FAIR OAKS INCOME FUND LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016

Contents

Highlights

- Dividends of 4.2 US cents per ordinary share have been declared in respect of the interim period.
- In January 2016, the C shares were converted to ordinary shares using the conversion ratio of 1.0611 ordinary shares for every one C share held on 26 January 2016.
- The Investment Adviser continues to believe that the strategy of FOIF LP (the "Master Fund") has the potential in the current market environment to generate attractive returns.

Financial Highlights	**30 June 2016 (unaudited)**	**31 December 2015 (audited)**
Total Net Assets	US$263,081,476	US$277,591,973
Net Asset Value per ordinary share	US$0.8204	US$0.8663
Net Asset Value per C share	N/A	US$0.9191
Ordinary share price at period/year end	US$0.8075	US$0.9500
C share price at period/year end	N/A	US$0.9900
(Discount)/premium to Net Asset Value (ordinary shares)	(1.58%)	9.66%
Premium to Net Asset Value (C shares)	N/A	7.71%
Ongoing charges figure	0.31%	0.49%

Summary Information

Principal Activity

Fair Oaks Income Fund Limited ("the Company" or "FOIF") 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 (previously Specialist Fund Market) of the London Stock Exchange on 12 June 2014.

The Company is a feeder fund and will pursue its investment objective and policy by investing in the Master Fund, in which the Company is a limited partner. During prior periods, the only other limited partner was Fair Oaks Founder LP (the "Founding Partner"). During the period to 30 June 2016, the Master Fund accepted a new limited partner. The new limited partner was drawndown on 30 March 2016 and 29 April 2016. In accordance with the Limited Partnership Agreement (the "LPA") the share allocated to the new limited partner was calculated as at the time of drawdown of their commitments by reference to the amount drawn as a percentage of the adjusted Net Asset Value ("NAV") of the Master Fund. The adjusted NAV is the latest available NAV as at the date of drawdown, adjusted for establishment costs. At 30 June 2016, the Company had a 74.13% (31 December 2015: 100%) holding in the Master Fund. The general partner of the Master Fund is Fair Oaks Income Fund GP Limited (the "General Partner or GP"). Consequently, the Company's investment objective and policy mirror those of the Master Fund.

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

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 seek exposure to US 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.

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" (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by 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") 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.

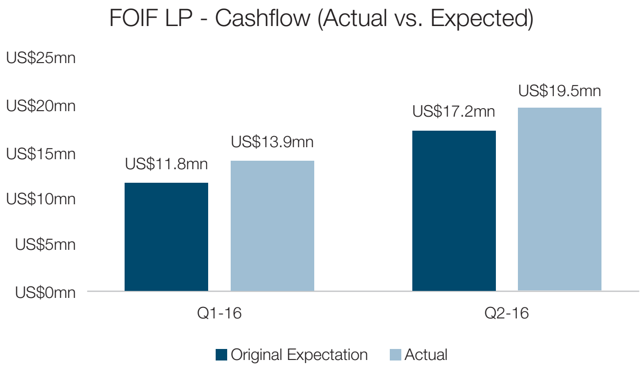
Chairman's Statement

Introduction

The first half of 2016 was a volatile time for the Company, with weak credit markets and the unexpected result of the Brexit referendum dominating the first and second quarters of the year respectively. The Company's NAV was down 0.3% in the period but the share price generated a disappointing -11.3% return. Although the Company's NAV outperformed the JP Morgan B rated CLO Index (-7.7%), it underperformed the US bank loan and high yield indices (+4.2% and +9.3% respectively). July saw a strong recovery in the NAV (+13.2%) which resulted in a 2016 year to date performance of 12.7%.

Cash flow and dividends

The Master Fund received US$13.9 million worth of cash flows in the first quarter of 2016 from its investments and a total of US$19.5 million in the second quarter of 2016, both above original expectations for the investments. The Company has declared and paid 0.7 US cents per ordinary share monthly dividends in the period (4.2 US cents per ordinary share declared total to the end of June).



Material events

On 22 January 2016, the Company announced the conversion ratio for the C shares. The net asset values attributable to the ordinary shares and the C shares as at 14 January 2016 were US$0.8578 per ordinary share and US$0.9102 per C share respectively. The conversion ratio was 1.0611 ordinary shares for every one C share held at close on the conversion record date of 26 January 2016. Entitlements to new ordinary shares were rounded down to the nearest whole share.

On 16 March 2016, the Directors of the Company announced that the GP had applied to reinvest into the Company's ordinary shares an amount equivalent to 25% of the advisory and management fees paid to Fair Oaks Capital Limited from 1 December 2016 to 29 February 2016. As a consequence, 215,207 new ordinary shares were issued on 21 March 2016 at US$0.7682, being the NAV per ordinary share as at 29 February 2016 minus the February dividend to which the new ordinary shares were not entitled.

Subsequent events

On 4 July 2016, the Directors of the Company announced that the commitment period of the Master Fund, in which the Company is invested, ended on 12 June 2016.

On 29 July 2016, the Directors of the Company announced that it would be in the best interests of the Company to return realised capital to shareholders by means of a series of compulsory redemptions of ordinary shares at Net Asset Value pro rata amongst all shareholders. The Directors proposed that the rights of the existing ordinary shares be varied so as to make them redeemable at the option of the Company. Accordingly, the Company posted a Circular to convene the General Meeting, at which it is proposed to adopt new articles of incorporation providing for these new rights to be attached to the ordinary shares.

