

FAIR OAKS INCOME LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019



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Highlights

- Fair Oaks Income Limited's (the "Company") Net Asset Value ("NAV") per 2017 Share was up 2.4% for the period ended 30 June 2019 on a total return basis (with dividends reinvested). This compares to the JP Morgan US Leveraged Loan Index, which was up 5.6% and the JP Morgan US High Yield Index, which was up 9.9%.
- As at 30 June 2019, the Company's total market capitalisation was US\$377.4 million.
- The Company's 2017 share price closed at a mid-price of US\$0.8325 on 28 June 2019, generating a total return (with dividends reinvested) of 14.3% for the period. The 2017 Shares traded at an average discount to NAV of -0.53% during the first half of 2019.
- On 1 April 2019, the Company completed a final compulsory redemption of all remaining 21,942,137 2014 Shares previously in issue. This was completed via a cash redemption funded by FOMC II LP and (for those so electing) in specie distributions of 2014 Shareholders' pro rata exposure to the Company's interest in FOIF LP.

Financial Highlights	30 June 2019 (unaudited)	31 December 2018 (audited)
<u>2017 Shares</u>		
Total Net Assets	US\$374,001,797	US\$396,310,795
Net Asset Value per share	US\$0.8250	US\$0.8742
Share price at period/year end	US\$0.8325	US\$0.7925
Premium/(discount) to Net Asset Value	0.91%	(9.35%)
Ongoing charges figure (Company only)*	0.18%	0.22%
Ongoing charges figure (look through basis)**	1.30%	1.37%

* 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 the "Appendix" on page 39 for further details.

** 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 the "Appendix" on page 39 for further details.



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 (previously Specialist Fund Market) (“SFS”) of the London Stock Exchange on 12 June 2014.

The Company is a feeder fund and during the period under review pursued its investment objective and policy by investing in FOIF LP (“the Master Fund”) and FOMC II LP (“the Master Fund II”), in both of which during the period the Company has been a limited partner. The Master Fund was registered in Guernsey on 7 May 2014 and the Master Fund II was registered in Guernsey on 24 February 2017 under The Limited Partnerships (Guernsey) Law, 1995, as amended. On 1 April 2019, the Company sold its direct holding of 11.31% in the Master Fund, but indirectly remains invested in the Master Fund through the Master Fund II.

At 30 June 2019, the Company on behalf of the 2017 Shares had a 100% (31 December 2018: 100%) holding in the Master Fund II, which in turn had a holding of 66.20% (31 December 2018: 62.82%) in the Master Fund. At 31 December 2018, the Company also had a direct holding on behalf of the 2014 Shares in the Master Fund of 11.31%, this direct holding was redeemed on 1 April 2019. The General Partner of the Master Fund and Master Fund II 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. Aligned with the Company’s investment policy, Cycad also invests into CLOs.

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

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 and/or Master Fund II) in 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”) 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.



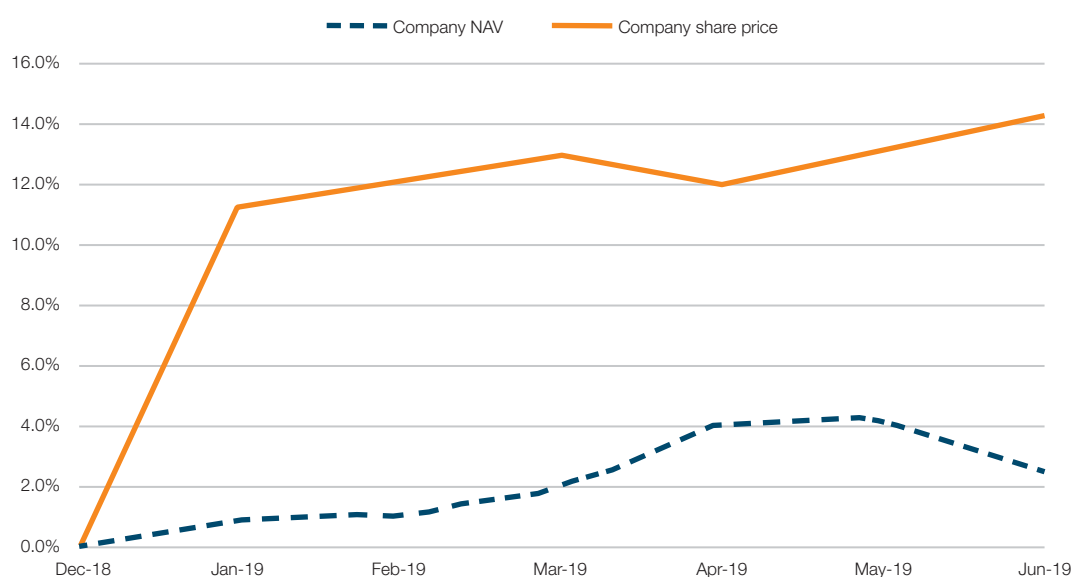
Chairman's Statement

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 2019.

The Company's NAV and share price generated a total return (with dividends reinvested) of +2.4% and +14.3% respectively in H1 2019¹. The Company's 2017 Shares closed at a mid-price of 83.3 US cents as of 28 June 2019, representing a premium to NAV of 0.91%.

Figure 1.1 – Total return - NAV and share price H1 2019¹



The total return for the JP Morgan US leveraged loan index in H1 2019 was +5.6%². In the same period, JP Morgan US high yield was up 9.9%³ while the JP Morgan CLO B rated index was up 6.3%⁴.

Table 1.1 – Total returns in H1 2019

	H1 2019 total return
Company's Share price	+14.3%
Company's NAV	+2.4%
JP Morgan US High Yield index	+9.9%
JP Morgan US Leveraged Loan index	+5.6%
JP Morgan Post-Crisis CLOIE B rated index	+6.3%

Cash flow and dividends

The Company declared a 0.70 US cents per 2017 Share dividend monthly from January to June, totalling 4.2 US cents per share in dividends during the first half of 2019.

The Company received US\$23.1 million of income distributions from the Master Fund II in H1.

¹ Performance of the 2017 Shares which is invested in FOMC II LP ("Master Fund II"). Data as at 28 June 2019.

² JP Morgan Leveraged loan index. Data as at 28 June 2019.

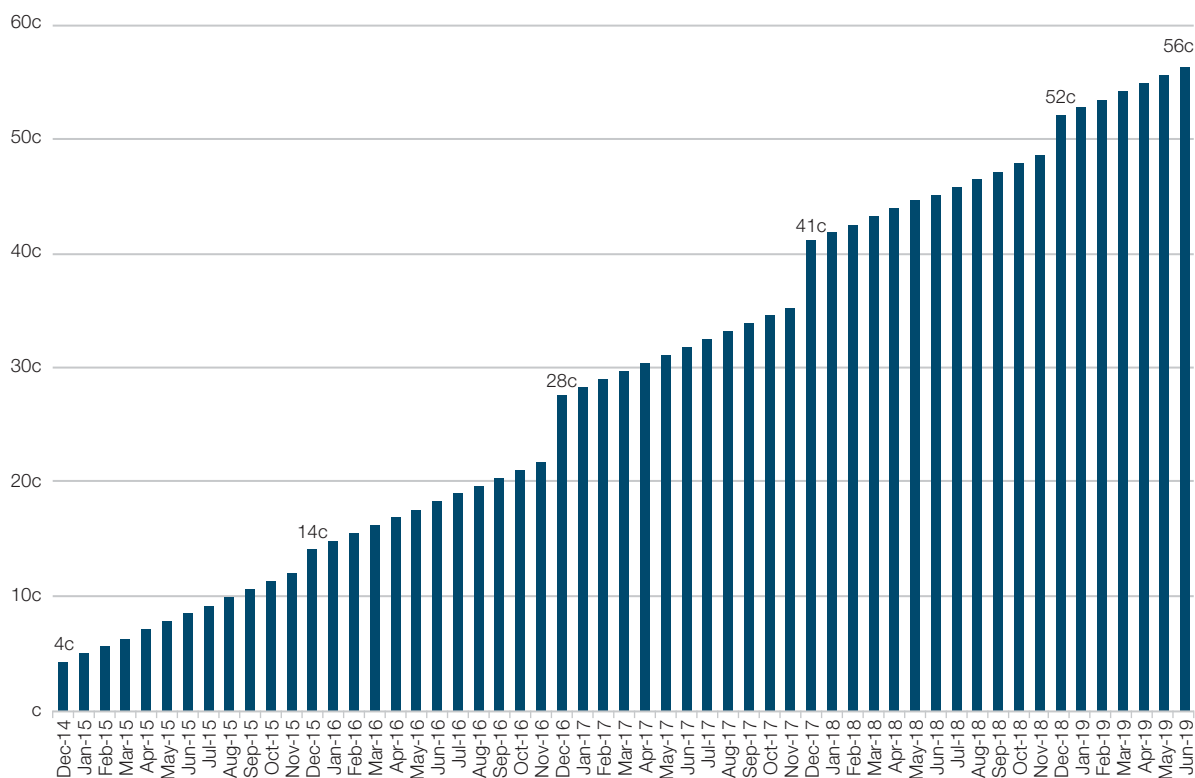
³ JP Morgan Domestic High yield index. Data as at 28 June 2019.

⁴ JP Morgan Post-Crisis CLOIE index. Data as at 28 June 2019.



Chairman's Statement (continued)

Figure 1.3 – Cumulative dividends per share since inception (US cents per 2017 share):



Material events

Further to the Company's announcement on 14 December 2018 stating the Board's consideration of an early redemption of the 2014 Shares, the Company declared on 13 March 2019 a final compulsory redemption of all 2014 Shares. The Redemption Price was equal to the NAV per 2014 Share as at 28 February 2019 less the dividend to be declared for the month ended 28 February 2019.

The consideration for the redemption was, as default, a US Dollar cash payment. The cash payment was funded by the Master Fund II acquiring at the 28 February 2019 NAV the residual interest in the Master Fund owned by the Company in respect of the 2014 Share class. Master Fund II's purchase of the residual interest in the Master Fund supplements its existing interest, which has been held since the launch of the Master Fund II. There was also an option to receive an in specie distribution of a 2014 Shareholder's pro rata exposure to the Company's interest in the Master Fund. All holdings of 2014 Shares on the register at the close of business on the record date, being 1 April 2019, were redeemed.

On 15 March 2019, the Company announced the final Redemption Price per 2014 Shares of US\$0.8155 being the NAV per 2014 Share as at 28 February 2019 of US\$0.8225 less the 0.7 US cent dividend declared for that month.

