Blackstone / GSO Long-Short Credit Income Fund
Form N-CSR
March 09, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-22488

Blackstone / GSO Long-Short Credit Income Fund

(exact name of registrant as specified in charter)

345 Park Avenue, 31st Floor

New York, New York 10154

(Address of principal executive offices) (Zip code)

Marisa Beeney

345 Park Avenue, 31st Floor

New York, New York 10154

Registrant s telephone number, including area code: 877-876-1121

Date of fiscal year end: December 31

Date of reporting period: January 1, 2015 December 31, 2015

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Item 1. **Report to Stockholders.**

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December 31, 2015 (Unaudited)

To Our Shareholders:

Returns across dollar-denominated asset classes were subpar in 2015 as macroeconomic factors caused investors to take a cautious approach in managing their portfolios. Concerns overhanging the markets included diverging monetary policy between the US and other major central banks, global growth concerns and falling commodity prices. The high yield and loan markets produced negative annual returns for the first time since the beginning of the financial crisis. The Barclays High Yield Index (Barclays HYI) lost 4.47% in 2015, the fourth-worst year in its 31-year history. The S&P/LSTA Leveraged Loan Index (S&P LLI) fared better but still fell 0.69%, representing only the second negative annual return in its 19-year history. Investment grade bonds performed roughly in line with the overall US bond market with the Barclays Aggregate gaining 0.55% and US investment grade corporate bonds losing 0.68%. Emerging market debt was one of the best asset classes, gaining 1.29%. Equity performance was mixed, led by large-cap equities (S&P 500 +1.37%).

Although the poor performance in 2015 was driven in part by fundamental developments, such as the commodity sell off, technicals played an important role as well. The three largest types of loan buyers stepped back during the year, which resulted in decreased demand. CLOs are the largest buyers of senior loans but production of CLOs slowed in 2015 to $97.9bn from a record $124.1bn the prior year.[1] Next, mutual funds experienced additional outflows. According to JP Morgan, retail investors pulled $20.3bn from loan mutual funds and $13.4bn from high yield funds. Lastly, distressed hedge funds suffered outflows following poor performance in 2014 and 2015. The one source of demand we saw grow in 2015 was from institutions which typically focus on high-quality companies. The institutional inflows were not enough to offset the decline in demand from other investor types but were enough to stabilize high-quality loan valuations.

2015 Total Returns	
US Loans (S&P/LSTA Leveraged Loan Index)	-0.69%
US High Yield Bonds (Barclays High Yield Index)	-4.47%
3-month Treasury Bills (BofA Merrill Lynch US 3-Month Treasury Bill Index)	0.05%
10-Year Treasuries (BofA Merrill Lynch 10-Year US Treasury Index)	0.91%
US Aggregate Bonds (Barclays US Aggregate Bond Index)	0.55%
US Investment Grade Bonds (Barclays US Corporate Investment Grade Index)	-0.68%
Emerging Markets (Barclays EM USD Aggregate Index)	1.29%
US Large Cap Equities (S&P 500® Index)	1.37%

Sources: Barclays, Bloomberg, S&P/LCD

Consequently, within high yield and senior loans, performance was uneven with double-B loans producing

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You

positive returns while the *cannot invest directly in an index.*
rest of the market closed in negative territory. According to S&P/LSTA, double-B loans manufactured a respectable 2.23% return last year, easily outpacing single-B loans (-0.82%) and triple-C loans (-8.43%). A similar trend occurred in high yield where the Barclays Ba Index outperformed its lower-rated counterparts, but even higher-quality bonds lost ground in 2015. Double-B bonds lost 1.00% while single-B bonds lost 4.72% and triple-C bonds lost 12.11%.

The Federal Reserve finally raised rates at its December 16 meeting, ending its 7-year zero interest rate policy. Even though lift off didn t occur until the last month of the year, the effect of the Fed tightening has been felt since the second half of 2014 when the dollar began to strengthen and commodities commenced their precipitous decline. The Atlanta Federal Reserve estimates a Shadow Federal Funds Rate, which adjusts the actual Federal Funds Rate for other factors such as curve shape and quantitative easing. This measure bottomed at -3% in May 2014 and has been steadily rising ever since, closing 2015 at 0.2%. Even though we are at the beginning of the rate hike cycle, we are in the middle of the tightening phase.