Professor Claudio Albanese
Chairman

25 August 2016

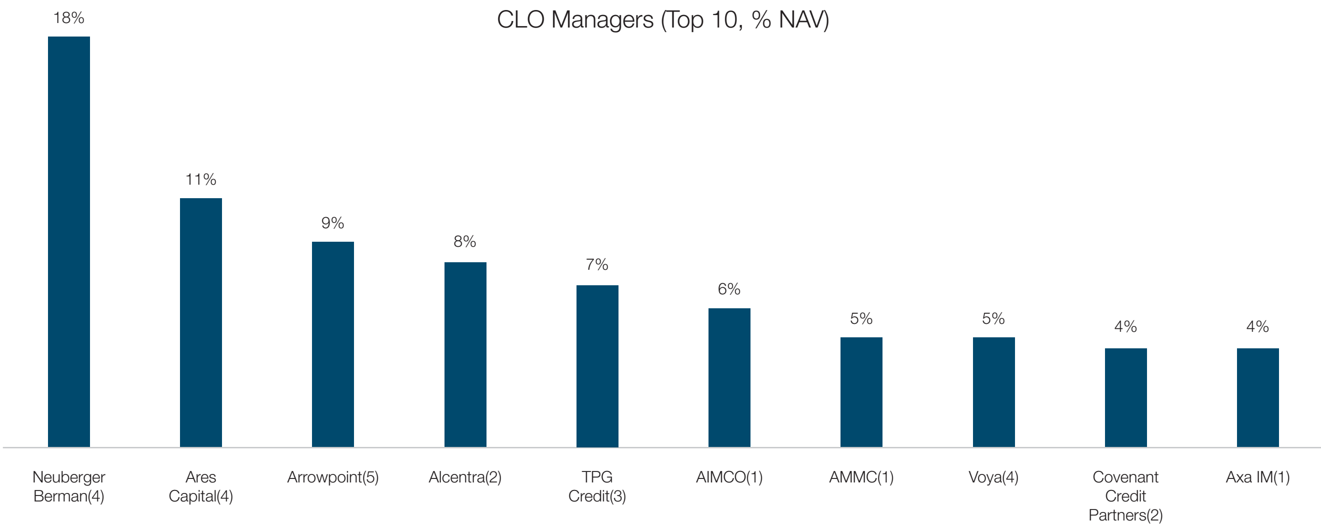
Investment Adviser's Report

Fair Oaks Capital Limited (the "Investment Adviser") believe that the CLO market dislocation experienced at the beginning of 2016 was not a result of fundamental changes in credit markets but was primarily driven by temporary technical factors. In February, for example, the Company's NAV and the JP Morgan B rated CLO index were down 6.6% and 10.2% respectively while the Credit Suisse High Yield and Leveraged Loan indices were up 0.3% and down 0.6% respectively. The Master Fund took advantage of the opportunity in the secondary market to acquire US$144 million par of CLO mezzanine securities at a weighted average return to expected call date of 25.1%.

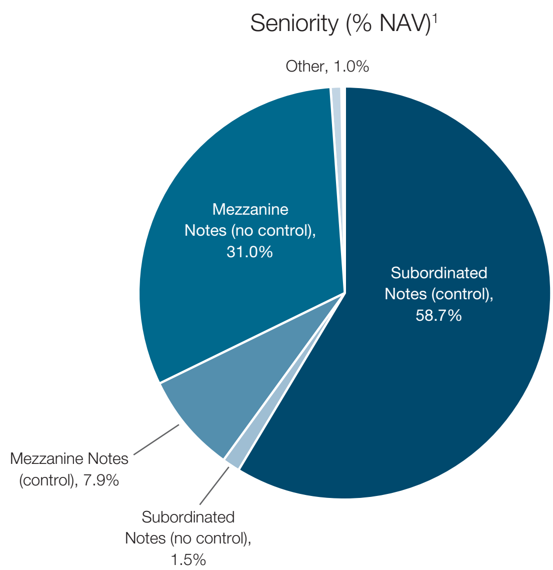
Starting in February 2016, the Company provided shareholders with enhanced disclosure on the Master Fund portfolio. We believe that the Company set a benchmark in terms of transparency, disclosing asset level valuations and detailed fundamental and cash-flow performance metrics.

Portfolio update

As a result of the new investments, the Master Fund ended its commitment period on 12 June 2016 holding 48 investments in total, across 41 CLOs managed by 22 managers.



(number) reflects number of deals invested in with CLO Manager



[1] "Mezzanine Notes (control)" reflect mezzanine investments where the Master Fund has control of the Subordinated Notes in the relevant CLOs

Investment Adviser's Report (continued)

Portfolio update continued

The fundamental performance of the Master Fund portfolio continued to be strong with actual default losses in the underlying CLO portfolios well below original base case assumptions. The Master Fund's CLO equity portfolio has experienced cumulative loan defaults of 0.09%, significantly below the 0.68% expected cumulative defaults to date (as per the underlying investments' base case assumptions).

Data as at 30 June 2016:

Nominal	Current Market Valuation[2]	Deal Name	Type	Control[3]	% Defaults[4]	% Oil & Gas[5]	Weighted Average Collateral Bid Price[6]	Last Payment	Cash to Date (Annualised Yield on Curr. Market Price)[7]	Last Cash Payment (Annualised Yield on Curr. Market Price)
US$25,000,000	85.0%	AIMCO CLO Series 2015-A[8]	Equity	Y	0.60%	1.99%	US$98.6	Due Q3-16		
US$20,800,000	73.0%	Allegro CLO II	Equity	Y	0.00%	1.43%	US$97.5	21-Apr-16	31.0%	29.4%
US$31,000,000	58.0%	AMMC CLO XV	Equity	Y	0.39%	2.41%	US$95.5	09-Jun-16	29.3%	23.8%
US$26,000,000	82.0%	Ares XXXV CLO	Equity	Y	0.00%	2.76%	US$97.9	15-Apr-16	21.4%	23.7%
US$27,000,000	50.0%	Arrowpoint CLO 2014-3	Equity	Y	0.00%	1.57%	US$95.5	15-Apr-16	38.0%	39.8%
US$19,350,000	70.0%	Arrowpoint CLO 2015-4	Equity	Y	0.00%	0.00%	US$96.9	18-Apr-16	37.2%	31.9%
US$26,000,000	53.0%	Covenant Credit Partners CLO II	Equity	Y	0.00%	1.98%	US$96.5	17-Apr-16	34.7%	34.0%
€6,100,000	75.0%	Harvest CLO VII	Equity	N	0.00%	0.00%	€98.0	12-Apr-16	19.8%	19.8%
US$30,362,500	72.0%	Neuberger Berman CLO XIX	Equity	Y	0.51%	2.84%	US$96.4	15-Apr-16	41.4%	43.6%
US$38,000,000	79.0%	Neuberger Berman CLO XX	Equity	Y	1.00%	3.13%	US$96.9	15-Apr-16	36.0%	36.0%
US$28,000,000	80.0%	Shackleton 2015-VIII CLO	Equity	Y	0.00%	0.00%	US$98.1	20-Apr-16	23.4%	23.4%
US$21,500,000	62.0%	TICP CLO IV	Equity	Y	0.00%	2.48%	US$95.6	20-Apr-16	33.1%	35.1%

