

A large, stylized oak leaf graphic in a lighter shade of blue, positioned on the left side of the page. The leaf's veins are clearly visible, and it extends from the top to the bottom of the page, partially overlapping the text area.

FAIR OAKS INCOME LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020



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COMPANY OVERVIEW

Highlights

- Fair Oaks Income Limited's (the "Company") Net Asset Value ("NAV") per 2017 Share was down 33.3%¹ (30 June 2019: up 2.4%) for the six month period ended 30 June 2020 on a total return basis (with dividends reinvested).
- As at 30 June 2020, the Company's total market capitalisation was US\$210 million.
- The Company's 2017 shares closed at a price of US\$0.4500 on 30 June 2020. The 2017 Shares traded at an average discount to NAV of 9.35% during the six month period ended 30 June 2020.
- During April 2020, the Company announced an issue to satisfy market demand of 15,029,623 new 2017 Shares at an issue price of US\$0.372 per new 2017 Share.
- The Company declared dividends of 2.1 US cents per 2017 Share in the six month period ended 30 June 2020. Cumulative dividends since the inception of the Company per 2017 Share are 63.1 US cents.

Financial Highlights	30 June 2020 (unaudited)	31 December 2019 (audited)
<u>2017 Shares</u>		
Net Assets	US\$229,834,062	US\$343,158,910
Net Asset Value per share	US\$0.4914	US\$0.7580
Share price at period/year end	US\$0.4500	US\$0.6775
Discount to Net Asset Value	(8.42%)	(10.62%)
Ongoing charges figure (Company only) ²	0.41%	0.22%
Ongoing charges figure (look through basis) ³	1.21%	1.31%

¹See "Appendix" on page 39.

²Total ongoing charges, calculated in accordance with the AIC guidance, is at the Company level only for the year divided by the average NAV for the period/year. Charges of the underlying Master Funds are not included. See "Appendix" on page 41.

³Total ongoing charges, calculated in accordance with the AIC guidance, including the Company and the underlying funds divided by the average NAV for the period/year. See "Appendix" on page 41.



COMPANY OVERVIEW

Summary Information

Principal Activity

Fair Oaks Income Limited (the “Company”) was registered in Guernsey under the Companies (Guernsey) Law, 2008 on 7 March 2014. The Company’s registration number is 58123 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Specialist Fund Segment (previously Specialist Fund Market) (“SFS”) of the London Stock Exchange on 12 June 2014.

The Company makes its investments through FOMC II LP (the “Master Fund II”) in which the Company is a limited partner and indirectly through FOIF LP (the “Master Fund”) (the “Master Fund” and the “Master Fund II” together the “Master Funds”). The Master Fund II was registered in Guernsey on 24 February 2017 and the Master Fund was registered in Guernsey on 7 May 2014 under The Limited Partnerships (Guernsey) Law, 1995, as amended. During the six month period ended 30 June 2020, the Master Fund II allowed three new limited partners to enter the partnership and at 30 June 2020, the Master Fund II had five limited partners, including Fair Oaks Founder II LP, a related entity. At 30 June 2020, following the admission of the three new limited partners, the Company had a 71.80% holding in the Master Fund II. On 1 April 2019, the Company sold its direct holding of 11.31% in the Master Fund, but indirectly remains invested in the Master Fund through the Master Fund II.

At 30 June 2020, the Company on behalf of the 2017 Shares had a 71.80% (31 December 2019: 100%) holding in the Master Fund II, which in turn had a holding of 66.20% (31 December 2019: 66.20%) in the Master Fund. The General Partner of the Master Fund II and Master Fund is Fair Oaks Income Fund GP Limited (the “General Partner” or “GP”).

The Master Fund II is also invested into Cycad Investments LP (“Cycad”). Cycad is a Limited Partnership registered in the United States of America on 2 June 2017. Aligned with the Company’s investment policy, Cycad also invests into CLOs.

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

Investment Objective and Policy

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

The investment policy of the Company is to invest (either directly and/or indirectly through the Master Fund and/or Master Fund II) in US and European Collateralised Loan Obligations (“CLOs”) or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing.

