

Blackstone / GSO Long-Short Credit Income Fund
Form N-CSRS
September 06, 2013
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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)

(Name and address of agent for service)

Marisa Beeney

345 Park Avenue, 31st Floor

New York, New York 10154

Registrant's telephone number, including area code: (800) 831-5776

Date of fiscal year end: December 31

Date of reporting period: January 1, 2013 June 30, 2013

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Item 1. **Report to Stockholders.**

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Blackstone / GSO Funds

Manager Commentary

June 30, 2013 (Unaudited)

To our shareholders:

Market Update

Recent signals by Federal Reserve Chairman Bernanke regarding the tapering of its long standing program of quantitative easing (QE) roiled financial markets beginning in mid-May. Positive market technicals and floating interest rates provided senior loans with only partial immunity to the bout of volatility. But, by the second week of June, loan prices largely rebounded as cash flowed to loan mutual funds and ETFs and the Fed moderated its rhetoric. The Credit Suisse Leveraged Loan Index (CSLLI) returned 2.8% YTD, outpacing high yield, investment grade, and U.S. Treasuries, which returned 1.5%, -3.4%, and -4.9%, respectively. Lower quality loans have consistently outperformed; the Lower Tier (CCC/Default) segment of the CSLLI returned 6.0% while the Middle Tier (Split BB/B) and Upper Tier (Split BBB/BB) components returned 3.0% and 1.7%, respectively.

Loan and high yield bond spreads widened moderately overall during Q2 after tightening in early May. On a relative value basis, we continue to favor loans over high yield bonds. Loan spreads, as measured by the 3-year discount margin, widened 22 basis points during Q2 after compressing 56 basis points during Q1. Loan spreads ended the period at 521 basis points, still wide of the 453 basis points 20-year historical average. Conversely, high yield spreads widened 34 basis points to 541 basis points, but remained inside the 589 basis points historical average.

Corporate credit fundamentals remain strong so leveraged finance asset price movements continue to be all about the technicals. Healthy demand from institutional and retail investors has allowed loan prices to remain relatively stable compared to other fixed income investment alternatives. CLO buyers represented the largest percentage of buyers in the new issue loan market at 58%, followed by retail investors (26%), hedge funds (8%), and insurance/finance companies (8%), for the first half of 2013. At the end of June, loan mutual funds had experienced 54 consecutive weekly inflows including 22 consecutive weeks that brought in \$800 million or more of fresh cash to the market, accumulating year-to-date total inflow to a record \$32 billion for that period. High yield mutual funds, however, did not fare as well. After the Fed announcement of QE tapering in May, high yield mutual funds experienced five consecutive weekly outflows aggregating \$12.3 billion. June's monthly outflow of \$9.5 billion greatly exceeded June 2011's previous high of \$7.1 billion.

Although the unique technical market environment put pressure on loan prices during Q2 particularly as high yield investors sold loans to meet redemptions, we believe loans and high yield bonds continue to benefit from healthy credit fundamentals. High yield bond and loan default volumes fell to a two-year low of \$2.5 billion in Q2 compared to \$6.8 billion at the end of Q1. The par-weighted loan default rate declined marginally to 1.3% at the end of Q2 from 1.7% at the end of Q1, well below the 3.8% 20-year historical average.

Blackstone / GSO Senior Floating Rate Term Fund, Performance

Blackstone / GSO Senior Floating Rate Term Fund (BSL) is a closed-end 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, BSL 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 with may increase risk to BSL.

As of June 30, 2013, BSL held over 90% of its Managed Assets in first and second-lien secured bank loans and approximately 5% in high yield bonds with the remainder held in cash. BSL's investments represented the obligations of 182 companies diversified across 28 distinct industries, average position size represented 0.5% of Managed Assets and the top five industry groups represented 48% of total holdings of BSL. Diversification across industries was generally consistent with their respective representations in the U.S. economy as a whole. High Tech Industries and Healthcare and Pharmaceuticals represented the top industry weightings. In light of the sequester and the increased scrutiny placed on all providers of goods or services to, or reimbursed by, the federal government, we remain very cautious and look to closely manage our exposure to healthcare, government related IT services and defense industries.

