

A large, stylized oak leaf graphic in a lighter shade of blue, positioned on the left side of the page. The leaf has several lobes and a central vein, extending from the top to the bottom of the page.

FAIR OAKS INCOME LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023



Contents

Company Overview

Highlights	1
Summary Information	2

Strategic Review

Chairman's Statement	4
Investment Adviser's Report	6

Governance

Statement of Principal and Emerging Risks and Uncertainties	17
Statement of Directors' Responsibilities	17
Independent Review Report	18

Financial Statements

Unaudited Condensed Statement of Comprehensive Income	19
Unaudited Condensed Statement of Changes in Shareholders' Equity	20
Unaudited Condensed Statement of Financial Position	21
Unaudited Condensed Statement of Cash Flows	22
Notes to the Unaudited Condensed Financial Statements	23

Additional Information

Portfolio Statement (unaudited)	42
Management and Administration	44
Appendix – Alternative Performance Measures used in this Interim Report (unaudited)	45



COMPANY OVERVIEW

Highlights

- Fair Oaks Income Limited's (the "Company") Net Asset Value ("NAV") return per 2021 Share was 8.97%¹(30 June 2022: -5.26%) for the six month period ended 30 June 2023 on a total return basis (with dividends reinvested). The NAV return per Realisation Share was 9.68%¹(30 June 2022: -5.01%) for the six month period ended 30 June 2023 on the same basis.
- As at 30 June 2023, the Company's total market capitalisation² was US\$221.6 million, comprising US\$190.5 million of 2021 Shares and US\$31.1 million of Realisation Shares.
- The Company's 2021 shares closed at a mid-price of US\$0.4880 on 30 June 2023 (30 June 2022: US\$0.5750). The 2021 Shares traded at an average discount to NAV of 14.77% during the six month period ended 30 June 2023 (30 June 2022: 5.51%).
- The Company's Realisation shares closed at a mid-price of US\$0.5600 on 30 June 2023 (30 June 2022: US\$0.6500). The Realisation Shares traded at an average discount to NAV of 3.96% during the six month period ended 30 June 2023 (30 June 2022: 3.22%).
- The Company declared dividends of 4.00 US cents per 2021 Share and Realisation Share in the six month period ended 30 June 2023.

Financial Highlights	30 June 2023	31 December 2022
	(unaudited)	(audited)
<u>2021 Shares</u>	US\$227,777,049	US\$230,390,880
Net Asset Value per share	US\$0.584	US\$0.5721
Share mid-price at period/year end	US\$0.4880	US\$0.4900
Discount to Net Asset Value	(16.38%)	(14.35%)
Ongoing charges figure (2021 Shares only) ³	0.36%	0.34%
Ongoing charges figure (look through basis) ⁴	1.25%	1.38%
	30 June 2023	31 December 2022
	(unaudited)	(audited)
<u>Realisation Shares</u>		
Net Assets	US\$32,746,675	US\$31,954,409
Net Asset Value	US\$0.589	US\$0.5749
Share mid-price at period/year end	US\$0.5600	US\$0.5650
Discount to Net Asset Value	(4.96%)	(1.73%)
Ongoing charges figure (Realisation Shares only) ³	0.39%	0.35%
Ongoing charges figure (look through basis) ⁴	1.29%	1.34%

1 See "Appendix" on page 45.

2 Market capitalisation calculated based on the closing 2021 Share price and Realisation Share price at 30 June 2023.

3 Total ongoing charges, calculated in accordance with the AIC guidance, is at the Company level only for the period divided by the average NAV for the period/year. Charges of the underlying Master Funds are not included. See "Appendix" on pages 45 to 50.

4 Total ongoing charges, calculated in accordance with the AIC guidance, including the Company and the underlying funds divided by the average NAV for the period/year. See "Appendix" on pages 48 to 53.



COMPANY OVERVIEW

Summary Information

Principal Activity

Fair Oaks Income Limited (the “Company”) was registered in Guernsey under the Companies (Guernsey) Law, 2008 on 7 March 2014. The Company’s registration number is 58123 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules and Guidance 2021. The Company began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange on 12 June 2014.

Reorganisation

On 19 April 2021, the Company announced the result of its reorganisation proposal, being that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares (the “Realisation Shares”), representing 13.4% of the 2017 Shares in issue, and 405,815,477 2017 Shares were re-designated as 2021 Shares (the “2021 Shares”), representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury). The Company makes its investments through FOIF II LP (the “Master Fund II”) and FOMC III LP (the “Master Fund III”), in both of which the Company is a limited partner (the “Master Fund II” and the “Master Fund III” together the “Master Funds”). The Master Fund II was registered in Guernsey on 24 February 2017 and the Master Fund III was registered in Guernsey on 10 March 2021 under The Limited Partnerships (Guernsey) Law, 1995. The purpose of the reorganisation was to allow those Shareholders who wished to extend the life of their investment in the Company beyond the planned end date of the Master Fund II, to be able to do so by having their 2017 Shares re-designated as 2021 Shares, with such 2021 Shares investing in the new Master Fund III, which has a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of the Master Fund II.

On 12 September 2022, the Company returned US\$3,999,990 by way of a compulsory partial redemption of Realisation Shares, which amounted to 6,984,442 Realisation Shares. During the period ended 30 June 2023 the Company bought back 12,427,755 2021 shares for US\$ 6,100,510. At 30 June 2023, the Company has 55,578,441 (31 December 2022: 55,578,441) Realisation Shares and 390,281,745 (31 December 2022: 402,709,500) 2021 Shares in issue. The Realisation Shares invest solely into the Master Fund II and the 2021 Shares invest solely into the Master Fund III. At 30 June 2023, the Company had direct holdings of 9.59% (31 December 2022: 9.59%) in the Master Fund II and 95.32% holding in Master Fund III (31 December 2022: 95.32%), which in turn had a holding of 62.21% in the Master Fund II (31 December 2022: 62.21%). Together, the Company held a direct and indirect holding of 68.89% in the Master Fund II (31 December 2022: 68.89%).

The Master Funds

At 30 June 2023, the Master Fund II had six limited partners (31 December 2022: six limited partners), including Fair Oaks Founder II LP, a related entity. At 30 June 2023, the Master Fund III had three limited partners (31 December 2022: three limited partners), including Fair Oaks Founder VI LP. The General Partner of the Master Fund II and Master Fund III is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”).

Cycad and Wollemi

The Master Fund II is also invested into Cycad Investments LP (“Cycad”). Cycad is a Limited Partnership registered in the United States of America on 2 June 2017. Aligned with the Company’s investment policy, Cycad also invests into Collateralised Loan Obligations (“CLOs”). On 9 March 2021, a Guernsey limited partnership was established called Wollemi Investments I LP (“Wollemi”) also investing in CLOs. At 30 June 2023, the Master Fund II holds 100.00% (31 December 2022: 100%) of the commitment capital of Wollemi.

Founder Partners

Fair Oaks Founder II LP, a Guernsey limited partnership, has been established to act as the Founder Limited Partner of Master Fund II. Fair Oaks Founder VI LP, a Guernsey limited partnership, has been established to act as the Founder Limited Partner of Master Fund III.

Investment Objective and Policy

The investment objective of the Company is to generate attractive, risk-adjusted returns, principally through income distributions.

The investment policy of the Company is to invest (either directly and/or indirectly through the Master Fund II and/or Master Fund III) in US, UK and European Collateralised Loan Obligations (“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.



COMPANY OVERVIEW

Summary Information

Investment Objective and Policy (continued)

The Company implements its investment policy by:

1. with respect to those assets of the Company attributable to the Realisation Shares: investing in Master Fund II; and
2. with respect to those assets of the Company attributable to the 2021 Shares and any future C Shares: investing in Master Fund III.

If at any time the Company holds any uninvested cash, the Company may also invest on a temporary basis in the following Qualifying Short Term Investments:

- cash or cash equivalents;
- government or public securities (as defined in the Financial Conduct Authority ("FCA") Rules);
- money market instruments;
- bonds;
- commercial paper; or
- other debt obligations with banks or other counterparties having a single A rating or (if a fund) investing with no leverage in assets rated at least single A, according to at least one internationally recognised rating agency selected by the Board of Directors (the "Board") (which may or may not be registered in the EU).

The aggregate amount deposited or invested by the Company with any single bank or other non-government counterparty (including their associates) shall not exceed 20% of the Net Asset Value ("NAV") in aggregate, and also of the NAV of each share class, at the time of investment. The Company cannot make any other types of investments without shareholder consent to a change of investment policy by ordinary resolution at a general meeting of the Company.



STRATEGIC REVIEW

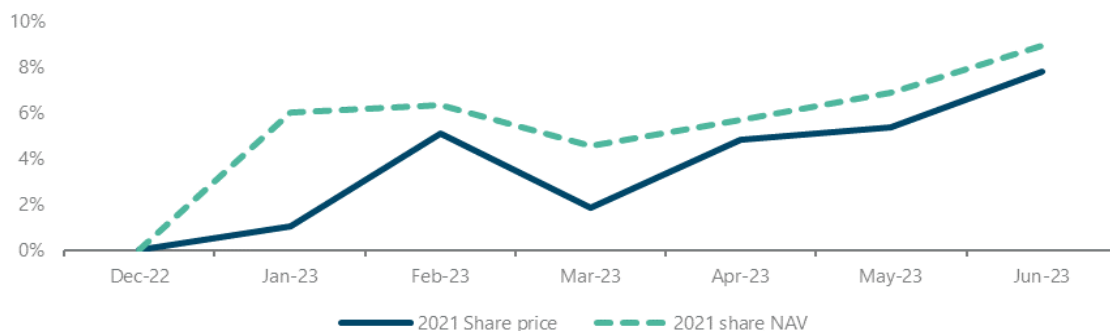
Chairman's Statement

The independent Board of the Company is pleased to present its Interim Report and Unaudited Condensed Financial Statements for the six-month period ended 30 June 2023.

The Company's NAV per 2021 Share and 2021 Share price generated a total return (with dividends reinvested) of +8.97% and +7.81% respectively. The Company's 2021 Shares closed at a mid-price of 48.88 US cents as of 30 June 2023, representing a discount to NAV of -16.4%.

The Company's NAV per Realisation Share and Realisation Share price generated a total return (with dividends reinvested) of +9.68% and +6.32% respectively. The Company's Realisation Shares closed at a mid-price of 56.00 US cents as of 30 June 2023, representing a discount to NAV of -5.0%.

Figure 1.1 – Total return: 2021 Shares NAV and share price in 2023



The total return for the J.P. Morgan US leveraged loan index in H1-23 was +6.54%.¹ In the same period, the J.P. Morgan US high yield total return was +5.79%² while the J.P. Morgan CLOIE B rated index returned +8.24%³.

Table 1.2 – Total returns in H1-23¹⁻³

	H1-23 total return
Company's 2021 NAV	8.97%
Company's 2021 Share price	7.81%
J.P. Morgan US Leveraged Loan index	6.54%
J.P. Morgan US High Yield index	5.79%
J.P. Morgan Post-Crisis CLOIE B rated index	8.24%

Cash flow and dividends

The CLOs in which FOIF II LP and FOMC III LP (the "Master Funds") holds control CLO equity investments experienced an annualised default rate of 0.30%⁴ from 12 June 2014 to 30 June 2023 and had CCC exposure of 5.03%⁵ as at 30 June 2023, both well below the market's average of 1.80%⁶ and 7.11%⁷ respectively. As a result of the strong fundamental performance of the portfolio, all CLO equity and debt investments made their scheduled distributions in the first half of 2023.

1. J.P. Morgan. Leveraged Loan Index Summary Market Index Value. Data as at 30 June 2023.

2. J.P. Morgan. Domestic HY Summary Market Index Value. Data as at 30 June 2023.

3. J.P. Morgan. CLO B Post-Crisis Unhedged (USD) Cumulative Total Return. Data as at 30 June 2023.

4. Fair Oaks Capital data. Annualised default rate of the control CLO equity positions since inception. Data as at 30 June 2023.

5. Intex. CCC+, CCC and CCC-rated assets (S&P). Based on loan facility rating from S&P. Data as at 30 June 2023.

6. Average based on PitchBook LCD's US Leveraged Loan Index lagging 12-month loan default rate based on principal amount, since June 2014. Data as at 30 June 2023.

7. Pitchbook LCD. Data as at 30 June 2023.



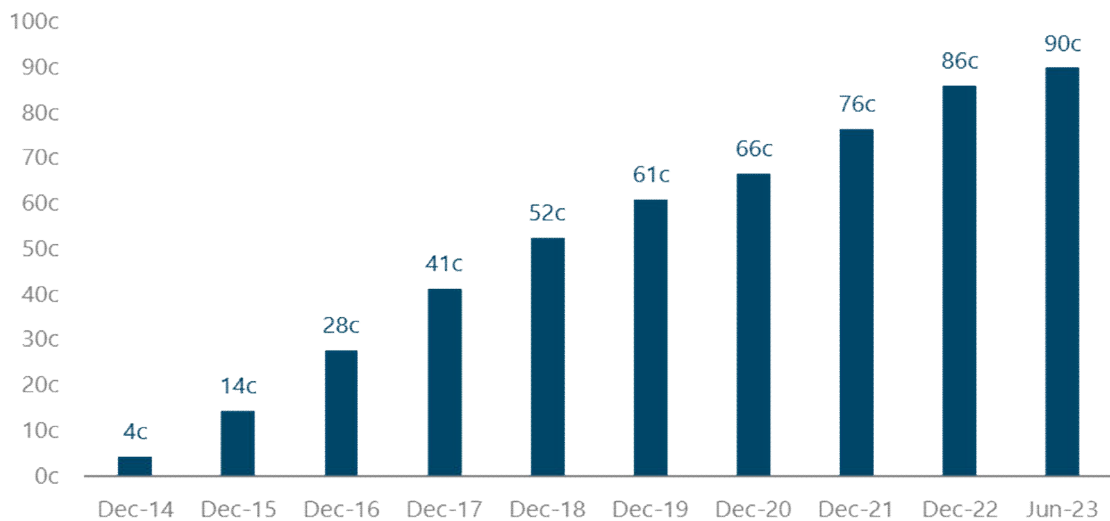
STRATEGIC REVIEW

Chairman's Statement

The Company declared dividends of 2.00 US cents per 2021 Share and per Realisation Share in respect of the quarters ending March 2023 and June 2023. The dividends are well-covered by the distributions received by the Master Funds.

The dividend yield for the 2021 Shares was 16.4% of the end of June, based on the closing share price.⁸

Figure 1.3 – Cumulative dividends per share since inception (US cents per 2021 Share)



The quality of the Master Fund's portfolio and the robustness of the CLO structure are evidenced by its resilience. As an example, the expected gross returns for Master Funds (based on current NAV) under stress scenarios based on the 2000 and 2008 periods are +5.7% and +8.6% respectively⁹ (noting that defaults around 2000 were concentrated in telecom and technology sector so diversified CLOs would have suffered lower default rates). These scenarios apply actual historical defaults, recovery rates, CCC balances/prices, prepayment rates, interest rates and reinvestment assumptions for each period.