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

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

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



STRATEGIC REVIEW

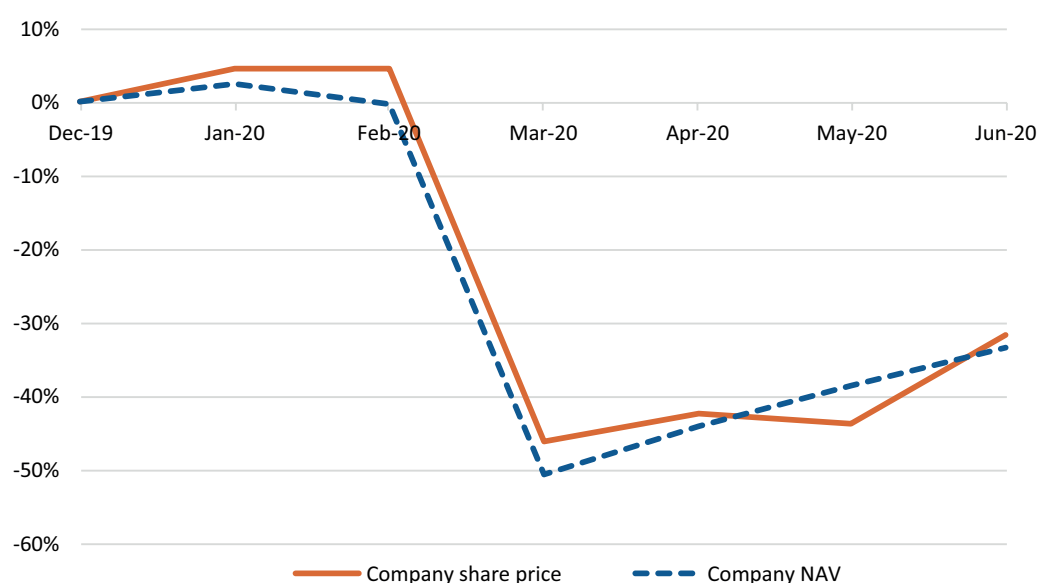
Chairman's Statement

Introduction

The independent Board of the Company is pleased to present its Interim Report and Unaudited Condensed Financial Statements for the financial period ended 30 June 2020.

The Company's NAV and share price were impacted by the COVID-19 induced sell-off in March, generating a total return of -33.3% and -31.5%¹ respectively in H1 2020². The Company's Shares closed at a price of 45.0 US cents as of 30 June 2020, representing a discount to NAV of 8.4%.

Figure 1.1 – Total return - NAV and share price H1-2020²



The total return for the JP Morgan US leveraged loan index in H1 2020 was down 4.5%³. In the same period, the JP Morgan US high yield was down 6.2%⁴ while the JP Morgan CLO B rated index was down 19.2%⁵.

Table 1.1 – Total returns in H1 2020

	H1 2020 total return
Company's Share price	-31.5%
Company's NAV	-33.3%
JP Morgan US High Yield index	-6.2%
JP Morgan US Leveraged Loan index	-4.5%
JP Morgan Post-Crisis CLOIE B rated index	-19.2%

Cash flow and dividends

The Company declared a 0.70 US cents per share dividend monthly in January and February. On 20 March, and in light of the uncertainty in economies and markets caused by the COVID-19 pandemic, the Board resolved to suspend the declaration of dividend payments.

¹ See "Appendix" on page 40.

² Performance of the 2017 Shares. Data as at 30 June 2020. Source: London Stock Exchange.

³ JP Morgan Leveraged loan index. Data as at 30 June 2020.

⁴ JP Morgan Domestic High yield index. Data as at 30 June 2020.

⁵ JP Morgan Post-Crisis CLOIE index. Data as at 30 June 2020.



STRATEGIC REVIEW

Chairman's Statement (continued)