On 3 April 2019, the Company announced the rate per share to be used to pay shareholders who elected to receive their redemption proceeds in sterling would be GBP 0.6191 per share. The proceeds of the redemption were paid on 15 April 2019.

Furthermore, the Company notified that its issued share capital now consisted of 453,348,737 2017 Shares, further to the final redemption of 21,942,137 2014 Shares effected on 1 April 2019. None of these 2017 Shares are held in Treasury, therefore, the total number of 2017 Shares with voting rights in the Company is 453,348,737. The 2014 Shares are now disabled on CREST and the line of stock cancelled.



Chairman's Statement (continued)

Material events continued

On 24 May 2019, the Company announced that the General Partner of the Master Fund II had exercised its discretion to extend the commitment period of Master Fund II for one year to 12 June 2020. The General Partner informed the Company that the exercise of its discretion was consistent with its expectation that attractive risk-adjusted returns continued to be available from global senior secured bank loans held through CLOs during the extended commitment period. The discretion of the General Partner was exercised in accordance with the Master Fund II's limited partnership agreement. There is discretion in that agreement for the General Partner to further extend Master Fund II's commitment period to 12 June 2021. After the end of its commitment period, Master Fund II is required to distribute to the Company (and other investors in Master Fund II) all repayments of principal received from the underlying instruments.

Professor Claudio Albanese

Chairman

4 September 2019



Investment Adviser’s Report

Portfolio Review

As at 30 June 2019, Master Fund II¹ held twenty-two CLO equity positions and three B rated CLO mezzanine investments offering exposure to 1,196 loan issuers² and fourteen CLO managers. Control CLO equity positions represented 91.3% of the portfolio³.

Figure 2.1 – CLO manager diversification of Master Fund II⁴

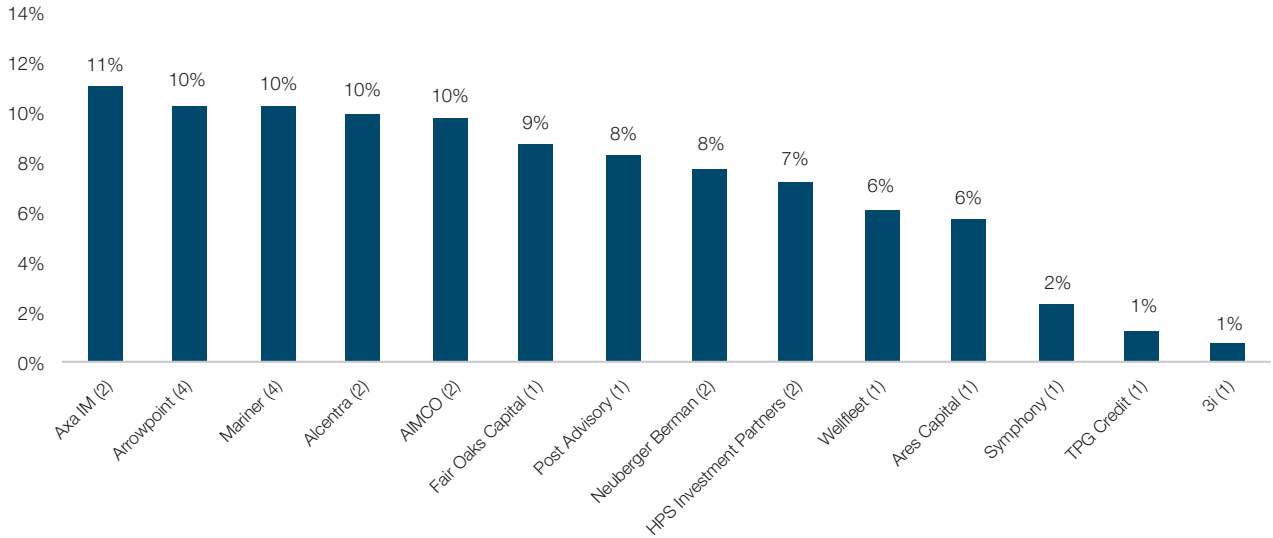
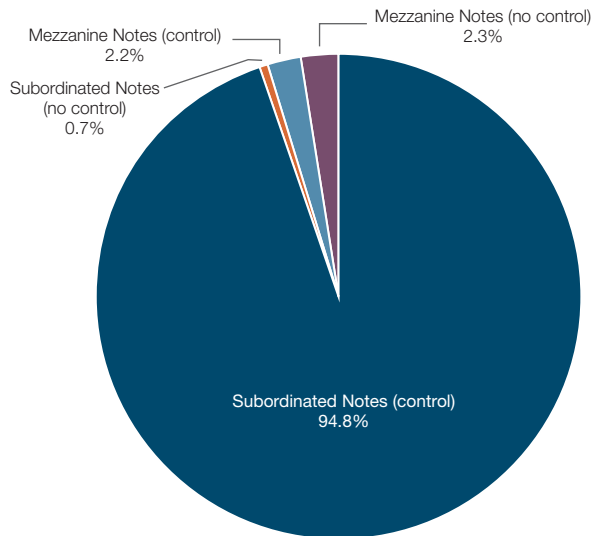


Figure 2.2 – Portfolio composition of Master Fund II⁵



¹ References to FOMC II LP refer to Master Fund II, which launched in April 2017 to continue the investment strategy of the Company. The Company via the 2017 Shares (created in April 2017) invests through Master Fund II.

² Based on the underlying loans in CLOs in which Master Fund II holds equity. This includes the equity positions in FOIF LP (the “Master Fund”) of which Master Fund II holds a percentage ownership. Data as at 28 June 2019.

³ Percentage by number of control CLO equity positions. Data as at 28 June 2019.

⁴ Based on nominal holding per CLO manager, as at 28 June 2019. Percentages may not add up to 100% because of rounding errors.

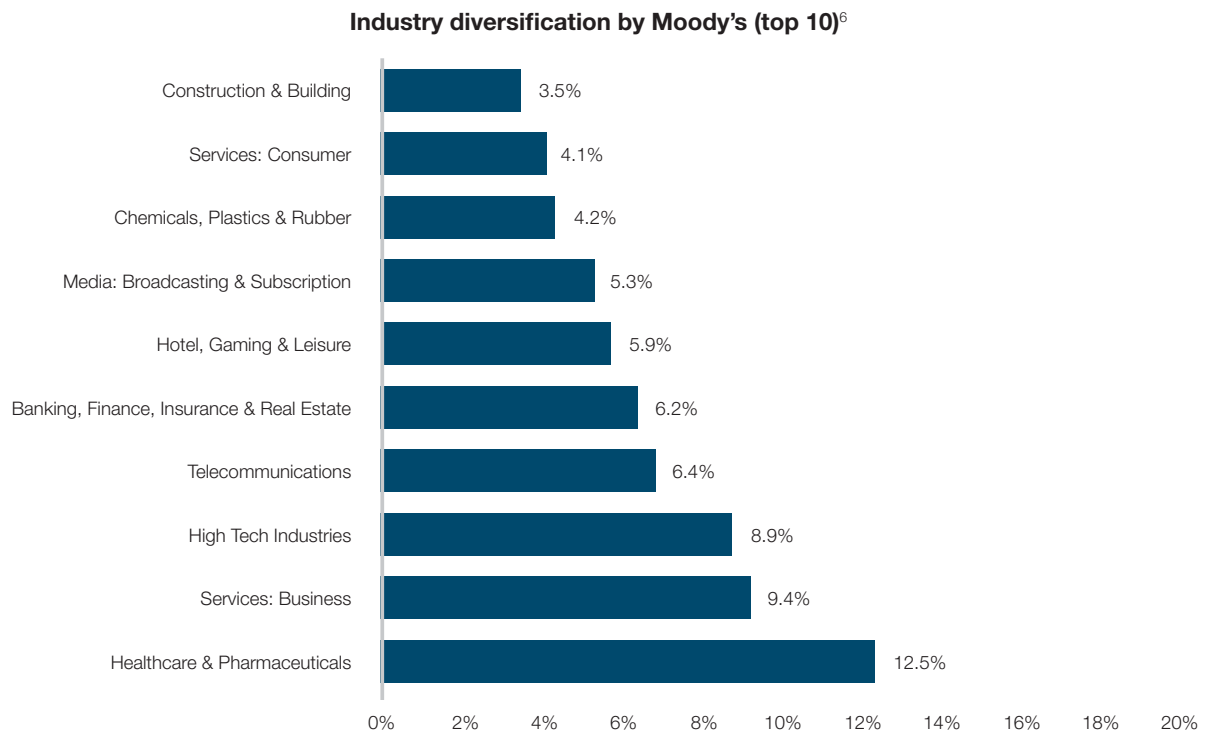
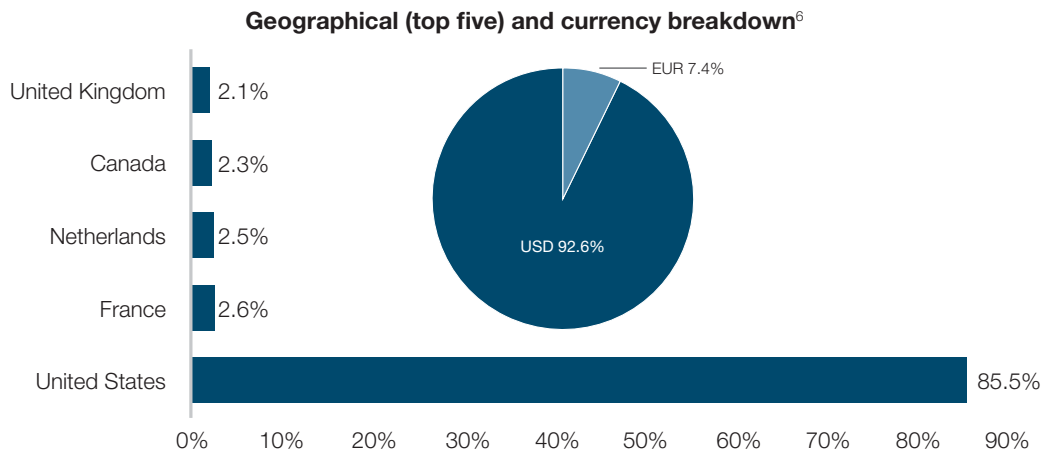
⁵ Breakdown by market value of the CLO investments held by the Master Fund II which includes its share in the Master Fund. Valuations are independently sourced by a third-party pricing vendor as at 28 June 2019. The newest European CLO investment (Fair Oaks Loan Funding I) which priced in June 2019 based on its purchase price.