Nominal	Weighted Average Market Valuation	Type	Control[3]	% Defaults[4]	% Oil & Gas[5]	Weighted Average Collateral Bid Price[6]
US$33,900,000	66.16%	Single-B	Y	0.29%	2.81%	US$96.6
US$166,150,000	65.03%	Single-B	N	0.45%	2.83%	US$95.9
US$7,000,000	72.77%	BB	Y	0.00%	2.48%	US$95.6

[2] Equity positions include valuations and cashflows from fee notes when relevant
[3] Where the Master Fund owns majority equity
[4] Source: Intex
[5] Source: S&P industry classification in monthly trustee reports
[6] Source: Monthly trustee reports & Markit
[7] Cash to Date calculated based on date when initial investment was completed
[8] The first distribution from AIMCO CLO Series 2015-A is expected in July 2016

Investment Adviser's Report (continued)

Bank loan market overview

The Credit Suisse Leveraged Loan Index returned 4.2% in the first half of 2016[9]. As at the end of June, the US loan market twelve month rolling default rate by number of issuers stood at 2.22%, up significantly from the 0.81% and 1.19% rates at June 2015 and December 2015 respectively[10]. We expect that the US loan default rate will continue to increase moderately in the second half of 2016 driven primarily by further defaults of commodity-exposed issuers.

As discussed in the 2015 annual report and financial statements, we believe that increased bank loan price volatility is now a structural feature of the market due primarily to technical factors such as reduced dealer inventories and the importance of retail funds as the marginal buyer or seller in the loan market. The loan market's reaction to global events (e.g. Brexit) can benefit CLOs, as their closed-ended nature and lack of mark-to-market requirements allow them to take advantage of dips in loan prices.

CLO market overview

During the first half of 2016, new issue volume reached US$26.2 billion in the United States and €7.2 billion in Europe, down significantly from the same period last year in the US (US$60.4 billion) but relatively flat in Europe (€7.8 billion)[11].

Arbitrage in both markets continued to be challenging given wider CLO liability spreads and the resilience of loans prices - we estimate that the average new issue CLO loan portfolio price in June was in the 99.0-99.5 range given need to avoid commodity linked and lower rated issuers. AAA rated CLO spreads were 172 bps at the end of June 2016, 17 bps wider than on 30 June 2015 and 20 bps wider than when the Company was launched (12 June 2014). The spreads in BB and B rated mezzanine notes have increased to 942 bps and 1418 bps respectively on 30 June 2016 from 646 bps and 824 bps on 30 June 2015[12].

Outlook

We believe that the Master Fund's CLO investments are well positioned to generate attractive returns even in an uncertain economic environment given their focus on senior secured loans, which are less sensitive to growth. The Master Fund will also continue to benefit from actions taken in the underlying CLO portfolios over the last months, such as reducing exposure to issuers more exposed to US growth and consumer confidence (retailers, for example).

The commitment period of the Master Fund ended on the 12 June 2016 and the Company will soon commence making principal repayments to investors. Although the bulk of the principal distributions will be made from the second half of 2018 onwards when the Master Fund expects to call its CLO equity positions, it is expected that some principal distributions will be made from quarterly cash-flows received by the Company. For illustrative purposes only, a CLO equity investment which distributes c.20% cash-flow p.a. of which c.15% p.a. is income will generate c.5% p.a. of principal. Principal distributions may be accelerated if, for example, the Master Fund were to sell CLO mezzanine positions that have traded up significantly since their purchase.

Fair Oaks Capital Limited

25 August 2016

9 Source: Credit Suisse

10 Source: S&P LCD

11 Source: Thomson Reuters, "Leveraged Loan Monthly", June 2016

12 Source: JP Morgan CLOIE post-crisis index

Statement of Principal Risks and Uncertainities

The Company is a feeder fund investing substantially all of its assets into the Master Fund. Its principal risks include operational, investment 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 2015. 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.

Directors' Statement of 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.
- the Chairman's Statement and the Investment Adviser's Report, 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 Disclosure and Transparency Rules, being an indication of important events that have occurred during the six month period ended 30 June 2016 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 Disclosure and Transparency Rules, being related party transactions that have taken place during the six month period ended 30 June 2016 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

25 August 2016

Independent Review Report to Fair Oaks Income Fund Limited

Introduction

We have been engaged by Fair Oaks Income Fund Limited (the "Company") to review the Unaudited Condensed set of Financial Statements (the "Financial Statements") in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Unaudited Condensed Statement of Comprehensive Income, Unaudited Condensed Statement of Changes in Shareholders' Equity, Unaudited Condensed Statement of Financial Position, Unaudited Condensed Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Financial Statements.

This report is made solely to the Company in accordance with the terms of our engagement letter dated 21 June 2016 to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

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 IFRSs. The Condensed set of Financial Statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting.*

Our responsibility

Our responsibility is to express to the Company a conclusion on the Financial Statements in the half-yearly financial report based on our review.

