

# **Blackstone / GSO Loan Financing Limited**

**Half Yearly Financial Report for the  
Six Months Ended 30 June 2017**



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## SUMMARY OF KEY FINANCIAL INFORMATION

### Net Asset Value

	As at 30 June 2017	As at 31 December 2016
Net Asset Value ("NAV") <sup>(1)</sup>	€401,954,207	€332,338,320
NAV per Euro share <sup>(1)</sup>	€0.9932	€1.0238
Euro share price <sup>(2)</sup>	€1.0325	€1.0125
Premium / (discount)	3.96%	(1.10%)
Euro shares in issue <sup>(3)</sup>	404,700,446	324,600,700
Market capitalisation	€417,853,210	€328,658,209

### Dividend History

Whilst not forming part of the investment objective or policy of Blackstone / GSO Loan Financing Limited ("the Company"), dividends will be payable in respect of each calendar quarter, two months after the end of such quarter. During the first two quarters of the year, the Company targeted a dividend of €0.025 a quarter, equating to a 10% annualised return (based on a placing price of €1.00 per Euro share), with the expectation of progressive growth.

#### Dividends for the Six Months Ended 30 June 2017

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Euro Share
				€
1 Jan 2017 to 31 Mar 2017	24 Apr 2017	4 May 2017	26 May 2017	0.0250
1 Apr 2017 to 30 Jun 2017	20 Jul 2017	27 Jul 2017	18 Aug 2017	0.0250

#### Dividends for the Year Ended 31 December 2016

Period in respect of	Date Declared	Ex-dividend Date	Payment Date	Amount per Euro Share
				€
1 Jan 2016 to 31 Mar 2016	20 Apr 2016	28 Apr 2016	20 May 2016	0.0200
1 Apr 2016 to 30 Jun 2016	21 Jul 2016	28 Jul 2016	19 Aug 2016	0.0200
1 Jul 2016 to 30 Sep 2016	20 Oct 2016	27 Oct 2016	18 Nov 2016	0.0250
1 Oct 2016 to 31 Dec 2016	20 Jan 2017	2 Feb 2017	24 Feb 2017	0.0250

### Period Highs and Lows

	2017 High	2017 Low	2016 High	2016 Low
				€
NAV per Euro share	1.0252	0.9870	1.0238	0.9799
Euro share price (last price) <sup>(2)</sup>	1.0550	1.0125	1.0200	0.8450

(1) Please refer to Note 12 for reconciliation of NAV to published NAV

(2) Bloomberg closing price at period end

(3) Excluding 6,719,000 Euro shares held as Treasury shares as at 31 December 2016. No Euro shares were held as Treasury shares as at 30 June 2017

## SUMMARY OF KEY FINANCIAL INFORMATION (CONTINUED)

### Schedule of Investments

As at 30 June 2017

	Nominal Holdings	Amount	% of NAV
		€	
Investments held in Blackstone / GSO Loan Financing (Luxembourg) S.à.r.l ("Lux Subsidiary"):			
Cash Settlement Warrants ("CSWs")	357,993,064	398,987,271	99.26
Shares (2,000,000 Class A and 1 Class B)	2,000,001	2,000,001	0.50
Other Net Assets	-	966,935	0.24
<b>Net Assets Attributable to Shareholders</b>		<b>401,954,207</b>	<b>100.00</b>

### Schedule of Significant Transactions

As at 30 June 2017

Date of transaction	Transaction type	Amount	Reason
		€	
<b>CSWs held by the Company</b>			
20 Feb 2017	Redemption	8,397,706	To fund dividend
8 Mar 2017	Purchase	(71,380,746)	To fund additional investment
3 Apr 2017	Purchase	(8,771,408)	To fund additional investment
22 May 2017	Redemption	10,668,064	To fund dividend
14 Aug 2017	Redemption	11,350,345	To fund dividend
<b>PPNs held by the Lux Subsidiary</b>			
9 Mar 2017	Purchase	(71,380,746)	To fund additional investment
4 Apr 2017	Purchase	(8,771,408)	To fund additional investment

## CHAIR'S STATEMENT

Dear Shareholders,

2017 started with a focus on the political picture in the US and Europe. President Trump's relatively unpredictable input and efforts to implement his own agenda has divided America and left the markets uncertain and prone to increased volatility. His political struggles will invariably make investors look more to safe haven assets.

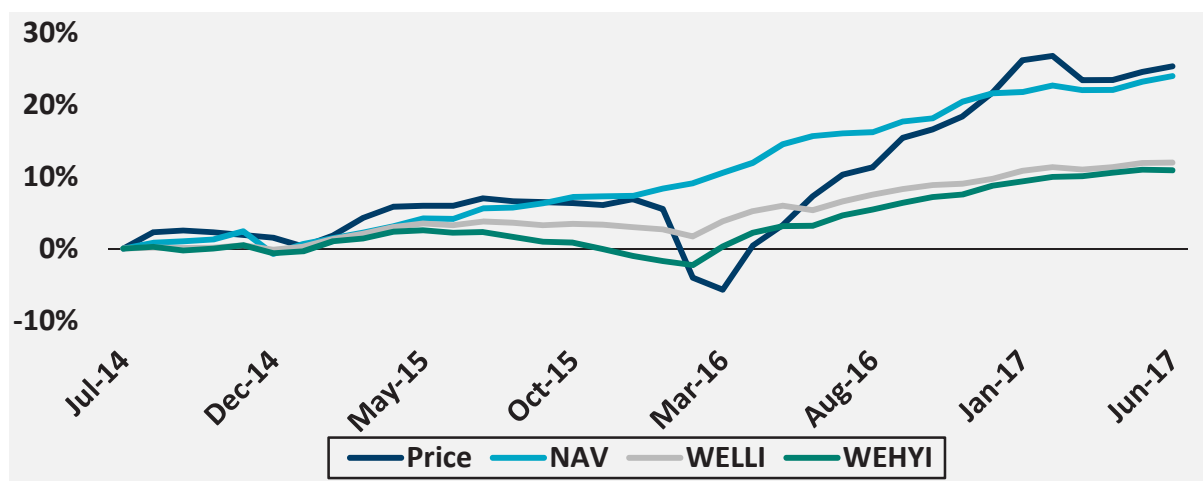
The European elections throughout the year are likewise adding to political uncertainty. Investors seem to have adjusted to the UK's Brexit decision and economic data in much of Europe has remained positive. The victory by Emmanuel Macron in the French presidential election has also had a calming impact on the markets.

Towards the end of the period a lot of speculation about rising interest rates was sparked by hawkish signals from several Central Banks, which led to a reversal of an otherwise soft market. However there was generally skepticism that the FED would be able to raise rates further this year.

Performance of loans and high yield bonds was comparable between the European and US markets, with European loans returning 2.06% versus US loans at 1.96% and European high yield's gain of 4.09% versus US high yield returns of 4.37%.<sup>4</sup>

### Net Asset Value ("NAV")

The Company delivered a total NAV return per Euro share of 1.97% over the first six months of 2017, finishing the period with a NAV per Euro share of €0.9932 and dividends paid totalling €0.05.



The Company paid two dividends in respect of the six-month period ended 30 June 2017, equating to a 10.0% annualised return (based on a placing price of €1.00). (Details of all dividend payments can be found within the Summary of Key Financial Information section at the front of this Interim Report.)

(4) Credit Suisse: Western European Leveraged Loan Index, hedged to EUR; Leveraged Loan Index; Western European High Yield Index, hedged to EUR; and High Yield Index, as of 30 June 2017

## CHAIR'S STATEMENT (CONTINUED)

### Discount Management

The Euro shares finished the half year at a premium to NAV of 3.96%. As a Board, we regularly weigh the balance between maintaining liquidity of the Euro shares, the stability of any discount and the desire of Shareholders to see the Euro shares trade as closely as possible to their intrinsic value.

### The Board

The Board aims to uphold the highest standard of corporate governance. At the Company's Annual General Meeting held on 21 June 2017 all resolutions were approved by Shareholders. Our governance structure operates on a best practice basis, and we believe that it is critical in underpinning our ability to deliver our strategy and to create long-term value for our Shareholders.

