

# Blackstone / GSO Long-Short Credit Income Fund

4Q 2011  
BGX

12.31.2011

## BGX's Objective & Strategy

- Blackstone / GSO Long-Short Credit Income Fund (the "Fund" or "BGX") is a non-diversified, closed-end management investment company. The Fund's primary investment objective is to provide current income, with a secondary objective of capital appreciation.
- The Fund will employ a long-short strategy that is designed to provide a consistent level of current income and potentially a more stable NAV through various credit and interest rate environments. First- and second-lien secured loans ("Secured Loans") have historically provided stability under a variety of market conditions and will be the core (a minimum of 70%) of the Fund's long portfolio, which GSO / Blackstone Debt Funds Management LLC (the "Adviser") believes offers the potential for attractive returns under various economic and interest rate environments. The short strategy provides potential to mitigate risks and enhance total return and will be in investments that the Adviser believes will under-perform due to a greater sensitivity to earnings growth of the issuer, default risk or interest rates.
- The Fund's long positions may total up to 130% of the Fund's net assets and short positions may total up to 30% of net assets. The Fund's portfolio will be diversified across predominantly U.S. corporate issuers of Secured Loans and high yield debt, which will typically be rated below investment grade.
- The Fund's Adviser will use a research-driven credit analysis approach designed to identify companies which offer attractive risk / return characteristics. The Adviser maintains a rigorous investment process based on thorough due diligence and judgment.

## BGX Total Return

as of 12.31.2011

	3 MONTH	6 MONTH	SINCE INCEP.
Blackstone / GSO Long-Short Credit Income Fund			
NAV	5.72%	-0.75%	0.51%
Market Price	0.74%	-10.25%	-9.48%
70% CS Leveraged Loan Index, 30% CS High Yield Index	3.71%	-0.60%	1.00%

Performance data quoted represents past performance and does not guarantee future results.

Credit Suisse (CS) Leveraged Loan Index is an unmanaged market value-weighted index designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. New issues are added to the index on their effective date if they qualify according to the following criteria: loan facilities must be rated "BB" or lower; only fully-funded term loan facilities are included; and issuers must be domiciled in developed countries.

Any comparisons herein of the investment performance of the Fund to an index are qualified as follows: (i) the volatility of the index may be materially different from that of the Fund; (ii) the index may employ different investment guidelines and criteria than the Fund and, therefore, holdings in the Fund may differ significantly from holdings of the securities that comprise the index; and (iii) the performance of the index may not necessarily have been selected to represent an appropriate index to compare to the performance of the Fund, but rather, is disclosed to allow for comparison of the Fund's performance to that of a well-known index. No representation is made as to the risk profile of any index relative to the risk profile of the Fund.

Investment returns and principal value will fluctuate, and when sold, your investment may be worth more or less than its original cost. Performance current to the most recent month-end may be lower or higher than performance quoted and can be obtained by calling 1.877.876.1121.

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## Top 10 Holdings

AS % OF MANAGED ASSETS

Presidio, Inc., Senior Secured First Lien Term B Loan	1.71%
Capital Safety Group, Ltd., Senior Secured First Lien Term Loan	1.67%
Armored AutoGroup, Inc. (fka Viking Acquisition, Inc. (aka Global AutoCare)), Senior Secured First Lien Term B Loan	1.63%
Chrysler Group LLC, Senior Secured Tranche B First Lien Term Loan	1.60%
Carestream Health, Inc. (aka Onex Carestream Finance LP), Senior Secured First Lien Term B Loan	1.55%
Sorenson Communications, Inc., Senior Secured First Lien Tranche C Term Loan	1.55%
Drumm Investors LLC (aka Golden Living), Senior Secured Term Loan	1.52%
Fairway Group Acquisition Co., Senior Secured First Lien Term Loan	1.51%
Sprouts Farmers Market LLC, Senior Secured First Lien Initial Term Loan	1.46%
Sensus USA, Inc. (fka Sensus Metering Systems), Senior Secured Second Lien Term Loan	1.27%
<b>TOP 10 HOLDINGS</b>	<b>15.46%</b>

Portfolio holdings and distributions are subject to change and are not recommendations to buy or sell any security.

## Top 5 Industries

Healthcare and Pharmaceuticals	11.38%
High Tech	10.71%
Telecommunications	10.59%
Retail	9.96%
Services - Business	6.55%
<b>TOP 5 INDUSTRIES</b>	<b>49.19%</b>

## BGX Fund Facts

Symbol NYSE: BGX  
 Inception Date: 1.28.2011  
 Inception Share Price: \$20.00  
 Monthly Dividend: \$0.108  
 Market Price\*: \$17.06  
 NAV\*: \$18.09  
 Net Assets\*: \$229.73 Million  
 Shares Outstanding\*: 12,694,664

\* As of 12.31.11.