Cash flow and dividends continued

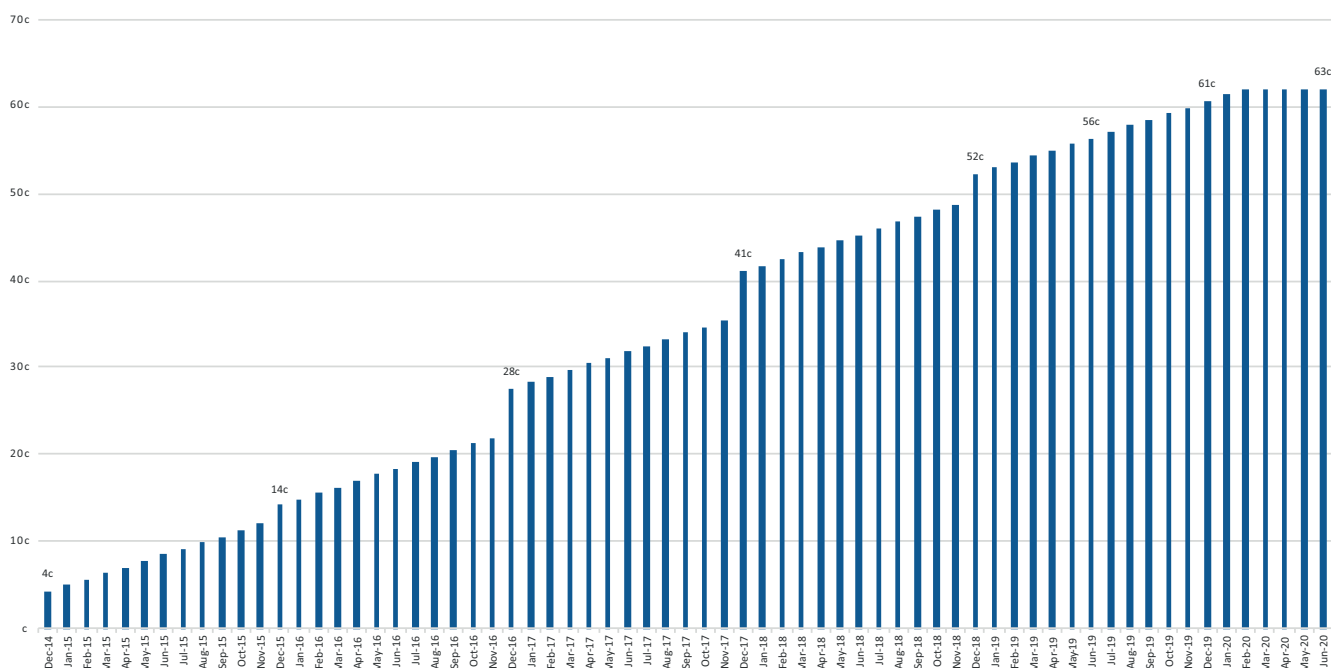
The Board recognised the importance of dividends for Shareholders but believed that suspension was the appropriate reaction to unprecedented circumstances.

On 20 July 2020, and in light of the continued performance and the increased resilience of Master Fund II's investments, the Board decided to resume the payment of dividends, on a quarterly basis and at a variable rate. The Company announced the first quarterly dividend at the end of July in an amount of 1.5 cents per share.

The Master Fund II received distributions on all equity investments in April and, with all investments passing their over-collateralisation tests, distributions were also received on all investments in July. Furthermore, the opportunistic investments made in the second quarter resulted in the portfolio consisting of 48% CLO debt by market value. This increased the resilience and predictability of Master Fund II and the Company's cash flow.

In total, the Company received US\$5.8 million of income distributions from the Master Fund II in H1. A further US\$7.5m distribution was received in July.

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



Material events

On 9 January 2020, the Company declared a monthly interim dividend of 0.7 US cents per 2017 share in respect of the month ended 31 December 2019 to the 2017 Shares, which was paid on 30 January 2020. The ex dividend date was 16 January 2020.

On 22 January 2020, the Company announced a 25% reinvestment of management fees. The 2017 Shares were trading at a discount to the 31 December 2019 published quarter end NAV. The Company's 2017 prospectus stated that in the event that the 2017 Shares trade at discount to any quarter end NAV, calculated on the date that the relevant NAV is published, 25% of that quarter's investment management fees (in respect of the 2017 Shares) would be reinvested to purchase 2017 Shares in the secondary market. Accordingly, the Company was notified that, following the announcement dated 16 January 2020 regarding the NAV as at 31 December 2019, Fair Oaks Income Fund (GP) Limited has purchased 271,851 2017 Shares in the secondary market.



STRATEGIC REVIEW

Chairman's Statement (continued)

Material events continued

On 6 February 2020, the Company declared a monthly interim dividend of 0.7 US cents per 2017 share in respect of the month ended 31 January 2020 to the 2017 Shares, which was paid on 27 February 2020. The ex dividend date was 13 February 2020.

On 3 March 2020, the Company declared a monthly interim dividend of 0.7 US cents per ordinary share in respect of the month ended 29 February 2020 to the 2017 Shares, which was paid on 26 March 2020. The ex dividend date was 12 March 2020.

