

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 left towards the bottom center.

# FAIR OAKS INCOME LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021



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## COMPANY OVERVIEW

# Highlights

- Fair Oaks Income Limited's (the "Company") Net Asset Value ("NAV") return per 2021 Share was +17.1%<sup>1</sup> (30 June 2020: -33.3%) for the six month period ended 30 June 2021 on a total return basis (with dividends reinvested).
- As at 30 June 2021, the Company's total market capitalisation was US\$317 million, comprising US\$276 million of 2021 Shares and US\$41 million of Realisation Shares.
- The Company's 2021 shares closed at a mid-price of US\$0.6675 on 30 June 2021. The 2021 Shares traded at an average discount to NAV of 1.76% during the six month period ended 30 June 2021.
- The Company's Realisation shares closed at a mid-price of US\$0.6650 on 30 June 2021. The Realisation Shares traded at an average discount to NAV of 1.71% during the six month period ended 30 June 2021.
- 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, representing 13.4% of the 2017 Shares in issue, and 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). 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 FOIF II LP ("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 a new master fund, FOMC III LP (the "Master Fund III"), which will have a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of Master Fund II.
- The Company declared dividends of 4.75 US cents per 2021 Share and Realisation Share in the six month period ended 30 June 2021. Cumulative dividends since the inception of the Company per 2021 Share are 71.55 US cents<sup>2</sup>.

<b>Financial Highlights</b>	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
<u>2021 Shares</u>		
Net Assets	US\$278,144,188	US\$294,969,346
Net Asset Value per share	US\$0.6865	US\$0.6306
Share mid-price at period/year end	US\$0.6675	US\$0.6175
Discount to Net Asset Value	(2.77%)	(2.08%)
Ongoing charges figure (2021 Shares only) <sup>3</sup>	0.27%	0.32%
Ongoing charges figure (look through basis) <sup>4</sup>	1.41%	1.47%
	<b>30 June 2021 (unaudited)</b>	<b>31 December 2020 (audited)</b>
<u>Realisation Shares</u>		
Net Assets	US\$42,897,030	US\$294,969,346
Net Asset Value per share	US\$0.6857	US\$0.6306
Share mid-price at period/year end	US\$0.6650	US\$0.6175
Discount to Net Asset Value	(3.01%)	(2.08%)
Ongoing charges figure (Realisation Shares only) <sup>3</sup>	0.27%	0.32%
Ongoing charges figure (look through basis) <sup>4</sup>	1.36%	1.47%

<sup>1</sup>See "Appendix" on page 41.

<sup>2</sup>Represents dividends paid on the Company's principal equity class since inception.

<sup>3</sup>Total ongoing charges, calculated in accordance with the AIC guidance, is at the Company level only for the year divided by the average NAV for the period/year. Charges of the underlying Master Funds are not included. See "Appendix" on pages 41 to 44.

<sup>4</sup>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 41 to 44.



## 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 2015. The Company is listed and began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange on 12 June 2014.

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. During the six month period ended 30 June 2021, the Master Fund II allowed one new limited partner to enter the partnership and at 30 June 2021, the Master Fund II had six limited partners, including Fair Oaks Founder II LP, a related entity. At 30 June 2021, the Master Fund III had two limited partners, including Fair Oaks Founder VI LP.

At 30 June 2021, the Company has 62,562,883 Realisation Shares (“Realisation Shares”) and 405,165,477 2021 Shares (“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. The Company’s investment objective and policy mirror those of the Master Fund II and Master Fund III. At 30 June 2021, the Company had direct holdings of 9.59% (31 December 2020: 71.80%) in the Master Fund II and 100% holding in Master Fund III, which in turn had a holding of 62.21% in the Master Fund II. The General Partner of the Master Fund II and Master Fund III is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”).

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 CLOs. On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (the “Wollemi Fund”). On 23 March 2021, the Master Fund II transferred its investment in Cycad to the Wollemi Fund in exchange for limited partnership interests in the Wollemi Fund. In addition, during the six month period ended 30 June 2021, the Master Fund II transferred its investments in FOAKS 1X CLO and FOAKS 2X CLO into the Wollemi Fund in exchange for further limited partnership interests in the Wollemi Fund.

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.

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

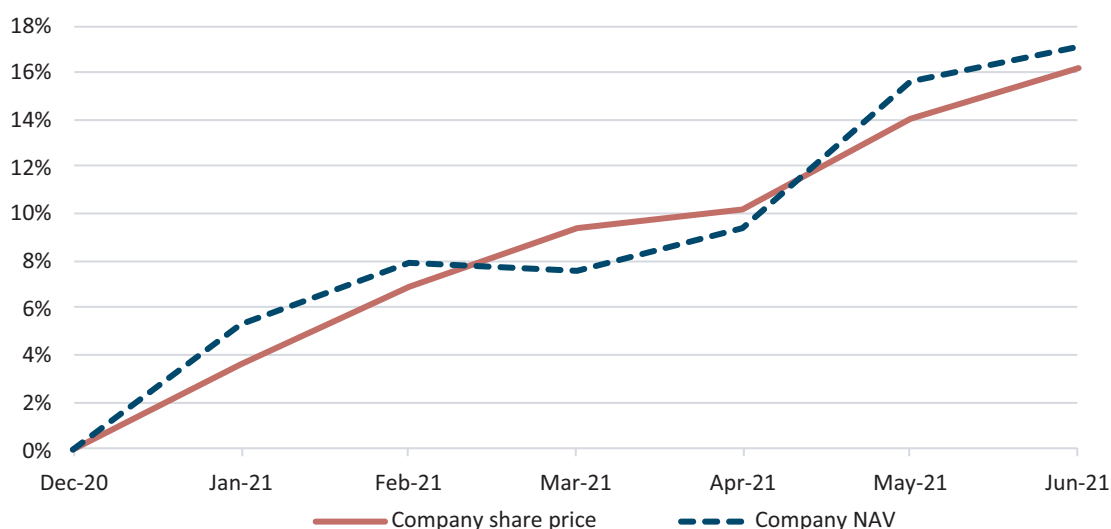
# Chairman's Statement

### Introduction

The independent Board of the Company is pleased to present its Interim Report and Condensed Unaudited Financial Statements for the financial period ended 30 June 2021.

The Company's 2021 Share NAV and share price generated a total return of +17.1% and +16.2%<sup>1</sup> respectively in H1 2021<sup>2</sup>. The Company's Shares closed at a mid-price of 66.8 US cents as of 30 June 2021, representing a discount to NAV of -2.8%.

Figure 1.1 – Total return - NAV and share price H1-2021<sup>1</sup>



The total return for the JP Morgan US leveraged loan index in H1 2021 was +3.4%<sup>3</sup>. In the same period, the JP Morgan US high yield total return was +4.2%<sup>4</sup> while the JP Morgan CLO B rated index returned +19.7%<sup>5</sup>.

Table 1.1 – Total returns in H1 2021

	H1 2021 total return
Company's 2021 Share price	+16.2%
Company's 2021 NAV	+17.1%
JP Morgan US High Yield index	+4.2%
JP Morgan US Leveraged Loan index	+3.4%
JP Morgan Post-Crisis CLOIE B rated index	+19.7%

### Cash flow and dividends

All of the Master Fund II's CLO equity and debt investments made their scheduled distributions in H1 2021. A dividend of 2.50 US cents per 2017 Share dividend in respect of the quarter ending December 2020, was declared in February 2021. A dividend of 2.25 US cents per 2021 Share dividend in respect of the quarter ending March 2021, was declared in May 2021.

<sup>1</sup> See "Appendix" on page 42.

<sup>2</sup> Performance of the 2021 Shares. Data as at 30 June 2021. Source: Bloomberg.

<sup>3</sup> JP Morgan Leveraged loan index. Data as at 30 June 2021.

<sup>4</sup> JP Morgan Domestic High yield index. Data as at 30 June 2021.

<sup>5</sup> JP Morgan Post-Crisis CLOIE index. Data as at 30 June 2021.

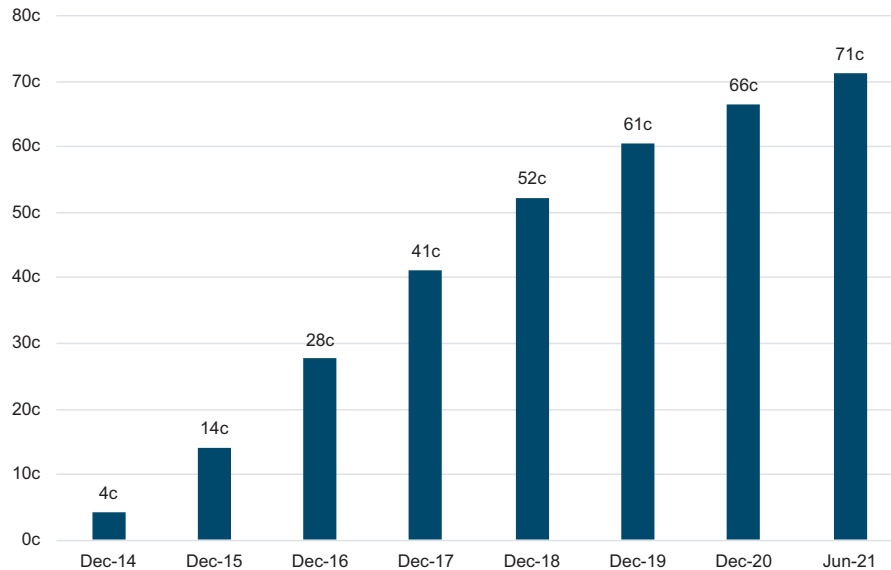


## STRATEGIC REVIEW

### Chairman's Statement (continued)

#### Cash flow and dividends continued

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



#### Material events

On 2 February 2021, the Company declared an interim dividend of 2.50 US cents per 2017 share in respect of the quarter ended 31 December 2020 to the 2017 Shares, which was paid on 26 February 2021. The ex dividend date was 11 February 2021.

On 23 March 2021, the Master Fund II changed its name from FOMC II LP to FOIF II LP.

On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (the “Wollemi Fund”). On 23 March 2021, the Master Fund II transferred its investment in Cycad to the Wollemi Fund in exchange for limited partnership interests in the Wollemi Fund.

On 29 March 2021, the Company announced the publication of a prospectus (the “Prospectus”) and circular (the “Circular”) in relation to the Reorganisation Proposal and Placing Programme Proposal.

The Board was pleased to put forward the Proposals, which facilitated an extension of Shareholders’ investments through a new class of 2021 Shares deployed through a new Guernsey limited partnership called FOMC III LP (the “Master Fund III”), while also offering an option to elect for Realisation Shares and establishing a twelve-month placing programme.

