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Blackstone / GSO Loan Financing Limited
1Q 2018 Report

Dear Investor,

We are pleased to provide you with the quarterly update letter for the Blackstone / GSO Loan Financing Limited (the "**Fund**"), for the quarter ended 31 March 2018.

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

I. Market Review[1]

The first quarter of 2018 began the year on a strong economic note as quarter-over-quarter Eurozone GDP increased 0.6% above 4Q 2017's result and real U.S. GDP increased an annual rate of 2.3%, according to the "advance" estimate released by the Bureau of Economic Analysis in April. Macroeconomic data was broadly positive and unemployment rates continued to decline in Europe[2] and remains at its lowest level since 2000 in the U.S.

On the European political front, Germany formed a long awaited new government, after inconclusive elections in September 2017 had initiated a drawn-out period of negotiation. Chancellor Angela Merkel remains as German Chancellor after her centre-right CDU/CSU agreed another grand coalition with the centre-left SPD. The Italian general election in March was another political vote which produced no overall winner. The anti-establishment Five Star Movement emerged as the largest single party, signalling a prolonged period of political uncertainty while President Mattarella mediates talks to form a new government.

The first quarter of 2018 provided no shortage of volatility-inducing headlines from the U.S. with the announcement of a series of proposed tariffs on steel and aluminium peppering the press and escalating the potential trade war between the U.S. and China. This came on the heels of U.S. inflation fears having driven the VIX up 116% on a single day in February. In reaction, asset classes from treasuries to equities retreated across the globe. While President Donald Trump has since given the European Union more time to negotiate an exemption from U.S. steel and aluminium tariffs, global market uncertainty on this front is expected to persist.

[1] Source: S&P/LCD.

[2] Eurostat, European Union Labour Force Survey.

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European Bank Loan Market

The European bank loan market returned 0.90% in the year's opening quarter, outperforming all other major European asset classes including investment grade (-0.65%), high yield (-0.75%) and equities (-2.19%)[3]. As was the case for extended periods during 2016 and 2017, lower-rated loans outperformed in 1Q 2018, with the Lower Tier (CCC, Split CCC and Default) returning 5.95% while Middle Tier loans (Split BB, B, and Split B) and Upper Tier loans (Split BBB and BB) returned 0.75% and 0.64%, respectively. Investors, unnerved by the rise of U.S. interest rates and worries over trade, drove heightened volatility over the quarter as geopolitical tensions and weaker than expected PMIs further weighed on investor sentiment.

European institutional loan issuance totalled €28.2 billion for the first quarter of 2018. In contrast to the dominant levels of repricing and refinancing activity seen in 2017, 61% of European institutional loan issuance in 1Q 2018 was new money loan issuance as European M&A activity totalled a robust €15.8 billion from 29 deals in the first quarter of 2018, compared to €10.3 billion and 23 deals in 4Q 2017. A healthy new deal pipeline is forecast for the second quarter, with €12.1bn of new transactions scheduled to come to market as of the end of April. Notably, cross-border issuance in Europe for 1Q 2018 was the strongest since 2015 at €11 billion.

With additional supply coming to market as a result of increased M&A activity, lenders have become more selective and able to push back on pricing terms as well as less favourable deal documentation. This resulted in clearing levels for new issue loans widening month on month in January 2018 (for the first time in 12 months) and again in February. All-in spreads for European single B first-lien loans widened out to 395bp by the end of March, a level not seen since April 2017, and, while the number of new issue loan deals that flexed tighter still outweighed those that flexed wider in 1Q 2018, the percentage of deals that flexed wider during the quarter 2018 was 23%, ahead of the 12% in the final quarter of 2017.

The level of total debt on a pro-forma basis for issuers in the European bank loan market increased slightly at the end of 1Q 2018 to 5.17x from 5.10x at the end of 2017. This was predominantly driven by an increase in second lien leverage which increased from 0.18x to 0.25x as first lien leverage increased only slightly from 4.63x in 2017 to 4.66x in 1Q 2018. Equity cushions have increased in support of this higher leverage as reflected in the rise of average enterprise value from 9.06x in 2017 to 10.8x in 1Q 2018.

The European bank loan default rate fell to 0.9% in the first quarter down from 2.6% in December 2017. The Western European High Yield Default rate equivalent remained steady at 0.8% for March 2018.[4] Moody's European Speculative Grade Baseline 12 month default forecast, which includes both loans and high yield, remains low at 1.04%.

[3] Credit Suisse Western European Leveraged Loan Index (Hedged to Euro), Barclays Pan-European Aggregate Corporate, Credit Suisse Western European High Yield Index (Hedged to Euro) and MSCI EMU (European Economic and Monetary Union) Index, as of 29 March 2018.
[4] Credit Suisse.

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With the signalling by the European Central Bank of the end of its quantitative easing programme, we have seen the outstanding amount of negative yielding assets begin to reduce. As a result, we believe that upward pressure on rates will cause returns to normalise and may drive investors who entered the loan market in search of yield during 2016 to rotate out of loans and back into investment grade assets. This is expected to improve the supply / demand dynamic, taking pressure off demand side, and should produce a more balanced technical environment in the loan market. We believe that floating rate assets, including higher quality European loans and floating rate notes, are attractive relative to other longer-duration fixed income assets given the potential rising rate environment and subdued default forecasts.