Philip Austin and Joanna Dentskevich, who have both been Directors since our IPO in 2014, are stepping down as Directors of the Company with effect from September and October 2017 respectively. On behalf of the Board, I would like to thank Philip and Joanna for their contribution and wish them every success in their future endeavours.

The Board has appointed Steven Wilderspin who has long standing board and financial experience and who, among other appointments, serves as the Chair of the Audit and Risk Committee of 3i Infrastructure plc.

We have furthermore appointed Heather MacCallum who has extensive financial experience as a former partner of KPMG. Heather also serves as a NED on the board of Jersey Water.

Last year saw a heavy workload for the Board due to various corporate initiatives and changes, as evidenced by the number of Board meetings. This year so far we have consolidated the work undertaken to date and the Company now functions in a robust structure. The Board have visited GSO in Dublin to carry out on-going due diligence and updates on various themes and have had meetings with the board of Blackstone / GSO Corporate Funding Designated Activity Company ("BGCF") to further strengthen the overall relationships.

Our continued good returns and performance made it possible for the Company to raise further equity and sell the shares held in treasury from last year's buy back as detailed on page 11 of this report. This has all been subsequently invested into BGCF.

In addition, in June, we migrated the Company to the Premium Segment of the Main Market of the London Stock Exchange ("LSE") and to listing on the Official List of the UK Listing Authority ("UKLA") as well as adding an additional market quote in Sterling (the "Sterling quote") to facilitate eligibility for inclusion in the FTSE UK Index (the "Index"), as detailed on page 12 of this report.

The Company is a member of the Association of Investment Companies (the "AIC") and adheres to the AIC Code of Corporate Governance (the "AIC Code") which is endorsed by the Financial Reporting Council (the "FRC"), and meets the Company's obligations in relation to the UK Corporate Governance Code 2014 (the "UK Code").

### Shareholder Communications

During the first half of 2017, using our Adviser and Brokers, we have continued our programme of engagement with current and prospective Shareholders. We are always pleased to have contact with Shareholders, both current and prospective, and we welcome any opportunity to meet with you and obtain your feedback.



## CHAIR'S STATEMENT (CONTINUED)

### Brexit

As the Company is incorporated under the laws of Jersey, and its functional currency is Euro, it is not anticipated that the triggering of Article 50 by the United Kingdom to exit the European Union ("Brexit") will have a significant impact on the Company's operations in the short term. However, it is acknowledged that Brexit could have macro-economic implications in due course and, as such, the potential impact of outcomes from Brexit negotiations will be carefully monitored to identify and mitigate any potential negative ramifications for the Company.

### Prospects and Opportunities in 2017

Looking towards the remainder of the year we continue to expect politics to have a significant impact on the markets. We live in uncertain times and with a volatile political environment comes potentially volatile markets. This can help open the doors to new interesting opportunities in the loans market globally and we are confident that BGCF is well positioned to be able to benefit from market conditions.

The Board continues to believe that senior secured loans offer attractive risk adjusted yields when managed well. Over the last three years, senior secured loans have experienced lower volatility returns compared to high yield bonds, and have strong downside protection.

The Board will continue to monitor opportunities to further grow the Company and increase liquidity in the Company's shares.

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

**Charlotte Valeur**

Chair

20 September 2017

## ADVISER'S REPORT

We are pleased to present our review of the first six months of 2017 and outlook for the remainder of the year.

Year to date, the Company delivered a total NAV return per Euro share of 1.97%, inclusive of declared dividends of €0.0250 per EUR share for each of the periods 1 January to 31 March and 1 April to 30 June, consistent with its target annual dividend of €0.10 per share.

On 21 February 2017, the Company announced its intention to issue new Euro shares in the Company in response to current demand from investors, under the placing programme by way of a placing of new shares, as detailed in the Company's prospectus dated 31 March 2016.

On 3 March 2017, the Company announced that the placing closed, raising €72.8 million (before costs and expenses) through the issue of 71,380,746 new Euro shares of no par value at a price of €1.02 per share. The placing price represented a premium of approximately 2% to the unaudited NAV of 31 January 2017, adjusted for the dividend declared on 20 January 2017, which was for the period from 1 October 2016 to 31 December 2016.

On both 8 March 2017 and 14 March 2017, the Company announced that it had issued 1,000,000 new Euro shares of no par value at a placing price of €1.03 per share raising €1.03 million (before costs and expenses) to satisfy continued investor demand. The placing price represented a premium of approximately 3% to the unaudited NAV as at 31 January 2017, adjusted for the dividend declared on 20 January 2017.

On 29 March 2017, the Company announced the sale of 6,719,000 Euro shares out of treasury at a price of €1.0304 per share. The sale raised gross proceeds of €6,923,258 and settlement took place on 31 March 2017.

On 29 June 2017, the Company's shares were admitted to the Official List of the UK Listing Authority with a transfer of trading from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange. At the same time, an additional market quote in Sterling was introduced with the ticker BGLP.

### Bank Loan Market Overview<sup>5</sup>

Though we saw a reversal in performance across rating quality during the second quarter of 2017, it was not enough to overcome the outperformance of lower-quality loans during the first quarter. Over the first six months of 2017 in Europe, the Lower Tier (CCC, Split CCC and Default) of the Credit Suisse Western European Leveraged Loan Index ("CS European Loan Index") gained 3.52% while Middle Tier loans (Split BB, B, and Split B) and Upper Tier loans (Split BBB and BB) gained 1.96% and 1.19% respectively. In the US, the Lower Tier of the Credit Suisse Leveraged Loan Index ("CS US Loan Index") gained 4.32% while Middle Tier loans and Upper Tier loans returned 2.11% and 1.22%, respectively.

The technical backdrop continues to be particularly strong as the supply of new paper in the loan market mismatches the incremental demand for these products. The issuer-friendly conditions have resulted in consistently low new-issue yields and aggressive structures. Many issuers, who tapped the market in early 2016, have returned this year to reprice or refinance.

In Europe, institutional new issuance reached €49.7 billion for the first half of 2017 versus €22.7 billion during the same period in 2016. Institutional U.S. loan issuance totalled \$297.0 billion for the first half of 2017, up significantly from last year's \$127.8 billion first-half tally. Primary market conditions continued to be favourable for issuers in both markets, with re-pricing and re-financings continuing to account for the majority of loan issuance, resulting in relatively scarce net supply in the face of sustained demand.

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(5) Sources: Credit Suisse, S&P/LCD, JP Morgan, Wells Fargo

## ADVISER'S REPORT (CONTINUED)

### Bank Loan Market Overview (continued)

Default activity remains modest with the lagging 12-month loan default rate of the S&P European Leveraged Loan Index and S&P/LSTA Leveraged Loan Index finishing June at 2.20% and 1.54%, versus 2.40% and 1.58% at year end, respectively. Strategists forecast loan default rates to remain below their long-term averages.<sup>6</sup>

### CLO Market Overview<sup>7</sup>

The low volatility environment through the first half of 2017 has been favourable for CLO issuance on both sides of the Atlantic. During the first half of 2017, European CLO issuance was €8.4 billion and US CLO issuance was \$52.5 billion versus €7.2 billion and \$26.2 billion respectively during the first half of 2016.

Strong global demand for both US and European CLO liabilities has supported tightening across the debt tranches close to post-crisis tights. AAA spreads in Europe hit a post-crisis low of E+83bp, while the US reached a 3-year tight of L+118bp. The relatively low cost of CLO liabilities provides an attractive investment opportunity for primary income notes due also in part to the greater reinvestment flexibility versus older vintage CLOs with higher cost of debt. As a result, equity investors are exercising their control rights to refinance and reset (extend) CLOs, which should also help offset the compression of underlying loan spreads. Year to date, CLO refinancing transaction volume totalled €14.2 billion in Europe and \$98.6 billion in the US.

### Portfolio Update

In 2016, Blackstone / GSO Corporate Funding EUR Fund (the "BGCF EUR Fund") launched with an investment of €116 million which was invested in Profit Participating Notes ('PPNs') issued by Blackstone / GSO Corporate Funding DAC ("BGCF"). In May 2017, the BGCF EUR Fund invested an additional €50 million in PPNS issued by BGCF. Following this transaction, the Company's indirect ownership of BGCF was 70.70%.

