Blackstone / GSO Loan Financing Limited

3Q 2018 Report

Blackstone

Dear Investor,

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

We are pleased to incorporate as a regular feature the following macro-economic market commentary from Blackstone investment strategist Joe Zidle.

European Macro-Economic Update

Investors in Europe faced greater uncertainty in the third quarter of 2018 as economic growth showed some cracks, uncertainty about Italy's fiscal policies resurfaced and growth of corporate profits slowed. Equity markets remained in positive territory, with the MSCI Europe index returning 1.4%, despite a steady stream of weaker data points and headline risks. Defensive sectors such as insurance and healthcare stocks outperformed, as did the more cyclical tech software and energy sectors. In part, the latter owe their performance to greater foreign exposure; the euro weakened against the dollar year-to-date, which provided a tailwind for companies with higher non-European sales.

Economic data releases that are generally considered to be leading the cycle are a bigger near-term challenge for investors. GDP is a lagging indicator; it explains what happened in the past. On the other hand, the Purchasing Managers Index, the OECD Leading Indicators, and Industrial Production tend to lead business and economic cycles. Those all declined in the third quarter, suggesting that the worst of EU data may still lie ahead.

The optimistic news is that Eurozone data tend to correlate fairly strongly with data from the US, which in our view is nowhere near a recession. The correlation between the EU and US economies is at a record low as of the end of September, but correlations typically do not remain so low for long. That said, European data should trough over the next quarter or two and then move upward. In light of this mid-cycle pause, European Central Bank officials may struggle to end Quantitative Easing by the end of 2018 as they had planned.

Globally, conditions remain mixed. The US and Japan outperformed, Europe was flat, and Emerging Markets crossed into a full-blown bear market (20% decline from peak to trough). Curiously, investors did not differentiate when it came to their portfolios: equities saw outflows amid a steady rotation into more defensive traditional fixed income. But a mid-cycle pause is not a recession and the Blackstone Investment Strategy group believes that global risk assets will outperform over the next 12 months.

US Macro-Economic Update

History will show that 3Q 2018 frustrated investors in liquid, public markets. The S&P 500® returned +7.6%, global equities excluding the US returned +2.5% and commodities returned +1.7%. However, investors were net sellers of all three categories. While the biggest outflows (-$24B) came from US equities, investors also reduced commodities and non-US stock positions in favour of traditional fixed income. At the same time, the Bloomberg Barclays Aggregate Bond Index returned just 10bp, suffering from the back-up in rates.

1 Source: S&P/LCD.

The question is, did investors make the right call by moving capital away from risk into more defensive allocations? The data say they did not.

"The economy, stupid." Political strategist James Carville coined this phrase for Bill Clinton's successful campaign against George H.W. Bush in 1992. As the sitting president, Bush faced a recession and re-election almost simultaneously, and that phrase apparently channelled voter dissatisfaction to Clinton's advantage. Today, you would not be stupid to think that investors are ignoring economic signals when making portfolio allocations.

In fact, 3Q data confirmed accelerating economic and profit growth, strong labour markets, and mild price increases, all of which support the case for risk assets. This cycle has produced the longest bull market in post-war history and the second longest economic expansion ever, yet many investors continue to ignore these facts, fearing that the good times are about to end.

On the contrary, the Blackstone Investment Strategy group believes that risk assets in the US will continue to outperform. The indicators with the strongest predictive track records of business and economic cycles suggest that this expansion will last longer than consensus currently believes. In particular, there are three indicators to watch: the yield curve, The Conference Board Leading Index (LEIs) and average hourly earnings, each of which precedes a recession by 18-22 months. Today, none of these indicators threaten our view that this is only the sixth or seventh inning of the expansion; the yield curve is still upwardly sloping, leading indicators continue to rise and average hourly earnings remain less than 3%, i.e., below the historical the pain point of 4%. Investors are bearish, but the data are bullish.

European Bank Loan Market

The Credit Suisse Western European Leveraged Loan Index (Hedged to Euro) returned 1.45% in the third quarter, outperforming European investment grade (-0.10%) but slightly trailing European high yield (1.61%) due to a strong rally in high yield in July. Loans provided consistently strong returns throughout the third quarter and have posted only one negative returning month in 2018. As a result, European loans have outperformed all other euro denominated fixed income asset classes year-to-date, with loans having returned 2.37% and high yield having returned 0.21% over the period.

Gross issuance of European loans in 3Q 2018 totalled €20.3 billion and was dominated by jumbo deals, including the cross-border financing of the buyout of Refinitiv from Thomson Reuters (€12.2 billion) and the carve-out of Azko Nobel's Specialty Chemicals business (€10.1 billion). Year-to-date European loan issuance at €82.8 billion is slightly behind the 2017 figure (€85.4 billion) for the same period, which was a post-crisis record. Despite not reaching the highs of 2017, the year-to-date figure is still higher than any full year issuance between 2008 and 2016. As with the prior two quarters, M&A deals were the dominant use of issuance in 3Q 2018, with €16.8 billion related to this activity and accounting for 73% of issuance year-to-date. In contrast, the level of refinancing and repricing has fallen in 2018, with refinancing in particular approaching near zero (€0.2 billion) in the third quarter vs. €5.1 billion for the same period in 2017.

Despite the number of jumbo deals that came to market in 3Q, there remains limited visibility of additional M&A transactions in the final quarter and the forward calendar for the European leveraged loan market stood at just €300 million as of 8 October.[2] As demand for European loans is not expected to abate, the lack of supply may result in even more borrower friendly terms on new issue transactions, but should also support higher secondary prices going into year end. Recent feedback from our sponsor relationships also confirms the majority of newly raised capital has not yet been put to work, further indicating these conditions will persist.