U.S. Bank Loan Market

In 1Q 2018, U.S. bank loans outperformed all other major asset classes with very little volatility and were less affected by the sharp February sell off in equities and bonds. U.S. bank loans posted a 1.45% quarterly gain, outperforming both investment grade (-1.46%) and high yield (-0.86%) bond markets, as well as equities (-0.76%).[5] Lower quality loans (rated CCC/Split CC) outperformed the higher quality (rated BB and B) segment of the market. The lower quality loan segment is largely comprised of second lien loans and less liquid or middle market loans, which benefitted from an increasing risk appetite and less repricing and refinancing activity. In contrast to high yield bonds, investment grade bonds, and equities, we saw only sporadic pockets of volatility in the loan market and light trade volumes throughout the first quarter.

We expect returns for U.S. bank loans in the remainder of 2018 to be further bolstered by the strong technical backdrop. In 1Q 2018, institutional gross loan issuance totalled $242 billion, with refinancings and repricings accounting for 69.2%, compared to an issuance of $331 billion, with refinancings and repricings at 85.0% for 1Q 2017. Limited net new supply in 1Q 2018, coupled with reinvigorated retail and institutional demand for the asset class, bolstered the technical demand for loans. Looking at the current forward calendar, we expect subdued issuance in 2Q 2018 and believe volumes will continue to lag 2017's record pace.

Default activity in the credit markets increased in 1Q 2018, with $28.3 billion in combined default volume across loans and high yield bonds ($10.9 billion in loans and $17.4bn in high yield bonds, respectively). The par-weighted U.S. loan LTM default rate ended March 2018 was 2.52%, 124bp above the default rate year-over-year, but 70bp below the 18-year historical average default rate of 3.22%. The par-weighted U.S. high yield LTM default rate also increased reaching 2.21% at the end of March 2018, 31bp above the default rate year-over-year, but 69bp below the 25-year historical average default rate of 2.90%. This uptick was largely attributable to the default of iHeart Communications, a large 2008 LBO, which accounted for $16.0 billion or 56% of total default activity for 1Q 2018. As a result, the broadcasting sector accounted for the highest

[5] S&P/LSTA Leveraged Loan Index, Bloomberg Barclays U.S. Aggregate Fixed Income Index, Bloomberg Barclays High Yield Index, SPX Index (assumes dividends are reinvested in the index), as of 29 March 2018.

default volume, with the retail and energy following thereafter with $3.6 billion (13% of total default volume) and $3.2 billion (11% of total default volume), respectively. Analysts expect loan and high yield average default rates to remain subdued at 2.5% through the end of 2018, and 2.0% in 2019, below the 3.0%-3.5% long-term average since 1998.

Despite concerns that higher interest rates may negatively impact loan issuers, U.S. corporate performance in 1Q 2018 continues to demonstrate robust fundamental strength and strong underlying trends in revenue, earnings and overall credit health. While interest expense has increased quarter-over-quarter, EBITDA growth is expected to offset any future increase in interest expense and prevent deterioration of leverage ratios. Notably, many loan issuers have switched from 3-month to 1-month LIBOR on underlying loan contracts, 40bp in current cost savings, and issuers have swapped floating rate exposure into fixed rate exposure by purchasing interest rate swaps to hedge against interest rate increases.

According to S&P/LCD research, leverage statistics remain stable in the U.S. bank loan market with average debt multiples hovering at 5.1x EBITDA and interest coverage ratios remaining stable at 3.9x in 1Q 2018 despite the increase in LIBOR. Our dedicated research team conducted an in-depth analysis of 400+ loan issuers and projected that, even with an additional 100bp increase in LIBOR, the average interest coverage ratio for this issuer universe, with current interest coverage ratios of 4.8x, should remain healthy at 4.1x. Furthermore, a 150bp increase in LIBOR would only bring average interest coverage down less than half a turn to 3.8x.

As we move into 2Q 2018, we believe a great deal of performance will be predicated on inflation trends, sustained healthy fundamental performance of issuers, and the continuation of a rising rate environment. We believe that expectations for rising interest rates, coupled with current relative yields, reinforce the attractiveness of loans when compared to other longer-duration fixed income assets. Given the low correlation of loans with other fixed income investments, any volatility in loans caused by rising rates should present an opportunity to add exposure to the asset class.

Global CLO Market

Global new issue CLO volume began the year strong even as CLO managers navigated the uncertainty of the potential reversal of U.S. risk-retention rules, which was not finalised until early May. Issuance in Europe totalled €6.2 billion across 15 CLOs versus €2.8 billion / 7 CLOs in 1Q 2017, and issuance in the U.S. totalled $32.1 billion across 57 CLOs versus $17.4 billion / 32 CLOs in the first quarter of last year.

As CLO managers and equity investors sought to keep up with and offset asset spread compression, the pace of CLO refinancing and reset activity in the first quarter continued to be vigorous, even though some issuance in the U.S. was delayed until after the repeal of the application of risk retention regulations to U.S.

managers. €4.6 billion of European CLOs and $31.1 billion of U.S. CLOs were refinanced or reset during 1Q 2018.

The year started with a very bullish tone, especially at the AAA level. Fuelled by strong demand globally, several CLOs were priced at a weighted average cost of debt capital that represented post crisis tights. In the U.S., since the repeal of the regulation, there has been an increase in US refi/reset issuance volume and secondary sales of US retention positions – the greater supply technical has resulted in widening of levels which have re-traced much of the tightening experienced throughout the first quarter.