Richard Burwood
Chairman

27 September 2023

⁸ Dividend yield is calculated using the most recent dividend (01-Jun-23) annualised and Fair Oaks Income Fund 2021 share price as at 30 June 2023.

⁹ Fair Oaks analysis based on FAIR portfolio. Analysis based on Intex. Additional details and modelling assumptions available on request. Data as at 30 June 2023.



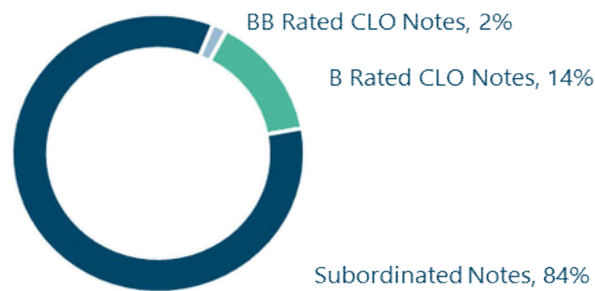
STRATEGIC REVIEW

Investment Adviser’s Report

Portfolio Review

As at 30 June 2023, the Master Funds held 19 CLO equity positions and 13 CLO mezzanine investments offering exposure to 1,448 loan issuers¹ and 21 CLO managers. Control CLO equity positions represented 80.4% of the portfolio’s market value².

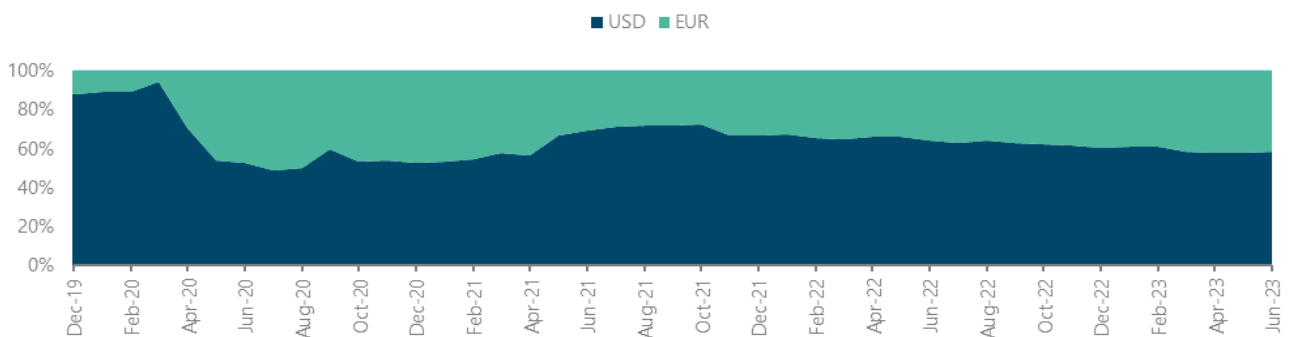
Figure 2.1 – Portfolio composition of the Master Funds³



As of the end of June 2023, all positions were in compliance with their over-collateralization tests, with the average CLO equity test value 4.0% above its threshold (assuming 70c recovery in case of default, it would require in excess of 13% cumulative defaults to generate the par loss required to reach the test limit, before any cash-flow diversion).

The Master Funds received total distributions of \$33.2 million in H1-23, compared to \$45.0 million in H1-22. Distributions received in January were negatively impacted by large movements in Libor and Euribor which affected the CLO assets and liabilities differently due to timing issues. Distributions recovered in April.

Figure 2.2 – Currency breakdown (excl. cash)⁴



All control CLO equity investments (including reset and refinancings) completed since July 2019 have included ESG-related exclusion criteria in the CLO’s documentation. 74% of CLO equity investments are subject to ESG-related investment criteria as of the end of H1-23.

1. Based on the underlying loans in CLOs in which the Master Funds holds equity. Data as at 30 June 2023.
 2. Percentage by market value of control CLO equity positions. Data as at 30 June 2023.
 3. Breakdown by market value of the CLO investments held by the Master Funds which includes its share Wollemi Investments I LP ("Wollemi LP"). Percentages may not add up to 100% because of rounding errors. Data as at 30 June 2023.
 4. Based on Fair Oaks Capital data on Original CLO ratings at month-end. NAV weighted, excluding cash. Source: Fair Oaks Income Fund monthly reports, RNS statements, trustee reports, Intex. Data as at 30 June 2023.



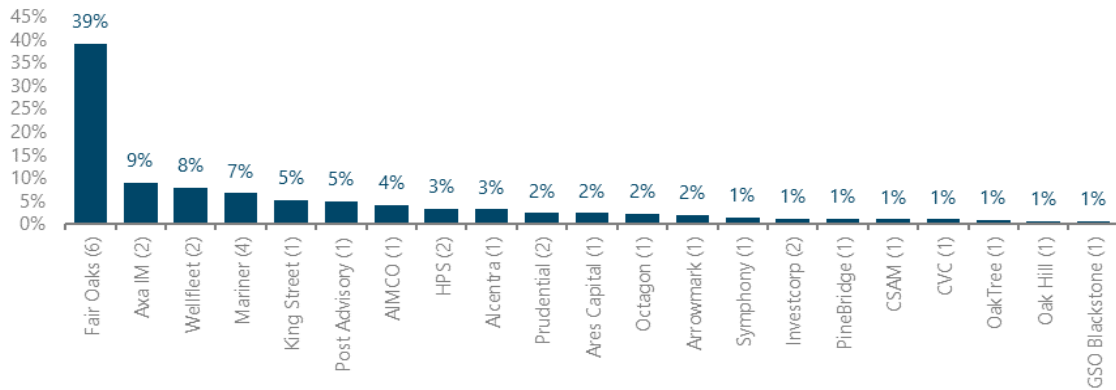
STRATEGIC REVIEW

Investment Adviser's Report

Figure 2.3 – CLO equity investments subject to ESG investment restrictions⁵



Figure 2.4 – CLO manager diversification of the Master Funds⁶



5. Fair Oaks Capital. Data as at 30 June 2023.

6. Based on market value of the CLO investments, as at 30 June 2023. Percentages may not add up to 100% because of rounding errors. The number of investments is shown in parentheses after each manager name.



STRATEGIC REVIEW

Investment Adviser’s Report

Figure 2.5– Geographical (top 5) and currency breakdown⁷

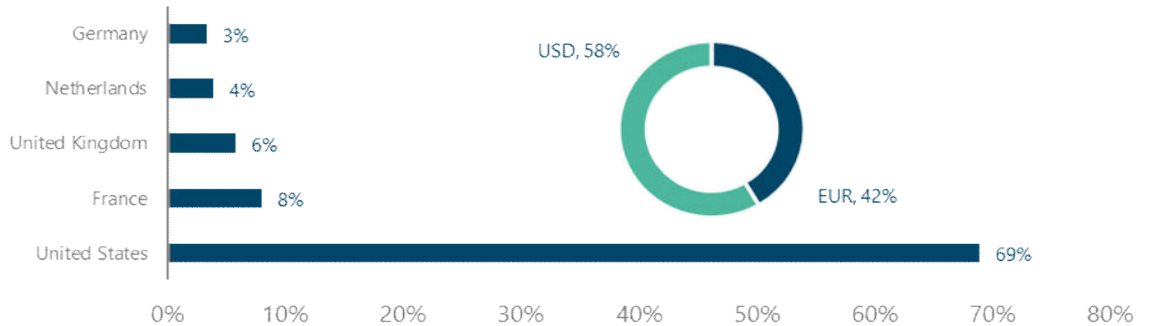


Figure 2.6 - Industry diversification (top 10)⁸

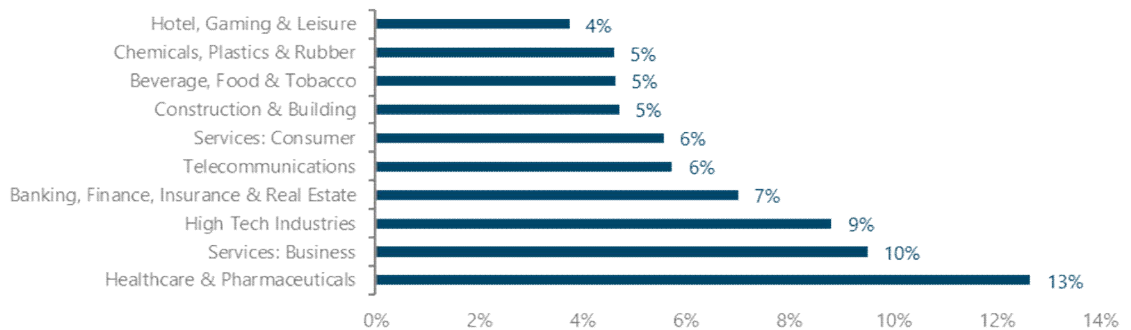
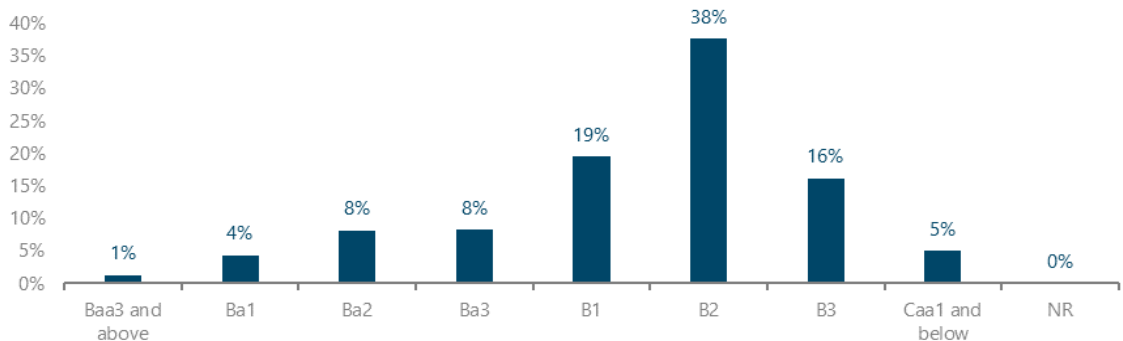


Figure 2.7 - Rating breakdown⁹



The focus on originating and controlling CLO subordinated note investments has resulted in fundamental performance above the market average. Origination and control allowed the Master Funds to veto specific loans when the transactions were launched and to monitor and influence the CLOs over time. Lower fees in primary investments also allowed CLO managers to construct more conservative portfolios with no need to stretch for yield. As a result, the Master Funds have benefitted from underexposure to sectors such as retail or energy.

7. Based on Moody's sectors and loan par value weighted by the Master Funds' ownership of Income Notes. Source: Intex. Data as at 30 June 2023.

8. Based on Moody's sectors and loan par value weighted by the Master Funds' ownership of Income Notes. Source: Intex. Data as at 30 June 2023.

9. Based on loan par value weighted by the Master Funds' proportional ownership of Income Notes. Source: Intex. Based on Moody's deal ratings. Due to rounding errors, the percentages may not sum to 100%. Data as at 30 June 2023.



STRATEGIC REVIEW

Investment Adviser’s Report

Figure 2.8 – Annualized Equity Distributions (over par)¹⁰

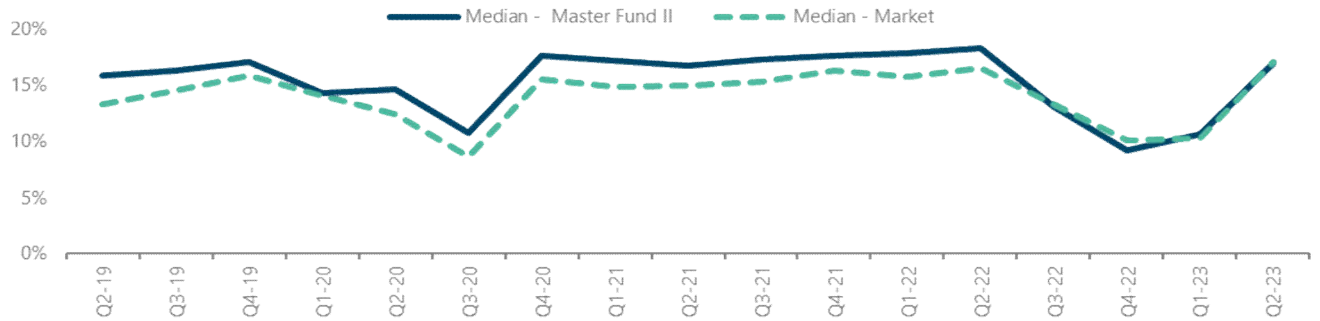
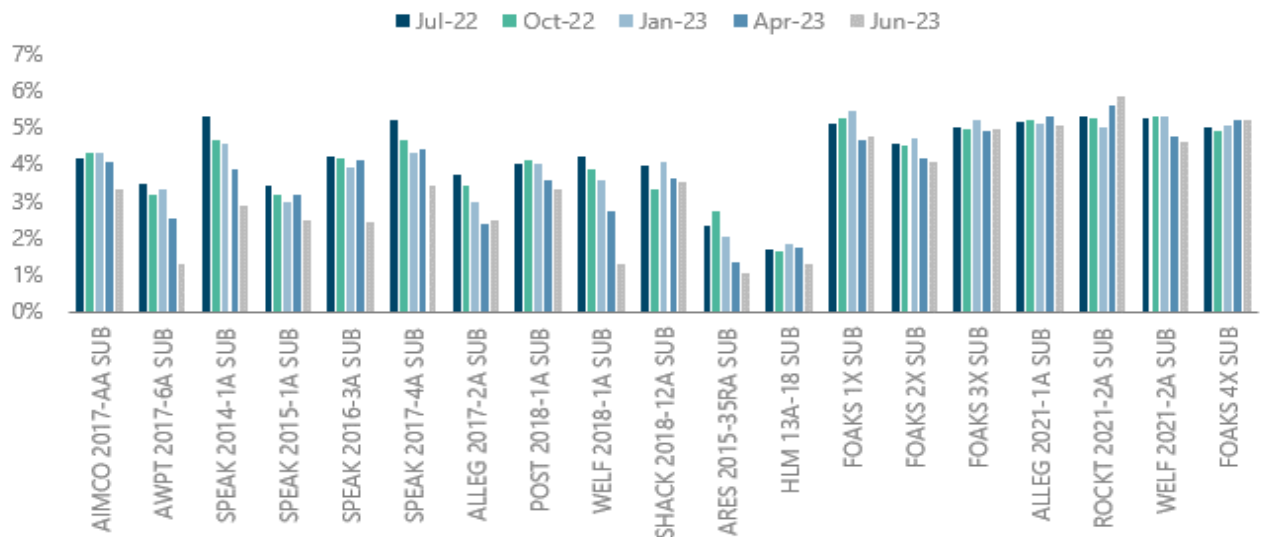


Figure 2.9 – Overcollateralisation test headroom¹¹



The over-collateralisation test headroom remains robust across the portfolio, reducing the potential for any future cash-flow diversion.