Loan prices in the secondary loan market were well supported in the third quarter with 55.8% of the S&P European Leverage Loan Index ("ELLI") trading at or above par as at 30 September, compared to 8% at end of June. Primary deals that allocated in 3Q 2018 traded well on the break and there were no deals that flexed wider in September, a further indication of a supply constrained market. In European loans, average spreads, all in rates and current yields increased from June levels while the 3Yr DM narrowed by 34bp since June driven by an increase in the average price from 98.33 to 99.07. In contrast, in high yield, the equivalent of current yield - yield to worst - narrowed 16bp to 4.48% and modified duration shortened to 3.57 years from 3.69 years by the end of Q3.

There were no new defaults in the third quarter and with the par amount of the Credit Suisse Western European Loan index outstanding increasing to €269 billion, the European loan default rate fell to 0.8%, as measured by the Credit Suisse Western European Loans trailing? 12-month par default rate. The Credit Suisse Western European High Yield default rate similarly fell to 0.3% through September 2018.

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2 Please note that the European pipeline stood at €1.97 billion as at 5 November 2018, which is a significant increase since the end of 3Q 2018.

US Bank Loan Market

Strong performance for below investment grade fixed income in the U.S. continued through September, outperforming all other major US fixed income asset classes year-to-date. The Credit Suisse Leveraged Loan Index posted a third quarter return of 1.93%, bringing the YTD return to 4.36%. Market value returns, however, were muted in the third quarter (principal return of 0.48% versus by the interest component of +1.45%, as represented by the Credit Suisse Leveraged Loan Index). We believe this was due to elevated levels of technical selling toward the end of the quarter as many accounts rotated their portfolios to make room for the large primary calendar. U.S. loans outperformed other fixed income asset classes in 3Q 2018, which is consistent with performance during historical periods of economic growth and rising interest rates. In September, the Federal Reserve lifted the federal funds rate by a quarter of a percentage point to 2.25%, the eighth increase since December 2015, and signalled it will raise rates once more in 2018, most likely in December. Fed officials currently forecast three rate hikes next year and one more in 2020.

In 3Q 2018, institutional gross loan issuance totalled $95 billion, down from $155 billion year-over-year, with paydowns and repricings accounting for 58.0% resulting in net new issuance of $40 billion. Although net new loan issuance is down over 40% quarter-over-quarter, year-to-date net issuance is up 3% year-over-year and remains strong at $180 billion – less than $10 billion short of all of 2017.

The percentage of loans trading above par is now 65% and secondary prices have recovered close to year-to-date highs. The weighted average bid of the S&P/LSTA Leveraged Loan Index gained 25bps to $98.57, recovering from the intra-year low of $98.04 at the beginning of July. The 25bp rate hike by the Federal Reserve (the "Fed") in September was in-line with expectations, and the Fed continues to project one more rate hike in 2018 and three in 2019. New issue supply for loans was robust in September including large deals for Refinitiv, Akzo and Envision Healthcare.

LIBOR rates have increased in tandem with Fed Funds, with 3-month LIBOR up 70bp since year-end 2017 to 2.4% as at 28 September. As a result, the average LIBOR of all outstanding 1-month and 3-month contracts has increased 82bp, more than offsetting the YTD spread compression of 10bp. The average loan floating rate coupon (base rate plus spread) has increased 73bp YTD to 5.5%, and Credit Suisse expects loan coupons to increase even further to 6.0% by year-end.

The differential between 3-month and 1-month LIBOR narrowed to 14bp as of September 28, 2018, having peaked at 47bp in April. Many loan issuers, however, continue to elect 1-month LIBOR over 3-month LIBOR to capture that small differential. As of September 30, 2018, 68% of loans were benchmarked to a LIBOR of less than 3 months, whereas this number was only 32% at the start of 2015.

Loan issuers continue to show steady improvement in credit fundamentals following 2Q 2018 earnings reports. Year-over-year revenue and EBITDA growth for issuers in the S&P / LSTA Leveraged Loan Index were 14% and 12%, respectively, representing the strongest performing quarter since 4Q 2014. Despite the increase in loan coupons, interest coverage also remains strong with the percentage of issuers with interest coverage of less than 1.5x at 5%, down from 11% in 2Q 2017. Additionally, leverage has been steadily decreasing, with only 18% of loan issuers having total leverage multiples greater than 7x. We have seen similarly healthy trends in credit fundamentals across our portfolio companies. Our dedicated credit research team developed an in depth analysis that shows that even with an additional 1.5% increase in LIBOR, our portfolio companies maintain an interest coverage ratio of approximately 3x on average. According to LCD, there have been fewer highly levered deals in 2018 as compared to 2007. While there are a few deals with leverage around 7x (about 6% of the market), this remains the upper limit of leverage. In 2007, roughly a quarter of all LBOs were levered over 7x, and roughly two dozen were at 8x or higher.

In the third quarter of 2018, defaults totalled $1.0 billion for loans, which represents the second lowest quarterly total since 4Q 2013. The par-weighted US loan LTM default rate for the period ended September 2018 was 1.77%, a 22bp decrease quarter-over-quarter.

Global CLO Market

Global new issue CLO volume was strong in 3Q 2018, with Europe producing its highest quarterly issuance volume of the post-crisis era. CLO issuance in Europe totalled €7.5 billion across 18 CLOs versus €7.1 billion across 17 CLOs in 2Q 2018. Issuance in the US totalled $31.8 billion across 61 CLOs versus $37.1 billion across 68 CLOs in the second quarter of this year. Year-to-date issuance globally through the end of September now totals €105.3 billion ($125.1 billion), of which €20.8 billion was in Europe and $100.9 billion was in the US.

