FAIR OAKS INCOME LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018

Contents

Highlights

- Fair Oaks Income Limited's (the "Company") Net Asset Value ("NAV") per 2017 Share was up 3.11% and the NAV per 2014 Share was up 3.61% for the period ended 30 June 2018 on a total return basis (with dividends reinvested), outperforming the Credit Suisse US Leveraged Loan Index, which was up 2.30% and the Credit Suisse US High Yield Index, which was up 0.08%.
- As at 30 June 2018, the Company's total market capitalisation was US$479 million.
- The Company's 2014 and 2017 share prices closed at a mid-price of US$0.9950 and US$0.9550 respectively on 29 June 2018 and traded at an average annual premium to NAV of 12.68% and 3.34% respectively during the first half of 2018.
- On 3 April 2018, 35,000,000 new 2017 Shares were issued at US$0.973 per Share.

Financial Highlights	**30 June 2018 (unaudited)**	**31 December 2017 (audited)**
2017 Shares		
Total Net Assets	US$425,463,635	US$418,947,430
Net Asset Value per share	US$0.9385	US$1.0016
Share price at period/year end	US$0.9550	US$1.0513
Premium to Net Asset Value	1.76%	4.96%
Ongoing charges figure*	0.24%	0.37%
2014 Shares		
Total Net Assets	US$42,241,810	US$47,003,051
Net Asset Value per share	US$0.9084	US$1.0108
Share price at period/year end	US$0.9950	US$1.1100
Premium to Net Asset Value	9.53%	9.81%
Ongoing charges figure*	0.33%	0.31%

*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 year. Charges of the underlying Master Funds are not included.

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 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.

At 30 June 2018, the Company had direct holdings of 11.31% (31 December 2017: 11.31%) holding in the Master Fund and 100% (31 December 2017: 100%) holding in Master Fund II, which in turn had a holding of 62.82% (31 December 2017: 62.82%) in the Master Fund. The General Partner of the Master Fund and Master Fund II is Fair Oaks Income Fund GP Limited (the "General Partner" or "GP").

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.

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.

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.

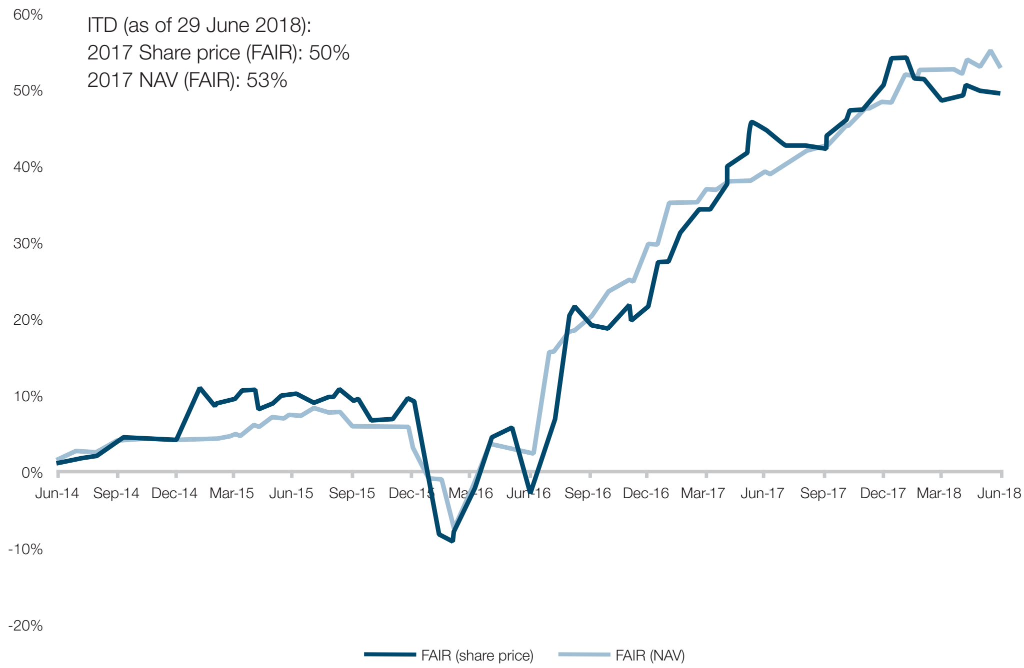
Chairman's Statement

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 2018. The first half of 2018 saw volatile credit markets with the Credit Suisse US Leveraged Loan Index and the Credit Suisse US High Yield Index generating returns of +2.30% and +0.08% respectively in the period. The Company's NAV for the 2017 and 2014 Shares outperformed the market generating a total return, in the first half of 2018, of +3.11% and +3.61% respectively (the Company's 2017 Share price total return was -0.54% while the 2014 Share price total return was +1.48% for the period).

The Company's 2017 Shares closed at a mid-price of 95.5 US cents on 29 June 2018. The Company's 2017 Shares traded at an average premium to NAV of 3.34% in the first half of 2018, and have traded at an average premium to NAV of 3.56% since inception[1].

Figure 1.1 – Historical 2017 NAV and Share price since inception



The Company's 2014 Shares closed at a mid-price of 99.5 US cents on 29 June 2018. The Company's 2014 Shares traded at an average premium to NAV of 12.68% in the first half of 2018, and have traded at an average premium to NAV of 4.87% since inception[1].

All positions are marked to market based on the liquidation value of the CLO portfolio from independent, third party valuations although the control equity investments invested via the Funds[2] (Master Fund and Master Fund II) are generally held to maturity.

Cash flow and dividends

The Company declared a 0.70 US cents per share dividend monthly from January to June, totalling 4.2 US cents per share in dividends during the first half of 2018.

The Company received US$10.0 million of income distributions from the Funds relating to the 2018 financial year. The Company also received US$3.4 million of principal distributions from the Master Fund and in May 2018, announced a return of capital by way of a fourth compulsory partial redemption of 2014 Share.

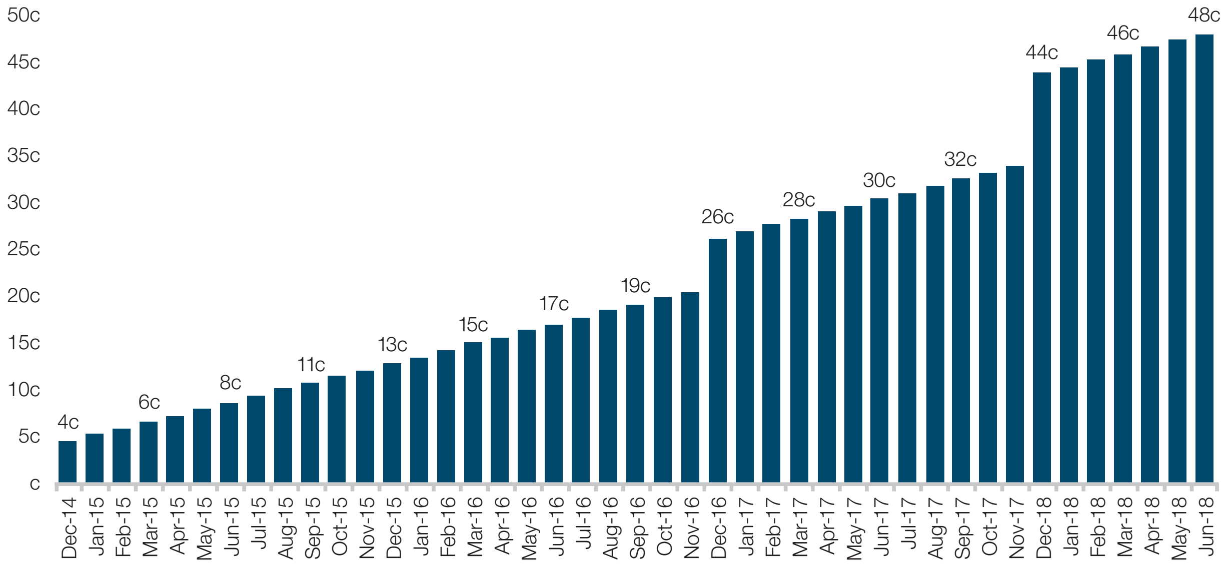
[1] Average premium of daily Share mid-price from Bloomberg over published NAV as at each date, adjusted for dividends

[2] FOIF LP ("Master Fund"), FOMC II ("Master Fund II"), together the "Funds" or the "Master Funds"

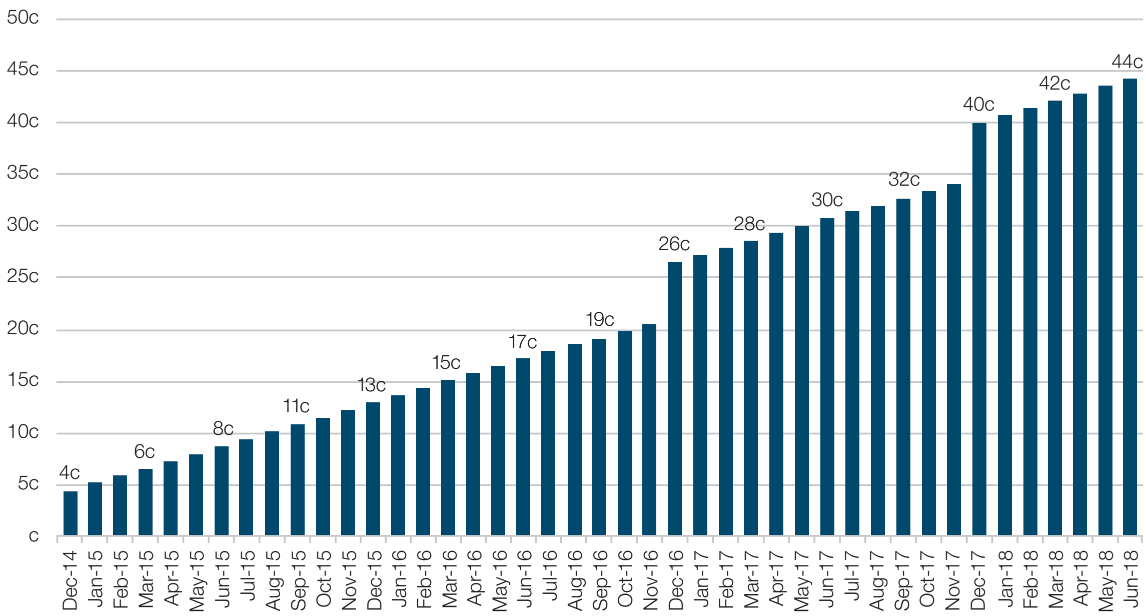
Chairman's Statement (continued)

Figure 1.2 – Total dividends per share since inception (US cents per share):

2014 Shares:



2017 Shares:



Portfolio Update

The 2017 Shares, as at 30 June 2018, via their investment in Master Fund II, had exposure to over 1,130 issuers[3] across 31 CLOs managed by 20 managers. Control CLO equity positions represented 83.7% of the portfolio and non-control equity positions represented 0.7% of the portfolio. CLO mezzanine debt investments represented an additional 15.3%, composed of 4.7% mezzanine investments in CLOs in which Master Fund owned a control equity position, and 10.6% where it did not[4].