BGCF has had an active first six months of 2017, investing €57.0 million in the Income Notes of two European CLOs, as well as sponsoring three US CLOs through its investment of €60.5 million (\$65.7 million) in Blackstone / GSO US Corporate Funding, Ltd, the US Majority Owned Affiliate ("US MOA") of Blackstone. The expected IRR on these CLO Income Notes at the time of investment has ranged from 14% to 16%.

BGCF took advantage of the active CLO refinancing market to refinance four CLOs during the period. These four CLOs had remaining reinvestment periods ranging from 1.5 to 2.0 years and achieved a reduction in the weighted average cost of debt by up to 0.50%.

The CLO Income Note portfolio continues to generate strong cash flows, with an average annualised distribution of 16.4% on all investments.

Consistent with and in support of CLO issuance activity, BGCF's loan portfolio has ebbed and flowed through the first half of the year. As at 30 June 2017, the directly held loan portfolio balance was €72 million, and BGCF had exposure to an additional \$184 million of loans held in an external warehousing facility. During this period, the first loss investments in two US CLO warehouses were converted into CLOs, realising IRRs of 10.3% and 15.7% over a period of 6.5 and 1.4 months.

As at 30 June 2017, the portfolio was invested in line with BGCF's investment policy and was diversified through over 574 issuers across 18 countries and 30 different industries held directly and through the CLO Income Note portfolio.

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(6) JP Morgan Credit Outlook & Strategy 2017

(7) S&P/LCD

## ADVISER'S REPORT (CONTINUED)

### Market Outlook

We believe the most important theme for the credit markets is the overwhelmingly strong technical backdrop. We continue to see strong institutional inflows into managed accounts and appetite for CLO liability by investors remains robust. With volatility in rates, we think sponsors may favour issuance in the loan market and we have already seen an increased preference for loans over bonds.

We believe the current environment is supportive for credit products. Economist forecasts, on average, indicate that the US economy is expected to grow at between 2-3% in 2017, based on GDP growth. The unemployment rate is forecast to fall to 4.3% in 2017, which should support the improvement in US household balance sheets. With the Federal Reserve leading the way with tightening monetary policies, the epoch of "cheap money" may be drawing to a close. Despite this, there is still significant demand from yield hungry investors with high yield coupons at all-time lows. With Brexit negotiations underway between the UK and Europe, we continue to stand vigilant, knowing from experience the ability of political events to spook markets.

In the meantime we believe senior loans are well positioned, providing investors with yield and relative performance stability. High yield bonds should also continue to benefit from negative interest rates but provide yields similar to senior loans with more risks, in our view.

### 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 market cycles and by making careful credit decisions while maintaining adequate diversification.

BGCF's portfolio of Loans and CLO Income Notes is managed so as to minimise default risk and credit related losses, which is achieved through in-depth fundamental credit analysis and diversifying the portfolio so as to avoid the risk of any one issuer or industry adversely impacting overall returns. As outlined in the portfolio update section, BGCF is broadly diversified across issuers, industries and countries.

BGCF's base currency is the 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 BGCF. BGCF 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 / GSO Debt Funds Management Europe Limited**

20 September 2017

## EXECUTIVE SUMMARY

### 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 and the Company's Euro shares are quoted on the Premium Segment of the Main Market of the London Stock Exchange ("LSE") and on The International Stock Exchange ("TISE") (formerly known as the Channel Islands Securities Exchange).

The Company's share capital consists of an unlimited number of shares. As at 30 June 2017, the Company's issued share capital consisted of 404,700,446 Euro shares.

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. The Company also holds 357,993,064 Class B Cash Settlement Warrants (the "CSWs") issued by the Lux Subsidiary.

### Significant Events during the Period

#### Placing under Placing Programme

On 21 February 2017, the Company announced its intention to issue new Euro shares in the Company in response to current demand from investors, under the placing programme by way of a placing of new Euro shares, as detailed in the Company's Prospectus dated 31 March 2016.

On 3 March 2017, the Company announced that the placing had closed, raising €72.8 million (before costs and expenses) through the issue of 71,380,746 Euro shares of no par value at a price of €1.02 per share. The placing price represented a premium of approximately 2% to the unaudited NAV as at 31 January 2017, adjusted for the dividend declared on 20 January 2017 for the period to 31 December 2016. The new shares were eligible for the dividend payable in respect of the period from 1 January 2017 to 31 March 2017.

On 8 March 2017 and on 14 March 2017, the Company announced that it had issued 1,000,000 new Euro shares of no par value respectively. These shares were issued at a placing price of €1.03 per share raising €1.03 million (before costs and expenses) to satisfy continued investor demand. The placing price represented a premium of approximately 3% to the unaudited NAV as at 31 January 2017, adjusted for the dividend declared on 20 January 2017 for the period from 1 October 2016 to 31 December 2016. The new shares were eligible for the dividend payable in respect of the period from 1 January 2017 to 31 March 2017.

On 29 March 2017, the Company announced the sale of 6,719,000 Euro shares out of treasury at a price of €1.0304 per share. The sale raised gross proceeds of €6,923,258 and settlement took place on 31 March 2017.

#### Additional Investment

In March and April 2017, following the share issuances as mentioned above, the Company further invested in the Lux Subsidiary through the purchase of an additional 71,380,746 CSWs at a cost of €71,380,746 and an additional 8,771,408 CSWs at a cost of €8,771,408 respectively. The Lux Subsidiary simultaneously made an additional investment in PPNs issued by BGCF for a total amount of €80,152,154.

#### Directorate Change

On 22 June 2017, the Company announced that Philip Austin MBE, a non-executive Director, had given notice that with effect from 30 September 2017 that he would be stepping down as a Director.

On 20 July 2017, the Company announced that Joanna Dentskevich, a non-executive Director, had given notice that with effect from 31 October 2017 that she would be stepping down as a Director.

On 11 August 2017, the Company announced that Steven Wilderspin was appointed as non-executive Director with effect from 11 August 2017.

On 7 September 2017, the Company announced that Heather MacCallum was appointed as non-executive Director with effect from 7 September 2017.

## EXECUTIVE SUMMARY (CONTINUED)

### Significant Events during the Period (continued)

#### Migration to the Premium Segment of the Main Market of the London Stock Exchange and listing on the Official List of the UK Listing Authority

On 28 June 2017, the Company announced it had received confirmation from the UK Listing Authority that it was eligible for a premium listing on the Official List. Accordingly, the Company made applications to the UK Listing Authority and the London Stock Exchange for listing on the Official List and a transfer to trading from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange in respect of 404,700,446 ordinary shares of no par value. This took effect from 8 am on 29 June 2017.

In addition, the Board has taken steps to facilitate the Company's eligibility for inclusion in the FTSE UK Index Series which, it is expected, should help raise the Company's profile in the market. In particular, the Company has introduced an additional market quote for the shares on the LSE denominated in Sterling which would satisfy one of the criteria for inclusion in the Index. The Sterling Quote will appear alongside the Company's existing Euro market quote (the "Euro Quote") and there will be no changes to the legal form or nature of the Company's shares nor to the reporting currency of the Company's financial statements (which will remain in Euros).

All dividends will continue to be declared and paid in Euros.

A detailed review of the business of the Company is included in the Adviser's Report.

### Investment Objective

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

### Investment Policy

#### Overview

The Company's amended investment policy is to invest (directly or indirectly, through one or more Risk Retention Companies) predominantly in a diverse portfolio of senior secured loans (including broadly syndicated, middle market or other loans) (such investments being made by the Risk Retention Companies directly or through investments in Loan Warehouses) and in 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 wholly owned subsidiaries) in profit participating instruments (or similar securities) issued by one or more Risk Retention Companies.

The Risk Retention Companies 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 predominantly in: (i) senior secured loans, CLO Securities and Loan Warehouses; or (ii) other Risk Retention Companies which, themselves, invest predominantly in senior secured loans, CLO Securities and Loan Warehouses. The Risk Retention Companies may invest predominantly in European or US senior secured loans, CLO Securities, Loan Warehouses and other assets in accordance with the investment policy of the Risk Retention Companies. Investments in Loan Warehouses, which are generally expected to be subordinated to senior financing provided by third-party banks ("First Loss"), 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 Risk Retention Companies are not expected to invest substantially directly in senior secured loans domiciled outside North America or Western Europe.