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 United Kingdom. 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Financial Statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 and the DTR of the UK FCA.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants
Guernsey

25 August 2016

Unaudited Condensed Statement of Comprehensive Income

For the six month period ended 30 June 2016

	Note	1 January 2016 to 30 June 2016 (unaudited) US$	1 January 2015 to 30 June 2015 (unaudited) US$
Revenue			
Net (losses)/gains on financial assets at fair value through profit or loss	5	(793,093)	5,207,128
Investment income		16	2,421
Net foreign exchange loss		(1,154)	(1,848)
Total (loss)/revenue		**(794,231)**	**5,207,701**
Expenses			
Investment adviser fees	6	57,070	177,241
Audit and interim review fees		57,400	21,474
Administration fees	6	59,431	84,323
Directors' fees and expenses	6	78,327	73,124
Other expenses		162,181	126,462
Total operating expenses		**414,409**	**482,624**
Profit and total comprehensive (loss)/income for the period		**(1,208,640)**	**4,725,077**
Basic and diluted (loss)/earnings per ordinary share	9	**(0.0040)**	**0.0283**

All items in the above statement derive from continuing operations.

The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Condensed Financial Statements.

Unaudited Condensed Statement of Changes in Shareholders' Equity

For the six month period ended 30 June 2016

	Note	Share capital US$	Retained earnings US$	Total equity US$
At 1 January 2016		308,213,808	(30,621,835)	277,591,973
Issue of ordinary shares during the period	8	165,322	–	165,322
Total comprehensive loss for the period		–	(1,208,640)	(1,208,640)
Dividends declared during the period	4	–	(13,467,179)	(13,467,179)
At 30 June 2016		**308,379,130**	**(45,297,654)**	**263,081,476**

	Note	Share capital US$	Retained earnings US$	Total equity US$
At 1 January 2015		119,542,182	4,672,949	124,215,131
Issue of ordinary shares during the period	8	88,245,563	–	88,245,563
Total comprehensive income for the period		–	4,725,077	4,725,077
Dividends declared during the period	4	–	(11,014,921)	(11,014,921)
At 30 June 2015		**207,787,745**	**(1,616,895)**	**206,170,850**

The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Condensed Financial Statements.

Unaudited Condensed Statement of Financial Position

At 30 June 2016

	Note	30 June 2016 (unaudited) US$	31 December 2015 (audited) US$
Assets			
Cash and cash equivalents		6,380,639	5,401,130
Prepayments		55,337	92,507
Distribution receivable		7,005,262	10,256,219
Financial assets at fair value through profit or loss	5	251,978,029	269,069,087
Total assets		**265,419,267**	**284,818,943**
Liabilities			
Other payables		90,772	107,889
Dividends payable		2,247,019	7,119,081
Total liabilities		**2,337,791**	**7,226,970**
Net assets		**263,081,476**	**277,591,973**
Equity			
Retained earnings		(45,297,654)	(30,621,835)
Share capital	8	308,379,130	308,213,808
Total equity		**263,081,476**	**277,591,973**
Net asset value per ordinary share		0.8204	0.8663
Net asset value per C share		–	0.9191
Number of ordinary shares	8	**320,662,090**	**212,426,903**
Number of C shares	8	**–**	**101,800,000**

The Unaudited Condensed Financial Statements on pages 8 to 25 were approved and authorised for issue by the Board of Directors on 25 August 2016 and signed on its behalf by:

Jon Bridel
Director

The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Condensed Financial Statements.

Unaudited Condensed Statement of Cash Flows

For the six month period ended 30 June 2016

	Note	1 January 2016 to 30 June 2016 (unaudited) US$	1 January 2015 to 30 June 2015 (unaudited) US$
Cash flows from operating activities			
(Loss)/profit for the period		(1,208,640)	4,725,077
Adjustments for:			
Net losses/(gains) on financial assets at fair value through profit or loss	5	793,093	(5,207,128)
		(415,547)	**(482,051)**
Decrease in prepayments		37,170	21,433
(Decrease)/increase in other payables		(17,117)	23,683
Distributions received from Master Fund		26,048,922	6,586,898
Purchase of investments		(6,500,000)	(84,499,862)
Sale of investments		–	44,998,647
Net cash flow from/(used in) operating activities		**19,153,428**	**(33,351,252)**
Cash flows from financing activities			
Ordinary shares issued		165,322	88,245,563
Dividends paid during the period		(18,339,241)	(11,014,921)
Net cash flow (used in)/from financing activities		**(18,173,919)**	**77,230,642**
Net increase in cash and cash equivalents		979,509	43,879,390
Cash and cash equivalents at beginning of period		5,401,130	331,830
Cash and cash equivalents at end of period		**6,380,639**	**44,211,220**

The accompanying notes on pages 12 to 25 form an integral part of these Unaudited Condensed Financial Statements.

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated and 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 Scheme Rules 2015. The Company is listed and began trading on the Specialist Fund Segment (previously Specialist Fund Market) of the London Stock Exchange on 12 June 2014.

The Company is a feeder fund and will pursue its investment objective and policy by investing in the Master Fund, in which the Company is a limited partner. During prior periods, the only other limited partner was Fair Oaks Founder LP (the "Founding Partner"). During the period to 30 June 2016, the Master Fund accepted a new limited partner. The new limited partner was drawndown on 30 March 2016 and 29 April 2016. In accordance with the Limited Partnership Agreement (the "LPA") the share allocated to the new limited partner was calculated as at the time of drawdown of their commitments by reference to the amount drawn as a percentage of the adjusted Net Asset Value ("NAV") of the Master Fund. The adjusted NAV is the latest available NAV as at the date of drawdown, adjusted for establishment costs. At 30 June 2016, the Company had a 74.13% (31 December 2015: 100%) holding in the Master Fund. The general partner of the Master Fund is Fair Oaks Income Fund GP Limited (the "General Partner or GP"). Consequently, the Company's investment objective and policy mirror those of the Master Fund.

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

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation and statement of compliance

These Unaudited Condensed Financial Statements ("Financial Statements") have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', the Listing Rules of the London Stock Exchange ("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 2015.

