



## Background and investment objective

The investment objective of Fair Oaks Income Ltd (the "Company") is to generate attractive, risk-adjusted returns, principally through income distributions. The Company will implement its investment policy by investing in FOMC III LP ("Fund III") and FOIF II LP ("Fund II").

The investment policy of the Company is to seek exposure to US and European CLOs or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing.

The Company was admitted to trading on the Specialist Fund Market of the London Stock Exchange (now the Specialist Fund Segment of the Main Market of the London Stock Exchange) on 12 June 2014.

## Investment opportunity

The General Partner of the Master Funds (the "GP") believes that diversified portfolios of secured bank loans may provide an attractive risk-return profile when financed with well-structured long-term financing. The GP believes the key to successful investment in secured bank loans is an understanding of, and focus on, the credit quality of the underlying corporate borrowers. To this end, portfolio financing structures (such as CLOs) need to be managed efficiently and effectively in order to enhance returns without introducing any mark-to-market or other non-credit risks.

Fund III has an investment period which ends in June 2025, and a fixed life of five years from the end of the investment period. Fund II had an investment period which ended in June 2021, and a fixed life of five years from the end of the investment period. The Company has an unlimited life but on or before 12 June 2028 an extraordinary general meeting will be proposed to consider a continuation resolution.

**\$204.7 million**

2021 Share Class market capitalisation

**\$230.2 million**

Total Company market capitalisation

**12–14%**

Target total return

## Fund performance<sup>1</sup>

	1 MONTH	3 MONTH	1 YEAR	ITD
2021 SHARE PRICE (FAIR)	+5.34%	+3.28%	+17.87%	+109.64%
2021 NAV (FAIR)	+0.51%	+3.21%	+12.39%	+111.47%
JP MORGAN LEVERAGED LOAN INDEX	+0.88%	+2.48%	+10.44%	+69.10%
JP MORGAN HIGH YIELD INDEX	+1.24%	+2.13%	+12.92%	+62.47%

## Contact information



FAIR OAKS CAPITAL  
LIMITED  
1 Old Queen Street  
London SW1H 9JA  
[IR@fairoakscap.com](mailto:IR@fairoakscap.com)

James Glass  
DEUTSCHE NUMIS  
45 Gresham Street  
London EC2V 7BF  
[fairoaks@numis.com](mailto:fairoaks@numis.com)

James Shields  
PANMURE LIBERUM  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY  
[james.shields@panmureliberum.com](mailto:james.shields@panmureliberum.com)

Signatory of:



## Data as at 29-Nov-24

### 2021 shares

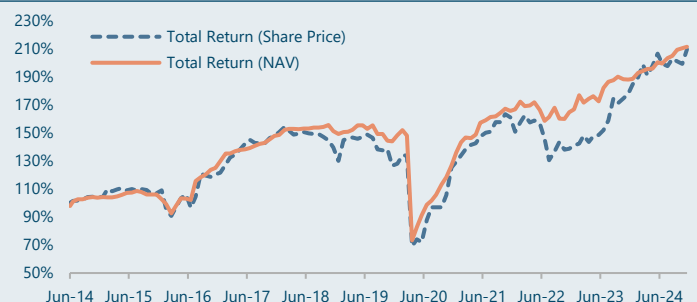
Price per Share	\$0.543
NAV per Share	\$0.548
Premium / (Discount) to NAV	-1.06%
Inception to date NAV return <sup>1</sup>	111.5% (7.4% annualised)
Inception to date price return <sup>1</sup>	109.6% (7.3% annualised)
2021 Share Class market capitalisation	\$204.7 million
2021 Shares in issue	377.3 million

### Fund facts

Type of fund	Closed-ended investment fund
Listing and trading	LSE Main Market – SFS
Launch date	12-Jun-14
Launch price	\$1 per Ordinary Share
Dividend	Quarterly
Dealing	Daily during LSE opening hours
NAV calculation	As of the last business day of each month
Currency	\$ denominated
ISA and SIPP eligible	Yes
Management fee	1.00% of NAV p.a.
Performance fee	15% of Fund II/Fund III return once Limited Partners have received, in cash, their original investment plus a 7% annualised return
Catch-up	No
2021 ISIN	GG00BNNLWT35

### Service providers

Investment advisor	Fair Oaks Capital Limited
Board of Directors	Fully independent
Administrator	Sanne Fund Services (Guernsey) Limited
Custodian	BNP Paribas Securities Services S.C.A.
Joint brokers	Numis Securities Ltd Liberum Capital Ltd
Auditor	KPMG (Channel Islands) Limited





## Company performance<sup>1</sup>

The 2021 Share NAV was \$54.83c at the end of November, marking a +0.51% increase for the month. The 2021 ordinary share closed at a price of \$54.25c, up by +5.34% for the month. The 2017 Share NAV stood at \$56.51c as of November 29<sup>th</sup>.