[3] Based on the underlying loans in CLOs in which the Master Fund II holds equity

[4] Equity and mezzanine positions based on portfolio valuations as at 30 June 2018. Control equity positions include sub-ordinated fee notes where appropriate

Chairman's Statement (continued)

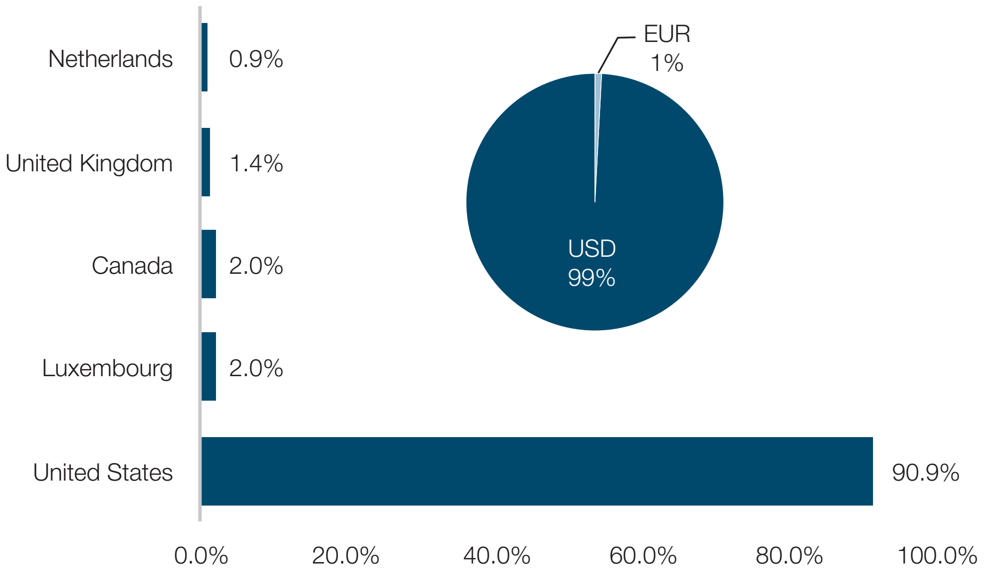
Portfolio Update continued

The 2014 Shares, as at 30 June 2018[5], via their investment in the Master Fund, had exposure to 22 CLOs managed by 16 managers. Control CLO equity positions represented 65.0%[5] of the portfolio and non-control equity positions represented 1.5% of the portfolio. CLO mezzanine debt investments represented an additional 32.8%, composed of 10.0% mezzanine investments in CLOs in which Master Fund owned a control equity position, and 22.8% where it did not.

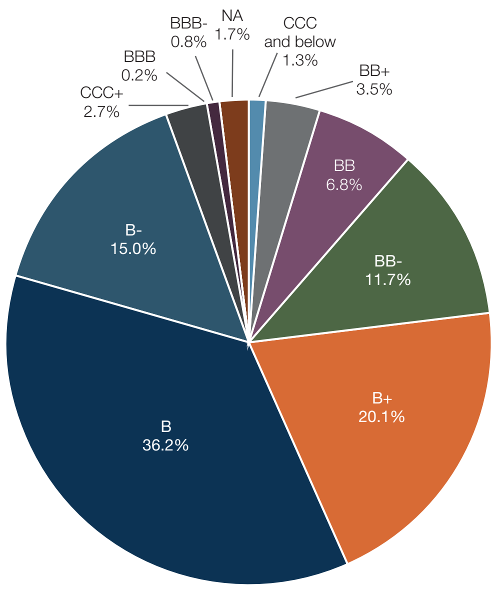
Figure 1.3 – Portfolio analysis:

2014 Shares:

Geographical (top five) and Currency Breakdown[6]



Rating Breakdown[6]



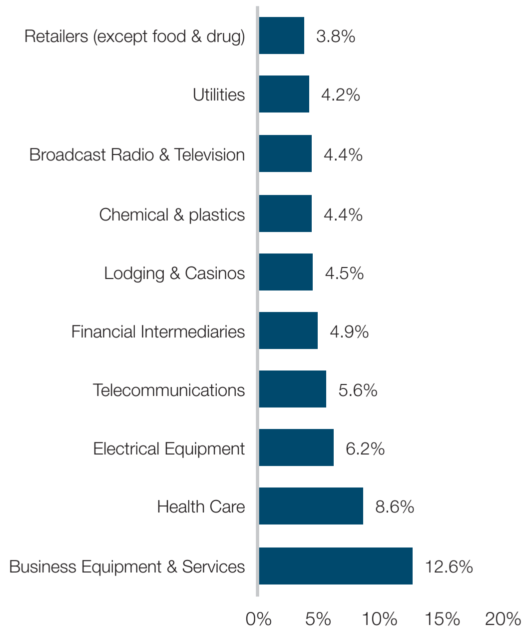
[5] Based on the underlying loans in CLOs in which the Master Fund holds equity
[6] Based on loan par value weighted by Master Fund's proportional ownership of income notes. Source: Intex

Chairman's Statement (continued)

Portfolio Update continued

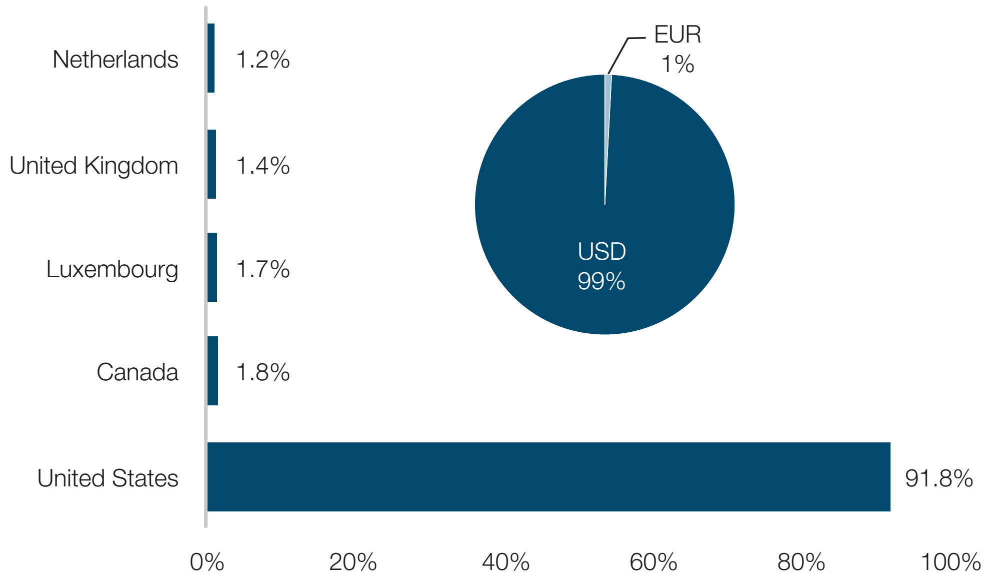
2014 Shares: continued

Industry Breakdown (top ten)[7]



2017 Shares:

Geographical (top five) and Currency Breakdown[8]



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

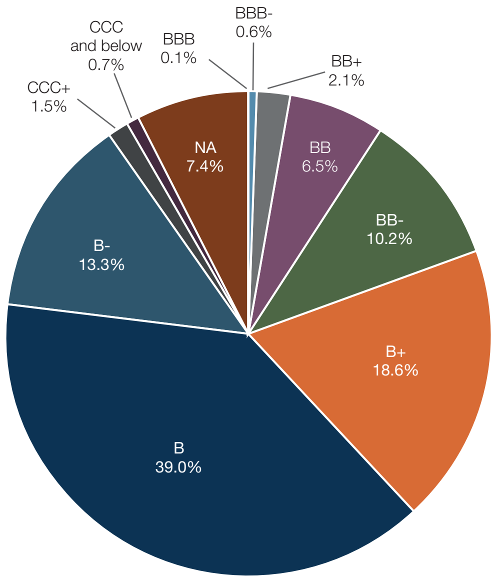
[8] Based on loan par value weighted by Master Fund II's proportional ownership of Income Notes. Source: Intex

Chairman's Statement (continued)

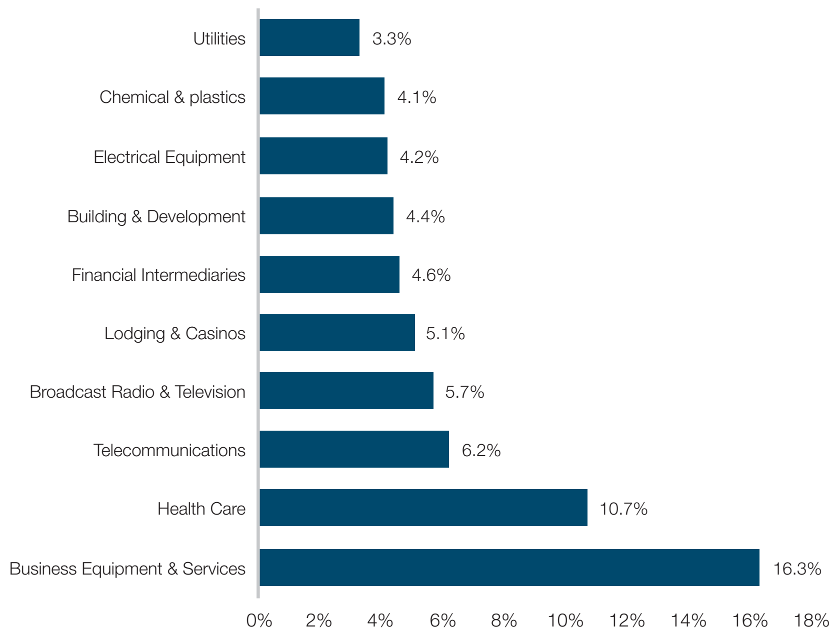
Portfolio Update continued

2017 Shares: continued

Rating Breakdown[9]



Industry Breakdown (top ten)[9]



Source: CLO trustee reports. Based on the Master Fund's equity positions and weighted by CLO size and Master Fund's equity ownership percentage

The Master Fund continued to see repayments at par of CLO mezzanine positions which contributed to the change in allocation between CLO subordinated and mezzanine notes in the period. Since December 2017, ten additional CLO mezzanine positions have been repaid at par and have (including all the realised mezzanine investments to date) generated a gross IRR of 32.4%[10].

9 Based on loan par value weighted by Master Fund II's proportional ownership of Income Notes. Source: Intex

10 Fair Oaks Capital, as of 29 June 2018

Chairman's Statement (continued)

Portfolio Update continued

Figure 1.4 – Asset composition (based on NAV as at 30 June 2018 and 31 December 2017)

	30 June 2018		31 December 2017		Change	
Portfolio:	**Master Fund**	**Master Fund II**	**Master Fund**	**Master Fund II**	**Master Fund**	**Master Fund II**
Subordinated Notes (control)	65.15%	83.74%	57.68%	70.06%	7.47%	13.68%
Subordinated Notes (no control)	1.52%	0.71%	1.32%	0.93%	0.20%	-0.22%
Mezzanine Notes (control)	10.03%	4.68%	8.35%	5.91%	1.68%	-1.23%
Mezzanine Notes (no control)	22.78%	10.63%	32.06%	22.69%	-9.28%	-12.06%
Other	0.52%	0.24%	0.59%	0.41%	-0.07%	-0.17%
	100.00%	100.00%	100.00%	100.00%		

	30 June 2018		31 December 2017		Change	
Portfolio:	**Master Fund**	**Master Fund II**	**Master Fund**	**Master Fund II**	**Master Fund**	**Master Fund II**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Subordinated Notes (control)	203,696,063	352,493,038	215,013,000	231,869,348	-11,316,937	120,623,690
Subordinated Notes (no control)	4,739,821	2,977,555	4,904,763	3,081,172	-164,942	-103,616
Mezzanine Notes (control)	31,372,066	19,707,932	31,133,278	19,557,925	238,788	150,007
Mezzanine Notes (no control)	71,211,130	44,734,838	119,513,608	75,078,448	-48,302,478	-30,343,610
Other	1,638,936	1,029,580	2,181,229	1,370,248	-542,293	-340,668
	312,658,016	420,942,943	372,745,878	330,957,141		

2014 Shareholders received US$6.5 million of principal from Master Fund in the form of compulsory principal redemptions while Master Fund II reinvested principal proceeds and invested new capital raised. In the first six months of 2018, Master Fund II acquired in the primary market US$121.6 million of equity notes, across four new CLO transactions.

