During the years ended 31 December 2020 and 31 December 2019, there were no reclassifications between levels of the fair value hierarchy.

The Company's maximum exposure to loss from its interests in the Lux Subsidiary and indirectly in BCF is equal to the fair value of its investments in the Lux Subsidiary.

Financial assets at fair value through profit or loss reconciliation

The following table shows a reconciliation of all movements in the fair value of financial assets – Lux Co categorised within Level 3 between the start and the end of the reporting period:

31 December 2020	Total
	€
Balance as at 1 January 2020	**396,392,271**
Purchases – CSWs	6,800,000
Sale proceeds – CSWs	(51,548,650)
Realised gain on financial assets at fair value through profit or loss	9,233,413
Unrealised gain on financial assets at fair value through profit or loss	27,123,112
Balance as at 31 December 2020	**388,000,146**
Realised gain on financial assets at fair value through profit or loss	9,233,413
Total change in unrealised gain on financial assets for the year	27,123,112
Net gain on financial assets at fair value through profit or loss – Lux Co	**36,356,525**

31 December 2019	Total
	€
Balance as at 1 January 2019	**315,890,482**
Purchases – CSWs	64,524,232
Sale proceeds – CSWs	(44,973,005)
Realised gain on financial assets at fair value through profit or loss	8,864,144
Unrealised gain on financial assets at fair value through profit or loss	52,086,418
Balance as at 31 December 2019	**396,392,271**
Realised gain on financial assets at fair value through profit or loss	8,864,144
Total change in unrealised gain on financial assets for the year	52,086,418
Net gain on financial assets at fair value through profit or loss – Lux Co	**60,950,562**

Notes to the Financial Statements continued

The following table shows a reconciliation of all movements in the fair value of financial assets – CLOs categorised within Level 3 between the start and the end of the reporting period:

31 December 2020	Total
	€
Balance as at 1 January 2020	**3,192,772**
PIK capitalised	278,010
Sale proceeds – CLOs	(864,361)
Realised gain on financial assets at fair value through profit or loss – CLOs	54,976[32]
Unrealised loss on financial assets at fair value through profit or loss – CLOs	(2,111,960)
Balance as at 31 December 2020	**549,437**
Realised gain on financial assets at fair value through profit or loss – CLOs	158,632[32]
Total change in unrealised loss on financial assets for the year – CLOs	(2,111,960)
Net loss on financial assets at fair value through profit or loss – CLOs	**(1,953,328)**

31 December 2019	Total
	€
Balance as at 1 January 2019	**–**
Purchases – CLOs	70,665,562
Sale proceeds – CLOs	(57,428,648)
Realised loss on financial assets at fair value through profit or loss – CLOs	(4,224,550)
Unrealised loss on financial assets at fair value through profit or loss – CLOs	(5,819,592)[33]
Balance as at 31 December 2019	**3,192,772**
Realised loss on financial assets at fair value through profit or loss – CLOs	(4,224,550)
Total change in unrealised loss on financial assets for the year – CLOs	(5,686,050)[33]
Net loss on financial assets at fair value through profit or loss – CLOs	**(9,910,600)**

Refer to page 37, Note 2.9 and Note 12 for valuation methodology of financial assets at fair value through profit and loss.

The Company's investments, through the Lux Subsidiary, in BCF are untraded and illiquid. The Board has considered these factors and concluded that there is no further need to apply a discount for illiquidity as at the end of the reporting period.

(32) The difference between these two figures of €103,656 relates to a realised gain on the management fee rebate element arising from two of the previously directly held CLOs whereby BLCS was the CLO manager

(33) The difference between these two figures of €133,542 relates to an unrealised gain on the management fee rebate element arising from one of the previously directly held CLOs whereby BLCS was the CLO manager.

Quantitative information of significant unobservable inputs and sensitivity analysis to significant changes in unobservable inputs – Level 3

The significant unobservable inputs used in the fair value measurement of the financial assets at fair value through profit or loss – Lux Co within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2020 and 31 December 2019 are as shown below:

Asset Class	Fair Value	Unobservable Inputs	Ranges	Weighted average	Sensitivity to changes in significant unobservable inputs
	€				
CSWs	381,605,063	Undiscounted NAV of BCF	N/A	N/A	20% increase/decrease will have a fair value impact of +/- €76,321,012
Class A and Class B shares	6,395,083	Undiscounted NAV of the Lux Subsidiary	N/A	N/A	20% increase/decrease will have a fair value impact of +/- €1,279,016
Total as at 31 December 2020	**388,000,146**				

Asset Class	Fair Value	Unobservable Inputs	Ranges	Weighted average	Sensitivity to changes in significant unobservable inputs
CSWs	390,685,286	Undiscounted NAV of BGCF	N/A	N/A	20% increase/decrease will have a fair value impact of +/- €78,137,057
Class A and Class B shares	5,706,985	Undiscounted NAV of the Lux Subsidiary	N/A	N/A	20% increase/decrease will have a fair value impact of +/- €1,141,397
Total as at 31 December 2019	**396,392,271**				

The significant unobservable inputs used in the fair value measurement of the financial assets at fair value through profit or loss – CLOs, comprising directly held CLO Mezzanine Notes, within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2020 and 31 December 2019 are as shown below:

Asset Class	Fair Value	Unobservable Inputs	Ranges[34]	Weighted average	Sensitivity to changes in significant unobservable inputs
	€				
Mezzanine Notes					
Directly Held CLO Mezzanine Notes	549,437	Third party valuations	0.1% – 23.6%	10.3%	20% increase/decrease will have a fair value impact of +/- €109,887
Total as at 31 December 2020	**549,437**				

Asset Class	Fair Value	Unobservable Inputs	Ranges[33]	Weighted average	Sensitivity to changes in significant unobservable inputs
	€				
Income Notes					
Directly Held CLO Income Notes	809,385	Third party valuations	0% – 35.5%	6.7%	20% increase/decrease will have a fair value impact of +/- €161,877
Mezzanine Notes					
Directly Held CLO Mezzanine Notes	2,383,387	Third party valuations	20.1% – 73.0%	43.1%	20% increase/decrease will have a fair value impact of +/- €476,677
Total as at 31 December 2019	**3,192,772**				

(34) The ranges provided in the tables above refer to the highest and lowest marks received across the range of CLOs held. The ranges reflect the different stages of the lifecycle of each of the CLOs on an individual basis. The low ranges in the tables above are prices from CLOs which have been called and are in wind-down

Notes to the Financial Statements continued

7 Intercompany loan

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2019	As at 31 December 2019
	Total	Ordinary Share Class	C Share Class	Total
	€	€	€	€
Intercompany loan – payable to the Lux Subsidiary	**869,988**	**534,660**	**–**	**534,660**
Interclass balance receivable/(payable)	**–**	**114,549**	**(114,549)**	**–**

The intercompany loan – payable to the Lux Subsidiary is a revolving unsecured loan between the Company and the Lux Subsidiary. The intercompany loan has a maturity date of 13 September 2033 and is repayable at the option of the Company up to the maturity date. Interest is accrued at a rate of 1.6% per annum and is payable annually only when a written request has been provided to the Company by the Lux Subsidiary.

The interclass balance represents amounts receivable by the Ordinary Share Class from the C Share Class and payable by the C Share Class to the Ordinary Share Class for expenses incurred by the Company, which are split between the Ordinary Share Class and the C Share Class in proportion to their respective monthly NAVs.

8 Payables

	As at 31 December 2020	As at 31 December 2019
	€	€
Professional fees	91,844	39,391
Administration fees	52,470	46,267
Directors' fees	66,752	55,467
Audit fees	116,188	65,497
Intercompany loan interest payable	18,933	7,598
Other payables	5,090	26,734
Total payables	**351,277**	**240,954**

All payables are due within the next twelve months.

9 Stated capital

Authorised

The authorised share capital of the Company is represented by an unlimited number of shares of any class at no par value.

Allotted, called up and fully-paid

Ordinary Shares	Number of shares	Stated capital
		€
As at 1 January 2020	**402,319,490**	**403,034,162**
Issue of Ordinary Shares upon conversion of C Shares	78,202,348	70,550,462
Shares repurchased during the period and held in treasury	(3,498,507)	(2,118,749)
Total Ordinary Shares as at 31 December 2020	**477,023,331**	**471,465,875**

C Shares	Number of shares	Stated capital
		€
As at 1 January 2020	**133,451,107**	**77,270,167**
C Share conversion and cancellation	(133,451,107)	(77,270,167)
Total C Shares as at 31 December 2020	–	–

Allotted, called up and fully-paid

Ordinary Shares	Number of shares	Stated capital
		€
As at 1 January 2019	**404,700,446**	**404,962,736**
Shares repurchased during the period and held in treasury	(2,380,956)	(1,928,574)
Total Ordinary Shares as at 31 December 2019	**402,319,490**	**403,034,162**

C Shares	Number of shares	Stated capital
		€
As at 1 January 2019	–	–
Shares issued during the period	133,451,107	77,270,167
Total C Shares as at 31 December 2019	**133,451,107**	**77,270,167**
Total issued share capital as at 31 December 2019	**535,770,597**	**480,304,329**

Ordinary Shares

At the 2019 AGM, held on 11 July 2019, the Directors were granted authority to repurchase up to 14.99% of the issued share capital as at the date of the 2019 AGM for cancellation or to be held as treasury shares. Under this authority, during the year ended 31 December 2020, the Company purchased 105,000 of its Ordinary Shares of no par value at a total cost of €70,100. These Ordinary Shares are being held as treasury shares.

At the 2020 AGM, held on 16 July 2020, the Directors were granted authority to repurchase up to 14.99% of the issued share capital as at the date of the 2020 AGM for cancellation or to be held as treasury shares. Under this authority, during the year ended 31 December 2020, the Company purchased 3,393,507 of its Ordinary Shares of no par value at a total cost of €2,048,649. These Ordinary Shares are being held as treasury shares.

At the 2020 AGM, the Directors were granted authority to allot, grant options over or otherwise dispose of up to 48,041,684 Shares (being equal to 10.00% of the Shares in issue at the date of the AGM). This authority will expire at the 2021 AGM.

As at 31 December 2020, the Company had 477,023,331 Ordinary Shares in issue and 5,879,463 Ordinary Shares in treasury (31 December 2019: 402,319,490 Ordinary Shares in issue and 2,380,956 Ordinary Shares in treasury).

Refer to Note 21 for further details on repurchases of Ordinary Shares under the 2020 AGM authority subsequent to the reporting period. This authority will expire at the 2021 AGM. The Directors intend to seek annual renewal of this authority from Shareholders.

Voting rights – Ordinary Shares

Holders of Ordinary Shares have the right to receive income and capital from assets attributable to such class. Ordinary Shareholders have the right to receive notice of general meetings of the Company and have the right to attend and vote at all general meetings.

Notes to the Financial Statements continued

Dividends
The Company may, by resolution, declare dividends in accordance with the respective rights of the Shareholders, but no such dividend shall exceed the amount recommended by the Directors. The Directors may pay fixed rate and interim dividends.

A general meeting declaring a dividend may, upon the recommendation of the Directors, direct that payment of a dividend shall be satisfied wholly or partly by the issue of Ordinary shares or the distribution of assets and the Directors shall give effect to such resolution.

Except as otherwise provided by the rights attaching to or terms of issue of any Shares, all dividends shall be apportioned and paid pro rata according to the amounts paid on the Shares during any portion or portions of the period in respect of which the dividend is paid. No dividend or other monies payable in respect of any Share shall bear interest against the Company.