## Market commentary

Default forecasts are constructive in both the US and Europe, partly driven by lower rates expected for 2025. S&P have forecast a 1% US loan default rate and Barclays have forecast a 1% European loan default rate for 2025. These projections are both lower than the long-term averages.<sup>2,3</sup>

The broadly syndicated loan (BSL) market has shown strong activity in 2024, with some issuers returning after relying on private capital in 2023. We have observed some higher-risk names remaining with alternative funds targeting higher yields, while stronger companies have returned to the BSL market. In addition, the active loan refinancing trend has extended the loan market maturity profile, with more than 85% of loans in the US and Europe maturing in 2028 or beyond, reducing short-term default risk.<sup>4</sup>

Increased M&A activity is expected in the US and Europe, catalysed by rate cuts and improving macroeconomic conditions.<sup>5,6</sup> For example, on Monday 9<sup>th</sup> December, 39 new loan deals launched in the US, marking the second busiest day in US loan market history.<sup>7</sup> Going into 2025, sustained dealmaking activity may benefit control CLO equity investors by increasing the supply of loans.

CLO financing spreads are expected to fall in 2025, driven by limited net supply (projected gross issuance: €50bn in Europe, \$170bn in US; expected net supply: €25bn and \$35-40bn)<sup>8,9</sup> and growing demand from both new investors, such as ETFs, and existing investors, including US banks due to potential lower capital requirements for AAA CLOs.<sup>6</sup>

We believe that the combination of an active loan market, dominated by higher quality borrowers, and attractive CLO financing rates will be very constructive for new issue CLO equity opportunities.

## Company update

The continued high average price of the US LSTA 100 loan index, currently at 98.94 as of November 29<sup>th</sup>,<sup>9</sup> has the potential to benefit the Company's portfolio, through sales or liquidations of seasoned transactions. For other transactions, tight CLO financing increases the potential value of refinancings and resets.

The Master Funds continue to monitor opportunities within the current portfolio as well as explore new primary CLO transactions given the positive outlook for new CLO equity investments. At the start of December, the Master Fund sold AIMCO 2017-AA, a control CLO equity position, on the secondary market, 8.2pts above the November month-end valuation and two mezzanine investments (OCT39 2018-3A F and EGLXY 2018-6X F), 7.7pts and 0.5pts above November month-end valuations, respectively. The Company has exercised the embedded call option for the liquidation of WELF 2018-1A and ARES 2015-35RA as control CLO equity investor in the deals. Finally, a new CLO warehouse was opened in November to take advantage of opportunities in primary loan markets.

## Top 10 issuers and portfolio data<sup>11</sup>

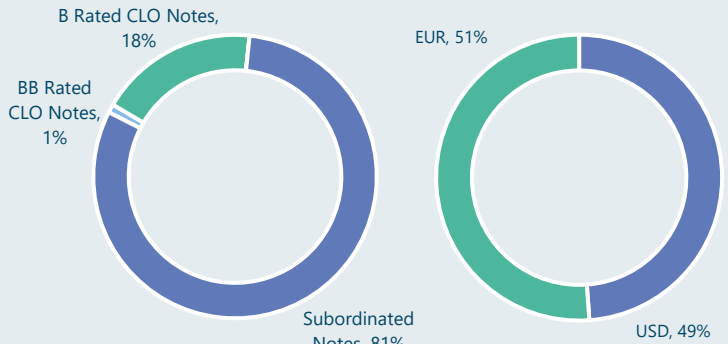
ISSUER	COMPANY RATING (Moody's)	% GROSS <sup>11</sup>	MOODY'S INDUSTRY CLASSIFICATION	COUNTRY
Virgin Media	Ba3	0.92%	Media: Broadcasting & Subscription	United Kingdom
Badger Buyer	Caa1	0.69%	Beverage, Food & Tobacco	United States
Alvogen Pharma US	B3	0.67%	Healthcare & Pharmaceuticals	United States
Ineos Group	Ba3	0.64%	Chemicals, Plastics & Rubber	United States
McAfee	B1	0.61%	High Tech Industries	United States
Asurion	Ba3	0.58%	Banking, Finance, Insurance & Real Estate	United States
Refresco	B1	0.55%	Beverage, Food & Tobacco	Netherlands
Groupe Inovie	B3	0.54%	Healthcare & Pharmaceuticals	France
Genesys Telecommunications	B2	0.50%	High Tech Industries	United States
Sitel Worldwide	B3	0.49%	Services: Business	Luxembourg