## EXECUTIVE SUMMARY (CONTINUED)

### Principal Risks and Uncertainties

Each Director is aware of the risk 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.

The Directors have carried out a robust assessment of the principal risks facing the Company. Below is a summary of these principal risks, full details of which can be found in the Company's 2016 Annual Report, along with the applicable mitigants put in place:

- Economic downturn with continued political uncertainty could negatively impact global credit markets and the risk reward characteristics for CLO structuring which could result in a reduced number of suitable investment opportunities and/or lower shareholder demand;
- Redemption requests from third-party investors in BGCF could impact the level of cash available for distributions by BGCF, which could restrict the Company's ability to meet return targets and settle its obligations in full as they fall due;
- The introduction of new laws and regulations, or changes to existing laws and regulations, may negatively impact or invalidate the Company's structure, investment policy, tax efficiency or attractiveness to investors; and
- Failure in delivery, as a result of reliance on the Adviser and service providers, poor investment decisions, poor due diligence on initial investment, loss of key portfolio managers and other operational risks including cyber security breaches and conflicts of interest, could materially impact the ability of the Company to produce required minimum returns or maintain its reputation in the market place.

### Going Concern

Under the AIC Code of Corporate Governance ("AIC Code") and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern for a period of at least 12 months from the date of approval of the condensed financial statements.

The Directors have considered the Company's investment objective, risk management and capital management policies, its assets and the expected income from its investments. 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 condensed 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 condensed financial statements.

### Directors' Interests

Details of the Directors can be found on pages 15 to 17.

As at the period end and the date of approval of these condensed financial statements, the Directors held the following number of Euro shares in the Company:

	<b>Euro shares</b>
Charlotte Valeur	11,500
Philip Austin	-
Gary Clark	73,700
Joanna Dentskevich	-
Steven Wilderspin (appointed 11 August 2017)	-
Heather MacCallum (appointed 7 September 2017)	-

## EXECUTIVE SUMMARY (CONTINUED)

### Events since the Period End

The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial periods not already disclosed in this report or the attached condensed financial statements.

Please refer to the Chair's Statement on pages 5 to 7 and Note 15 for further details.

### Related party transactions

Related party transactions have been disclosed in Note 13.

### Future Strategy

The Directors continue to believe that the investment strategy and policy adopted by the Company is appropriate and is capable of meeting the Company's objectives.

The overall strategy remains unchanged and it is the Directors' assessment that there are sufficient resources to properly manage the Company's portfolio in the current and anticipated investment environment.

Please refer to the Adviser's Report on pages 8 to 10 for detail regarding performance to date of the investment portfolio and the main trends and factors likely to affect those investments.



# Director Biographies

All the Directors are non-executive. The Directors appointed to the Board as at the date of approval of this Half Yearly Financial Report are:

## Charlotte Valeur

**Position:** Chair of the Board and of the Remuneration and Nomination Committee

**Date of appointment:** 13 June 2014

Charlotte Valeur has more than 30 years of experience in financial markets and is the managing director of GFG Ltd, a governance consultancy company.



She currently serves as a non-executive director on the boards of listed and unlisted companies including chair of Kennedy Wilson Europe Real Estate Plc, a London-listed FTSE250 REIT, and of DW Catalyst Ltd, a LSE-listed investment company; a non-executive director of JP Morgan Convertible Bond Income Fund, a LSE-listed investment company; and a non-executive director of NTR Plc, a renewable energy company.

Ms Valeur was the founding partner of Brook Street Partners in 2003 and the Global Governance Group in 2009. Prior to this, Ms Valeur worked in London as a director in capital markets at Warburg, BNP Paribas, Société Générale and Commerzbank, beginning her career in Copenhagen with Nordea A/S. She is a member of the Institute of Directors and is regulated by the Jersey Financial Services Commission.

With significant experience in international corporate finance, Ms Valeur has a high level of technical knowledge of capital markets, especially debt / fixed income. Her non-executive board roles at a number of companies and her work as a governance consultant have provided her with an excellent understanding and experience of boardroom dynamics and corporate governance.

## Philip Austin, FCIB, FCMI, MBE

**Position:** Director

**Date of appointment:** 13 June 2014

Philip Austin spent most of his career in banking with HSBC and worked at a senior level in retail, commercial, corporate, credit and head office. In 1993 he moved to Jersey where, from 1997 to 2001, he was deputy chief executive of the bank's business in the offshore islands – Jersey, Guernsey and the Isle of Man.



In 2001, Mr Austin became the founding CEO of Jersey Finance Ltd, the body set up as a joint venture between the government of Jersey and its finance industry, to represent and promote the industry at home and abroad. In 2006, Mr Austin joined Equity Trust as CEO of its businesses in Jersey and Guernsey. Mr Austin left Equity Trust in 2009 to set up a portfolio of non-executive directorships. These positions currently include City Merchants High Yield Trust Ltd, Royal London Asset Management (CI) Ltd and Jersey Electricity Plc. His first-hand experience of running financial services businesses and his tenure of a number of non-executive directorships of listed companies has provided him with a strong understanding of regulatory and governance requirements.

Mr Austin is a Fellow of the Chartered Institute of Bankers and a Fellow of the Chartered Management Institute. In January 2016 he was awarded an MBE in the Queen's New Year's Honours list.

# Director Biographies

## Gary Clark, ACA

**Position:** Chair of the Audit Committee and NAV Review Committee

**Date of appointment:** 13 June 2014

Gary Clark acts as an independent non-executive director for a number of boards, including Emirates NBD Fund Managers (Jersey) Limited and Emirates Portfolio Management PCC.



Until 1 March 2011 he was a managing director at State Street and their head of Hedge Fund Services in the Channel Islands. Mr 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 Mournant in 2006. This business was sold to State Street in 2010. Prior to this Mr Clark was managing director of the futures broker, GNI (Channel Islands) Limited in Jersey.

A specialist in alternative investment funds, Mr 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.

## Joanna Dentskevich, MCSI

**Position:** Chair of the Risk Committee

**Date of appointment:** 13 June 2014

Joanna Dentskevich has over 25 years of risk, finance and investment banking experience gained in leading global banks worldwide, alternative investments and the offshore fiduciary industry.



Ms Dentskevich moved to Jersey in 2008 and as well as running her risk management advisory company sits on the boards of a number of other investment and financial services companies including GCP Asset Backed Income Fund Ltd and EJF Investments Ltd where she is the chair.

Previously, Ms Dentskevich was a director of risk at Morgan Stanley and Deutsche Bank and chief risk officer at a London-based hedge fund.

Ms Dentskevich has a BSc Hons in Maths & Accounting and is a Chartered Member of the Chartered Institute of Securities & Investment.

# Director Biographies

## Steven Wilderspin, FCA, IMC

**Position:** Director

**Date of appointment:** 11 August 2017

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



He currently sits on the board of 3i Infrastructure plc where he is chairman of the audit and risk committee. Previously, from 2002, Mr Wilderspin was a director of fund administrator Maples Finance Jersey Limited where he was responsible for fund and securitization structures.

Before that, from 1997, Mr Wilderspin was Head of Accounting at Perpetual Fund Management (Jersey) Limited.

Mr Wilderspin is a qualified Chartered Accountant who lives in Jersey.

## Heather MacCallum, CA

**Position:** Director

**Date of appointment:** 7 September 2017

Heather MacCallum was a partner of KPMG Channel Islands from 2001, retiring from the partnership on 30 September 2016. She was with KPMG's financial services practice for 20 years, predominantly providing audit and advisory services to the investment management sector.



Ms MacCallum currently serves as a non-executive director on the board of Jersey Water where she is chair of the audit committee and on the board of Kedge Capital Fund Management Limited, an asset management business.

Ms MacCallum is a member of the Institute of Chartered Accountants of Scotland (ICAS) and lives in Jersey.

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Half Yearly Financial Report and condensed Financial Statements in accordance with applicable Jersey law and regulations.