Credit fundamentals of the CLO portfolios remain strong with asset spread tightening the main focus. As of March 2018, Weighted Average Spread ("**WAS**") tests in both European and U.S. CLOs experienced some stabilisation and remained generally flat since the end of 2017. Exposure to CCC-rated and distressed assets remain low due to the continued low default environment in the loan market. Weighted Average Rating Factor ("**WARF**") test results remain generally flat, providing CLO investors additional comfort on collateral quality.

As noted earlier, due to the widening of the basis between 1 month and 3 month LIBOR, many U.S. loan issuers have switched to borrow at the lower 1 month LIBOR, which has decreased the net interest margin for U.S. CLOs due to the rate mismatch as CLO liabilities pay interest using 3 month LIBOR as the base rate. As of the date of this letter, the basis has narrowed from its 9 year high in late April of 44 basis points to 32 basis points.[6]

[6] Bloomberg, 30 May2018.

II. Fund Performance and Commentary

Fund Returns

The total net return for 1Q 2018 was -0.93%, including total net portfolio income of 2.70% and net portfolio movements of -3.63%. As of 31 March 2018, BGLF has returned -0.93% net year-to-date and 5.57% net annualised since inception. BGLF's share price return for 1Q 2018 was -1.33%.

	Cumulative			Annualised		
	YTD	1 Year	Since Inception	2 Year	3 Year	Since Inception
BGLF € NAV	-0.93%	0.07%	22.13%	1.64%	6.11%	5.57%
BGLF € Share Price	-3.38%	-1.55%	26.01%	12.57%	6.52%	6.47%
European Loans	0.90%	0.90%	14.32%	4.44%	3.85%	3.69%
U.S. Loans	1.58%	1.58%	15.15%	6.43%	4.33%	3.90%

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
BGLF € NAV	0.52%	-0.21%	-1.23%										**-0.93%**
European Loans	0.66%	0.13%	0.10%										**0.90%**
U.S. Loans	1.08%	0.18%	0.32%										**1.58%**
2017	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF € NAV	0.14%	0.76%	-0.53%	0.01%	0.95%	0.63%	0.44%	-1.01%	-0.02%	0.65%	-0.46%	-0.18%	**1.38%**
European Loans	1.00%	0.46%	-0.29%	0.29%	0.52%	0.03%	0.48%	-0.02%	0.34%	0.33%	0.07%	0.00%	**3.30%**
U.S. Loans	0.53%	0.59%	0.08%	0.44%	0.38%	-0.06%	0.78%	-0.14%	0.41%	0.66%	0.12%	0.39%	**4.25%**
2016	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF € NAV	0.95%	0.67%	1.32%	1.28%	2.31%	0.98%	0.34%	0.13%	1.28%	0.37%	1.96%	0.97%	**13.28%**
European Loans	-0.32%	-0.93%	2.06%	1.35%	0.74%	-0.60%	1.16%	0.88%	0.74%	0.50%	0.18%	0.63%	**6.52%**
U.S. Loans	-0.73%	-0.56%	2.64%	1.90%	0.91%	0.03%	1.41%	0.79%	0.87%	0.77%	0.32%	1.15%	**9.88%**
2015	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF € NAV	1.36%	0.82%	0.76%	0.86%	1.05%	-0.07%	1.42%	0.09%	0.57%	0.83%	0.07%	0.07%	**8.11%**
European Loans	0.42%	1.06%	0.73%	0.88%	0.50%	-0.23%	0.50%	-0.17%	-0.33%	0.18%	-0.11%	-0.32%	**3.14%**
U.S. Loans	0.26%	1.41%	0.39%	0.90%	0.20%	-0.31%	0.09%	-0.65%	-0.67%	-0.14%	-0.89%	-0.95%	**-0.38%**
2014	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF € NAV								0.78%	0.21%	0.26%	1.12%	-3.05%	**-0.73%**
European Loans								0.13%	-0.07%	0.03%	0.37%	-0.61%	**-0.16%**
U.S. Loans								0.23%	-0.52%	0.29%	0.46%	-1.10%	**-0.65%**

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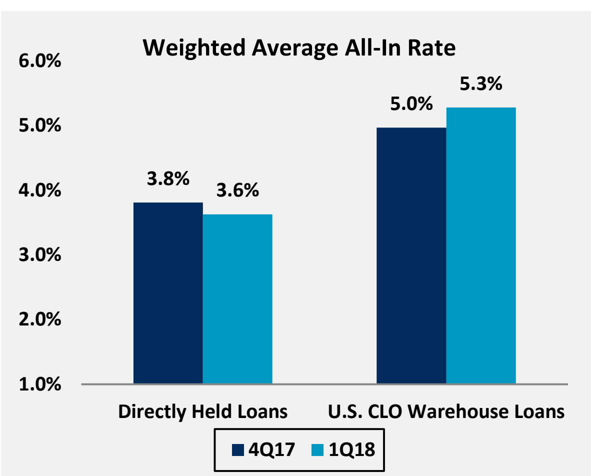
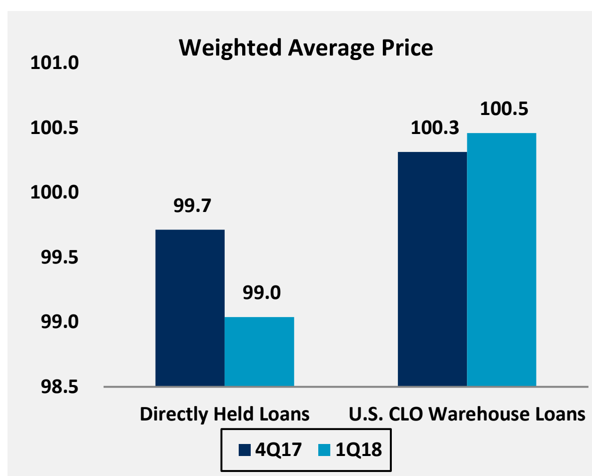
Performance Commentary