Investment Adviser's Report (continued)

Portfolio Review continued

Figure 2.2 – Portfolio composition of Master Fund II, continued



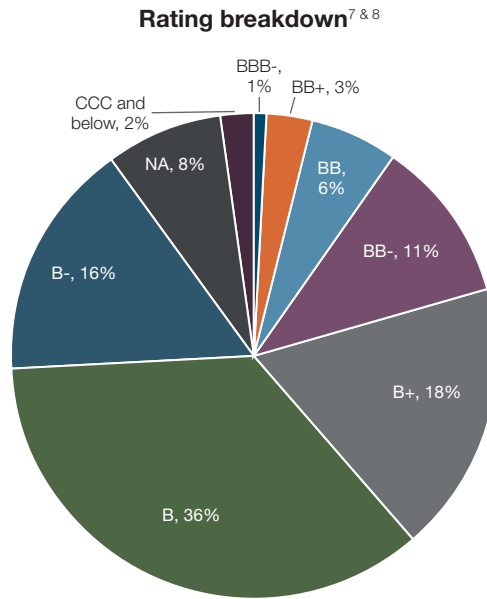
⁶ Based on loan per value weighted by Master Fund II's proportional ownership of income notes. Source: Intex.



Investment Adviser’s Report (continued)

Portfolio Review continued

Figure 2.2 – Portfolio composition of Master Fund II, continued



Master Fund sold its position in AMMC 15 Limited in April 2019, generating a gross IRR of 11.3% since inception.

CLO arbitrage has been challenging in H1 2019 and Master Fund II has been very selective in terms of new investments in the period. New investments have been limited to a purchase of a secondary LP interest in the Master Fund, one secondary market opportunity and a European CLO, which priced in June. To maximise arbitrage in the European CLO, it was structured with a shorter investment period (to take advantage of a steep AAA curve) and a favorable fee structure agreed with Fair Oaks Capital Limited as collateral manager.

⁷ Based on loan per value weighted by Master Fund II's proportional ownership of income notes. Source: Intex.

⁸ Based on S&P company ratings.



Investment Adviser's Report (continued)

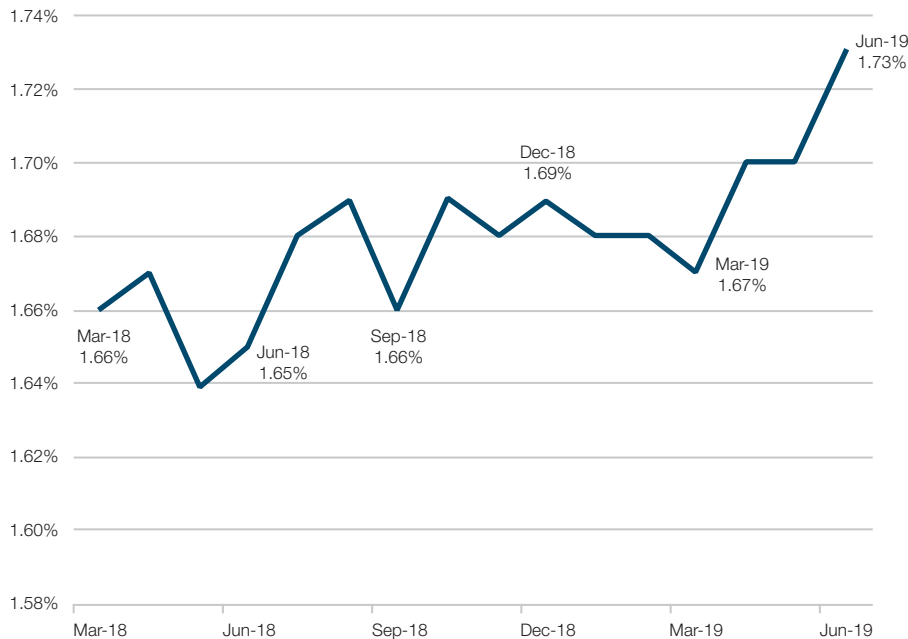
Portfolio Review continued

Table 2.3 – Purchases in H1 2019 by Master Fund II

Purchase date	Nominal	Deal name	CLO manager
May 2019	US\$3,787,500	Neuberger Berman CLO XIX	Neuberger Berman Investment Advisers
June 2019	€28,000,000	Fair Oaks Loan Funding I	Fair Oaks Capital Limited

Master Fund II's CLO arbitrage⁹ improved in H1 2019 primarily as a result of the efficient refinancing of existing control CLO equity investments (weighted average loan portfolio spread decreased by 0.01% while the average cost of financing decreased by 0.05%).

Figure 2.4 – CLO arbitrage (loan spread minus liability spreads) for Master Fund II⁹



Loan Market Update

The spread of the Credit Suisse Leveraged Loan index fell from Libor+5.50% as at 31 December 2018 to Libor+4.60% as at 28 June 2019¹⁰ while the spread of the BB rated loans (a more appropriate proxy for CLO's higher average credit quality holdings), fell from Libor+4.14% to Libor+2.90% in the same period¹¹.

We continue to be cautious about credit quality in the loan market. Average leverage from US large corporates, defined as corporates with EBITDA of more than US\$50 million, increased from 5.2x at the end of 2018 to 5.4x in Q2 2019 (Figure 2.5)¹² while interest coverage fell from 3.6x to 3.1x (Figure 2.6)¹³.

⁹ Source: Intex. The loan spread is based on loan par value weighted by Master Fund II's proportional ownership of income notes. The cost of funding of the CLO liabilities is based on CLO liability spreads weighted by Master Fund II's proportional ownership of income notes. Data calculated at month-end.

¹⁰ Based on 3-year discount margin from Credit Suisse Leveraged loan index.

¹¹ Based on 3-year discount margin of BB rated loans from Credit Suisse Leveraged loan index.

¹² LCD's Quarterly Leveraged Lending Review: Q2 2019 from S&P Global Intelligence. Analysis excludes media and telecom loans prior to 2011. EBITDA adjusted for prospective cost savings or synergies.

¹³ LCD's Quarterly Leveraged Lending Review: Q2 2019 from S&P Global Intelligence. Based on non-adjusted EBITDA/Cash interest which excludes media and telecom loans prior to 2011.



Investment Adviser’s Report (continued)

Loan Market Update continued

Figure 2.5 – Average debt multiples of large corporate loans¹⁴

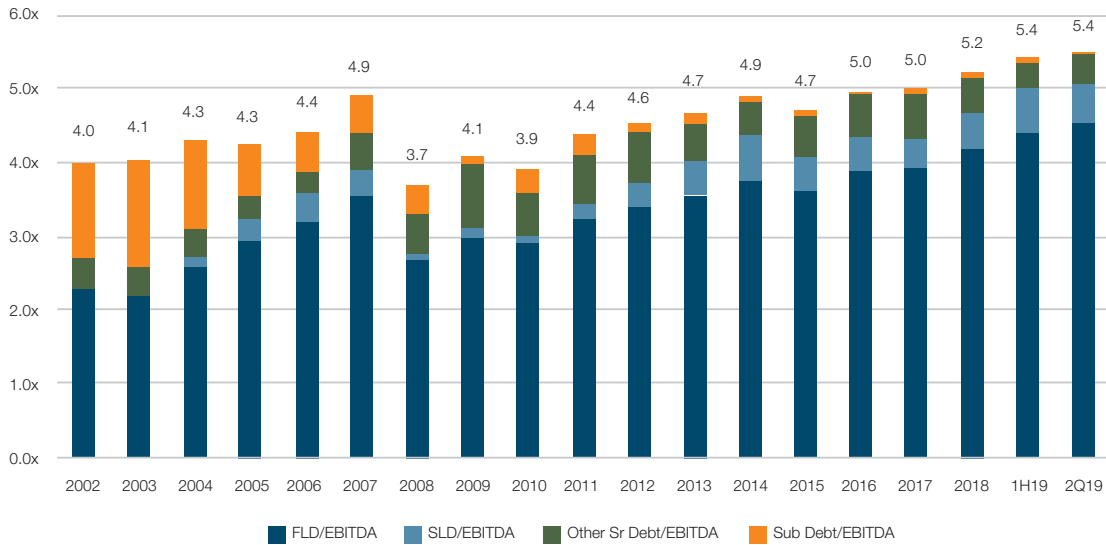
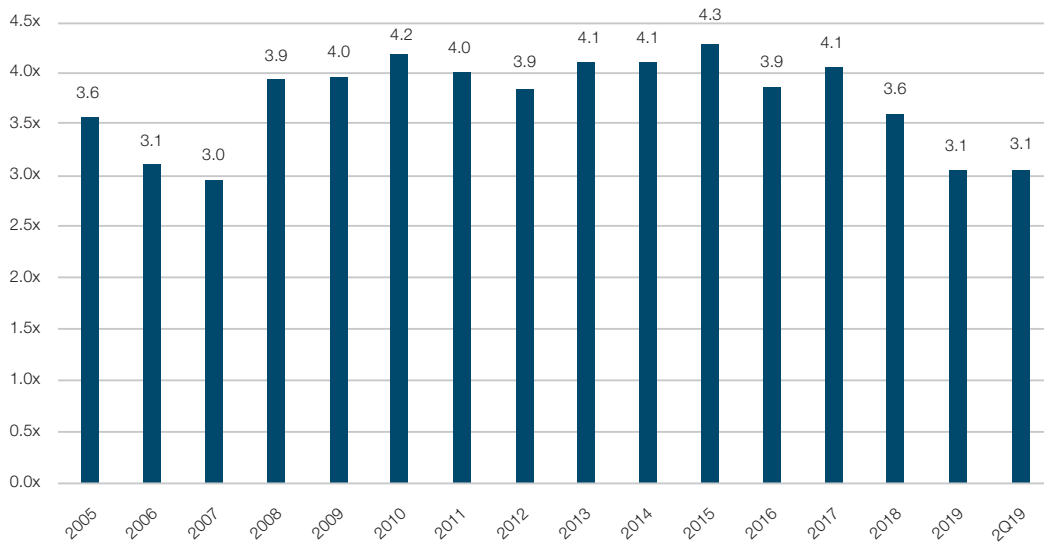


Figure 2.6 – Adjusted EBITDA/Cash interest of large corporates¹⁵



The rolling twelve-month default rate increased to 1.34% as of 28 June 2019¹⁶. A total of fourteen loan issuers tracked by the US S&P/LSTA index have defaulted this year with Retail, being the largest contributor by number with three defaults, followed by Energy: Oil and Gas (2), Services: Business (2) and Telecommunications (2)¹⁷.