Volatility will likely continue in 2016 as the factors influencing the market remain unresolved. One of the biggest questions for speculative-grade investors in 2016 will be the potential for a turn in the credit cycle. As mentioned above, triple-C paper dramatically underperformed in 2015, leaving valuations at multi-year lows. The average price of triple-C bonds was 71.57% of par at year end, the lowest price since May 2009. A similar story exists in senior loans, with triple-C loans trading at a 3 ½-year low of 73.59% of par. Naturally, as funding costs rise for low-quality companies, the potential for increasing defaults becomes more likely. However, excluding commodities, default rates are expected to be 1.5% for both loans and high yield bonds, below their long-term averages of 3.3% and 3.6%, respectively.[2]

Loans remain attractively priced with only 1.3% of the market trading above par. Wall Street strategists forecast 2016 total returns for loans and high yield bonds of 2.5% to 5.5% and (2.5%) to 5.5%, respectively. With yields for investment grade products meager, investors still have to move lower in quality to obtain high yields, though active management and careful credit selection are critical. Loans have the potential to continue to benefit from the Fed s expected rate hikes and offer investors attractive returns compared to other income-oriented products.

1 S&P/LCD.
2 JP Morgan.

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December 31, 2015 (Unaudited)

At GSO / Blackstone, we value your continued investment and confidence in us and in our family of funds. Additional information about our funds is available on our website at www.blackstone-gso.com.

Sincerely,

GSO / Blackstone Debt Funds Management LLC

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Blackstone / GSO Senior Floating Rate Term Fund Fund Summary

December 31, 2015 (Unaudited)

Fund Overview

Blackstone / GSO Senior Floating Rate Term Fund (BSL or herein, the Fund) is a closed-end term fund that trades on the New York Stock Exchange under the symbol BSL . BSL s primary investment objective is to seek high current income, with a secondary objective to seek preservation of capital, consistent with its primary goal of high current income. Under normal market conditions, the fund invests at least 80% of its total assets in senior, secured floating rate loans (Senior Loans). BSL may also invest in second-lien loans and high yield bonds and employs financial leverage, which may increase risk to the fund. The Fund has a limited term, and absent shareholder approval to extend the life of the Fund, the Fund will dissolve on or about May 31, 2020.

Portfolio Management Commentary

Fund Performance

BSL underperformed its key benchmark, the S&P LLI, on a Net Asset Value (NAV) per share basis for the periods of three months, six months, one year, three years, five years, and the life of the Fund since inception. On a share price basis, the Fund also underperformed its benchmark over those periods. The shares of the Fund traded at an average discount to NAV of 6.8% for the twelve months ended December 31, compared to its peer group average discount of 9.5% over the same time.[1]

NAV Performance Factors[2]

The Fund s strong outperformance relative to its benchmark during the first half of 2015 was more than offset by underperformance during the extraordinarily challenging market conditions of the latter half of the year. For the full year, a significant portion of the Fund s underperformance relative to the benchmark in 2015 was attributable to the outperformance of higher-rated (BB- or above), generally lower coupon loans, to which the Fund was under-allocated (8.6% vs. 44.7% for the benchmark). The Fund may rotate into higher quality loans as their spreads widen, though currently expects to remain under-allocated versus its benchmark. By sector, the Fund s credit selection in consumer discretionary, telecom, and industrials, as well as over-allocations to utilities (7.4% versus 4.9% for the benchmark) and energy (5.3% versus 3.8%), were the top detractors from performance relative to its benchmark. This was partially offset by positive contributions from credit selection within utilities and energy. By issuer, the largest detractors of performance relative to the benchmark were Avaya and Sports Authority, which were partially offset by avoiding TXU.

Portfolio Activity and Positioning

Over the past year, BSL reduced its exposure to energy, oil and gas and retail, and increased its exposure to construction and building and banking, finance, insurance, and real estate companies. The Fund maintained a minimal cash balance throughout the period, decreased its allocation in high yield bonds, and increased its allocation into second lien loans, selectively increasing its triple-C assets. BSL continued to recover some of the portfolio loan spread lost last year, increasing the average loan spread 23 basis points and its average high yield bond coupon 42 basis points from the end of 2014.