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 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB. 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 25 August 2016.

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 2015.

New Accounting Standards effective and adopted

- IFRS 10 (amended), "Consolidated Financial Statements" (amendments effective for periods commencing on or after 1 January 2016);
- IFRS 12 (amended), "Disclosure of Interests in Other Entities" (amendments effective for periods commencing on or after 1 January 2016);
- IAS 1 (amended) "Presentation of Financial Statements" (amendments effective 1 January 2016); and
- IAS 28 (amended), "Investments in Associates and Joint Ventures" (amendments effective for periods commencing on or after 1 January 2016).

The IASB completed its September 2014 Annual Improvements to IFRS and Disclosure initiative projects. These projects have amended a number of existing standards effective for accounting periods commencing on or after 1 January 2016, and these amended standards have been adopted by the Company.

The adoption of these amended standards has had no material impact on the Financial Statements of the Company.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

3. SEGMENTAL REPORTING

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Company entered into an Investment Advisory Agreement with the Investment Adviser under which they are responsible for the management of the Company's investment portfolio, subject to the overall supervision of the 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's opinion, the Company is engaged in a single segment of business, being the investment into the Master Fund, a Guernsey registered Limited Partnership.

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

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

4. DIVIDENDS

The Company will pay dividends to shareholders representing an amount in aggregate at least equal to the gross income from investments, which are received by the Company in the relevant financial period attributable to the Company's investment in the Master Fund, and Qualifying Short Term Investments less expenses of the Company.

The Company will declare eleven monthly dividends of a minimum of 0.7 US cents per ordinary share and a larger twelfth interim dividend such that, in the opinion of the Directors, substantially all net income generated by the Company in 2016 will be distributed to shareholders.

The Company declared the following dividends during the six month period ended 30 June 2016:

Period to	Payment date	Dividend rate per share (cents)	Net dividend payable (US$)	Record date	Ex-dividend date
31 January 2016	26 February 2016	0.70	2,243,127	12 February 2016	11 February 2016
29 February 2016	24 March 2016	0.70	2,243,128	4 March 2016	3 March 2016
31 March 2016	21 April 2016	0.70	2,244,635	8 April 2016	7 April 2016
30 April 2016	19 May 2016	0.70	2,244,635	6 May 2016	5 May 2016
31 May 2016	23 June 2016	0.70	2,244,635	3 June 2016	2 June 2016
30 June 2016	21 July 2016	0.70	2,247,019	8 July 2016	7 July 2016
		4.20	13,467,179		

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

4. DIVIDENDS continued

The Company declared the following dividends during the six month period ended 30 June 2015:

Period to	Payment date	Dividend rate per share (cents)	Net dividend payable (US$)	Record date	Ex-dividend date
31 December 2014	12 February 2015	4.25	5,173,479	30 January 2015	29 January 2015
31 January 2015	19 February 2015	0.70	853,289	6 February 2015	5 February 2015
28 February 2015	19 March 2015	0.70	1,168,288	6 March 2015	5 March 2015
31 March 2015	23 April 2015	0.70	1,168,288	10 April 2015	9 April 2015
30 April 2015	21 May 2015	0.70	1,168,288	8 May 2015	7 May 2015
31 May 2015	25 June 2015	0.70	1,483,289	12 June 2015	11 June 2015
		3.50	11,014,921		
30 June 2015	23 July 2015	0.70	1,483,289	10 July 2015	9 July 2015
		4.20	12,498,210		

The default payment for dividends is US Dollars. However, with effect from 29 June 2016, shareholders can elect to receive their dividends in sterling by registering under the Company's Dividend Currency Election.

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

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 2016 were US$2,247,019 (31 December 2015: US$7,119,081).

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's financial risk management objectives and policies are consistent with those disclosed in the Annual Financial Statements as at and for the year ended 31 December 2015.

	30 June 2016 (unaudited) US$	31 December 2015 (audited) US$	30 June 2015 (unaudited) US$
Cost of financial assets at fair value through profit or loss at the start of the period/year	299,827,883	118,724,784	118,724,784
Purchases into the Master Fund at cost during the period/year	6,500,000	181,103,099	39,500,000
Purchases of US Treasury Bills at cost during the period/year	–	149,985,186	60,000,063
Proceeds from sale of US Treasury Bills during the period/year	–	(149,996,969)	(44,998,647)
Realised gain/(loss) on sale of US Treasury Bills during the period/year	–	11,783	(1,215)
Cost of financial assets at fair value through profit or loss at the end of the period/year	306,327,883	299,827,883	173,224,985
Net unrealised (losses)/gains on financial assets at the end of the period/year	(54,349,854)	(30,758,796)	3,798,798
Financial assets at fair value through profit or loss at the end of the period/year	**251,978,029**	**269,069,087**	**177,023,783**
Realised gain on sales during the period/year	–	13,392	–
Realised loss on sales during the period/year	–	(1,609)	(1,215)
Unrealised loss during the period/year	(23,591,058)	(35,936,149)	(1,378,555)
Distributions declared during the period/year	22,797,965	28,759,883	6,586,898
Net losses on financial assets at fair value through profit or loss	**(793,093)**	**(7,164,483)**	**5,207,128**

The following table reconciles the Company's proportionate share of the Master Fund'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 2016 (unaudited) US$	31 December 2015 (audited) US$	30 June 2015 (unaudited) US$
Master Fund - Financial assets at fair value through profit or loss	257,741,610	275,519,805	181,292,608
Add: Master Fund's net current liabilities	(5,763,581)	(6,450,718)	(19,269,026)
Company's investment into the Master Fund at the end of the period/year	**251,978,029**	**269,069,087**	**162,023,582**
Add: Company's investment of US Treasury Bills at the end of the period/year	–	–	15,000,201
Company's financial assets at fair value through profit or loss	**251,978,209**	**269,069,087**	**177,023,783**

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

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

The Company's unrealised losses on investment in the period/year comprises the following:

Master Fund	30 June 2016 (unaudited) US$	31 December 2015 (audited) US$	30 June 2015 (unaudited) US$
Net unrealised (losses)/gains on investments at the beginning of the period/year	(30,758,796)	5,177,353	5,177,353
Investment income	24,339,265	24,387,904	8,276,955
Net (losses)/gains on investments plus net operating expenses	(25,132,358)	(31,564,170)	(3,068,612)
Distributions declared during the period/year	(22,797,965)	(28,759,883)	(6,586,898)
Net unrealised losses/(gains) on investments at the end of the period/year	**(54,349,854)**	**(30,758,796)**	**3,798,798**

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 in its entirety 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.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

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

The following table analyses within the fair value hierarchy, the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values (i.e. cash and cash equivalents, distributions receivable, dividends payable and other payables):

	30 June 2016 (unaudited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Financial assets at fair value through profit or loss	–	–	251,978,029	251,978,029
Total	**–**	**–**	**251,978,029**	**251,978,029**

	31 December 2015 (audited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Financial assets at fair value through profit or loss	–	–	269,069,087	269,069,087
Total	**–**	**–**	**269,069,087**	**269,069,087**

The investment in the Master Fund, which is fair valued at each reporting date, has been classified within Level 3 as it is not traded and contains unobservable inputs.

The following table presents the movement in level 3 instruments:

	30 June 2016 (unaudited) US$	**31 December 2015 (audited) US$**
Opening Balance	269,069,087	123,902,137
Purchases	6,500,000	181,103,099
Sales	–	–
Net losses on financial assets held at fair value through profit or loss	(23,591,058)	(35,936,149)
Closing Balance	**251,978,029**	**269,069,087**

Transfers between Level 1, 2 and 3

There have been no transfers between levels during the six month period ended 30 June 2016 or for the year ended 31 December 2015. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

On a look-through basis, the following table analyses within the fair value hierarchy, the Master Fund's financial assets (by class, excluding cash and cash equivalents, other receivables, distributions payable and other payables) measured at fair value:

	30 June 2016 (unaudited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Financial assets at fair value through profit or loss	–	100,145,768	157,595,842	257,741,610
Derivatives at fair value through profit or loss	–	113,396	–	113,396
Total	**–**	**100,259,164**	**157,595,842**	**257,855,006**

Notes to the Unaudited Condensed Financial Statements
(continued)

For the six month period ended 30 June 2016

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

	31 December 2015 (audited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Financial assets at fair value through profit or loss	–	59,700,407	215,819,398	275,519,805
Derivatives at fair value through profit or loss	–	(51,294)	–	(51,294)
Total	**–**	**59,649,113**	**215,819,398**	**275,468,511**

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value but for which fair value is disclosed:

	30 June 2016 (unaudited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Assets:				
Cash and cash equivalents	6,380,639	–	–	6,380,639
Distribution receivable	–	7,005,262	–	7,005,262
Total	**6,380,639**	**7,005,262**	**–**	**13,385,901**
Liabilities:				
Other payables	–	90,772	–	90,772
Dividends payable	–	2,247,019	–	2,247,019
Total	**–**	**2,337,791**	**–**	**2,337,791**

	31 December 2015 (audited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Assets:				
Cash and cash equivalents	5,401,130	–	–	5,401,130
Distribution receivable	–	10,256,219	–	10,256,219
Total	**5,401,130**	**10,256,219**	**–**	**15,657,349**
Liabilities:				
Other payables	–	107,889	–	107,889
Dividends payable	–	7,119,081	–	7,119,081
Total	**–**	**7,226,970**	**–**	**7,226,970**

The assets and liabilities included in the above tables are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held with banks.

Other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses.

Notes to the Unaudited Condensed Financial Statements
(continued)

For the six month period ended 30 June 2016

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

The following table summarises the valuation methodologies used for the Company's investments categorised in level 3 as at 30 June 2016:

Security	Fair Value US$	Valuation methodology	Unobservable inputs	Ranges
Master Fund	251,978,029	NAV	Zero % discount	N/A

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2015:

Security	Fair Value US$	Valuation methodology	Unobservable inputs	Ranges
Master Fund	269,069,087	NAV	Zero % discount	N/A

The Master Fund has 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's investments categorised in level 3 as at 30 June 2016:

Asset Class	Fair Value US$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<u>CLO Income Note</u>					
United States of America	153,828,856	Prices provided by a third party agent	US$0.5500 - US$0.8500	US$0.6731	1% increase/decrease will have a fair value impact of +/- US$1,538,289
Europe	3,766,986	Prices provided by a third party agent	€0.7500	€0.7500	1% increase/decrease will have a fair value impact of +/- US$37,670

The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund's investments categorised in Level 3 as at 31 December 2015:

Asset Class	Fair Value US$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<u>CLO Income Note</u>					
United States of America	210,520,475	Prices provided by a third party agent	US$0.5500 - US$0.8500	US$0.7483	1% increase/decrease will have a fair value impact of +/- US$2,105,205
Europe	5,298,923	Prices provided by a third party agent	€0.8000	€0.8000	1% increase/decrease will have a fair value impact of +/- US$52,989

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

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 net asset value of the Company, in accordance with the Investment Advisory Agreement dated 15 May 2014. The investment advisory fee is calculated and payable on the last business day of each month or on the date of termination of the agreement. The base management fee will be reduced to take into account any fees received by the Investment Adviser incurred by the Company in respect of its investment in the Master Fund (taking into account any rebates of such Management Fees to the Company) in respect of the same relevant period.