The pace of CLO refinancing and reset activity continued unabated during the third quarter. €6.3 billion of European CLOs and $39.2 billion of US CLOs were refinanced or reset during 3Q 2018, bringing the total European and US CLOs to €37.0 billion and $224.06 billion, respectively, year-to-date. Primary CLO liability spreads have widened slightly year-to-date, particularly in

3Q 2018. As of 30 September 2018, primary AAA spreads averaged approximately 92bp for European CLOs and approximately 116bp for US CLOs. Spreads on CLO debt tranches in both markets have widened since December year end by 18bp and 12bp respectively in Europe and the US, where the cost of debt spread is currently E+147bp and L+170bp.[3]

Globally, CLO portfolios remain strong. As of September 2018, Weighted Average Spread ("**WAS**") tests in both European and US CLOs experienced some stabilisation and remained generally flat quarter-over-quarter. Exposure to CCC-rated and distressed assets remains low due to the continued low default environment in the loan market. Weighted Average Rating Factor ("**WARF**") test results have improved slightly, providing CLO investors additional comfort on collateral quality.

3 Wells Fargo data and The CLO Monthly Market Overview: 3 January 2018, 2 April 2018, 3 July 2018, and 2 October 2018.

II. Fund Performance and Commentary

Fund Returns

The total net (NAV) return for 3Q 2018 was 5.26%. As of 30 September 2018, BGLF's NAV has returned 6.35% net year-to-date and 6.68% net annualised since inception. BGLF's share price return for 3Q 2018 was -0.31%.

	Cumulative				Annualised		
	3Q 2018	YTD	1 Year	Since Inception	2 Year	3 Year	Since Inception
BGLF € NAV	5.26%	6.35%	6.36%	31.11%	5.60%	7.25%	6.68%
BGLF € Share Price	-0.31%	-5.03%	-5.06%	23.86%	3.23%	5.18%	5.24%
European Loans	1.45%	2.37%	2.78%	15.99%	3.39%	3.95%	3.60%
US Loans	1.93%	4.36%	5.58%	18.30%	5.30%	5.42%	4.09%

BGCF NAV Return Components	BGCF 3Q 2018 Return Component			BGCF YTD Return Component		
	MTM	Income	Total	MTM	Income	Total
EUR CLOs	0.72%	1.56%	2.28%	-3.41%	4.51%	1.09%
US CLOs	1.11%	1.42%	2.54%	0.70%	4.31%	5.01%
US CLO Warehouses	0.00%	0.09%	0.09%	0.00%	0.59%	0.59%
Directly Held Loans	0.42%	0.43%	0.85%	-0.41%	1.52%	1.12%
Leverage	0.00%	-0.20%	-0.20%	0.00%	-0.70%	-0.70%
Net Cash Including Expenses	0.00%	-0.09%	-0.09%	0.00%	-0.35%	-0.35%
BGCF Total / Net Return	**2.26%**	**3.21%**	**5.47%**	**-3.12%**	**9.88%**	**6.76%**
BGLF Expenses			-0.22%			-0.41%
BGLF Net Return			**5.26%**			**6.35%**

Performance Commentary

The Fund continues to generate positive cash flows from its retained CLO Income Note investments ("**CLO Income Notes**") and from its portfolio of directly held and warehoused loans. During the third quarter, CLO Income Notes produced a weighted average annualised distribution rate of 14.7%, which represents distributions from 20 of BGCF's CLO Income Notes and a decrease versus the 2Q 2018 weighted average annualised distribution rate of 14.8%.[4] Eight CLOs in the portfolio have recently priced and have not yet reached their first distribution.

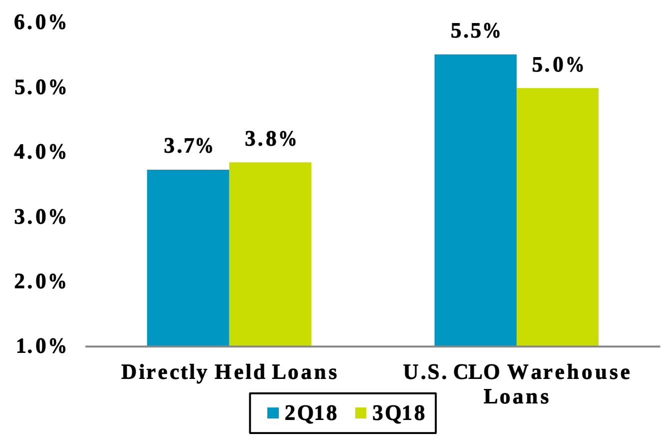
	European CLO Income Notes				US CLO Income Notes			
	Par (€mm)	# of CLOs	3Q 2018 Annualised Distribution	Average Annualised Distribution	Par ($mm)	# of CLOs	3Q 2018 Annualised Distribution	Average Annualised Distribution
2014	89.8	3	12.5%	17.5%	-	-	-	-
2015	69.7	3	13.2%	15.6%	48.5	1	12.2%	16.7%
2016	84.0	3	10.8%	11.5%	-	-	-	-
2017	80.4	3	13.0%	15.3%	261.0	6	15.8%	18.1%
2018	119.9	4	n/a	n/a	307.5	5	20.3%	19.9%
Total / Wtd Average	**€ 443.7**	**16**	**12.3%**	**15.0%**	**$ 617.1**	**12**	**16.7%**	**18.5%**