The Fund continues to generate strong cash flows from its retained CLO Income Note investments ("**CLO Income Notes**") and from a core portfolio of directly held loans. During the first quarter, CLO Income Notes produced a relatively stable average annualised distribution rate of 12.6%, which represents distributions from 16 of BGCF's CLO positions versus the 4Q 2017 annualised average distribution rate of 14.0%.[7] Seven CLOs recently priced have not yet made their first distributions. One CLO's non-call period expired during the first quarter (Tymon Park) and was refinanced.

Asset spread compression continued to reduce spread income received from directly owned loans, warehouse first loss positions (levered 4x), and CLO equity (levered ~10x). To a degree, within the U.S. loan positions, the spread compression has been offset by the base rate increase, whether 1 month or 3 month LIBOR. However, within CLOs, the valuation is based on projected cash flows inclusive of the forward LIBOR curve. As it relates to equity positions of refinanced CLOs, valuations have been positively impacted by the reduction of the CLO's liability cost, which has reset the arbitrage and therefore offset the spread compression experienced by the underlying assets.

Consistent with, and in support of CLO issuance activity, BGCF's loan portfolio balance grew throughout the quarter. As at 29 March, BGCF's par exposure was €385 million of directly held loans and $1.0 billion of loans held in three external warehousing facilities. The weighted average all-in rate of the Fund's directly held loans declined over the quarter – from 3.81% in December 2017 to 3.63% in March 2018 generally in line with the European primary loan market. The weighted average all-in rate of USD loans held with external warehouses, however, increased from 4.97% to 5.28% over the quarter due to the benefit of increasing LIBOR.





7 Annualised quarterly cash distribution based on cost for those CLOs that have paid a distribution. Calculated using Intex data.

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Over the course of the quarter, the Fund held investments in four U.S. CLO warehouses. As at 29 March, BGCF had first loss investments in the Cook Park CLO warehouse, which supported $952 million of traded loans, and in the newly opened warehouses for Myers Park CLO and Fillmore Park CLO, which supported $51 million and $18 million of traded loans, respectively.[8] BGCF's investment in the Greenwood Park CLO warehouse was fully repaid at the CLO's closing on 6 March 2018, at which time BGCF increased its investment in the U.S. MOA (as defined below), which subsequently purchased 59% of Greenwood Park's Income Notes. The Greenwood Park CLO warehouse produced an IRR of 13.2%. External warehouse investments are held at their cost (investment amount) and net income earned, as well as net settled gains/losses on the warehouse assets, are realised by BGCF when the warehouse is converted into a CLO.

Investment Activity

During 1Q 2018, BGCF invested €20.7 million in the CLO Income Notes of one European CLO and €115.3 million ($140.9 million) into Blackstone / GSO US Corporate Funding, Ltd., the U.S. Majority Owned Affiliate ("**U.S. MOA**"), in order to sponsor two U.S. CLOs.

		Size (€/$)	Investing Entity	Closing Date	Reinvestment Period End	Non-Call Period	AAA Spread	Invested Capital (€/$)	Position as a % of Tranche	Expected % Ramp at Closing
1Q	**Stewart Park**	$881.3m	U.S. MOA	Jan-18	Jan-23	Jan-20	107bp	$38.4m	59.0%	100.0%
1Q	**Marlay Park**	€413.0m	BGCF	Mar-18	Apr-22	Apr-20	74bp	€20.7m	60.0%	83.0%
1Q	**Greenwood Park**	$1,074.7m	U.S. MOA	Mar-18	Apr-23	Apr-20	102bp	$56.4m	59.1%	85.0%
2Q	***Cook Park***	*$1,025.0m*	*U.S. MOA*	*Apr-18*	*Apr-23*	*Apr-20*	*92bp*	*$55.1m*	*56.1%*	*92.0%*

BGCF continues to refinance existing CLO investments soon after expiration of their respective non-call periods. During the quarter, BGCF refinanced the liabilities of Tymon Park CLO which had a remaining reinvestment period of 2.0 years and achieved a reduction in its weighted average cost of debt of approximately 0.94%. As of the end of March, there remains one CLO within the portfolio (Dorchester Park CLO) that was eligible to be refinanced but has yet to be completed.

[8] U.S. CLO Warehouses may have an additional third party first loss provider invested alongside of BGCF.

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		Closing Date	Refinancing Closing Date	Reinvestment Period End	Original AAA Spread	Refinanced AAA Spread	Position (€/$)
1Q	**Tymon Park**	Dec-15	Jan-18	Jan-20	145bp	59bp	€22.7m
2Q	***Elm Park***	*May-16*	*Apr-18*	*Apr-18*	*150bp*	*62bp*	*€31.9m*

During 1Q 2018, BGCF originated approximately €699 million of senior secured loans and floating rate notes expanding the size of the directly held portfolio. BGCF also invested €91.7 million ($112.4 million) million in three U.S. CLO warehouses during the quarter.