BSL outperformed its key benchmark, the CSLLI, on a Net Asset Value (NAV) basis for the three-year period ended June 30, 2013 and its life since inception, but underperformed the benchmark for the three-month, six-month, and one-year periods ended June 30, 2013. We attribute the underperformance in BSL to its minimal allocation to lower rated assets (those rated CCC or below). As stated earlier, the six-month performance of the Lower Tier of the CSLLI was double that of the Middle Tier. We believe that maintaining a higher credit quality in the portfolio is more appropriate than investing in riskier, but higher yielding, assets given the current market environment. BSL traded at an average premium to NAV of 7.26% for the six-month reporting period. Assets acquired with borrowings under BSL's long-term leverage facility were accretive to earnings and changes in the market value of the underlying portfolio. For more details regarding the leverage employed, please see Note 9, Leverage, in this report.

Blackstone / GSO Long-Short Credit Income Fund, Performance

Blackstone / GSO Long Short Credit Income Fund (BGX) 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 takes long positions in

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June 30, 2013 (Unaudited)

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 that 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 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 130% of net assets. As of June 30, 2013, approximately 75% of BGX's assets were invested, either directly or via a total return swap arrangement, in Secured Loans and 25% were invested in high yield bonds. In the aggregate, these investments represented the direct obligations of 157 companies diversified across 26 distinct industries, with an average position representing 0.6% of Managed Assets. The top five industry groups represented 47% of total holdings of BGX. BGX carried no short positions as of June 30, 2013.

BGX outperformed its benchmark, a composite weighting of the CSLLI and the Credit Suisse High Yield Index (CSHYI) (70% senior loans, 30% high yield bonds), for the three-month, six-month and one-year periods ended June 30, 2013 and its life since inception on a NAV basis. The Fund traded at an average premium to NAV of 1.08% for the six-month reporting period.

Blackstone / GSO Strategic Credit Fund, Performance

Blackstone / GSO Strategic Credit Fund, (BGB) is a closed-end 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. BGB invests primarily in a diversified portfolio of loans and other fixed income instruments of predominantly U.S. 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 with similar economic characteristics.

As of June 30, 2013, approximately 76% of BGB's assets were invested in Senior Secured Loans and 22% were invested in high yield bonds. In the aggregate, these investments represent the direct obligations of 266 companies diversified across 26 distinct industries, with an average position representing 0.33% of Managed Assets. The top five industry groups represented 47% of total holdings of BGB.

BGB outperformed its benchmark, a composite weighting of the CSLLI and the CSHYI (75% senior loans, 25% high yield bonds), for the six-month period ended June 30, 2013 and its life since inception, but underperformed the benchmark for the three-month period ended June 30, 2013 on a NAV basis. Similar to BSL, we attribute the underperformance in BGB to its minimal allocation to lower rated assets. BGB traded at an average premium to NAV of 0.25% for the six-month period ended June 30, 2013.

In Conclusion:

Credit fundamentals, as we have noted earlier, remain strong. The Federal Reserve has indicated that while its zero interest rate policy will remain undisturbed, it is likely to begin tapering its bond purchases. These policy changes should bode well for senior loans generally and some high yield bonds. We believe that the portfolios of our three

closed-end funds are well positioned to take advantage of current and expected market conditions.

We thank you again and as always for your confidence and continued investment in our family of funds. We look forward to continued communications, and will keep you apprised of the progress of the funds specifically and the leveraged finance market place generally. Additional information about our funds is available on our website at www.blackstone-gso.com.