10. Intex, Barclays. Based on annualised quarterly distributions over par.

11. Intex. Data as of 30 June 2023.



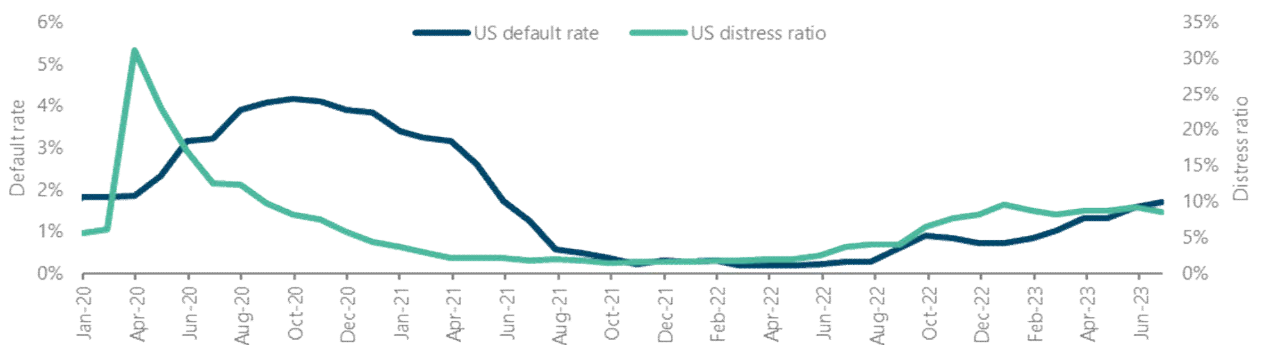
STRATEGIC REVIEW

Investment Adviser’s Report

US Loan Market Update

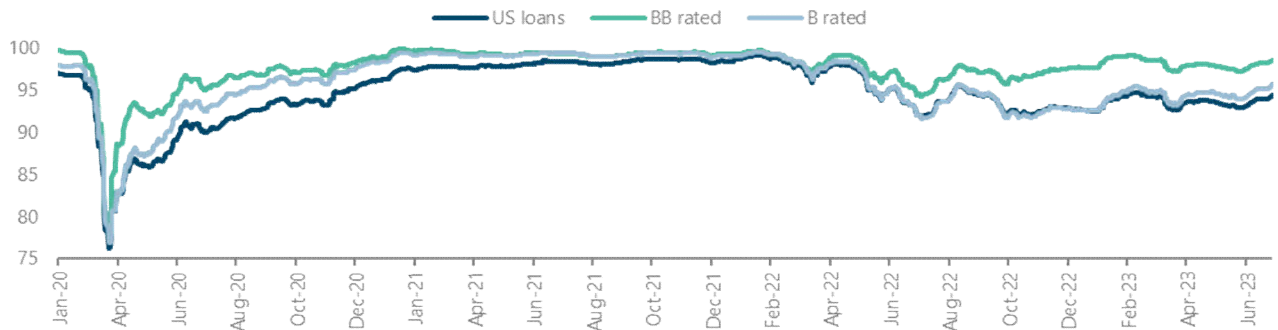
The trailing 12-month loan default rate increased from 0.72% at the end of December 2022 to 1.71% in June 2023 in the US. The US distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) decreased from 9.59% to 8.47% in the same period. ¹² A Q2-23 investor survey highlights the anticipated US loan default rate is between 2.5% and 3.0% by June 2024. ¹³

Figure 2.10 – US loan default rate¹²



The average bid price of the S&P US Leveraged Loan Index was 94.24 at the end of June 2023, compared to 92.44 in December 2022.

Figure 2.11 –Average bid price of US leveraged loans, BB and B rated loans¹⁴



12. Pitchbook LCD. Based on Morningstar US Leveraged Loan Index. Default rate based on principal amount. Distress ratio by issuer count defined as loans trading below 80. Data as at 30 June 2023.

13. Pitchbook LCD, "LCD Leveraged Finance Survey: Credit conditions may tighten further", 29 June 2023. Poll as at 23 June 2023.

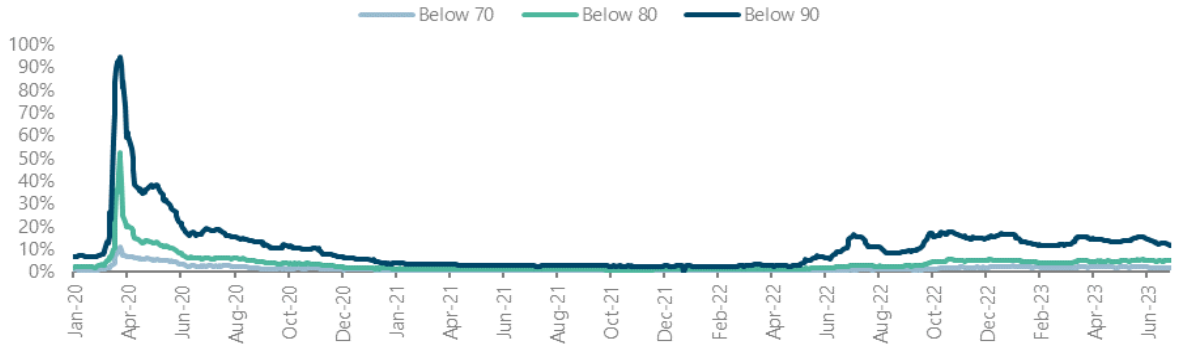
14. Pitchbook LCD. SPBDAL - Morningstar LSTA US Leveraged Loan TR USD, SPBDBB - Morningstar LSTA US BB Ratings Loan TR USD, SPBDL - Morningstar LSTA US B Ratings Loan TR USD. Data as at 30 June 2023.



STRATEGIC REVIEW

Investment Adviser's Report

Figure 2.12 - US loan price distribution¹⁵



Primary loan issuance volume was limited in H1-23 with H1 issuance volume in the US being at the lowest level since 2009. Amend and extend (“A&E”) transactions continue to account for the majority of issuance, helping to reduce 2024 and 2025 loan maturities.

Figure 2.13 – US primary loan issuance volume¹⁶

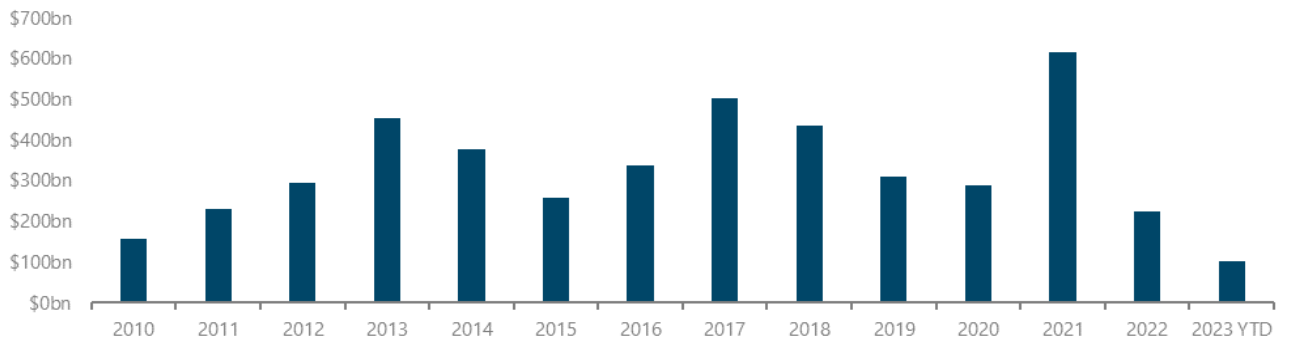
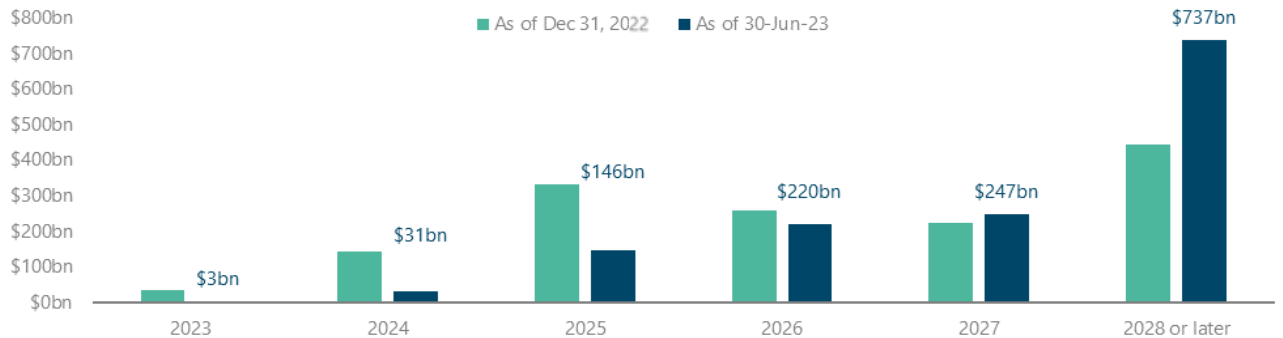


Figure 2.14 – Maturity wall of the US loan market of performing loans (\$billion)¹⁷



15. J.P. Morgan. Leveraged Loan Index Below \$50, \$50-\$60, \$60-\$70, \$70-\$80, \$80-\$90 Market Weight. Data as at 30 June 2023.

16. Pitchbook LCD. Institutional loan volumes only. US Interactive Volume Report. Data as at 30 June 2023.

17. Pitchbook LCD. Distribution by year of maturity of the US loan markets. Data as of Q1-23.



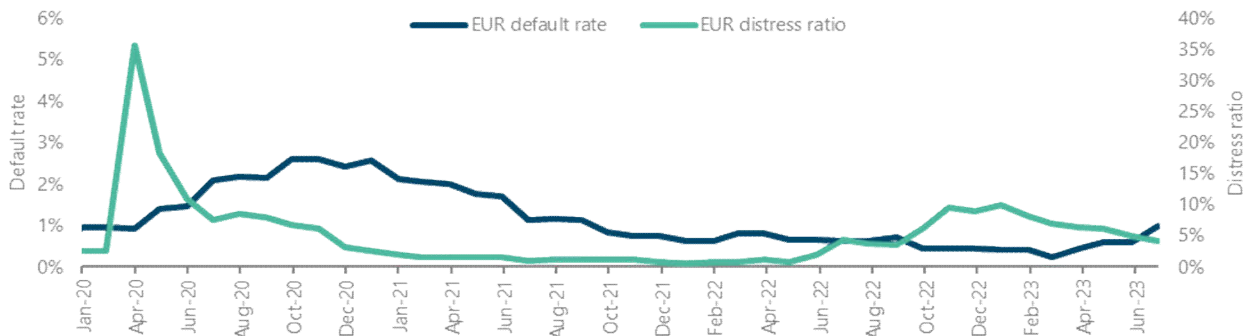
STRATEGIC REVIEW

Investment Adviser’s Report

European Loan Market Update

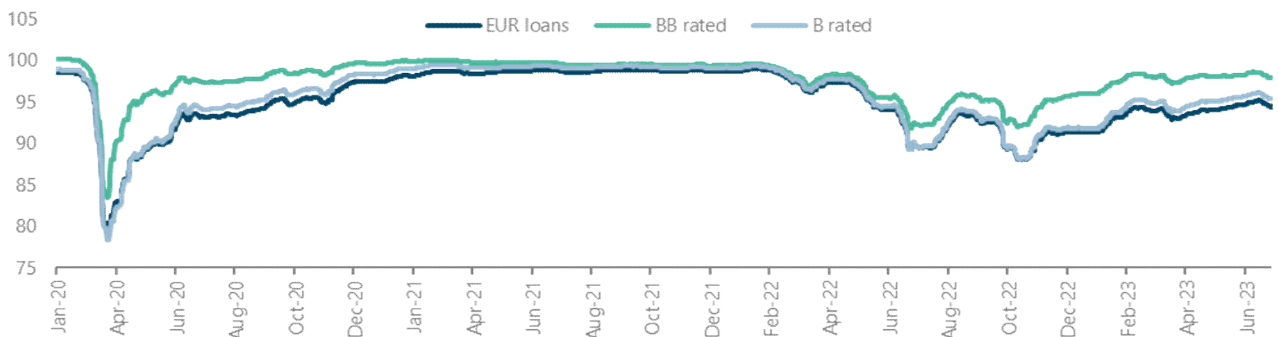
The trailing 12-month loan default rate increased from 0.42% at the end of December 2022 to 0.98% in June 2023 in Europe. The European distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) decreased from 9.91% to 4.13% in the same period.¹⁸

Figure 2.15 – European loan default rate¹⁸



The average bid price of the European Leveraged Loan Index was 94.42 at the end of June 2023, compared to 91.34 in December 2022.

Figure 2.16 - Average bid price of EUR leveraged loans, BB and B rated loans¹⁹



Similar to the US market, H1-23 loan issuance reached historically low levels, the lowest H1 European loan issuance volume since 2012. European loan issuance has also been focused on extending existing loans, thereby reducing near-term loan maturities.

18. Pitchbook LCD. Based on Morningstar European Leveraged Loan Index. Default rate based on principal amount. Distress ratio by issuer count defined as loans trading below 80. Data as at 30 June 2023.

19. Pitchbook LCD. SPLE00 - Morningstar European Leveraged Loan TR EUR, SPLE2B - Morningstar European BB Ratings Loan TR EUR, SPLE1B - Morningstar European B Ratings Loan TR EUR. Data as at 30 June 2023.