The total amount of investment advisory fee is as follows:

	1 January 2016 to 30 June 2016 US$	1 January 2015 to 30 June 2015 US$
Company investment advisory fee	1,316,404	842,331
Less: Master fund rebate	(1,259,334)	(665,090)
Total investment advisory fee	**57,070**	**177,241**

The Investment Adviser has agreed to reinvest and/or procure the reinvestment by the General Partner or by an Affiliate of it of (a) 25% of the fees which it receives annually from the Company pursuant to the Investment Advisory Agreement and (b) 25% of the Management Fee which the General Partner receives annually from the Master Fund in relation only to the Company's interest in the Master Fund by, in each case, subscribing for or procuring the subscription for ordinary shares issued by the Company at the then-prevailing Net Asset Value per ordinary share, provided that it shall instead use its best endeavours to purchase or procure the purchase of such ordinary shares in the secondary market in circumstances where, at the time of any such subscription or purchase, the ordinary shares are trading at a discount of 5% or more of the Net Asset Value per ordinary share of the period to which it relates. If, having used best endeavours as mentioned above, ordinary shares cannot be purchased on the secondary market, ordinary shares shall be subscribed for from the Company. The obligation to subscribe for or purchase or procure the subscription for or purchase of these ordinary shares shall be fulfilled by the Investment Adviser by no later than one month after the end of the relevant financial period of the Company.

On 2 February 2015, the General Partner of the Master Fund reinvested US$165,701 into the Company's ordinary shares which is equivalent to 25% of the investment advisory and management fees paid to the Investment Adviser and the General Partner during the period ended 31 December 2014.

On 4 September 2015, the General Partner of the Master Fund reinvested US$254,440 into the Company's ordinary shares which is equivalent to 25% of the investment advisory and management fees paid to the Investment Adviser and the General Partner during the period 1 January 2015 to 31 July 2015.

On 31 December 2015, the General Partner of the Master Fund reinvested US$237,930 into the Company's ordinary shares which is equivalent to 25% of the investment advisory and management fees paid to the Investment Adviser and the General Partner during the period 1 August 2015 to 30 November 2015.

On 21 March 2016, the General Partner of the Master Fund reinvested US$165,322 into the Company's ordinary shares which is equivalent to 25% of the investment advisory and management fees paid to the Investment Adviser and the General Partner during the period 1 December 2015 to 29 February 2016.

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

Notes to the Unaudited Condensed Financial Statements
(continued)

For the six month period ended 30 June 2016

6. RELATED PARTIES AND OTHER KEY CONTACTS continued

Other Material Contracts

Administrator

Praxis Fund Services Limited (the "Administrator") shall be 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$25,000, payable quarterly in arrears for Administration and Accounting services. This was increased to US$31,000 per annum during the launch of the C shares and was reduced back to US$25,000 once the C shares merged with the ordinary shares.

Custodian

BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") and The Royal Bank of Canada (Channel Islands) Limited (the "former Custodian") waived all fees on the basis that all assets are invested into the Master Fund.

Directors' Fees

The Company's Directors are entitled to a fee in remuneration for their services as Directors at a rate payable of £37,000 each per annum.

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

	1 January 2016 to 30 June 2016 (unaudited) US$	1 January 2015 to 30 June 2015 (unaudited) US$
CHARGE FOR THE PERIOD		
Investment adviser fee	57,070	177,241
Administration fee	59,431	84,323
Directors' fees and expenses	78,327	73,124

	30 June 2016 (unaudited) US$	31 December 2015 (audited) US$
OUTSTANDING FEES		
Investment adviser fee	7,934	7,039
Administration fee	9,034	9,777
Directors' fee and expenses	–	–

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

6. RELATED PARTIES AND OTHER KEY CONTACTS continued

Other Material Contracts continued

Shares held by related parties

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

	30 June 2016 (unaudited)		31 December 2015 (audited)	
Name	**No. of ordinary shares**	**Percentage**	**No. of ordinary shares**	**Percentage**
Claudio Albanese (Chairman)	10,000	0.00%	10,000	0.01%
Jon Bridel	10,000	0.00%	10,000	0.01%
Nigel Ward	20,000	0.01%	20,000	0.02%

As at 30 June 2016, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 1,413,194 ordinary shares (31 December 2015: 1,197,987), which is 0.44% (31 December 2015: 0.56%) of the issued share capital.

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 ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

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 are entitled to receive, and participate in, any dividends or other distributions 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 shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

(c) Voting: Subject to any rights or restrictions attached to any 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 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 Commerce and Employment Department) of the total number of issued shares of that class. Any shares acquired in excess of this limit shall be treated as cancelled.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

8. SHARE CAPITAL continued

The C share capital of the Company was represented by a maximum of 200 million C shares of nil par value and had the following rights:

(a) Dividends: Holders of C shares were entitled to receive, and participate in, any dividends declared only insofar as such dividend is attributed, at the sole discretion of the Directors, to the C share surplus of that class. The holders of ordinary shares, which arose after conversion of the C shares in issue, rank in full for all dividends and other distributions declared, made or paid after conversion and otherwise pari passu with the ordinary shares in issue at the time of conversion.

(b) Winding Up: On a winding up or return of capital prior to conversion, the capital and assets of the Company shall be applied as follows:

(i) the ordinary share surplus shall be divided amongst the holders of ordinary shares according to the rights attaching thereto as if the ordinary share surplus comprised the assets of the Company available for distribution; and

(ii) the C share surplus attributable to each class of C shares shall be divided amongst the holders of such class pro rata according to their holdings of C shares of that class.

(c) Voting: The C shares carried the right to receive notice of, and to attend or vote at, any general meeting of the Company in the same manner as the ordinary shares (notwithstanding any difference in the respective NAV of the C shares and ordinary shares).

Issued Share Capital

Ordinary shares

	30 June 2016 (unaudited)		**31 December 2015 (audited)**	
	Number of ordinary shares	**US$**	**Number of ordinary shares**	**US$**
Share capital at the beginning of the period/year	212,426,903	207,940,808	121,728,916	119,542,182
Issue of ordinary shares	215,207	165,322	90,697,987	89,879,572
Conversion of C shares to ordinary shares during the period/year	108,019,980	100,273,000	–	–
Share issue costs	–	–	–	(1,480,946)
Share capital at the end of the period/year	**320,662,090**	**308,379,130**	**212,426,903**	**207,940,808**

C shares

	30 June 2016		**31 December 2015**	
	Shares	**US$**	**Shares**	**US$**
Share capital at the beginning of the period/year	101,800,000	100,273,000	–	–
Issued share capital	–	–	101,800,000	101,800,000
Conversion of C shares to ordinary shares during the period/year	(101,800,000)	(100,273,000)	–	–
Share issue costs	–	–	–	(1,527,000)
Total share capital at the end of the period/year	**–**	**–**	**101,800,000**	**100,273,000**

In August 2015, 101,800,000 C shares were issued at an issue price of 100 pence per C share for cash consideration.