Current opportunities

The Company continues to believe that investments in new issue control subordinated CLO notes are an effective way to invest in portfolios of higher quality senior secured loans to established borrowers using attractive long-term, non-recourse, non-mark-to-market financing at attractive levels. This combination of higher quality bank loans with CLO long-term financing has the potential to generate compelling risk-adjusted return for investors, and in its opinion, offers one of the most attractive relative value opportunities in the current market environment, particularly when compared to high yield bonds, other subordinated debt or direct lending.

The Company will continue to benefit from Master Fund II's ability to exercise a control position, optimising CLO investments, controlling their lifecycle and actively managing Master Fund II's credit risk. The Company believes this gives it the ability to generate a premium gross return above the market (non-control) gross return.

Chairman's Statement (continued)

Current opportunities continued

The Master Funds have a successful track record of optimising investments, independently negotiating transaction arrangement and CLO management fees:

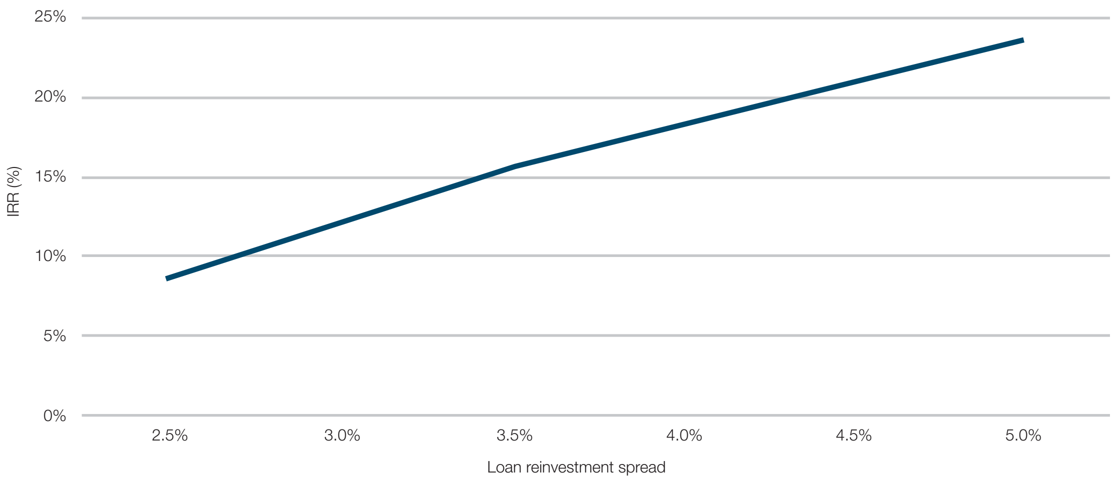
- The average upfront **arranger fee** paid by Master Fund to complete its control equity investments was 20 bps compared to an estimated 50-100 bps in the market.
- The average **management fee** paid to CLO managers in the underlying portfolio of Master Fund was 27 bps compared to an estimated 45-50 bps market standard.
- Active participation in the structuring of primary control equity investments at the inception of the CLO to ensure that the structure and documentation are supportive of the Fund's objectives.
- As an **independent, control CLO equity investor**, the Funds have the ability to unilaterally amortise or refinance CLO debt tranches and liquidate the CLO at the optimal point after the initial non-call period (typically three years).

The Company believes that the active monitoring of the portfolio and superior access to credit views and analysis have also enabled the Funds to outperform in terms of credit quality and maintain low defaults in its control equity positions. The twelve-month default rate in the US loan market by principal amount was 1.95%[11] while the annualised default rate of Master Fund and Master Fund II's control equity positions were significantly lower at 0.19% and 0.14%[12] respectively in June 2018.

Master Fund has continued (as a control equity investor) to direct the refinancing of the debt tranches of its CLO instruments. Refinancings reduce the cost of financing and further enhance the returns of the CLO equity held by Master Fund. This reduction in the cost of finance is never included in our base case given the uncertainty about the availability and cost of future CLO financing. Even in an unchanged market, this option will have incremental value to the Funds as it will allow the CLO to benefit from the term structure of the spreads of CLO financing, i.e., the spreads available reduce as the maturity of the CLO debt shortens.

As a final potential benefit, 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). Current CLO investments benefit from tight borrowing spreads, which have the potential to enhance the initial arbitrage should higher-spread assets become available in the future. Figure 1.5 highlights the impact of wider bank loan reinvestment spreads, all other variables unchanged, in the return of an illustrative CLO subordinated note.

Figure 1.5 – Impact of bank loan spread volatility in CLO subordinated note returns



The Company believes that the new investments announced by Master Fund II and future potential investments will continue to benefit from this approach of CLO origination and independent control. We remain optimistic about the potential for the Company to generate attractive risk-adjusted returns for the remainder of the year.

[11] Based on S&P/LSTA Leveraged Loan Index default rates as of 29 June 2018

[12] Master Fund II annualised default rate includes Master Fund II's Share of the Master Fund from inception in June 2014

Chairman's Statement (continued)

Material events

On 2 February 2018, the Company announced that application had been made to the London Stock Exchange for 73,799 2017 Shares to be admitted to trading on the Specialist Fund Segment of the Main Market. The new 2017 Shares were issued pursuant to the Company's scrip dividend alternative in respect of the dividend for the quarter ended 31 December 2017 and rank pari-passu with the existing issued 2017 Shares. Dealings in the new 2017 Shares commenced at 8.00 a.m. on 9 February 2018. Following admission, there was 418,348,737 2017 Shares in issue.

On 14 March 2018, the Company announced, in light of the current pipeline of investment opportunities and an investor commitment received for 22.5 million 2017 Shares, that new 2017 Shares ("New Shares") were being made available, conditional on the result of an EGM of the Company convened for 29 March 2018. The proceeds of this placing were intended to be used as funding for a newly originated opportunity to make a primary investment of approximately US$35 million in a CLO equity security.

On 3 April 2018, the Company announced, that following the reconvened EGM from 29 March 2018, that it had resolved, to issue 35 million new 2017 Shares (the "New Shares") at an issue price of US$0.973. The New Shares were admitted to trading on the Specialist Fund Segment of the Main Market on 4 April 2018. Following the issue, the Company has 453,348,737 2017 Shares in issue.

Subsequent events

On 6 July 2018, the Company returned US$6,500,000 (equivalent to 13.978 cents per share) by way of a compulsory partial redemption of 2014 Shares (the "Fourth Redemption") The Fourth Redemption was effected at 90.71 cents, being the NAV per 2014 Share as at 31 May 2018 (less the monthly interim dividend of 0.7 US cents declared on 5 June 2018). The Company's issued share capital consists of 39,335,595 2014 Shares further to the Fourth Redemption of 7,165,688 2014 Shares effected on 6 July 2018, as well as 453,348,737 2017 Shares.

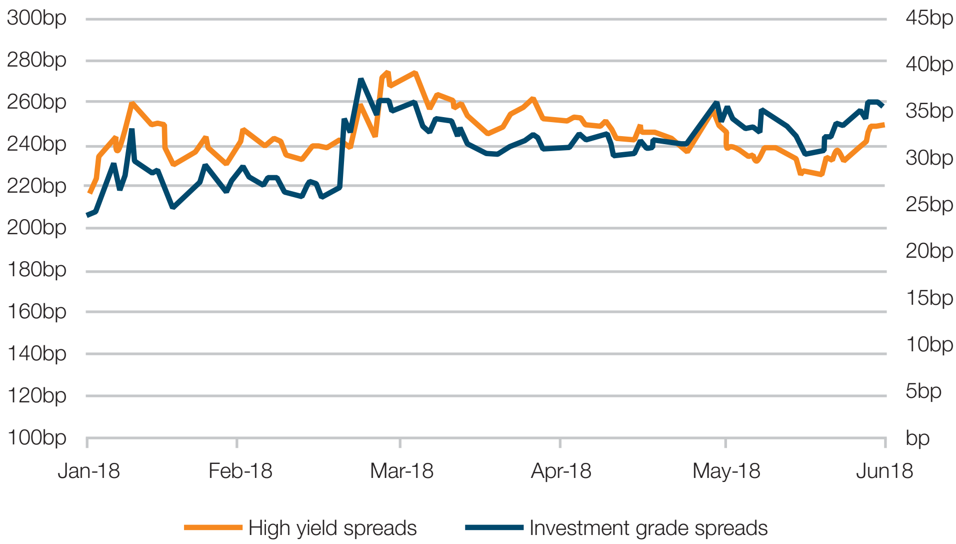
Professor Claudio Albanese
Chairman

21 August 2018

Investment Adviser's Report

Despite robust economic growth in the US, which has benefited from tax changes, and moderate growth in Europe, concerns over trade wars, interest rates and economic weakness in emerging markets have caused volatility in credit markets during the course of the first half of 2018.

Figure 2.1 – US high yield and investment grade spreads in H1 2018[1]

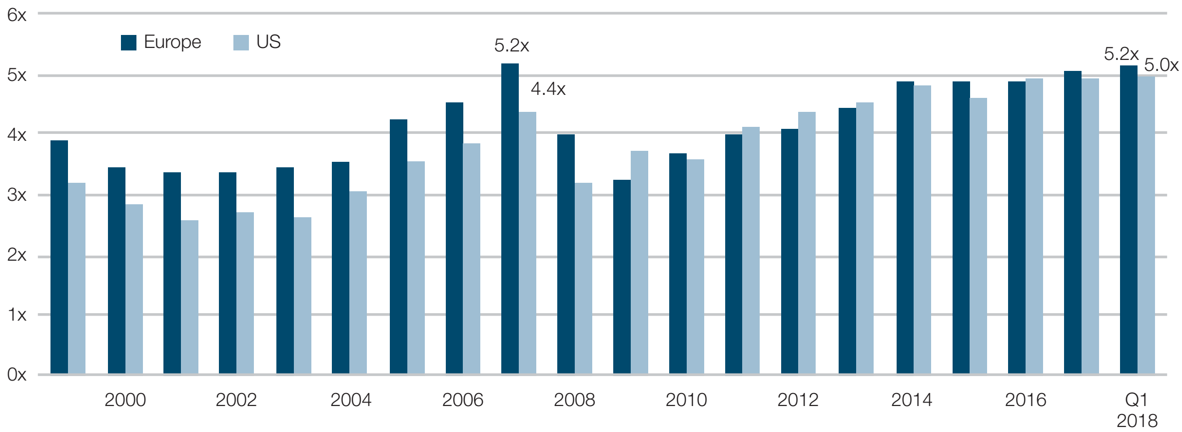


Master Fund II's thesis, when it was launched in April 2017, was that the key risk to credit markets was mark-to-market volatility rather than fundamental deterioration and credit losses. We believed that CLOs offered an attractive way to buy senior secured bank loans with effective long-term, non-mark-to-market financing in a structure that can benefit from market volatility as it reinvests. Furthermore, Fair Oak's ability to originate investments in a cost-efficient way would allow Master Fund II to focus on higher quality loan issuers, which we considered better relative value (despite the lower yields) as investors focused on higher-yielding, riskier credit investments.

Loan Market

Figures 2.2 and 2.3 below illustrate historic leverage multiples and interest coverage in Europe and the US. Senior secured bank loan leverage has increased both in Europe and the US. In Europe it is just below the levels seen in 2007 whilst the US is above those levels.