¹⁴ LCD’s Quarterly Leveraged Lending Review: Q2 2019 from S&P Global Intelligence. Analysis excludes media and telecom loans prior to 2011. EBITDA adjusted for prospective cost savings or synergies.

¹⁵ LCD’s Quarterly Leveraged Lending Review: Q2 2019 from S&P Global Intelligence. Based on non-adjusted EBITDA/Cash interest which excludes media and telecom loans prior to 2011.

¹⁶ S&P/LSTA Leveraged Loan index by principal amount. Data as at 28 June 2019.

¹⁷ Based on S&P/LSTA defaults’ list and Moody’s industry classification. Data as at 28 June 2019.



Investment Adviser’s Report (continued)

Loan Market Update continued

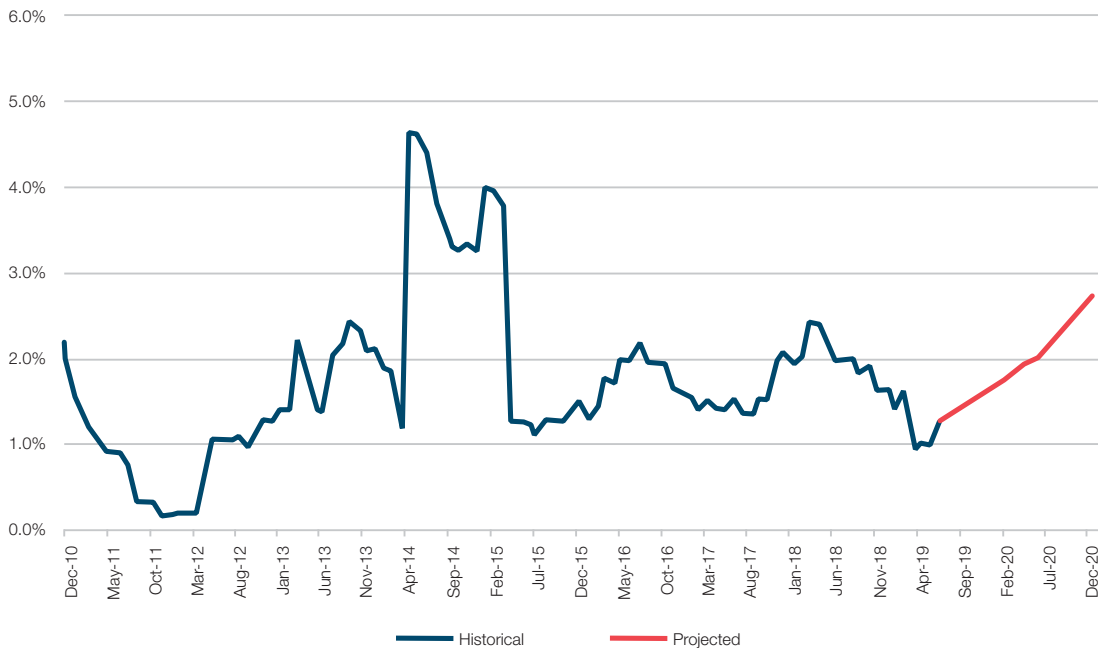
The distressed ratio in the US defined as percentage of loans trading below 80c, continues to be well below the historical averages (Figure 2.7).

Figure 2.7 – Distressed ratio on US loans¹⁸



According to a quarterly survey published by S&P Global Intelligence in June 2019, loan managers expect the default rate to increase to 2.04% in June 2020 (Figure 2.8)¹⁹. Sentiment however is positive from six months ago, where from the same survey loan managers predicted a higher default rate for June 2020 at 2.48%²⁰.

Figure 2.8 – Lagging 12-month default rate: historical and current expectations (forecast through to December 2020)¹⁹



¹⁸ 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 28 June 2019.

¹⁹ Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in June 2019.

²⁰ Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in December 2018.

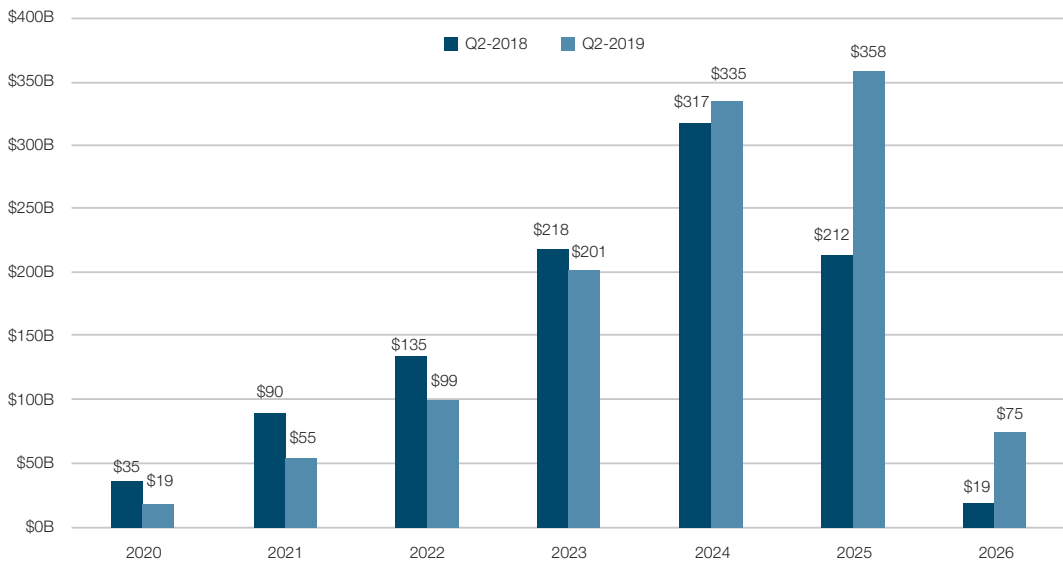


Investment Adviser’s Report (continued)

Loan Market Update continued

The market’s low default expectations are also supported by the very limited amount of loans set to mature over the next three years. The notional of loans maturing in 2020-2022 has fallen from US\$260 billion as of 28 June 2018 to US\$173 billion as of 28 June 2019 (Figure 2.9)²¹.

Figure 2.9 – Maturity wall of the US loan market of performing loans (US\$billion)²¹

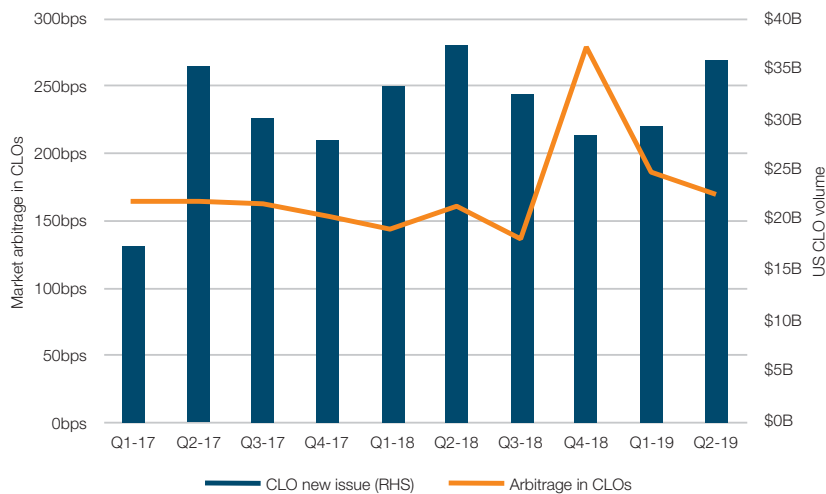


Loan recovery rates, however, may be influenced by prevalence of covenant-lite (“cov-lite”) loans.

CLO Market Update

Despite falling loan spreads and wider CLO liabilities (primary CLO AAA liabilities in the US rose from Libor+1.12% in June 2018 to a high of Libor+1.42% in March 2019, see Figure 2.11)²³, H1 2019 CLO new issuance in the US was strong, at US\$65.1 billion, down only 6% from the same period in 2018²².

Figure 2.10 – US CLO new issuance volume and market arbitrage on BB loan spreads^{22 & 23}



²¹ S&P Global Intelligence, Q2 2019. Distribution by year of maturity.

²² JP Morgan CLO issuance volume. Data as of 28 June 2019.

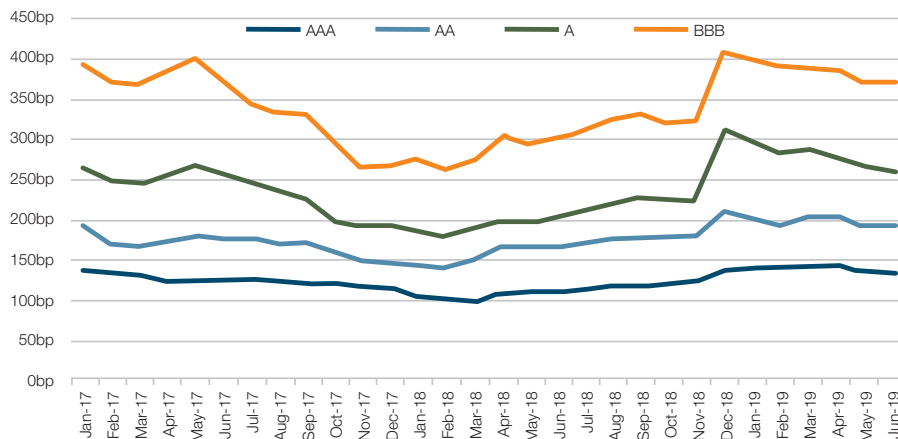
²³ Market arbitrage defined as the 3-year discount margin on BB rated loans in the Credit Suisse Leveraged loan less primary CLO AAA spread from J.P. Morgan.



Investment Adviser's Report (continued)

CLO Market Update continued

Figure 2.11 – US primary CLO spreads²⁴



Outlook

We will continue to seek the best risk-adjusted opportunities for Master Fund II in the CLO equity and debt primary and secondary markets. Challenging primary CLO arbitrage in the US may result in an increasing focus on secondary market and European CLO opportunities.

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:

One of the most attractive relative value opportunities within private credit markets

CLO equity and debt are effective ways to invest in portfolios of higher quality senior secured loans to established borrowers using long-term, non-recourse, non-mark-to-market financing at attractive levels. A combination of low expected defaults and loan price volatility has the potential to be very supportive of existing CLO equity investments which will benefit from their low fixed cost of financing.