The conversion ratio was 1.0611 ordinary shares for every one C share held as at close on the conversion record date of 26 January 2016. Entitlements to new ordinary shares were rounded down to the nearest whole share.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

9. (LOSS)/EARNINGS PER SHARE

	1 January 2016 to 30 June 2016 (unaudited)	1 January 2015 to 30 June 2015 (unaudited)
Weighted average number of ordinary shares	304,541,369	166,756,971
Total comprehensive (loss)/profit for the financial period	(US$1,208,640)	US$4,725,077
Basic and diluted (loss)/earnings per ordinary share	**(US$0.0040)**	**US$0.0283**

The weighted average number of ordinary shares as at 30 June 2016 is based on the number of ordinary shares in issue during the period under review, as detailed in Note 8.

10. RECONCILIATION OF ACCOUNTING NAV AND PUBLISHED NAV PER SHARE

30 June 2016	NAV US$	Number of ordinary shares No.	NAV per ordinary share US$
Published NAV	265,328,495	320,662,090	0.8274
Adjustment for dividends payable*	(2,247,019)	320,662,090	(0.0070)
Financial statements NAV	**263,081,476**	**320,662,090**	**0.8204**

*The adjustment for dividends payable is due to the published NAV including dividends per ex-dividend date and the Financial Statements NAV, including dividends per the declaration date.

At 31 December 2015, there was no difference between the Accounting NAV of the Company and the Published NAV of the Company.

11. CONTINGENT LIABILITIES AND COMMITMENTS

The Company entered into a Subscription Agreement with the Master Fund and agreed to become a Limited Partner and made a commitment to the Master Fund of US$306,327,883 (31 December 2015: US$299,827,883). The Commitment Period ended on 12 June 2016.

At 30 June 2016 and 31 December 2015, the Company had no further outstanding commitments.

12. SUBSEQUENT EVENTS

On 4 July 2016, the Company announced that the commitment period of the Master Fund in which the Company is invested ended on 12 June 2016.

On 15 July 2016, the Company announced that the rate per ordinary share to be used to pay shareholders who elected to receive their dividend in Sterling will be 0.53 pence per ordinary share under the Company's Dividend Currency Election.

On 28 July 2016, the Company announced a monthly interim dividend of 0.7 US cents per ordinary share was declared in respect of the month ended 31 July 2016 and was paid on 18 August 2016. The ex dividend date was 4 August 2016.

On 1 August 2016, the Company announced certain consequential changes to the arrangements under which management fees are reinvested by the Investment Adviser. As the Commitment Period ended on 12 June 2016, any proceeds raised by the Company from the purchase of new ordinary shares by the Investment Adviser will currently have to be kept in cash or be redistributed to shareholders.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2016

12. SUBSEQUENT EVENTS continued

To avoid the potential dilutive effects of these purchases, the Directors have agreed to amend the terms of the Investment Advisory Agreement regarding the reinvestment of fees as follows:

- The Investment Adviser has previously agreed to reinvest and/or procure the reinvestment by the General Partner or by an associate of it of (a) 25% of the fees which it receives annually from the Company pursuant to the Investment Advisory Agreement and (b) 25% of the Management Fee which the General Partner receives annually from the Master Fund in relation only to the Company's interest in the Master Fund by, in each case, subscribing for or procuring the subscription for ordinary shares issued by the Company at the then-prevailing NAV per ordinary share, provided that it shall instead use its best endeavours to purchase or procure the purchase of such ordinary shares in the secondary market in circumstances where, at the time of any such subscription or purchase, the ordinary shares are trading at a discount of 5% or more to the then-prevailing NAV per ordinary share.

- The Investment Adviser will instead agree to reinvest its fees for a calendar quarter in circumstances where the ordinary shares trade at any discount to the then-prevailing NAV per ordinary share at the end of such quarter.

- More specifically, the amended Investment Advisory Agreement will provide that in circumstances where, as at the date the NAV per ordinary share with respect to the last calendar month of a calendar quarter (the "Quarter End NAV") is published, the price of the ordinary shares in the Company, adjusted for any dividends declared if required, traded at close in the secondary market below the then-prevailing Quarter End NAV, to reinvest and/or procure the reinvestment by an associate of it of (a) 25% of the fees which it shall receive with respect to that quarter from the Company pursuant to the Investment Advisory Agreement and (b) 25% of the Management Fee which the General Partner shall receive with respect to that quarter from the Master Fund in relation only to the Company's interest in the Master Fund by, in each case, using its best endeavours to purchase or procure the purchase of ordinary shares in the Company in the secondary market.

- The amended obligation to purchase or procure the purchase of such ordinary 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 either (i) the ordinary shares in the Company did not trade at close in the secondary market at a discount to the then-prevailing Quarter End NAV; or (ii) where the ordinary shares in the Company did trade at close in the secondary market at a discount to the then-prevailing Quarter End NAV and it is unable to purchase or procure the purchase of ordinary shares in the Company in the secondary market at a discount to then then prevailing Quarter End NAV despite having used its reasonable endeavours to do so and, in either case, the Investment Adviser shall retain all fees it receives for such quarter.

On 10 August 2016, the Company announced the rate per ordinary share to be used to pay shareholders who elected to receive their dividend in sterling will be 0.53559252 pence per ordinary share.

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

Management and Administration

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Jon Bridel (Independent non-executive Director)
Nigel Ward (Independent non-executive Director)

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