Figure 2.2 – Senior debt / EBITDA

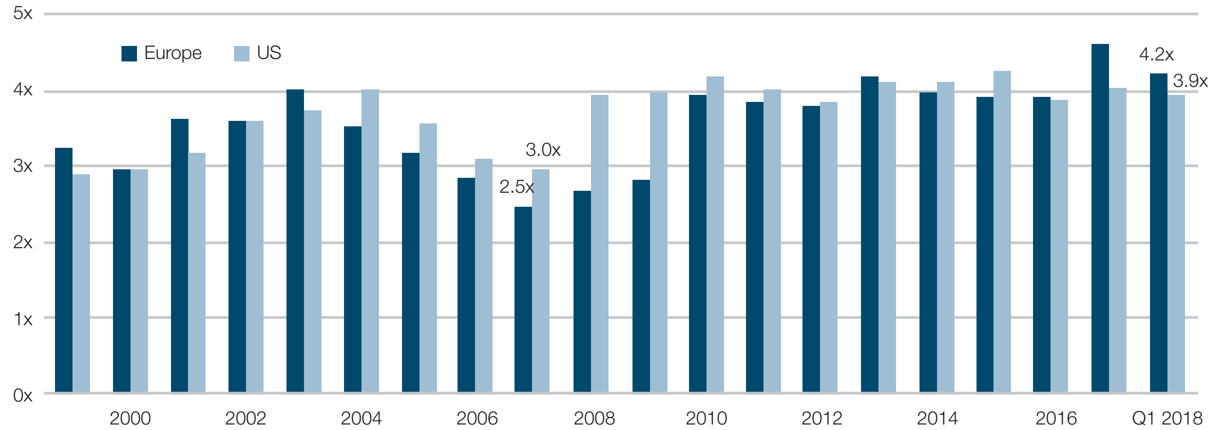


[1] JP Morgan

Investment Adviser's Report (continued)

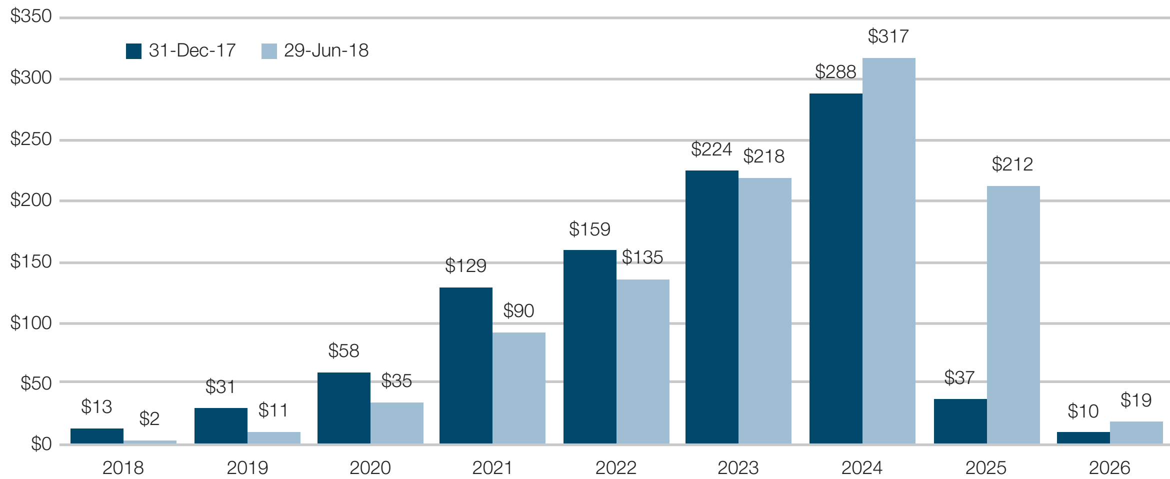
A key difference between today and the pre-crisis period is the higher cash interest coverage ratios. As at the end of June 2018, the average interest coverage ratios stood at 3.9x in the US and 4.2x in Europe compared to a 3.0x and 2.5x, respectively, in 2007.

Figure 2.3 – EBITDA/cash interest



A second key support for the default rate staying relatively low is the maturity breakdown of the loan market. Figure 2.4 below illustrates the relatively low volume of loan maturities in the near term. As at June 2018, the volume of S&P LSTA Index loans due by year end 2020 totaled US$35 billion, down from US$58 billion at year end 2017. In the Adviser's view, the healthy interest coverage levels combined with the lower level of upcoming maturities lend support to an outlook of limited default risk.

Figure 2.4 – US loan market – maturity wall (US$ billion)

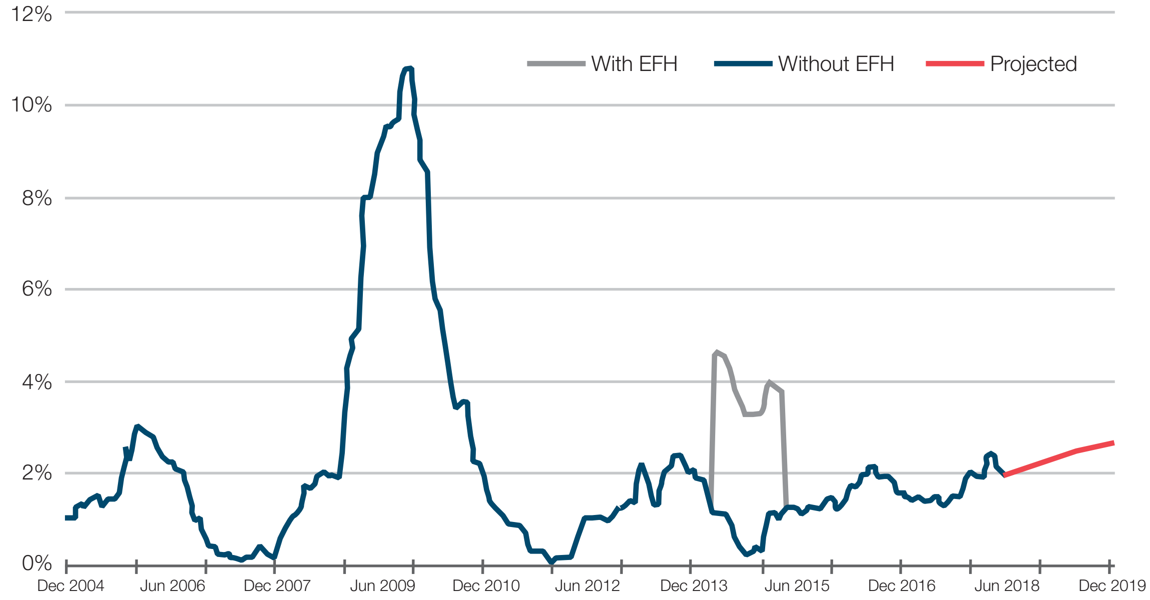


According to S&P Global Market Intelligence's quarterly survey published in June 2018[2] and shown in figure 2.5 below, market participants expect the US leveraged loan default rate to reach 2.65% by December 2019. Despite the survey's respondents raising their one-year-out default prediction, by an average of 0.04%, the 12-month default rate has so far fallen from 2.05% in December 2017 to 1.95% in June 2018[3].

[2] LCD default survey: "Idiosyncratic risk still seen as default driver", 28 June 2018
[3] S&P Global Intelligence. Based on S&P/LSTA Leveraged Loan index as at 29 June 2018

Investment Adviser's Report (continued)

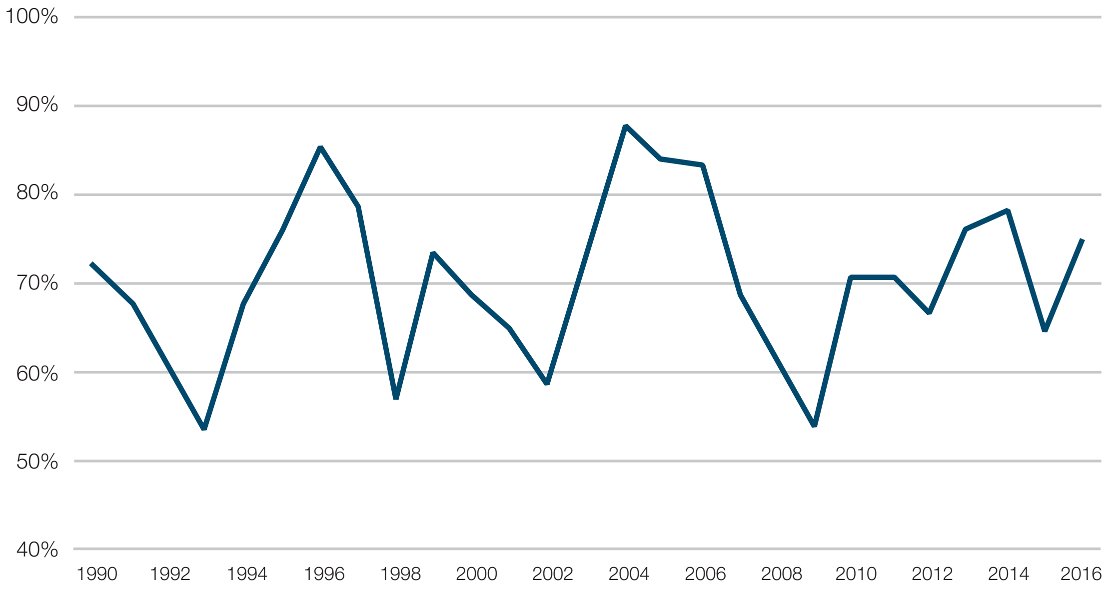
Figure 2.5 – Lagging – 12-month leveraged loan default rate by amount (forecasts through December 2019)[4]



Fair Oaks Capital expects loan market default rates to increase moderately towards their historical average, driven primarily by retail sector and other idiosyncratic risks leading to company-specific defaults (as opposed to a broader systemic trend).

Figure 2.6, below, highlights the historical recoveries, based on post-default trading prices (rather than ultimate recovery) for first lien loans, senior secured bonds and senior unsecured bonds.

Figure 2.6 – US loan market – historical recovery rates[5]



[4] LCD default survey: "Idiosyncratic risk still seen as default driver", 28 June 2018
[5] Moody's Annual Default Study: Corporate Default and Recovery Rates 2017

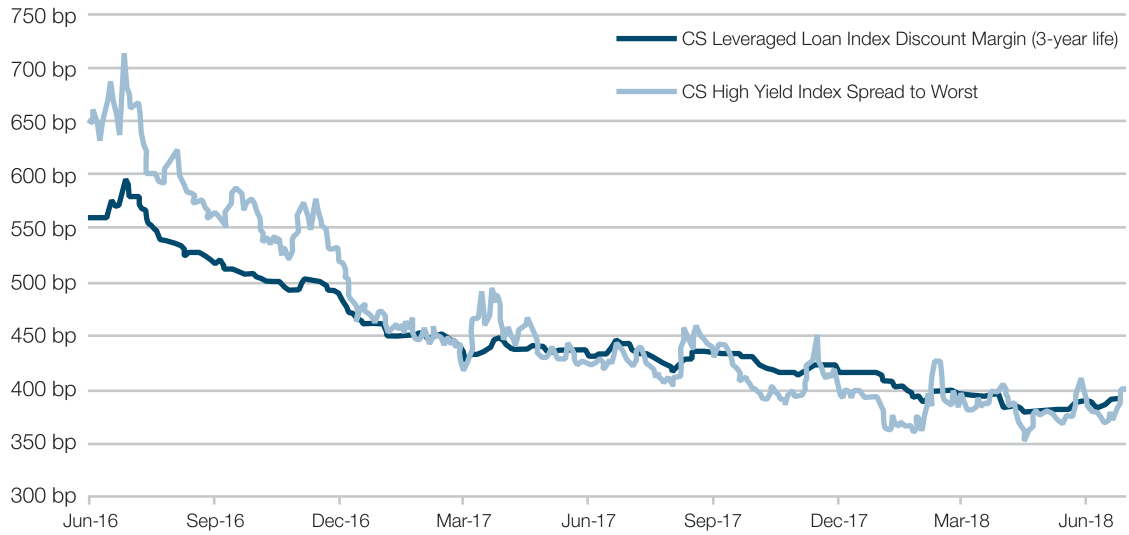
Investment Adviser's Report (continued)

A key area of focus in order to assess future recoveries has been the increase in the number of covenant-lite loans issued in recent years. Covenant-lite loans now make up 75% of the US market, compared with 24% in 2012. In Europe, 72% of leveraged loans are covenant-lite[6]. A number of research and press reports have explored whether covenant-lite loans may benefit from a longer time to default at the expense of lower recoveries.