The Directors confirm to the best of their knowledge that:

- the condensed financial statements within the Half Yearly Financial Report has been prepared in accordance with IAS 34 – “Interim Financial Reporting” as adopted by the European Union (“EU”) and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at 30 June 2017, as required by the UK’s Financial Conduct Authority’s Disclosure Guidance and Transparency Rule (“DTR”) 4.2.4R;
- the Chair’s Statement, the Adviser’s Report, the Executive Summary and the notes to the condensed Financial Statements includes a fair review of the information required by:
  - i. DTR 4.2.7R, being an indication of important events that have occurred during the first six months, the financial period ended 30 June 2017 and their impact on the condensed financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - ii. DTR 4.2.8R, being related party transactions that have taken place in the first six months, the financial period ended 30 June 2017 and that have materially affected the financial position or performance of the Company during the period.

**Charlotte Valeur**  
Chair  
20 September 2017

**Gary Clark**  
Audit Committee Chair  
20 September 2017

# Independent Review Report to the Members of Blackstone / GSO Loan Financing Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed statement of comprehensive income, condensed statement of financial position, condensed statement of changes in equity, condensed statement of cash flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**  
St. Helier Jersey  
20 September 2017

# Condensed Statement of Financial Position

## As at 30 June 2017

		As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	Notes	€	€
<b>Current assets</b>			
Cash and cash equivalents		1,146,502	813,119
Other receivables	5	16,323	709,343
Financial assets designated at fair value through profit or loss	6	400,987,272	331,213,706
<b>Total current assets</b>		<b>402,150,097</b>	<b>332,736,168</b>
<b>Current liabilities</b>			
Payables	7	(195,890)	(397,848)
<b>Total current liabilities</b>		<b>(195,890)</b>	<b>(397,848)</b>
<b>Net assets</b>	11	<b>401,954,207</b>	<b>332,338,320</b>
<b>Capital and reserves</b>			
Stated capital	8	404,962,736	325,023,176
Retained earnings		(3,008,529)	7,315,144
<b>Equity Shareholders' funds</b>		<b>401,954,207</b>	<b>332,338,320</b>
<b>Net Asset Value per Euro share</b>	11	<b>0.9932</b>	<b>1.0238</b>

These condensed financial statements on pages 20 to 39 were authorised and approved for issue by the Directors on 20 September 2017 and signed on their behalf by:

**Charlotte Valeur**  
Chair

**Gary Clark**  
Director

The accompanying notes on pages 24 to 39 form an integral part of the financial statements.

# Condensed Statement of Comprehensive Income

## For the six months ended 30 June 2017

		Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
	Notes	€	€
<b>Income</b>			
Realised gain on foreign exchange		1,654	-
Net gains on financial assets designated at fair value through profit or loss	6	8,648,708	25,034,619
<b>Total income</b>		<b>8,650,362</b>	<b>25,034,619</b>
<b>Expenses</b>			
Operating expenses	3	(737,027)	(1,425,807)
<b>Profit before taxation</b>		<b>7,913,335</b>	<b>23,608,812</b>
Taxation		-	-
<b>Profit after taxation</b>		<b>7,913,335</b>	<b>23,608,812</b>
Interest expense		(4,479)	-
<b>Total comprehensive income for the year attributable to Shareholders</b>		<b>7,908,856</b>	<b>23,608,812</b>
<b>Basic and diluted earnings per Euro share</b>	10	<b>0.0210</b>	<b>0.0714</b>

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

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

The accompanying notes on pages 24 to 39 form an integral part of the condensed financial statements.

# Condensed Statement of Changes in Equity

## For the six months ended 30 June 2017 (Unaudited)

	Note	Stated capital	Retained earnings	Total
		€	€	€
<b>Equity Shareholders' funds at 1 January 2017</b>	8	325,023,176	7,315,144	332,338,320
Total comprehensive income for the period attributable to Shareholders		-	7,908,856	7,908,856
<b>Transactions with owners</b>				
Proceeds from issuance of Euro shares	8	73,030,149	-	73,030,149
Proceeds from issuance of Euro shares out of treasury	8	6,909,411	-	6,909,411
Dividends to Shareholders		-	(18,232,529)	(18,232,529)
		79,939,560	(18,232,529)	61,707,031
<b>Equity Shareholders' funds at 30 June 2017</b>		404,962,736	(3,008,529)	401,954,207

## For the six months ended 30 June 2016 (Unaudited)

	Note	Stated capital	Retained earnings	Total
		€	€	€
<b>Equity Shareholders' funds at 1 January 2016</b>	8	331,307,652	(5,337,292)	325,970,360
Total comprehensive income for the period attributable to Shareholders		-	23,608,812	23,608,812
<b>Transactions with owners</b>				
Repurchase of Euro shares	8	(6,284,476)	-	(6,284,476)
Dividends to Shareholders		-	(13,252,788)	(13,252,788)
		(6,284,476)	(13,252,788)	(19,537,264)
<b>Equity Shareholders' funds at 30 June 2016</b>		325,023,176	5,018,732	330,041,908

The accompanying notes on pages 24 to 39 form an integral part of the condensed financial statements.



# Condensed Statement of Cash Flows

## For the six months ended 30 June 2017

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
	€	€
<b>Cash flows from operating activities</b>		
Total comprehensive income for the period attributable to Shareholders	7,908,856	23,608,812
<b>Adjustments to reconcile profit after tax to net cash flows:</b>		
- Unrealised gain on financial assets designated at fair value through profit and loss	(6,864,207)	(17,228,334)
- Realised gain on financial assets designated at fair value through profit and loss	(1,784,501)	(379,891)
Purchase of financial assets designated at fair value through profit or loss	(80,152,154)	-
Proceeds from sale of financial assets designated at fair value through profit or loss	19,027,296	18,426,394
<b>Changes in working capital</b>		
Decrease in other receivables	693,020	11,181
Decrease in payables	(201,958)	(143,671)
<b>Net cash (used in) / generated from operating activities</b>	<b>(61,373,648)</b>	<b>24,294,491</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscriptions	79,939,560	-
Repurchase of shares	-	(6,284,476)
Dividends paid	(18,232,529)	(13,252,788)
<b>Net cash generated from / ( used in) financing activities</b>	<b>61,707,031</b>	<b>(19,537,264)</b>
<b>Net increase in cash and cash equivalents</b>	<b>333,383</b>	<b>4,757,227</b>
Cash and cash equivalents at the start of the period	813,119	252,610
<b>Cash and cash equivalents at the end of the period</b>	<b>1,146,502</b>	<b>5,009,837</b>

The accompanying notes on pages 24 to 39 form an integral part of the condensed financial statements.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 1 General information

The Company is a closed-ended limited liability company domiciled and incorporated under the laws of Jersey with variable capital pursuant to the Companies (Jersey) Law 1991 and is a collective investment fund as defined in the Collective Investment Funds (Jersey) Law 1988. It was incorporated on 30 April 2014 with registration number 115628. The Company's Euro shares were admitted to trading on the Specialised Fund Segment ("SFS") of the LSE on 23 July 2014 and from 17 April 2015 to TISE.

On 28 June 2017, the Company announced it had received confirmation from the UK Listing Authority that it was eligible for a premium listing on the Official List. Accordingly, the Company made applications to the UK Listing Authority and the LSE for listing on the Official List and a transfer to trading from the SFS to the Premium Segment of the Main Market of the LSE in respect of 404,700,446 ordinary Euro shares of no par value. Admission occurred with effect from 8am on 29 June 2017.

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 predominately to floating rate senior secured loans directly and indirectly through CLO Securities and investments in loan warehouses. The Company seeks to achieve its investment objective solely through exposure (directly or indirectly) to one or more risk retention companies or entities established from time to time ("Risk Retention Companies").

At 30 June 2017, all shares in issue were Euro shares. The Company may issue one or more additional classes of shares in accordance with the Articles of Association.

The Company has a wholly owned Luxemburg 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. The Company also holds 357,993,064 Class B Cash Settlement Warrants (the "CSWs") issued by the Lux Subsidiary.

The Company's registered address is IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP, Channel Islands.

## 2 Significant accounting policies

### 2.1 Statement of compliance

The Annual Report and Financial Statements ("Annual Report") are prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect. The Half Yearly Financial Report has been prepared in accordance with International Accounting Standards ("IAS") 34 – "Interim Financial Reporting". It has also been prepared using the same accounting policies applied for the year ended 31 December 2016 Annual Report.