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

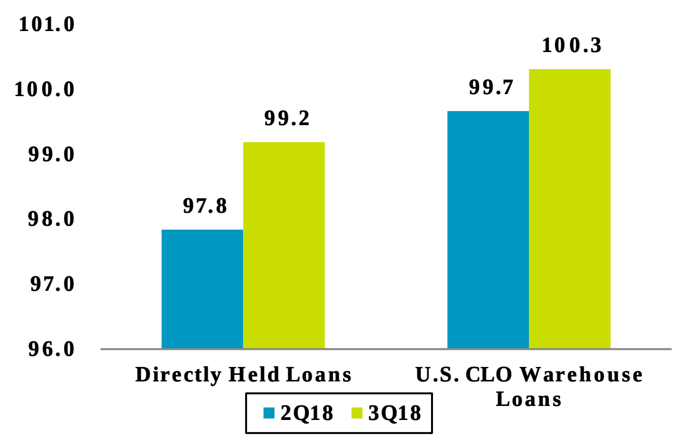
Asset spread compression has abated within the portfolio, CLO positions and the WAS of the portfolio remained flat, quarter-over-quarter. CLO equity distributions made in 3Q 2018 may reflect only a partial realisation of this effect while a more immediate effect is seen in stabilised spread income received from directly owned loans and US warehouse positions.

Consistent with, and in support of CLO issuance activity, BGCF's loan portfolio balance grew throughout the third quarter. As at 30 September, BGCF's par exposure was €238 million of directly held loans and $178 million of loans held in one external warehousing facility. The weighted average all-in rate of the Fund's directly held loans increased during the quarter, from 3.73% in June 2018 to 3.84% in September 2018, generally in line with the spread widening in the overall European primary loan market. The weighted average all-in rate of USD loans held within external warehouses decreased from 5.51% to 4.99% over the quarter, primarily driven by the closing of Myers Park CLO warehouse and the ramping of Harbor Park CLO warehouse. During the early stages of a CLO warehouse, purchases may be focused on higher rated assets, which tend to have lower spreads. As the warehouse grows and is optimised for CLO issuance, the average all-in rate of the portfolio is expected to increase.

Weighted Average All-In Rate



Weighted Average Price



Over the course of the quarter, the Fund held investments in three US CLO warehouses. As at 30 September, BGCF had one first loss investment in the Harbor Park CLO warehouse, which supported $178 million of traded loans.[5] BGCF's investment in the Fillmore Park CLO warehouse was fully repaid at the CLO's closing on 31 July 2018, at which time BGCF invested 54.3% into Fillmore Park CLO's Income Notes. The Fillmore Park CLO warehouse produced an IRR of 14.0%. BGCF's investment in the Myers Park warehouse was fully repaid on 20 September 2018, at which time BGCF invested 51.0% into Myers Park CLO's Income Notes. The Myers Park CLO warehouse produced an IRR of 14.5%. 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.

5 US CLO Warehouses may have an additional third party first loss provider invested alongside of BGCF.

Investment Activity

During 3Q 2018, BGCF invested €50.0 million in the CLO Income Notes of two European CLOs and €20.2 million ($23.7 million) in the CLO Income Notes of one US CLO.

		Size (€/S)	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%
	Marlay Park	€413.0m	BGCF	Mar-18	Apr-22	Apr-20	74bp	€20.7m	60.0%	83.0%
	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%
	Milltown Park	€410.9m	BGCF	Jun-18	Jul-22	Jul-20	78bp	€22.9m	65.0%	70.0%
	Fillmore Park	$560.8m	BGCF	Jul-18	Jul-23	Jul-20	104bp	$27.5m	54.3%	87.0%
3Q	**Richmond Park**	€549.8m	BGCF	Jul-18	Jul-21	Jul-20	75bp	€26.2m	68.3%	100.0%
	Myers Park	$509.6m	BGCF	Sep-18	Oct-23	Oct-20	112bp	$23.7m	51.0%	80.0%
	Sutton Park	€409.4m	BGCF	Oct-18	May-23	Nov-20	90bp	€23.8m	69.4%	70.0%

BGCF continues to refinance / reset existing CLO investments soon after expiration of their respective non-call periods. As no CLO investments exited their non-call periods during the third quarter, BGCF had no refinancing and resetting activities in this quarter. After the quarter ended, BGCF reset the liabilities of Phoenix Park CLO, whose reinvestment period ended in July 2018, extending its reinvestment period by 4.5 years and reducing its weighted average cost of debt spread by approximately E+10bp. This reduction is in addition to the E+21bp reduction already achieved through Phoenix Park's refinancing in 2017. As of the end of September, there were no CLOs within the portfolio that had exited their non-call period and whose refinancing option had not been executed.

		Closing Date	Refinancing Closing Date	Reinvestment Period End	If Reset, Reinvestment Period Extension	Original AAA Spread	Refinanced / Reset 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
	Dorchester Park	Feb-15	Jun-18	Jan-19	2.0 Yrs	140bp	90bp	$48.5m
4Q	***Phoenix Park***	*Jul-14*	*Oct-18*	*Oct-23*	*4.5 Yrs*	*135bp*	*96bp*	*€23.3m*

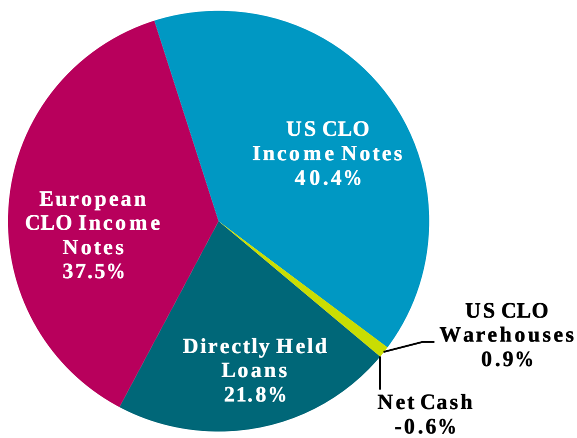
During 3Q 2018, BGCF originated approximately €715 million of senior secured loans and floating rate notes, expanding the size of the directly held portfolio. BGCF also invested an additional €16.8 million ($19.7 million) in two US CLO warehouses, one of which (Harbor Park) owned $178 million of loans in aggregate at quarter end.