**TOTAL NUMBER OF ISSUERS IN THE PORTFOLIO:** 1,084

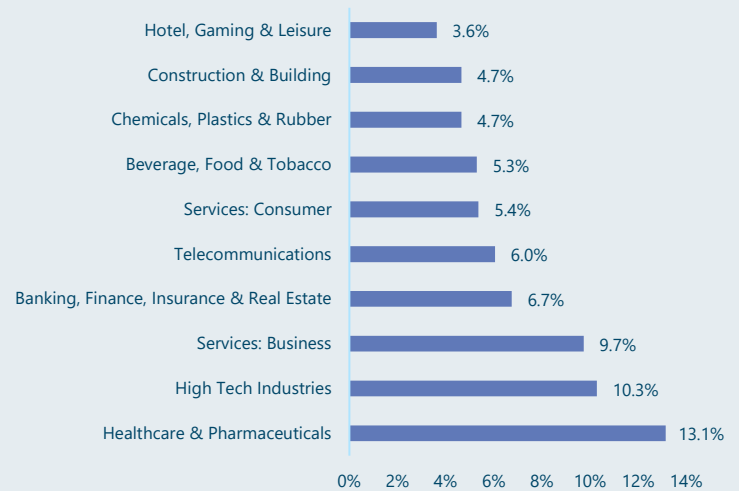
**WEIGHTED AVERAGE ASSET SPREAD<sup>11</sup>:** 3.71%

**WEIGHTED AVERAGE COST OF CLO FINANCING (SOFR / EURIBOR+)<sup>12</sup>:** 1.95%

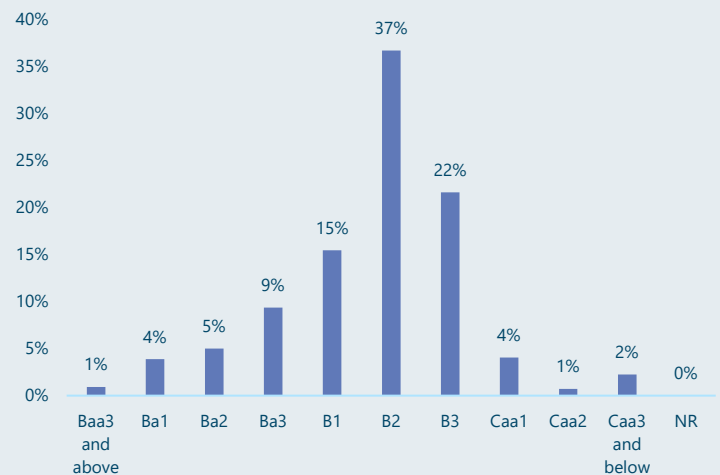
## CLO portfolio rating and currency breakdown (Nov-24)<sup>10</sup>



## Industry diversification by Moody's (top 10)<sup>10</sup>



## Rating breakdown<sup>10,13</sup>



Please refer to the footnotes for the important information on page 5. Past performance is no indication of future results. Inherent in any investment is the potential for loss. Copyright © 2024 Fair Oaks Capital Ltd. All rights reserved.