STRATEGIC REVIEW

Investment Adviser’s Report

Figure 2.17 – EUR primary loan issuance volume²⁰

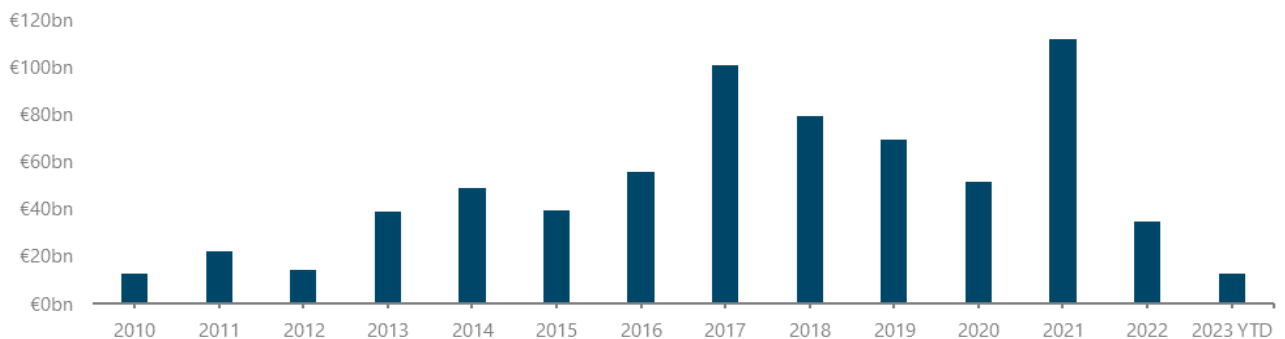
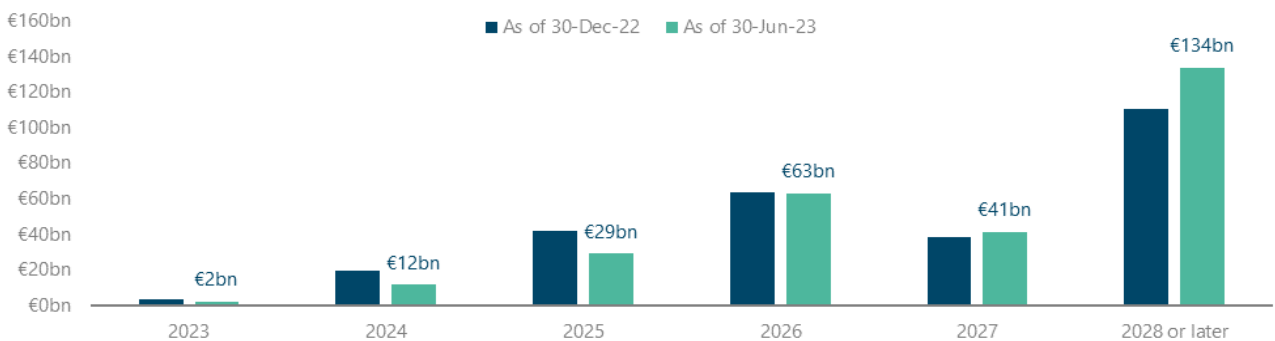


Figure 2.18 – Maturity wall of the EUR loan market of performing loans (€billion)²¹



US CLO Market Update

The primary US CLO market in 2023 has seen a significant slow-down in new issue. CLO new issuance volume decreased from \$73.2bn in H1-22 to \$56.0bn in H1-23. Due to currently wide CLO liability spreads, there were no refinancings and only one reset during H1-23, compared to \$4.8 billion refinancings (12 deals) and \$19.6 billion resets (34 deals) in H1-22.²²

Forecasts for CLO primary issuance in 2023 have also been trimmed (Barclays: from \$115-125bn to \$80-90bn).²³ Fair Oaks does not foresee a near term catalyst for the CLO primary market to pick up, as loan issuance remains muted and financing levels historically high.

20. Pitchbook LCD. Institutional loan volumes only. Euro Loan and Technicals Data. Data as at 30 June 2023.

21. Pitchbook LCD. Distribution by year of maturity of the European loan markets. Data as of Q1-23.

22. Pitchbook LCD. CLO Global Databank. Data as at 30 June 2023.

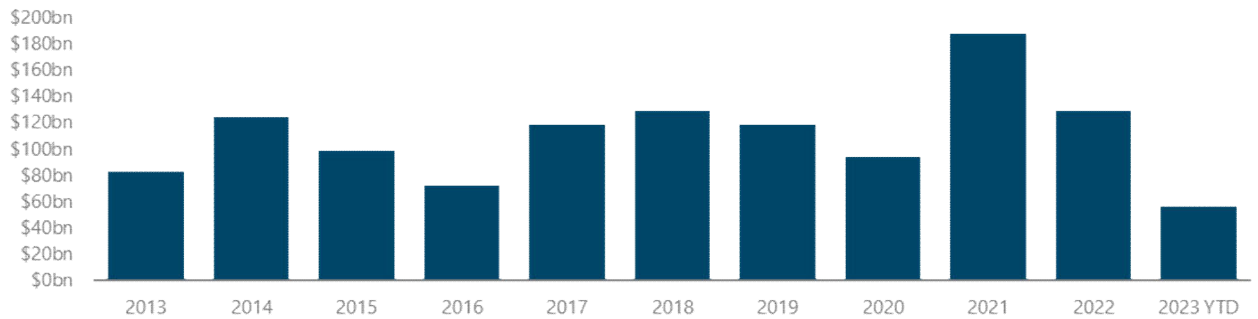
23. Barclays Research, "US Credit Alpha - Less Macro, More Micro," 2 June 2023 and "2023 Global CLO Supply Outlook: We Expect Activity to Pick Up in 2H23," 4 November 2022.



STRATEGIC REVIEW

Investment Adviser’s Report

Figure 2.19 – US CLO new issue volume²⁴



CLO spreads remained wide by historical standards in H1-23. As in other credit markets, relatively weak market conditions are mainly due to the continuing challenges of high inflation, rising interest rates and the ongoing war in Ukraine. AAA-rated CLO spreads are also impacted by reduced demand from banks as a result of their reduced levels of reserves.

Figure 2.20 – US AAA primary spreads (bps)²⁵

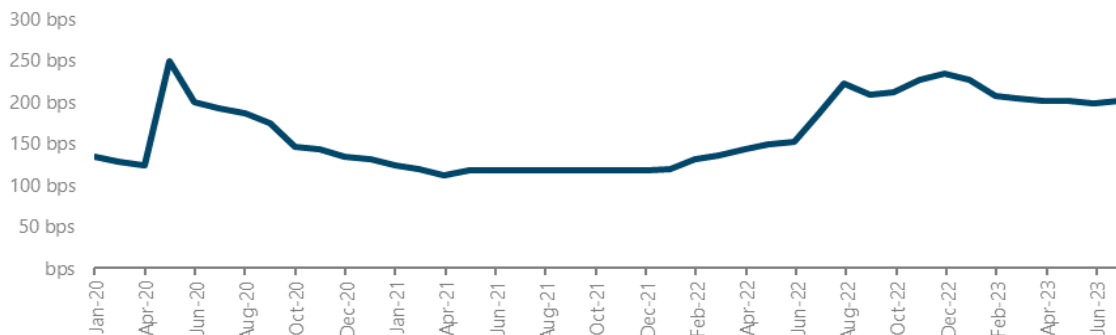
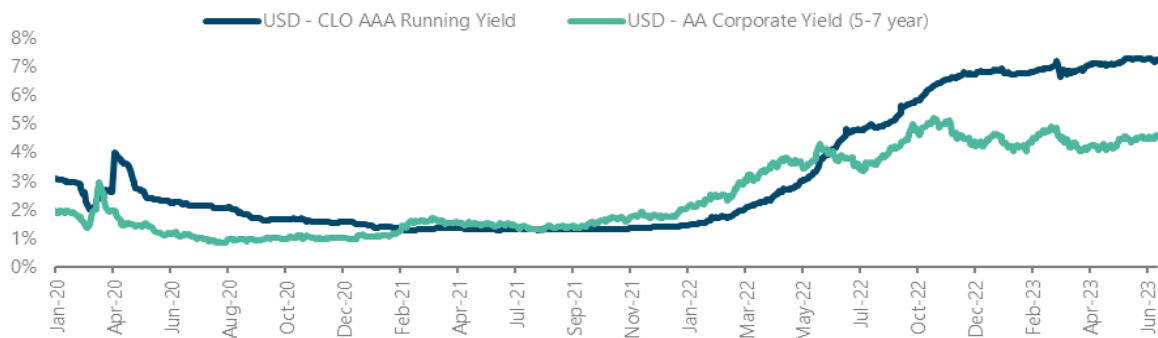


Figure 2.21 USD AAA CLOs vs US AA Corporate yield²⁶



24. Pitchbook LCD. CLO Global Databank. Data as at 30 June 2023.

25. J.P. Morgan. Median Primary CLO AAA Spread (USD). Spread over Libor until 31 December 2021. Spread over SOFR from 1 January 2022. Data as at 30 June 2023.

26. J.P. Morgan. Primary CLO AAA Spread (USD) - Spread over Libor until 31 December 2021. Spread over SOFR from 1 January 2022. JULI Non-Financials Main Sectors (5-7 years). Data as at 30 June 2023.



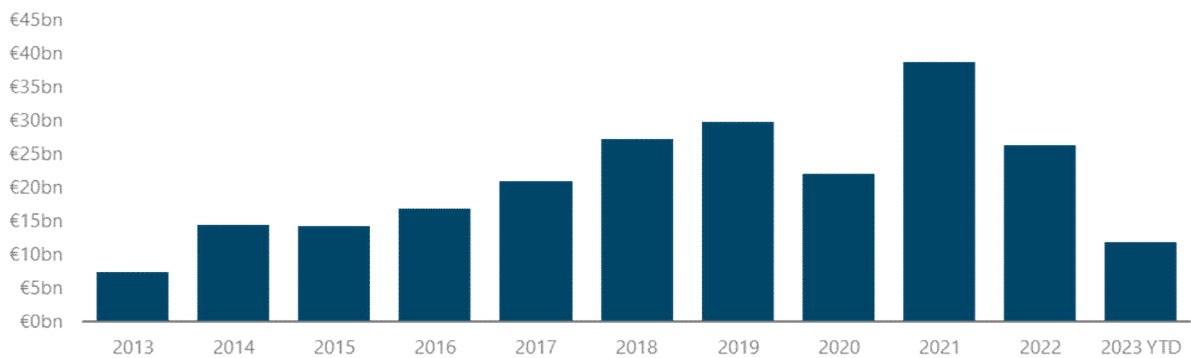
STRATEGIC REVIEW

Investment Adviser’s Report

European CLO Market Update

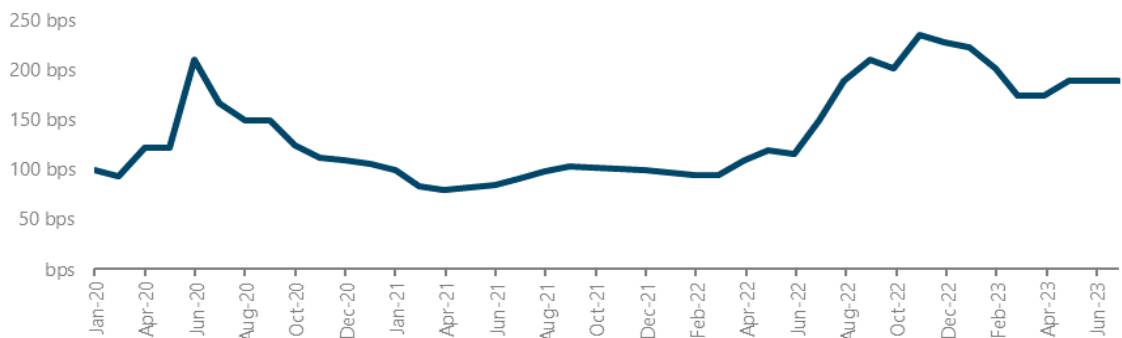
The European CLO market has also seen a reduction in new issuance. CLO new issuance volume was €11.7bn in H1-23, compared to €13.7bn in H1-22.²⁷ There were no CLO refinancings or resets in H1-23, compared to €1.7 billion refinancings (5 deals) and €4.6 billion resets (11 deals) in H1-22. Forecasts for European CLO new issuance have also been reduced (e.g. Barclays: from €22-28bn to €22bn in Europe).²⁸

Figure 2.22 – EUR CLO new issue volume²⁷



As in the US, the decline in European issuance has been driven by wide CLO liability pricing, which makes it challenging to generate attractive returns for new issue CLO equity.

Figure 2.23 - EUR AAA primary spreads (bps)²⁹



27. Pitchbook LCD. CLO Global Databank. Data as at 30 June 2023.

28. Barclays Research, "US Credit Alpha - Less Macro, More Micro," 2 June 2023 and "2023 Global CLO Supply Outlook: We Expect Activity to Pick Up in 2H23," 4 November 2022.

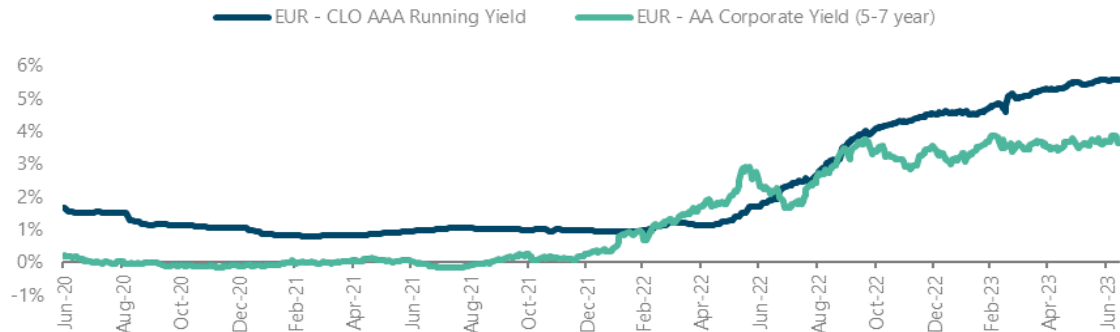
29. J.P. Morgan. Median Primary CLO AAA Spread (EUR). Data as at 30 June 2023.



STRATEGIC REVIEW

Investment Adviser’s Report

Figure 2.24 European AAA CLOs vs European corporate (yield)³⁰



Outlook

We believe that the Company and the Master Fund are well positioned to generate attractive risk-adjusted returns in the second half of 2023:

- Stable and attractive dividend yield: current dividend yield of 16.4%³¹ with dividends well covered by distributions received by the Master Funds.
- Existing, high-quality portfolio with CLO equity positions benefitting from attractive CLO financing (significantly lower than current market level).
- Structural advantages: Supported by the Master Funds’ rigorous valuation policy, fixed life of the underlying Master Funds and discount management provisions, including the share buyback programme and quarterly reinvestment of 25% of management fees if the Company does not trade at or above NAV.

We continue to believe that the 16.4% dividend yield offered by the Company, supported by a high-quality portfolio of primarily first-lien, senior secured loans with very attractive term, non-mark-to-market financing represents one of the most attractive risk-adjusted opportunities available to investors in the current market environment.

Fair Oaks Capital Limited

27 September 2023

³⁰ J.P. Morgan. Primary CLO AAA Spread (EUR). J.P. Morgan Corporates AA 5 - 7 Yield. Data as at 30 June 2023.

³¹ Dividend yield is calculated using the most recent dividend (01-Jun-23) annualised and Fair Oaks Income Fund 2021 share price as at 30 June 2023.



GOVERNANCE

Statement of Principal and Emerging Risks and Uncertainties

The Company is a feeder fund investing its assets into the Master Fund II and the Master Fund III. Its principal and emerging risks and uncertainties include operational, investment and financial (market risk), financial (counterparty risk and liquidity risk), compliance and regulatory, political and economic and ESG risks. These risks, and the way in which they are managed, are described in more detail under the heading "Principal and emerging risks" within the Strategic Report of the Company's last Annual Report for the year ended 31 December 2022. The Company's principal and emerging risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remainder of the Company's financial year.