Diverse and high quality existing portfolio

The Company, through its investment in Master Fund II, holds exposure to a seasoned and diversified portfolio of twenty-five investments in twenty-three CLOs managed by fourteen different managers, giving a total exposure to 1,196 loan issuers²⁵.

Enhanced returns via active control investments

Investments in control CLO equity positions give the Master Funds the ability to optimise CLO investments, control their lifecycle and actively manage credit risk. CLO investments in more conservative loan portfolios, with lower spreads, can generate higher returns based on reduced CLO manager fees and arranger fees.

Positioned to benefit from market volatility

CLO equity investments benefit from long-term, fixed-spread liabilities and the option to reinvest principal proceeds during the CLO's investment period (typically four to five years). Master Fund II's CLO investments benefit from tight borrowing spreads, which have the potential to enhance the initial arbitrage as higher-spread assets become available. As principal repayments are reinvested in new loans with wider spreads, the incremental interest income over the fixed cost of financing will benefit CLO equity investors.

Fair Oaks Capital Limited

4 September 2019

²⁴ JP Morgan US CLO primary spreads. Data as at 28 June 2019.

²⁵ Based on the underlying loans in CLOs in which Master Fund II holds equity. This includes the equity positions in the Master Fund of which Master Fund II holds a percentage ownership. Data as at 28 June 2019.



Statement of Principal Risks and Uncertainties

The Company is a feeder fund investing its assets into the Master Fund and Master Fund II. 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 2018. 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. The Investment Adviser will also carry out extensive due diligence on Master Fund II's underlying investments before acquisition and they will ensure adequate diversification of the underlying assets is achieved.

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 2019 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 2019 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

4 September 2019

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 2019 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 2019 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
4 September 2019



Unaudited Condensed Statement of Comprehensive Income

For the six month period ended 30 June 2019

	Note	1 January 2019 to 30 June 2019 (unaudited) US\$	1 January 2018 to 30 June 2018 (unaudited) US\$
Income			
Net gains on financial assets at fair value through profit or loss	5	9,234,045	14,223,162
Investment income		144,693	121,662
Net foreign exchange gain		32,987	190,876
Total income		9,411,725	14,535,700
Expenses			
Investment advisory fees	6	9,301	149,100
Audit and interim review fees		23,211	21,184
Administration fees	6	73,030	58,676
Directors' fees and expenses	6	82,853	93,771
Legal and professional fees		39,423	55,593
Other expenses		152,777	194,860
Total operating expenses		380,595	573,184
Profit and total comprehensive income for the period		9,031,130	13,962,516
Basic and diluted earnings per 2017 Share	9	0.0204	0.0286
Basic and diluted (deficit)/earnings per 2014 Share*	9	(0.0091)	0.0328

*2014 shares were redeemed in full on 1 April 2019.

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

The accompanying notes on pages 19 to 36 form an integral part of the Unaudited Condensed Financial Statements.



Unaudited Condensed Statement of Changes in Shareholders' Equity

For the six month period ended 30 June 2019

	Note	Share capital (2017 Shares) US\$	Share capital (2014 Shares) US\$	Retained earnings (2017 Shares) US\$	Retained earnings (2014 Shares) US\$	Total equity US\$
At 1 January 2019		439,888,273	22,716,434	(43,577,478)	(3,408,180)	415,619,049
Profit and total comprehensive income for the period		–	–	9,230,890	(199,760)	9,031,130
Dividends declared during the period	4	–	–	(31,539,888)	(1,241,998)	(32,781,886)
Share redemptions during the period	8	–	(17,866,496)	–	–	(17,866,496)
Transfer of reserves on closure of 2014 Shares	8	–	(4,849,938)	–	4,849,938	–
At 30 June 2019		439,888,273	–	(65,886,476)	–	374,001,797

*2014 shares were redeemed in full on 1 April 2019.

	Note	Share capital (2017 Shares) US\$	Share capital (2014 Shares) US\$	Retained earnings (2017 Shares) US\$	Retained earnings (2014 Shares) US\$	Total equity US\$
At 1 January 2018		406,185,791	44,713,419	12,761,639	2,289,632	465,950,481
Issue of 2017 Shares during the year, net of issue costs	8	33,627,207	–	–	–	33,627,207
Issue of 2017 Shares for scrip dividend	8	75,275	–	–	–	75,275
Profit and total comprehensive income for the period		–	–	12,436,392	1,526,124	13,962,516
Dividends declared during the period	4	–	–	(39,622,669)	(6,287,365)	(45,910,034)
At 30 June 2018		439,888,273	44,713,419	(14,424,638)	(2,471,609)	467,705,445

The accompanying notes on pages 19 to 36 form an integral part of the Unaudited Condensed Financial Statements.



Unaudited Condensed Statement of Financial Position

At 30 June 2019

	Note	30 June 2019 (unaudited) US\$	31 December 2018 (audited) US\$
Assets			
Cash and cash equivalents		2,478,180	16,552,741
Prepayments		20,291	37,303
Distribution receivable		2,458,783	13,915,728
Financial assets at fair value through profit or loss	5	369,081,843	385,162,356
Total assets		374,039,097	415,668,128
Liabilities			
Trade and other payables		37,300	49,079
Total liabilities		37,300	49,079
Net assets		374,001,797	415,619,049
Equity			
Retained earnings		(65,886,476)	(46,985,658)
Share capital	8	439,888,273	462,604,707
Total equity		374,001,797	415,619,049
Total Net Assets attributable to 2017 Shareholders		374,001,797	396,310,795
Number of 2017 Shares	8	453,348,737	453,348,737
Net asset value per 2017 Share		0.8250	0.8742
Total Net Assets attributable to 2014 Shareholders*		–	19,308,254
Number of 2014 Shares	8	–	21,942,137
Net asset value per 2014 Share		–	0.8800

*2014 shares were redeemed in full on 1 April 2019.

The Unaudited Condensed Financial Statements on pages 15 to 36 were approved and authorised for issue by the Board of Directors on 4 September 2019 and signed on its behalf by:

Jon Bridel

Director

The accompanying notes on pages 19 to 36 form an integral part of the Unaudited Condensed Financial Statements.



Unaudited Condensed Statement of Cash Flows

For the six month period ended 30 June 2019

	Note	1 January 2019 to 30 June 2019 (unaudited) US\$	1 January 2018 to 30 June 2018 (unaudited) US\$
Cash flows from operating activities			
Profit for the period		9,031,130	13,962,516
Adjustments for:			
Net gains on financial assets at fair value through profit or loss	5	(9,234,045)	(14,223,162)
Net foreign exchange gains		(32,987)	(190,876)
		(235,902)	(451,522)
Decrease in prepayments		17,012	76,963
(Decrease)/increase in trade and other payables		(11,779)	15,318
Income distributions received from Master Fund		1,147,242	4,913,128
Income distributions received from Master Fund II		23,107,765	31,116,862
Capital distributions received from Master Fund	5	–	3,353,635
Purchases into Master Fund II during the period*	5	(5,350,000)	(43,500,000)
		18,674,338	(4,475,616)
Cash flows from financing activities**			
Proceeds from 2017 share issuance, net of costs	8	–	33,627,207
Dividends paid during the period	4	(32,781,886)	(45,834,759)
		(32,781,886)	(12,207,552)
Net decrease in cash and cash equivalents		(14,107,548)	(16,683,168)
Cash and cash equivalents at beginning of period		16,552,741	54,580,314
Effect of foreign exchange rate changes during the period		32,987	190,876
Cash and cash equivalents at end of period		2,478,180	38,088,022

*Refer to Note 5 for non-cash transactions.

**Refer to Note 8 for non-cash transactions.

The accompanying notes on pages 19 to 36 form an integral part of the Unaudited Condensed Financial Statements.



Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2019

1. GENERAL INFORMATION

Fair Oaks Income Limited (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 Investment Scheme Rules 2015. The Company is listed and began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange (“LSE”) on 12 June 2014.

The Company makes its investments through FOIF LP (the “Master Fund”) and FOMC II LP (the “Master Fund II”) (the “Master Fund” and the “Master Fund II” together the “Master Funds”), in which the Company is a limited partner. The Master Fund was registered in Guernsey on 7 May 2014 and the Master Fund II was registered in Guernsey on 24 February 2017 under The Limited Partnerships (Guernsey) Law, 1995, as amended. The only other limited partner in the Master Fund II is Fair Oaks Founder II LP, a related entity. On 1 April 2019, the Company sold its direct holding of 11.31% in the Master Fund, but indirectly remains invested in the Master Fund through the Master Fund II.

At 30 June 2019, the Company had 453,348,737 2017 Shares (“2017 Shares”) and nil 2014 Shares (31 December 2018: 453,348,737 2017 Shares and 21,942,137 2014 Shares). On 1 April 2019, the Company completed a final compulsory redemption of all 21,942,137 2014 Shares previously held (the “2014 Final Redemption”), this was completed via a cash redemption funded by the Master Fund II and in specie distributions of 2014 Shareholders pro rata exposure to the Company’s interest in the Master Fund. The cash payment was funded by the Master Fund II acquiring at the 28 February 2019 NAV the residual interest in the Master Fund owned by the Company in respect of the 2014 Share class. All holdings of 2014 Shares on the register at the close of business on the record date, being 1 April 2019, were redeemed.

The 2014 Shares invested solely into the Master Fund and the 2017 Shares invest solely into Master Fund II. Following the above transaction, at 30 June 2019, the Company had direct holding of 100% (31 December 2018: 100%) in Master Fund II, which in turn had a holding of 66.20% in the Master Fund (31 December 2018: 62.82%). Following the 2014 Final Redemption, the Company no longer has any direct holding in the Master Fund (31 December 2018: 11.31%).

The general partner of the Master Fund and Master Fund II is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”). The Master Funds invest in portfolios consisting primarily of Collateral Loan Obligations (“CLOs”). The Company may also invest in Qualifying Short Term Investments if at any time the Company holds any uninvested cash.

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 2018.

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 2018, 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 4 September 2019.

Expenses and non-investment assets and liabilities were apportioned to 2017 Shares and to 2014 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 and Master Fund II. Following the final 2014 Share redemption on 1 April 2019, expenses and non-investment assets and liabilities are apportioned 100% to 2017 Shares.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES *continued*

Significant judgements and estimates

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company's Audited Annual Financial Statements for the year ended 31 December 2018.

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 and 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.

4. DIVIDENDS

The Company declares dividends payable to shareholders 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 Company's investment in the Master Fund, Master Fund II and Qualifying Short Term Investments, less expenses of the Company.