The Half Yearly Financial Report has been prepared on a going concern basis. After reviewing the Company's budget and cash flow forecast for the next financial period, the Directors are satisfied that, at the time of approving the condensed financial statements, it is appropriate to adopt the going concern basis in preparing the condensed financial statements.

There have been no changes in accounting policies during the period. Amendments to IAS 7: Disclosure Initiative requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Amendments to IAS 7: Disclosure Initiative has not yet been endorsed by the EU and hence has not been adopted in these condensed financial statements.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 2 Significant accounting policies (continued)

### 2.1 Statement of compliance (continued)

IFRS 9 “Financial Instruments” (“IFRS 9”), addresses the classification, measurement and recognition of financial assets and financial liabilities and will become effective for the periods beginning on or after 1 January 2018. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9’s full impact.

IFRS 15 “Revenue from contracts with customers” (“IFRS 15”) establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective for the periods beginning on or after 1 January 2018. The Company is yet to assess IFRS 15’s full impact.

The accounting policies in respect of financial instruments are set out below in Note 2.3 respectively due to the significance of financial instruments to the Company.

### 2.2 Segmental reporting

The Directors view the operations of the Company as one operating segment, being investment holding. All significant operating decisions are based upon analysis of the Company’s investments as one segment. The financial results from this segment are equivalent to the financial results of the Company as a whole, which are evaluated regularly by the chief operating decision-maker (the Board with insight from the Adviser).

### 2.3 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

#### Financial assets

##### (a) Classification

The Company classifies its investments in accordance with IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”) as financial assets at fair value through profit or loss. These are financial instruments held for investment purposes. Financial assets also include cash and cash equivalents and other receivables.

##### *Financial assets designated at fair value through profit or loss at inception*

Financial assets designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company’s documented investment strategy.

The Company’s policy requires the Adviser and the Board to evaluate the information about these financial assets on a fair value basis together with other related financial information.

##### (b) Recognition, measurement and derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Financial assets designated at fair value through profit or loss are measured initially and subsequently at fair value. Transaction costs are expensed as incurred and movements in fair value are recorded in the Statement of Comprehensive Income.

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.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 2 Significant accounting policies (continued)

### 2.3 Financial instruments (continued)

#### Financial assets (continued)

##### *(c) 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 30 June 2017, the Company held 357,993,064 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (the "Investments") (31 December 2016: 295,083,704 CSWs, 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary). 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.

The fair value of the CSWs is based on the NAV of the Lux Subsidiary which is based substantially in turn on the NAV of BGCF attributable to the PPNs. The fair values of the Class A and Class B shares held in the Lux Subsidiary are deemed to approximate to their cost.

##### *(d) Valuation process*

The Directors have held discussions with third party providers of BGCF in order to gain comfort around the valuation of the assets in the BGCF portfolio and through this, the valuation of the CSWs and PPNs as of the Statement of Financial Position date.

The Directors, through ongoing communication with the Adviser including quarterly meetings, discuss the performance of the Adviser and the underlying portfolio and in addition review monthly investment performance reports. The Directors analyse the BGCF 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 BGCF portfolio.

#### The Investments

The investments are valued by the Administrator based on information from the Adviser and are reviewed and approved by the Directors, taking into consideration a range of factors including the unaudited NAV of both the Lux Subsidiary and BGCF, and other relevant available information. The other relevant information includes the review of available financial and trading information of BGCF and its underlying portfolio including the US MOA, advice received from the 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 investments are assessed on an ongoing basis by the Board.

#### BGCF Portfolio

The Directors discuss BGCF's monthly valuation process to understand the methodology regarding valuation of Level 3 assets. The majority of Level 3 assets in BGCF are comprised of collateralised loan obligations (CLOs). On 13 March 2017, BGCF invested in Class A preference shares issued by Blackstone / GSO US Corporate Funding Limited, the US Majority Owned Affiliate. 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.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 2 Significant accounting policies (continued)

### 2.3 Financial instruments (continued)

#### Financial assets (continued)

(d) Valuation process (continued)

##### BGCF Portfolio (continued)

Loan asset fair value prices used in the valuation of the BGCF portfolio are based on prices provided by Markit Group Limited ("Markit") which represent a consensus price based on an aggregation of broker quotes received. Where available, the fair value of loan assets is based on their quoted market mid prices at the period end date without any deduction for estimated future selling costs. Investments in loan assets for which Markit indicates limited broker quotes are available and for which no other evidence of liquidity exists are classified as Level 3. If a quoted market price is not available on a recognised stock exchange or from Markit for non-exchange traded financial instruments, the fair value of the instrument is estimated using the valuation techniques of the Adviser, which are discussed, reviewed and accepted by the Board of BGCF and their independent service provider. These valuation techniques include use of recent arm's length market transactions, reference to the current market fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

The CLO subordinated notes are valued by Thomson Reuters using a mark to model approach based on discounted cash flows. The key model input assumptions are the loan prepayment rates, loan default rates, loan recovery given default rates and reinvestment rates. For the avoidance of doubt, to the extent there are market clearing levels, broker quotations or bids wanted in competition related to a CLO retention security, such data points may be considered in the selection of scenario assumptions and/or discount rates by Thomson Reuters, however, the market colour will not replace the mark to model approach outright. The CLO retention securities typically represent a controlling interest which entitles the holder to certain rights and optionality which a non-controlling interest would not benefit from. There is significant judgement and subjectivity related to the assumptions and inputs used to determine the fair values. Additionally, Thomson Reuters review each CLO indenture and the latest underlying CLO loan portfolio forming various projections based on the quality of the collateral and general macroeconomic conditions. CLOs are classified as Level 3 as certain inputs which have a substantial impact on the fair value at period end are considered unobservable.

The following table summarises the inputs and assumptions used in determining the fair value of the CLO subordinated notes held by BGCF as of 30 June 2017. The table is not meant to be all inclusive, but rather provide information on the significant Level 3 inputs as they relate to the fair value measurement of the CLO subordinated notes held by BGCF as of 30 June 2017.

Asset	Valuation Methodology	Unobservable Input	Weighted Average	
			30 June 2017	31 December 2016
CLO Subordinated Notes	Discounted Cash Flows	Constant Default Rate	2%	2%
		Conditional Prepayment Rate	20%	20%
		Reinvestment Spread (bp over LIBOR)	414.80	411.40
		Recovery Rate	70%	70%
		Recovery Lag (Months)	12	12
		Discount Rate	11.96%	9.94%

Increases (decreases) in the constant default rate and discount rate in isolation would result in a lower (higher) fair value measurement. Increases (decreases) in the reinvestment spread and recovery rate in isolation would result in a higher (lower) fair value measurement. Changes in the constant prepayment rate may result in a higher or lower fair value, depending on the circumstances. Generally, a change in the assumption used for the constant default rate may be accompanied by a directionally opposite change in the assumption used for the constant prepayment rate and recovery rate.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 2 Significant accounting policies (continued)

### 2.3 Financial instruments (continued)

#### Financial liabilities

##### *(e) 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.

##### *(f) 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.

### 2.4 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.

### 2.5 Taxation

Profit arising in the Company for the period will be subject to Jersey tax at the standard corporate income tax rate of 0% (30 June 2016: 0%).

### 2.6 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.

##### *(a) Fair value*

For the fair value of all financial instruments held, the Company determines fair values using appropriate techniques. Refer to Note 2.3 for further details on the significant estimates applied in the valuation of the underlying financial instruments.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 2 Significant accounting policies (continued)

### 2.6 Critical accounting judgements and estimates (continued)

#### (b) *Non-consolidation of the Lux Subsidiary undertaking*

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:

- i. The Company has obtained funds for the purpose of providing investors with investment management services;
- ii. 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
- iii. 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 9 for further disclosures relating to the Company's interest in the Lux Subsidiary.

#### (c) *Non-consolidation of BGCF*

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:

- i. The investor has existing rights that give it the ability to direct the relevant activities that significantly affect the investee's returns;
- ii. The investor has exposure or rights to variable returns from its involvement with the investee; and
- iii. 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 BGCF, 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 is not attributable to the Lux Subsidiary. The Lux Subsidiary does not have the ability to direct or stop investments by BGCF; therefore, it does not have the ability to control the variability of returns.