Covenant-lite loans suffered lower default rates than covenanted loans over the course of the global financial crisis and, surprisingly, they benefitted from higher recovery rates between 2008 and 2011[7]. Fair Oaks believes that this data reflects, however, positive bias in that the pre-2008 covenant-lite loans which defaulted tended to originate from larger, more stable companies. Loans being covenant-lite will, however, reduce the benefit of potential amendment fees or higher coupons offered to renegotiate covenant levels and will also restrict the ability of the lender to get control of a deteriorating situation earlier.

Despite our balanced assessment of loan market fundamentals, we continue to believe that, in today's market, credit investors are often not being rewarded for taking incremental credit risk. High yield debt continues to offer a negligible premium to senior secured loans, despite being lower in the capital structure and having a far lower recovery rate (between 1920 and 2016, the average recovery for first lien loans was 80% compared to c.10% for senior unsecured bonds[8]).

Figure 2.7 – Spread differential high yield vs bank loans – US



CLO Financing

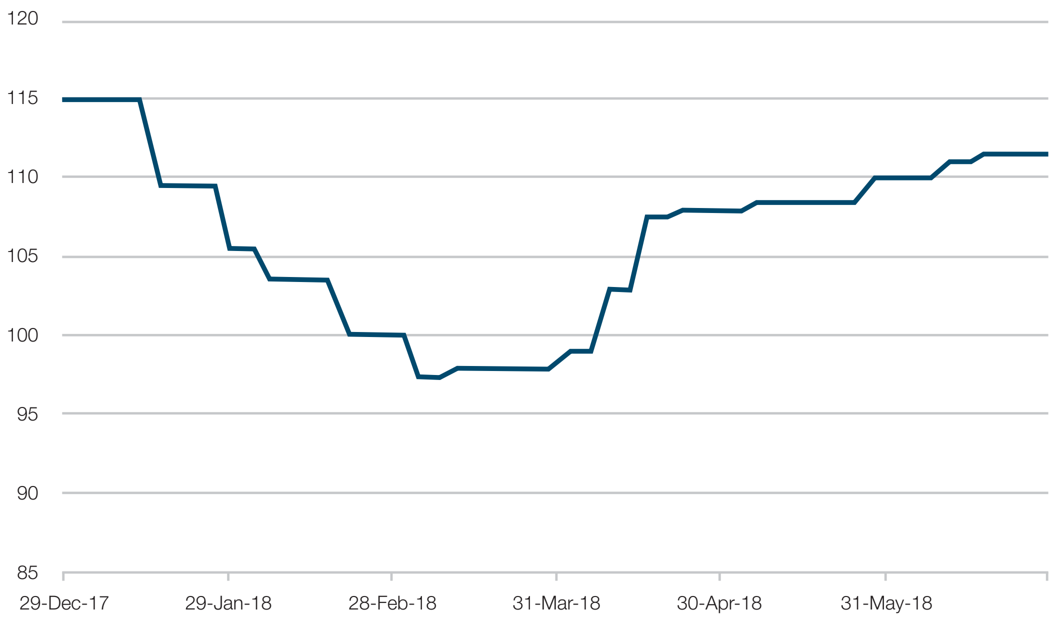
There was US$68.1 billion of new US CLO issuance and €13.3 billion new European CLO issuance in the first half of 2018, compared with US$52.5 billion and €8.4 billion in the first half of 2017. The pace of refinancing and resets has slowed with the total reaching US$85.3 billion in H1 2018 (US$74.1 billion in the US and €9.3 billion in Europe) compared to US$115.3 billion in H1 2017 (US$100.2 billion in the US and €13.8 billion in Europe)[9].

New issue spreads for US CLO AAA rated liabilities, which are typically 65-70% of the debt issued by a CLO, continued to tighten during Q1, reaching US Libor + 0.97% at the beginning of March. The high level of new issuance then caused them to widen to Libor + 1.12% by the end of June[9]. US CLO spreads in AA to B rated new issue CLO debt also widened in Q2 and the weighted average cost of funding increased by 7 bps to Libor + 1.59 (compared to Libor + 1.52% in December 2017[10]).

6 LPC, October 2017
7 Recovery rate for first lien loans that emerged from default between Q4 2008 and Q1 2011 was 89.6c for covenant-lite loans and 81.5c for covenant-heavy loans. Source: Moody's, "Covenant-lite Defaults and Recoveries: Seeing where it Hurts", 7 June 2011 and S&P Capital IQ
8 Moody's, "Annual default study: corporate default and recovery rates, 1920-2016", based on ultimate recovery
9 JP Morgan: YTD CLO Issuance packs (2018-06-29 and 2017-06-30)
10 Weighted average cost of funding of the most recent deal, Shackleton XII, compared with last deal that priced in 2017, Allegro VI

Investment Adviser's Report (continued)

Figure 2.8 – Primary AAA US CLO Spreads to 3M Libor[11]



Fair Oaks believes that the arbitrage achievable from investing in control CLO subordinated notes continues to be as attractive as it was in the past. Figure 2.9 below compares Master Fund's first investment with the last investments closed in 2017 and 2018. While the portfolio yield is 38 bps lower in the recent investment, this has been more than offset by the cost of CLO funding being 72 bps lower, resulting in a net increase in CLO arbitrage (defined as the difference between loan spreads and CLO funding spreads) of 34 bps.

Figure 2.9 – Historical arbitrage

	First CLO Control Investment	Last 2017 CLO Control Investment	Latest 2018 CLO Control Investment
	AWPT 2014-3	Mariner 2017-4	Shackleton XII
Trade date	14-Aug-14	03-Oct-17	15-Jun-18
Initial average loan portfolio spread	3.74%	3.47%	3.36%
		(-27 bps)	(-38 bps)
AAA Spread	1.55%	1.22%	1.07%
AA Spread	2.35%	1.72%	1.70%
Weighted average cost of funding	2.32%	1.82%	1.60%
		(-50 bps)	(-72 bps)

[11] JP Morgan CLOIE AAA post-crisis Index

Investment Adviser's Report (continued)

New investments

To illustrate the previous point, the table below shows the four new investments completed by Master Fund II in H1 2018. Fair Oaks believes that they highlight the opportunity to combine portfolios of higher quality senior secured loans with attractive long-term, non-recourse, non-mark-to-market financing and an efficient origination process to generate attractive base case target returns:

	CLO1	CLO2	CLO3	CLO4
Manager	Alleg 2017-2X	Post 2018-1	WELF 2018-1	Shackleton XII
Weighted average loan portfolio price	99.3%	99.3%	99.4%	99.4%
Weighted average loan portfolio spread	3.39%	3.35%	3.36%	3.36%
AAA CLO debt spread	1.13%	1.05%	1.10%	1.07%
Weighted average CLO cost of financing	1.52%	1.61%	1.57%	1.60%
Potential total return IRR (%) per annum	16-17%	14-15%	14-15%	14-15%

Portfolio review

Fair Oaks is a research-driven investment adviser with a focus on fundamental corporate credit analysis. Fair Oaks believes that a focus on portfolio and manager due diligence has been critical to the Funds' ability to avoid defaults. The annualised default rate of the Company's majority controlled CLOs since inception in June 2014 to June 2018 of 0.14%[12] compares very favourably to a US loan market 12-month default rate of 1.98%[13].

Figure 2.10 compares Master Fund II's key metrics, as at the end of June 2018, with the broader loan market. The average concentration of Caa1-rated loans in Master Fund II's portfolio is 2.17%, significantly lower than loan market average of 5.93%[14]. Similarly, the weighted average bid price of the loans in the Master Fund II's portfolio was 98.9c in June 2018[12], compared to an average across the loan market of 97.9c for the loan market measured by the CS leveraged loan index. The average concentration of loans with a current bid price below 80 cents in the Fund's portfolio was 0.64%[12] at the end of June, below the loan market average (1.80%)[14]. While not all loans trading below 80 will default, this measure is indicative of exposure to loans deemed unattractive by the market, most of which do have a higher probability of default in the medium term.

Figure 2.10 – Key portfolio metrics

	Leveraged Loans[14]	Master Fund II[12]
Defaults	1.98%[13]	0.14%
Caa1 exposure	5.93%	2.17%
Priced below <80	1.80%	0.64%
Average loans price	97.9	98.9%
Weighted average rating factor	2797	2802
% Retail	4.5%	3.3%
% Oil and gas	3.3%	1.8%

[12] Master Fund II statistics calculated by Fair Oaks Capital as at 29 June 2018. Annualised default rate includes Master Fund II's share of Master Fund from inception in June 2014
[13] S&P LSTA Index as at 29 June 2018
[14] CS Leveraged Loan Index. WARF and Caa1 exposure data from Intex

Investment Adviser's Report (continued)

Portfolio review continued

We believe that the current Master Fund II portfolio metrics suggest that its portfolio may continue to benefit from fewer loan defaults. CCC exposure and average portfolio price are indicative of the higher average credit quality and lower incidence of credit stress. We believe that this is a result of the initial portfolio selection and active monitoring undertaken by Fair Oaks Capital and should continue to support fundamental performance in the future.

H1 2018 – Topics of interest

Refinancing of CLO liabilities

As discussed by the Chairman, the Funds can (as control equity investors) direct the refinancing of the debt tranches of its CLOs to enhance the returns of the CLO equity. This reduction in the cost of finance is not included in the Adviser's base case given the uncertainty about the availability and cost of future CLO financing. Fair Oaks believes that even in an unchanged market, this option will add value to the Fund as it will allow the CLO to benefit from the term structure of the spreads of CLO financing, i.e., the spreads reduce as the maturity of the CLO debt shortens.

Refinancing a CLO does not change any of the terms of the transaction other than the CLO's cost of debt. A reset typically includes an extension of the reinvestment period and maturity, which will result in higher CLO debt spreads than a refinancing (due to the longer maturity) and higher arranger fees. A further benefit of a refinancing over a reset is that it can be more selective and does not need to include all debt tranches (excluding, for example, lower rated notes originally issued at a discount to par). A reset requires repaying all CLO notes at par. Although CLO managers and arrangers generally prefer resets (as they extend AUM and fees), Fair Oaks reviews each investment to ensure that the decision maximises the ultimate expected return on the investment and, to date, refinancing has been the preferred option (92% of the CLOs in which Master Fund holds majority equity has been refinanced to date).

First call of a primary investment – Ares XXXV

The Chairman also mentioned in his report the advantages of control investing in order to execute an optimal call on CLO investments. The optimal point to call or liquidate a CLO occurs once the CLO starts to repay its debt tranches and the cost of finance rises sufficiently to restrict cash flows to the equity notes (repayment of CLO debt tranches starts with the cheapest AAA notes). The CLO will start to repay the debt tranches either once the control equity investor elects to call the CLO or the re-investment period finishes. The Company estimates that, given average historical prepayment rates, a CLO should be called once c.50% of the AAA CLO notes have been repaid through amortisation.

As an example, in June, Master Fund directed the call of Ares XXXV CLO, in which it holds the majority equity. Ares XXXV CLO was acquired in September 2015 and ended its reinvestment period in October 2017. Fair Oaks estimates that the total return generated for this investment will be 17% p.a., above the 15-16% expected at the time of investment, and that a delay of 12 months in executing the Ares XXXV CLO call would have reduced the realised IRR to 14% while holding the asset to maturity would have resulted in a total return of 9%[15].