Master Fund III is characterised by a fixed investment period and life, during which Fair Oaks will continue to utilise its tactical approach to investing across the CLO capital structure, seeking to take advantage of well-defined investment opportunities in both control equity and secondary mezzanine securities.

The investment opportunity leverages Fair Oaks’ in-depth fundamental research, long track record and experience in structuring and negotiating investments and ongoing monitoring of the underlying portfolios. In addition to improving corporate fundamentals, the potential for attractive risk-adjusted returns for Shareholders is supported by the compelling financing levels currently available to CLO equity investors, which have the potential to benefit both new investments and the refinance or reset of existing investments.

On 19 April 2021, at the Extraordinary General Meeting of the Company, resolutions 1 and 2 were passed but resolution 3 was not passed. Resolutions 1 and 2 were to amend the Company’s articles of incorporation and allow all ordinary shares of no par value each in the capital of the Company designated as “2017 shares” to be re-designated on a one-for-one basis as ordinary shares of no par value each in the capital of the Company designated as “2021 shares” pursuant to the proposals set out in the Circular, EXCEPT THAT where and to the extent that a shareholder made a valid election for the re-designation of some or all of their 2017 Shares as ordinary shares of no par value each in the capital of the Company designated as “Realisation Shares”.



## STRATEGIC REVIEW

### Chairman's Statement (continued)

#### Material events continued

Resolution 3 was to empower the Directors of the Company to issue up to a maximum of 350 million C Shares and such number of 2021 Shares as represents 20% of 2021 Shares then in issue. The Board acknowledged that Resolution 3 did not pass by a small margin and consulted with major shareholders ahead of proposing a resolution to disapply pre-emption rights at the forthcoming Annual General Meeting.

On 19 April 2021, the Company announced the results of the Elections. 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 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 a new master fund, Master Fund III, which will have a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of Master Fund II. Shareholders who did not wish to extend the life of their investment to participate in Master Fund III were able to make an express election to have their existing 2017 Shares re-designated as Realisation Shares, which will continue to participate solely in Master Fund II.

#### Results of Elections

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 currently in issue.

Consequently, 405,815,477 2017 Shares were re-designated as 2021 Shares, representing the balance of 86.6% of the 2017 Shares currently in issue (including 650,000 shares held in Treasury). Based on the above election results and the 2017 Share price as at close of business on 16 April 2021, the 2021 Share class had an opening market capitalisation of approximately US\$266 million.

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.

On 21 May 2021, the Company's Annual General Meeting (the "AGM") was held and all resolutions were passed on a poll.

Resolutions 8 to 11 passed at the AGM were not in the ordinary course of business. The full text of these resolutions are detailed in the Notice of AGM as announced by the Company on 30 April 2021 and are summarised below:

- *Resolution 8* – THAT the Company be authorised in accordance with Section 315 of The Companies (Guernsey) Law, 2008 (as amended) (subject to all applicable legislation and regulations) to make market acquisitions of up to a maximum of 14.99% per annum of its 2021 Shares and of its Realisation Shares in issue, subject to the conditions set out in the full text of *Resolution 8* in the Notice of AGM;
- *Resolutions 9 and 10* – THAT the Directors of the Company be empowered, subject to the conditions set out in the full text of *Resolutions 9 and 10* in the Notice of AGM, to issue:
  - a. up to a maximum number of 40 million 2021 Shares (*Resolution 9*);
  - b. up to a maximum number of a further (in addition to that which is referred to in *Resolution 9*) 40 million 2021 Shares (*Resolution 10*);
- *Resolution 11* - THAT the Directors of the Company be empowered, subject to the conditions set out in the full text of *Resolution 11* in the Notice of AGM, to issue up to a maximum number of US\$150 million C Shares under the Placing Programme (as defined in the Circular dated 29 March 2021).



## STRATEGIC REVIEW

### Chairman's Statement (continued)

#### **Subsequent events**

On 10 August 2021, the Company declared an interim dividend of 2.50 US cents per 2021 Share and Realisation Share in respect of the quarter ended 30 June 2021, which will be paid on 17 September 2021. The ex dividend date was 19 August 2021.

#### **Professor Claudio Albanese**

Chairman

8 September 2021





## STRATEGIC REVIEW

# Investment Adviser's Report

### Company Review

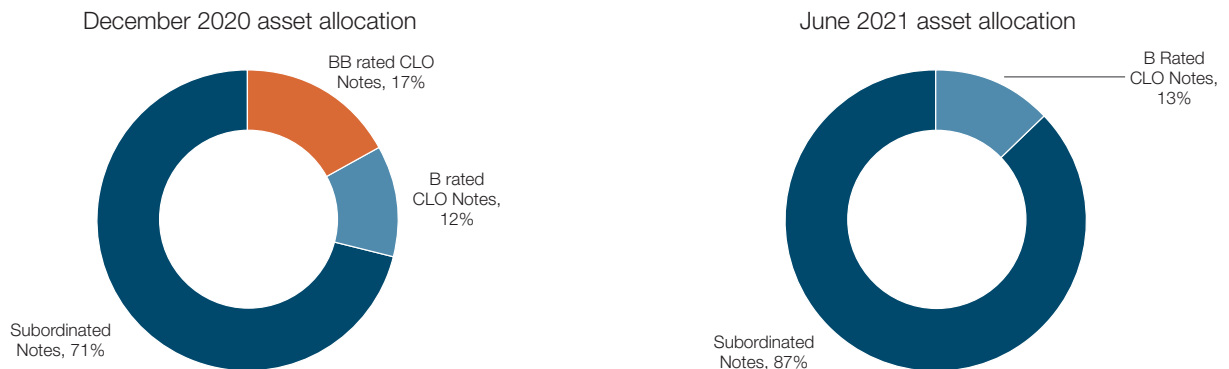
On 29 March 2021, the Company announced the publication of a prospectus and circular in relation to a Reorganisation Proposal (the "Reorganisation") and Placing Programme Proposal.

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 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 a new master fund, Master Fund III, which will have a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of Master Fund II. Shareholders who did not wish to extend the life of their investment to participate in Master Fund III were able to elect to have their existing 2017 Shares re-designated as Realisation Shares, which will continue to participate solely in Master Fund II. 62,562,883 2017 Shares elected for re-designation as Realisation Shares at the Effective Date, representing 13.4% of the 2017 Shares then in issue. Consequently, 405,815,477 2017 Shares were re-designated as 2021 Shares, representing the balance of 86.6% of the 2017 Shares.

### Portfolio Review

As at 30 June 2021, Master Fund II<sup>1</sup> held 17 CLO equity positions, offering exposure to over 1,400 loan issuers<sup>2</sup>, and 13 B rated CLO mezzanine investments managed by 20 CLO managers.

Figure 2.1 - Asset allocation



The portfolio has continued to add risk, taking profits on CLO mezzanine investments completed in April-May 2020, and adding exposure to CLO subordinated notes which, as a percentage of NAV, have increased from 71% of the portfolio at the end of 2020, to 87% in June 2021.

As of 30 June 2021, all investments in the portfolio were in compliance with their relevant over-collateralisation tests. Distributions have continued to grow, as a result of the reduced exposure to lower coupon CLO mezzanine notes and the strong cash-flows from CLO subordinated investments.

Total distributions received in Q2-2021, for example, were US\$16.5 million, compared to US\$12.0 million in Q2-2020. CLO subordinated note distributions (from investments present in the portfolio both in June 2020 and June 2021) increased from US\$10.3 million in Q2-2020 to US\$15.1 million in Q2-2021. As Figure 2.3 highlights, even CLO subordinated notes in the portfolio's lowest quartile outperformed the market median.

<sup>1</sup> References to FOIF II LP refer to Master Fund II, which launched in April 2017 to continue the investment strategy of the Company.

<sup>2</sup> Based on the underlying loans in CLOs in which Master Fund II holds equity. Data as at 30 June 2021.



## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### Portfolio Review continued

Figure 2.2 – Master Fund II equity investments - compliance with over-collateralisation tests<sup>3</sup>

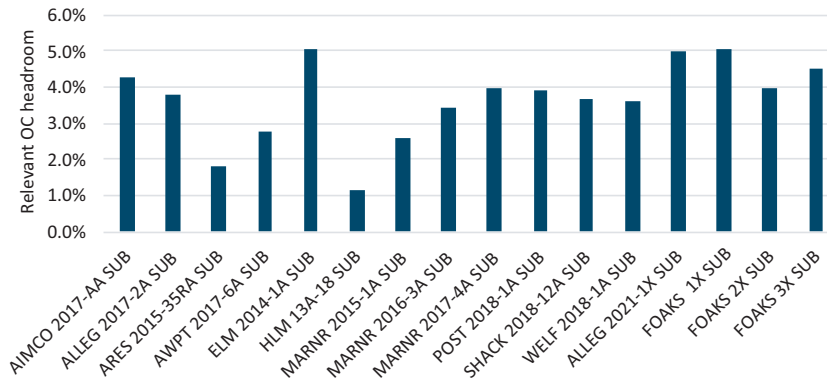
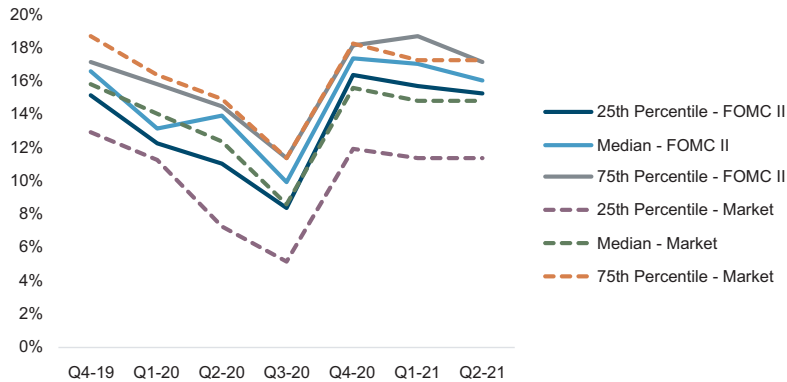


Figure 2.3 – Distributions from CLO subordinated investments – relative performance<sup>4</sup>



The sale of mezzanine CLO notes has reduced the number of managers in the portfolio, but the new CLO subordinated note investments have comprised a combination of transactions managed by new and existing managers.

The following new portfolio investments were completed in the period<sup>5</sup>:

- Acquisition of US\$27.2 million notional of equity notes in Allegro CLO XIII, a new CLO backed by a portfolio of US broadly-syndicated secured loans. The manager of this CLO’s portfolio is AXA Investment Managers, Inc. The potential total return for this investment is between 15% and 17% per annum.
- Acquisition of US\$24.5 million notional of equity notes in Rockford Tower CLO 2021-2, a new CLO backed by a portfolio of US broadly-syndicated secured loans. The manager of the CLO’s portfolio is Rockford Tower Capital Management LLC, an affiliate of King Street Capital Management, which is a global investment firm with over US\$18 billion assets under management. The potential total return for the investment is between 15% and 17% per annum.