		Initial Investment Date	Closing Date / [Expected Closing Date]	Investment ($)	Mar-18 Loan Exposure ($)	Warehouse IRR
1Q	**Cook Park**	Nov-17	Apr-18	$80.0m	$951.5m	12.6%
1Q	**Myers Park**	Feb-18	[Jul-18]	$10.0m	$50.8m	n/a
1Q	**Fillmore Park**	Mar-18	[Jun-18]	$18.0m	$18.0m	n/a

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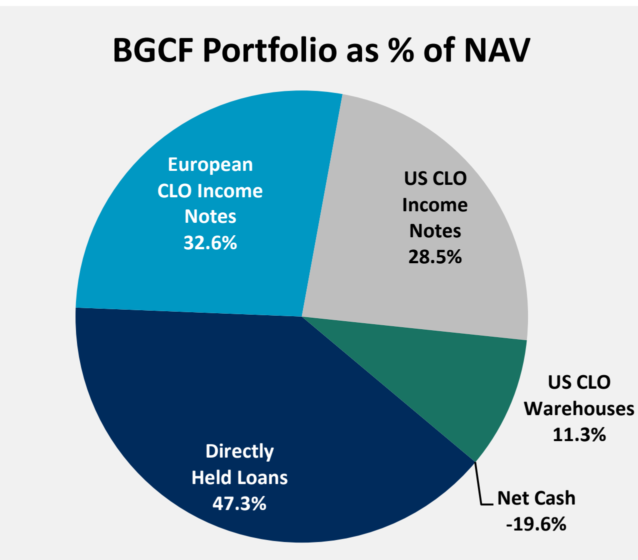
Portfolio Positioning

The Fund has steadily increased its total exposure to the U.S. loan market through additional investments in U.S. CLO warehouses and U.S. CLO Income Notes. As at 29 March, 33% of BGCF's portfolio was comprised of European CLO Income Notes and 40% was comprised of U.S. CLO Income Notes and CLO warehouses. This compares to year-end 2017 when 39% of the portfolio was comprised of European CLO Income Notes and 29% was comprised of U.S. CLO Income Notes and CLO warehouses. The Fund's net cash balance was -20% as a percentage of net assets at the end of March due to draws on its leverage facility used to purchase directly held loans. At the end of the quarter, BGCF's leverage as a percentage of total assets was approximately 17%, calculated as net cash divided by gross assets.



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

BGCF's loan portfolios, held both directly on the balance sheet and indirectly through CLO warehouses, continue to be invested at a healthy pace in order to maintain flexibility with respect to the CLO creation strategy. We continually monitor the global arbitrage opportunity, optimising the loan portfolio in order to both maximise the returns and time the portfolio's pace of capital deployment in order to swiftly capture any favourable liability execution. The portfolio ramp within each external warehouse has generally consisted of primary loan transactions in order to minimise any vintage effect of prepayment risk and higher secondary purchase prices that may burden future CLO take-out opportunities. However, we may look to the secondary market for attractive opportunities dependent on the current market conditions and new issue pipeline.

III. Fund Update

Capital Raising and Call Activity

During 1Q 2018, Blackstone / GSO Corporate Funding EUR Fund ("**BGCF EUR**"), an investor in BGCF, called and invested €142 million of capital, and called an additional €22 million during the second quarter of 2018, which will be invested into BGCF in June. As of 29 March 2018, BGCF EUR had €81 million of undrawn capital, and, pro forma for expected 2Q 2018 investments, had €59 million of undrawn capital.

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

As of 29 March 2018, BGCF's portfolio was allocated 45.6% to BGLF and 54.4% to BGCF EUR. BGCF's ownership of the U.S. MOA was 84.0%.

Distributions

BGLF declared a dividend of €0.025 per share in respect of the period from 1 January 2018 to 31 March 2018. This dividend was payable on 1 June 2018 to shareholders on the register as at the close of business on 4 May 2018, and the corresponding ex-dividend date was 3 May 2018.

Regulatory Update

Following the February U.S. Court of Appeals for the D.C. Circuit decision to repeal U.S. risk retention requirements for managers of open-market CLOs, on 5 April 2018, the District Court for the District of Columbia further vacated the risk retention rule for CLOs, allowing U.S. CLO managers to issue deals without holding retention interests. On 10 May 2018, the time period for U.S. regulators to appeal the ruling to the U.S. Supreme Court expired. On 12 February 2018, the Company had announced that Blackstone / Debt Funds Management Europe Limited and GSO / Blackstone Debt Funds Management LLC (together, the "**Adviser**") had informed the Company's Board that there is no intended change to the Company's investment activity in U.S. CLOs in the near-term as a result of the ruling. The Adviser has since evaluated the implications of this change in the U.S. Risk Retention Regulations, and has advised the Board that it will not materially impact the Company's long-term investment strategy, investment performance, or capital deployment. It is expected that the Company will continue to invest in U.S. CLOs as and when suitable opportunities arise (although it may do so directly through BGCF instead of through the U.S. MOA). Given the flexibility now provided to sell U.S. CLO positions, the Company and the U.S. MOA may sell such positions as and when suitable opportunities arise.

Other Developments

With heightened focus on rising LIBOR, it is important to note that the U.K. Financial Conduct Authority ("**FCA**") announced in July 2017 that LIBOR will be phased out as a reference interest rate benchmark. Most contributing banks will voluntarily sustain LIBOR until the end of 2021 to facilitate an orderly transition, and several industry working groups have been assembled to select an existing risk free rate as a replacement benchmark. The Secured Overnight Financing Rate ("**SOFR**") index has been designated by some as the benchmark rate most likely to replace LIBOR. However, a clear single alternative has yet to be formalised. We do not see any imminent disruption to the credit markets as a result of this change, and we continue to work closely alongside the Loan Syndications and Trading Association ("**LSTA**") on these initiatives as an active participant in various working groups, panels, and discussions.