1m vs 3m Libor

The widening of the difference between one-month and three-month USD Libor affected cash flows from CLO equity investments briefly in H1 2018. This difference reached a high of 47bps in April 2018, compared to the average difference of 15bps during 2017[16]. This was negative for CLO equity investors as loan borrowers can typically opt to switch from three-month to one-month Libor (and c.60% of the US broadly syndicated loan market did so, vs. 25% two years ago) while CLOs do not have this flexibility and continue to pay interest based on three-month Libor. According to Nomura, the potential impact of each additional 10% of borrowers switching to one-month Libor was estimated to reduce annualised CLO equity distributions by 0.45%[17]. The Company commented in the April factsheet that it expected that the capital flows which have contributed to the widening were temporary in nature and were likely to affect a very limited number of CLO equity distributions. As at the end of June, three-month USD Libor was 24.5 bps wider than one-month Libor, reducing the impact.

[15] Expected return from inception, calculated as of 19 June 2018
[16] Source: Bloomberg
[17] S&P LCD News: CLO market hits snag over differing reference rates, published 19 April 2018

Investment Adviser's Report (continued)

Risk management

The Master Funds continue to benefit from an experienced and dedicated team of research analysts who monitor the underlying portfolios of the CLO investments. Close relationships with the CLO managers help to monitor and forecast the performance of the underlying portfolios of the CLO investments, as well as serving as ongoing due diligence of the CLO managers.

Outlook

We continue to believe that new issue CLOs are an effective way to invest in portfolios of higher quality senior secured loans to established borrowers using attractive long-term, non-recourse, non-mark-to-market financing at attractive levels, with additional value added via Fair Oaks' involvement to ensure an efficient origination process.

Fair Oaks believes that the Company's current CLO investments, implemented via the Funds, are well positioned to continue to generate attractive returns, given the quality of the underlying portfolios and the continuous active monitoring and management of the underlying credit risk.

The Funds will also continue to benefit from the optionality inherent in the funding of its control CLO equity investments. We expect to continue to optimise the CLO liabilities of additional CLO positions, increasing the future cash distributions to the CLO equity and to focus on calling existing investments at an optimal point after the end of their reinvestment periods.

We further expect to continue to source new primary investment opportunities for Master Fund II, taking advantage of the current attractive funding levels for new issue CLOs.

Fair Oaks Capital Limited
21 August 2018

Statement of Principal Risks and Uncertainities

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 2017. 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, along with the Master Fund 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 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 DTR of the UK's FCA, being an indication of important events that have occurred during the six month period ended 30 June 2018 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 2018 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
21 August 2018

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 (the "Financial Statements") in the half-yearly financial report for the six months ended 30 June 2018 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 2018 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 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.

Dermot Dempsey
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
21 August 2018

Unaudited Condensed Statement of Comprehensive Income

For the six month period ended 30 June 2018

	Note	1 January 2018 to 30 June 2018 (unaudited) US$	1 January 2017 to 30 June 2017 (unaudited) US$
Income			
Net gains on financial assets at fair value through profit or loss	5	14,223,162	22,868,031
Investment income		121,662	1,322
Net foreign exchange gain		190,876	186,156
Total income		**14,535,700**	**23,055,509**
Expenses			
Investment advisory fees	6	149,100	93,908
Audit and interim review fees		21,184	73,135
Administration fees	6	58,676	76,637
Directors' fees and expenses	6	93,771	108,004
Legal and professional fees		55,593	428,989
Other expenses		194,860	268,108
Share re-designation costs		–	877,172
Total operating expenses		**573,184**	**1,925,953**
Profit and total comprehensive income for the period		**13,962,516**	**21,129,556**
Basic and diluted earnings per 2017 Share	9	**0.0286**	**0.0671**
Basic and diluted earnings per 2014 Share	9	**0.0328**	**0.0712**

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

The accompanying notes on pages 24 to 43 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 2018

	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**

	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 2017		–	299,112,959	–	12,570,936	311,683,895
Conversion of C Shares to 2017 Shares during the period, net of issue costs	8	67,989,374	–	–	–	67,989,374
Conversion of ordinary shares into 2017 Shares during the period, net of issue costs	8	253,488,546	(253,488,546)	–	–	–
Total comprehensive income for the period		–	–	17,750,934	3,378,622	21,129,556
Transfer brought forward retained earnings from 2014 Shares to 2017 Shares		–	–	10,653,868	(10,653,868)	–
Dividends declared during the period	4	–	–	(26,868,690)	(4,748,310)	(31,617,000)
At 30 June 2017		**321,477,920**	**45,624,413**	**1,536,112**	**547,380**	**369,185,825**

The accompanying notes on pages 24 to 43 form an integral part of the Unaudited Condensed Financial Statements.

Unaudited Condensed Statement of Financial Position

At 30 June 2018

	Note	30 June 2018 (unaudited) US$	31 December 2017 (audited) US$
Assets			
Cash and cash equivalents		38,088,022	54,580,314
Prepayments		48,958	125,921
Distribution receivable		2,935,287	28,980,964
Financial assets at fair value through profit or loss	5	426,692,462	382,307,248
Total assets		**467,764,729**	**465,994,447**
Liabilities			
Trade and other payables		59,284	43,966
Total liabilities		**59,284**	**43,966**
Net assets		**467,705,445**	**465,950,481**
Equity			
Retained earnings		(16,896,247)	15,051,271
Share capital	8	484,601,692	450,899,210
Total equity		**467,705,445**	**465,950,481**
Total Net Assets attributable to 2017 Shareholders		**425,463,635**	**418,947,430**
Number of 2017 Shares	8	**453,348,737**	**418,274,938**
Net asset value per 2017 Share		**0.9385**	**1.0016**
Total Net Assets attributable to 2014 Shareholders		**42,241,810**	**47,003,051**
Number of 2014 Shares	8	**46,501,283**	**46,501,283**
Net asset value per 2014 Share		**0.9084**	**1.0108**

The Unaudited Condensed Financial Statements on pages 20 to 43 were approved and authorised for issue by the Board of Directors on 21 August 2018 and signed on its behalf by:

Jon Bridel
Director

The accompanying notes on pages 24 to 43 form an integral part of the Unaudited Condensed Financial Statements.

Unaudited Condensed Statement of Cash Flows

For the six month period ended 30 June 2018

	Note	1 January 2018 to 30 June 2018 (unaudited) US$	1 January 2017 to 30 June 2017 (unaudited) US$
Cash flows from operating activities			
Profit for the year		13,962,516	21,129,556
Adjustments for:			
Net gains on financial assets at fair value through profit or loss		(14,223,162)	(22,868,031)
Net foreign exchange gains		(190,876)	(186,156)
		(451,522)	**(1,924,631)**
Decrease in prepayments		76,963	19,908
Decrease in trade and other payables		15,318	(38,055)
Income distributions received from Master Fund		4,913,128	11,711,963
Income distributions received from Master Fund II		31,116,862	7,146,403
Capital distributions received from Master Fund	5	3,353,635	910,994
Purchases into Master Fund II during the period	5	(43,500,000)	(48,693,600)
Net cash flow used in operating activities		**(4,475,616)**	**(30,867,018)**
Cash flows from investing activities			
Purchase of US Treasury Bills during the period		–	(49,969,000)
Proceeds from sale of US Treasury Bills during the period		–	50,000,000
Net cash flow from financing activities		**–**	**31,000**
Cash flows from financing activities			
Proceeds from 2017 share issuance, net of costs	8	33,627,207	–
Proceeds from C share issuance, net of costs	8	–	67,989,374
Dividends paid during the period	4	(45,834,759)	(28,954,528)
Net cash flow (used in)/from financing activities		**(12,207,552)**	**39,034,846**
Net (decrease)/increase in cash and cash equivalents		(16,683,168)	8,198,828
Cash and cash equivalents at beginning of period		54,580,314	12,200,459
Effect of foreign exchange rate changes during the period		190,876	186,156
Cash and cash equivalents at end of period		**38,088,022**	**20,585,443**

The accompanying notes on pages 24 to 43 form an integral part of the Financial Statements.

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2018

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") (previously Specialist Fund Market) of the London Stock Exchange ("LSE") on 12 June 2014. On 5 April 2017, 47,428,202 2014 Shares, 263,510,368 2017 Shares and 68,850,000 C Shares were admitted to trade on the SFS of the Main Market of the LSE. The conversion ratio was 1.0082 2017 Shares for every one C Share held as at close on the conversion record date of 27 June 2017. On 2 October 2017, 28,000,000 2017 Shares were issued at US$1.00 per Share and on 17 November 2017, 57,350,000 Shares were issued at US$1.0075 per Share. On 3 April 2018, 35,000,000 2017 Shares were issued at US$0.973 per Share.

The Company makes its investments through FOIF LP (the "Master Fund") and FOMC II LP (the "Master Fund II"), 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.

The 2014 Shares invest solely into the Master Fund and the 2017 Shares invest solely into Master Fund II. At 30 June 2018, the Company had direct holdings of 11.31% (31 December 2017: 11.31%) holding in the Master Fund and 100% (31 December 2017: 100%) holding in Master Fund II, which in turn had a holding of 62.82% (31 December 2017: 62.82%) in the Master Fund. 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 invests in portfolios consisting primarily of Collateral Loan Obligations ("CLOs") and the Master Fund II invests in a portfolio which consists primarily of the investment in the Master Fund. 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 2017.

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 2017, 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 21 August 2018.

Expenses and non-investment assets and liabilities are apportioned 84.75% to 2017 Shares and 15.25% to 2014 Shares and income is based on the share classes' respective ownership of the Master Fund and Master Fund II.

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 2017.

Notes to the Unaudited Condensed Financial Statements
(continued)

For the six month period ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES continued

New Accounting Standards and interpretations effective and adopted

– IFRS 9, 'Financial Instruments' (relating to the classification and measurement of financial assets and liabilities, effective for periods commencing on or after 1 January 2018). This standard specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39 'Financial Statements: Recognition and Measurement' ("IAS 39");
– IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2018);

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

3. SEGMENTAL REPORTING

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

In the Board of Directors' opinion, the Company is engaged in a single segment of business, being investments into the Master Fund 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 eleven monthly dividends of a minimum of 0.7 US cents per 2017 and 2014 Share and a larger twelfth interim dividend such that, in the opinion of the Board of Directors, substantially all net income generated by the Company in 2018 will be distributed to shareholders.