1.877.299.1588 **PRODUCT INFORMATION**

www.blackstone-gso.com/bgx

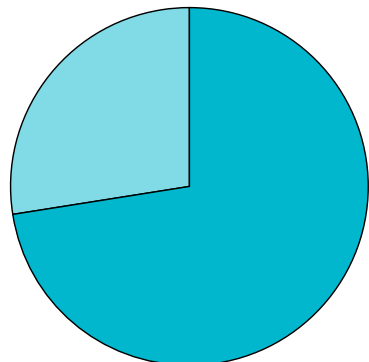
Blackstone

G S O

CAPITAL PARTNERS

# Blackstone / GSO Long-Short Credit Income Fund

## BGX's Portfolio Composition



### SECTOR BREAKDOWN

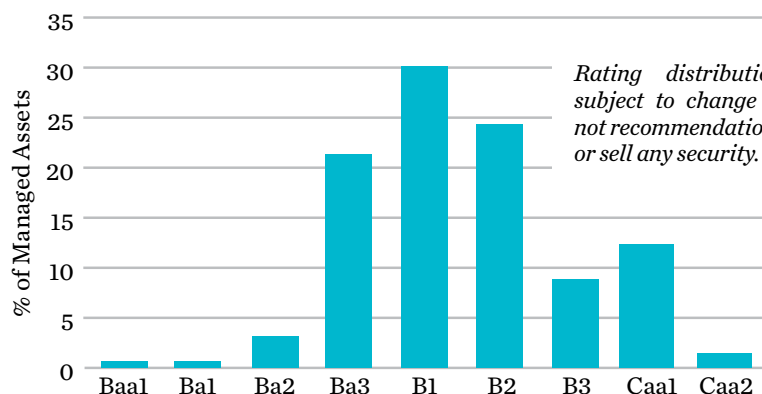
■ Secured Loans*	74.54%
■ High Yield Bonds	28.24%
Net Cash and Other Assets	
Less Liabilities**	0%

Portfolio holdings and distributions are subject to change and are not recommendations to buy or sell any security.

\* Includes 12.61% invested in Secured Loans through total return swaps.

\*\* The Fund's Net Cash and Other Assets Less Liabilities includes amounts payable for investments purchased but not yet settled and amounts receivable for investments sold but not yet settled. At period end, the amounts payable for investments purchased but not yet settled exceeded the amount of cash on hand, and the Fund's Net Cash and Other Assets Less Liabilities therefore equaled -2.78% of the Fund's Managed Assets. The Fund uses funds from its securities lending program to settle amounts payable for investments purchased, but such funds are not reflected in the Fund's net cash.

## BGX's Moody's Rating Distribution



Rating distributions are subject to change and are not recommendations to buy or sell any security.

## Portfolio Characteristics

Weighted Average Loan Spread	5.15%
Weighted Average Bond Coupon	8.48%
Current Dividend Yield †	7.60%
Weighted Average Days to Reset	54
Average Position*	0.82%
Long Positions**	128.77%
Short Positions**	0.00%
Net Positions**	100.00%

† Using current dividend rate of \$0.108/share and market price per share as of 12/31/2011.

\* As a percentage of Managed Assets.

\*\* As a percentage of Net Assets.

Credit Suisse (CS) High Yield Index is an unmanaged market value-weighted index designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market. New issues are added to the index upon issuance if they qualify according to the following criteria: issues must be publicly registered in the United States or issued under Rule 144A with registration rights; issues must be rated "BB" or lower; the minimum amount outstanding is \$75 million; and issues must be U.S. dollar-denominated straight corporate debt, including cash-pay, zero-coupon, stepped-rate and pay-in-kind (PIK) bonds. Floating-rate and convertible bonds and preferred stock are not included; if an issuer has more than two issues outstanding, only the two most liquid issues are included in the index.

An investment in the Fund is not appropriate for all investors and is not intended to be a complete investment program. The Fund is designed as a long-term investment and not as a trading vehicle.

Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or even all of your investment. Therefore, before investing you should consider carefully the Fund's investment objectives, risks, charges and expenses.

For more complete information about the Fund, please contact your financial professional.

Shares of closed-end investment companies frequently trade at a discount from their net asset value.

<sup>(1)</sup> Source: JP Morgan

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## Portfolio Management Quarterly Update

An abatement of negative European sovereign debt crisis headlines, improved US economic data and favorable technical factors resulted in credit market returns during Q4\_11. The Credit Suisse Leverage Loan Index returned 2.72% during Q4\_11 compared to 6.02% and 12.77% for the Credit Suisse High Yield Index and the Dow Jones Industrial Average, respectively.

In recent history, retail loan mutual fund flows have typically been correlated with secondary loan market demand and loan trading levels. Loan mutual fund outflows were only \$1.7 billion during Q4\_11, compared to \$8.4 billion during Q3\_11<sup>(1)</sup>. We believe that the reduced outflows combined with managers' large cash positions, limited new issue supply and favorable debt and equity markets helped lift secondary loan market prices.

The average price of the Credit Suisse Leveraged Loan Index improved from 90.35% (of par) at 9.30.11 to 92.19% at 12.31.11. The average price of the Credit Suisse High Yield Index improved from 95.02% (of par) at 9.30.11 to 98.78% at 12.31.11. Lower quality loans and bonds significantly outperformed higher quality ones during Q4\_11. This is indicative of the 'risk on' mentality that returned to the domestic markets during Q4\_11.

Loan default rates declined while high yield bond default rates slightly increased during Q4\_11 as four loans and fourteen bonds defaulted. Leveraged loan and high yield bond last twelve month default rates ended Q4\_11 at 0.4% and 1.5% (par amount), respectively, compared to Q3\_11 rates of 0.5% and 1.2%. This is down considerably from peaks of 12.8% and 10.3%, respectively, at 12.31.09, according to JPMorgan. JPMorgan has forecast leveraged loan and high yield bond default rates between 1.5-2.0% through 2013.

## Portfolio Management Team

### YEARS IN LEVERAGED FINANCE

Lee M. Shaiman	29
Daniel H. Smith, Jr.	24
Douglas Paolillo	20
Debra Anderson	18
Daniel T. McMullen	18
James Didden	17
Faris Saah	15
Robert Zable	14

The Fund's portfolio managers are supported by a seasoned research team that covers over 800 borrowers, representing a broad range of industry sectors.