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BGLF Portfolio Composition

Net Asset Value: € 366,015,521.6	% of BGLF NAV
Directly Held Loans	46.6%
European CLO Income Notes	32.1%
US CLO Income Notes	28.0%
US CLO Warehouses	11.1%
Net Cash	-17.9%
Total	**100.0%**

Footnotes

Data as of 29 March 2018. Note that portfolio composition figures may not add to 100.0% due to rounding.

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

(2) Source: Intex. Distributions presented based on cost. Wtd. Avg. Cost of Liabilities represents the all-in rate of each liability tranche. Gross Coupon not available for deals that are not yet included in Intex.

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BGLF Retained CLO Income Note Investments

	Investing Entity	Closing Date	Refinancing Date (Closing)	Refinancing Eligible Date	Remaining RI Period (Yrs)	Deal Size (mm)	Equity Tranche (mm)	BGLF Position (mm)[1]	BGLF Cost (mm)[1]	Risk Reten. Position as % of Tranche	Valuation as % of BGLF NAV	Ann. Dist. [2]	Cum. Dist. [2]	Wt. Avg. Cost of Liabilities[2]	Gross Coupon[2]	Interest Diversion Cushion[2]
EUR CLO Income Notes																
Phoenix Park	BGCF	Jul-14	Jan-17	Jul-16	0.3	€ 413.2	€ 45.3	€ 10.6	€ 10.1	51.4%	1.9%	17.6%	61.9%	1.53%	3.63%	3.33%
Sorrento Park	BGCF	Oct-14	May-17	Nov-16	0.6	€ 517.0	€ 57.0	€ 13.4	€ 12.8	51.8%	2.5%	18.5%	61.8%	1.43%	3.73%	1.87%
Castle Park	BGCF	Dec-14	Mar-17	Jan-17	0.8	€ 415.0	€ 46.0	€ 16.9	€ 15.4	80.4%	3.2%	18.0%	55.5%	1.51%	3.71%	3.34%
Dartry Park	BGCF	Mar-15	Jul-17	Apr-17	1.1	€ 411.1	€ 44.6	€ 10.4	€ 9.8	51.1%	2.0%	16.1%	46.1%	1.63%	3.56%	1.83%
Orwell Park	BGCF	Jun-15	Aug-17	Jul-17	1.3	€ 415.0	€ 47.5	€ 11.0	€ 10.2	51.0%	2.3%	17.0%	44.7%	1.44%	3.72%	3.17%
Tymon Park	BGCF	Dec-15	Jan-18	Jan-18	1.8	€ 414.0	€ 44.5	€ 10.3	€ 9.4	51.0%	2.4%	14.7%	30.7%	1.31%	3.74%	3.86%
Elm Park	BGCF	May-16	Apr-18	Apr-18	2.0	€ 558.2	€ 56.9	€ 14.5	€ 14.5	56.1%	2.8%	13.0%	21.3%	2.39%	3.75%	2.66%
Griffith Park	BGCF	Sep-16	n/a	Oct-18	2.4	€ 453.6	€ 48.7	€ 13.2	€ 11.8	59.5%	2.4%	12.2%	16.5%	3.25%	3.75%	2.67%
Clarinda Park	BGCF	Nov-16	n/a	Nov-18	2.6	€ 415.1	€ 45.1	€ 10.5	€ 8.9	51.2%	1.9%	12.2%	15.3%	2.03%	3.68%	2.77%
Palmerston Park	BGCF	Apr-17	n/a	Apr-19	3.0	€ 414.5	€ 45.0	€ 12.8	€ 11.4	62.2%	2.6%	16.8%	12.9%	1.73%	3.60%	3.85%
Clontarf Park	BGCF	Jul-17	n/a	Aug-19	3.3	€ 413.6	€ 43.3	€ 13.2	€ 11.9	66.9%	2.8%	13.5%	7.7%	1.58%	3.62%	3.84%
Willow Park	BGCF	Nov-17	n/a	Jan-20	4.3	€ 412.4	€ 38.4	€ 10.7	€ 9.6	60.9%	2.7%	n/a	n/a	1.58%	3.54%	4.38%
Marlay Park	BGCF	Mar-18	n/a	Apr-20	4.0	€ 413.0	€ 41.0	€ 11.2	€ 9.4	60.0%	2.6%	n/a	n/a	1.40%	3.66%	4.00%
EUR CLO Income Note Total								**€ 158.8**	**€ 145.1**		**32.1%**	**15.4%**	**34.0%**	**1.75%**	**3.67%**	**3.20%**
US CLO Income Notes																
Dorchester Park	BGCF	Feb-15	n/a	Jan-17	0.8	$509.4	$45.9	$ 12.8	$ 12.1	60.9%	1.7%	17.4%	50.5%	3.83%	5.08%	3.07%
Grippen Park	US MOA	Mar-17	n/a	Apr-19	4.1	$611.4	$59.4	$ 16.2	$ 14.4	60.0%	2.4%	11.7%	9.9%	3.47%	5.11%	3.94%
Thayer Park	US MOA	May-17	n/a	Apr-19	4.1	$514.6	$54.6	$ 13.6	$ 11.5	54.6%	1.9%	23.4%	16.0%	3.51%	5.15%	3.45%
Catskill Park	US MOA	May-17	n/a	Apr-19	4.1	$1,028.5	$108.5	$ 29.7	$ 26.0	60.0%	4.1%	21.2%	14.3%	3.47%	5.11%	3.45%
Dewolf Park	US MOA	Aug-17	n/a	Oct-19	4.5	$613.5	$61.5	$ 16.8	$ 14.9	60.0%	2.6%	19.3%	7.4%	3.04%	5.22%	4.02%
Gilbert Park	US MOA	Oct-17	n/a	Oct-19	4.5	$1,022.0	$102.0	$ 27.4	$ 24.9	59.0%	4.6%	n/a	n/a	3.23%	5.19%	4.29%
Long Point Park	US MOA	Dec-17	n/a	Jan-20	4.8	$610.8	$58.8	$ 15.2	$ 13.8	56.9%	2.6%	n/a	n/a	3.14%	5.20%	4.26%
Stewart Park	US MOA	Jan-18	n/a	Jan-20	4.8	$881.3	$183.9	$ 57.8	$ 17.5	69.0%	3.3%	n/a	n/a	3.80%	5.27%	3.58%
Greenwood Park	US MOA	Mar-18	n/a	Apr-20	5.0	$1,074.7	$107.6	$ 29.0	$ 25.7	59.1%	4.8%	n/a	n/a	3.54%	5.37%	4.18%
US CLO Income Note Total								**$ 218.5**	**$ 160.8**		**28.0%**	**18.6%**	**19.6%**	**3.45%**	**5.19%**	**3.80%**
Global CLO Income Note Total								**€ 336.3**	**€ 275.9**		**60.2%**	**16.4%**	**29.5%**	**2.45%**	**4.29%**	**3.45%**