	Initial Investment Date	Closing Date / [Expected Closing Date]	Investment ($)	Jun-18 Loan Exposure ($)	Warehouse IRR
Cook Park	Nov-17	Apr-18	$80.0m	-	12.3%
Myers Park	Feb-18	[Aug-18]	$14.1m	-	14.5%
Fillmore Park	Mar-18	Jul-18	$60.0m	-	14.0%
Harbor Park	Sep-18	[Nov-18]	$8.8m	$178m[6]	n/a

Portfolio Positioning

The Fund's portfolio positioning between European and US exposure remains largely unchanged versus the prior quarter. As at 30 September, 38% of BGCF's portfolio was comprised of European CLO Income Notes and 41% was comprised of US CLO Income Notes and CLO warehouses. The Fund's investment in directly held loans less borrowings was stable at 22% versus last quarter, and its net cash balance was -0.6% as a percentage of net assets at the end of September.

BGCF Portfolio as % of NAV



BGCF Portfolio Assets[7]	Current WA Asset Coupon	Current WA Liability Cost	WA Leverage	WA Remaining CLO Reinvestment Periods
EUR CLOs	3.66%	1.58%	8.4x	1.90 Years
US CLOs	5.61%	3.80%	8.9x	4.0 Years
US CLO Warehouses	4.99%	3.60%	4.0x	n/a
Directly Held Loans	3.84%	1.45%	2.5x	n/a
Total Portfolio	**4.50%**	**2.46%**	**7.3x**	**3.0 Years**

Portfolio vintage diversification is an important part of the Fund's strategy. The continued 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 the ability to take advantage of secondary market dislocations.

6 The Current Loan Exposure for the Harbor Park Warehouse is reflected on a trade date basis while the Investment amount is reflected on a settlement date basis.

7 Data for EUR and US CLOs calculated based on data available on Intex as of 30 September 2018. Data for US CLO Warehouses and Directly Held Loans calculated by GSO. Leverage is assumed to be 4:1 for US CLO Warehouses and 2:1 for Directly Held Loans. Stewart Park CLO and Dorchester Park CLO excluded from US CLO leverage calculation.

BGCF's loan portfolios, held both directly on the Fund's balance sheet and indirectly through CLO warehouses, continue to ramp at a healthy pace as capital was deployed in order to maintain flexibility with respect to the CLO creation strategy. We continually monitor the global arbitrage opportunity in order to target swift execution of favourable conditions for liability execution. The initial portfolio ramp within each external warehouse has generally consisted of primary loan transactions, which minimise any vintage effect of prepayment risk, higher secondary purchase prices, and/or credit events that may burden future CLO take-out opportunities.

III. Fund Update

Capital Raising and Call Activity

At the end of 3Q 2018, all the Fund's capital has been fully drawn and invested. Given the elevated level of demand for floating rate loans and CLOs globally, 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 US CLO liabilities.

As of 30 September 2018, BGCF's ownership was split 41.2% to BGLF and 58.8% to BGCF EUR. BGCF's ownership of the U.S. MOA was 86.0%.

Distributions

BGLF declared a dividend of €0.025 per share in respect of the period from 1 July 2018 to 30 September 2018. This dividend was payable on 23 November 2018 to shareholders on the register as at the close of business on 26 October 2018, and the corresponding ex-dividend date was 25 October 2018.

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Important Disclosure Information

On 1 October 2018, a consortium led by Blackstone announced that private equity funds managed by Blackstone have completed its acquisition of Thomson Reuter's Financial & Risk ("**F&R**") business. The Blackstone-led consortium now owns a 55 percent equity stake of the F&R business, which includes the Evaluated Pricing Service that provides valuation services to BGCF from time to time. The F&R business is now known as Refinitiv. Despite the affiliation with Blackstone, Refinitiv remains independent in its day-to-day operation.

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.

The use of this Letter in certain jurisdictions may be restricted by law. The products mentioned in this document may not be eligible for sale in some states or countries, nor suitable for all types of investors; their value and the income they produce may fluctuate and/or be adversely affected by interest rates or other factors. Prospective investors should inform themselves as to the legal requirements and tax consequences of an investment in the Fund within the countries of their citizenship, residence, domicile, and place of business.

This Letter does not constitute a financial promotion, investment advice or an inducement or incitement to participate in any product, offering, or investment. It does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase any investment nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this Letter by GSO, the Manager, Blackstone, the Fund, or any of their respective directors, officers, managers, shareholders, partners, members or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions.

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.

Blackstone / GSO Debt Funds Management Europe Limited and Blackstone / GSO Debt Funds Management Europe II Limited are authorised and regulated by the Central Bank of Ireland.