The Directors may deduct from any dividend or other monies payable to a Shareholder all sums of money (if any) presently payable by the holder to the Company on account of calls or otherwise in relation to such Shares.

Any dividend unclaimed after a period of 10 years from the date on which it became payable shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.

The dividends declared by the Board during the year are detailed on page 6.

Refer to Note 21 for dividends declared after the year end.

Repurchase of Ordinary Shares
The Board intends to seek annual renewal of this authority from the Ordinary Shareholders at the Company's AGM, to make one or more on-market purchases of Shares in the Company for cancellation or to be held as Treasury shares.

The Board may, at its absolute discretion, use available cash to purchase Shares in issue in the secondary market at any time.

Rights as to Capital
On a winding up, the Company may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide the whole or any part of the assets of the Company among the Shareholders in specie provided that no holder shall be compelled to accept any assets upon which there is a liability. On return of assets on liquidation or capital reduction or otherwise, the assets of the Company remaining after payments of its liabilities shall subject to the rights of the holders of other classes of shares, to be applied to the Shareholders equally pro rata to their holdings of Shares.

Capital management
The Company is closed-ended and has no externally imposed capital requirements. The Company's capital as at 31 December 2020 comprises shareholders' equity at a total of €408,205,175 (31 December 2019: €410,505,991).

The Company's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- to achieve consistent returns while safeguarding capital by investing via the Lux Subsidiary in BCF and other Underlying Companies;
- to maintain sufficient liquidity to meet the expenses of the Company and to meet dividend commitments; and
- to maintain sufficient size to make the operation of the Company cost efficient.

The Board monitors the capital adequacy of the Company on an on-going basis and the Company's objectives regarding capital management have been met.

Refer to Note 10C Liquidity Risk for further discussion on capital management, particularly on how the distribution policy is managed.

C Shares
On 7 January 2019, the Company issued 133,451,107 C Shares in specie as a result of the Rollover Offer. The Rollover Offer included a transfer of assets amounting to €70,604,469, cash proceeds amounting to €7,446,204 and incurred €780,506 in costs. The C Shares were admitted to trading on the SFS of the main market of the LSE. As at 31 December 2020, the Company had no C Shares in issue (31 December 2019: 133,451,107) following the conversion and cancellation as described on the following page.

Voting rights – C Class
Holders of C Shares have the right to receive income and capital from the C Share assets attributable to such class. C Shareholders do not have the right to receive notice of or to attend or vote at any general meeting of the Company.

Dividends
Holders of C Shares are entitled to dividends as described in the section "Dividends" above.

Conversion
On 24 October 2019, the Company announced that it had reinvested €62.6 million into BCF as part of its realisation strategy and that the Company intended to convert the C Shares into Ordinary Shares. On 20 November 2019, the Company announced that the Calculation Date would fall on 29 November 2019 to accommodate dividend payment schedules in accordance with the Company's Articles of Association.

The calculation of the Conversion Ratio was based on the net assets attributable to the Ordinary Shares – €362,950,897 (NAV per Share of €0.9021) and C Shares – EUR 70,550,461 (NAV per Share of €0.5287) as at close of business on 29 November 2019. On 20 December 2019, the Company announced the Conversion Ratio of 0.5860 Ordinary Shares per C Share.

On this basis, 133,451,107 C Shares would convert into 78,202,348 Ordinary Shares. The 78,202,348 Ordinary Shares were admitted to the premium listing segment of the Official List of the FCA and to trading on the LSE's Main Market for listed securities on 7 January 2020.

10 Financial risk management

The Company is exposed to market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds and the markets in which it invests.

10A Market risk
Market risk is the current or prospective risk to earnings or capital of the Company arising from changes in interest rates, foreign exchange rates, commodity prices or equity prices.

The Company holds three investments, denominated in Euro, in the Lux Subsidiary in the form of CSWs, Class A and Class B shares and directly holds, as part of the Rollover Offer, two directly held CLO Mezzanine Notes, denominated in USD. The CSWs are the main driver of the Company's performance.

Financial market disruptions may have a negative effect on the valuations of BCF's investments and, by extension, on the NAV of the Lux Subsidiary and the Company and/or the market price of the Company's Euro shares, and on liquidity events involving BCF's investments. Any non-performing assets in BCF's portfolio may cause the value of BCF's portfolio to decrease and, by extension, the NAV of the Lux Subsidiary and the Company. Adverse economic conditions may also decrease the value of any security obtained in relation to any of BCF's investments.

A sensitivity analysis is shown below disclosing the impact on the IFRS NAV of the Company, if the fair value of the Company's investments at the year end increased or decreased by 20%. This level of change is considered to be reasonably possible based on observations of past and possible market conditions.

	Year ended 31 December 2020	Increase by 20%	Decrease by 20%
	€	€	€
Financial assets held at fair value through profit or loss:			
CSWs	381,605,063	457,926,076	305,284,050
Class A and Class B shares	6,395,083	7,674,100	5,116,066
CLOs	549,437	659,324	439,549
	388,549,583		

Notes to the Financial Statements continued

	Year ended 31 December 2019	Increase by 20%	Decrease by 20%
	€	€	€
Financial assets held at fair value through profit or loss:			
CSWs	390,685,286	468,822,343	312,548,228
Class A and Class B shares	5,706,985	6,848,382	4,565,588
CLOs	3,192,772	3,831,326	2,554,218
	399,585,043		

The calculations are based on the investment valuation at the Statement of Financial Position date and are not representative of the period as a whole, and may not be reflective of future market conditions.

i. Interest rate risk

Interest rate movements affect the fair value of investments in fixed interest rate securities and floating rate loans and on the level of income receivable on cash deposits.

The interest income received by the Lux Subsidiary from investments held at fair value through profit or loss is the interest income on the PPNs received from BCF. Its calculation is dependent on the profit generated by BCF as opposed to interest rates set by the market. Interest rate sensitivity analysis is presented for BCF in Note 12 since any potential movement in market interest rates will impact BCF's holdings which in turn will impact the interest income received by the Lux Subsidiary on the PPNs.

The Company is exposed to interest rate risk on CLOs directly held by the Company.

Interest rate risk is monitored on an on-going basis, and is managed and mitigated to the extent that is possible by the CLO manager through active portfolio management, and the use of the Underlying Companies offering documents and investment policies, which permits portfolio management techniques to rotate between asset classes and levels of risk as appropriate in accordance with policies and procedures in place.

The following tables detail the Company's interest rate risk as at 31 December 2020 and 31 December 2019:

31 December 2020	Interest bearing	Non-interest bearing	Total
	€	€	€
Assets			
Cash and cash equivalents	20,725,819	–	20,725,819
Other receivables	–	151,038	151,038
Financial assets at fair value through profit or loss	549,437	388,000,146	388,549,583
Total assets	**21,275,256**	**388,151,184**	**409,426,440**
Liabilities			
Intercompany loan	(869,988)	–	(869,988)
Payables	–	(351,277)	(351,277)
Total liabilities	**(869,988)**	**(351,277)**	**(1,221,265)**
Total interest sensitivity gap	**20,405,268**		

31 December 2019	Interest bearing	Non-interest bearing	Total
	€	€	€
Assets			
Cash and cash equivalents	11,464,088	–	11,464,088
Other receivables	–	232,474	232,474
Financial assets at fair value through profit or loss	3,192,772	396,392,271	399,585,043
Total assets	14,656,860	396,624,745	411,281,605
Liabilities			
Intercompany loan	(534,660)	–	(534,660)
Payables	–	(240,954)	(240,954)
Total liabilities	**(534,660)**	**(240,954)**	**(775,614)**
Total interest sensitivity gap	**14,122,200**		

As at 31 December 2020 and 31 December 2019, the majority of the Company's interest rate exposure arose in the fair value of the underlying BCF portfolio which is largely invested in senior secured loans of companies predominantly in Western Europe or North America. Most of the investments in senior secured loans carry variable interest rates and various maturity dates. Refer to Note 12 which details BCF's exposure to interest rate risk.

The Company is exposed to interest rate risk on its cash balances and directly held CLOs but this is not deemed to be significant for the years ended 31 December 2020 and 31 December 2019.

ii. Currency risk

Foreign currency risk is the risk that the values of the Company's assets and liabilities are adversely affected by changes in the values of foreign currencies by reference to the Company's base currency. The functional currency of the Company and its Lux Subsidiary is the Euro.

The Company and the Lux Subsidiary are not subject to significant foreign currency risk since the majority of their investments are denominated in Euro and their share capital are also denominated in Euro.

Refer to Note 12 which details BCF's exposure to currency risk. BCF hedges US CLO equity exposure by reference to mark to model valuations incorporated in the Published NAV as defined on page 5.

The Company is exposed to currency risk on its investments in the directly held CLOs which are denominated in USD. To reduce the impact on the Company of currency fluctuations and the volatility of returns which may result from currency exposure, the Company may hedge the currency exposure of the directly held CLOs of the Company with the use of derivatives. The Company did not have any derivatives at the year end.

iii. Price risk

Price risk is the risk that the value of the Company's indirect investments in BCF through its holding in the Lux Subsidiary does not reflect the true value of BCF's underlying investment portfolio.

BCF's portfolio may at any given time include securities or other financial instruments or obligations which are very thinly traded, for which a limited market exists or which are restricted as to their transferability under applicable securities laws. These investments may be extremely difficult to value accurately.

Further, because of overall size or concentration in particular markets of positions held by BCF, the value of its investments which can be liquidated may differ, sometimes significantly, from their valuations. Third-party pricing information may not be available for certain positions held by BCF. Investments held by BCF may trade with significant bid-ask spreads. BCF is entitled to rely, without independent investigation, upon pricing information and valuations furnished to BCF by third parties, including pricing services and valuation sources.

Notes to the Financial Statements continued

Absent bad faith or manifest error, valuation determinations in accordance with BCF's valuation policy are conclusive and binding. In light of the foregoing, there is a risk that the Company, in redeeming all or part of its investment while BCF holds such investments, could be paid an amount less than it would otherwise be paid if the actual value of BCF's investment was higher than the value designated for that investment by BCF. Similarly, there is a risk that a redeeming BCF interest holder might, in effect, be over-paid at the time of the applicable redemption if the actual value of BCF's investment was lower than the value designated for that investment by BCF, in which case the value of BCF interests to the remaining BCF interest holders would be reduced. Refer to Note 12 for further details.

The Company is exposed to price risk on its investments in the directly held CLOs. The price risk that applies to the directly held CLOs is limited and is restricted to the concentration risk of the investments between asset class and geographical exposure. The directly held CLOs which formed part of the Rollover Assets have been realised by the Portfolio Manager in a manner that maximises the value from the Company's investments in those directly held CLOs.

The Board monitors and reviews the Company's NAV production process on an ongoing basis.

10B Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Board has in place monitoring procedures in respect of credit risk which is reviewed on an ongoing basis.

The Company's credit risk is attributable to its cash and cash equivalents, other receivables and financial assets at fair value through profit or loss. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

BIL monitors for the Company, the Lux Subsidiary, BCF and its subsidiaries the creditworthiness of financial institutions with whom cash is held, or with whom investment or derivative transactions are entered into, on a regular basis.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date. At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	As at 31 December 2020	As at 31 December 2019
	€	€
Cash and cash equivalents	20,725,819	11,464,088
Other receivables	151,038	232,474
Financial assets at fair value through profit or loss	388,549,583	399,585,043
Total assets	**409,426,440**	**411,281,605**

The Company is exposed to a potential material singular credit risk in the event that it requests a repayment of the CSWs from the Lux Subsidiary and receives an acceptance of that repayment request. Under the CSW agreement between the Company and the Lux Subsidiary, any payment obligation by the Lux Subsidiary to the Company is conditional upon the receipt of an equivalent amount by the Lux Subsidiary which is derived from the PPNs issued by BCF. The Board is aware of this risk and the concentration risk to the Lux Subsidiary and indirectly to BCF.