Statement of Directors' Responsibilities

We confirm to the best of our knowledge:

- these Unaudited Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as required by DTR 4.2.4R of the Disclosure Guidance and Transparency Rules ("DTR") of the UK's FCA; and
- the Chairman's Statement, the Investment Adviser's Report and the Statement of Principal and Emerging Risks and Uncertainties, together with the Unaudited Condensed Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
 - (a) DTR 4.2.7R of the DTR of the UK's FCA, being an indication of important events that have occurred during the six month period ended 30 June 2023 and their impact on the Unaudited Condensed Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the DTR of the UK's FCA, being related party transactions that have taken place during the six month period ended 30 June 2023 and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:

Jon Bridel
Director
27 September 2023



GOVERNANCE

Independent Review Report to Fair Oaks Income Limited

Conclusion

We have been engaged by Fair Oaks Income Limited (the "Company") to review the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 of the Company, which comprises the unaudited condensed statement of financial position, the unaudited condensed statement of comprehensive income, the unaudited condensed statement of changes in shareholders' equity, the unaudited condensed statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued by the Financial Reporting Council for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Scope of review section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

Conclusions relating to going concern (continued)

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However future events or conditions may cause the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Company will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 Interim Financial Reporting.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the scope of review paragraph of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement letter to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Steven Stormonth

For and on behalf of KPMG Channel Islands Limited

Chartered Accountants

Guernsey

27 September 2023



FINANCIAL STATEMENTS

Unaudited Condensed Statement of Comprehensive Income

For the six month period ended 30 June 2023

	Note	1 January 2023 to 30 June 2023 (unaudited) US\$	1 January 2022 to 30 June 2022 (unaudited) US\$
Revenue			
Net gains /(losses) on financial assets at fair value through profit or loss	5	22,188,822	(13,654,747)
Investment income		606,810	5,227
Net foreign exchange gains / (losses)		34,773	(74,462)
Total revenue		22,830,405	(13,723,982)
Expenses			
Investment advisory fees	6	83,353	24,990
Audit and interim review fees		89,970	145,547
Administration fees	6	68,507	41,798
Directors' fees and expenses	6	83,686	82,459
Broker fees		81,452	60,818
Legal and professional fees		11,226	9,144
Other expenses		68,255	83,095
Total operating expenses		486,449	447,851
Profit / (loss) and total comprehensive income / (loss) for the period		22,343,956	(14,171,833)
Basic and diluted earnings / (losses) per 2021 Share	9	0.04879	(0.03030)
Basic and diluted earnings / (losses) per Realisation Share	9	0.05426	(0.03030)

All items in the above statement are derived from continuing operations.

The accompanying notes on pages 23 to 41 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Unaudited Condensed Statement of Changes in Shareholders' Equity

For the six month period ended 30 June 2023

	Note	Share capital (Realisation Shares)	Share capital (2021 Shares)	Retained earnings (Realisation Shares)	Retained earnings (2021 Shares)	Total Equity
		US\$	US\$	US\$	US\$	US\$
At 1 January 2023		55,251,707	383,148,853	(23,297,298)	(152,757,973)	262,345,289
<i>Total comprehensive income:</i>						
Profit for the period		-	-	3,015,491	19,328,465	22,343,956
Total comprehensive profit for the period		-	-	3,015,491	19,328,465	22,343,956
<i>Transactions with Shareholders:</i>						
Dividends declared during the period	4	-	-	(2,223,225)	(15,841,786)	(18,065,011)
Share buy-backs	8	-	(6,100,510)	-	-	(6,100,510)
Total transactions with Shareholders		-	(6,100,510)	(2,223,225)	(15,841,786)	(24,165,521)
At 30 June 2023		55,251,707	377,048,343	(22,505,032)	(149,271,294)	260,523,724

	Note	Share capital (Realisation Shares)	Share capital (2021 Shares)	Retained earnings (Realisation Shares)	Retained earnings (2021 Shares)	Total Equity
		US\$	US\$	US\$	US\$	US\$
At 1 January 2022		59,251,697	384,339,570	(17,464,727)	(113,601,494)	312,525,046
<i>Total comprehensive loss:</i>						
Loss for the period		-	-	(1,894,231)	(12,277,602)	(14,171,833)
Total comprehensive loss for the period		-	-	(1,894,231)	(12,277,602)	(14,171,833)
<i>Transactions with Shareholders:</i>						
Dividends declared during the period	4	-	-	(3,128,290)	(20,162,993)	(23,291,283)
Total transactions with Shareholders		-	-	(3,128,290)	(20,162,993)	(23,291,283)
At 30 June 2022		59,251,697	384,339,570	(22,487,248)	(146,042,089)	275,061,930

The accompanying notes on pages 23 to 41 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Unaudited Condensed Statement of Financial Position

At 30 June 2023

	Note	30 June 2023 (unaudited) US\$	31 December 2022 (audited) US\$
Assets			
Cash and cash equivalents		23,583,603	27,838,142
Other receivables and prepayments		108,935	117,989
Financial assets at fair value through profit or loss	5	236,567,072	234,984,455
Distribution receivable		388,858	-
Total assets		260,648,468	262,940,586
Liabilities			
Distributions received in advance		-	482,752
Trade and other payables		124,744	112,545
Total liabilities		124,744	595,297
Net assets		260,523,724	262,345,289
Equity			
Retained earnings		(171,776,326)	(176,055,271)
Share capital	8	432,300,050	438,400,560
Total equity		260,523,724	262,345,289
Net Assets attributable to 2021 Shareholders		227,777,049	230,390,880
Number of 2021 Shares	8	390,281,745	402,709,500
Net asset value per 2021 Share		0.5836	0.5721
Net Assets attributable to Realisation Shareholders		32,746,675	31,954,409
Number of Realisation Shares	8	55,578,441	55,578,441
Net asset value per Realisation Share		0.5892	0.5749

The Unaudited Condensed Financial Statements on pages 19 to 41 were approved and authorised for issue by the Board of Directors on 27 September 2023 and signed on its behalf by:

Jon Bridel
Director

The accompanying notes on pages 23 to 41 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Unaudited Condensed Statement of Cash Flows

For the six month period ended 30 June 2023

	Note	1 January 2023 to 30 June 2023 (unaudited) US\$	1 January 2022 to 30 June 2022 (unaudited) US\$
Cash flows from operating activities			
Profit / (loss) for the period		22,343,956	(14,171,833)
Adjustments for:			
Net (gains)/losses on financial assets at fair value through profit or loss	5	(22,188,822)	13,654,747
Net foreign exchange (gains) / losses		(34,773)	74,462
		120,361	(442,624)
Decrease in other receivables and prepayments		9,054	61,921
Increase in trade and other payables		12,199	98,467
Income distributions received from Master Fund II		2,801,700	4,291,312
Income distributions received from Master Fund III		16,932,895	27,525,144
Capital distributions received from Master Fund II		-	2,377,577
Net cash flow from operating activities		19,876,209	33,911,797
Cash flows from financing activities			
Share redemptions paid during the period		(6,100,510)	-
Dividends paid during the period	4	(18,065,011)	(11,623,786)
Net cash flow used in financing activities		(24,165,521)	(11,623,786)
Net (decrease)/increase in cash and cash equivalents		(4,289,312)	22,288,011
Cash and cash equivalents at beginning of period		27,838,142	1,294,271
Effect of foreign exchange rate changes during the period		34,773	(74,462)
Cash and cash equivalents at end of period		23,583,603	23,507,820

The accompanying notes on pages 23 to 41 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

1. GENERAL INFORMATION

Fair Oaks Income Limited (the “Company”) was registered in Guernsey under the Companies (Guernsey) Law, 2008 on 7 March 2014. The Company’s registration number is 58123 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules and Guidance 2021. The Company began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange on 12 June 2014.

Reorganisation

On 19 April 2021, the Company announced the result of its reorganisation proposal, being that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares (the “Realisation Shares”), representing 13.4% of the 2017 Shares in issue, and 405,815,477 2017 Shares were re-designated as 2021 Shares (the “2021 Shares”), representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury). The Company makes its investments through FOIF II LP (the “Master Fund II”) and FOMC III LP (the “Master Fund III”), in both of which the Company is a limited partner (the “Master Fund II” and the “Master Fund III” together the “Master Funds”). The Master Fund II was registered in Guernsey on 24 February 2017 and the Master Fund III was registered in Guernsey on 10 March 2021 under The Limited Partnerships (Guernsey) Law, 1995. The purpose of the reorganisation was to allow those Shareholders who wished to extend the life of their investment in the Company beyond the planned end date of the Master Fund II, being 21 June 2026, and to be able to do so by having their 2017 Shares re-designated as 2021 Shares. These 2021 Shares investing in the new Master Fund III, which has a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of Master Fund II.

At 30 June 2023, the Company has 55,578,441 Realisation Shares (31 December 2022: 55,578,441 Realisation Shares) and 390,281,745 2021 Shares (31 December 2022: 402,709,500 2021 Shares) in issue. During the period ended 30 June 2023 the Company bought back 12,427,755 2021 shares for US\$ 6,100,510. The Realisation Shares invest solely into the Master Fund II and the 2021 Shares invest solely into the Master Fund III. At 30 June 2023, the Company had direct holdings of 9.59% (31 December 2022: 9.59%) in the Master Fund II and 95.32% (31 December 2022: 95.32%) holding in Master Fund III, which in turn had a holding of 62.21% (31 December 2022: 62.21%) in the Master Fund II. Together, the Company held a direct and indirect holding of 68.89% (31 December 2022: 68.89%) in the Master Fund II.

The Master Funds

At 30 June 2023, the Master Fund II had six limited partners (31 December 2022: six limited partners), including Fair Oaks Founder II LP, a related entity. At 30 June 2023, the Master Fund III had three limited partners (31 December 2022: three limited partners), including Fair Oaks Founder VI LP. The General Partner of the Master Fund II and Master Fund III is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”).

Cycad and Wollemi

The Master Fund II is also invested into Cycad Investments LP (“Cycad”). Cycad is a Limited Partnership registered in the United States of America on 2 June 2017. Aligned with the Company’s investment policy, Cycad also invests into Collateral Loan Obligations (“CLOs”). On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (“Wollemi”) also investing in CLOs. At 30 June 2023, the Master Fund II holds 100.00% (31 December 2022: 100.00%) of the commitment capital of Wollemi.

Founder Partners

Fair Oaks Founder II LP, a Guernsey limited partnership, has been established to act as the Founder Limited Partner of Master Fund II. Fair Oaks Founder VI LP, a Guernsey limited partnership, has been established to act as the Founder Limited Partner of Master Fund III.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

1. GENERAL INFORMATION (CONTINUED)

General Partner

The General Partner of the Master Fund II, Master Fund III, Cycad and Wollemi is Fair Oaks Income Fund (GP) Limited (the "General Partner" or "GP"). The Master Funds' invest in portfolios consisting primarily of CLOs. The Company may also invest in Qualifying Short Term Investments if at any time the Company holds any uninvested cash.

With effect from 15 May 2014, Fair Oaks Capital Limited (the "Investment Adviser") was appointed as the Investment Adviser.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

These Unaudited Condensed Financial Statements ("Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as required by DTR 4.2.4R, the Listing Rules of the LSE and applicable legal and regulatory requirements. They do not include all the information and disclosures required in Annual Financial Statements and should be read in conjunction with the Company's last Annual Audited Financial Statements for the year ended 31 December 2022.

The accounting policies applied in these Financial Statements are consistent with those applied in the last Annual Audited Financial Statements for the year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

These Financial Statements were authorised for issue by the Company's Board of Directors on 27 September 2023.

Expenses and non-investment assets and liabilities were apportioned to 2021 Shares and to Realisation Shares based on the assets under management of the respective share class at the date of the transaction and income was based on the share classes' respective ownership of the Master Fund II and Master Fund III. Following the conversion of 2017 Shares to 2021 Shares and Realisation Shares on 22 April 2021, expenses and non-investment assets and liabilities are apportioned 87.82% to 2021 Shares and 12.18% to Realisation Shares.

Going Concern

The Directors have assessed the financial position of the Company as at 30 June 2023 and the factors that may impact its performance (including the potential impact on markets and supply chains of geo-political risks such as the current crisis in Ukraine and the continuing macro-economic factors and inflation) in the forthcoming year.

The Company's Board has assessed the financial position of the Company as at 30 June 2023, the cash flow considerations and the factors that may impact their performance in the forthcoming year. The Directors are of the opinion that despite the impacts of the ongoing war in Ukraine, the challenges of high inflation, elevated interest rates and the bank failures seen in March 2023, the Company and the Master Funds are well positioned to generate attractive risk adjusted returns in 2023 and 2024. Furthermore, the Directors are well aware of the risk of cash flow diversion of CLO investments, so will not fully invest all available capital without leaving available liquidity for expenses. Despite this, Master Fund II continued to make income distributions to the Company and Master Fund III during H1-2023, as Master Fund II's CLO investments continue to comply with their over-collateralisation tests and make cash distributions.

The Investment Adviser continues to carefully monitor the performance of the Master Funds' investments, working closely with the Directors on current and emerging risks to the Company.

Following due consideration and after a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from the investments in the Master Funds, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements, as the Company has adequate financial resources to meet its liabilities as they fall due for at least the 12 month period from the date of the approval of the Financial Statements.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Significant judgements and estimates

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company's Audited Annual Financial Statements for the year ended 31 December 2022.

New accounting standards and interpretations applicable to future reporting periods

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENTAL REPORTING

The Board has considered the requirements of IFRS 8 – “Operating Segments”. The Company has entered into an Investment Advisory Agreement with the Investment Adviser under which the Investment Adviser is responsible for the management of the Company's investment portfolio, subject to the overall supervision of the Board of Directors. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Company's investment portfolio in accordance with the Company's investment guidelines as in effect from time to time, including the authority to purchase and sell securities and other investments and to carry out other actions as appropriate to give effect thereto. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the “Chief Operating Decision Maker” of the Company.

In the Board of Directors' opinion, the Company is engaged in a single segment of business, being investments into the Master Fund II and Master Fund III (30 June 2022: Master Fund II and the Master Fund III), which are Guernsey registered limited partnerships.

Segment information is measured on the same basis as that used in the preparation of the Company's Financial Statements.

The Company receives no revenues from external customers, nor holds any non-current assets, in any geographical area other than Guernsey.

4. DIVIDENDS

The Company's policy is to declare dividends to 2021 and Realisation shareholders as follows:

2021 Shares

The Board intends to pay quarterly dividends to holders of 2021 Shares representing an amount in aggregate at least equal to the gross income received by the Company from investments in the relevant financial year that are attributable to the 2021 Shares' interest in Master Fund III and qualifying short term investments, less a proportionate share of the expenses of the Company.