As of December 31, 2015, the Fund held over 97% of its Managed Assets in bank loans and around 2% in high yield bonds. BSL s investments represented the obligations of 166 companies diversified across 28 distinct industries, with an average position size representing 0.53% of Managed Assets and the top five industry groups representing 46% of total holdings of the Fund. High tech industries, business services and healthcare represent the Fund s top industry weightings.

[1] *Average discount and peer group per Morningstar.*
[2] *Industries per the Global Industry Classification Standard.*

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Blackstone / GSO Senior Floating Rate Term Fund | Fund Summary

December 31, 2015 (Unaudited)

** *For more information on Moody s ratings and descriptions refer to www.moodys.com.*

Portfolio Characteristics

Weighted Average Loan Spread^	5.39%
Weighted Average Bond Coupon	8.12%
Current Dividend Yield	7.27%
Weighted Average Days to Reset	68
Effective Duration*	0.31
Average Position**	0.53%
Leverage**	32.98%

^ *Spread over LIBOR inclusive of LIBOR floors.*
Using current dividend rate of $0.090/share and market price/share as of December 31, 2015.
* *Loan durations are treated as 3 months because of LIBOR resets, however, the effective rate for loans with LIBOR floors will not change if LIBOR is below the floor.*
** *As a percentage of Managed Assets.*

Top 10 Holdings*

Avaya Inc, Senior Secured First Lien Term B-7 Loan	2.09%
Numericable US LLC, Senior Secured First Lien USD Term B6 Loan	1.81%
Aspect Software Inc, Senior Secured First Lien Tranche B Non-PIK Term Loan	1.65%
Jeld-Wen Inc, Senior Secured First Lien Initial Term Loan	1.40%
Compuware Corporation, Senior Secured Second Lien Term Loan	1.37%
Microsemi Corporation, Senior Secured First Lien Term B Loan	1.36%
SESAC Holdco II LLC, Senior Secured First Lien Term Loan	1.33%
Sensus USA Inc, Senior Secured Second Lien Term Loan	1.32%
Crossmark Holdings Inc, Senior Secured First Lien Term Loan	1.25%
Inmar Inc, Senior Secured First Lien Initial Term Loan	1.18%
Top 10 Holdings	**14.76%**

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

Top 5 Industries*^

High Tech Industries	18.06%
Services - Business	8.58%

Healthcare and Pharmaceuticals	6.93%
Construction and Building	6.13%
Banking, Finance, Insurance and Real Estate	6.06%

BSL Total Return

	3 Month	6 Month	1 Year	3 Year	5 Year	Since Inception
NAV	-5.86%	-9.07%	-5.19%	0.38%	2.87%	3.69%
Market Price	-4.12%	-9.97%	-4.72%	-3.67%	1.06%	1.53%
S&P/LSTA Leveraged Loan Index	-2.10%	-3.42%	-0.69%	2.04%	3.41%	4.16%

* *As a percentage of Managed Assets.*
Annualized.
^ *Industries per S&P.*

December 31, 2015 (Unaudited)

Fund Overview

Blackstone / GSO Long-Short Credit Income Fund (BGX or herein, the Fund) is a closed-end fund that trades on the New York Stock Exchange under the symbol BGX . BGX s primary investment objective is to provide current income, with a secondary objective of capital appreciation. BGX will take long positions in investments which we believe offer the potential for attractive returns under various economic and interest rate environments. BGX may also take short positions in investments which we believe will under-perform due to a greater sensitivity to earnings growth of the issuer, default risk or the general level and direction of interest rates. BGX must hold no less than 70% of its Managed Assets in first-and second-lien secured floating rate loans (Secured Loans), but may also invest in unsecured loans and high yield bonds. BGX may use financial leverage and derivatives in employing its long strategy for up to a total of 150% of net assets.