Notes to the Unaudited Condensed Financial Statements (continued)

For the six month period ended 30 June 2018

4. DIVIDENDS continued

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 Company declared the following dividends during the six month period ended 30 June 2017:

Period to	Payment date	Dividend rate per 2017 and 2014 share (cents)	Net dividend payable (US$)	Record date	Ex-dividend date
31 December 2016	2 February 2017	5.75	18,055,284	13 January 2017	12 January 2017
31 January 2017	28 February 2017	0.70	2,181,443	17 February 2017	16 February 2017
28 February 2017	30 March 2017	0.70	2,181,746	17 March 2017	16 March 2017
31 March 2017	28 April 2017	0.70	2,181,659	18 April 2017	13 April 2017
30 April 2017	18 May 2017	0.70	2,174,061	5 May 2017	4 May 2017
31 May 2017	22 June 2017	0.70	2,180,335	9 June 2017	8 June 2017
30 June 2017	20 July 2017	0.70	2,662,472	7 July 2017	6 July 2017
		4.20	31,617,000		

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

4. DIVIDENDS continued

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 and 2014 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 2018 were US$Nil (31 December 2017: US$Nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 January 2018 to 30 June 2018 (unaudited)		
	2017 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 2018

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

	1 January 2017 to 31 December 2017 (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	297,061,633	–	297,061,633
Purchases of investments at cost during the year	–	103,214,011	103,214,011
Purchases of US Treasury Bills at cost during the year	–	49,969,000	49,969,000
Re-designation of investment cost to 2017 Shares	(251,750,114)	251,750,114	–
Proceeds from sale of US Treasury Bills during the year	–	(50,000,000)	(50,000,000)
Realised gain on sale of US Treasury Bills during the year	–	31,000	31,000
Capital distributions received from Master Fund during the year	(5,401,064)	–	(5,401,064)
Cost of financial assets at fair value through profit or loss at the end of the year	39,910,455	354,964,125	394,874,580
Net unrealised losses on financial assets at the end of the year	(2,361,046)	(10,206,286)	(12,567,332)
Financial assets at fair value through profit or loss at the end of the year	**37,549,409**	**344,757,839**	**382,307,248**
Realised gain on sales during the year	–	31,000	31,000
Movement in net unrealised loss during the year	(1,540,190)	(5,648,290)	(7,188,480)
Income distributions declared from the Master Fund during the year	8,462,157	2,198,797	10,660,954
Income distributions declared from Master Fund II during the year	–	47,157,522	47,157,522
Net gains on financial assets at fair value through profit or loss	**6,921,967**	**43,739,029**	**50,660,996**

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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

	1 January 2017 to 30 June 2017 (unaudited)		
	2014 Shares US$	2017 Shares US$	Total Company US$
Cost at the start of the period	297,061,633	–	297,061,633
Purchases of investments at cost during the period	–	48,693,600	48,693,600
Purchases of US Treasury Bills at cost during the period	–	49,969,000	49,969,000
Re-designation of investment cost to 2017 Shares	(251,750,114)	251,750,114	–
Proceeds from sale of US Treasury Bills during the period	–	(50,000,000)	(50,000,000)
Realised gain on sale of US Treasury Bills during the period	–	31,000	31,000
Capital distributions received from Master Fund during the period	(910,994)	–	(910,994)
Cost of financial assets at fair value through profit or loss at the end of the period	44,400,525	300,443,714	344,844,239
Net unrealised gains on financial assets at the end of the period	692,889	3,473,135	4,166,024
Financial assets at fair value through profit or loss at the end of the period	**45,093,414**	**303,916,849**	**349,010,263**
Realised gain on sales during the period	–	31,000	31,000
Movement in net unrealised gain during the period	1,513,746	8,031,131	9,544,877
Income distributions declared from the Master Fund during the period	1,992,924	2,198,797	4,191,721
Income distributions declared from Master Fund II during the period	–	9,100,433	9,100,433
Net gains on financial assets at fair value through profit or loss	**3,506,670**	**19,361,361**	**22,868,031**

During the year ended 31 December 2017, the Master Fund accepted Master Fund II as a limited partner. At 30 June 2018, the Company's 2014 Shareholders had a 11.31% (31 December 2017: 11.31%) holding in the Master Fund and Master Fund II had a 62.82% (31 December 2017: 62.82%) holding in the Master Fund. At 30 June 2018, the Company's 2017 Shareholders were 100% invested into Master Fund II, in which they are the sole limited partner.

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 2018 (unaudited)		
	Master Fund* US$	Master Fund II US$	Total Company 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.

Notes to the Unaudited Condensed Financial Statements
(continued)

For the six month period ended 30 June 2018

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

Look-through financial information: Master Funds' Financial Position continued

	31 December 2017 (audited)		
	Master Fund* **US$**	**Master Fund II** **US$**	**Total Company** **US$**
Financial assets at fair value through profit or loss	42,157,559	339,639,224	381,796,783
Less: Net current (liabilities)/assets	(4,608,150)	5,118,615	510,465
Total financial assets at fair value through profit or loss	**37,549,409**	**344,757,839**	**382,307,248**

	30 June 2017 (unaudited)		
	Master Fund* **US$**	**Master Fund II** **US$**	**Total Company** **US$**
Financial assets at fair value through profit or loss	46,642,679	299,763,155	346,405,834
(Less)/add: Net current (liabilities)/assets	(1,549,265)	4,153,694	2,604,429
Total financial assets at fair value through profit or loss	**45,093,414**	**303,916,849**	**349,010,263**

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only.

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

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

	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.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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

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

	1 January 2017 to 31 December 2017 (audited)		
	Master Fund* US$	**Master Fund II US$**	**Total Company US$**
Net unrealised losses on investments at the beginning of the year	(5,378,853)	–	(5,378,853)
Unrealised losses attributable to 2017 shares	(3,955,152)	3,955,152	–
Investment income	11,918,387	1,944,155	13,862,542
Income distributions received from Master Fund	–	44,804,908	44,804,908
Income distributions received from Cycad	–	1,134,428	1,134,428
Unrealised (losses)/gains on financial assets at fair value through profit or loss	8,206,654	(13,762,325)	(5,555,671)
Realised gains on financial assets at fair value	1,375,534	–	1,375,534
Net losses on derivative financial instruments and foreign exchange	(99,153)	(49)	(99,202)
Other income	–	3,548	3,548
Expenses	(3,767,509)	(1,128,581)	(4,896,090)
Income distributions declared during the year	(10,660,954)	(47,157,522)	(57,818,476)
Net unrealised losses on investments at the end of the year	**(2,361,046)**	**(10,206,286)**	**(12,567,332)**

	1 January 2017 to 30 June 2017 (unaudited)		
	Master Fund* US$	**Master Fund II US$**	**Total Company US$**
Net unrealised losses on investments at the beginning of the period	(5,378,853)	–	(5,378,853)
Investment income	5,185,340	9,170,976	14,356,316
Unrealised gains on financial assets at fair value through profit or loss	11,641,840	124,175	11,766,015
Net losses on derivative financial instruments and foreign exchange	(76,626)	(2)	(76,628)
Other income	–	180	180
Expenses	(3,138,310)	(70,542)	(3,208,852)
Income distributions declared during the period	(4,191,721)	(9,100,433)	(13,292,154)
Unrealised losses attributable to 2017 shares	(3,348,781)	3,348,781	–
Net unrealised gains on investments at the end of the period	**692,889**	**3,473,135**	**4,166,024**

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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

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

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

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

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

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

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

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

	31 December 2017 (audited)			
	Level 1 US$	**Level 2 US$**	**Level 3 US$**	**Total US$**
Assets:				
Financial assets at fair value through profit or loss	–	–	382,307,248	382,307,248
Total	**–**	**–**	**382,307,248**	**382,307,248**

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.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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

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

The following table presents the movement in Level 3 instruments:

	1 January 2018 to 30 June 2018 (unaudited) US$	1 January 2017 to 31 December 2017 (audited) US$
Opening Balance	382,307,248	291,682,780
Purchases	43,500,000	103,214,011
Movement in net unrealised gain/(loss) during the period/year	4,238,849	(7,188,479)
Capital distributions received from Master Fund	(3,353,635)	(5,401,064)
Closing Balance	**426,692,462**	**382,307,248**

Transfers between Level 1, 2 and 3

There have been no transfers between levels during the period ended 30 June 2018 or for the year ended 31 December 2017. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

Look-through financial information: Master 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 2018 (unaudited)			
	Level 1	Level 2	Level 3	Total
Master Fund*	**US$**	**US$**	**US$**	**US$**
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.

	30 June 2018 (unaudited)			
	Level 1	Level 2	Level 3	Total
Master Fund II	**US$**	**US$**	**US$**	**US$**
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**

	31 December 2017 (audited)			
	Level 1	Level 2	Level 3	Total
Master Fund*	**US$**	**US$**	**US$**	**US$**
Financial assets at fair value through profit or loss	–	17,038,163	25,119,396	42,157,559
Derivatives at fair value through profit or loss	–	(8,580)	–	(8,580)
Total	**–**	**17,029,583**	**25,119,396**	**42,148,979**

*Shows the Company's proportionate direct share in the Master Fund at 11.31% through 2014 Shares investment only.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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

Look-through financial information: Master Funds' fair value hierarchy information continued

	31 December 2017 (audited)			
	Level 1	Level 2	Level 3	Total
Master Fund II	US$	US$	US$	US$
Financial assets at fair value through profit or loss	–	–	339,639,224	339,639,224
Total	**–**	**–**	**339,639,224**	**339,639,224**

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

	30 June 2018 (unaudited)			
	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Assets:				
Cash and cash equivalents	–	38,088,022	–	38,088,022
Prepayments	–	48,958	–	48,958
Distribution receivable	–	2,935,287	–	2,935,287
Total	**–**	**41,072,267**	**–**	**41,072,267**
Liabilities:				
Trade and other payables	–	59,284	–	59,284
Total	**–**	**59,284**	**–**	**59,284**

	31 December 2017 (audited)			
	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Assets:				
Cash and cash equivalents	–	54,580,314	–	54,580,314
Prepayments	–	125,921	–	125,921
Distribution receivable	–	28,980,964	–	28,980,964
Total	**–**	**83,687,199**	**–**	**83,687,199**
Liabilities:				
Trade and other payables	–	43,966	–	43,966
Total	**–**	**43,966**	**–**	**43,966**

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

Cash and cash equivalents include deposits held with banks.

Trade and 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 2018

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 2018 (unaudited):

Security	Fair Value US$	Valuation methodology	Unobservable inputs	Ranges
Master Fund	34,881,802	NAV	Zero % discount	N/A
Master Fund II	391,810,660	NAV	Zero % discount	N/A
	426,692,462			

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2017 (audited):

Security	Fair Value US$	Valuation methodology	Unobservable inputs	Ranges
Master Fund	37,549,409	NAV	Zero % discount	N/A
Master Fund II	344,757,839	NAV	Zero % discount	N/A
	382,307,248			

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

The Master Fund and 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 and Master Fund II's investments categorised in Level 3 as at 30 June 2018 (unaudited):

Asset Class	Fair Value US$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund					
CLO Income Notes					
United States of America	23,038,025	Prices provided by a third party agent	US$0.4200 - US$0.9500	US$0.6952	1% increase/decrease will have a fair value impact of +/- US$230,380
Europe	536,074	Prices provided by a third party agent	€0.6650	€0.6650	1% increase/decrease will have a fair value impact of +/- US$5,361
Sub Fee Notes					
United States of America	185,363	Prices provided by a third party agent	US$0.0150 - US$0.3200	US$0.0387	1% increase/decrease will have a fair value impact of +/- US$1,854
	23,759,462				

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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

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

Asset Class	Fair Value US$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II					
CLO Income Notes					
United States of America	196,425,800	Prices provided by a third party agent	US$0.7900 - US$0.9854	US$0.8821	1% increase/decrease will have a fair value impact of +/- US$1,964,258
Master Fund*	193,741,458	Zero % discount	N/A	N/A	1% increase/decrease will have a fair value impact of +/- US$1,937,415
Cycad	16,489,476	Zero % discount	N/A	N/A	1% increase/decrease will have a fair value impact of +/- US$164,895
	406,656,734				

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

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 2017 (audited):

Asset Class	Fair Value US$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund					
CLO Income Notes					
United States of America	24,317,969	Prices provided by a third party agent	US$0.5200 - US$0.9000	US$0.7338	1% increase/decrease will have a fair value impact of +/- US$243,179
Europe	554,729	Prices provided by a third party agent	€0.6700	€0.6700	1% increase/decrease will have a fair value impact of +/- US$5,547
Sub Fee Notes					
United States of America	246,698	Prices provided by a third party agent	US$0.0190 - US$0.4300	US$0.0514	1% increase/decrease will have a fair value impact of +/- US$2,467
	25,119,396				

Notes to the Unaudited Condensed Financial Statements (continued)

For the six month period ended 30 June 2018

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

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

Asset Class	Fair Value US$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II					
CLO Income Notes					
United States of America	115,190,150	Prices provided by a third party agent	US$0.8600 - US$0.9700	US$0.9322	1% increase/decrease will have a fair value impact of +/- US$1,151,901
Limited Partnerships					
Master Fund*	208,558,674	Zero % discount	N/A	N/A	1% increase/decrease will have a fair value impact of +/- US$2,085,587
Cycad	15,890,400	Zero % discount	N/A	N/A	1% increase/decrease will have a fair value impact of +/- US$158,904
	339,639,224				

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

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 2018 (unaudited) US$	For the six month period ended 30 June 2017 (unaudited) US$
Company investment advisory fee	2,287,624	1,685,504
Less: Master fund II rebate	(1,281,358)	(59,812)
Less: Master fund rebate	(857,166)	(1,531,784)
Total investment advisory fee	**149,100**	**93,908**

Notes to the Unaudited Condensed Financial Statements
(continued)

For the six month period ended 30 June 2018

6. RELATED PARTIES AND OTHER KEY CONTACTS continued

Transactions with Investment Adviser and Investment Portfolio Investor continued

Investment Adviser continued

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.