<sup>3</sup> Difference between latest available value and threshold for BB over-collateralisation test for CLO subordinated notes.

<sup>4</sup> Source: Intex, Barclays. Based on annualised quarterly distributions over par.

<sup>5</sup> The General Partner’s estimate of the potential total return for this investment is calculated across certain scenarios and subject to certain assumptions. This and any other references herein to potential future returns or distributions are targets and not forecasts and there can be no guarantee or assurance that they will be achieved.

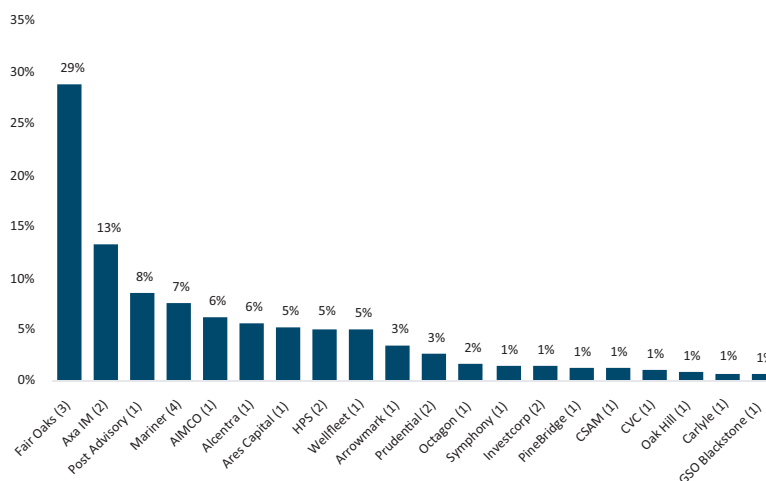


## STRATEGIC REVIEW

### Investment Adviser's Report (continued)

#### Portfolio Review continued

Figure 2.4 – CLO manager diversification of Master Fund II<sup>6</sup>



The optimisation of existing CLO subordinated note investments was a key focus in the period. The following investments were restructured in the first half of 2021:

#### AIMCO 2017-A reset:

- AAA spread reduced from LIBOR (“L”) +1.26% to L+1.05%;
- Weighted average cost of capital (“WACC”) reduced from L+1.85% to L+1.61%;
- Investment period extended (5 years);
- Documentation modified to include ESG investment restrictions;
- Estimated impact: Total return since inception +427 bps higher;
- Valuation increased from 48c to 65c after reset, subsequently traded at 81c in the secondary market.

#### FOLF I reset:

- AAA spread reduced from EURIBOR (“E”) +0.96% to E+0.85%;
- WACC reduced from E+1.85% to E+1.76%;
- Investment period extended (4 years);
- Estimated impact: Total return since inception +291 bps higher.

#### FOLF II reset:

- The original purchase of the equity in Fair Oaks Loan Funding II was completed in May 2020 with a low-levered structure;
- WACC reduced from E+ 2.41% to E+ 1.68% including new BB and B rated notes
- Investment period extended (4.5 years);
- €18.9m of the initial €47.0m investment returned to FOIF II when the reset closed;
- Valuation decreased from 77c to 56c. There was a €18.9m distribution to equity after the reset closed, without any change in equity notional. Including the distribution, the valuation effectively increased to 96c.

As highlighted above, all new investments and resets completed by the Company in 2021 have included ESG investment restrictions (FOIF I and FOIF II already had ESG investment restrictions included prior to the resets) and, as a consequence, as of the end of June 2021, 52% of the Company's portfolio benefitted from these restrictions.

We believe that the Company's current portfolio offers investors an opportunity to take advantage of the current benign default environment taking advantage of the upfront cash-flows, fundamental outperformance and dynamic management of the existing portfolio. As an example, assuming current 12m rolling default rates continue, the modelled return for the Company's portfolio, is estimated at 17%. Master Fund II cash flows (principal and income from distributions, excluding repayments) for Q2 2022, when the first distributions for the new CLO subordinated note investments are expected, are projected to be US\$24 million, under the same assumptions<sup>7</sup>, compared to US\$16.5 million in 2Q 2021.

<sup>6</sup> Based on nominal holding per CLO manager, as at 30 June 2021. Percentages may not add up to 100% because of rounding errors.

<sup>7</sup> Assumptions available on request.



## STRATEGIC REVIEW

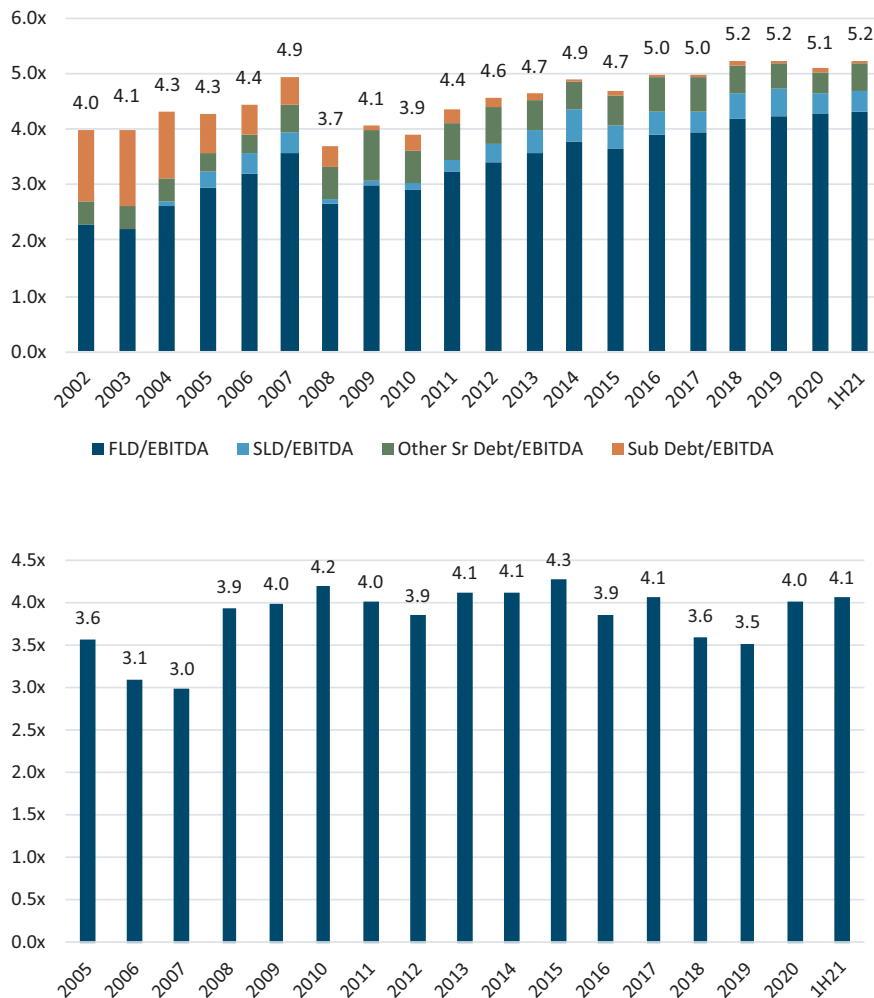
### Investment Adviser’s Report (continued)

#### Loan Market Update

The spread of the Credit Suisse Leveraged Loan index fell from Libor+4.86% as at 31 December 2020 to Libor+4.43% as at 30 June 2021 while the spread of the BB rated loans (a more appropriate proxy for CLO’s higher average credit quality holdings), rose from Libor+3.05% to Libor+3.10% in the same period<sup>8</sup>.

We continue to monitor the credit quality in the loan market with average leverage from US large corporates, defined as corporates with EBITDA of more than \$50 million, increased marginally from 5.1x at the end of 2020 to 5.2x in Q2 2021 (Figure 2.5)<sup>9</sup> while interest coverage rose from 4.0x to 4.1x (Figure 2.6)<sup>10</sup>.

Figure 2.5 – Average debt multiples of large corporate loans<sup>9</sup>



The rolling twelve-month default rate decreased to 1.25% as of 30 June 2021<sup>11</sup>. Only two loan issuers tracked by the US S&P/LSTA index, one retailer and one clothing company, have defaulted this year.

The distressed ratio in the US, defined as percentage of loans trading below 80c, fell to 1% at the end of June 2021. A substantial decrease from the 24% experienced in March 2020.

<sup>8</sup> Based on 3-year discount margin of BB rated loans from Credit Suisse Leveraged loan index.

<sup>9</sup> LCD’s Quarterly Leveraged Lending Review: Q2 2021 from S&P Global Intelligence. Analysis excludes media and telecom loans prior to 2011. EBITDA adjusted for prospective cost savings or synergies.

<sup>10</sup> LCD’s Quarterly Leveraged Lending Review: Q2 2021 from S&P Global Intelligence. Based on non-adjusted EBITDA/Cash interest which excludes media and telecom loans prior to 2011.

<sup>11</sup> S&P/LSTA Leveraged Loan index by principal amount. Data as at 30 June 2021.

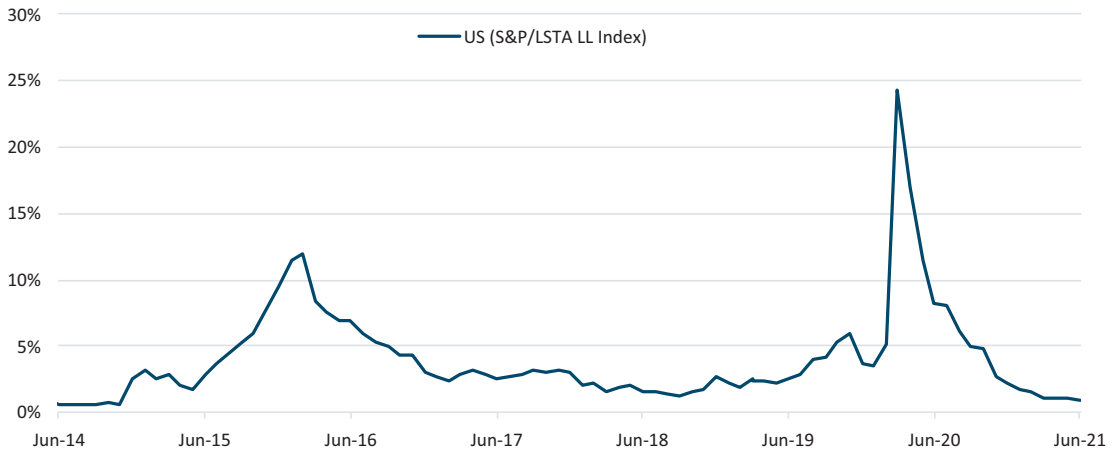


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### Loan Market Update continued

Figure 2.7 – Distressed ratio on US loans<sup>12</sup>



According to a quarterly survey published by S&P Global Intelligence in July 2021, loan managers expect the default rate to increase to 1.8% in June 2021 (Figure 2.8)<sup>13</sup>. Sentiment is considerably more positive than twelve months ago, where from the same survey of loan managers predicted a default rate of 6.1% for June 2021<sup>14</sup>.