GSO / Blackstone Debt Funds Management LLC

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Blackstone / GSO Senior Floating Rate Term Fund

Financial Data

June 30, 2013 (Unaudited)

BSL s Portfolio Composition**BSL s Moody s Rating Distribution****Portfolio Characteristics**

Weighted Average Loan Spread [^]	5.06%
Current Dividend Yield	6.59%
Weighted Average Days to Reset (Loans)	63
Average Position*	0.49%
Leverage*	33.07%

Top 10 Holdings*

U.S. Foods, Inc., Senior Secured First Lien Term Loan	1.42%
Sheridan Production Partners LP, Senior Secured Tranche B-2 First Lien Term Loan [PRT I]	1.19%
Sedgwick Holdings, Inc., Senior Secured Second Lien Term B Loan	1.16%
BBTS Borrower LP, Senior Secured First Lien Term Loan	1.14%
Sports Authority, Inc. (aka TSA), Senior Secured First Lien Term B Loan	1.12%
Chrysler Group LLC, Senior Secured First Lien Tranche B Term Loan	1.10%
Hupah Finance, Inc., Senior Secured First Lien Initial Term Loan	1.09%
Smile Brands Group, Inc., Senior Secured First Lien Term B Loan	1.09%
Advantage Sales & Marketing, Inc., Senior Secured Second Lien Term Loan	1.09%
Valeant Pharmaceuticals International, Inc., Senior Secured First Lien Series E Tranche B Term Loan	1.08%
Top 10 Holdings	11.48%

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

[^] Spread over LIBOR inclusive of LIBOR floors.

Using current dividend rate of \$0.11/share and market price per share as of June 30, 2013.

* As a percentage of Managed Assets.

Top 5 Industries*

High Tech Industries	12.77%
Healthcare and Pharmaceuticals	11.07%
Services - Business	8.98%
Retail	8.20%
Energy, Oil and Gas	6.90%
BSL Total Return	

	3	6	1	3	Since
	Month	Month	Year	Year	Inception
NAV	0.13%	2.36%	7.48%	7.54%	7.19%
Market Price	-1.98%	1.27%	13.02%	7.24%	7.01%
CS Leveraged Loan Index	0.43%	2.81%	7.64%	6.86%	6.60%

* As a percentage of Managed Assets.
Annualized.

Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions, if any.

An investment in the Fund involves risk, including the loss of principal. Total return, market price, current dividend yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Holdings are subject to change daily.

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

Credit Suisse 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. An index does not show actual investment returns or reflect payment of management or brokerage fees, which would lower the index's performance. Indices are unmanaged and should not be considered an investment. It is not possible to invest directly in an index. The performance of the index does not represent generally the performance of any investment.

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Blackstone / GSO Long-Short Credit Income Fund

Financial Data

June 30, 2013 (Unaudited)

BGX's Portfolio Composition

+ Includes 5.94% 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 -0.73% 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**Portfolio Characteristics**

Weighted Average Loan Spread [^]	5.09%
Weighted Average Bond Coupon	8.53%
Current Dividend Yield	6.60%
Weighted Average Days to Reset	59
Average Position [*]	0.56%
Long Positions ^{**}	124.61%
Short Positions ^{**}	0.00%
Net Positions ^{**}	100.00%
Leverage ^{**}	25.42%

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

[^] Spread over LIBOR inclusive of LIBOR floors

Using current dividend rate of \$0.108/share and market price per share as of June 30, 2013.

* As a percentage of Managed Assets.

** As a percentage of Net Assets.

Top 10 Holdings*

Resolute Energy Corp., Senior Unsecured Bond	1.63%
Armored AutoGroup, Inc. (fka Viking Acquisition, Inc. (aka Global AutoCare)), Senior Secured First Lien Term B Loan	1.63%
Hupah Finance, Inc., Senior Secured First Lien Initial Term Loan	1.61%
Drumm Investors LLC (aka Golden Living), Senior Secured First Lien Term Loan	1.59%
Presidio, Inc., Senior Secured First Lien Term Loan	1.55%
Del Monte Foods Co., Senior Unsecured Bond	1.50%
U.S. Foods, Inc., Senior Secured First Lien Term Loan	1.49%
Kronos, Inc. (aka Seahawk Acquisition Corp.), Senior Secured First Lien Incremental Term Loan	1.35%
Sensus U.S.A., Inc. (fka Sensus Metering Systems), Senior Secured Second Lien Term Loan	1.25%
Fibertech Networks LLC (aka Firefox), Senior Secured First Lien Term Loan	1.17%
Top 10 Holdings	14.77%

Top 5 Industries*

High Tech Industries	11.59%
Energy, Oil and Gas	10.26%
Retail	8.79%
Services - Business	8.70%
Healthcare and Pharmaceuticals	7.99%

BGX Total Return

	3 Month	6 Month	1 Year	Since Inception
NAV	0.20%	3.22%	8.90%	6.59%
Market Price	1.94%	8.46%	15.39%	6.23%
70% CS Leveraged Loan Index, 30% CS High Yield Index	-0.11%	2.43%	8.11%	5.88%

* As a percentage of Managed Assets.