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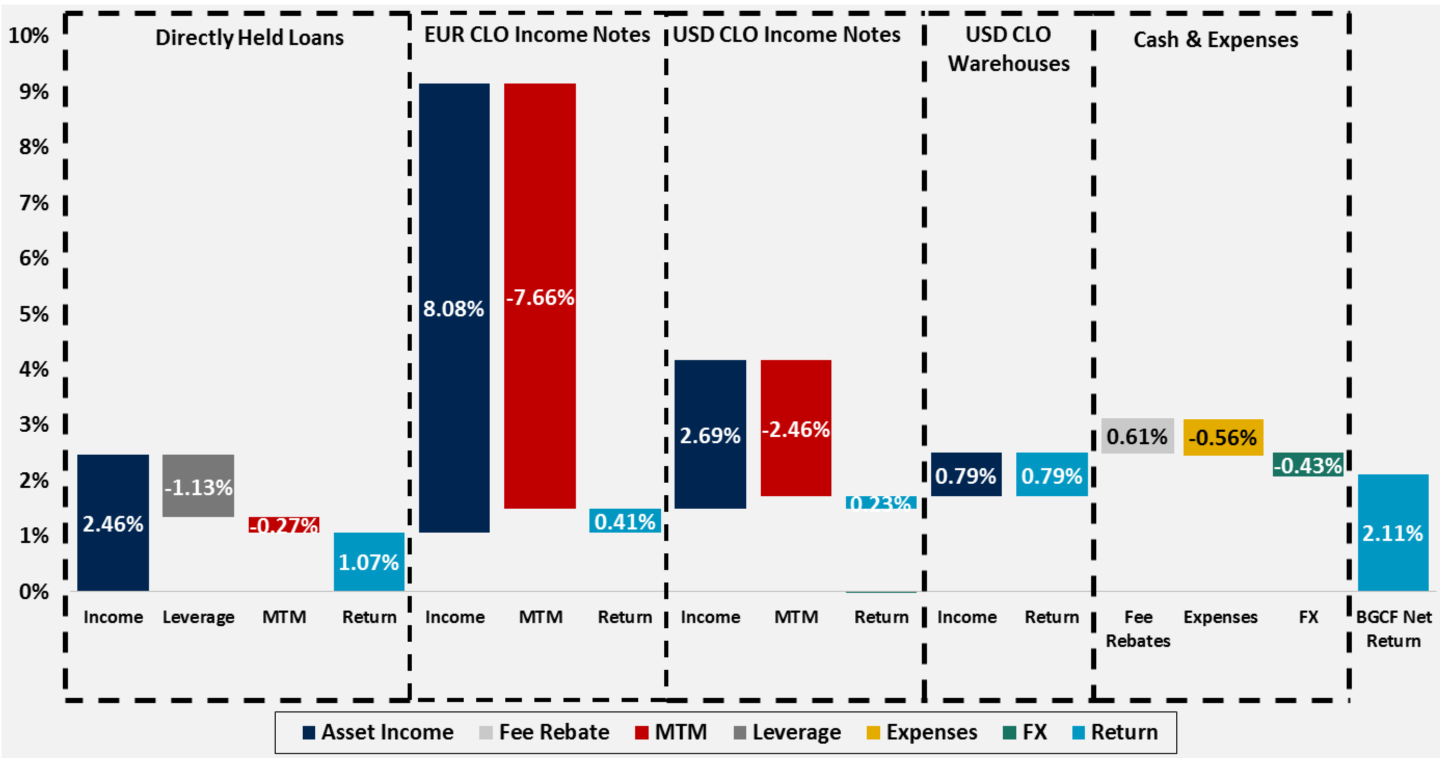
BGCF 2017 Return Contributors



<u>Footnotes</u>

Source: GSO. Represents Blackstone / GSO Corporate Funding DAC ("**BGCF**") cumulative returns from 1 January 2017 to 31 December 2017.