Figure 2.8 – Lagging 12-month default rate: historical and current expectations (forecast through to June 2022)<sup>15</sup>



<sup>12</sup> S&P/LSTA Leveraged Loan index. Distress ratio by par amount. The definition of distressed loans is defined as the percentage of loans trading below 80c. Data as at 30-Jun-21.

<sup>13</sup> Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in June 2021.

<sup>14</sup> Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in June 2020.

<sup>15</sup> Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in June 2021.



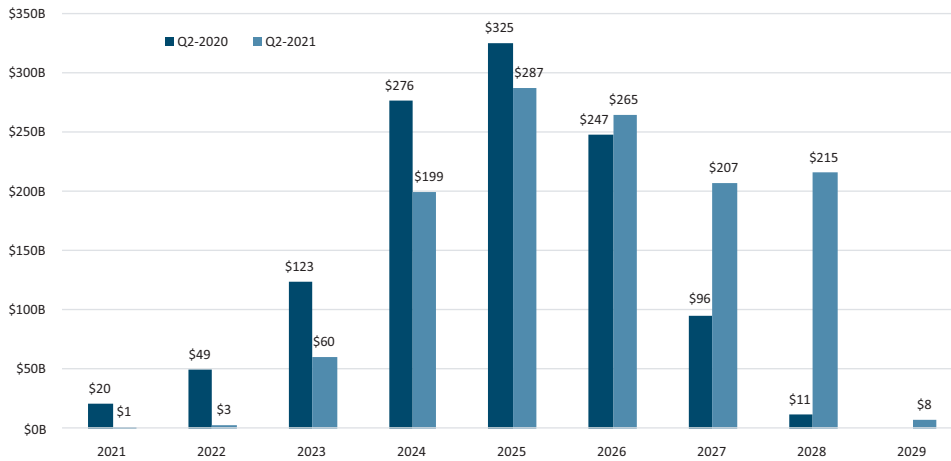
## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### Loan Market Update continued

A potential positive factor continues to be the very limited amount of loans set to mature over the next three years. The notional of loans maturing in 2022-2024 has fallen from US\$448 billion as of 30 June 2020 to \$262 billion as of 30 June 2021 (Figure 2.9)<sup>16</sup>.

Figure 2.9 – Maturity wall of the US loan market of performing loans (US\$billion)<sup>17</sup>



#### CLO Market Update

CLO spreads have continued to tighten in H1-21 from the highs seen in March/April 2020. However, BB and single B US CLO note prices still lag behind US high yield bonds and BB/B loans, as seen in chart 2.12 below.

Figure 2.10 – US CLO spreads<sup>17</sup>

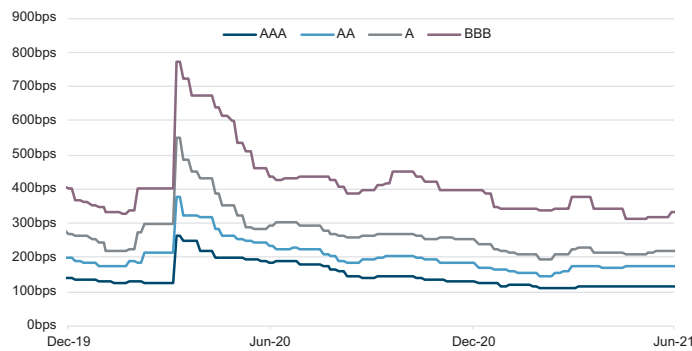
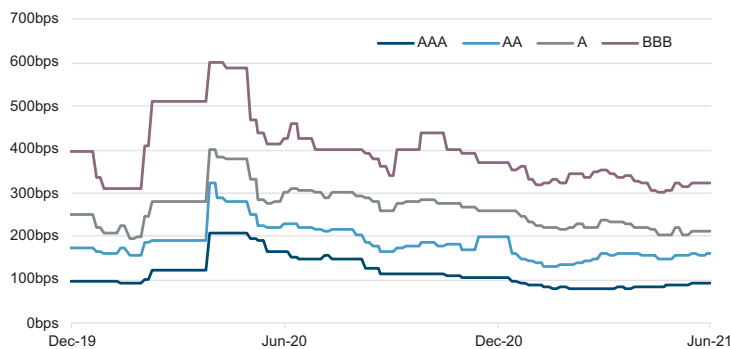


Figure 2.11 – EUR CLO spreads<sup>18</sup>



<sup>16</sup> S&P Global Intelligence, Q2-2021. Distribution by year of maturity.

<sup>17</sup> Source: JP Morgan primary CLO spreads as at 30 June 2021.

<sup>18</sup> Source: JP Morgan: CLOIE, high yield and leveraged loan indices as at 30 June 2021.

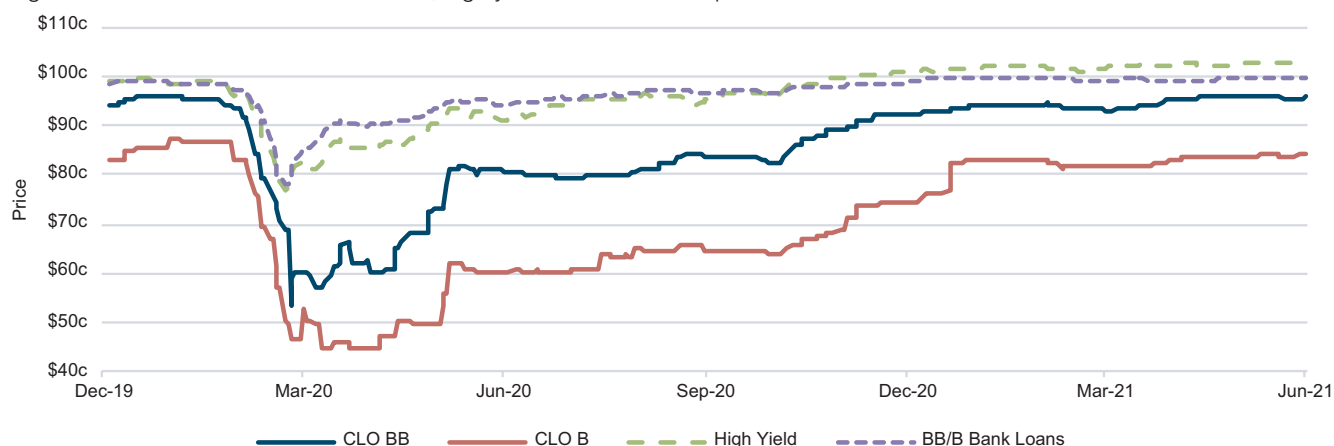


## STRATEGIC REVIEW

### Investment Adviser's Report (continued)

#### CLO Market Update continued

Figure 2.12 – CLO BB and B rated notes, high yield bonds and loan performance<sup>19</sup>



#### Outlook

We will continue to seek the best risk-adjusted opportunities for Master Fund III in the CLO primary and secondary markets and to actively optimise and reset or refinance the existing portfolio.

We believe that the Company continues to offer a compelling investment opportunity for those investors looking to invest in global senior secured bank loans through CLOs:

#### Conservatively positioned portfolio with significant upside potential from market normalisation

- Diversified portfolio offering global exposure to over 1,400 issuers through 30 investments in 29 CLOs, managed by 20 managers

#### Attractive dividend

- 13.5% annualised dividend yield<sup>20</sup>

#### Fixed life

- In line with the investment period and maturity of Master Fund III

#### Broad shareholder base

- Fair Oaks believes that the structure of Fair Oaks Income has attracted a broader, more global, shareholder base

#### Strong discount management provisions

- Fair Oaks has committed to invest 25% of quarterly management fees purchasing shares in the secondary market if the shares trade at any discount to NAV at the end of a calendar quarter
- Fair Oaks Income is also authorised to buy back up to 14.99% of the 2021 Shares in issue in order to facilitate its discount management policy.

#### Fair Oaks Capital Limited

8 September 2021

<sup>19</sup> Source: JP Morgan: CLOIE, high yield and leveraged loan indices as at 30 June 2021.

<sup>20</sup> Based on the dividend declared in April 2021 and the 2021 mid share price on 30 June 2021.



## GOVERNANCE

# Statement of Principal Risks and Uncertainties

The Company is a feeder fund investing its assets into the Master Fund II and the Master Fund III. Its principal risks include operational, investment, regulatory and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal Risks and Uncertainties' within the Directors' Report of the Company's last Annual Report for the year ended 31 December 2020. As detailed further in the Chairman's Statement, during the six month period ended 30 June 2021, 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares, representing 13.4% of the 2017 Shares in issue, and 405,815,477 2017 Shares were re-designated as 2021 Shares, representing the balance of 86.6% of the 2017 Shares in issue. 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 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. Despite this share re-organisation, the Company's principal 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 that 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 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 2021 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 2021 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

8 September 2021



## 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 2021 of the Company which comprises the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Changes in Shareholders’ Equity, the Unaudited Condensed Statement of Financial Position, 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 2021 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 and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board 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.