Additionally, under the Profit Participating Note Issuing and Purchase Agreement ("PPNIPA") between the Lux Subsidiary and BCF, if the net proceeds from a liquidation of the collateral obligations as defined in the PPNIPA available to unsecured creditors of BCF (the "Liquidation Funds") are less than the aggregate amount payable by BCF in respect of its obligations to its unsecured creditors, including to the Lux Subsidiary and the other parties to the PPNIPA (such negative amount being referred to as a "shortfall"), the amount payable by BCF to the Lux Subsidiary and the other parties to the PPNIPA in respect of BCF's obligations under the PPNs will be reduced to such amount of the Liquidation Funds which is available in accordance with the regulatory requirements and the senior debt restrictive covenants to satisfy such payment obligation upon the distribution of the Liquidation Funds among all of BCF's unsecured creditors on a pari passu and pro rata basis, and shall be applied for the benefit of the Lux Subsidiary and the other parties to the PPNIPA. In such circumstances the other assets of BCF will not be available for the payment of such shortfall, and the rights of the Lux Subsidiary and the other parties to the PPNIPA to receive any further amounts in respect of such obligations shall be extinguished and the Noteholders and the other parties to the PPNIPA may not take any further action to recover such amounts.

The Company is exposed to credit risk on its investments in the directly held CLOs. The directly held CLOs which formed part of the Rollover Assets have been realised by the Portfolio Manager in a manner that maximises the value from the Company's investments in those directly held CLOs. Additionally, the Portfolio Manager generally trades via the DTC or Euroclear, which on the whole, limits counterparty risk.

During the years ended 31 December 2020 and 31 December 2019 all cash was placed with BNP Paribas Securities S.C.A, as Custodian. The ultimate parent of BNP Paribas Securities S.C.A is BNP Paribas which is publicly traded with a credit rating of A+ (Standard & Poor's).

The credit risk associated with debtors is limited to other receivables. Credit risk is mitigated by the Company's policy to only undertake significant transactions with leading commercial counterparties. It is the opinion of the Board that the carrying amounts of these financial assets represent the maximum credit risk exposure as at the reporting date.

The Board continues to monitor the Company's exposure to credit risk.

Refer to Note 12 which details BCF's exposure to credit risk.

10C Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments.

The Company has been established as a closed-ended vehicle. Accordingly, there is no right or entitlement attaching to the Company's shares that allows them to be redeemed or repurchased by the Company at the option of the Shareholder. This significantly reduces the liquidity risk of the Company.

Under the terms of the unsecured PPNs issued to its investors, BCF is contractually obliged to ensure that its portfolio is managed in accordance with the Company's investment objective and policy. In the event that BCF fails to comply with these contractual obligations, the Company, through the Lux Subsidiary, could elect for the unsecured PPNs to become immediately due and repayable to it from BCF, subject to any applicable legal, contractual and regulatory restrictions. Given the nature of the investments held by BCF there is no guarantee and indeed, it is highly unlikely that the applicable legal, contractual and regulatory restrictions would permit BCF to immediately repay the unsecured PPNs on the Company making such an election.

If the Company were to elect for the unsecured PPNs to be repaid, BCF's failure to fully comply with its contractual obligations to do so or BCF being restricted from doing so by law, regulation or contract could have a significant adverse effect on the Company's business, financial condition, results of operations and/or the market price of the shares.

The PPNs are unsecured obligations of BCF and amounts payable on the PPNs will be made solely from amounts received in respect of the assets of BCF available for distribution to its unsecured creditors. BCF is permitted to incur leverage in the form of secured debt by way of one or more revolving credit facilities. Such secured debt will rank ahead of the PPNs in respect of any distributions or payments by BCF. In an enforcement scenario under any revolving credit facility, the provider(s) of such facilities will have the ability to enforce their security over the assets of BCF and to dispose of or liquidate, on their own behalf or through a security trustee or receiver, the assets of BCF in a manner which is beyond the control of the Company. In such an enforcement scenario, there is no guarantee that there will be sufficient proceeds from the disposal or liquidation of BCF's assets to repay any amounts due and payable on the PPNs and this may adversely affect the performance of the Company's business, financial condition and results of operations.

Consequently, in the event of a materially adverse event occurring in relation to BCF or the market generally, the ability of the Company to realise its investment and prevent the possibility of further losses could, therefore, be limited by its restricted ability to realise its investment via the Lux Subsidiary in BCF. This delay could materially affect the value of the PPNs and the timing of when BCF is able to realise its investments, which may adversely affect the Company's business, financial condition, results of operations and/or the market price of the shares.

The directly held CLOs have been actively sold by the Portfolio Manager to facilitate reinvestment into CSWs issued by the Lux Subsidiary, which may in turn be reinvested into PPNs issued by BCF.

The liquidity profile of BCF as at 31 December 2020 is in Note 12.

To meet the Company's target dividend, the Company will require sufficient payments from the CSWs held and in the event these are not received, the Board has the discretion to determine the amount of dividends paid to Shareholders.

Notes to the Financial Statements continued

11 Interests in other entities

Interests in unconsolidated structured entities

IFRS 12 "Disclosure of Interests in Other Entities" defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. A structured entity often has some of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective;
- insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- financing in the form of multiple contractually linked instruments that create concentrations of credit or other risks.

Involvement with unconsolidated structured entities

The Directors have concluded that the CSWs and voting shares of the Lux Subsidiary in which the Company invests, but that it does not consolidate, meet the definition of a structured entity.

The Directors have also concluded that BCF also meets the definition of a structured entity.

The Directors have concluded that CLOs in which the Company invests, that are not subsidiaries for financial reporting purposes, meet the definition of structured entities because:

- the voting rights in the CLOs are not dominant rights in deciding who controls them, as they relate to administrative tasks only;
- each CLO's activities are restricted by its Prospectus; and
- the CLOs have narrow and well-defined objectives to provide investment opportunities to investors.

Interests in subsidiary

As at 31 December 2020, the Company owns 100% of the Class A and Class B shares in the Lux Subsidiary comprising 2,000,000 Class A shares and one Class B share (31 December 2019: 2,000,000 Class A shares and one Class B share).

The Lux Subsidiary's principal place of business is Luxembourg.

Other than the investments noted above, the Company did not provide any financial support for the years ended 31 December 2020 and 31 December 2019, nor had it any intention of providing financial or other support.

The Company has an intercompany loan payable to the Lux Subsidiary as at 31 December 2020. Refer to Note 7 for further details.

12 Financial and other information on BCF

The Board has provided the following information on BCF, which has been extracted from its audited financial statements for the year ended 31 December 2020, as it believes this will provide further insight to the Company's Shareholders into the operations of BCF, the asset mix in its portfolio and the risks to which BCF is exposed.

As at 31 December 2020, the Lux Subsidiary held a 35.4% (31 December 2019: 37.4%) interest in the PPNs issued by BCF. The disclosures have not been apportioned according to the Lux Subsidiary's PPN holding, as the Board believes to do so would be misleading and not an accurate representation of the Company's investment in BCF.

Principal activities

BCF was established as an originator vehicle under European risk retention rules for CLO securitisations. It may also invest in senior secured loans, either directly or indirectly through CLO warehouses, and underlying companies. BCF is funded by proceeds from the issuance of PPNs together with other financial resources available to it, such as the BCF Facility.

Investment policy

BCF's investment policy is to invest (directly, or indirectly through one or more Underlying Companies) in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Underlying Companies directly or through investments in Loan Warehouses) bonds and CLO Securities, and generate attractive risk-adjusted returns from such portfolios. BCF intends to pursue its investment policy by using the proceeds from the issue of PPNs (together with proceeds from other financial resources available to it) to invest in such assets.

BCF may invest (directly or through other Underlying Companies) predominantly in European or US senior secured loans, CLO Income Note securities (the most subordinated tranche of debt issued by a CLO issuer), loan warehouses and other assets. Investments in loan warehouses will typically be in the form of an obligation to purchase preference shares or a subordinated loan. There is no limit on the maximum European or US exposure. BCF is not expected to invest (directly or through other Underlying Companies) in senior secured loans domiciled outside North America or Western Europe.

A CLO is a pooled investment vehicle which may invest in a diversified group of debt securities, in this case predominantly senior secured loans. To finance its investments, the CLO vehicle issues debt in the form of Senior Notes and CLO Income Note securities to investors. The servicing and repayment of these notes is linked directly to the performance of the underlying portfolio of assets.

The portfolio of assets underlying the CLO Income Note securities consist mainly of senior secured loans, mezzanine loans, second lien loans and high yield bonds. The portfolio of assets within BCF consists mainly of CLO Income Note securities. Distributions on the CLO Income Note securities, by way of interest payments, are payable on a quarterly basis on dates established in the formation documents of the CLOs.

As at 31 December 2020 and 31 December 2019, BCF had no exposure to CLOs held as a vertical strip (as defined in the Company's Investment Strategy).

Subsidiaries

BCF has acquired the majority, or all, of the CLO Income Note securities issued by a number of European CLO issuers (the "Direct CLO Subsidiaries"). The twenty-five Direct CLO Subsidiaries (incorporated in Ireland) are presented below:

Name of subsidiary	Currency	Deal Size (million)	% Subordinated Equity Notes Held 31 December 2020
Phoenix Park CLO DAC	EUR	€417	51.4%
Sorrento Park CLO DAC	EUR	€310	51.8%
Castle Park CLO DAC	EUR	€261	52.1%
Dartry Park CLO DAC	EUR	€338	51.1%
Dorchester Park CLO DAC	USD	$503	67.0%
Orwell Park CLO DAC	EUR	€357	51.0%
Tymon Park CLO DAC	EUR	€375	51.0%
Elm Park CLO DAC	EUR	€543	56.1%
Griffith Park CLO DAC	EUR	€456	53.4%
Palmerston Park CLO DAC	EUR	€415	53.3%
Clarinda Park CLO DAC	EUR	€415	51.2%
Clontarf Park CLO DAC	EUR	€414	66.9%
Willow Park CLO DAC	EUR	€412	60.9%

Name of subsidiary	Currency	Deal Size (million)	% Subordinated Equity Notes Held 31 December 2020
Marlay Park CLO DAC	EUR	€413	60.0%
Milltown Park CLO DAC	EUR	€409	65.0%
Richmond Park CLO DAC	EUR	€548	68.3%
Sutton Park CLO DAC	EUR	€408	66.7%
Crosthwaite Park CLO DAC	EUR	€513	64.7%
Dunedin Park CLO DAC	EUR	€408	52.9%
Seapoint Park CLO DAC	EUR	€406	70.5%
Holland Park CLO DAC	EUR	€428	72.1%
Vesey Park CLO DAC	EUR	€405	80.3%
Avondale Park CLO DAC	EUR	€284	63.0%
Deer Park CLO DAC	EUR	€344	100.0%
Marino Park CLO DAC	EUR	€324	70.8%

Notes to the Financial Statements continued

BCF has also acquired 100% of the PPNs issued by BGCM DAC, which was established on 1 August 2019. BGCM DAC holds 100% of the Series 2 and Series 3 interests of BCM LLC, a US manager-originator vehicle established on 14 May 2019. The establishment of BCM LLC created a structure capable of meeting potential demand for US CLOs from European institutional investors requiring compliance with European risk retention rules. BCM LLC holds CLO Income Note securities in six US CLOs (the "Indirect CLO Subsidiaries") as listed below and preference shares in one warehouse, Tallman Park CLO warehouse.