Note: The illustration is not indicative of future results, and there can be no assurance that BGCF will achieve these results. There is no guarantee that the future investments made by the BGCF will continue to be identical to the make-up of such current portfolio. Moreover, future investments to be made by BGCF may differ substantially from the investments included in the current portfolio of BGCF. Additionally, there is no guarantee that BGCF will be able to implement its investment strategy or achieve its investment objectives.

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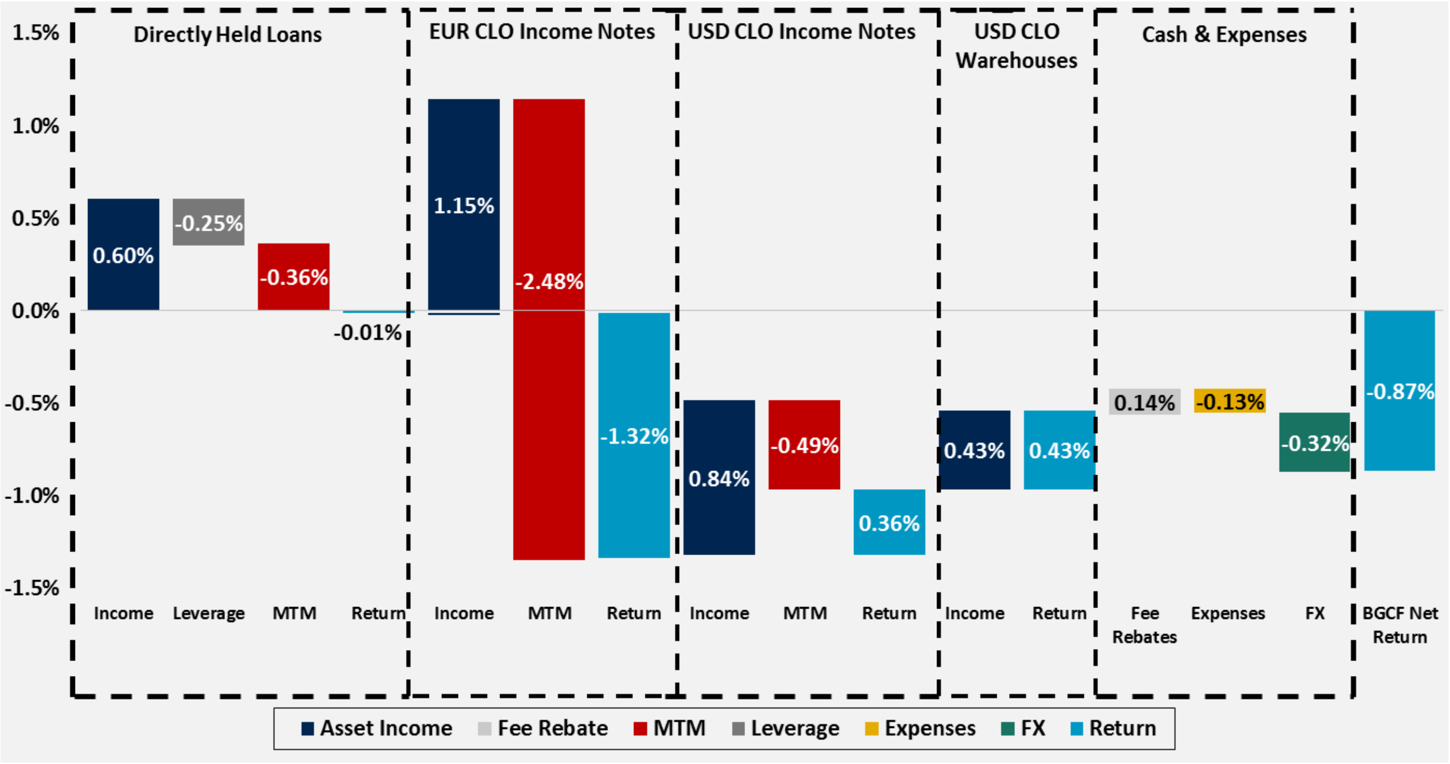
BGCF 1Q 2018 Return Contributors



Footnotes

Source: GSO. Represents Blackstone / GSO Corporate Funding DAC ("**BGCF**") cumulative returns from 1 January 2018 to 31 March 2018.

Note: The illustration is not indicative of future results, and there can be no assurance that BGCF will achieve these results. There is no guarantee that the future investments made by the BGCF will continue to be identical to the make-up of such current portfolio. Moreover, future investments to be made by BGCF may differ substantially from the investments included in the current portfolio of BGCF. Additionally, there is no guarantee that BGCF will be able to implement its investment strategy or achieve its investment objectives.

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Important Disclosure Information

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

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

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

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

Certain information contained in this document constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund described herein may differ materially from those reflected or contemplated in such forward-looking statements.

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

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

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Although the current portfolio reflected in this Letter (the "**Current Portfolio**") is consistent with the investment strategy of the Fund, there is no guarantee that the portfolio acquired will continue to be identical to the make-up of the Current Portfolio. Moreover, the future investments to be made by the Fund may differ substantially from the investments included in the Current Portfolio. Therefore, the Current Portfolio parameters, industry concentration, rating concentration, spread distribution and other factors related to the Current Portfolio could all be materially different than those of the future portfolio acquired by the Fund.

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