### 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 half-yearly 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

### 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.

### 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  
8 September 2021

**FINANCIAL STATEMENTS****Unaudited Condensed Statement of Comprehensive Income**

For the six month period ended 30 June 2021

	Note	1 January 2021 to 30 June 2021 (unaudited) US\$	1 January 2020 to 30 June 2020 (unaudited) US\$
<b>Income</b>			
Net gains/(losses) on financial assets at fair value through profit or loss	5	49,737,450	(108,842,611)
Investment income		–	3,215
Net foreign exchange gains/(losses)		17,321	(52,848)
<b>Total income</b>		<b>49,754,771</b>	<b>(108,892,244)</b>
<b>Expenses</b>			
Investment advisory fees	6	3,105	93,086
Audit and interim review fees		77,469	73,547
Administration fees	6	46,548	76,053
Directors' fees and expenses	6	89,072	81,449
Legal and professional fees		4,261	21,405
Broker fees		47,475	4,854
Other expenses		148,637	152,486
<b>Total operating expenses</b>		<b>416,567</b>	<b>502,880</b>
<b>Profit/(loss) and total comprehensive income/(loss) for the period</b>		<b>49,338,204</b>	<b>(109,395,124)</b>
<b>Basic and diluted earnings/(losses) per 2021 Share</b>	9	<b>0.1055</b>	<b>(0.2388)</b>
<b>Basic and diluted earnings/(losses) per Realisation Share</b>	9	<b>0.1057</b>	<b>(0.2388)</b>

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

The accompanying notes on pages 20 to 37 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 2021

	Note	Share capital (Realisation Shares) US\$	Share capital (2021 Shares) US\$	Retained earnings (Realisation Shares) US\$	Retained earnings (2021 Shares) US\$	Total equity US\$
<b>At 1 January 2021</b>		<b>444,922,074</b>	<b>–</b>	<b>(149,952,728)</b>	<b>–</b>	<b>294,969,346</b>
<i>Total comprehensive income:</i>						
Profit for the period		–	–	6,610,193	42,728,011	49,338,204
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>6,610,193</b>	<b>42,728,011</b>	<b>49,338,204</b>
<i>Transactions with Shareholders:</i>						
Conversion of 2017 shares into 2021 Shares during the period, net of issue costs	8	(385,631,418)	384,590,284	–	–	(1,041,134)
Transfer brought forward retained earnings from 2017 Shares to 2021 Shares	8	–	–	129,923,035	(129,923,035)	–
Dividends declared during the period	4	–	–	(2,972,161)	(19,253,037)	(22,225,198)
<b>Total transactions with Shareholders</b>		<b>(385,631,418)</b>	<b>384,590,284</b>	<b>126,950,874</b>	<b>(149,176,072)</b>	<b>(23,266,332)</b>
<b>At 30 June 2021</b>		<b>59,290,656</b>	<b>384,590,284</b>	<b>(16,391,661)</b>	<b>(106,448,061)</b>	<b>321,041,218</b>

	Note	Share capital (2017 Shares) US\$	Retained earnings (2017 Shares) US\$	Total equity US\$
<b>At 1 January 2020</b>		<b>439,400,944</b>	<b>(96,242,034)</b>	<b>343,158,910</b>
<i>Total comprehensive income:</i>				
Profit for the period		–	(109,395,124)	(109,395,124)
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>(109,395,124)</b>	<b>(109,395,124)</b>
<i>Transactions with Shareholders:</i>				
2014 share redemptions paid during the period	8	5,521,130	–	5,521,130
Transfer of reserves on closure of 2014 share class		–	–	–
Dividends declared during the period	4	–	(9,450,854)	(9,450,854)
<b>Total transactions with Shareholders</b>		<b>5,521,130</b>	<b>(9,450,854)</b>	<b>(3,929,724)</b>
<b>At 30 June 2020</b>		<b>444,922,074</b>	<b>(215,088,012)</b>	<b>229,834,062</b>

The accompanying notes on pages 20 to 37 form an integral part of the Unaudited Condensed Financial Statements.

**FINANCIAL STATEMENTS****Unaudited Condensed Statement of Financial Position**

At 30 June 2021

	Note	30 June 2021 (unaudited) US\$	31 December 2020 (audited) US\$
<b>Assets</b>			
Cash and cash equivalents		338,076	2,397,636
Prepayments		60,391	28,800
Distribution receivable		215,062	–
Financial assets at fair value through profit or loss	5	320,568,246	293,083,595
<b>Total assets</b>		<b>321,181,775</b>	<b>295,510,031</b>
<b>Liabilities</b>			
Distributions prepaid		–	456,325
Trade and other payables		140,557	84,360
<b>Total liabilities</b>		<b>140,557</b>	<b>540,685</b>
<b>Net assets</b>		<b>321,041,218</b>	<b>294,969,346</b>
<b>Equity</b>			
Retained earnings		(122,839,722)	(149,952,728)
Share capital	8	443,880,940	444,922,074
<b>Total equity</b>		<b>321,041,218</b>	<b>294,969,346</b>
<b>Total Net Assets attributable to 2021 Shareholders</b>		<b>278,144,188</b>	–
<b>Number of 2021 Shares</b>	8	<b>405,165,477</b>	–
<b>Net asset value per 2021 Share</b>		<b>0.6865</b>	–
<b>Net Assets attributable to Realisation Shareholders</b>		<b>42,897,030</b>	<b>294,969,346</b>
<b>Number of Realisation Shares</b>	8	<b>62,562,883</b>	<b>467,728,360</b>
<b>Net asset value per Realisation Share</b>		<b>0.6857</b>	<b>0.6306</b>

The Unaudited Condensed Financial Statements on pages 16 to 37 were approved and authorised for issue by the Board of Directors on 8 September 2021 and signed on its behalf by:

**Jon Bridel**

Director

The accompanying notes on pages 20 to 37 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 2021

	Note	1 January 2021 to 30 June 2021 (unaudited) US\$	1 January 2020 to 30 June 2020 (unaudited) US\$
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		49,338,204	(109,395,124)
Adjustments for:			
Net (gains)/losses on financial assets at fair value through profit or loss	5	(49,737,450)	108,842,611
Net foreign exchange (gains)/losses		(17,321)	52,848
		<b>(416,567)</b>	<b>(499,665)</b>
Increase in prepayments		(31,591)	(40,469)
Increase in trade and other payables		56,197	24,828
Income distributions received from Master Fund II		11,829,093	5,807,635
Income distributions received from Master Fund III		9,752,319	–
Purchases into Master Fund II during the period	5	–	(40,204,500)
<b>Net cash flow from/(used in) operating activities</b>		<b>21,189,451</b>	<b>(34,912,171)</b>
<b>Cash flows from investing activities</b>			
Sale of investment during the period	5	–	34,999,873
<b>Net cash flow from investing activities</b>		<b>–</b>	<b>34,999,873</b>
<b>Cash flows from financing activities</b>			
Proceeds from 2017 share issuance, net of costs	8	–	5,521,130
Costs of conversion of 2017 shares into 2021 Shares during the period	8	(1,041,134)	–
Dividends paid during the period	4	(22,225,198)	(9,450,854)
<b>Net cash flow used in financing activities</b>		<b>(23,266,332)</b>	<b>(3,929,724)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,076,881)</b>	<b>(3,842,022)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>2,397,636</b>	<b>5,340,650</b>
Effect of foreign exchange rate changes during the period		17,321	(52,848)
<b>Cash and cash equivalents at end of period</b>		<b>338,076</b>	<b>1,445,780</b>

The accompanying notes on pages 20 to 37 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 2021

### 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 2015. The Company is listed and began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange on 12 June 2014.

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. During the six month period ended 30 June 2021, the Master Fund II allowed one new limited partner to enter the partnership and at 30 June 2021, the Master Fund II had six limited partners, including Fair Oaks Founder II LP, a related entity. At 30 June 2021, the Master Fund III had two limited partners, including Fair Oaks Founder VI LP.

At 30 June 2021, the Company has 62,562,883 Realisation Shares (“Realisation Shares”) and 405,815,477 2021 Shares (“2021 Shares”) in issue (including 650,000 shares held in Treasury). The Realisation Shares invest solely into the Master Fund II and the 2021 Shares invest solely into the Master Fund III. The Company’s investment objective and policy mirror those of the Master Fund II and Master Fund III. At 30 June 2021, the Company had direct holdings of 9.59% (31 December 2020: 71.80%) in the Master Fund II and 100% holding in Master Fund III, which in turn had a holding of 62.21% in the Master Fund II. The General Partner of the Master Fund II and Master Fund III is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”).

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 CLOs. On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (the “Wollemi Fund”). On 23 March 2021, the Master Fund II transferred its investment in Cycad to the Wollemi Fund in exchange for limited partnership interests in the Wollemi Fund.

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.

### 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 2020.

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 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”). Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements.

These Financial Statements were authorised for issue by the Company’s Board of Directors on 8 September 2021.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

## 2. PRINCIPAL ACCOUNTING POLICIES *continued*

### **Basis of Preparation and Statement of Compliance** *continued*

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 86.6% to 2021 Shares and 13.4% to Realisation Shares. Prior to 22 April 2021, expenses and non-investment assets and liabilities are apportioned 100% to 2017 Shares.

### **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 2020.

### **New Accounting Standards and interpretations applicable to future reporting periods**

At the date of approval of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IAS 1 (amended), "Presentation of Financial Statements" (amendments regarding the classification of liabilities, effective for periods commencing on or after 1 January 2023).

In addition, the IASB has completed the following projects during the period:

- 'Annual Improvements to IFRS Standards 2018-2020', published in May 2020. This project has amended certain existing standards effective for accounting periods commencing on or after 1 January 2022.
- 'Replacement issues in the context of the IBOR reform', published in August 2020. This project has amended certain existing standards effective for accounting periods commencing on or after 1 January 2021.

The Directors expect that the adoption of these amended standards in a future period will not have a material impact on the Financial Statements of the Company.

## 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 2020: FOIF LP and the Master Fund II), 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.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

**For the six month period ended 30 June 2021****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.

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

<b>Period to</b>	<b>Payment date</b>	<b>Dividend rate per 2021 Share (cents)</b>	<b>Net dividend payable (US\$)</b>	<b>Record date</b>	<b>Ex-dividend date</b>
31 December 2021	26 February 2021	2.50	10,148,155	12 February 2021	1 February 2021
31 March 2021	25 June 2021	2.25	9,104,882	28 May 2021	27 May 2021
		<u>4.75</u>	<u>19,253,037</u>		

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

<b>Period to</b>	<b>Payment date</b>	<b>Dividend rate per 2021 Share (cents)</b>	<b>Net dividend payable (US\$)</b>	<b>Record date</b>	<b>Ex-dividend date</b>
31 December 2021	26 February 2021	2.50	1,564,499	12 February 2021	1 February 2021
31 March 2021	25 June 2021	2.25	1,407,662	28 May 2021	27 May 2021
		<u>4.75</u>	<u>2,972,161</u>		

The Company declared the following dividends per 2017 Shares during the six month period ended 30 June 2020:

<b>Period to</b>	<b>Payment date</b>	<b>Dividend rate per 2017 Share (cents)</b>	<b>Net dividend payable (US\$)</b>	<b>Record date</b>	<b>Ex-dividend date</b>
31 December 2019	30 January 2020	0.7	3,172,231	17 January 2020	16 January 2020
31 January 2020	27 February 2020	0.7	3,160,025	14 February 2020	13 February 2020
28 February 2020	26 March 2020	0.7	3,118,598	13 March 2020	12 March 2020
		<u>2.10</u>	<u>9,450,854</u>		





## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

#### 4. DIVIDENDS continued

##### Realisation Shares continued

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 (prior to 22 April 2021: 2017 Shares) 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.