Realisation Shares

The Company intends to pay dividends to holders of Realisation Shares representing an amount in aggregate at least equal to the gross income from investments received by the Company in the relevant financial period attributable to the Realisation Shares' interest in Master Fund II and qualifying short term Investments, less expenses of the Company.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

4. DIVIDENDS (CONTINUED)

The Company declared the following dividends per 2021 Share during the six month period ended 30 June 2023:

Period to	Payment date	Dividend rate per 2021 Share		Record date	Ex-dividend date
		(cents)	Net dividend payable (US\$)		
31 December 2022	31 March 2023	2.0	7,999,885	3 March 2023	2 March 2023
31 March 2023	30 June 2023	2.0	7,841,901	2 June 2023	1 June 2023
		4.0	15,841,786		

The Company declared the following dividends per Realisation Share during the six month period ended 30 June 2023:

Period to	Payment date	Dividend rate per Realisation Share		Record date	Ex-dividend date
		(cents)	Net dividend payable (US\$)		
31 December 2022	31 March 2023	2.0	1,111,656	3 March 2023	2 March 2023
31 March 2023	30 June 2023	2.0	1,111,569	2 June 2023	1 June 2023
		4.0	2,223,225		

The Company declared the following dividends per 2021 Share during the six month period ended 30 June 2022:

Period to	Payment date	Dividend rate per 2021 Share		Record date	Ex-dividend date
		(cents)	Net dividend payable (US\$)		
31 December 2021	18 March 2022	2.5	10,017,606	18 February 2022	17 February 2022
31 March 2022	25 July 2022	2.5	10,145,387	24 June 2022	23 June 2022
		5.0	20,162,993		

The Company declared the following dividends per Realisation Share during the six month period ended 30 June 2022:

Period to	Payment date	Dividend rate per Realisation Share		Record date	Ex-dividend date
		(cents)	Net dividend payable (US\$)		
31 December 2021	18 March 2022	2.5	1,564,218	18 February 2022	17 February 2022
31 March 2022	25 July 2022	2.5	1,564,072	24 June 2022	23 June 2022
		5.0	3,128,290		

The default currency payment for dividends is US Dollars. However, shareholders can elect to receive their dividends in British Pounds Sterling ("Sterling") by registering under the Company's Dividend Currency Election.

The rate per 2021 Share and Realisation Share to be used to pay shareholders who elected to receive their dividend in Sterling will be announced on the London Stock Exchange each month prior to the payment date.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

4. DIVIDENDS (CONTINUED)

Under Guernsey law, companies can pay dividends in excess of accounting profit provided they satisfy the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether a company is able to pay its debts when they fall due, and whether the value of a company's assets is greater than its liabilities. The Company passed the solvency test for each dividend paid.

Total dividends payable as at 30 June 2023 were US\$nil (31 December 2022: US\$nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 January 2023 to 30 June 2023 (unaudited)		
	2021 Shares US\$	Realisation Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the period	353,769,725	54,602,765	408,372,490
Capital distributions received from Master Fund III / Master Fund II	-	-	-
Cost of financial assets at fair value through profit or loss at the end of the period	353,769,725	54,602,765	408,372,490
Net unrealised losses on financial assets at the end of the period	(148,394,125)	(23,411,293)	(171,805,418)
Financial assets at fair value through profit or loss at the end of the period	205,375,600	31,191,472	236,567,072
Movement in net unrealised loss during the year	1,737,661	(155,044)	1,582,617
Income distributions declared from Master Fund II during the year	-	3,212,173	3,212,173
Income distributions declared from Master Fund III during the year	17,394,032	-	17,394,032
Net gains on financial assets at fair value through profit or loss	19,131,693	3,057,129	22,188,822



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	1 January 2022 to 31 December 2022 (audited)		
	2021 Shares US\$	Realisation Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the year	371,719,138	57,306,391	429,025,529
Capital distributions received from Master Fund III / Master Fund II	(17,949,413)	(2,703,626)	(20,653,039)
Cost of financial assets at fair value through profit or loss at the end of the year	353,769,725	54,602,765	408,372,490
Net unrealised losses on financial assets at the end of the year	(150,131,786)	(23,256,249)	(173,388,035)
Financial assets at fair value through profit or loss at the end of the period	203,637,939	31,346,516	234,984,455
Movement in net unrealised loss during the year	(48,296,982)	(7,764,727)	(56,061,709)
Income distributions declared from Master Fund II during the year	-	7,840,508	7,840,508
Income distributions declared from Master Fund III during the year	48,354,429	-	48,354,429
Net losses on financial assets at fair value through profit or loss	57,447	75,781	133,228

	1 January 2022 to 30 June 2022 (unaudited)		
	2021 Shares US\$	Realisation Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the period	371,719,138	57,306,391	429,025,529
Return of capital from Master Fund II	-	(2,377,577)	(2,377,577)
Cost of financial assets at fair value through profit or loss at the end of the period	371,719,138	54,928,814	426,647,952
Net unrealised losses on financial assets at the end of the period	(141,353,249)	(22,408,853)	(163,762,102)
Financial assets at fair value through profit or loss at the end of the period	230,365,889	32,519,961	262,885,850
Movement in net unrealised loss during the period	(39,518,445)	(6,917,331)	(46,435,776)
Income distributions declared from Master Fund II during the period	-	5,086,711	5,086,711
Income distributions declared from Master Fund III during the period	27,694,318	-	27,694,318
Net losses on financial assets at fair value through profit or loss	(11,824,127)	(1,830,620)	(13,654,747)



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed
Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 30 June 2023, the Company had a 95.32% holding of the limited partnership interests in the Master Fund III on behalf of the 2021 Shares, which in turn had a holding of 62.21% in the Master Fund II. The Company also retained a direct holding of 9.59% in the Master Fund II on behalf of the Realisation Shares.

Look-through financial information: Master Funds' Financial Position

The following tables reconcile the Company's proportionate share of the Master Fund III's and Master Fund II's financial assets at fair value through profit or loss to the Company's financial assets at fair value through profit or loss:

	30 June 2023 (unaudited)		
	Master Fund III ¹ US\$	Master Fund II ² US\$	Total Company US\$
Financial assets at fair value through profit or loss	196,023,346	29,911,244	225,934,590
Add: Other net current assets	9,352,254	1,280,228	10,632,482
Total financial assets at fair value through profit or loss	205,375,600	31,191,472	236,567,072

	31 December 2022 (audited)		
	Master Fund III ¹ US\$	Master Fund II ² US\$	Total Company US\$
Financial assets at fair value through profit or loss	196,833,730	30,535,043	227,368,773
Add: Other net current assets	6,804,209	811,473	7,615,682
Total financial assets at fair value through profit or loss	203,637,939	31,346,516	234,984,455

1 Shows the Company's proportionate direct share in the Master Fund III at 95.32% (31 December 2022: 95.32%) through 2021 Shares investment only.

2 Shows the Company's proportionate direct share in the Master Fund II at 9.59% (31 December 2022: 9.59%) through Realisation Shares investment only.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Look-through financial information: Master Funds' profit or loss movements

The Company's proportionate share of the unrealised losses on investments in the period/year comprises the following movements within the underlying investments:

	1 January 2023 to 30 June 2023 (unaudited)		
	Master Fund III ¹	Master Fund II ²	Total Company
	US\$	US\$	US\$
Net unrealised losses on investments at the beginning of the period	(150,131,786)	(23,256,249)	(173,388,035)
Investment income	5,149	3,982,325	3,987,474
Income distributions received from Master Fund II	19,862,596	-	19,862,596
Unrealised losses on financial assets at fair value through profit or loss	(810,384)	(624,834)	(1,435,218)
Net loss on derivative financial instruments and foreign exchange	(482)	(55,232)	(55,714)
Other income	172,233	-	172,233
Expenses	(97,419)	(245,130)	(342,549)
Income distributions declared during the period	(17,394,032)	(3,212,173)	(20,606,205)
Net unrealised losses on investments at the end of the period	(148,394,125)	(23,411,293)	(171,805,418)

	1 January 2022 to 30 June 2022 (unaudited)		
	Master Fund III ¹	Master Fund II ²	Total Company
	US\$	US\$	US\$
Net unrealised losses on investments at the beginning of the period	(101,834,804)	(15,491,522)	(117,326,326)
Investment income	-	4,677,981	4,677,981
Income distributions received from Master Fund II	33,171,607	-	33,171,607
Unrealised losses on financial assets at fair value through profit or loss	(44,854,497)	(7,401,333)	(52,255,830)
Net gains on derivative financial instruments and foreign exchange	-	1,019,753	1,019,753
Other income	1,052	70,713	71,765
Expenses	(142,289)	(170,867)	(313,156)
Income distributions declared during the period	(27,694,318)	(5,113,578)	(32,807,896)
Net unrealised losses on investments at the end of the period	(141,353,249)	(22,408,853)	(163,762,102)

1 Shows the Company's proportionate direct share in the Master Fund III at 95.32% (31 December 2022: 95.32%) through 2021 Shares investment only.

2 Shows the Company's proportionate direct share in the Master Fund II at 9.59% (31 December 2022: 9.59%) through Realisation Shares investment only.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed
Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are set as follows:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Company's financial assets (by class, excluding cash and cash equivalents, prepayments, distribution receivable, dividends payable and other payables) measured at fair value:

	30 June 2023 (unaudited)			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets:				
Financial assets at fair value through profit or loss	-	-	236,567,072	236,567,072
Total	-	-	236,567,072	236,567,072
	31 December 2022 (audited)			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets:				
Financial assets at fair value through profit or loss	-	-	234,984,455	234,984,455
Total	-	-	234,984,455	234,984,455

The investments in the Master Fund III and Master Fund II, which are fair valued at each reporting date, have been classified within Level 3 as they are not traded and contain unobservable inputs.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The following table presents the movement in Level 3 instruments:

	1 January 2023 to 30 June 2023 (unaudited) US\$	1 January 2022 to 31 December 2022 (audited) US\$
Opening Balance	234,984,455	311,699,203
Return of capital from Master Funds	-	(20,653,039)
Movement in net unrealised (losses)/gain during the period/year	1,582,617	(56,061,709)
Closing Balance	236,567,072	234,984,455

Transfers between Level 1, 2 and 3

There have been no transfers between levels during the period ended 30 June 2023 or for the year ended 31 December 2022. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

Look-through financial information: Master Fund III and Master Fund II fair value hierarchy information

On a look-through basis, the following table analyses within the fair value hierarchy the Company's proportionate share of the Master Fund III's and the Master Fund II's financial assets and derivatives (by class, excluding cash and cash equivalents, other receivables and prepayments, distribution payable, carried interest payable and trade and other payables) measured at fair value:

	30 June 2023 (unaudited)			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Master Fund III¹				
Financial assets at fair value through profit or loss	-	3,207,165	192,816,181	196,023,346
Total	-	3,207,165	192,816,181	196,023,346

	31 December 2022 (audited)			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Master Fund III¹				
Financial assets at fair value through profit or loss	-	3,059,201	193,774,529	196,833,730
Total	-	3,059,201	193,774,529	196,833,730

	30 June 2023 (unaudited)			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Master Fund II²				
Financial assets at fair value through profit or loss	-	564,833	29,346,411	29,911,244
Derivatives at fair value through profit or loss	-	46,801	-	46,801
Total	-	611,634	29,346,411	29,958,045

1 Shows the Company's proportionate direct share in the Master Fund III at 95.32% (31 December 2022: 95.32%) through 2021 Shares investment only.

2 Shows the Company's proportionate direct share in the Master Fund II at 9.59% (31 December 2022: 9.59%) through Realisation Shares investment only.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed
Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	31 December 2022 (audited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Master Fund II²				
Financial assets at fair value through profit or loss	-	471,980	30,063,063	30,535,043
Derivatives at fair value through profit or loss	-	(535,493)	-	(535,493)
Total	-	(63,513)	30,063,063	29,999,550

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 30 June 2023 (unaudited):

	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Security				
Master Fund III ¹	205,375,600	NAV	Zero % discount	N/A
Master Fund II ²	31,191,472	NAV	Zero % discount	N/A
	236,567,072			

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2022 (audited):

	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Security				
Master Fund III ¹	203,637,939	NAV	Zero % discount	N/A
Master Fund II ²	31,346,516	NAV	Zero % discount	N/A
	234,984,455			

1 Shows the Company's proportionate direct share in the Master Fund III at 95.32% (31 December 2022: 95.32%) through 2021 Shares investment only.

2 Shows the Company's proportionate direct share in the Master Fund II at 9.59% (31 December 2022: 9.59%) through Realisation Shares investment only.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Look-through financial information: Master Funds' Level 3 information

The Master Funds have engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Funds' investments categorised in Level 3 as at 30 June 2023 (unaudited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund III¹					
<u>Limited Partnerships</u>					
Master Fund II	192,816,181	Zero % discount	N/A	N/A	25% increase/decrease will have a fair value impact of +/- US\$48,204,045
	192,816,181				

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II²					
<u>CLOs</u>					
United States of America	17,565,085	Prices provided by a third party	US\$0.2500- US\$0.9033	US\$0.4578	25% increase/decrease will have a fair value impact of +/- US\$4,391,271
Europe	370,648	Prices provided by a third party	US\$0.750 - US\$0.9180	US\$0.7576	
<u>Limited Partnerships</u>					
Wollemi	11,410,678	Zero % discount	N/A	N/A	25% increase/decrease will have a fair value impact of +/- US\$2,852,670
	29,346,411				

1 Shows the Company's proportionate direct share in the Master Fund III at 95.32% (31 December 2022: 95.32%) through 2021 Shares investment only.

2 Shows the Company's proportionate direct share in the Master Fund II at 9.59% (31 December 2022: 9.59%) through Realisation Shares investment only.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The Master Fund II has engaged an independent third party to provide valuations for their CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 31 December 2022 (audited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund III¹					
<u>Limited Partnerships</u>					25% increase/decrease will have a fair value impact of +/- US\$48,443,632
Master Fund II	193,774,529	Zero % discount	N/A	N/A	
	193,774,529				

The Master Funds have engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 31 December 2022 (audited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II²					
<u>CLOs</u>					25% increase/decrease will have a fair value impact of +/- US\$4,571,790
United States of America	18,287,159	Prices provided by a third party agent	US\$0.0001 - US\$0.9866	US\$0.9866	
Europe	327,287				25% increase/decrease will have a fair value impact of +/- US\$81,822
<u>Limited Partnerships</u>					
Wollemi	11,448,617	Zero % discount	N/A	N/A	25% increase/decrease will have a fair value impact of +/- US\$2,862,154
	30,063,063				

1 Shows the Company's proportionate direct share in the Master Fund III at 95.32% (31 December 2022: 95.32%) through 2021 Shares investment only.