Name of subsidiary	Currency	Deal Size (million)	% Subordinated Equity Notes Held 31 December 2020
Southwich Park CLO Limited	USD	$503	60.0%
Beechwood Park CLO Limited	USD	$810	61.1%
Stratus CLO 2020-2 Limited	USD	$299	100.0%
Harriman Park CLO Limited	USD	$502	70.0%
Cayuga Park CLO Limited	USD	$393	72.0%
Allegany Park CLO Limited	USD	$505	66.2%

Prior to 1 July 2020, BCM LLC also held Class A preference shares in the US MOA. On 1 July 2020, the US MOA was merged into BCM LLC, at which time 86.02% (representing BCM LLC's ownership of the US MOA) of each underlying US CLO of the US MOA was transferred to BCM LLC. As this resulted in BCM LLC holding less than the majority of certain CLO positions, BCM LLC purchased a small amount of these US CLOs in order to maintain a majority economic position in each CLO investment. As a result of this merger, from 1 July 2020, the underlying US CLOs that were previously held by BCF through the US MOA are now held by BCF through BCM LLC.

In accordance with IFRS 10, the Direct CLO Subsidiaries, the Indirect CLO Subsidiaries, BGCM DAC and BCM LLC, are all deemed to be subsidiaries of BCF and are consolidated under its financial reporting framework. During the year ended 31 December 2019, the directors of BCF determined that BCM LLC did not control the US MOA, as defined in IFRS 10, and therefore, the US MOA and its underlying US CLO investments were not consolidated. As detailed above, effective 1 July 2020, the US MOA was merged into BCM LLC and the US MOA's investments in the US CLOs were transferred to BCM LLC. For the year ended 31 December 2020, the directors of BCF determined that BCM LLC did not control such US CLOs transferred from the US MOA, and therefore, are not consolidated.

As at 31 December 2020, BCM LLC held investments in the following non-consolidated US CLOs:

Name
Gilbert Park CLO Limited
Stewart Park CLO Limited
Catskill Park CLO Limited
Dewolf Park CLO Limited
Long Point Park CLO Limited
Greenwood Park CLO Limited
Grippen Park CLO Limited
Thayer Park CLO Limited
Cook Park CLO Limited

BCF also directly holds CLO Income Note securities in US CLOs which it was not responsible for originating. As at 31 December 2020, BCF had direct holdings in the following US CLOs (together with the non-consolidated US CLOs held through BCM LLC, the "Non-Consolidated US CLOs"):

Name
Buckhorn Park CLO Limited
Filmore Park CLO Limited
Harbor Park CLO Limited
Niagara Park CLO Limited
Myers Park CLO Limited

The directors of BCF have determined that BCF did not control the US MOA (through BGCM DAC and BCM LLC), nor does it control any of the Non-Consolidated US CLOs or US CLO warehouses held directly by BCF or through BCM LLC, as defined in IFRS 10. Therefore, these entities have not been consolidated for the purposes of presenting BCF's consolidated financial statements. These investments have been classified as financial assets held at fair value through profit or loss.

The directors of BCF do not anticipate any change in its structure or investment objectives.

NOTES TO THE FINANCIAL STATEMENTS

Valuation of financial instruments

As at 31 December 2020 and 2019, the loans held were broker priced through Markit, and the bond investments were valued by prices provided by IDC. The majority of these assets were classified as Level 2 since the input into the Markit price consisted of at least two quotes, however, a small number of holdings priced through Markit consisted of only one quote. Such assets were classified as Level 3. Both loans and bonds are priced at current mid prices.

The CLO Income Note securities issued by the Direct CLO Subsidiaries are listed on Euronext Dublin and are valued by a third party. The approach to valuing these CLO Income Note securities incorporates CLO specific information and modelling techniques. Factors include (i) granular loan level data, such as the concentration and quality of various loan level buckets, for example, second liens, covenant lites and other structured product assets, as well as several other factors including: discount rate, default rates, prepayment rates, recovery rates, recovery lag and reinvestment spread (these factors are highly sensitive and variations may materially affect the fair value of the asset), and (ii) structural analysis on a deal by deal basis. Pricing includes checks on all structural features of each CLO, such as the credit enhancement of each bond and various performance triggers (including over-collateralisation tests, interest coverage and diversion tests). Furthermore, reinvestment language specific to each CLO deal is assessed, as well as the collateral manager's performance and capabilities.

Investments in CLO Income Note securities of US CLO Issuers, held directly or indirectly, are valued using an equivalent methodology. Similar to the above, valuation of such CLO Income Note securities uses significant unobservable inputs and accordingly are classified as Level 3. Investments in the CLO Income Note securities of the CLO Subsidiaries and the Non-Consolidated US CLOs, and in the preference shares of the CLO warehouses are valued on the above basis using significant unobservable inputs, and accordingly, are classified as Level 3.

The PPNs and debt issued by the CLO Subsidiaries are categorised as Level 3, as they are valued using a model which is based on the fair value of the underlying assets and liabilities of the relevant entity.

The following tables analyse within the fair value hierarchy BCF's financial instruments carried at fair value as at 31 December 2020 and 31 December 2019:

31 December 2020	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
– Investments in senior secured loans and bonds	–	122,982,606	12,993,749	135,976,355
– Investments in CLO Income Notes	–	–	520,436,700	520,436,700
– Investment in BGCM DAC	–	–	339,404,431	339,404,431
– Derivative financial assets	–	11,400,424	–	11,400,424
Total financial assets	**–**	**134,383,030**	**872,834,880**	**1,007,217,910**
Financial liabilities measured at fair value through profit or loss:				
– PPNs	–	–	(1,092,553,639)	(1,092,553,639)
Total financial liabilities	**–**	**–**	**(1,092,553,639)**	**(1,092,553,639)**

Notes to the Financial Statements continued

31 December 2019	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
– Investments in senior secured loans and bonds	–	351,411,969	3,488,750	354,900,719
– Investments in CLO Income Notes	–	–	535,308,879	535,308,879
– Investment in BGCM DAC	–	–	282,791,684	282,791,684
– Derivative financial assets	–	1,227,374	–	1,227,374
Total financial assets	**–**	**352,639,343**	**821,589,313**	**1,174,228,656**
Financial liabilities measured at fair value through profit or loss:				
– PPNs	–	–	(1,056,882,313)	(1,056,882,313)
Total financial liabilities	**–**	**–**	**(1,056,882,313)**	**(1,056,882,313)**

The following table shows the movement in Level 3 of BCF's fair value hierarchy for the years ended 31 December 2020 and 31 December 2019:

31 December 2020	Financial assets measured at FVPL	Financial liabilities measured at FVPL
	€	€
Opening balance	821,589,313	(1,056,882,313)
Net (loss)/gain on financial assets and liabilities measured at fair value through profit or loss	(73,533,922)	49,525,754
Purchases/Issuances	244,301,339	(85,197,080)
Sales/Redemptions	(119,521,850)	–
Closing Balance	**872,834,880**	**(1,092,553,639)**

31 December 2019	Financial assets measured at FVPL	Financial liabilities measured at FVPL
	€	€
Opening balance	623,480,199	(787,146,684)
Net gain/(loss) on financial assets and liabilities measured at fair value through profit or loss	3,531,929	(2,379,953)
Purchases/Issuances	710,364,958	(267,355,676)
Sales/Redemptions	(506,115,504)	–
Movement out of Level 3	(9,672,269)	–
Closing Balance	**821,589,313**	**(1,056,882,313)**

BCF's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the last day of the accounting period. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the years ended 31 December 2020 or 31 December 2019.

Sensitivity of BCF Level 3 holdings to unobservable inputs

A number of holdings as at 31 December 2020 and 31 December 2019 were priced through Markit where the input into the Markit price was only one price, so they were classified as Level 3. These loan assets are not modelled on analysts' prices but are from dealers' runs therefore there are no unobservable inputs into the prices.

The CLO Income Notes were valued by a third party using a CLO intrinsic calculation methodology and were classified as Level 3 because the valuation technique incorporates significant unobservable inputs. The CLO prices are determined by consideration of several factors including the following: default rates, prepayment rates, recovery rates, recovery lag and reinvestment spread. These factors are highly sensitive, and variations may materially affect the fair value of the asset. These metrics are accumulated from various market sources independent of BIL. Additionally, valuation incorporates a review of each CLO indenture and the latest underlying CLO loan portfolio forming various projections based on the quality of the collateral, the collateral manager capabilities and general macroeconomic conditions. The sensitivity of the fair values of the CLO Notes, in particular CLO Income Notes to the traditional risk variables measured separately including market risk and interest rate risk may not be the most appropriate analysis for this asset class. The sensitivity to valuation assumptions including interest rates has an interdependent impact with other significant market variables as noted in the assumptions used for valuing CLO Income Notes. Given the values are based on third party prices, the sensitivity to the key assumptions is not required to be provided.

The assets classified as Level 3 represented 86.7% (2019: 70.0%) of the total financial assets. If the price of the holdings classified as Level 3 increased or decreased by 5% it would result in an increase or decrease in the value of the financial assets of EUR 43,641,744 (4.3% of the total financial assets) (2019: EUR 41,079,466 (3.5% of the total financial assets)). There also would be an equal and opposite effect on the valuation of the PPNs (4.3%) (2019: (3.5%)).

The financial liabilities at fair value through profit or loss consist of the PPNs. The PPNs are valued using a model based on the fair value of the underlying assets and liabilities. If the value of the underlying assets or liabilities changes then there would be an equal and opposite effect on the valuation of the PPNs.

Financial instruments and associated risks

The Lux Subsidiary holds one investment in BCF in the form of PPNs. The PPNs are the main driver of the Lux Subsidiary's performance and consequently that of the Company. The performance of the PPNs is driven solely by the underlying portfolio of BCF and therefore consideration of the risks to which BCF is exposed to have also been made.

Market risk

Market risk is the current or prospective risk to earnings or capital of BCF arising from changes in interest rates, foreign exchange rates, commodity prices or equity prices. Market risk embodies the potential for both losses and gains.

Market price risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss BCF might suffer through holding market positions in the face of price movements caused by factors specific to the individual investment or factors affecting all instruments traded in the market. In addition, local, regional or global events may have a significant impact on BCF and the price of its investments.

As all of the financial instruments are carried at fair value through profit or loss, all changes in market conditions will directly impact the valuation of the PPNs.

(i) Currency risk

Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies may fluctuate due to changes in foreign exchange rates. Foreign exchange exposure relating to non-monetary assets and liabilities is considered to be a component of market price risk, not foreign currency risk.

BCF's financial statements are denominated in Euro, though investments in the US CLO warehouses, US CLOs, and senior secured loans and bonds are made and realised in other currencies. Changes in rates of exchange may have an adverse effect on the value, price or income of the investments of BCF.