Portfolio Management Commentary

Fund Performance

BGX underperformed a composite weighting of the S&P LLI and the Barclays HYI (70% loans, 30% high yield bonds) on a NAV per share basis for the periods of three months, six months, one year, three years, and the life of the Fund since inception. On a share price basis, the Fund also underperformed its benchmark over those periods. The shares of the Fund traded at an average discount to NAV of 13.5% for the last twelve months ending December 31, compared to its peer group average discount of 12.5% over the same time. [1]

NAV Performance Factors[2]

The Fund s strong outperformance relative to its benchmark during the first half of 2015 was more than offset by underperformance during the extraordinarily challenging market conditions of the latter half of the year. For the full year, a significant portion of the Fund s underperformance relative to the benchmark in 2015 was attributable to the outperformance of higher-rated (BB- or above), generally lower coupon loans, to which the Fund was under-allocated. The Fund may rotate into higher quality loans as their spreads widen, though currently expects to remain under-allocated versus its benchmark. By sector, the Fund s credit selection in consumer discretionary, telecom, and industrials, as well as an over-allocation to utilities (6.6% versus 4.4% for the benchmark), were the top detractors from performance relative to its benchmark. This was partially offset by positive contributions from credit selection within utilities and energy, as well as an over-allocation to industrials (21.6% vs. 15.6% for the benchmark). By issuer, the largest detractors of performance relative to the benchmark were Avaya, Sports Authority and Payless, which were partially offset by avoiding TXU.

Portfolio Activity and Positioning

Over the year, BGX reduced its exposure to retail and energy, oil and gas, and increased its exposure to business services and utilities electric companies. The Fund also allocated more of its portfolio to high yield bonds while reducing its holdings of Secured Loans, which reduced the average rating of the Fund s underlying positions. The Fund s cash balance remained stable throughout the period. The portfolio average loan spread increased by 51 basis points, and the average high yield bond coupon increased by 45 basis points from the end of 2014.

As of December 31, 2015, 74% of BGX s assets were invested in Secured Loans and 21% were invested in high yield bonds. The Fund also held two positions totaling 2% of its assets in the Ba3 rated tranche of collateralized loan obligations. In the aggregate, BGX s positions represent the direct obligations of 177 companies diversified across 27 distinct industries, with an average position representing 0.50% of Managed Assets. The top five industry groups represented 47% of total holdings of the Fund.

[1] *Average discount and peer group per Morningstar.*
[2] *Industries per the Global Industry Classification Standard.*

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Blackstone / GSO Long-Short Credit Income Fund Fund Summary

December 31, 2015 (Unaudited)

** *For more information on Moody s ratings and descriptions refer to www.moodys.com.*

Portfolio Characteristics

Weighted Average Loan Spread^	5.81%
Weighted Average Bond Coupon	8.75%
Current Dividend Yield	8.72%
Weighted Average Days to Reset	65
Effective Duration*	0.93
Average Position**	0.50%
Long Positions***	145.70%
Short Positions***	0.00%
Net Positions***	145.70%
Leverage**	32.97%

^ *Spread over LIBOR inclusive of LIBOR floors.*
Using current dividend rate of $0.098/share and market price/share as of December 31, 2015.
* *Loan durations are treated as 3 months because of LIBOR resets, however, the effective rate for loans with LIBOR floors will not change if LIBOR is below the floor.*
** *As a percentage of Managed Assets.*
*** *As a percentage of net assets.*

Top 10 Holdings*

Aspect Software Inc, Senior Secured First Lien Tranche B Non-PIK Term Loan	1.60%
Compuware Corporation, Senior Secured First Lien Tranche B-2 Term Loan	1.59%
Onex Carestream Finance LP, Senior Secured Second Lien Term Loan	1.49%
Panda Sherman Power LLC, Senior Secured First Lien Term Loan	1.48%
Palace Entertainment Holdings LLC, Senior Secured Bond	1.35%
Symphony Ltd, Senior Secured Collateralized Loan Obligation	1.32%
Microsemi Corporation, Senior Secured First Lien Term B Loan	1.27%
Scientific Games Corp, Senior Secured Bond	1.26%
Lineage Logistics LLC, Senior Secured First Lien Term Loan	1.21%
Avago Technologies Cayman Finance Limited, Senior Secured First Lien Term B Loan	1.17%
Top 10 Holdings	**13.74%**

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

Top 5 Industries*^

High Tech Industries	15.35%
Services - Business	9.59%
Banking, Finance, Insurance and Real Estate	7.96%
Healthcare and Pharmaceuticals	7.26%
Utilities Electric	6.39%

BGX Total Return

	3 Month	6 Month	1 Year	3 Year	Since Inception
NAV	-6.66%	-10.44%	-6.04%	0.58%	2.89%
Market Price	-2.63%	-8.62%	-5.44%	-3.35%	-0.75%
70% S&P/LSTA Leveraged Loan Index & 30% Barclays US High Yield Index	-2.07%	-4.43%	-1.43%	2.08%	3.65%