2 Shows the Company's proportionate direct share in the Master Fund II at 9.59% (31 December 2022: 9.59%) through Realisation Shares investment only.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

6. RELATED PARTIES AND OTHER KEY CONTACTS

Transactions with Investment Adviser and Investment Portfolio Investor*Investment Adviser*

Fair Oaks Capital Limited (the "Investment Adviser") is entitled to receive an investment advisory fee from the Company of 1% per annum of the NAV of the Company, in accordance with the Amended and Restated Investment Advisory Agreement dated 9 March 2017 (the "Investment Advisory Agreement"). The investment advisory fee is calculated and payable on the last business day of each month or on the date of termination of the Investment Advisory agreement. The base investment advisory fee will be reduced to take into account any fees received by the Investment Adviser incurred by the Company in respect of its investments in the Master Fund III and Master Fund II (taking into account any rebates of such management fees to the Company) in respect of the same relevant period.

The net investment advisory fee during the period is as follows:

	For the six month period ended 30 June 2023 (unaudited) US\$	For the six month period ended 30 June 2022 (unaudited) US\$
Company investment advisory fee	922,591	1,105,542
Less: Master fund II rebate	(781,791)	(1,024,312)
Less: Master fund III rebate	(57,447)	(56,240)
Net investment advisory fee	83,353	24,990

In circumstances where, as at the date the Net Asset Value per share of the 2021 Shares with respect to the last calendar month of a calendar quarter (the "Quarter End 2021 NAV") is published, the price of the 2021 Shares, adjusted for any dividends declared if required, traded at close in the secondary market below their then-prevailing Quarter End 2021 NAV, the Investment Adviser agrees to reinvest and/or procure the reinvestment by an Associate of it of (a) 25 per cent. of the fees which it shall receive with respect to that quarter from the Company pursuant to the agreement which is attributable to the Net Asset Value of the 2021 Shares and (b) 25 per cent. of the management fee which the General Partner shall receive with respect to that quarter from Master Fund II and Master Fund III which is attributable to the Net Asset Value of the 2021 Shares by, in each case, using its best endeavours to purchase or procure the purchase of 2021 Shares in the Company in the secondary market. The obligation to purchase or procure the purchase of such 2021 Shares shall be fulfilled by the Investment Adviser by no later than one month after the end of such calendar quarter. The Investment Adviser will have no obligation to reinvest and/ or procure the reinvestment of fees it receives with respect to a calendar quarter in circumstances where: (i) the 2021 Shares did not trade at close in the secondary market at a discount to their then-prevailing Quarter End 2021 NAV; or (ii) where the 2021 Shares did trade at close in the secondary market at a discount to their then-prevailing Quarter End 2021 NAV and it is unable to purchase or procure the purchase of 2021 Shares in the secondary market at a discount to their then-prevailing Quarter End 2021 NAV despite having used its best endeavours to do so; or (iii) the Master Fund III Commitment Period has already expired, and, in each case, the Investment Adviser shall retain all fees it receives for such quarter.

In circumstances where, as at the date of the Net Asset Value per share of the Realisation Shares with respect to the last calendar month of a calendar quarter (the "Quarter End Realisation NAV") is published, the price of the Realisation Shares, adjusted for any dividends declared if required, traded at close in the secondary market below their then-prevailing Quarter End Realisation NAV, the Investment Adviser agrees to reinvest and/or procure the reinvestment by an Associate of it of (a) 25 per cent. of the fees which is received with respect to that quarter from the Company pursuant to the agreement which is attributable to the Net Asset Value of the Realisation Shares and (b) 25 per cent. of the Master Fund II Management Fee which the General Partner shall receive in respect to that quarter from Master Fund II which is attributable to the Net Asset Value of the Realisation Shares by, in each case, using its best endeavours to purchase or procure the purchase of Realisation Shares in the secondary market. The obligation to purchase or procure the purchase of Realisation Shares shall be fulfilled by the Investment Adviser by no later than one month after the end of such calendar quarter.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

6. RELATED PARTIES AND OTHER KEY CONTACTS (CONTINUED)

The Investment Adviser will have no obligation to reinvest and/or procure the reinvestment of fees it receives with respect to a calendar quarter in circumstances where either: (i) the Realisation Shares did not trade at close in the secondary market at a discount to their then-prevailing Quarter End Realisation NAV; or (ii) where the Realisation Shares did trade at close in the secondary market at a discount to their then-prevailing Quarter End Realisation NAV and it is unable to purchase or procure the purchase of Realisation Shares in the secondary market at a discount to their then-prevailing Quarter End Realisation NAV despite having used its best endeavours to do so and, in either case, the Investment Adviser shall retain all fees it receives for such quarter.

The Investment Advisory Agreement can be terminated by either party giving not less than 6 months written notice.

Fair Oaks CLOs

At 30 June 2023, Wollemi had investments in FOAKS 1X CLO, FOAKS 2X CLO, FOAKS 3X CLO and FOAKS 4X CLO Limited valued at €23,934,636, €28,319,457, €27,013,795 and €33,687,599 respectively. At 31 December 2022, Wollemi had investments in FOAKS 1X CLO, FOAKS 2X CLO, FOAKS 3X CLO and FOAKS 4X CLO Limited valued at €22,630,204, €27,537,544, €26,682,043 and €32,947,186 respectively. The Investment Adviser to the Company also acts as collateral manager to the Fair Oaks CLOs.

Founder Partners

The Master Fund III and Master Fund II also pay the Founder Partner VI and Founder Partner II a carried interest equal to 15 per cent of cash available to be distributed (after payment of expenses and management fees) after Limited Partners have received a Preferred Return. The threshold calculation of the Preferred Return will be based solely on distributions and not on NAV calculations so the Master Fund III and Master Fund II will not pay any carried interest until their investors have realised the amounts drawn down for investments and met their Preferred Returns. At 30 June 2023, US\$12,990 (31 December 2022: US\$Nil) carried interest was accrued at Master Fund III or Master Fund II level in respect of the Company's limited partnership interests.

Other Material Contracts

Administrator

Sanne Fund Services (Guernsey) Limited, (the "Administrator") is entitled to receive a time-based fee quarterly in arrears for all Company Secretarial services. The Administrator is also entitled to an annual fee of US\$36,599 (31 December 2022: US\$33,888), payable quarterly in arrears for Administration and Accounting services. The Administrator is also entitled to an annual fee of £629 (31 December 2022: £582) in relation to FATCA reporting and acting as Responsible Officer.

Custodian

BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") waived all fees on the basis that all assets are invested into the Master Fund II.

Directors' Fees

The Company's Board of Directors are entitled to a fee in remuneration for their services as Directors at a rate payable of £45,000 each per annum (31 December 2022: £45,000).



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

6. RELATED PARTIES AND OTHER KEY CONTACTS (CONTINUED)

The overall charge for the above-mentioned fees for the Company and the amounts due are as follows:

	For the six month period ended 30 June 2023 (unaudited) US\$	For the six month period ended 30 June 2022 (unaudited) US\$
CHARGE FOR THE PERIOD		
Investment adviser fee	83,353	24,990
Administration fee	68,507	41,798
Directors' fees and expenses	83,686	82,459
	30 June 2023 (unaudited)	31 December 2022 (audited)
OUTSTANDING FEES		
Investment adviser fee	16,880	16,939
Administration fee	1,254	21,779

Shares held by related parties

The shareholdings of the Directors' in the Company were as follows:

Name	30 June 2023 (unaudited)		31 December 2022 (audited)	
	No. of 2021 Shares	Percentage	No. of 2021 Shares	Percentage
Claudio Albanese (Chairman)	9,697	0.00%	9,697	0.00%
Jon Bridel*	40,000	0.01%	40,000	0.01%

*A person closely associated with Jon Bridel is the registered holder of these shares.

As at 30 June 2023, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 4,951,130 2021 Shares (31 December 2022: 4,548,868 2021 Shares) and 78,555 Realisation Shares (31 December 2022: 30,599 Realisation Shares), which is 1.27% (31 December 2022: 1.13%) of the issued 2021 Share capital and 0.14% (31 December 2022: 0.06%) of the issued Realisation Share capital respectively.

7. TAX STATUS

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200 under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

**FINANCIAL STATEMENTS**

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023**8. SHARE CAPITAL**

The Company's 2021 Shares and Realisation Shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

Following an Extraordinary General Meeting of the Company of 19 April 2021, the Company announced that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares at the effective date, representing 13.4% of the 2017 Shares in issue.

Consequently, 405,815,477 2017 Shares were re-designated as 2021 Shares, representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury). Incremental costs directly attributable to the re-designation of 2017 Shares into Realisation Shares and 2021 Shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

On 22 April 2021, 405,815,477 2021 Shares and 62,562,883 Realisation Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

The authorised share capital of the Company is represented by an unlimited number of ordinary shares of nil par value and have the following rights:

- (a) Dividends: Shareholders of a particular class or tranche are entitled to receive, and participate in, any dividends or other distributions relating to the assets attributable to the relevant class or tranche which are resolved to be distributed in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.
- (b) Winding Up: On a winding up, the shareholders of a particular class or tranche shall be entitled to the surplus assets attributable to that class or tranche remaining after payment of all the creditors of the Company.
- (c) Voting: Subject to any rights or restrictions attached to any class or tranche of shares, at a general meeting of the Company, on a show of hands, every holder of voting shares present in person or by proxy and entitled to vote shall have one vote, and on a poll every holder of voting shares present in person or by proxy shall have one vote for each share held by him, but this entitlement shall be subject to the conditions with respect to any special voting powers or restrictions for the time being attached to any class or tranche of shares which may be subject to special conditions. Refer to the Memorandum and Articles of Incorporation for further details.
- (d) Buyback: The Company may acquire its own shares (including any redeemable shares). Any shares so acquired by the Company may be cancelled or held as treasury shares provided that the number of shares of any class held as treasury shares must not at any time exceed ten per cent. (or such other percentage as may be prescribed from time to time by the States of Guernsey Committee for Economic Development) of the total number of issued shares of that class. Any shares acquired in excess of this limit shall be treated as cancelled.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023

8. SHARE CAPITAL (CONTINUED)

Issued share capital

2021 Shares

	30 June 2023 (unaudited)		31 December 2022 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	402,709,500	383,148,853	405,165,477	384,339,570
Share buy-backs	(12,427,755)	(6,100,510)	(2,455,977)	(1,190,717)
Share capital at the end of the period/year	390,281,745	377,048,343	402,709,500	383,148,853

Issued share capital

Realisation Shares

	30 June 2023 (unaudited)		31 December 2022 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	55,578,441	55,251,707	62,562,883	59,251,697
Realisation Share redemptions paid during the period/year	-	-	(6,984,442)	(3,999,990)
Share capital at the end of the period/year	55,578,441	55,251,707	55,578,441	55,251,707

The total number of 2021 Shares in issue, as at 30 June 2023 was 405,815,477 (31 December 2022: 405,815,477 shares), of which 15,533,732 2021 Shares were held in treasury (31 December 2022: 3,105,977 shares), and the total number of 2021 shares in issue excluding treasury shares were 390,281,745 (31 December 2022: 402,709,500 shares).

The total number of Realisation Shares in issue, as at 30 June 2023 was 55,578,441 (31 December 2022: 55,578,441), of which no shares were held in treasury (31 December 2022: none).

At 30 June 2023, the Company has 445,860,186 (31 December 2022: 458,287,941) Shares (excluding treasury shares).

9. EARNINGS PER SHARE

	For the six month period ended 30 June 2023 (unaudited)		For the six month period ended 30 June 2022 (unaudited)	
	2021 Shares US\$	Realisation Shares US\$	2021 Shares US\$	Realisation Shares US\$
Weighted average number of shares	396,145,364	55,578,441	405,165,477	62,562,883
Profit / (loss) for the financial period	19,328,465	3,015,491	(12,277,602)	(1,894,231)
Basic and diluted earnings / (losses) per share	0.0488	0.0543	(0.0303)	(0.0303)

**FINANCIAL STATEMENTS**

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2023**9. EARNINGS PER SHARE (CONTINUED)**

For the six month period ended 30 June 2023, profits for the period have been allocated 86.6% to 2021 Shares and 13.4% to Realisation Shares.

The weighted average number of shares as at 30 June 2023 and 30 June 2022 is based on the number of 2021 Shares and Realisation Shares in issue during the period under review, as detailed in Note 8.

10. CONTINGENT LIABILITIES AND COMMITMENTS

The Company entered into a Subscription Agreement with Master Fund III and agreed to become a Limited Partner and made a commitment to Master Fund III of US\$264,000,0000 (31 December 2022: US\$264,000,0000) of which US\$263,875,619 (31 December 2022: US\$263,875,619) had been called.

The Company entered into a Subscription Agreement with Master Fund II and agreed to become a Limited Partner and made a commitment to Master Fund II of US\$452,346,532 (31 December 2022: US\$452,346,532) of which US\$432,982,362 (31 December 2022: US\$432,982,362) had been called. With effect from 22 April 2021, the Company's 2021 Shares commitment to Master Fund II is on an indirect basis through the Master Fund III. The Master Fund II commitment period ended on 12 June 2021.

At 30 June 2023 and 31 December 2022, the Company had no other outstanding commitments.

11. SUBSEQUENT EVENTS

On 21 June 2023, the Company announced a return of capital to Realisation Shareholders of US\$1,155,000 (equivalent to 2.078 cents per Realisation Share) on 5 July 2023 by way of a compulsory partial redemption of Realisation Shares.

On 15 August 2023, the Company declared an interim dividend of 2.00 cents per 2021 Share and 2.00 cents per Realisation Share in respect of the quarter ended 30 June 2023. The ex-dividend date was 24 August 2023 and the dividend was paid on 21 September 2023.

Pursuant to the general authority granted by shareholders of the Company on 14 June 2022 to make market purchases of its own Ordinary Shares, the Company went on to repurchase 3,903,504 Shares in the post period end period, to be held in treasury, at average cost of US\$0.5176 per Share.

On 27 September 2023 Richard Burwood was appointed as a non-executive Director of the Company.

There were no other significant events since the period end which would require revision of the figures or disclosures in the Financial Statements.