## Fund holdings (Nov-24)

### CLO CONTROL EQUITY<sup>13,14</sup>

Nominal amount <sup>16</sup>	Current market valuation <sup>17</sup>	Deal name	Reinvestment end date	% Defaults <sup>18</sup>	% CCC (Moody's) <sup>19</sup>	Loans trading below 80c <sup>20,21</sup>	Weighted average collateral bid price <sup>21</sup>	Last cash payment (annualised yield on current market price) <sup>22</sup>	Relevant OC test cushion <sup>23</sup>
USD Equity									
\$20,755,535	2.0%	AWPT 2017-6A SUB	2021	-	-	-	-	-	11.02%
\$27,541,663	20.0%	ALLEG 2017-2A SUB	2023	0.00%	17.30%	5.52%	\$95.7	64.7%	1.98%
\$17,958,200	25.0%	ARES 2015-35RA SUB	2023	-	-	-	-	39.9%	1.68%
\$19,943,963	10.0%	WELF 2018-1A SUB	2023	-	-	-	-	85.8%	-0.71%
\$20,721,000	27.0%	SHACK 2018-12A SUB	2023	0.00%	11.38%	6.88%	\$95.6	59.4%	3.36%
\$17,923,665	23.0%	HLM 13A-18 SUB	2023	0.98%	5.00%	6.25%	\$96.3	59.6%	1.93%
\$18,704,156	41.0%	AIMCO 2017-AA SUB	2026	0.00%	3.40%	1.73%	\$99.1	25.3%	2.02%
\$20,030,300	33.0%	WELF 2021-2X SUB	2026	0.00%	6.01%	5.49%	\$96.6	37.2%	3.06%
\$20,695,096	60.0%	ALLEG 2021-1X SUB	2026	0.00%	6.90%	3.54%	\$98.0	32.5%	4.48%
\$16,922,150	61.0%	ROCKT 2021-2X SUB	2026	0.12%	7.90%	5.72%	\$96.6	32.5%	4.37%
\$27,132,423	35.0%	POST 2018-1A SUB	2029	2.14%	3.90%	3.98%	\$97.8	8.1%	5.06%
<b>Weighted average<sup>26</sup></b>	<b>30.1%</b>			<b>0.41%</b>	<b>7.28%</b>	<b>4.61%</b>	<b>\$97.2</b>	<b>37.0%</b>	<b>3.39%</b>
EUR Equity									
€18,846,800	59.1%	FOAKS 1X SUB <sup>24</sup>	2025	0.00%	3.00%	2.81%	€98.2	43.1%	4.49%
€31,635,700	41.6%	FOAKS 2X SUB <sup>24</sup>	2025	0.00%	3.70%	2.74%	€98.2	40.0%	3.99%
€23,558,500	56.8%	FOAKS 3X SUB <sup>24</sup>	2026	0.00%	2.25%	2.86%	€98.3	35.4%	4.97%
€18,846,800	75.8%	FOAKS 4X SUB <sup>24</sup>	2026	0.00%	2.10%	2.91%	€98.1	34.1%	5.18%
€17,904,460	81.1%	FOAKS 5X SUB <sup>24</sup>	2028	0.00%	0.84%	1.82%	€99.1	34.7%	5.10%
<b>Weighted average<sup>26</sup></b>	<b>60.0%</b>			<b>0.00%</b>	<b>2.32%</b>	<b>2.61%</b>	<b>€98.4</b>	<b>37.9%</b>	<b>4.77%</b>
<b>Total weighted average<sup>26</sup></b>	<b>40.2%</b>			<b>0.19%</b>	<b>4.64%</b>	<b>3.55%</b>	<b>\$97.8</b>	<b>37.4%</b>	<b>4.09%</b>