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 2021 were US\$nil (31 December 2020: US\$nil).

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 January 2021 to 30 June 2021 (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	–	429,025,529	429,025,529
Sale of investments in Master Fund II during the period	–	(371,719,138)	(371,719,138)
Purchase of investments in Master Fund III at cost during the period	371,719,138	–	371,719,138
Cost of financial assets at fair value through profit or loss at the end of the period	371,719,138	57,306,391	429,025,529
Net unrealised losses on financial assets at the end of the period	(93,978,799)	(14,478,484)	(108,457,283)
Financial assets at fair value through profit or loss at the end of the period	<b>277,740,339</b>	<b>42,827,907</b>	<b>320,568,246</b>
Movement in net unrealised loss during the period	23,813,433	3,671,218	27,484,651
Income distributions declared from Master Fund II during the period	9,335,321	2,980,235	12,315,556
Income distributions declared from Master Fund III during the period	9,937,243	–	9,937,243
Net gains on financial assets at fair value through profit or loss	<b>43,085,997</b>	<b>6,651,453</b>	<b>49,737,450</b>

The sale of Master Fund II and purchase of Master Fund III shown in the table above are non-cash transactions following the re-designation of 2017 Shares to 2021 Shares and Realisation Shares on 22 April 2021. On this date, in accordance with the Contribution Agreement dated 26 March 2021, the Company subscribed to a commitment amount equal to the 2021 Shares proportionate ownership of the Company into the Master Fund III. The Company made such an advance in kind, by transferring in specie to the Master Fund III its proportionate share of the Master Fund II. Following this transaction, and at 30 June 2021, the Company had a 100% 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 holdings of 9.59% in the Master Fund II on behalf of the Realisation Shares.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

**For the six month period ended 30 June 2021****5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued

	<b>1 January 2020 to 31 December 2020 (audited) 2017 Shares US\$</b>
Cost of financial assets at fair value through profit or loss at the start of the year	426,885,179
Purchase of investments in Master Fund II at cost during the year	40,204,500
Sale of UCITS investment during the year	(34,999,873)
Realised loss on sale of UCITS investments during the year	(3,064,277)
<b>Cost of financial assets at fair value through profit or loss at the end of the year</b>	<b>429,025,529</b>
Net unrealised losses on financial assets at the end of the year	(135,941,934)
<b>Financial assets at fair value through profit or loss at the end of the year</b>	<b>293,083,595</b>
Realised loss on sale of UCITS investments during the year	(3,064,277)
Movement in net unrealised loss during the year	(45,778,713)
Income distributions declared from Master Fund II during the year	22,756,626
<b>Net losses on financial assets at fair value through profit or loss</b>	<b>(26,086,364)</b>
	<b>1 January 2020 to 30 June 2020 (unaudited) 2017 Shares US\$</b>
Cost of financial assets at fair value through profit or loss at the start of the period	426,885,179
Purchase of investments at cost during the period	40,204,500
Sale of investment during the period	(34,999,873)
Realised loss on sale of investment during the period	(3,064,276)
<b>Cost of financial assets at fair value through profit or loss at the end of the period</b>	<b>429,025,530</b>
Net unrealised losses on financial assets at the end of the period	(200,581,103)
<b>Financial assets at fair value through profit or loss at the end of the period</b>	<b>228,444,427</b>
Realised loss on sale of investment during the period	(3,064,276)
Movement in net unrealised losses during the period	(110,417,881)
Income distributions declared from Master Fund II during the period	4,639,546
<b>Net losses on financial assets at fair value through profit or loss</b>	<b>(108,842,611)</b>

At 30 June 2021, the Company's Realisation Shares invested solely into the Master Fund II and the 2021 Shares invest solely into the Master Fund III. During the six month period ended 30 June 2021, the Master Fund II allowed one new limited partner to enter the partnership and at 30 June 2021, the Master Fund II had six limited partners, including Fair Oaks Founder II LP, a related entity. At 30 June 2021, the Master Fund III had two limited partners, including Fair Oaks Founder VI LP. At 30 June 2021, the Company had direct holdings of 9.59% (31 December 2020: 71.80%) in the Master Fund II and 100% holding in Master Fund III, which in turn had a holding of 62.21% in the Master Fund II.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

#### 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 2021 (unaudited) Master Fund III <sup>1</sup> US\$	30 June 2021 (unaudited) Master Fund II <sup>2</sup> US\$	30 June 2021 (unaudited) Total Company US\$
Financial assets at fair value through profit or loss	277,740,260	38,100,867	315,841,127
Add: Other net current liability	79	4,727,040	4,727,119
Total financial assets at fair value through profit or loss	<b>277,740,339</b>	<b>42,827,907</b>	<b>320,568,246</b>

	31 December 2020 (audited) Master Fund II <sup>3</sup> US\$
Financial assets at fair value through profit or loss	292,098,468
Less: Net current assets	985,127
Total financial assets at fair value through profit or loss	<b>293,083,595</b>

<sup>1</sup> Shows the Company's proportionate direct share in the Master Fund III at 100.00% through 2021 Shares investment only.

<sup>2</sup> Shows the Company's proportionate direct share in the Master Fund II at 9.59% through Realisation Shares investment only.

<sup>3</sup> Shows the Company's proportionate direct share in the Master Fund II at 71.80% through 2017 Shares.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

**For the six month period ended 30 June 2021****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:

	<b>1 January 2021 to 30 June 2021 (unaudited)</b>		
	<b>Master Fund III<sup>1</sup></b>	<b>Master Fund II<sup>2</sup></b>	<b>Total Company</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Net unrealised losses on investments at the beginning of the period	–	(135,941,934)	(135,941,934)
Unrealised losses attributable to 2021 Shares	(107,852,694)	107,852,694	–
Investment income	–	13,176,586	13,176,586
Income distributions received from Master Fund II	9,372,252	–	9,372,252
Unrealised gains on financial assets at fair value through profit or loss	13,864,641	6,054,705	19,919,346
Realised gains on financial assets at fair value through profit or loss	–	2,237,138	2,237,138
Net gains on derivative financial instruments and foreign exchange	–	5,229,267	5,229,267
Other income	–	3,286	3,286
Expenses	(50,368)	(774,651)	(825,019)
Income distributions declared during the period	(9,312,630)	(12,315,575)	(21,628,205)
Net unrealised losses on investments at the end of the period	<b>(93,978,799)</b>	<b>(14,478,484)</b>	<b>(108,457,283)</b>

	<b>1 January 2020 to 31 December 2020 (audited)</b>
	<b>Master Fund II<sup>3</sup></b>
	<b>US\$</b>
Net unrealised losses on investments at the beginning of the year	(90,222,573)
Investment income	41,425,839
Income distributions received from Master Fund	1,195,154
Income distributions received from Cycad	302,367
Unrealised losses on financial assets at fair value through profit or loss	(51,289,064)
Realised losses on financial assets at fair value through profit or loss	(1,274,359)
Net losses on derivative financial instruments and foreign exchange	(11,024,561)
Other income	223,135
Expenses	(2,521,247)
Income distributions declared during the year	(22,756,625)
Net unrealised losses on investments at the end of the year	<b>(135,941,934)</b>

<sup>1</sup> Shows the Company's proportionate direct share in the Master Fund III at 100.00% through 2021 Shares investment only.

<sup>2</sup> Shows the Company's proportionate direct share in the Master Fund II at 9.59% through Realisation Shares investment only.

<sup>3</sup> Shows the Company's proportionate direct share in the Master Fund II at 71.80% through 2017 Shares.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

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

	<b>1 January 2020 to 30 June 2020 (unaudited) Master Fund I<sup>1</sup> US\$</b>
Net unrealised losses on investments at the beginning of the period	(90,222,573)
Investment income	23,537,116
Unrealised losses on financial assets at fair value through profit or loss	(115,138,377)
Realised gains on financial assets at fair value through profit or loss	(11,631,086)
Net gains on derivative financial instruments and foreign exchange	(1,494,583)
Other income	223,134
Expenses	(1,215,188)
Income distributions declared during the period	(4,639,546)
Net unrealised losses on investments at the end of the period	<b>(200,581,103)</b>

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.

<sup>1</sup> Shows the Company's proportionate direct share in the Master Fund II at 71.80%.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

For the six month period ended 30 June 2021

**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued**Look-through financial information: Master Funds' profit or loss movements** continued

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 2021 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
<b>Assets:</b>				
Financial assets at fair value through profit or loss	–	–	320,568,246	320,568,246
<b>Total</b>	<b>–</b>	<b>–</b>	<b>320,568,246</b>	<b>320,568,246</b>

	31 December 2020 (audited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
<b>Assets:</b>				
Financial assets at fair value through profit or loss	–	–	293,083,595	293,083,595
<b>Total</b>	<b>–</b>	<b>–</b>	<b>293,083,595</b>	<b>293,083,595</b>

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 it is not traded and contains unobservable inputs.

The following table presents the movement in Level 3 instruments:

	1 January 2021 to 30 June 2021 (unaudited) US\$	1 January 2020 to 31 December 2020 (audited) US\$
Opening Balance	293,083,595	298,598,457
Purchases	–	40,204,500
Movement in net unrealised gain/(loss) during the period/year	27,484,651	(45,719,362)
Closing Balance	<b>320,568,246</b>	<b>293,083,595</b>

*Transfers between Level 1, 2 and 3*

There have been no transfers between levels during the period ended 30 June 2021 or for the year ended 31 December 2020. 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:



## FINANCIAL STATEMENTS

### Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

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

	30 June 2021 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
<b>Master Fund III<sup>1</sup></b>				
Financial assets at fair value through profit or loss	–	–	277,740,260	277,740,260
<b>Total</b>	<b>–</b>	<b>–</b>	<b>277,740,260</b>	<b>277,740,260</b>

	30 June 2021 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
<b>Master Fund II<sup>2</sup></b>				
Financial assets at fair value through profit or loss	–	2,852,762	35,248,105	38,100,867
Derivatives at fair value through profit or loss	–	344,810	–	344,810
<b>Total</b>	<b>–</b>	<b>3,197,572</b>	<b>35,248,105</b>	<b>38,445,677</b>

	31 December 2020 (audited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
<b>Master Fund II<sup>3</sup></b>				
Financial assets at fair value through profit or loss	–	54,562,173	237,536,295	292,098,468
Derivatives at fair value through profit or loss	–	(3,093,679)	–	(3,093,679)
<b>Total</b>	<b>–</b>	<b>51,468,494</b>	<b>237,536,295</b>	<b>289,004,789</b>

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 30 June 2021 (unaudited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund III <sup>1</sup>	277,740,339	NAV	Zero % discount	N/A
Master Fund II <sup>2</sup>	42,827,907	NAV	Zero % discount	N/A
	<b>320,568,246</b>			

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2020 (audited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund II <sup>3</sup>	293,083,595	NAV	Zero % discount	N/A
	<b>293,083,595</b>			

<sup>1</sup> Shows the Company's proportionate direct share in the Master Fund III at 100.00% through 2021 Shares investment only.