BIL monitors foreign currency risk on a periodic basis. Typically, derivative contracts serve as components of BCF's asset hedging program and are utilised primarily to reduce foreign currency risk to BCF's investments. Foreign currency risk on non-base currency loans and bonds is minimised by the leveraged structure of BCF and by the use of the multi-currency BCF Facility to draw down funds. Non-base GBP and USD investments are funded by use of the corresponding currency leverage of the BCF Facility which creates a matching of asset and liability currency risk and minimising the impact of fluctuations in exchange rates. Rolling currency forwards are used to manage the foreign currency exposure of the preference shares of the US CLO warehouses, the CLO Income Notes of the Indirect CLO Subsidiaries, Dorchester Park CLO DAC and the Non-Consolidated US CLOs denominated in foreign currencies. The market value of these USD positions is hedged by offsetting USD forward notional amounts to ensure BCF is fully hedged.

Notes to the Financial Statements continued

The following table sets out BCF's total exposure to foreign currency risk and the net exposure to foreign currencies of the monetary assets and liabilities as at 31 December 2020 and 31 December 2019:

31 December 2020	British Pound	United States Dollars
	€	€
Investments in senior secured loans and bonds	1,969,655	–
Investments in CLO Income Notes	–	101,013,068
Investment in BGCM DAC	–	339,404,431
BCF Facility	(4,291,104)	(1,262,242)
Cash and cash equivalents	3,267,348	48,403
Other assets and liabilities	(1,967,691)	15,423,445
Net position	**(1,021,792)**	**454,627,105**
Notional amount of currency forwards	–	(438,189,910)
Net exposure	**(1,021,792)**	**16,437,195**
Sensitivity 10%	**(102,179)**	**1,643,720**

31 December 2019	British Pound	United States Dollars
	€	€
Investments in senior secured loans and bonds	12,420,354	3,966,459
Investments in CLO Income Notes	–	158,782,181
Investment in BGCM DAC	–	282,791,684
BCF Facility	(18,444,833)	(11,151,480)
Cash and cash equivalents	5,578,229	5,918,399
Other assets and liabilities	2,246,394	16,502,400
Net position	**1,800,144**	**456,809,643**
Notional amount of currency forwards	–	(500,646,940)
Net exposure	**1,800,144**	**(43,837,297)**
Sensitivity 10%	**180,014**	**(4,383,730)**

Sensitivity analysis – BCF

At 31 December 2020 and 2019, had the Euro strengthened by 10% (2019: 10%) in relation to all currencies, with all other variables held constant, the net asset / liability exposure would have increased by the amounts shown above for BCF. There would be no impact on the total comprehensive income of BCF because the fair value movement on financial liabilities would move in the opposite direction and cancel the effect of the foreign exchange movement.

A 10% weakening of the base currency, against GBP and US Dollar, would have resulted in an equal but opposite effect than that on the tables above, on the basis that all other variables remain constant. These calculations are based on historical data. Future currency movements and correlations between holdings could vary significantly from those experienced in the past.

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

The PPNs issued by BCF are limited recourse obligations and are valued based on the fair value of the underlying assets and liabilities. As the interest attached to the PPNs is based on the income earned by BCF, any fluctuations in the prevailing level of market interest rates that negatively affect the fair value of the underlying financial assets will result in an offsetting decrease in the fair value of the PPNs.

The interest rate risk associated with cash and cash equivalents is deemed to be insignificant due to negligible interest rates and no expected movement.

The following table details BCF's exposure to interest rate risk as at 31 December 2020. It includes the carrying value of BCF's assets and liabilities at fair values, categorised by the type of interest rate attached to the assets and liabilities, whether it be floating rate, fixed or non-interest bearing:

31 December 2020	Floating rate	Fixed rate	Non-interest bearing	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
- Investments in senior secured loans and bonds	130,988,193	4,988,162	–	135,976,355
- Investments in CLO Income Notes	520,436,700	–	–	520,436,700
- Investment in BGCM DAC	339,404,431	–	–	339,404,431
- Derivative financial assets	11,400,424	–	–	11,400,424
Receivable for investments sold	–	–	349,344,373	349,344,373
Other receivables	–	–	32,837,068	32,837,068
Cash and cash equivalents	102,502,515	–	–	102,502,515
Total assets	**1,104,732,263**	**4,988,162**	**382,181,441**	**1,491,901,866**
Financial liabilities measured at fair value through profit or loss:				
- PPNs	(1,092,553,639)	–	–	(1,092,553,639)
BCF Facility	(103,633,100)	–	–	(103,633,100)
Payable for investments purchased	–	–	(292,363,103)	(292,363,103)
Other payables and accrued expenses	–	–	(3,345,764)	(3,345,764)
Total liabilities	**(1,196,186,739)**	**–**	**(295,708,867)**	**(1,491,895,606)**
Total interest sensitivity gap	**(91,454,476)**	**4,988,162**		

Notes to the Financial Statements continued

The following table details BGCF's exposure to interest rate risk as at 31 December 2019. It includes the carrying value of BGCF's assets and liabilities at fair values, categorised by the type of interest rate attached to the assets and liabilities, whether it be floating rate, fixed or non-interest bearing:

31 December 2019	Floating rate	Fixed rate	Non-interest bearing	Total
	€	€	€	€
Financial assets measured at fair value through profit or loss:				
- Investments in senior secured loans and bonds	337,939,901	16,960,818	–	354,900,719
- Investments in CLO Income Notes	535,308,879	–	–	535,308,879
- Investment in BGCM DAC	282,791,684	–	–	282,791,684
- Derivative financial assets	1,227,374	–	–	1,227,374
Receivable for investments sold	–	–	253,971,470	253,971,470
Other receivables	–	–	29,965,349	29,965,349
Cash and cash equivalents	72,920,097	–	–	72,920,097
Total assets	**1,230,187,935**	**16,960,818**	**283,936,819**	**1,531,085,572**
Financial liabilities measured at fair value through profit or loss:				
- PPNs	(1,056,882,313)	–	–	(1,056,882,313)
BCF Facility	(244,676,065)	–	–	(244,676,065)
Payable for investments purchased	–	–	(226,523,038)	(226,523,038)
Other payables and accrued expenses	–	–	(2,998,796)	(2,998,796)
Total liabilities	**(1,301,558,378)**	**–**	**(229,521,834)**	**(1,531,080,212)**
Total interest sensitivity gap	**(71,370,443)**	**16,960,818**		

Sensitivity analysis

At 31 December 2020, had the base interest rates strengthened/weakened by 2% (2019: 2%) in relation to all holdings subject to interest with all other variables held constant, the finance income would increase/decrease by EUR 1,729,326 (2019: EUR 1,088,193) which would subsequently impact the amount available for distribution as finance expense. There would be no impact on the total comprehensive income of BCF. The interest rate sensitivity information is a relative estimate of risk and is not intended to be a precise and accurate number. The calculations are based on historical data. Future price movements and correlations between securities could vary significantly from those experienced in the current financial year.

(iii) Price risk

Price risk is the risk that the value of investments will fluctuate as a result of changes in market prices (other than those arising from currency risk and interest rate risk) whether caused by factors specific to an individual investment, its issuer or all factors affecting all investments traded in the market.

BCF attempts to mitigate asset pricing risk by using external pricing and valuation sources and by permitting the collateral manager, subject to certain requirements, to sell collateral obligations and reinvest the proceeds. The CLO manager monitors the assets within each CLO to ensure that they do not breach the collateral quality tests and portfolio profile tests. Where possible, prices are received from brokers on a monthly basis. Broker prices for loans are sourced from Markit, a composite price provider, and broker prices for bonds are sourced from IDC.

Credit risk

Credit risk is the current or prospective risk to earnings and capital arising from a counterparty's failure to meet the terms of any contract with BCF, or otherwise fail to perform as agreed. The receipt of monies owed will be subject to and dependent on the counterparty's ability to pay such monies.

BCF is therefore open to risks relating to the creditworthiness of the counterparty. If the counterparty fails to make any cash payments required to settle an investment, BCF may lose principal as well as any anticipated benefit from the transaction.

Credit risk in financial instruments arises from cash and cash equivalents and investments in debt securities, as well as credit exposures of transactions with brokers related to transactions awaiting settlement (i.e. receivable for investment sold and other receivables).

BIL, through its investment strategy, will endeavour to avoid losses relating to defaults on the underlying assets. In-house credit research is used to identify asset allocation opportunities amongst potential borrowers and industry segments and to take advantage of episodes of market mis-pricing. Segments and themes that are likely to be profitable are subjected to rigorous analysis and risk is allocated to these opportunities consistent with investment objectives. All transactions involve credit research analysts with relevant industry sector experience.

The credit analysis performed involves developing a full understanding of the business and associated risk of the loan or bond issuer and a full analysis of the financial risk, which leads to an overall assessment of credit risk. BIL analyses credit concentration risk based on the counterparty, country and industry of the financial assets that BCF holds.

At the reporting date, BCF's financial assets exposed to credit risk are as follows:

BCF	31 December 2020	31 December 2019
	€	€
Financial assets measured at fair value through profit or loss	995,817,486	1,173,001,282
Derivative financial assets	11,400,424	1,227,374
Receivables for investments sold	349,344,373	253,971,470
Other receivables	32,837,068	29,965,349
Cash at bank	102,502,515	72,920,097
Total	**1,491,901,866**	**1,531,085,572**

Amounts in the above tables are based on the carrying value of the financial assets as at the reporting date.

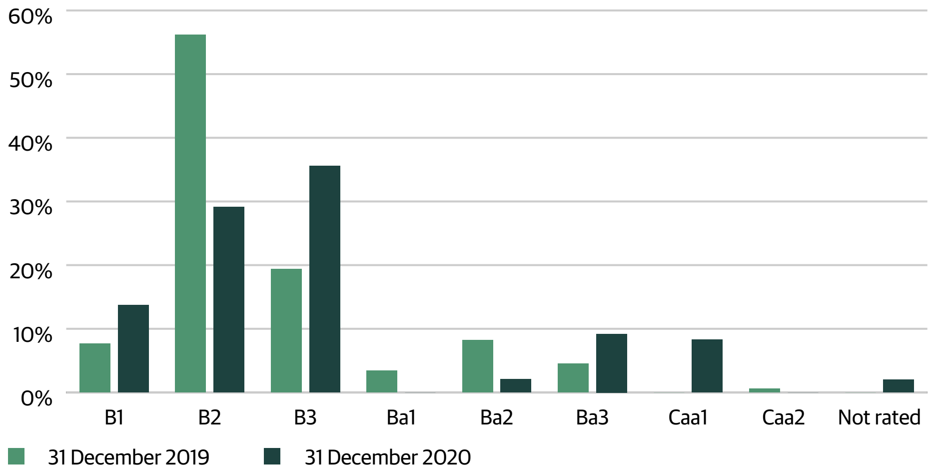
Financial assets measured at fair value through profit or loss

BCF's investment policy is to invest predominantly in:

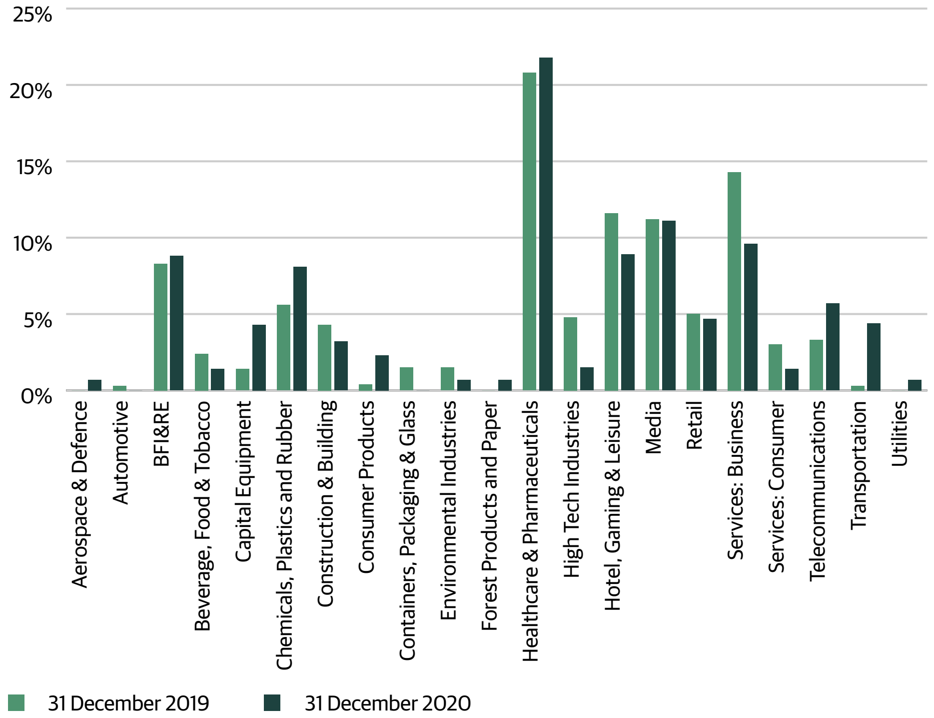
i. a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans);
ii. CLO Income Notes issued by the Issuer CLOs whose investments will be focused predominantly in European and US senior secured loans; and
iii. US CLO Income Notes (held directly or indirectly) whose investments are focused predominantly in US senior secured loans.

Notes to the Financial Statements continued

The investments in senior secured loans and bonds held directly by BCF had the following credit quality as rated by Moody's:



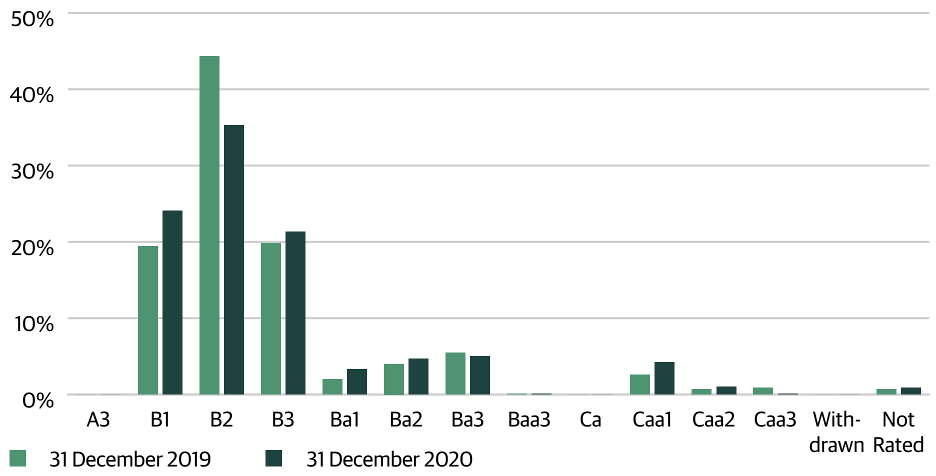
The senior secured loans and bonds held directly by BCF are concentrated in the following industries:



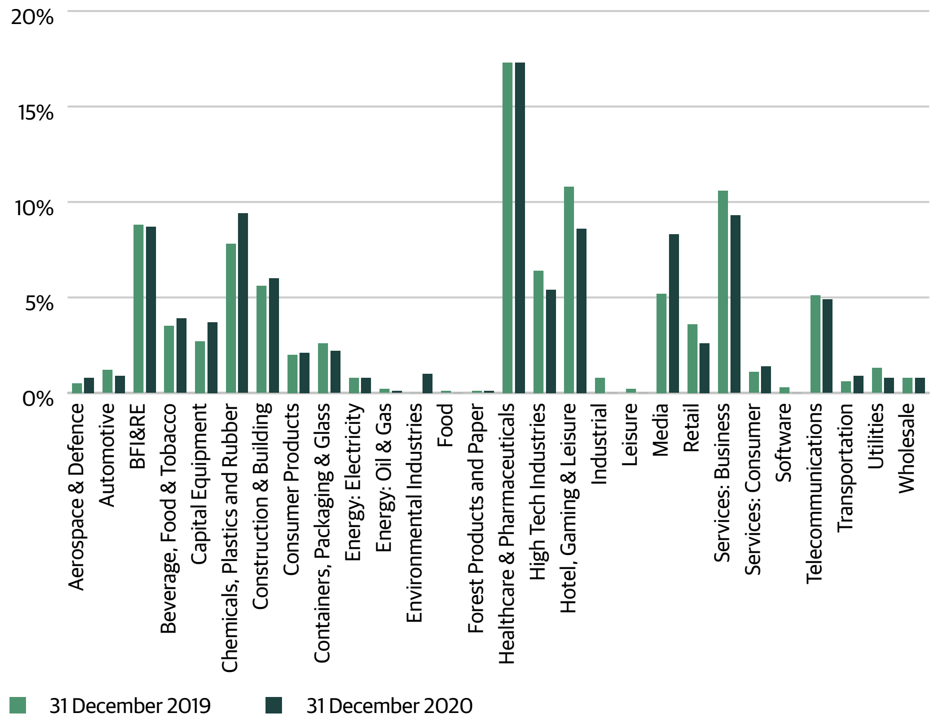
*BFI&RE – Banking, Finance, Insurance and Real Estate

In addition to the senior secured loans and bonds held directly, BCF invests in CLO Income Notes issued by European and US CLO Issuers whose investments are focused predominantly in European and US senior secured loans. Each CLO's investment activities are restricted by its prospectus and the CLOs have narrow and well-defined objectives to provide investment opportunities to investors. In order to avoid excessive concentration of risk, the policies and procedures of each CLO include specific guidelines to focus on maintaining a diversified portfolio. As CLO Income Noteholder in the CLOs, BCF is exposed to the credit risk on the underlying senior secured loans and bonds held by the CLOs. In addition, the CLO Income Notes are limited recourse obligations of the CLOs which are payable solely out of amounts received by the CLO in respect of the financial assets held.

The underlying investments in senior secured loans and bonds recognised as financial assets of BCF's Direct CLO Subsidiaries had the following credit quality as rated by Moody's:



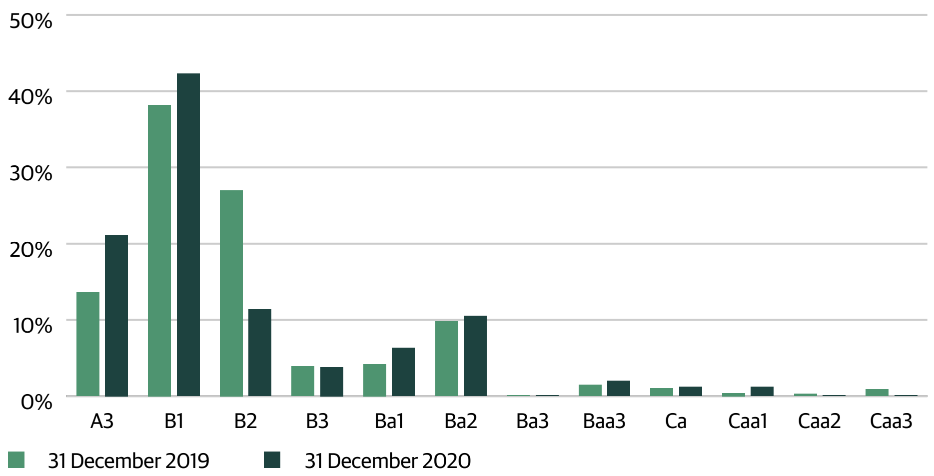
The senior secured loans and bonds held by the Direct CLO Subsidiaries of BCF are concentrated in the following industries:



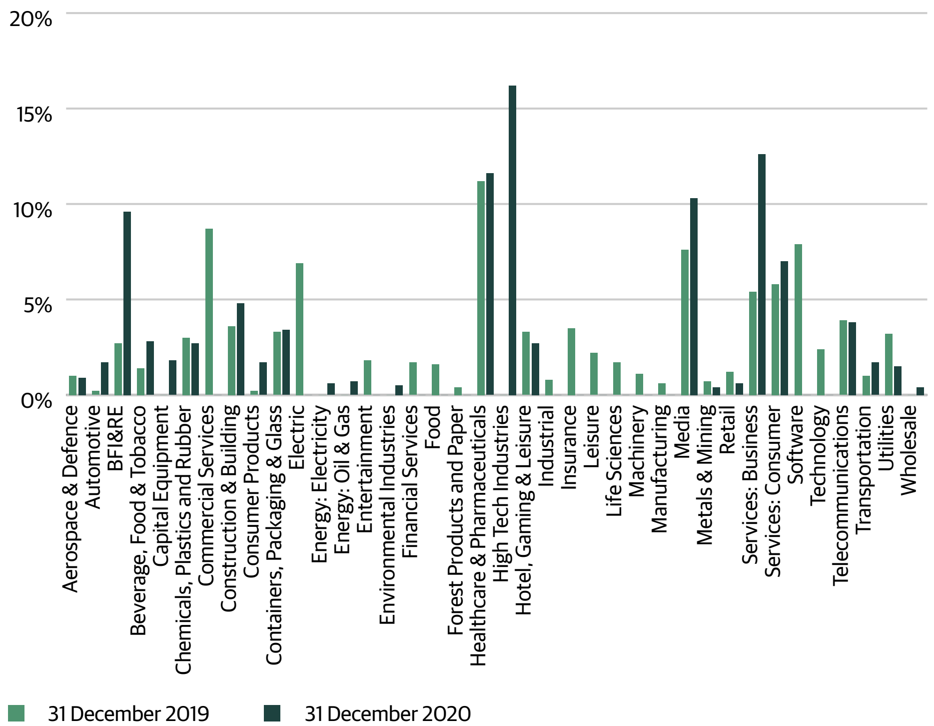
*BFI&RE – Banking, Finance, Insurance and Real Estate

Notes to the Financial Statements continued

The underlying investments in senior secured loans and bonds recognised as financial assets of the Indirect CLO Subsidiaries of BCF had the following credit quality as rated by Moody's:



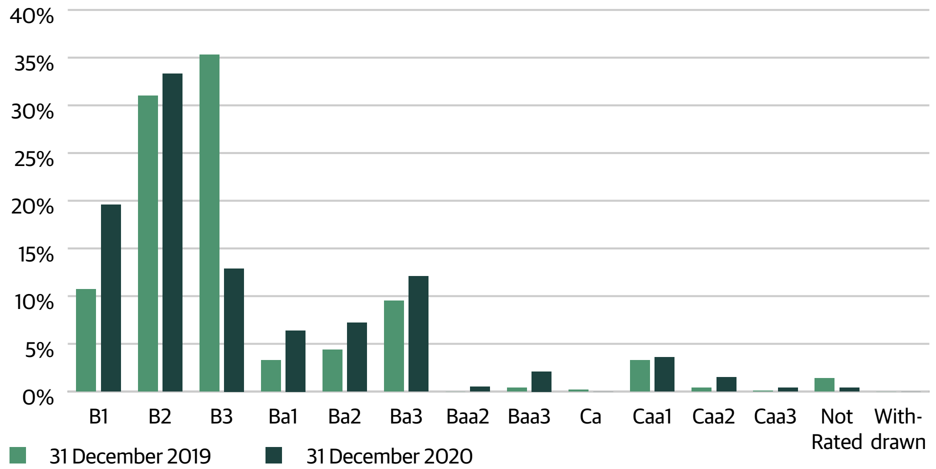
The senior secured loans and bonds held by the Indirect CLO Subsidiaries are concentrated in the following industries:



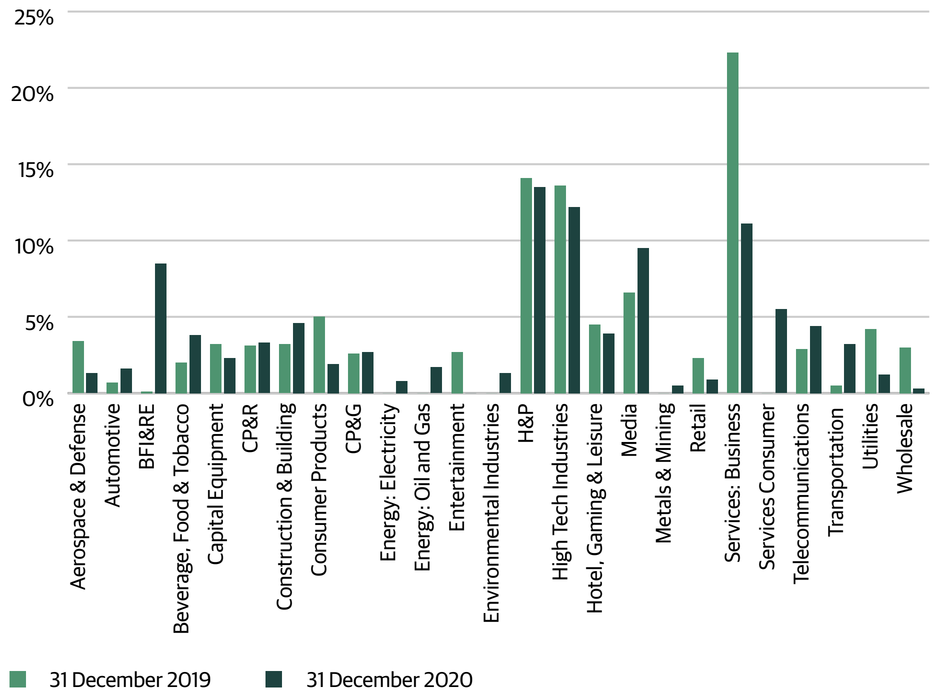
*BFI&RE – Banking, Finance, Insurance and Real Estate

During the year, BCF held (directly and indirectly) CLO Income Notes in US CLOs which are not consolidated as subsidiaries. Prior to 1 July 2020, the US CLOs that are held indirectly by BCF were held through the US MOA. From 1 July 2020, such US CLOs are held indirectly through BCM LLC, following a decision to merge BCM LLC with the US MOA. Accordingly, BCF is exposed to the credit risk on the underlying US senior secured loans and bonds held by such US CLOs. In addition, the CLO Income Notes are limited recourse obligations of the US CLOs which are payable solely out of amounts received by the US CLO in respect of the financial assets held.

The underlying investments in senior secured loans and bonds recognised as financial assets of the US CLOs (whose Income Notes are held directly and indirectly by BCF) had the following credit quality as rated by Moody's:



The underlying financial assets of the US CLOs (whose Income Notes are held directly and indirectly by BCF)) exposed to credit risk were concentrated in the following industries:



*BFI&RE – Banking, Finance, Insurance and Real Estate
^CP&R – Chemicals, Plastic and Rubber
†CP&G – Containers, Packaging and Glass
‡H&P – Healthcare and Pharmaceuticals

Notes to the Financial Statements continued

Liquidity risk
Liquidity is the risk that BCF may not be able to meet its financial obligations as they fall due. The ability of BCF to meet its obligations is dependent on the receipt of interest and principal from the underlying collateral portfolios. Obligations may arise from: financial liabilities at fair value, payable for investments purchased, BCF Facility, interest payable on CLO Income Notes, derivative financial liabilities, other payables and accrued expenses.

At the reporting date, the financial obligations exposed to liquidity risk are as follows:

Financial liabilities measured at fair value through profit or loss
Financial liabilities at fair value comprise PPNs issued by BCF.

All PPNs issued are limited recourse. The recourse of the noteholders, which includes BGLF through the Lux Subsidiary, is limited to the proceeds available to unsecured creditors at such time from the debt obligations, CLO Income Notes and other obligations which comply with the investment policy. Therefore, from the perspective of BCF, the associated liquidity risk of the PPNs is reduced.

13 Segmental reporting

As per IFRS 8 Operating Segments, an operating segment is a component of an entity

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Board, who is the chief operating decision maker, classified the Company into two operating segments – the Ordinary Share Class and the C Share Class – following completion of the Rollover Offer, in the Half Yearly Financial Report for the six months ended 30 June 2019.

Following the substantial sale of relevant assets acquired under the C Share rollover process and €62.6 million (representing 85.8% of the value of the assets in the C Share class as at 1 October 2019) reinvested into CSWs in the Lux Subsidiary and subsequently into PPNs in BCF, the Board classified the Company into one operating segment as at 31 December 2019 and resolved to convert the C Shares into Ordinary Shares. The calculation of the conversion ratio of the C Shares into Ordinary Shares was undertaken using the NAVs as at 29 November 2019. The Board also considered that any performance on the remaining directly held CLO assets post 29 November 2019 was captured through the combined pool of assets in one operating segment, given the ratio had been fixed.

However, given the two operating segments operated throughout most of the year ended 31 December 2019, the Board considered it to be appropriate to disclose the performance of both the Ordinary Share and C Share Classes in the Annual Report and Audited Financial Statements for the year ended 31 December 2019.

During the year ended 31 December 2020, the Board classified the Company into one operating segment – the Ordinary Share Class. The presentation of the comparatives for 31 December 2019 has been amended to present the Company's financial position as at 31 December 2019 and the performance for the year ended 31 December 2019 in aggregate as opposed to two operating segments.

During the years ended 31 December 2020 and 31 December 2019, the Company's primary exposure was to the Lux Subsidiary in Europe. The Lux Subsidiary's primary exposure is to BCF, an Irish entity. BCF's primary exposure is to the US and Europe.

14 Basic and diluted earnings per Share

	As at 31 December 2020	As at 31 December 2019[35]
	€	€
Total comprehensive income for the year	33,420,657	59,606,832
Weighted average number of shares during the year	478,307,769	442,117,788
Basic and diluted earnings per Ordinary Share	**0.0699**	**0.1348**

15 Net asset value per Ordinary Share

	As at 31 December 2020	As at 31 December 2019
	€	€
IFRS Net asset value	408,205,175	410,505,991
Number of Ordinary Shares at year end	477,023,331	480,521,838
IFRS Net asset value per Ordinary Share	**0.8557**	**0.8543**

The number of Ordinary Shares at 31 December 2020 and 31 December 2019 has been calculated as follows:

	As at 31 December 2020	As at 31 December 2019
C Shares	–	133,451,107
Conversion ratio (as detailed in Note 9)	–	0.5860
New Ordinary Shares	–	78,202,348
Add: Existing Ordinary Shares	477,023,331	402,319,490
Number of Ordinary Shares at year end	**477,023,331**	**480,521,838**

16 Reconciliation of Published NAV to IFRS NAV per the financial statements

	As at 31 December 2020		As at 31 December 2019	
	NAV	NAV per share	NAV	NAV per share
	€	€	€	€
Published NAV attributable to Shareholders	402,369,392	0.8435	441,434,524	0.9187
Adjustment – valuation	5,835,783	0.0122	(30,928,533)	(0.0644)
IFRS NAV	**408,205,175**	**0.8557**	**410,505,991**	**0.8543**

As noted on page 5, there can be a difference between the Published NAV and the IFRS NAV per the financial statements, mainly because of the different bases of valuation. The above table reconciles the Published NAV to the IFRS NAV per the financial statements.

(35) Refer to Note 13 Segmental reporting for further details.

Notes to the Financial Statements continued

17 Reconciliation of liabilities arising from financing activities

	As at 31 December 2020	As at 31 December 2019
	€	€
Opening balance	534,660	237,057
Increase in intercompany loan	335,328	297,603
Closing balance	**869,988**	**534,660**

18 Dividends

The Company declared and paid the following dividends on Ordinary Shares during the year ended 31 December 2020.

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Ordinary Share	Amount paid
				€	€
1 Oct 2019 to 31 Dec 2020	21 Jan 2020	30 Jan 2020	28 Feb 2020	0.0250	12,013,045
1 Jan 2020 to 31 Mar 2020	23 Apr 2020	30 Apr 2020	29 May 2020	0.0150	7,207,827
1 Apr 2020 to 30 Jun 2020	21 Jul 2020	30 Jul 2020	28 Aug 2020	0.0150	7,205,127
1 Jul 2020 to 30 Sept 2020	21 Oct 2020	29 Oct 2020	27 Nov 2020	0.0150	7,176,725
Total					**33,602,724**

The Company declared and paid the following dividends on Ordinary Shares and C Shares during the year ended 31 December 2019:

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Ordinary Share	Amount paid
				€	€
1 Oct 2018 to 31 Dec 2018	22 Jan 2019	31 Jan 2019	1 Mar 2019	0.0250	10,117,511
1 Jan 2019 to 31 Mar 2019	18 Apr 2019	2 May 2019	31 May 2019	0.0250	10,117,511
1 Apr 2019 to 30 Jun 2019	18 Jul 2019	25 Jul 2019	23 Aug 2019	0.0250	10,057,987
1 July 2019 to 30 Sept 2019	18 Oct 2019	31 Oct 2019	29 Nov 2019	0.0250	10,057,988
Total					**40,350,997**

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per C Share	Amount paid
				€	€
1 Oct 2018 to 31 Dec 2018	22 Jan 2019	31 Jan 2019	1 Mar 2019	0.01452	1,937,710
1 Jan 2019 to 31 Mar 2019	18 Apr 2019	2 May 2019	31 May 2019	0.02050	2,735,748
1 Apr 2019 to 30 Jun 2019	18 Jul 2019	25 Jul 2019	23 Aug 2019	0.02140	2,855,854
1 July 2019 to 30 Sept 2019	18 Oct 2019	31 Oct 2019	29 Nov 2019	0.02210	2,949,269
Total					**10,478,581**

19 Related party transactions

All transactions between related parties were conducted on terms equivalent to those prevailing in an arm's length transaction. In accordance with IAS 24 "Related Party Disclosures", the related parties and related party transactions during the year comprised:

Transactions with entities with significant influence
As at 31 December 2020, Blackstone Asia Treasury Pte held 43,000,000 Ordinary Shares in the Company (31 December 2019: 43,000,000).

Transactions with key management personnel
The Directors are the key management personnel as they are the persons who have the authority and responsibility for planning, directing and controlling the activities of the Company. The Directors are entitled to remuneration for their services. Refer to Note 4 for further detail.

Transactions with other related parties
At 31 December 2020, current employees of the Portfolio Adviser and its affiliates, and accounts managed or advised by them, hold 24,875 Ordinary Shares (31 December 2019: 24,875) which represents 0.005% (31 December 2019: 0.006%) of the issued shares of the Company.