On 30 March 2020, the Company announced in light of this ongoing uncertainty in economies and markets caused by the COVID-19 pandemic, that the Board had resolved to suspend the declaration of dividend payments.

The Board and the Investment Adviser recognise the importance of dividends for Shareholders but believe that suspension was the appropriate reaction to the unprecedented circumstances. In the near term the uncertainty lead to rebased market assumptions as to credit performance, which was expected to materially constrain the Company's income calculated using the effective interest rate methodology and therefore would mean that any dividends declared would have to be substantially funded from the Company's capital.

It was premature to seek to quantify the fundamental impact of the pandemic, which was dependent on an array of factors including the effectiveness of government intervention, but over time there was the risk of underlying CLO managers being required to divert cash flows from CLO subordinated notes to purchase additional loan collateral in response to increased credit downgrades and defaults. At the portfolio level the Investment Adviser also took steps to minimise mark-to-market risk, retaining a prudent reserve of cash to cover any foreign exchange hedge and warehouse financing needs.

The dislocation in the credit markets created investment opportunities, which was a factor in the allocation of future cash flows as the Company continues to seek to maximise shareholders' total return over the long term.

On 17 April 2020, the Company announced an issue to satisfy market demand of 7,194,623 new 2017 Shares (the "New Shares") at an issue price of US\$0.372 per New Share, representing a premium of approximately 2% to the latest published NAV.

On 24 April 2020, the Company announced an issue to satisfy market demand of 4,900,000 new 2017 Shares (the "New Shares") at an issue price of US\$0.372 per New Share, representing a premium of approximately 2% to the latest published NAV.

On 27 April 2020, the Company announced an issue to satisfy market demand of 2,935,000 new 2017 Shares (the "New Shares") at an issue price of US\$0.372 per New Share, representing a premium of approximately 2% to the latest published NAV.

The net proceeds of the New Share issue were invested in accordance with the Company's investment policy, with the Master Fund II investing in CLO debt securities in the secondary market, which the Investment Adviser believes offer attractive risk-adjusted returns over the medium term.

Subsequent events

On 20 July 2020, in light of the continued performance and the increased resilience of Master Fund II's investments, the Board decided to resume the payment of dividends, on a quarterly basis and at a variable rate.

On 30 July 2020, the Company declared an interim dividend of 1.5 US cents per 2017 share in respect of the quarter ended 30 June 2020 to the 2017 Shares, which was paid on 20 August 2020. The ex dividend date was 6 August 2020.

Professor Claudio Albanese

Chairman

9 September 2020



STRATEGIC REVIEW

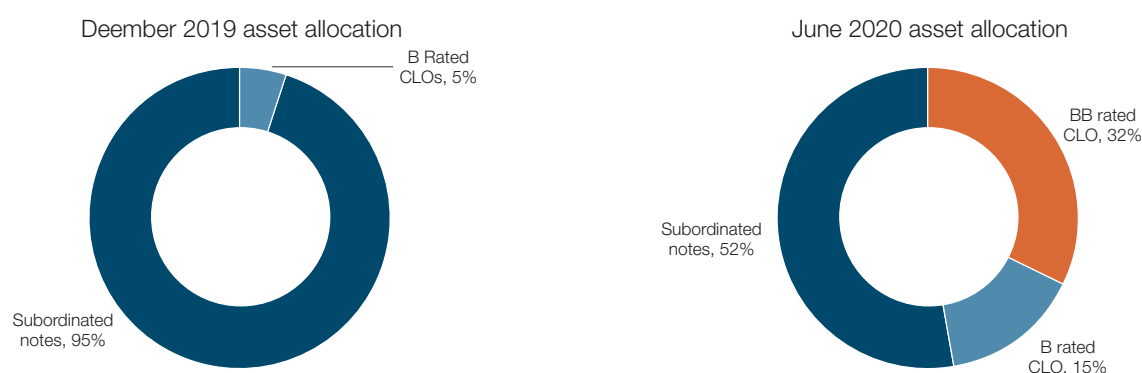
Investment Adviser's Report

Portfolio Review

The first half of 2020 was a time of extreme volatility across markets. This report aims to summarise and explain the most relevant events during the period but please refer to the Company's factsheets, available on the Company's website, www.fairoaksincome.com, for a more detailed month-by-month, analysis of the loan and CLO markets and a review of the fund's actions and positioning changes since December 2019.