The Company intends to declare monthly dividends of a minimum of 0.7 US cents per 2017 Share (previously 2014 Share also) and a twelfth interim dividend such that, in the opinion of the Board of Directors, substantially all net income generated by the Company in 2019 will be distributed to shareholders.

The Company declared the following dividends per 2017 Share during the six month period ended 30 June 2019:

Period to	Payment date	Dividend rate per 2017 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2018	31 January 2019	3.45	15,670,072	18 January 2019	17 January 2019
31 January 2019	28 February 2019	0.7	3,176,698	15 February 2019	14 February 2019
28 February 2019	28 March 2019	0.7	3,171,938	15 March 2019	14 March 2019
31 March 2019	25 April 2019	0.7	3,171,347	12 April 2019	11 April 2019
30 April 2019	23 May 2019	0.7	3,161,918	10 May 2019	9 May 2019
31 May 2019	27 June 2019	0.7	3,187,915	14 June 2019	13 June 2019
		6.95	31,539,888		



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

4. DIVIDENDS continued

The Company declared the following dividends per 2014 Share during the six month period ended 30 June 2019:

Period to	Payment date	Dividend rate per 2014 Share* (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2018	31 January 2019	4.26	934,793	18 January 2019	17 January 2019
31 January 2019	28 February 2019	0.7	153,612	15 February 2019	14 February 2019
28 February 2019	28 March 2019	0.7	153,593	15 March 2019	14 March 2019
		5.66	1,241,998		

*2014 Shares fully redeemed on 1 April 2019.

The Company declared the following dividends per 2017 Share during the six month period ended 30 June 2018:

Period to	Payment date	Dividend rate per 2017 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2017	9 February 2018	5.75*	24,267,811	12 January 2018	11 January 2018
31 January 2018	2 March 2018	0.7	2,914,913	16 February 2018	15 February 2018
28 February 2018	22 March 2018	0.7	2,930,793	9 March 2018	8 March 2018
31 March 2018	26 April 2018	0.7	3,166,050	13 April 2018	12 April 2018
30 April 2018	24 May 2018	0.7	3,170,308	11 May 2018	10 May 2018
31 May 2018	28 June 2018	0.7	3,172,794	15 June 2018	14 June 2018
		9.25	39,622,669		

*Scrip dividend alternative, to 2017 Shareholders only, in respect of the dividend for the month ended 31 December 2017 offered in lieu of the cash dividend. As a result, 73,799 2017 Shares were admitted to the Specialist Fund Segment of the Main Market on 9 February 2018.

The Company declared the following dividends per 2014 Share during the six month period ended 30 June 2018:

Period to	Payment date	Dividend rate per 2014 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2017	9 February 2018	10.02	4,659,889	12 January 2018	11 January 2018
31 January 2018	2 March 2018	0.7	325,491	16 February 2018	15 February 2018
28 February 2018	22 March 2018	0.7	325,512	9 March 2018	8 March 2018
31 March 2018	26 April 2018	0.7	325,479	13 April 2018	12 April 2018
30 April 2018	24 May 2018	0.7	325,497	11 May 2018	10 May 2018
31 May 2018	28 June 2018	0.7	325,497	15 June 2018	14 June 2018
		13.52	6,287,365		

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

The rate per 2017 Share (prior to 1 April 2019: 2014 Share also) 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.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

4. DIVIDENDS continued

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

Total dividends payable as at 30 June 2019 were US\$nil (31 December 2018: US\$nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 January 2019 to 30 June 2019 (unaudited)		
	2014 Shares US\$	2017 Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the period	22,491,051	425,164,125	447,655,176
Purchases of investments at cost during the period	–	5,350,000	5,350,000
Sale of investment in the Master Fund during the period*	(17,536,442)	–	(17,536,442)
Realised loss on sale of investment during the period	(4,954,609)	–	(4,954,609)
Cost of financial assets at fair value through profit or loss at the end of the period	–	430,514,125	430,514,125
Net unrealised losses on financial assets at the end of the period	–	(61,432,282)	(61,432,282)
Financial assets at fair value through profit or loss at the end of the period	–	369,081,843	369,081,843
Realised loss on sale of investment during the period	(4,954,609)	–	(4,954,609)
Movement in net unrealised gains/(losses) during the period	4,333,950	(3,273,412)	1,060,538
Income distributions declared from the Master Fund during the period	454,996	–	454,996
Income distributions declared from Master Fund II during the period	–	12,673,120	12,673,120
Net (losses)/gains on financial assets at fair value through profit or loss	(165,663)	9,399,708	9,234,045

*Sale of investment in the Master Fund was a non-cash transactions for the Company which, in accordance with the 2014 Final Redemption, was completed via a cash payment funded by the Master Fund II directly to the 2014 Shareholders and non-cash in specie distributions of 2014 Shareholders pro rata exposure to the Company's interest in the Master Fund.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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

	1 January 2018 to 31 December 2018 (audited)		
	2014 Shares US\$	2017 Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the year	39,910,455	354,964,125	394,874,580
Purchases of investments at cost during the year	–	70,200,000	70,200,000
Capital distributions received from Master Fund during the year	(17,419,404)	–	(17,419,404)
Cost of financial assets at fair value through profit or loss at the end of the year	22,491,051	425,164,125	447,655,176
Net unrealised losses on financial assets at the end of the year	(4,333,950)	(58,158,870)	(62,492,820)
Financial assets at fair value through profit or loss at the end of the year	18,157,101	367,005,255	385,162,356
Movement in net unrealised loss during the year	(1,972,904)	(47,952,584)	(49,925,488)
Income distributions declared from the Master Fund during the year	4,006,745	–	4,006,745
Income distributions declared from Master Fund II during the year	–	50,828,148	50,828,148
Net gains on financial assets at fair value through profit or loss	2,033,841	2,875,564	4,909,405

	1 January 2018 to 30 June 2018 (unaudited)		
	2014 Shares US\$	2017 Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the period	39,910,455	354,964,125	394,874,580
Purchases of investments at cost during the period	–	43,500,000	43,500,000
Capital distributions received from Master Fund during the period	(3,353,635)	–	(3,353,635)
Cost of financial assets at fair value through profit or loss at the end of the period	36,556,820	398,464,125	435,020,945
Net unrealised losses on financial assets at the end of the period	(1,675,018)	(6,653,465)	(8,328,483)
Financial assets at fair value through profit or loss at the end of the period	34,881,802	391,810,660	426,692,462
Movement in net unrealised gain during the period	686,028	3,552,821	4,238,849
Income distributions declared from the Master Fund during the period	897,606	–	897,606
Income distributions declared from Master Fund II during the period	–	9,086,707	9,086,707
Net gains on financial assets at fair value through profit or loss	1,583,634	12,639,528	14,223,162



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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

At 30 June 2019, the Company's 2017 Shareholders were 100% invested into Master Fund II, in which, other than the Fair Oaks Founder II LP, they are the only limited partner. On 1 April 2019, the Master Fund II increased its limited partner interest in the Master Fund by 3.38%, through the partial acquisition of the 2014 Shares direct holding in the Master Fund in exchange for a cash settlement to the 2014 Shareholders. At 30 June 2019, the Master Fund II had a 66.20% holding in the Master Fund (31 December 2018: 62.82%). Prior to the 1 April 2019, the Company's 2014 Shareholders had a 11.31% (31 December 2018: 11.31%) holding in the Master Fund

Look-through financial information: Master Funds' Financial Position

The following tables reconcile the Company's proportionate share of the Master Fund 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 2019 (unaudited)		
	Master Fund*	Master Fund II	Total Company
	US\$	US\$	US\$
Financial assets at fair value through profit or loss	–	344,284,682	344,284,682
Add: Other net current assets	–	24,797,161	24,797,161
Total financial assets at fair value through profit or loss	–	369,081,843	369,081,843

	31 December 2018 (audited)		
	Master Fund*	Master Fund II	Total Company
	US\$	US\$	US\$
Financial assets at fair value through profit or loss	20,544,242	370,132,597	390,676,839
Less: Net current liabilities	(2,387,140)	(3,127,343)	(5,514,483)
Total financial assets at fair value through profit or loss	18,157,102	367,005,254	385,162,356

	30 June 2018 (unaudited)		
	Master Fund*	Master Fund II	Total Company
	US\$	US\$	US\$
Financial assets at fair value through profit or loss	35,361,621	418,341,242	453,702,863
Less: Net current liabilities	(479,819)	(26,530,582)	(27,010,401)
Total financial assets at fair value through profit or loss	34,881,802	391,810,660	426,692,462

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only. From 1 April 2019, the Company no longer retained a direct investment in the Master Fund in respect of 2014 Shares.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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 gains/(losses) on investments in the period/year comprises the following movements within the underlying investments:

	1 January 2019 to 30 June 2019 (unaudited)		
	Master Fund* US\$	Master Fund II US\$	Total Company US\$
Net unrealised losses on investments at the beginning of the period	(4,333,950)	(58,158,870)	(62,492,820)
Investment income	969,559	13,306,276	14,275,835
Income distributions received from Master Fund	–	3,110,216	3,110,216
Income distributions received from Cycad	–	891,685	891,685
Unrealised losses on financial assets at fair value through profit or loss	(1,150,240)	(6,312,321)	(7,462,561)
Realised gains on financial assets at fair value through profit or loss	–	(924,216)	(924,216)
Net gains on derivative financial instruments and foreign exchange	5,923	596,461	602,384
Other income	–	227,516	227,516
Expenses	9,095	(1,495,909)	(1,486,814)
Income distributions declared during the period	(454,996)	(12,673,120)	(13,128,116)
Movement in unrealised on sale of the Master Fund	4,954,609	–	4,954,609
Net unrealised losses on investments at the end of the period	–	(61,432,282)	(61,432,282)
	1 January 2018 to 31 December 2018 (audited)		
	Master Fund* US\$	Master Fund II US\$	Total Company US\$
Net unrealised losses on investments at the beginning of the year	(2,361,046)	(10,206,286)	(12,567,332)
Investment income	131,625	28,934,703	29,066,328
Income distributions received from Master Fund	–	22,254,970	22,254,970
Income distributions received from Cycad	–	1,241,569	1,241,569
Unrealised losses on financial assets at fair value through profit or loss	(65,574)	(49,349,074)	(49,414,648)
Realised gains on financial assets at fair value through profit or loss	2,398,157	1,126,532	3,524,689
Net gains on derivative financial instruments and foreign exchange	35,104	718,465	753,569
Other income	–	64,377	64,377
Expenses	(465,471)	(2,115,978)	(2,581,449)
Income distributions declared during the year	(4,006,745)	(50,828,148)	(54,834,893)
Net unrealised losses on investments at the end of the year	(4,333,950)	(58,158,870)	(62,492,820)

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only. From 1 April 2019, the Company no longer retained a direct investment in the Master Fund in respect of 2014 Shares.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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

	1 January 2018 to 30 June 2018 (unaudited)		
	Master Fund* US\$	Master Fund II US\$	Total Company US\$
Net unrealised losses on investments at the beginning of the period	(2,361,046)	(10,206,286)	(12,567,332)
Investment income	3,376,876	4,017,795	7,394,671
Income distributions received from Master Fund	–	4,985,648	4,985,648
Income distributions received from Cycad	–	95,697	95,697
Unrealised (losses)/gains on financial assets at fair value through profit or loss	(3,423,571)	3,135,080	(288,491)
Realised gains on financial assets at fair value	1,942,514	1,126,531	3,069,045
Net losses on derivative financial instruments and foreign exchange	19,428	52,671	72,099
Other income	–	18,862	18,862
Expenses	(331,613)	(792,756)	(1,124,369)
Income distributions declared during the period	(897,606)	(9,086,707)	(9,984,313)
Net unrealised losses on investments at the end of the period	(1,675,018)	(6,653,465)	(8,328,483)

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only. From 1 April 2019, the Company no longer retained a direct investment in the Master Fund in respect of 2014 Shares.