<sup>2</sup> Shows the Company's proportionate direct share in the Master Fund II at 9.59% through Realisation Shares investment only.

<sup>3</sup> Shows the Company's proportionate share in the Master Fund II at 71.80% at 31 December 2020.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

**For the six month period ended 30 June 2021****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 Fund II's investments categorised in Level 3 as at 30 June 2021 (unaudited):

<b>Asset Class</b>	<b>Fair Value US\$</b>	<b>Unobservable inputs</b>	<b>Ranges</b>	<b>Average</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
<b>Master Fund III<sup>1</sup></b>					
<u>Limited Partnerships</u>					
Master Fund II	277,740,260	Zero % discount	N/A	N/A	50% increase/decrease will have a fair value impact of +/- US\$138,870,130
	<b>277,740,260</b>				

<b>Asset Class</b>	<b>Fair Value US\$</b>	<b>Unobservable inputs</b>	<b>Ranges</b>	<b>Average</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
<b>Master Fund II<sup>2</sup></b>					
<u>CLO Income Notes</u>					
United States of America	24,308,580	Prices provided by a third party agent	US\$0.0001 - US\$1.0017	US\$0.6698	50% increase/decrease will have a fair value impact of +/- US\$12,154,290
Europe	3,899,484	Prices provided by a third party agent	€0.9800	€0.9800	50% increase/decrease will have a fair value impact of +/- US\$1,949,742
<u>CLO Sub Fee Notes</u>					
Europe	158,838	Prices provided by a third party agent	€0.0001 - €1.6300	€0.7524	50% increase/decrease will have a fair value impact of +/- US\$79,419
<u>Limited Partnerships</u>					
Wollemi Fund	6,881,203	Zero % discount	N/A	N/A	50% increase/decrease will have a fair value impact of +/- US\$3,440,601
	<b>35,248,105</b>				

<sup>1</sup> Shows the Company's proportionate direct share in the Master Fund III at 100.00% through 2021 Shares investment only.

<sup>2</sup> Shows the Company's proportionate direct share in the Master Fund II at 9.59% through Realisation Shares investment only.





## FINANCIAL STATEMENTS

### Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS continued

##### Look-through financial information: Master Funds' Level 3 information 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 2020 (audited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<b>Master Fund II<sup>1</sup></b>					
<u>CLO Income Notes</u>					
United States of America	150,559,848	Prices provided by a third party agent	US\$0.3900 - US\$0.9958	US\$0.6638	50% increase/decrease will have a fair value impact of +/- US\$75,279,924
Europe	78,783,736	Prices provided by a third party agent	€0.6300 - €0.9600	€0.8162	50% increase/decrease will have a fair value impact of +/- US\$39,391,861
<u>CLO Sub Fee Notes</u>					
Europe	2,782,795	Prices provided by a third party agent	€1.2500 - €2.7700	€1.6114	50% increase/decrease will have a fair value impact of +/- US\$1,391,398
<u>Limited Partnerships</u>					
Master Fund	6,148	Zero % discount	N/A	N/A	50% increase/decrease will have a fair value impact of +/- US\$3,074
Cycad	5,403,768	Zero % discount	N/A	N/A	50% increase/decrease will have a fair value impact of +/- US\$2,701,884
	<b>237,536,295</b>				

<sup>1</sup> Shows the Company's proportionate direct share in the Master Fund II at 71.80%.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

**For the six month period ended 30 June 2021****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 (30 June 2020: Master Fund also) (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:

	<b>For the six month period ended 30 June 2021 (unaudited) US\$</b>	<b>For the six month period ended 30 June 2020 (unaudited) US\$</b>
Company investment advisory fee	1,131,282	1,051,823
Less: Master fund II rebate	(1,128,177)	(915,276)
Less: Master fund III rebate	–	–
Less: Master fund rebate	–	(43,461)
<b>Net investment advisory fee</b>	<b>3,105</b>	<b>93,086</b>

In circumstances where, as at the date the Net Asset Value per share of the 2017 Shares with respect to the last calendar 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 MFIII 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 MFII 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

(continued)

For the six month period ended 30 June 2021

### 6. RELATED PARTIES AND OTHER KEY CONTACTS *continued*

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

##### *Investment Adviser* *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 2021, the Master Fund II had direct investments in FOAKS 3X CLO and Fair Oaks Loan Funding IV valued at €42,318,383 and €15,470,519 respectively and indirect investments, via Wollemi Fund, in FOAKS 1X CLO and FOAKS 2X CLO (the "Fair Oaks CLOs") valued at €27,025,411 and €32,900,590 respectively (31 December 2020: FOAKS 1X CLO, FOAKS 2X CLO and FOAKS 3X CLO valued at €22,417,985, €48,412,123 and €42,772,670). The Investment Adviser to the Company also acts as collateral manager to the Fair Oaks CLOs. In addition, the Master Fund II acts as the risk retention holder for FOAKS 3X CLO (31 December 2020: risk retention holder for all the Fair Oaks CLOs). As risk retention holder, the Master Fund II is required to retain, on an ongoing basis, a material net economic interest in FOAKS 3X CLO (31 December 2020: the Fair Oaks CLOs) of not less than 5%.

##### *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 2021, US\$nil (31 December 2020: 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*

Praxis Fund Services 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\$32,000 (31 December 2020: US\$32,320), payable quarterly in arrears for Administration and Accounting services.

The Administrator is also entitled to an additional fee for assisting with reporting under Article 24 of the AIFM Directive. The fee was increased to £3,000 (31 December 2020: £2,768) per return, per jurisdiction, with effect from 25 March 2021.

The Administrator is also entitled to an annual fee of £550 (31 December 2020: £500) 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.

**FINANCIAL STATEMENTS****Notes to the Unaudited Condensed Financial Statements**

(continued)

**For the six month period ended 30 June 2021****6. RELATED PARTIES AND OTHER KEY CONTACTS** continued**Other Material Contracts** continued*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 £43,000 each per annum (31 December 2020: £43,000). In addition, a one-off payment of £5,000 was paid to each Director in respect of the revised Prospectus, with such fee increasing by an additional £2,500 (i.e. bringing this one-off payment to £7,500) if the total gross amounts raised under the Placing Programme exceed US\$100 million.

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

	<b>For the six month period ended 30 June 2021 (unaudited) US\$</b>	<b>For the six month period ended 30 June 2020 (unaudited) US\$</b>
<b>CHARGE FOR THE YEAR</b>		
Investment adviser fee	3,105	93,086
Administration fee	46,548	76,053
Directors' fees and expenses	89,072	81,449
	<b>30 June 2021 (unaudited) US\$</b>	<b>31 December 2020 (audited) US\$</b>
<b>OUTSTANDING FEES</b>		
Investment adviser fee	355	1,563
Administration fee	18,180	2,806

*Shares held by related parties*

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

<b>Name</b>	<b>30 June 2021 (unaudited)</b>		<b>31 December 2020 (audited)</b>	
	<b>No. of 2021 Shares</b>	<b>Percentage</b>	<b>No. of 2017 Shares</b>	<b>Percentage</b>
Claudio Albanese (Chairman)	9,697	0.00%	9,697	0.00%
Jon Bridel*	40,000	0.01%	40,000	0.01%
Nigel Ward	60,000	0.01%	60,000	0.01%

\*Shares are held by Nicole Bridel, a closely connected person to Jon Bridel.

As at 30 June 2021, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 1,988,946 2021 Shares (31 December 2020: 1,988,946 Shares), which is 0.42% (31 December 2020: 0.42%) of the issued share capital.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

### 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.

### 8. SHARE CAPITAL

The Company's 2021 Shares and Realisation Shares (31 December 2020: 2017 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.

During April 2020, the Company announced an issue to satisfy market demand of 15,029,623 new 2017 Shares at an issue price of US\$0.372 per new 2017 Share.

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**

(continued)

**For the six month period ended 30 June 2021****8. SHARE CAPITAL** continued**Issued share capital***2021 Shares*

	<b>30 June 2021 (unaudited)</b>		<b>31 December 2020 (audited)</b>	
	<b>Shares</b>	<b>US\$</b>	<b>Shares</b>	<b>US\$</b>
Share capital at the beginning of the year	–	–	–	–
Re-designation from 2017 Shares into 2021				
Shares during the period	405,165,477	385,492,327	–	–
Share capital conversion costs <sup>1</sup>	–	(902,043)	–	–
Share capital at the end of the year	<b>405,165,477</b>	<b>384,590,284</b>	<b>–</b>	<b>–</b>

*Realisation Shares*

	<b>30 June 2021 (unaudited)</b>		<b>31 December 2020 (audited)</b>	
	<b>Shares</b>	<b>US\$</b>	<b>Shares</b>	<b>US\$</b>
Share capital at the beginning of the year	467,728,360	444,922,074	452,698,737	439,400,944
Re-designation into 2021 Shares during the period	(405,165,477)	(385,492,327)	–	–
Share capital issued during the year	–	–	15,029,623	5,591,020
Share capital conversion/issued costs <sup>1</sup>	–	(139,091)	–	(69,890)
Share capital at the end of the year	<b>62,562,883</b>	<b>59,290,656</b>	<b>467,728,360</b>	<b>444,922,074</b>

The total number of 2021 Shares in issue, as at 30 June 2021 was 405,815,477, of which 650,000 2021 Shares were held in treasury, and the total number of 2021 shares in issue excluding treasury shares were 405,165,477.

The total number of Realisation Shares in issue, as at 30 June 2021 was 62,562,883, of which no shares were held in treasury, and the total number of Realisation shares in issue excluding treasury shares were 62,562,883.

At 30 June 2021, the Company has 467,728,360 Shares.

The total number of 2017 Shares in issue, as at 31 December 2020 was 468,378,360, of which 650,000 shares were held in treasury, and the total number of shares in issue excluding treasury shares were 467,728,360. At 31 December 2020, the Company had 467,728,360 Shares.