As at 30 June 2020, Master Fund II¹ held 14 CLO equity positions, 27 BB rated CLO mezzanine notes and 16 B rated CLO mezzanine investments, offering exposure to over 1,000 loan issuers² and 31 CLO managers.

Figure 2.1 - Asset allocation

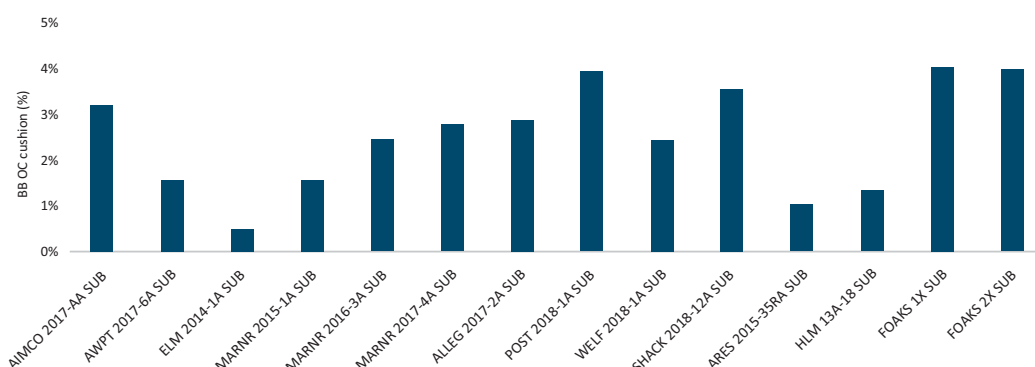


The portfolio has changed materially in the first half of 2020 moving from 95% exposure to CLO subordinated notes and 88% exposure to US CLOs, to 52% exposure to CLO subordinated notes, 32% to BB rated CLO notes and 15% to B rated CLO notes and a more balanced geographical mix (52% USD and 48% EUR).

These changes were motivated by an early de-risking of the portfolio (sale in January of four CLO subordinated notes and purchase of four B rated notes and one BB rated note) and the further acquisition of rated notes at deep discounts during weeks following the general market dislocation experienced as a consequence of COVID-19 in March.

As of 30 June 2020, all investments in the portfolio were in compliance with their relevant over-collateralisation tests and all made distributions in July.

Figure 2.2 – Master Fund II equity investments - compliance with over-collateralisation tests



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

² Based on the underlying loans in CLOs in which Master Fund II holds equity. This includes the equity positions in FOIF LP of which Master Fund II holds a percentage ownership. Data as at 30 June 2020.



STRATEGIC REVIEW

Investment Adviser's Report (continued)

Portfolio Review continued

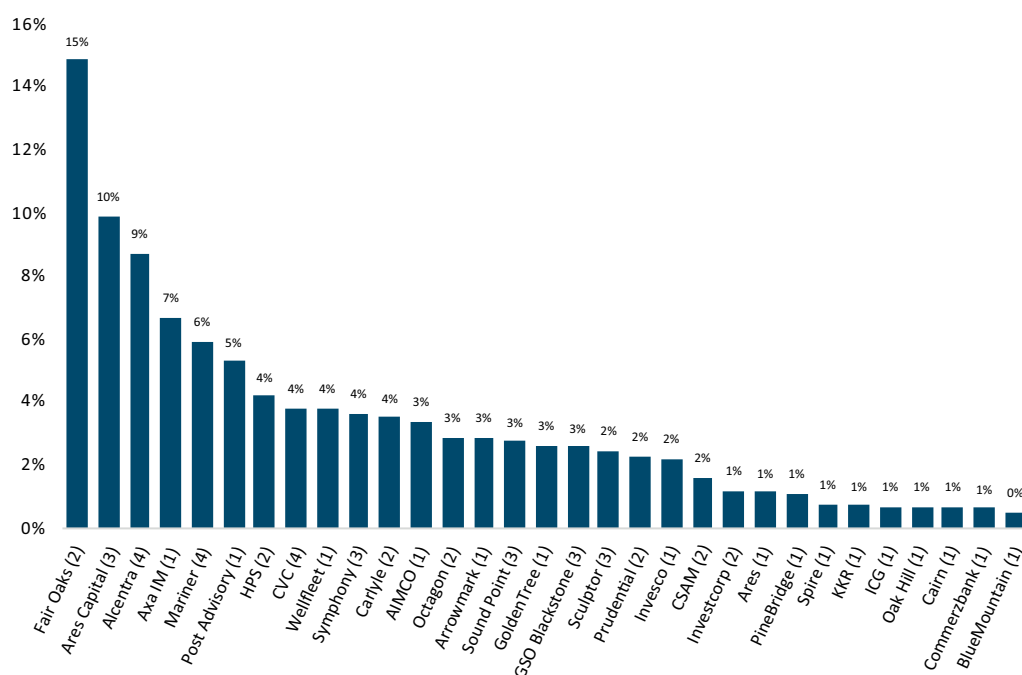
The Investment Adviser continues to believe that CLO mezzanine notes, in particular those backed by European loans, have the potential to offer a compelling risk-adjusted return and be highly complementary to the CLO subordinated note portfolio given their current valuations, resilience to defaults and higher over-collateralisation than similarly-rated US CLO notes.