ADDITIONAL INFORMATION

Portfolio Statement (unaudited)

At 30 June 2023

Security	CLO Equity		Valuation
	Instrument	Par Value Master Funds ¹	
AIMCO 2017-A SUB	Subordinated Notes	US\$18,655,446	50.00%
ALLEG 2017-2X SUB	Subordinated Notes	US\$27,469,938	31.00%
ALLEG 2021-1X SUB	Subordinated Notes	US\$18,733,981	63.50%
ARES 2015-35R	Subordinated Notes	US\$17,911,433	30.00%
AWPT 2017-6X SUB	Subordinated Notes	US\$20,701,483	22.00%
ELM 2014-1A SUB	Subordinated Notes	US\$4,356,779	46.00%
FOAKS 1X M	Subordinated Fee Notes	€688,901	0.00%
FOAKS 1X SUB	Subordinated Notes	€19,289,236	80.85%
FOAKS 1X Z	Subordinated Fee Notes	€590,487	151.19%
FOAKS 2X M	Subordinated Fee Notes	€688,901	0.00%
FOAKS 2X SUB	Subordinated Notes	€32,378,360	57.10%
FOAKS 2X Z	Subordinated Fee Notes	€590,487	172.98%
FOAKS 3X M	Subordinated Fee Notes	€688,901	65.57%
FOAKS 3X SUB	Subordinated Notes	€24,111,545	70.68%
FOAKS 3X Z	Subordinated Fee Notes	€590,487	189.20%
FOAKS 4X M	Subordinated Fee Notes	€688,901	20.19%
FOAKS 4X SUB	Subordinated Notes	€19,289,236	97.03%
FOAKS 4X Z	Subordinated Fee Notes	€590,487	229.24%
HLM 13X-2018 SUB	Subordinated Notes	US\$17,876,988	25.00%
MARNR 2015-1A SUB	Subordinated Notes	US\$4,503,637	27.00%
MARNR 2016-3A SUB	Subordinated Notes	US\$4,249,084	36.00%
MARNR 2017-4 SUB	Subordinated Notes	US\$25,179,498	42.00%
POST 2018-1X SUB	Subordinated Notes	US\$27,061,764	42.00%
ROCKT 2021-2X SUB	Subordinated Notes	US\$16,878,081	71.00%
SHACK 2018-12 SUB	Subordinated Notes	US\$20,667,038	35.00%
WELF 2018-1X SUB	Subordinated Notes	US\$19,892,024	31.00%
WELF 2021-2X SUB	Subordinated Notes	US\$19,978,137	59.00%

¹Shows the Company's 2021 Shares proportionate share, via the Master Fund III, in the Master Fund II at 59.30% (31 December 2022: 59.30%) and the Company's direct holding in the Master Fund II at 9.59%. 2021 Shares and Realisation Shares proportionate share together at 68.89% (31 December 2022: 68.89%). Also includes Master Fund III's direct investments, Master Fund II's 100% share in Wollemi and its 14.96% interest in Cycad.



ADDITIONAL INFORMATION

Portfolio Statement (unaudited)

At 30 June 2023

Security	CLO Mezzanine		Valuation
	Instrument	Par Value Master Funds ¹	
APID 2018-18A F	Class F Notes	US\$2,755,605	83.76%
DRSLF 2017-49A F	Class F Notes	US\$3,168,946	82.75%
DRSLF 2017-53A F	Class F Notes	US\$3,444,506	80.61%
EGLXY 2018-6X F	Class F Notes	€2,927,830	79.97%
FOAKS 2XER	Class E Notes	€1,429,838	89.87%
FOAKS 4X F	Class F Notes	€3,513,396	85.35%
HARVT 11X FR	Class F Notes	€1,722,253	77.50%
HARVT 7X FR	Class F Notes	€1,205,577	91.80%
HLM 13X-2018 F	Class F Notes	US\$3,952,571	82.61%
JPARK 2016-1A ER	Class E Notes	US\$1,377,803	90.33%
MDPK 2016-20A FR	Class F Notes	US\$2,755,605	88.38%
OAKCL 2021-2A E	Class E Notes	US\$1,906,450	94.86%
OCT39 2018-3A F	Class F Notes	US\$6,200,111	83.91%
OHECP 2015-4X FR	Class F Notes	€1,749,120	79.19%
SYMP 2018-19A F	Class F Notes	US\$3,788,957	81.19%

¹Shows the Company's 2021 Shares proportionate share, via the Master Fund III, in the Master Fund II at 59.30% (31 December 2022: 59.30%) and the Company's direct holding in the Master Fund II at 9.59%. 2021 Shares and Realisation Shares proportionate share together at 68.89% (31 December 2022: 68.89%). Also includes Master Fund III's direct investments, Master Fund II's 100% share in Wollemi and its 14.96% interest in Cycad.

ADDITIONAL INFORMATION

Management and Administration

Directors

Richard Burwood (Independent non-executive Chairman) (appointed 27 September 2023)
 Claudio Albanese (Independent non-executive Director)
 Jon Bridel (Independent non-executive Director)
 Fionnuala Carvill (Independent non-executive Director)

Registered Office and Business Address

1 Royal Plaza
 Royal Avenue
 St Peter Port
 Guernsey
 GY1 2HL

Investment Adviser

Fair Oaks Capital Limited
 1 Albemarle Street
 London
 W1S 4HA

Legal Advisers in Guernsey

Carey Olsen (Guernsey) LLP
 Carey House
 Les Banques
 St Peter Port
 Guernsey
 GY1 4BZ

Custodian and Principal Bankers

BNP Paribas Securities Services S.C.A.
 BNP Paribas House
 St Julian's Avenue
 St Peter Port
 Guernsey
 GY1 1WA

Joint Bookrunners, Joint Brokers and Joint Financial Advisers

Numis Securities Limited
 10 Paternoster Square
 London EC4M 7LT

Liberum Capital Limited
 Ropemaker Place, Level 12
 Ropemaker Street
 London
 EC2Y 9LY

Administrator and Secretary

Sanne Fund Services (Guernsey) Limited
 1 Royal Plaza
 Royal Avenue
 St Peter Port
 Guernsey
 GY1 2HL

Registrar

Link Market Services (Guernsey) Limited
 Mont Crevelt House
 Bulwer Avenue St Sampson
 Guernsey
 GY2 4LH

Legal Advisers in United Kingdom

Stephenson Harwood LLP
 1 Finsbury Circus
 London
 EC2M 7SH

Independent Auditor

KPMG Channel Islands Limited
 Glategny Court
 Glategny Esplanade
 St Peter Port
 Guernsey
 GY1 1WR

ADDITIONAL INFORMATION

Appendix

Alternative Performance Measures used in the Interim Report (UNAUDITED)

• Total NAV return

Total NAV return is a calculation showing how the NAV per share has performed over a period of time, taking into account dividends paid to shareholders. It is calculated on the assumption that dividends are reinvested, on an accumulative basis from inception of the Company, at the prevailing NAV on the last day of the month that the shares first trade ex-dividend. The performance is evaluated on a original shareholding of 1000 shares on inception of the Company (12 June 2014). This provides a useful measure to allow shareholders to compare performances between investment funds where the dividend paid may differ.

		For the six month period ended 30 June 2023	For the six month period ended 30 June 2022
2021 Shares			
Opening NAV per 2021 share		US\$0.5721	US\$0.6682
Opening accumulated number of 2021/2017 Shares*	(a)	2,829.9 shares	2,444.4 shares
Opening NAV valuation of shares	(b)	US\$1,619.0	US\$1,633.4
Dividends paid during the period		US\$0.0400	US\$0.0500
Dividends converted to shares**	(c)	193.0 shares	186.9 shares
Closing NAV per 2021 share		US\$0.5836	US\$0.5881
Closing accumulated number of 2021/Realisation Shares*	(d)	3,022.9 shares	2,631.30 shares
Closing NAV valuation of shares	(e)	US\$1,764.2	US\$1,547.5
NAV valuation of shares return (f = e – b)	(f)	US\$145.2113	(US\$85.9)
Total NAV return (g = (f / b) x 100)	(g)	8.97%	(5.26%)

		For the six month period ended 30 June 2023	For the six month period ended 30 June 2022
Realisation Shares			
Opening NAV per Realisation Share		US\$0.5747	US\$0.6679
Opening accumulated number of Realisation shares*	(a)	2,855.3 shares	2,444.7 shares
Opening NAV valuation of shares	(b)	US\$1,641.0	US\$1,632.8
Dividends paid during the period		US\$0.0400	US\$0.0500
Dividends converted to shares**	(c)	199.5 shares	194.7 shares
Closing NAV per Realisation share		US\$0.5892	US\$0.5876
Closing accumulated number of Realisation Shares*	(d)	3,054.8 shares	2,639.4 shares
Closing NAV valuation of shares	(e)	US\$1,799.9	US\$1,550.90
NAV valuation of shares return (f = e – b)	(f)	US\$158.9	US\$81.9
Total NAV return (g = (f / b) x 100)	(g)	9.68%	(5.01%)

*with dividends reinvested since inception (12 June 2014).

**converted to 2021 Shares at the prevailing month end NAV ex-dividend for all dividends paid during the period.

ADDITIONAL INFORMATION

Appendix

Alternative Performance Measures used in the Interim Report (UNAUDITED)

Total share price return

Total share price return is a calculation showing how the share price per share has performed over a period of time, taking into account dividends paid to shareholders. It is calculated on the assumption that dividends are reinvested, on an accumulative basis from inception of the Company, at the prevailing share price on the last day of the month that the shares first trade ex-dividend. The performance is evaluated on a original shareholding of 1000 shares on inception of the Company (12 June 2014). This provides a useful measure to allow shareholders to compare performances between investment funds where the dividend paid may differ.

	For the six month period ended 30 June 2023	For the six month period ended 30 June 2022
2021 Shares		
Opening share price per 2021 share	US\$0.4900	US\$0.6225
Opening accumulated number of 2021 Shares*	(a) 2,876.6 shares	2,422.0 shares
Opening shares price valuation of shares	(b) US\$1,409.6	US\$1,507.7
Dividends paid during the period	US\$0.0400	US\$0.0500
Dividends converted to shares**	(c) 237.3 shares	206.8 shares
Closing share price per 2021 share	US\$0.4880	US\$0.5550
Closing accumulated number of 2021 Shares* (d = a +	(d) 3,113.9 shares	2,628.9 shares
Closing NAV valuation of shares	(e) US\$1,519.6	US\$1,459.0
NAV valuation of shares return (f = e – b)	(f) US\$110.0	(US\$48.7)
Total NAV return (g = (f / b) x 100)	(g) 7.80%	(3.20%)

	For the six month period ended 30 June 2023	For the six month period ended 30 June 2022
Realisation Shares		
Opening share price per Realisation share	US\$0.5650	US\$0.6175
Opening accumulated number of Realisation Shares*	(a) 2,810.0 shares	2,094.4 shares
Opening NAV valuation of shares	(b) US\$1,587.7	US\$1,293.3
Dividends paid during the period	US\$0.0400	US\$0.0475
Dividends converted to shares**	(c) 204.3 shares	156.5 shares
Closing share price per Realisation share	US\$0.5600	US\$0.6650
Closing accumulated number of Realisation share*	(d) 3,014.3 shares	2,250.9 shares
Closing share price valuation of shares	(e) US\$1,688.0	US\$1,691.1
NAV valuation of shares return (f = e – b)	(f) US\$100.3	US\$4.4
Total share price return (g = (f / b) x 100)	(g) 6.32%	0.30%

*with dividends reinvested since inception (12 June 2014).

**converted to 2021 Shares at the prevailing month end NAV ex-dividend for all dividends paid during the period.

ADDITIONAL INFORMATION

Appendix

Alternative Performance Measures used in the Interim Report (UNAUDITED)

2021 and Realisation Share (discount)/premium to NAV

2021 and Realisation Share (discount)/premium to NAV is the amount by which the 2021 and Realisation Share price is lower/ higher than the NAV per 2021 and Realisation Share, expressed as a percentage of the NAV per 2021 and Realisation Share, and provides a measure of the Company's share price relative to the NAV.

Ongoing charges ratio ("OCR")

The ongoing charges ratio of an investment company is the annual percentage reduction in shareholder returns as a result of recurring operational expenditure. Ongoing charges are classified as those expenses which are likely to recur in the foreseeable future, and which relate to the operation of the company, excluding investment transaction costs, gains or losses on investments and performance fees. In accordance with the AIC guidance, the proportionate charges for the period are also incorporated from investments in other funds. As such charges for:

- 2021 Shares** – from the Master Fund III a weighted average percentage for the period of 99.25% (31 December 2022: 99.25%), the Master Fund II at a weighted average percentage for the period of 61.75% (31 December 2022: 61.75%), Wollemi at a weighted average percentage for the period of 61.75% (31 December 2022: 61.75%), and Cycad Investments LP at a weighted average percentage for the period of 9.24% (31 December 2022: 9.24%) are included.
- Realisation Shares** – from the Master Fund II a weighted average percentage for the period of 9.59% (31 December 2022: 9.59%), Wollemi at a weighted average percentage for the period of 9.59% (31 December 2022: 9.59%) and Cycad Investments LP at a weighted average percentage for the period of 1.44% (31 December 2022: 1.44%) are included.

Performance fees or carried interest from the underlying funds are not included. The OCR is calculated as the total ongoing charges for a period divided by the average net asset value over that period/year

2021 Shares	For the six month period ended 30 June 2023		
	Company US\$	Master Funds¹ US\$	Total US\$
Total expenses	421,472	1,020,974	1,442,446
Non-recurring expenses	(9,726)	(3,860)	(13,586)
Total ongoing expenses	411,746	1,017,114	1,428,860
Annualised total ongoing expenses	830,317	2,051,086	2,881,403
Average NAV	231,407,602		
Ongoing charges ratio (using AIC methodology)	0.36%		1.25%

Realisation Shares	For the six month period ended 30 June 2023		
	Company US\$	Master Funds¹ US\$	Total US\$
Total expenses	64,977	147,804	212,781
Non-recurring expenses	(1,499)	(624)	(2,123)
Total ongoing expenses	63,478	147,180	210,658
Annualised total ongoing expenses	128,008	296,799	424,807
Average NAV	32,875,906		
Ongoing charges ratio (using AIC methodology)	0.39%		1.29%

¹ Master Funds* includes FOMC III LP, FOIF II LP, Wollemi Fund and Cycad Investments LP.

ADDITIONAL INFORMATION

Appendix

Alternative Performance Measures used in the Interim Report (UNAUDITED)

Ongoing charges ratio ("OCR") continued

<u>2021 Shares</u>	For the year ended 31 December 2022		
	Company US\$	Master Funds ¹ US\$	Total US\$
Total expenses	868,300	2,579,797	3,448,097
Non-recurring expenses	(16,469)	(3,710)	(20,179)
Total ongoing expenses	851,831	2,576,087	3,427,918
Average NAV	248,414,527		248,414,527
Ongoing charges ratio (using AIC methodology)	0.34%		1.38%

<u>Realisation Shares</u>	For the year ended 31 December 2022		
	Company US\$	Master Funds ¹ US\$	Total US\$
Total expenses	133,862	364,345	498,207
Non-recurring expenses	(2,539)	(576)	(3,115)
Total ongoing expenses	131,323	363,769	495,092
Average NAV	37,050,194		
Ongoing charges ratio (using AIC methodology)	0.35%		1.34%

Dividend yield

The dividend yield is a financial ratio that shows how much the Company's 2021 Shares have paid out in dividends during the six month period to 30 June 2023 on an annualised basis relative to the 2021 Share price at 30 June 2023.

¹ Master Funds* includes FOMC III LP, FOIF II LP, Wollemi Fund and Cycad Investments LP.