Cash and cash equivalents<sup>24</sup>: \$20,637,167



## Fund holdings (Nov-24)

### CLO MEZZANINE

Nominal amount <sup>15</sup>	Current market valuation <sup>16</sup>	Deal name	Reinvestment end date	Original rating	Current rating	% Defaults <sup>18</sup>	% CCC (Moody's) <sup>19</sup>	Loans trading below 80c <sup>20,21</sup>	Weighted average collateral bid price <sup>21</sup>	Coupon	Current yield (based on current market price)	Relevant OC test cushion <sup>23</sup>
USD												
\$3,177,220	62.8%	DRSLF 2017-49A F	2022	B	Mezz	0.73%	6.07%	3.56%	\$97.2	SOFR+7.81%	19.82%	-0.03%
\$3,453,500	73.3%	DRSLF 2017-53A F	2023	B	Mezz	1.58%	n.a.	3.90%	\$96.6	SOFR+7.76%	16.94%	0.48%
\$3,798,850	73.5%	SYMP 2018-19A F	2023	B	Mezz	0.26%	13.34%	8.84%	\$95.3	SOFR+7.40%	16.40%	0.67%
\$3,962,891	95.1%	HLM 13X-2018 F	2023	B	Mezz	0.98%	5.00%	6.49%	\$96.3	SOFR+7.91%	13.21%	1.93%
\$6,216,300	86.4%	OCT39 2018-3A F	2023	B	Mezz	1.14%	10.70%	4.35%	\$96.5	SOFR+8.26%	14.90%	1.61%
\$2,762,800	100.0%	APID 2018-18A F	2023	B	Mezz	0.00%	8.80%	5.24%	\$97.4	SOFR+8.34%	12.97%	1.93%
<b>Weighted average<sup>26</sup></b>	<b>82.2%</b>					<b>0.83%</b>	<b>8.99%</b>	<b>5.41%</b>	<b>\$96.5</b>	<b>SOFR+7.94%</b>	<b>15.29%</b>	<b>1.26%</b>
EUR												
€1,753,687	92.7%	OHECP 2015-4X FR	2022	B	Mezz	0.12%	7.28%	4.17%	€96.3	Euribor+6.10%	10.06%	5.83%
€2,935,475	99.9%	EGLXY 2018-6X F	2022	B	Mezz	0.00%	9.62%	6.63%	€95.0	Euribor+5.90%	9.13%	7.05%
€1,434,150	98.6%	FOAKS 2X ER <sup>24</sup>	2025	BB	Mezz	0.00%	3.70%	2.79%	€98.2	Euribor+5.91%	9.22%	3.99%
€3,432,810	98.8%	FOAKS 4X F <sup>24</sup>	2026	B	Mezz	0.00%	2.10%	2.96%	€98.1	Euribor+9.25%	12.59%	5.18%
€1,393,317	95.3%	ACLO 12X F	2029	B	Mezz	0.00%	0.75%	0.99%	€98.9	Euribor+8.25%	12.08%	5.00%
€1,615,440	98.0%	AVOCA 16X FRR	2029	B	Mezz	0.00%	n.a.	0.25%	€99.0	Euribor+8.32%	11.55%	4.50%
€1,346,200	98.0%	TRNTE 8X F	2029	B	Mezz	0.00%	0.80%	0.00%	€99.7	Euribor+8.46%	11.77%	5.00%
<b>Weighted average<sup>26</sup></b>	<b>97.7%</b>					<b>0.01%</b>	<b>4.53%</b>	<b>3.08%</b>	<b>€97.6</b>	<b>Euribor+7.52%</b>	<b>10.94%</b>	<b>5.42%</b>
<b>Total weighted average<sup>26</sup></b>	<b>88.2%</b>					<b>0.48%</b>	<b>7.06%</b>	<b>4.41%</b>	<b>\$97.0</b>		<b>13.43%</b>	<b>3.04%</b>



## Footnotes

All references to "Fund II" are to "FOIF II LP", Master Fund II. All references to "Fund III" are to "FOMC III LP", Master Fund III.