In circumstances where, as at the date the Net Asset Value per share of the 2014 Shares with respect to the last calendar month of a calendar quarter (the "Quarter End 2014 NAV") is published, the price of the 2014 Shares, adjusted for any dividends declared if required, traded at close in the secondary market below their then-prevailing Quarter End 2014 NAV, the Investment Adviser agrees to reinvest and/or procure the reinvestment by an associate of it if (a) 25% of the fees 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 2014 Shares and (b) 25% of the Priority Profit Share which the General Partner received with respect to that quarter from the Master Fund which is attributable to the Net Asset Value of the 2014 Shares by, in each case, using its best endeavours to purchase or procure the purchase of 2014 Shares in the secondary market. The obligation to purchase or procure the purchase of 2014 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 2014 Shares did not trade at close in the secondary market at a discount to their then-prevailing Quarter End 2014 NAV; or (ii) where the 2014 Shares did trade at close in the secondary market at a discount to their then-prevailing Quarter End 2014 NAV and it is unable to purchase or procure the purchase of 2014 Shares in the secondary market at a discount to their then-prevailing Quarter End 2014 NAV despite having used its best endeavours to do so and, in either case, the Investment Adviser shall retain all fees it receives for such quarter.

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

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 2018, US$17,747,019 (31 December 2017: US$16,729,932) carried interest was accrued at the Master Fund level, to be apportioned to and payable by all limited partners. At 30 June 2018, US$119,187 (31 December 2017: US$404,214) carried interest was accrued at Master Fund II level.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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$31,000 (31 December 2017: US$31,000), payable quarterly in arrears for Administration and Accounting services, plus an additional US$7,000 per annum for running the additional C Share class until it converted to 2017 Shares.

The Administrator is also entitled to an additional fee for assisting with reporting under Article 24 of the AIFM Directive. The fee was originally £3,000 per return, per jurisdiction, until the C Share class converted to 2017 Shares. Under the dual share class structure, the reporting fee was reduced to £2,500 per return per jurisdiction and this fee had an inflationary increases to £2,585 per return, per jurisdiction, with effect from 1 May 2017 and £2,635 per return, per jurisdiction, with effect from 1 May 2018.

The Administrator is also entitled to an annual fee of £500 in relation to FATCA reporting and acting as Responsible Officer.

Custodian

BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") waived all fees on the basis that all assets are invested into the Master Fund 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 2017: £43,000). In addition, during the six month period to 30 June 2017, a one-off payment of £5,000 was paid to each Director relating to the work performed in respect of the revised Prospectus with £2,500 due if additional raises total to US$100 million. The £2,500 was paid to each Director in the second half of 2017, when the US$100 million additional raises was achieved.

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 2018 (unaudited) US$	For the six month period ended 30 June 2017 (unaudited) US$
CHARGE FOR THE PERIOD		
Investment adviser fee	149,100	93,908
Administration fee	58,676	76,637
Directors' fees and expenses	93,771	108,004

	30 June 2018 (unaudited) US$	30 June 2017 (unaudited) US$
OUTSTANDING FEES		
Investment adviser fee	21,356	10,006
Administration fee	2,643	3,081

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

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 2018 (unaudited)		31 December 2017 (audited)	
Name	**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	29,475	0.01%	29,475	0.01%

As at 30 June 2018, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 1,691,091 2017 Shares (31 December 2017: 1,370,344 2017 Shares), which is 0.37% (31 December 2017: 0.41%) 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

Following the EGM, on 29 March 2017, the Company announced 47,428,202 ordinary shares had been elected for re-designation as 2014 Shares with an effective date of 5 April 2017, representing 15.3% of the ordinary shares in issue on that date. Consequently, 263,510,368 ordinary shares were re-designated as 2017 Shares, representing the balance of 84.7% of the ordinary shares in issue on that date. Based on the above election results and the ordinary share price as at close of business on 27 March 2017, the 2017 Share class had an opening market capitalisation of approximately US$262.2 million. The cost of re-designation which were expensed during the year ended 31 December 2017 was US$877,172.

On 5 April 2017, 47,428,202 2014 Shares, 263,510,368 2017 Shares and 68,850,000 C Shares were admitted to trading on the SFS of the Main Market of the LSE. The conversion ratio was 1.0082 2017 Shares for every one C Share held as at close on the conversion record date of 27 June 2017. On 2 October 2017, 28,000,000 2017 Shares were issued at US$1.00 per Share and on 17 November 2017, 57,350,000 Shares were issued at US$1.0075 per Share.

On 2 February 2018, the Company announced that application had been made to the London Stock Exchange for 73,799 2017 Shares to be admitted to trading on the Specialist Fund Segment of the Main Market. The new 2017 Shares were issued pursuant to the Company's scrip dividend alternative in respect of the dividend for the quarter ended 31 December 2017 and rank pari-passu with the existing issued 2017 Shares. Dealings in the new 2017 Shares commenced at 8.00 a.m. on 9 February 2018. Following admission, there were 418,348,737 2017 Shares in issue.

On 3 April 2018, the Company announced, that following a reconvened General Meeting from 29 March 2018, that it had resolved, to issue 35 million new 2017 Shares (the "New Shares") at an issue price of US$0.973. The New Shares were admitted to trading on the Specialist Fund Segment of the Main Market on 4 April 2018. Following the issue, the Company has 453,348,737 2017 Shares in issue.

The Company's 2017 and 2014 Shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

8. SHARE CAPITAL continued

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.

The C share capital of the Company was represented by 68.85 million C Shares of nil par value for the period 5 April to 27 June 2017 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 Board of 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 2014 Share surplus shall be divided amongst the holders of 2014 Shares of the relevant class pro rata to their holdings of 2014 Shares in such class as if the 2014 Share surplus comprised the assets of the Company available for distribution;

(ii) the 2017 Share surplus shall be divided amongst the holders of 2017 Shares of the relevant class pro rata to their holdings of 2017 Shares in such class as if the 2017 Share surplus comprised the assets of the Company available for distribution; and

(iii) the C Share surplus attributable to each class or tranche of C Shares shall be divided amongst the C Shareholders of such class or tranche pro rata according to their holdings of C Shares of that class or tranche.

(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 2017 and 2014 Shares (notwithstanding any difference in the respective NAV of the C Shares and 2017 and 2014 Shares).

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2018

8. SHARE CAPITAL continued

Issued share capital

2014 Shares

	1 January 2018 to 30 June 2018 (unaudited)		1 January 2017 to 31 December 2017 (audited)	
	Shares	**US$**	**Shares**	**US$**
Share capital at the beginning of the period/year	46,501,283	44,713,419	310,938,570	299,112,959
Re-designation to 2017 Shares during the period/year*	–	–	(263,510,368)	(253,488,546)
Conversion of C Shares during the period/year	–	–	–	–
Share redemptions	–	–	(926,919)	(910,994)
Share capital at the end of the period/year	**46,501,283**	**44,713,419**	**46,501,283**	**44,713,419**

* Includes non-cash conversion from 2014 Shares to 2017 Shares of US$253,488,546.

On 28 July 2017, a compulsory partial redemption of 926,919 2014 Shares at US$0.9828 per Share took place.

2017 Shares

	1 January 2018 to 30 June 2018 (unaudited)		1 January 2017 to 31 December 2017 (audited)	
	Shares	**US$**	**Shares**	**US$**
Share capital at the beginning of the period/year	418,274,938	406,185,791	–	–
Share capital issued during the period/year	35,000,000	33,627,207	85,350,000	84,707,871
Share capital issued for scrip dividend	73,799	75,275	–	–
Re-designation of 2014 Shares during the period/year*	–	–	263,510,368	253,488,546
Conversion of C Shares during the period/year	–	–	69,414,570	67,989,374
Share capital at the end of the period/year	**453,348,737**	**439,888,273**	**418,274,938**	**406,185,791**

On 3 April 2018, 35,000,000 2017 Shares were issued at US$0.973 per Share.

On 2 October 2017, 28,000,000 2017 Shares were issued at US$1.00 per Share and on 17 November 2017, 57,350,000 Shares were issued at US$1.0075 per Share.

C Shares

	1 January 2018 to 30 June 2018 (unaudited)		1 January 2017 to 31 December 2017 (audited)	
	Shares	**US$**	**Shares**	**US$**
Share capital at the beginning of the year	–	–	–	–
Issued share capital	–	–	68,850,000	68,850,000
Conversion of C Shares to 2017 Shares during the year	–	–	(68,850,000)	(67,989,374)
Conversion of C Shares to 2014 Shares during the year	–	–	–	–
Share issue costs	–	–	–	(860,626)
Total share capital at the end of the year	**–**	**–**	**–**	**–**

On 5 April 2017, 68,850,000 C Shares were issued at an issue price of US$1.00 per C Share for cash consideration.

The conversion ratio was 1.0082 2017 Shares for every one C Share held as at close on the conversion record date of 27 June 2017. Entitlements to new 2017 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 2018

9. EARNINGS PER SHARE

	For the period ended 30 June 2018 (unaudited)		For the period ended 30 June 2017 (unaudited)	
	2014 Shares US$	2017 Shares US$	2014 Shares US$	2017 Shares US$
Weighted average number of shares	46,501,283	435,156,040	47,428,202	264,660,886
Total comprehensive profit for the financial period	US$1,526,124	US$12,436,392	US$3,378,622	US$17,750,934
Basic and diluted earnings per share	**US$0.0328**	**US$0.0286**	**US$0.0712**	**US$0.0671**

The weighted average number of shares as at 30 June 2018 and 30 June 2017 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 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 2017: US$306,327,883) which has been fully called. The Commitment Period ended on 12 June 2016.

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$435,796,822 (31 December 2017: US$407,420,957) of which US$402,420,957 (31 December 2017: US$358,920,957) had been called.

At 30 June 2018 and 31 December 2017, the Company had no further outstanding commitments.

11. SUBSEQUENT EVENTS

On 3 July 2018, the Company declared a monthly dividend of 0.7 US cents per ordinary share in respect of the month ended 30 June 2018 to both the 2017 Shares and the 2014 Shares, which was paid on 26 July 2018. The ex dividend date was 12 July 2018.

On 6 July 2018, the Company returned US$6,500,000 (equivalent to 13.978 cents per share) by way of a compulsory partial redemption of 2014 Shares (the “Fourth Redemption”) The Fourth Redemption was effected at 90.71 cents, being the NAV per 2014 Share as at 31 May 2018 (less the monthly interim dividend of 0.7 US cents declared on 5 June 2018). The Company’s issued share capital consists of 39,335,595 2014 Shares further to the Fourth Redemption of 7,165,688 2014 Shares effected on 6 July 2018, as well as 453,348,737 2017 Shares.

On 31 July 2018, the Company declared a monthly dividend of 0.7 US cents per ordinary share in respect of the month ended 31 July 2018 to both the 2017 Shares and the 2014 Shares, which was paid on 23 August 2018. The ex dividend date was 9 August 2018.

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

Management and Administration

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

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