Annualized.

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An investment in the Fund involves risk, including the loss of principal. Total return, market price, current dividend yield and NAV will fluctuate with changes in market conditions. This data is provided for information purposes only and is not intended for trading purposes. Holdings are subject to change daily.

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Blackstone / GSO Long-Short Credit Income Fund

Financial Data

June 30, 2013
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Credit Suisse 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. Credit Suisse 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 index does not show actual investment returns or reflect payment of management or brokerage fees, which would lower the index's performance. Indices are unmanaged and should not be considered an investment. It is not possible to invest directly in an index. The performance of the index does not represent generally the performance of any investment.

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Blackstone / GSO Strategic Credit Fund

Financial Data

June 30, 2013 (Unaudited)

BGB's Portfolio Composition**BGB's Moody's Rating Distribution****Portfolio Characteristics**

Weighted Average Loan Spread [^]	5.51%
Weighted Average Bond Coupon	7.41%
Current Dividend Yield	7.44%
Weighted Average Days to Reset on Loans	60
Average Position*	0.33%
Leverage*	31.48%

Top 10 Holdings*

Smart & Final Stores LLC, Senior Secured First Lien Term Loan	1.23%
Blackboard, Inc., Senior Secured First Lien Term B-2 Loan	1.04%
Custom Building Products, Inc., Senior Secured First Lien Term Loan	1.04%
Bway Corp. (aka ICL Industrial Containers), Senior Secured First Lien Term B Loan	0.98%
John Henry Holdings, Inc. (aka Multi Packaging Solutions), Senior Secured First Lien Term Loan	0.97%
Pinnacle Operating Corp., Senior Secured First Lien Term B Loan	0.90%
BBTS Borrower LP, Senior Secured First Lien Term Loan	0.86%
U.S. Foods, Inc., Senior Secured First Lien Term Loan	0.83%
Collective Brands Finance, Inc. (aka Payless ShoeSource), Senior Secured First Lien Term Loan	0.83%
Delta Airlines, Inc., Senior Secured First Lien Term B1 Loan	0.81%
Top 10 Holdings	9.49%

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

[^] Spread over LIBOR inclusive of LIBOR floors.

Using current dividend rate of \$0.117/share and market price per share as of June 30, 2013.

* As a percentage of Managed Assets.

Top 5 Industries*

High Tech Industries	12.55%
Energy, Oil and Gas	10.01%
Healthcare and Pharmaceuticals	8.70%
Retail	8.36%
Telecommunications	7.48%

* As a percentage of Managed Assets.

BGB Total Return

	3 Month	6 Month	Since Inception
NAV	-0.13%	2.95%	4.73%
Market Price	-4.33%	5.49%	-0.93%
75% CS Leveraged Loan Index, 25% CS High Yield Index	-0.02%	2.49%	4.54%

Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions, if any.

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Credit Suisse 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. Credit Suisse 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 index does not show actual investment returns or reflect payment of management or brokerage fees, which would lower the index's performance. Indices are unmanaged and should not be considered an investment. It is not possible to invest directly in an index. The performance of the index does not represent generally the performance of any investment.

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Blackstone /GSO Senior Floating Rate Term Fund

Portfolio of Investments

June 30, 2013 (Unaudited)

	Moody's Rating	Principal Amount	Market Value
FLOATING RATE LOAN INTERESTS^(a) - 138.30%			
Aerospace and Defense - 4.15%			
Booz Allen Hamilton, Inc., Senior Secured Tranche B First Lien Initial Term Loan, 4.500%, 7/27/2019	Ba2	\$2,991,589	\$2,996,271
Camp Systems International Holdings Co., Senior Secured First Lien Refinance Term Loan,			