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.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *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 2019 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Assets:				
Financial assets at fair value through profit or loss	–	–	369,081,843	369,081,843
Total	–	–	369,081,843	369,081,843

	31 December 2018 (audited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Assets:				
Financial assets at fair value through profit or loss	–	–	385,162,356	385,162,356
Total	–	–	385,162,356	385,162,356

	30 June 2018 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Assets:				
Financial assets at fair value through profit or loss	–	–	426,692,462	426,692,462
Total	–	–	426,692,462	426,692,462

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

The following table presents the movement in Level 3 instruments:

	1 January 2019 to 30 June 2019 (unaudited) US\$	1 January 2018 to 31 December 2018 (audited) US\$
Opening Balance	385,162,356	382,307,248
Purchases	5,350,000	70,200,000
Sale	(17,536,442)	–
Realised loss on sale during the period/year	(4,954,609)	–
Movement in net unrealised gain/(loss) during the period/year	1,060,538	(49,925,488)
Capital distributions received from Master Fund	–	(17,419,404)
Closing Balance	369,081,843	385,162,356

Transfers between Level 1, 2 and 3

There have been no transfers between levels during the period ended 30 June 2019 or for the year ended 31 December 2018. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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

Look-through financial information: Master Funds' 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 and Master Fund II's financial assets and derivatives (by class, excluding cash and cash equivalents, other receivables and prepayments, distribution payable, carried interest payable and trade and other payables) measured at fair value:

	30 June 2019 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Master Fund II				
Financial assets at fair value through profit or loss	–	5,131,980	339,152,702	344,284,682
Derivatives at fair value through profit or loss	–	(265,197)	–	(265,197)
Total	–	4,866,783	339,152,702	344,019,485

	31 December 2018 (audited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Master Fund*				
Financial assets at fair value through profit or loss	–	1,783,949	18,760,293	20,544,242
Derivatives at fair value through profit or loss	–	(2,054)	–	(2,054)
Total	–	1,781,895	18,760,293	20,542,188

	31 December 2018 (audited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Master Fund II				
Financial assets at fair value through profit or loss	–	5,136,632	364,995,965	370,132,597
Derivatives at fair value through profit or loss	–	(174,300)	–	(174,300)
Total	–	4,962,332	364,995,965	369,958,297

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only. From 1 April 2019, the Company no longer retained a direct investment in the Master Fund in respect of 2014 Shares.

	30 June 2018 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Master Fund*				
Financial assets at fair value through profit or loss	–	11,602,160	23,759,462	35,361,622
Derivatives at fair value through profit or loss	–	34,281	–	34,281
Total	–	11,636,441	23,759,462	35,395,903

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only. From 1 April 2019, the Company no longer retained a direct investment in the Master Fund in respect of 2014 Shares.

	30 June 2018 (unaudited)			Total US\$
	Level 1 US\$	Level 2 US\$	Level 3 US\$	
Master Fund II				
Financial assets at fair value through profit or loss	–	11,684,508	406,656,734	418,341,242
Derivatives at fair value through profit or loss	–	87,830	–	87,830
Total	–	11,772,338	406,656,734	418,429,072



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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 2019 (unaudited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund II	369,081,843	NAV	Zero % discount	N/A
	369,081,843			

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2018 (audited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund	18,157,102	NAV	Zero % discount	N/A
Master Fund II	367,005,254	NAV	Zero % discount	N/A
	385,162,356			

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

The Master Fund II 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 2019 (unaudited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II					
<u>CLO Income Notes</u>					
United States of America	213,098,100	Prices provided by a third party agent	US\$0.4900 - US\$0.8100	US\$0.7472	10% increase/decrease will have a fair value impact of +/- US\$21,309,810
Europe	31,200,125	Prices provided by a third party agent	€0.9800	US\$0.9800	10% increase/decrease will have a fair value impact of +/- US\$3,120,013
<u>Limited Partnerships</u>					
Master Fund	80,901,768	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$8,090,177
Cycad	13,952,709	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$1,395,271
	339,152,702				



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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

The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund and Master Fund II's investments categorised in Level 3 as at 31 December 2018 (audited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund					
<u>CLO Income Notes</u>					
United States of America	18,258,270	Prices provided by a third party agent	US\$0.4600 - US\$0.8800	US\$0.6698	10% increase/decrease will have a fair value impact of +/- US\$1,825,827
Europe	443,041	Prices provided by a third party agent	€0.5600	€0.5600	10% increase/decrease will have a fair value impact of +/- US\$44,304
<u>Sub Fee Notes</u>					
United States of America	58,982	Prices provided by a third party agent	US\$0.0100 - US\$0.0160	US\$0.0131	10% increase/decrease will have a fair value impact of +/- US\$5,898
	18,760,293				

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II					
<u>CLO Income Notes</u>					
United States of America	221,589,079	Prices provided by a third party agent	US\$0.6900 - US\$0.8953	US\$0.7731	10% increase/decrease will have a fair value impact of +/- US\$22,158,907
Europe	28,668,405	Prices provided by a third party agent	€1.0000	€1.0000	10% increase/decrease will have a fair value impact of +/- US\$2,866,841
<u>Limited Partnerships</u>					
Master Fund*	100,846,199	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$10,084,619
Cycad	13,892,282	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$1,389,228
	364,995,965				

*Subject to the Master Fund's inputs detailed immediately above.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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 and Master Fund II (taking into account any rebates of such management fees to the Company) in respect of the same relevant period.

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

	For the six month period ended 30 June 2019 (unaudited) US\$	For the six month period ended 30 June 2018 (unaudited) US\$
Company investment advisory fee	1,726,711	2,287,624
Less: Master fund II rebate	(1,211,595)	(1,281,358)
Less: Master fund rebate	(505,815)	(857,166)
Net investment advisory fee	9,301	149,100

In circumstances where, as at the date the Net Asset Value per share of the 2017 Shares with respect to the last calendar month of a calendar quarter (the "Quarter End 2017 NAV") is published, the price of the 2017 Shares, adjusted for any dividends declared if required, traded at close in the secondary market below their then-prevailing Quarter End 2017 NAV, the Investment Adviser agrees to reinvest and/or procure the reinvestment by an associate of it of (a) 25% of the fee which it received with respect to that quarter from the Company pursuant to the Investment Advisory Agreement which is attributable to the Net Asset Value of the 2017 Shares and (b) 25% of Master Fund II Priority Profit Share which the General Partner received with respect to that quarter from the Master Fund and Master Fund II which is attributable to the Net Asset Value of the 2017 Shares by, in each case, using its best endeavours to purchase or procure the purchase of 2017 Shares in the Company in the secondary market. The obligation to purchase or procure the purchase of such 2017 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 2017 Shares did not trade at close in the secondary market at a discount to their then-prevailing Quarter End 2017 NAV; or (ii) where the 2017 Shares did trade at close in the secondary market at a discount to their then-prevailing Quarter End 2017 NAV and it is unable to purchase or procure the purchase of 2017 Shares in the secondary market at a discount to their then-prevailing Quarter End 2017 NAV despite having used its best endeavours to do so; or (iii) Master Fund II commitment period has already expired, and, in each 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 Loan Funding I

In June 2019, the Master Fund II invested US\$28,000,000 into the Fair Oaks Loan Funding I (the "Fair Oaks CLO"), for which the Investment Adviser to the Company acts as collateral manager. In addition, the Master Fund II acts as the retention holder for the Fair Oaks CLO. As retention holder, the Master Fund II is required to retain, on an ongoing basis, a material net economic interest in the securitisation under the Fair Oaks CLO of not less than 5%.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

6. RELATED PARTIES AND OTHER KEY CONTACTS *continued*

Transactions with Investment Adviser and Investment Portfolio Investor *continued*

Founder Partners

The Master Fund and Master Fund II also pay the Founder Partner 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 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 2019, US\$16,214,527 (31 December 2018: US\$17,727,677) carried interest was accrued at the Master Fund level, to be apportioned to and payable by all limited partners. At 30 June 2019, US\$nil (31 December 2018: US\$nil) carried interest was accrued at Master Fund II level.

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\$31,000 (31 December 2018: US\$31,000), payable quarterly in arrears for Administration and Accounting services.

The Administrator is also entitled to additional fees for assisting with reporting under Article 24 of the AIFM Directive and in relation to FATCA reporting.

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 and Master Fund II.

Directors' Fees

The Company's Board of Directors are entitled to a fee in remuneration for their services as Directors at a rate payable of £43,000 each per annum (31 December 2018: £43,000).

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

	For the six month period ended 30 June 2019 (unaudited) US\$	For the six month period ended 30 June 2018 (unaudited) US\$
CHARGE FOR THE PERIOD		
Investment adviser fee	9,301	149,100
Administration fee	73,030	58,676
Directors' fees and expenses	82,853	93,771
	30 June 2019 (unaudited) US\$	30 June 2018 (unaudited) US\$
OUTSTANDING FEES		
Investment adviser fee	–	21,356
Administration fee	2,378	2,643



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

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:

Name	30 June 2019 (unaudited)		31 December 2018 (audited)	
	No. of 2017 Shares	Percentage	No. of 2017 Shares	Percentage
Claudio Albanese (Chairman)	9,697	0.00%	9,697	0.00%
Jon Bridel	9,697	0.00%	9,697	0.00%
Nigel Ward	44,475	0.01%	44,475	0.01%

As at 30 June 2019, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 2,001,746 2017 Shares (31 December 2018: 1,976,446 2017 Shares), which is 0.44% (31 December 2018: 0.44%) of the issued 2017 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

On 9 February 2018, 73,799 2017 Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the LSE.