The Company has exposure to the CLOs originated by BCF, through its investment in the Lux Subsidiary. BIL is also appointed as a service support provider to BCF and as the collateral manager to the Direct CLO Subsidiaries. BLCS has been appointed as the collateral manager to BCM LLC, Dorchester Park CLO Designated Activity Company and the Indirect CLO Subsidiaries.

Transactions with Subsidiaries
The Company held 284,879,854 CSWs as at 31 December 2020 (31 December 2019: 319,758,584) following the issuance of 6,800,000 and redemption of 41,678,730 CSWs by the Lux Subsidiary. Refer to Note 6 for further details.

As at 31 December 2020, the Company held 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary with a nominal value of €2,000,001 (31 December 2019: 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary with a nominal value of €2,000,001).

As at 31 December 2020, the Company held an intercompany loan payable to the Lux Subsidiary amounting to €869,988 (31 December 2019: €534,660).

20 Controlling party

In the Directors' opinion, the Company has no ultimate controlling party.

21 Events after the reporting period

The Board has evaluated subsequent events for the Company through to 29 April 2021, the date the financial statements are available to be issued, and, other than those listed below, concluded that there are no material events that require disclosure or adjustment to the financial statements.

Dividends
On 21 January 2021, the Board declared a dividend of €0.025 per Ordinary Share in respect of the period from 1 October 2020 to 31 December 2020 with an ex-dividend date of 4 February 2021. A total payment of €11,923,083 was processed on 5 March 2021.

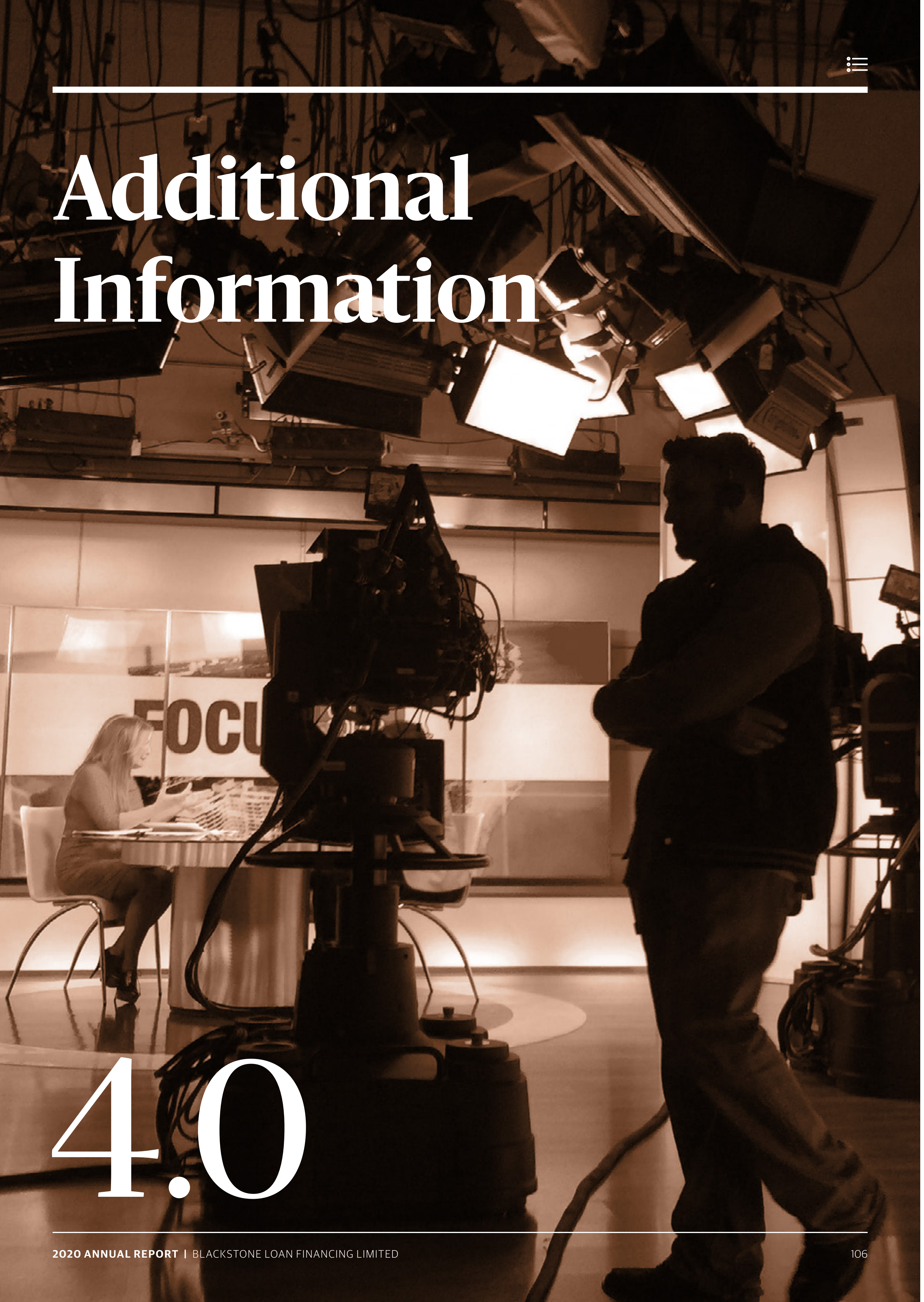
On 21 January 2021, the Board announced that the Company has adopted a revised dividend policy targeting a total 2021 annual dividend of between €0.07 and €0.08 per Ordinary Share, which will consist of quarterly payments of €0.0175 per Ordinary Share for the first three quarters and a final quarter payment of a variable amount to be determined at that time.

On 23 April 2021, the Board declared a dividend of €0.0175 per Ordinary Share in respect of the period from 1 January 2021 to 31 March 2021 with an ex-dividend date of 6 May 2021. The dividend will be paid on 4 June 2021.

Repurchase of Ordinary Shares
During the period from 1 January 2021 to 28 April 2021, the Company repurchased, under the 2020 AGM authority, 125,000 of its Ordinary Shares of no par value at a total cost of €81,250 (excluding fees and commissions).

Additional Information

4.0



Company Information

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Mr Gary Clark
Ms Heather MacCallum
Mr Steven Wilderspin
Mr Mark Moffat

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Registrar

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Administrator/Company Secretary/ Custodian/Depositary

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Joint Broker

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United Kingdom

Joint Broker (from 4 March 2020)

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United Kingdom

Glossary

AGM	Annual General Meeting
AIC	the Association of Investment Companies, of which the Company is a member
AIC Code	AIC Code of Corporate Governance 2019
APMs	Alternative Performance Measures
Articles	the Articles of Incorporation of the Company
BCF	Blackstone Corporate Funding Designated Activity Company (formerly known as Blackstone/GSO Corporate Funding Designated Activity Company)
BCF Facility	BCF entered into a facility agreement dated 1 June 2017, as amended, between (1) BCF (as borrower), (2) Citibank Europe plc, UK Branch (as administration agent), (3) Bank of America N.A. London Branch (as an initial lender), (4) BNP Paribas (as an initial lender), (5) Deutsche Bank AG, London Branch (as initial lender), (6) Citibank N.A. London Branch (as account bank, custodian and trustee) and (7) Virtus Group LP (as collateral administrator)
BCM LLC	Blackstone CLO Management LLC (formerly known as Blackstone/GSO CLO Management LLC)
BGCM DAC	BGCM Designated Activity Company
BGLC	Ticker for the Company's C Share Quote
BGLF or the Company	Blackstone Loan Financing Limited (formerly known as Blackstone/GSO Loan Financing Limited)
BGLP	Ticker for the Company's Sterling Quote
BIL or the Portfolio Adviser	Blackstone Ireland Limited (formerly known as Blackstone/GSO Debt Funds Management Europe Limited)
BLCS or the Portfolio Manager or the Rollover Portfolio Manager	Blackstone Liquid Credit Strategies LLC (formerly known as GSO/Blackstone Debt Funds Management LLC)
Board	the Board of Directors of the Company
BWIC	Bids Wanted In Competition
BX Credit	Blackstone Alternative Credit Advisors LP or Blackstone Credit (formerly known as GSO Capital Partners LP)
CSWs	Cash Settlement Warrants
CLO	Collateralised Loan Obligation
DTC	Depositary Trust Company
DTR	Disclosure Guidance and Transparency Rules
Discount/Premium	calculated as the NAV per share as at a particular date less BGLF's closing share price on the London Stock Exchange, divided by the NAV per share as at that date
Dividend yield	calculated as the last four quarterly dividends declared divided by the share price as at the relevant date
ECB	European Central Bank
ESG	Environmental, social and governance
EU	European Union
FAFVPL	Financial assets at fair value through profit or loss
FCA	Financial Conduct Authority (United Kingdom)
Fed	Federal Reserve
FRC	Financial Reporting Council (United Kingdom)
FVPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
GFC	Global Financial Crisis

IDC	International Data Corporation
IFRS	International Financial Reporting Standards
IFRS 10	IFRS 10 Consolidated Financial Statements
IFRS 13	IFRS 13 Fair Value Measurement
IFRS NAV	Gross assets less liabilities (including accrued but unpaid fees) determined in accordance with IFRS as adopted by the EU
IMF	International Monetary Fund
LCD	S&P Global Market Intelligence's Leveraged Commentary & Data provides in-depth coverage of the leveraged loan market through real-time news, analysis, commentary, and proprietary loan data
Loan Warehouse	A special purpose vehicle incorporated for the purposes of warehousing US and/or European floating rate senior secured loans and bonds
LSE	London Stock Exchange
LTM	Last twelve months
Lux Subsidiary	Blackstone/GSO Loan Financing (Luxembourg) S.à r.l.
MoM	Month-over-month
NAV	Net asset value
NAV total return per Ordinary share	Calculated as the increase/decrease in the NAV per Ordinary share plus the total dividends paid per Ordinary share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per Ordinary share
NIM	Net interest margin
OC	Overcollateralisation
OCI	Other Comprehensive Income
PMIs	Purchasing Managers' Indices
PPNs	Profit Participating Notes
Published NAV	Gross assets less liabilities (including accrued but unpaid fees) determined in accordance with the section entitled "Net Asset Value" in Part I of the Company's Prospectus and published on a monthly basis
Return	Calculated as the increase /decrease in the NAV per Euro Ordinary share plus the total dividends paid per Euro Ordinary share, with such dividends paid being re-invested at NAV, as a percentage of the NAV per Euro Ordinary share. LTM return is calculated over the period January 2020 to December 2020.
Rollover Assets	The assets attributable to the Carador Income Fund plc Rollover Shares – a pool of CLO assets from Carador Income Fund plc
Rollover Offer	As announced by the Board on 28 August 2018, a rollover proposal to offer newly issued C Shares to electing shareholders of Carador Income Fund plc, in consideration for the transfer of a pool of CLO assets from Carador Income Fund plc to the Company
RP	Reinvestment period
SFS	Specialist Fund Segment
UK Code	UK Corporate Governance Code 2018
USD	United States Dollar
US MOA	United States Majority Owned Affiliate – Blackstone/GSO US Corporate Funding Limited
Underlying Company	A company or entity to which the Company has a direct or indirect exposure for the purpose of achieving its investment objective, which is established to, among other things, directly or indirectly, purchase, hold and/or provide funding for the purchase of CLO Securities
WA	Weighted average
WAP	Weighted Average Asset Price
WARF	Weighted Average Rating Factor
WAS	Weighted average spread