Accordingly, BGCF 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 BGCF are accounted for at fair value through profit or loss.

#### (d) *Presentation and functional currency*

The Directors have used their judgement to determine that the Company's presentation and functional currency is Euro.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 3 Operating expenses

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
	€	€
Administration fees	162,981	139,468
Brokerage fees	87,808	206,576
Directors' fees (see Note 4)	95,523	152,909
Regulatory fees	2,341	14,293
Audit fees	57,848	80,877
Professional fees	199,361	13,601
Registrar fees	16,636	15,837
Placement costs	-	721,431
Sundry expenses	114,529	80,815
	<b>737,027</b>	<b>1,425,807</b>

### Administration fees

Under the administration agreement, the Administrator is entitled to receive variable fees based on the 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 six months ended 30 June 2017 was €162,981 (30 June 2016: €139,468) and the amount due at 30 June 2017 was €51,193 (30 June 2016: €53,878).

### Audit and non-audit fees

The Company incurred €57,848 (30 June 2016: €80,877) in audit fees during the year of which €76,669 (30 June 2016: €80,877) was outstanding at the year end.

Other Deloitte member firms	Type of service provided	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
		€	€
Deloitte LLP Guernsey	Advisory work on migration	58,768	-
Deloitte Jersey	Advisory	17,184	80,200
Deloitte Luxembourg	Tax advisory	45,107	105,272
<b>Non audit fees</b>		<b>121,059</b>	<b>185,472</b>

## 4 Directors' fees and interests

During the six months ended 30 June 2017, the Directors were each remunerated for their services at a fee of £35,000 per annum (£50,000 for the Chair). The Chairs of the Audit Committee and Risk Committee received an additional £5,000 for their services in these roles.

During the six months ended 30 June 2017, the Directors received no one off payments (30 June 2016: £10,000 each).

The Company has no employees. Directors' fees payable as at 30 June 2017 were €46,457 (30 June 2016: €48,877).



# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 4 Directors' fees and interests (continued)

Charlotte Valeur and Gary Clark held beneficial interests in the shares of the Company during the six months ended 30 June 2017. Charlotte Valeur purchased 11,500 Euro shares pursuant to the placing in March 2017 and as at 30 June 2017 held 11,500 Euro shares (30 June 2016: Nil). Gary Clark held 73,700 Euro shares as at 30 June 2017 (30 June 2016: 53,700 Euro shares).

No pension contributions were payable in respect of any of the Directors.

Mr Austin is also a Director of Blackstone / GSO Debt Funds Europe Limited, an affiliate of DFME.

## 5 Other receivables

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	€	€
Prepayments	16,323	33,298
Other assets	-	676,045
	<b>16,323</b>	<b>709,343</b>

Other assets as at 31 December 2016 relate to costs incurred with respect to the prospectus. These costs have been offset against the placing proceeds in March 2017.

## 6 Financial assets designated at fair value through profit or loss

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	€	€
Financial assets designated at fair value through profit or loss	400,987,272	331,213,706

Financial assets designated at fair value through profit or loss consists of 357,993,064 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary (31 December 2016: 295,083,704 CSWs, 2,000,000 Class A shares and 1 Class B share issued by the Lux Subsidiary).

### CSWs

The Company has the right, at any time during the exercise period (being the period from the date of issuance, 3 February 2016, 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 Company 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 Condensed Financial Statements

For the six months ended 30 June 2017

## 6 Financial assets designated at fair value through profit or loss (continued)

### CSWs (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 nominal share capital).

Dividend distributions are paid in the following order of priority:

- i. 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.
- ii. 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 from 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.

### Class B2 shares held in BGCF

Class B2 shares are redeemable and have a par value of one Euro per share (and share premium of €999,999 per share). The Class B2 shares do not carry any right to receive a dividend nor have any voting rights attached. All Class B2 shares held in BGCF were redeemed on 20 December 2016.

### Fair value hierarchy

IFRS 13 'Fair Value Measurement' ("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.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 6 Financial assets designated at fair value through profit or loss (continued)

### Fair value hierarchy (continued)

- **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.

30 June 2017 (Unaudited)	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets designated at fair value through profit or loss	-	-	400,987,272	400,987,272

31 December 2016 (Audited)	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets designated at fair value through profit or loss	-	-	331,213,706	331,213,706

### Financial assets designated at fair value through profit or loss reconciliation

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

30 June 2017	Total
	€
Balance as at 1 January 2017	331,213,706
Movements:	
Purchases – CSWs	80,152,154
Sale proceeds – CSWs	(19,027,296)
Realised gain on financial assets designated at fair value through profit or loss	1,784,501
Unrealised gain on financial assets designated at fair value through profit or loss	6,864,207
<b>Balance as at 30 June 2017</b>	<b>400,987,272</b>
Total change in unrealised gains on financial assets designated at fair value through profit or loss for the period	6,864,207
Realised gain on financial assets designated at fair value through profit or loss	1,784,501
<b>Net gains on investments designated at fair value through profit or loss</b>	<b>8,648,708</b>

During the six months ended 30 June 2017, there were no reclassifications between levels of the fair value hierarchy.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 6 Financial assets designated at fair value through profit or loss (continued)

### Financial assets designated at fair value through profit or loss reconciliation (continued)

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

31 December 2016	Total
	€
<b>Balance as at 1 January 2016</b>	326,032,708
Movements:	
<b>Lux restructuring</b>	
Issuance – CSWs, Class A and B shares	311,013,368
Transfer – PPNs	(311,013,368)
Purchases – CSWs	18,000,000
Sale proceeds – CSWs and Class B2 Shares	(48,272,545)
Realised gain on financial assets designated at fair value through profit or loss	1,322,881
Unrealised gain on financial assets designated at fair value through profit or loss	34,130,662
<b>Balance as at 31 December 2016</b>	<b>331,213,706</b>
Total change in unrealised gains on financial assets designated at fair value through profit or loss for the year	34,130,662
Realised gain on financial assets designated at fair value through profit or loss	1,322,881
Investment income	7,426,394
<b>Net gains on investments designated at fair value through profit or loss</b>	<b>42,879,937</b>

During the year ended 31 December 2016, there were no reclassifications between levels of the fair value hierarchy.

Please refer to Note 2.3 for valuation methodology of financial assets designated at fair value through profit and loss.

The Company's investments, through the Lux Subsidiary, in BGCF 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.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 7 Payables

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	€	€
Administration fees	51,193	21,996
Directors' fees	46,457	48,325
Audit fees	76,669	76,148
Placement costs	-	202,646
Other payables	21,571	48,733
<b>Total payables</b>	<b>195,890</b>	<b>397,848</b>

## 8 Stated capital

### Authorised

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

### Allotted, called up and fully-paid

Euro shares	Number of shares	Stated capital €
As at 1 January 2017	324,600,700	325,023,176
Euro shares issued during the period	73,380,746	73,030,149
Euro shares issued during the period out of treasury	6,719,000	6,909,411
<b>Total issued share capital as at 30 June 2017</b>	<b>404,700,446</b>	<b>404,962,736</b>

Euro shares	Number of shares	Stated capital €
As at 1 January 2016	331,319,700	331,307,652
Euro shares issued during the year	-	-
Euro shares repurchased during the year and held in treasury	(6,719,000)	(6,284,476)
<b>Total issued share capital as at 31 December 2016</b>	<b>324,600,700</b>	<b>325,023,176</b>

### Euro shares

On 3 March 2017, the Company issued 71,380,746 Euro shares of no par value at a price of €1.02 per Euro share, which were admitted to trading on the Specialist Fund Segment of the London Stock Exchange; raising gross proceeds of €72,808,360 (net proceeds of €71,013,029).

On each of 8 March 2017 and on 14 March 2017, the Company issued 1,000,000 Euro shares of no par value at a price of €1.03 per Euro share, which were admitted to trading on the Specialist Fund Segment of the London Stock Exchange; raising gross proceeds of €2,060,000 (net proceeds of €2,017,120).