On 4 April 2018, 35,000,000 2017 Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the LSE. Following the issue, the Company has 453,348,737 2017 Shares in issue.

On 6 July 2018, the Company returned US\$6.5 million to 2014 shareholders by way of compulsory partial redemption of 7,165,688 2014 Shares at US\$0.9071 per share.

On 3 October 2018, the Company returned US\$12.5 million to 2014 shareholders by way of compulsory partial redemption of 14,068,640 2014 Shares at US\$0.8885 per share.

On 28 November 2018, the Company returned US\$3.0 million to 2014 shareholders by way of compulsory partial redemption of 3,324,818 2014 Shares at US\$0.9023 per share.

On 13 March 2019, the Company announced a final compulsory redemption of all 2014 Shares at a price equal to the NAV per 2014 Share as at 28 February 2019 less the dividend to be declared for the month ended 28 February 2019 (the "Redemption Price").

The consideration for the redemption was, as default, a US Dollar cash payment. This cash payment was funded by the Master Fund II acquiring at NAV the residual interest in the Master Fund owned by the Company in respect of 2014 Share class. There was also an option to receive an in specie distribution of a 2014 Shareholder's pro rata exposure to the Company's interest in the Master Fund. All holdings of 2014 Shares on the register at the close of business on the record date, being 1 April 2019, were redeemed.

On 15 March 2019, the Company announced the final Redemption Price per 2014 Share of US\$0.8155 being the NAV per 2014 Share as at 28 February 2019 of US\$0.8225 less the 0.70 US cent dividend declared for that month.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

8. SHARE CAPITAL *continued*

On 3 April 2019, the Company announced with regards to the final redemption of 2014 Shares, as noted above, that the rate per share to be used to pay shareholders who elected to receive their redemption proceeds in sterling will be GBP 0.6191 per share. The proceeds of the redemption were paid through CREST to holders of Shares in uncertificated form, and by cheque to holders of Shares in certificated form on 15 April 2019.

Furthermore, the Company notified that its issued share capital consists of 453,348,737 2017 Shares only, further to the final redemption of 21,942,137 2014 Shares effected on 1 April 2019. None of these 2017 Shares are held in Treasury, therefore, the total number of 2017 Shares with voting rights in the Company is 453,348,737. The 2014 Shares were disabled on CREST and the line of stock cancelled.

The Company's 2017 Shares (previously 2014 Shares also) is 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.

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.

Issued share capital

2017 Shares

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	453,348,737	439,888,273	418,274,938	406,185,791
Share capital issued during the period/year	–	–	35,000,000	33,627,207
Share capital issued for scrip dividend	–	–	73,799	75,275
Share capital at the end of the period/year	453,348,737	439,888,273	453,348,737	439,888,273



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

8. SHARE CAPITAL *continued*

Issued share capital *continued*

2014 Shares

	30 June 2019 (unaudited)		31 December 2018 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	21,942,137	22,716,434	46,501,283	44,713,419
Share redemptions	(21,942,137)	(17,866,496)*	(24,559,146)	(21,996,985)
Transfer of reserves on final 2014 share redemption	–	(4,849,938)	–	–
Share capital at the end of the period/year	–	–	21,942,137	22,716,434

*2014 Share redemption was a non-cash transactions for the Company which, in accordance with the 2014 Final Redemption, was completed via a cash redemption funded by the Master Fund II directly to the 2014 Shareholders and non-cash in specie distributions of 2014 Shareholders pro rata exposure to the Company's interest in the Master Fund.

9. EARNINGS PER SHARE

	For the period ended 30 June 2019 (unaudited)		For the period ended 30 June 2018 (unaudited)	
	2014 Shares* US\$	2017 Shares US\$	2014 Shares US\$	2017 Shares US\$
Weighted average number of shares	21,942,137	453,348,737	46,501,283	435,156,040
Total comprehensive (loss)/profit for the financial period	(199,760)	9,230,890	US\$1,526,124	US\$12,436,392
Basic and diluted (deficit)/earnings per share	(0.0091)	0.0204	US\$0.0328	US\$0.0286

*for the period from 1 January 2019 to the date 2014 shares were redeemed in full on 1 April 2019.

The weighted average number of shares as at 30 June 2019 and 30 June 2018 is based on the number of 2017 and 2014 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 II and agreed to become a Limited Partner and made a commitment to Master Fund II of US\$456,389,060 (31 December 2018: US\$433,996,752) of which US\$434,470,957 (31 December 2018: US\$429,120,957) had been called.

At 30 June 2019 and 31 December 2018, the Company had no other outstanding commitments.



Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2019

11. SUBSEQUENT EVENTS

On 2 July 2019, the Company declared a monthly dividend of 0.7 US cents per ordinary share in respect of the month ended 30 June 2019 to the 2017 Shares, which was paid on 25 July 2019. The ex dividend date was 11 July 2019.

On 24 July 2019, the Company announced a 25% reinvestment of management fees. The 2017 Shares were trading at a discount to the 28 June 2019 published quarter end NAV. The Company's 2017 prospectus stated that in the event that the 2017 Shares trade at discount to any quarter end NAV, calculated on the date that the relevant NAV is published, 25% of that quarter's investment management fees (in respect of the 2017 Shares) would be reinvested to purchase 2017 Shares in the secondary market. Accordingly, the Company was notified that, following the announcement dated 15 July 2019 regarding the NAV as at 28 June 2019, Fair Oaks Income Fund (GP) Limited has purchased 275,023 2017 Shares in the secondary market.

On 30 July 2019, the Company declared a monthly dividend of 0.7 US cents per ordinary share in respect of the month ended 31 July 2019 to the 2017 Shares, which was paid on 22 August 2019. The ex dividend date was 8 August 2019.

On 3 September 2019, the Company declared a monthly dividend of 0.7 US cents per ordinary share in respect of the month ended 31 August 2019 to the 2017 Shares, which will be paid on 26 September 2019. The ex dividend date is 12 September 2019.

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



Portfolio Statement (unaudited)

As at 30 June 2019

Security	Instrument	Par Value Master Fund II*	Valuation
AIMCO 2015-AX SUB	Subordinated Notes	US\$21,949,759	79.0%
ALLEG 2014-1X SUB	Subordinated Notes	US\$13,769,400	70.0%
AWPT 2014-3A SUB	Subordinated Notes	US\$17,873,740	35.0%
AWPT 2014-3 F	Class F Notes	US\$2,846,559	95.0%
AWPT 2014-3X FEE	Subordinated Fee Notes	US\$13,570,803	0.8%
AWPT 2015-4X FEE	Subordinated Notes	US\$12,809,514	50.0%
AWPT 2015-4X SUB	Subordinated Fee Notes	US\$12,809,514	0.7%
HARVT 7X SUB	Subordinated Notes	€4,038,141	55.0%
NEUB 2015-19X SUB	Subordinated Notes	US\$23,887,183	49.0%
NEUB 2015-20X SUB	Subordinated Notes	US\$25,155,634	64.0%
SHACK 2015-8X SUB	Subordinated Notes	US\$18,535,730	61.0%
SYMP 2013-12A F	Class F Notes	US\$8,605,875	94.9%
TICP 2015-1X SUB	Subordinated Notes	US\$14,232,793	33.0%
AIMCO 2017-AX SUB	Subordinated Notes	US\$27,080,000	64.0%
ALLEG 2017-2X SUB	Subordinated Notes	US\$39,875,000	75.0%
ARES 2015-35RX SUB	Subordinated Notes	US\$26,000,000	79.0%
AWPT 2017-6X SUB	Subordinated Notes	US\$30,050,000	70.0%
ELM 2014-1A SUB	Subordinated Notes	US\$6,324,243	74.0%
HLM 13X-2018 SUB	Subordinated Notes	US\$25,950,000	79.0%
HLM 13X-18 F	Class F Notes	US\$5,737,500	90.8%
MARNR 2015-1A SUB	Subordinated Notes	US\$6,537,420	77.0%
MARNR 2016-3A SUB	Subordinated Notes	US\$6,167,914	78.0%
MARNR 2017-4X SUB	Subordinated Notes	US\$28,890,000	76.0%
POST CLO 2018-1X SUB	Subordinated Notes	US\$39,282,500	75.0%
SHACK 2018-12X SUB	Subordinated Notes	US\$30,000,000	81.0%
WELF 2018-1X SUB	Subordinated Notes	US\$28,875,000	76.0%
FOAKS 1X SUB	Subordinated Notes	€28,000,000	98.0%
FOAKS 1X Z	Subordinated Fee Notes	€857,143	0.0%
FOAKS 1X M	Subordinated Fee Notes	€1,000,000	0.0%

*Master fund II holdings include investments held indirectly via Master Fund II's 66.20% interest in the Master Fund and its 14.96% interest in Cycad Investments LP.



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

Independent Auditor

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

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

Bookrunner, Broker and Financial Adviser

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT



Appendix

Alternative Performance Measures used in the Interim Condensed Financial Statements

- **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 from FOMC II LP at 100% (31 December 2018: 100%), FOIF LP at a weighted average percentage for the period of 64.51% (31 December 2018: 62.82%) and Cycad Investments LP at 14.96% (31 December 2018: 14.96%) 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.

	For the six month period ended 30 June 2019			For the year ended 31 December 2018		
	Company US\$	Master Funds* US\$	Total US\$	Company US\$	Master Funds US\$	Total US\$
Total expenses	344,938	2,118,673	2,463,611	927,725	4,744,807	5,672,532
Non-recurring expenses	(3,480)	(6,542)	(10,022)	–	–	–
Total ongoing expenses	341,458	2,112,131	2,453,589	927,725	4,744,807	5,672,532
Annualised Total ongoing expenses	692,401		4,975,333	927,725		5,672,532
Average NAV	381,723,532		381,723,532	414,820,038		414,820,038
Ongoing charges ratio (using AIC methodology)	0.18%		1.30%	0.22%		1.37%

**Master Funds* includes FOMC II LP, FOIF LP and Cycad Investments LP.