<sup>1</sup> Additional immaterial share capital conversion costs were expensed post 30 June 2021 and will be included within the annual report and audited financial statements for the year ended 31 December 2021.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2021

### 9. EARNINGS PER SHARE

	For the six month period ended 30 June 2021 (unaudited)		For the six month period ended 30 June 2020 (unaudited)
	2021 Shares US\$	Realisation Shares US\$	2017 Shares US\$
Weighted average number of shares	405,165,477	62,562,883	458,111,561
Profit/(loss) for the financial period	42,728,011	6,610,193	(109,395,124)
Basic and diluted earnings/(losses) per share	0.1055	0.1057	(0.2388)

For the six month period ended 30 June 2021, profits for the period have been allocated as follows:

- Expenses are apportioned 86.6% to 2021 Shares and 13.4% to Realisation Shares;
- Income for the period from 1 January 2021 to 22 April 2021, has been apportioned 86.6% to 2021 Shares and 13.4% to Realisation Shares;
- Income for the period from 23 April 2021 to 30 June 2021, is based on the share classes' respective ownership of, and distributions received from, the Master Fund II and Master Fund III.

The weighted average number of shares as at 30 June 2021 is based on the number of 2021 Shares and Realisation Shares in issue during the period under review, as detailed in Note 8. The weighted average number of 2021 Shares and Realisation Shares for the period from 1 January 2021 to 22 April 2021, have been apportioned 86.6% to 2021 Shares and 13.4% to Realisation Shares.

The weighted average number of shares as at 30 June 2020 is based on the number of 2017 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\$263,963,480 of which US\$ 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 2020: US\$452,346,532) of which US\$432,982,362 (31 December 2020: 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 2021 and 31 December 2020, the Company had no other outstanding commitments.

### 11. SUBSEQUENT EVENTS

On 10 August 2021, the Company declared an interim dividend of 2.50 US cents per 2021 Share and Realisation Share in respect of the quarter ended 30 June 2021, which will be paid on 17 September 2021. The ex dividend date was 19 August 2021.

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



## ADDITIONAL INFORMATION

## Portfolio Statement (unaudited)

As at 30 June 2021

## CLO Equity

Security	Instrument	Par Value Master Fund II <sup>1</sup>	Valuation
AIMCO 2017-A SUB	Subordinated Notes	19,443,943	81.00%
ALLEG 2017-2X SUB	Subordinated Notes	28,630,991	62.00%
ALLEG 2021-1X SUB	Subordinated Notes	19,525,797	81.00%
ARES 2015-35R	Subordinated Notes	18,668,483	69.00%
AWPT 2017-6X SUB	Subordinated Notes	21,576,458	39.00%
ELM 2014-1A SUB	Subordinated Notes	4,540,924	53.00%
FAIR OAKS IV FUNDING	Subordinated Notes	9,370,142	100.00%
FOAKS 1X M	Subordinated Fee Notes	718,019	0.01%
FOAKS 1X SUB	Subordinated Notes	20,104,520	74.48%
FOAKS 1X Z	Subordinated Fee Notes	5,890	23,587.00%
FOAKS 2X M	Subordinated Fee Notes	718,019	0.01%
FOAKS 2X SUB	Subordinated Notes	33,746,873	56.41%
FOAKS 2X Z	Subordinated Fee Notes	385,254	230.00%
FOAKS 3X M	Subordinated Fee Notes	718,019	0.01%
FOAKS 3X SUB	Subordinated Notes	25,130,650	98.00%
FOAKS 3X Z	Subordinated Fee Notes	615,445	163.00%
HLM 13X-2018 SUB	Subordinated Notes	18,632,582	48.00%
MARNR 2015-1A SUB	Subordinated Notes	4,693,989	46.00%
MARNR 2016-3A SUB	Subordinated Notes	4,428,677	61.00%
MARNR 2017-4 SUB	Subordinated Notes	20,743,557	57.00%
POST 2018-1X SUB	Subordinated Notes	28,205,565	77.00%
ROCKT 2021-2X SUB	Subordinated Notes	17,591,455	84.20%
SHACK 2018-12 SUB	Subordinated Notes	21,540,557	66.00%
WELF 2018-1X SUB	Subordinated Notes	20,732,786	61.00%

<sup>1</sup> Master fund II holdings include investments held indirectly via Wollemi Fund and its 14.96% interest in Cycad Investments LP.





## ADDITIONAL INFORMATION

### Portfolio Statement (unaudited) (continued)

As at 30 June 2021

#### CLO Mezzanine

Security	Instrument	Par Value Master Fund II <sup>1</sup>	Valuation
APID 2018-18A F	Class F Notes	2,872,074	91.34%
CGMSE 2017-1X E	Class E Notes	1,436,037	100.00%
DRSLF 2017-49A F	Class F Notes	3,302,885	94.60%
DRSLF 2017-53A F	Class F Notes	3,590,093	93.74%
EGLXY 2018-6X F	Class F Notes	3,051,579	86.67%
HARVT 11X FR	Class F Notes	1,795,046	95.13%
HARVT 7X FR	Class F Notes	1,256,533	95.00%
HLM 13X-2018 F	Class F Notes	4,119,632	92.20%
JPARK 2016-1A ER	Class E Notes	1,436,037	97.56%
MDPK 2016-20A FR	Class F Notes	2,872,074	98.69%
OCT39 2018-3A F	Class F Notes	6,462,167	94.78%
OHECP 2015-4X FR	Class F Notes	1,823,049	85.71%
SYMP 2018-19A F	Class F Notes	3,949,102	89.17%

<sup>1</sup> Master fund II holdings include investments held indirectly via Wollemi Fund and its 14.96% interest in Cycad Investments LP.



## ADDITIONAL INFORMATION

# Management and Administration

### Directors

Claudio Albanese (Independent non-executive Chairman)  
Jon Bridel (Independent non-executive Director)  
Nigel Ward (Independent non-executive Director)

### Registered Office and Business Address

Sarnia House  
Le Truchot  
St Peter Port  
Guernsey GY1 1GR

### 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

Praxis Fund Services Limited  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey GY1 1GR

### 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 Financial Statements

- **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.

		<b>For the six month period ended 30 June 2021</b>	<b>For the six month period ended 30 June 2020</b>
Opening NAV per 2021 share		US\$0.6306	US\$0.7580
Opening accumulated number of 2021/2017 Shares*	(a)	2,110.9 shares	1,915.3 shares
Opening NAV valuation of shares	(b)	US\$1,331.1	US\$1,451.8
Dividends paid during the period		US\$0.0475	US\$0.0210
Dividends converted to shares**	(c)	159.5 shares	54.1 shares
Closing NAV per 2021 share		US\$0.6865	US\$0.4914
Closing accumulated number of 2021/2017 Shares* (d = a + c)	(d)	2,270.4 shares	1,969.4 shares
Closing NAV valuation of shares	(e)	US\$1,558.6	US\$967.8
NAV valuation of shares return (f = e – b)	(f)	US\$227.5	(US\$484.0)
<b>Total NAV return (g = (f / b) x 100)</b>	<b>(g)</b>	<b>17.1%</b>	<b>(33.3%)</b>

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

\*\*converted to 2017/2021 Shares at the prevailing month end NAV ex-dividend for all dividends paid in 2021.

**ADDITIONAL INFORMATION**

## Appendix (continued)

**Alternative Performance Measures used in the Financial Statements** (continued)

- 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.

		<b>For the six month period ended 30 June 2021</b>	<b>For the six month period ended 30 June 2020</b>
Opening share price per 2021/2017 share		US\$0.6175	US\$0.6775
Opening accumulated number of 2021/2017 Shares*	(a)	2,094.4 shares	1,889.4 shares
Opening share price valuation of shares	(b)	US\$1,293.3	US\$1,280.1
Dividends paid during the period		US\$0.0475	US\$0.0210
Dividends converted to shares**	(c)	156.5 shares	59.5 shares
Closing share price per 2021/2017 share		US\$0.6675	US\$0.4500
Closing accumulated number of 2021/2017 Shares* (d = a + c)	(d)	2,250.9 shares	1,948.8 shares
Closing share price valuation of shares	(e)	US\$1,502.5	US\$877.0
Valuation of shares return (f = e – b)	(f)	US\$209.2	(US\$403.1)
<b>Total share price return (g = (f / b) x 100)</b>	<b>(g)</b>	<b>16.2%</b>	<b>(31.5%)</b>

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

\*\*converted to 2017/2021 Shares at the prevailing month end share price ex-dividend for all dividends paid in 2021.



## ADDITIONAL INFORMATION

### Appendix (continued)

#### Alternative Performance Measures used in the Financial Statements (continued)

- **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:

1. **2021 Shares** – from the Master Fund III a weighted average percentage for the period of 100%, the Master Fund II at a weighted average percentage for the period of 62.21% , the Wollemi Fund at a weighted average percentage for the period of 62.21% and Cycad Investments LP at a weighted average percentage for the period of 9.31% are included.
2. **Realisation Shares** – from the Master Fund II a weighted average percentage for the period of 9.59%, the Wollemi Fund at a weighted average percentage for the period of 9.59% and Cycad Investments LP at a weighted average percentage for the period of 1.44% are included.
3. **2017 Shares for 31 December 2020** – the Master Fund II a weighted average percentage for the year of 80.32%, the Master Fund at a weighted average percentage for the year of 53.17% and Cycad Investments LP at weighted average percentage for the year of 12.02% 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

<b>2021 Shares</b>	<b>For the six month period ended 30 June 2021</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	360,925	1,593,548	1,954,473
Non-recurring expenses	–	(78,495)	(78,495)
Total ongoing expenses	360,925	1,515,053	1,875,978
<b>Annualised total ongoing expenses</b>	<b>731,875</b>	<b>3,072,191</b>	<b>3,804,066</b>
Average NAV	270,181,843		270,181,843
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.27%</b>		<b>1.41%</b>

<b>Realisation Shares</b>	<b>For the six month period ended 30 June 2021</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	55,642	236,533	292,176
Non-recurring expenses	–	(12,104)	(12,104)
Total ongoing expenses	55,642	224,429	280,072
<b>Annualised total ongoing expenses</b>	<b>112,830</b>	<b>445,093</b>	<b>567,923</b>
Average NAV	41,661,088		41,661,088
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.27%</b>		<b>1.36%</b>

<sup>1</sup> Master Funds<sup>1</sup> includes FOMC III LP, FOIF II LP, Wollemi Fund and Cycad Investments LP.

**ADDITIONAL INFORMATION**

## Appendix (continued)

**Alternative Performance Measures used in the Financial Statements** (continued)

- **Ongoing charges ratio (“OCR”)** continued

<b>2017 Shares</b>	<b>For the year period ended 31 December 2020</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	811,248	2,512,992	3,324,240
Non-recurring expenses	(3,303)	412,776	409,473
Total ongoing expenses	807,945	2,925,768	3,733,713
<b>Annualised total ongoing expenses</b>	<b>807,945</b>	<b>2,925,768</b>	<b>3,733,713</b>
Average NAV	254,338,231		254,338,231
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.32%</b>		<b>1.47%</b>

<sup>1</sup> Master Funds\* includes FOMC III LP, FOIF II LP, Wollemi Fund and Cycad Investments LP.