BGLF Portfolio Composition

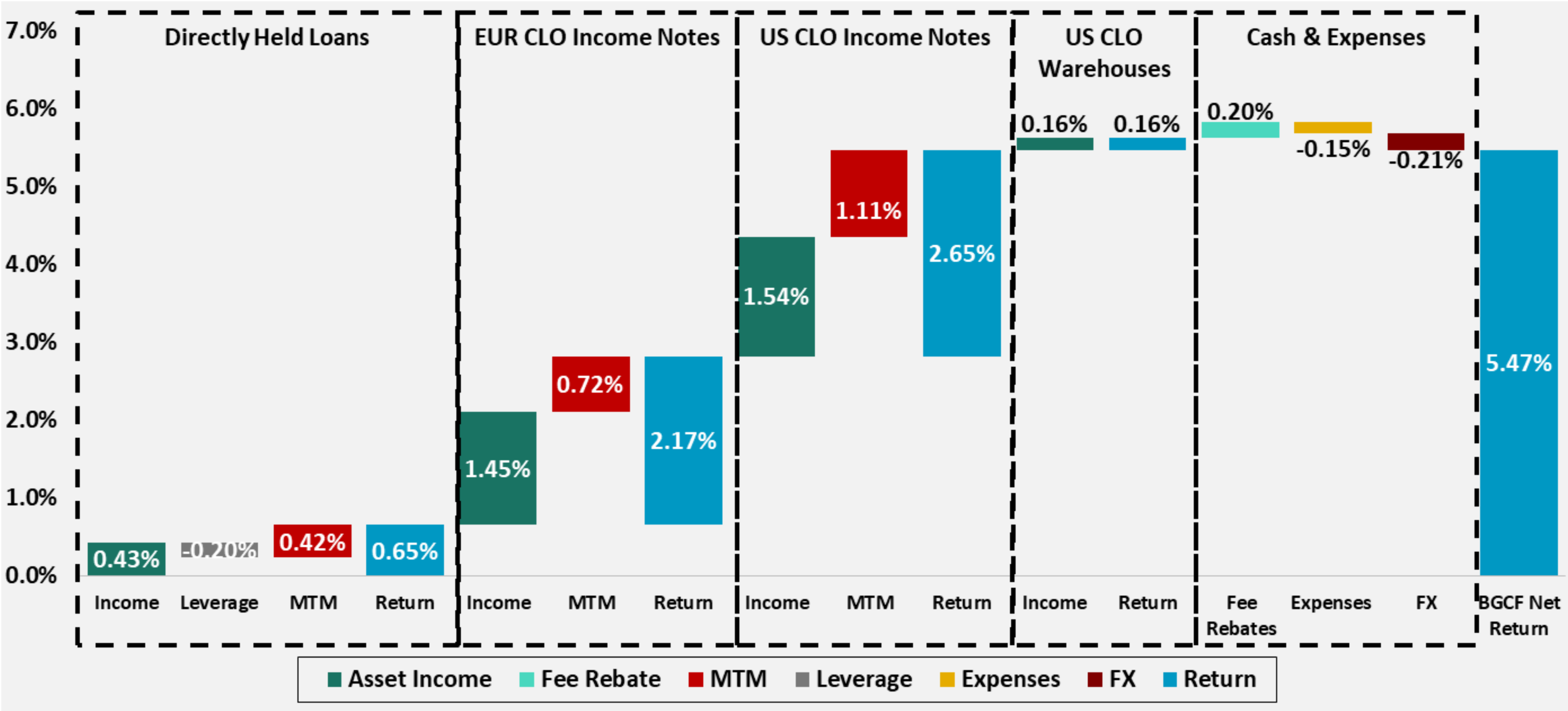
Net Asset Value: € 371,621,861.2	% of BGLF NAV
Directly Held Loans Less Leverage	21.2%
European CLO Income Notes	36.5%
US CLO Income Notes	39.4%
US CLO Warehouses	0.8%
Net Cash and Expenses	2.1%
Total	**100.0%**

Footnotes
Data as of 30 September 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.