- 1) Price and NAV returns includes reinvestment of dividends. Inception to date NAV return based on initial NAV as of June 2014 and includes share performance prior to the re-designation of the shares in 2017 and 2021. Net of fund expenses and fees.
- 2) S&P, "Default, Transition, and Recovery: The U.S. Leveraged Loan Default Rate Is Set To Fall To 1% By September 2025", 27-Nov-24.
- 3) Barclays, "Global Credit Outlook: Riding the Yield Wave", 06-Dec-24.
- 4) Pitchbook LCD as at 29-Nov-24. US Leveraged Loan Index and European Leveraged Loan Index.
- 5) Morgan Stanley, "2025 European ABS and CLO Outlook, Europe: Changing Lanes", 20-Nov-24.
- 6) Nomura, "2025 CLO Outlook", 19-Nov-24.
- 7) Bloomberg, "US Lev Loans Daily", 09-Dec-24.
- 8) Deutsche Bank, "EUR CLO 2025 Outlook", 19-Nov-24.
- 9) Pitchbook LCD as at 29-Nov-24.
- 10) Intex. Portfolio currency and rating breakdown based on latest NAV, original ratings and currency denominations of all CLO investments, excluding cash. Industry diversification and rating breakdown based on Moody's sectors and ratings and loan par value weighted by Fund III's ownership of Income Notes.
- 11) Intex. Based on loan par value weighted by Master Fund III's proportional ownership of Income Notes.
- 12) Intex. Based on CLO liability spreads weighted by Master Fund III's proportional ownership of Income Notes.
- 13) Based on Moody's company ratings. Due to rounding errors, the percentages may not sum to 100%.
- 14) Table excludes the sub-fee notes and any investments in CLO warehouses held in the portfolio.
- 15) Vehicles managed by the General Partner own a majority of the CLO equity in the transaction.
- 16) Includes the Company's proportional ownership of investments held by Master Fund II and Master Fund III.
- 17) Valuations are independently sourced by a third-party service provider, except for valuations for FOLF 1X SUB, FOLF 2X SUB, FOLF 3X SUB, FOLF 4X SUB, FOLF 5X SUB and their respective Z and M (fee) notes which are provided by Wollemi Investments I LP.
- 18) Intex. Balance of defaulted assets as of latest trustee report.
- 19) Intex. Based on loan facility rating.
- 20) Intex. Based on current loan balance of the respective CLO.
- 21) Based on month-end prices from Markit but where prices are not available, we may use the latest price from the monthly trustee reports to calculate the weighted average.
- 22) Distributions received from fee notes are included in the calculation. POST 2018-1A SUB distribution impacted by costs related to recent reset.
- 23) Intex. Based on latest available trustee report. Difference between latest available value and threshold for BB over-collateralization test for CLO subordinated notes and relevant over-collateralisation test for mezzanine investments.
- 24) Fair Oaks Capital acts as CLO manager for the deal.
- 25) Total includes cash at Fair Oaks Income Limited. The cash balance is pro-forma for the latest dividend announced.
- 26) Weighted averages are by market value except for current market valuation and coupon which are weighted by par value. Weighted average calculation uses the Bloomberg EUR/USD foreign exchange rate on 29-Nov-24 (1.058).

## Important information:

The Net Asset Value and the portfolio valuations contained in this report are estimates and are based on unaudited estimated valuations. The final Net Asset Value and portfolio valuations of the Company may be materially different from the estimated values, which should only be taken as indicative values which have been provided for information only and upon which no reliance should be placed. The level of default for each portfolio holding is expressed as at a particular date and so may increase in the future. Actual results, performance or achievements may differ materially from estimated results, performance or achievements. Except as required by applicable law, the Company expressly disclaims any obligation to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise. This document is for information purposes only and is not an offer to invest. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions. Inception to date performance figures include share performance prior to the re-designation of the Company's initial share class in 2017 and are calculated by reference to the estimated NAV on 12 June 2014, the date of admission to trading of the Company's initial share class. Due to applicable legal restrictions, electronic versions of these materials are not directed at, or accessible by, US Persons (as defined in Regulation S under the US Securities Act of 1933) or persons located in the United States, Australia, Canada, Japan, the EEA (except the UK, Luxembourg, Sweden and Finland) or South Africa, or any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

**Past performance is no indication of future results. Inherent in any investment is the potential for loss. Target returns and distributions are hypothetical targets only and are neither guarantees nor predictions or projections of future performance. There can be no assurance that such targeted returns will be achieved or that the Company (or the master fund in which it invests) will be able to implement its investment strategy, achieves its investment objective or avoid substantial losses.**

Neither the Company nor any class of shares of the Company has been approved by the Swiss Financial Market Supervisory Authority ("FINMA") for offering to non-qualified investors pursuant to Art. 120 para. 1 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended ("CISA"). In addition, the Company has not and does not intend to appoint a Swiss representative or a Swiss paying agent for the shares of the Company offered in Switzerland. Accordingly, the shares of the Company may only be offered or advertised and this document may only be made available, in Switzerland to qualified investors within the meaning of CISA who are not high-net-worth individuals (or private investment structures established for high-net-worth individuals) having opted out to professional client status under Art. 5 para. 1 of the Swiss Federal Act on Financial Services. Investors in the shares of the Company do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA in connection with the approval for offering.