* *As a percentage of Managed Assets.*
Annualized.
^ *Industries per S&P.*

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Blackstone / GSO Strategic Credit Fund Fund Summary

December 31, 2015 (Unaudited)

Fund Overview

Blackstone / GSO Strategic Credit Fund (BGB or herein, the Fund) is a closed-end term fund that trades on the New York Stock Exchange under the symbol BGB . BGB s primary investment objective is to seek high current income, with a secondary objective to seek preservation of capital, consistent with its primary goal of high current income. BGB invests primarily in a diversified portfolios or loans and other fixed income instruments of predominantly US Corporate issuers, including first- and second-lien loans (Senior Secured Loans) and high yield corporate bonds of varying maturities. BGB must hold no less than 80% of its Managed Assets in credit investments comprised of corporate fixed income instruments and other investments (including derivatives) with similar economic characteristics. The Fund has a limited term and will dissolve on or about September 15, 2027, absent shareholder approval to extend such term.

Portfolio Management Commentary

Fund Performance

BGB underperformed a composite weighting of the S&P LLI and the Barclays HYI (75% loans, 25% high yield bonds) on a NAV per share basis for the periods of three months, six months, one year, three years, and the life of the Fund since inception. On a share price basis, the Fund outperformed its benchmark for the period of three months, and underperformed its benchmark for the periods of six months, one year, three years, and the life of the Fund since inception. The shares of the Fund traded at an average discount to NAV of 13.1% for the last twelve months ending December 31, compared to its peer group average discount of 12.6% over the same time. [1]

NAV Performance Factors[2]

The Fund s strong outperformance relative to its benchmark during the first half of 2015 was more than offset by underperformance during the extraordinarily challenging market conditions of the latter half of the year. For the full year, a significant portion of the Fund s underperformance relative to the benchmark in 2015 was attributable to the outperformance of higher-rated (BB- or above), generally lower coupon loans, to which the Fund was under-allocated. The Fund may rotate into higher quality loans as their spreads widen, though currently expects to remain under-allocated versus its benchmark. By sector, the Fund s credit selection in consumer discretionary, industrials, and telecom, as well as an over-allocation to energy (8.6% versus 6.2% for the benchmark), were the top detractors from performance relative to its benchmark. This was partially offset by positive contributions from credit selection within utilities and healthcare. By issuer, the largest detractors relative to the benchmark were Avaya and Modular Space, which were partially offset by avoiding TXU.

Portfolio Activity and Positioning

Over the past year, BGB decreased its exposure to energy, oil and gas and retail, and increased its exposure to business services and healthcare and pharmaceuticals companies. The Fund reduced its cash balance over the period. BGB allocated more of its portfolio to second-lien loans and high yield bonds by reducing its holdings of first-lien Senior Secured Loans, selectively increasing its triple-C assets. The portfolio average loan spread increased by 41 basis points and the average high yield bond coupon increased by 78 basis points from the end of 2014.

As of December 31, 2015, approximately 69% of BGB s assets were invested in Senior Secured Loans and 30% were invested in high yield bonds. In the aggregate, BGB s investments represent the direct obligations of 214 companies diversified across 27 distinct industries, with an average position representing 0.40% of Managed Assets. The top five industry groups represented 45% of total holdings of the Fund.

[1] *Average discount and peer group per Morningstar.*
[2] *Industries per the Global Industry Classification Standard.*

December 31, 2015 (Unaudited)

** *For more information on Moody s ratings and descriptions refer to www.moodys.com.*

Portfolio Characteristics

Weighted Average Loan Spread^	5.74%
Weighted Average Bond Coupon	8.61%
Current Dividend Yield	9.42%
Weighted Average Days to Reset	65
Effective Duration*	1.27
Average Position**	0.40%
Leverage**	32.77%

^ *Spread over LIBOR inclusive of LIBOR floors.*
Using current dividend rate of $0.105/share and market price/share as of December 31, 2015.
* *Loan durations are treated as 3 months because of LIBOR resets, however, the effective rate for loans with LIBOR floors will not change if LIBOR is below the floor.*
** *As a percentage of Managed Assets.*

Top 10 Holdings*