BGLF Control CLO Income Note Investments

	Investing Entity	Closing Date	Refinancing / Reset 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]	Net Interest Margin	NIM 3 Months Prior	Interest Diversion Cushion[2]
EUR CLO Income Notes																		
Phoenix Park	BGCF	Jul-14	Jan-17	Jul-16	0.0	€ 413.3	€ 45.3	€ 9.6	€ 9.1	51.4%	1.6%	17.1%	68.5%	1.54%	3.56%	2.03%	2.07%	3.38%
Sorrento Park	BGCF	Oct-14	May-17	Nov-16	0.1	€ 517.0	€ 57.0	€ 12.2	€ 11.6	51.8%	2.0%	17.8%	68.3%	1.44%	3.71%	2.27%	2.25%	1.75%
Castle Park	BGCF	Dec-14	Mar-17	Jan-17	0.3	€ 415.0	€ 46.0	€ 15.3	€ 14.0	80.4%	2.8%	17.4%	62.3%	1.52%	3.72%	2.20%	2.22%	3.69%
Dartry Park	BGCF	Mar-15	Jul-17	Apr-17	0.6	€ 411.1	€ 44.6	€ 9.4	€ 8.9	51.1%	1.7%	15.3%	51.7%	1.63%	3.62%	1.99%	1.91%	2.17%
Orwell Park	BGCF	Jun-15	Aug-17	Jul-17	0.8	€ 415.0	€ 47.5	€ 10.0	€ 9.2	51.0%	1.9%	16.5%	51.5%	1.44%	3.74%	2.30%	2.27%	3.81%
Tymon Park	BGCF	Dec-15	Jan-18	Jan-18	1.3	€ 414.0	€ 44.5	€ 9.4	€ 8.5	51.0%	2.1%	14.9%	38.6%	1.31%	3.70%	2.39%	2.35%	4.58%
Elm Park	BGCF	May-16	Apr-18	Apr-18	1.5	€ 558.2	€ 56.9	€ 13.2	€ 13.2	56.1%	3.4%	11.5%	24.6%	1.37%	3.65%	2.28%	2.28%	3.99%
Griffith Park	BGCF	Sep-16	n/a	Oct-18	1.9	€ 453.6	€ 48.7	€ 12.0	€ 10.6	59.5%	2.0%	11.4%	21.1%	2.19%	3.69%	1.50%	1.51%	3.70%
Clarinda Park	BGCF	Nov-16	n/a	Nov-18	2.1	€ 415.1	€ 45.1	€ 9.5	€ 8.0	51.2%	1.6%	11.5%	20.0%	2.03%	3.73%	1.70%	1.65%	4.08%
Palmerston Park	BGCF	Apr-17	n/a	Apr-19	2.5	€ 414.5	€ 45.0	€ 11.6	€ 10.3	62.2%	2.2%	14.8%	18.7%	1.73%	3.58%	1.85%	1.81%	4.10%
Clontarf Park	BGCF	Jul-17	n/a	Aug-19	2.8	€ 413.6	€ 43.3	€ 12.0	€ 10.8	66.9%	2.4%	14.3%	15.2%	1.58%	3.60%	2.02%	1.97%	3.93%
Willow Park	BGCF	Nov-17	n/a	Jan-20	3.8	€ 412.4	€ 38.4	€ 9.6	€ 8.7	60.9%	2.2%	17.3%	10.8%	1.58%	3.63%	2.05%	1.93%	4.30%
Marlay Park	BGCF	Mar-18	n/a	Apr-20	3.5	€ 413.0	€ 41.0	€ 10.1	€ 8.5	60.0%	2.5%	n/a	n/a	1.40%	3.63%	2.23%	2.26%	4.31%
Milltown Park	BGCF	Jun-18	n/a	Jul-20	3.8	€ 410.9	€ 37.1	€ 9.9	€ 9.4	65.0%	2.5%	n/a	n/a	1.49%	3.65%	2.16%	2.16%	4.00%
Richmond Park	BGCF	Jul-18	n/a	Jul-20	2.8	€ 549.8	€ 67.6	€ 19.0	€ 10.8	68.3%	3.0%	n/a	n/a	1.51%	3.67%	2.15%	n/a	4.38%
Sutton Park	BGCF	Oct-18	n/a	Nov-20	4.6	€ 409.4	€ 36.0	€ 10.3	€ 9.8	69.4%	2.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EUR CLO Income Note Total					**2.0**			**€ 183.0**	**€ 161.5**		**36.5%**	**15.0%**	**38.0%**	**1.58%**	**3.66%**	**2.08%**	**2.05%**	**3.74%**
US CLO Income Notes																		
Dorchester Park	BGCF	Feb-15	Jun-18	Apr-20	1.6	$533.4	$66.4	$ 20.0	$ 15.8	73.0%	2.9%	16.7%	56.6%	3.77%	5.54%	1.78%	1.70%	4.34%
Grippen Park	US MOA	Mar-17	n/a	Apr-19	3.6	$611.4	$59.4	$ 14.7	$ 13.0	60.0%	2.4%	12.9%	17.4%	4.08%	5.60%	1.52%	1.38%	4.03%
Thayer Park	US MOA	May-17	n/a	Apr-19	3.6	$514.6	$54.6	$ 12.3	$ 10.4	54.6%	1.9%	19.7%	23.2%	4.11%	5.60%	1.49%	1.39%	3.61%
Catskill Park	US MOA	May-17	n/a	Apr-19	3.6	$1,028.5	$108.5	$ 26.9	$ 23.5	60.0%	4.1%	18.2%	21.4%	4.07%	5.58%	1.51%	1.39%	3.20%
Dewolf Park	US MOA	Aug-17	n/a	Oct-19	4.0	$613.5	$61.5	$ 15.2	$ 13.5	60.0%	2.6%	17.7%	15.6%	3.04%	5.67%	2.62%	2.54%	4.08%
Gilbert Park	US MOA	Oct-17	n/a	Oct-19	4.0	$1,022.0	$102.0	$ 24.8	$ 22.5	59.0%	4.4%	18.8%	13.7%	4.02%	5.67%	1.65%	1.54%	3.92%
Long Point Park	US MOA	Dec-17	n/a	Jan-20	4.3	$610.8	$58.8	$ 13.8	$ 12.5	56.9%	2.6%	21.4%	11.8%	3.76%	5.74%	1.98%	2.50%	3.76%
Stewart Park	US MOA	Jan-18	n/a	Jan-20	4.3	$880.3	$183.9	$ 52.3	$ 15.8	69.0%	3.5%	19.9%	9.8%	3.80%	5.59%	1.80%	1.64%	3.19%
Greenwood Park	US MOA	Mar-18	n/a	Apr-20	4.5	$1,074.7	$107.6	$ 26.2	$ 23.3	59.1%	5.1%	n/a	n/a	3.54%	5.64%	2.10%	1.97%	4.60%
Cook Park	US MOA	Apr-18	n/a	Apr-20	4.5	$1,025.0	$107.0	$ 24.8	$ 22.7	56.1%	4.9%	n/a	n/a	3.68%	5.61%	1.93%	1.80%	4.14%
Fillmore Park	BGCF	Jul-18	n/a	Jul-20	4.8	$560.8	$55.6	$ 12.5	$ 11.4	54.3%	2.8%	n/a	n/a	3.86%	5.45%	1.59%	n/a	4.19%
Myers Park	BGCF	Sep-18	n/a	Oct-20	5.1	$509.6	$52.6	$ 11.1	$ 9.8	51.0%	2.3%	n/a	n/a	3.95%	5.73%	1.78%	n/a	4.01%
US CLO Income Note Total					**4.0**			**$ 254.6**	**$ 194.3**		**39.4%**	**18.5%**	**19.4%**	**3.80%**	**5.61%**	**1.81%**	**1.74%**	**3.92%**
Global CLO Income Note Total					**3.1**			**€ 402.3**	**€ 328.8**		**75.9%**	**16.9%**	**28.0%**	**2.82%**	**4.75%**	**1.93%**	**1.88%**	**3.80%**