On 29 March 2017, the Company sold 6,719,000 Euro shares out of treasury at a price of €1.0304 per Euro share; raising gross proceeds of €6,923,258 (net proceeds of €6,909,411).

As at 30 June 2017, the Company had 404,700,446 Euro shares in issue and no treasury shares following the sale as mentioned above (31 December 2016: 324,600,700 in issue excluding 6,719,000 Treasury shares).

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 8 Stated capital (continued)

### Voting rights

Holders of Euro shares participate in the profits of the Company. Shareholders have the right to attend, speak and vote at any general meetings of the Company in accordance with the provisions of the Articles of Association and have one vote in respect of each whole share held.

### Dividends

The Company may, by ordinary 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 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 a share shall bear interest against the Company.

The Directors may deduct from any dividend or other moneys 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 period are detailed on page 3.

Please refer to Note 15 for dividends declared after the period end.

### Share buybacks

At the AGM held on 21 June 2017, the Directors were generally and unconditionally authorised for the purposes of Article 57 of the Companies (Jersey) Law 1991, as amended, to make one or more on-market purchases, up to a maximum of 40,470,044 shares in the Company for cancellation or to be held as Treasury shares. This authority will expire at the 2018 AGM.

The Board intends to seek annual renewal of this authority from the Shareholders at the Company's AGM in 2018.

The Board may, at its absolute discretion, use available cash to purchase Euro 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, be applied to the Shareholders equally pro rata to their holdings of shares.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 9 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:

- i. Restricted activities;
- ii. A narrow and well-defined objective;
- iii. Insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- iv. 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 the PPNs held by the Lux Subsidiary in BGCF also meet the definition of a structured entity.

### Interests in subsidiary

As at 30 June 2017, the Company has a 100% holding of the entire outstanding balance of its Lux Subsidiary being 2,000,000 Class A shares and one Class B share (31 December 2016: 2,000,000 Class A shares and one class B share).

Other than the investments noted above, the Company did not provide any financial support for the six months ended 30 June 2017 and the year ended 31 December 2016, nor had it any intention of providing financial or other support. In 2015, the Company provided an intercompany loan of €30,000 to the Lux Subsidiary. This intercompany loan was settled in December 2016.

## 10 Basic and diluted earnings per Euro share

	As at 30 June 2017 (Unaudited)	As at 30 June 2016 (Unaudited)
	€	€
Total comprehensive income for the period	7,908,856	23,608,812
Weighted average number of shares during the period	376,863,626	330,723,810
<b>Basic and diluted earnings per Euro share</b>	<b>0.0210</b>	<b>0.0714</b>

## 11 Net asset value per Euro share

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	€	€
Net asset value	401,954,207	332,338,320
Number of shares at period end	404,700,446	324,600,700
<b>Net asset value per Euro share</b>	<b>0.9932</b>	<b>1.0238</b>

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 12 Reconciliation of NAV to published NAV

	As at 30 June 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	NAV €	NAV per share €	NAV €	NAV per share €
NAV attributable to Shareholders	401,954,207	0.9932	332,338,320	1.0238
Amortisation adjustment	-	-	(7,168)	(0.0000)
<b>Published NAV</b>	<b>401,954,207</b>	<b>0.9932</b>	<b>332,331,152</b>	<b>1.0238</b>

## 13 Related party transactions

All transactions between related parties were conducted on terms equivalent to those prevailing in an arm's length transaction.

### Transactions with entities with significant influence

In accordance with IAS 24 "Related Party Disclosures", the related parties and related party transactions during the period comprised transactions with an affiliate of DFME. As at 30 June 2017, Blackstone Asia Treasury Pte held 46,062,500 Euro shares in the Company (31 December 2016: 50,000,000 Euro shares).

Blackstone Asia Treasury Pte undertook, by entering into a Lock-Up Agreement with the Company and Joint Brokers, not to dispose the placing shares it acquired in the Company pursuant to the placing for a period of 12 months following Admission. This agreement expired on 23 July 2015 and as at 30 June 2017 Blackstone Asia Treasury Pte holds 46,062,500 Euro shares in the Company.

### 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 30 June 2017, current employees of the Adviser and its affiliates, and accounts managed or advised by them, hold 24,875 Euro shares (31 December 2016: 524,875) which represents approximately 0.01% (31 December 2016: 0.162%) of the issued shares of the Company. The reduction in holding was as a result of departing employees from the Adviser.

The Company has exposure to the CLOs, originated by BGCF, through its investment in the Lux Subsidiary. The Adviser is also appointed as a service support provider to BGCF and as the Collateral Manager to most of the CLOs. DFM has been appointed as the Collateral Manager to Dorchester Park CLO Designated Activity Company and Bristol Park CLO Limited. On 13 March 2017, BGCF invested in Class A preference shares issued by Blackstone / GSO US Corporate Funding Limited, the US Majority Owned Affiliate.

### Transactions with Subsidiaries

The Company held 357,993,064 CSWs as at 30 June 2017 (31 December 2016: 295,083,703). Refer to Note 6 for further details.

As at 30 June 2017, 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 2016: 2,000,000 Class A shares and 1 Class B share in the Lux Subsidiary with a nominal value of €2,000,001).

During the year ended 31 December 2016, the intercompany loan receivable of €30,000 from the Lux Subsidiary was repaid. No financial support was provided for the six months ended 30 June 2017.



# Notes to the Condensed Financial Statements

For the six months ended 30 June 2017

## 14 Controlling party

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

## 15 Events after the reporting period

The Board has evaluated subsequent events for the Company through to 20 September 2017, 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:

On 20 July 2017, the Board declared a dividend of €0.025 per Euro share in respect of the period from 1 April 2017 to 30 June 2017 with an ex-dividend date of 27 July 2017. A total payment of €10,117,511 was made on 18 August 2017.

On 20 July 2017, the Company announced that Joanna Dentskevich, a non-executive Director, had given notice that with effect from 31 October 2017 that she would be stepping down as a Director.

On 11 August 2017, the Company announced that Steven Wilderspin was appointed as non-executive Director with effect from 11 August 2017.

On 21 August 2017, the Company announced that it had applied to The International Stock Exchange Authority Limited for the cancellation of the TISE Listing.

On 7 September 2017, the Company announced that Heather MacCallum was appointed as non-executive Director with effect from 7 September 2017.

# Company Information

## Director

Ms Charlotte Valeur (Chair)  
Mr Philip Austin  
Mr Gary Clark  
Ms Joanna Dentskevich  
Mr Steven Wilderspin  
Ms Heather MacCallum  
*All c/o the Company's registered office*

## Adviser

Blackstone / GSO Debt Funds Management  
Europe Limited  
30 Herbert Street  
2<sup>nd</sup> Floor  
Dublin 2, Ireland

## Joint Broker

Nplus1 Singer Advisory LLP  
1 Bartholomew Lane  
London, EC2N 2AX, United Kingdom

## Legal Adviser to the Company (as to Jersey Law)

Carey Olsen  
47 Esplanade  
St Helier  
Jersey  
JE1 0BD, Channel Islands

## Reporting Accountant and Auditor

Deloitte LLP  
Gaspé House  
66-72 Esplanade  
St Helier  
JE2 3QT  
Channel Islands (As from 10 April 2017)

44 Esplanade  
St. Helier  
Jersey  
JE4 8WA  
Channel Islands (Up to 9 April 2017)

## Registered Office

IFC1  
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St. Helier  
Jersey, JE1 4BP, Channel Islands

## Registrar

Capita Registrars (Jersey) Limited  
12 Castle Street  
St Helier  
Jersey, JE2 3RT, Channel Islands

## Joint Broker

Fidante Partners Europe Limited (trading as  
Fidante Capital)  
1 Tudor Street  
London, EC4Y 0AH, United Kingdom

## Legal Adviser to the Company (as to English Law)

Herbert Smith Freehills LLP  
Exchange House  
Primrose Street  
London  
EC2A 2EG, United Kingdom

## Administrator / Company Secretary / Custodian / Depository

BNP Paribas Securities Services S.C.A.  
IFC1  
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St. Helier  
Jersey, JE1 4BP, Channel Islands (As from 1  
September 2017)

Liberté House  
19-23 La Motte Street  
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Jersey, JE2 4SY, Channel Islands (Up to 31  
August 2017)