BGCF 3Q 2018 Return Contributors

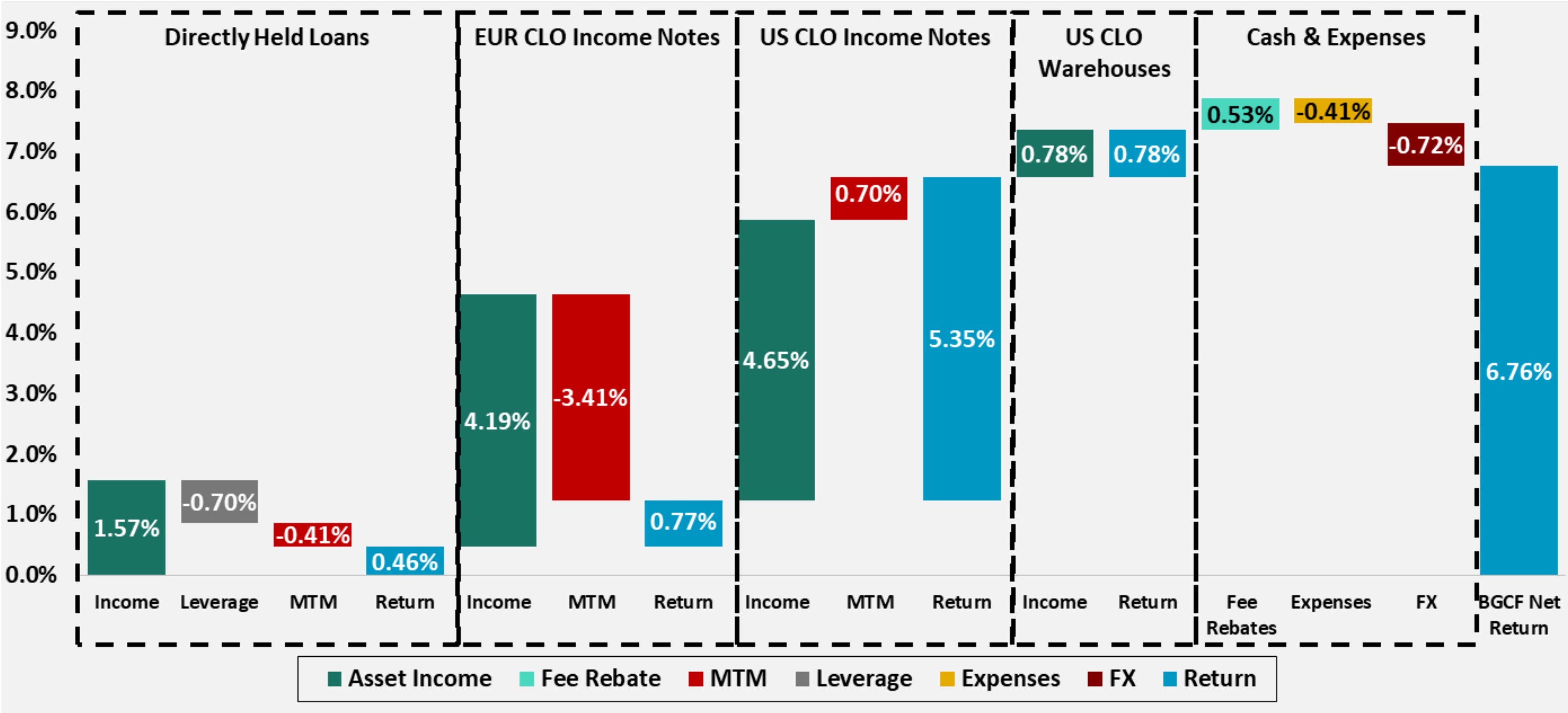


Footnotes

Source: GSO. Represents Blackstone / GSO Corporate Funding DAC ("**BGCF**") cumulative returns from 1 July 2018 to 30 September 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.

BGCF 2018 Year-to-Date Return Contributors



Footnotes

Source: GSO. Represents Blackstone / GSO Corporate Funding DAC ("BGCF") cumulative returns from 1 January 2018 to 30 September 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.

BGLF Historical Monthly Returns

2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
BGLF € NAV	0.52%	-0.21%	-1.23%	0.40%	0.08%	1.50%	1.89%	1.46%	1.81%				**6.35%**
European Loans	0.66%	0.13%	0.10%	0.47%	0.03%	-0.49%	0.51%	0.36%	0.57%				**2.37%**
US Loans	1.08%	0.18%	0.32%	0.49%	0.19%	0.10%	0.83%	0.41%	0.68%				**4.36%**
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%**
US 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%**
US Loans	-0.73%	-0.56%	2.64%	1.90%	0.91%	0.03%	1.41%	0.79%	0.87%	0.77%	0.32%	1.15%	**9.88%**
2015	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF € 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%**
US Loans	0.26%	1.41%	0.39%	0.90%	0.20%	-0.31%	0.09%	-0.65%	-0.67%	-0.14%	-0.89%	-0.95%	**-0.38%**
2014	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**YTD**
BGLF € 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%**
US Loans								0.23%	-0.52%	0.29%	0.46%	-1.10%	**-0.65%**

Footnotes
Credit Suisse, Western European Leveraged Loan Index, Hedged to EUR, and US Leveraged Loan Index, as of 30 September 2018. Past performance is not indicative of future results. This is for illustrative purposes only.