Figure 2.3 – EUR CLO notes' strong relative value compared to EUR corporate loans

	CLO B Note ³	CLO BB Note ³	BB Bank Loan ⁴	B Bank Loan ⁴
Current Price	65-80c	80-93c	97.32c	94.11c
Spread to Maturity	10.5%-15.0%	7.5%-9.5%	3.7%	5.7%
Upside (yield to Par in 2 years)	20.9%-34.1%	9.8%-18.4%	4.4%	7.3%
Break-even default rate ⁵	8.7%	12.5%	10.4%	15.5%

The Master Fund II has completed 36 CLO BB and B rated mezzanine investments (US\$129 million par, US\$96 million cost) at prices ranging from 47.3c to 84.0c since March 2020.

Figure 2.4 – CLO manager diversification of Master Fund II⁶ CLO



³ BMorgan Stanley, as at 30 June 2020. Coupon based on average coupon for new issue EUR CLOs issued in 2019. Loan Market Intelligence as at 30 June 2020.

⁴ S&P Global Market Intelligence.

⁵ Fair Oaks analysis based on latest BB and B investments completed as at 30 June 2020. Constant annual default rate to maturity required to achieve a 0% IRR. Assumes 65c recovery rate. Other assumptions available on request.

⁶ Based on nominal holding per CLO manager, as at 30 June 2020. Percentages may not add up to 100% because of rounding errors.



STRATEGIC REVIEW

Investment Adviser's Report (continued)

Loan Market Update

The spread of the Credit Suisse Leveraged Loan index rose from Libor+4.61% as at 31 December 2019 to Libor+7.00% as at 30 June 2020 while the spread of the BB rated loans (a more appropriate proxy for CLO's higher average credit quality holdings), rose from Libor+2.62% to Libor+4.52% in the same period⁷.

We continue to be cautious about credit quality in the loan market although average leverage from US large corporates, defined as corporates with EBITDA of more than US\$50 million, fell marginally from 5.2x at the end of 2019 to 5.1x in Q2 2020 (Figure 2.5)⁸ while interest coverage rose from 3.4x to 4.2x (Figure 2.6)⁹.

Figure 2.5 – Average debt multiples of large corporate loans¹⁰

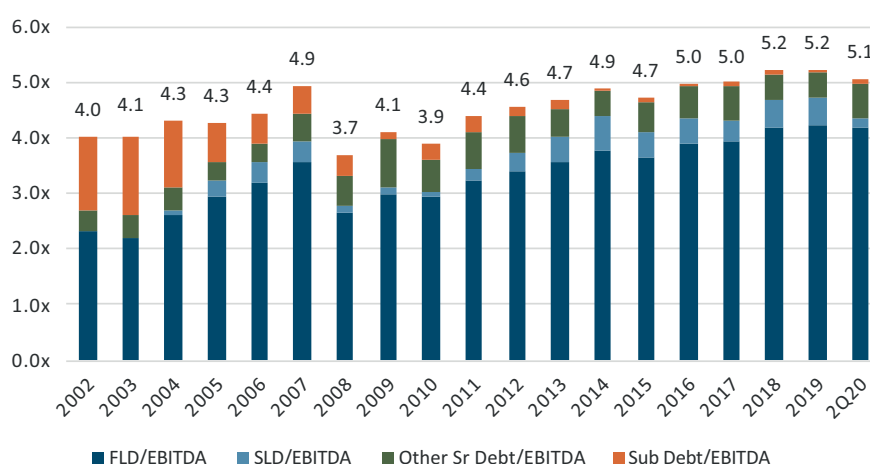
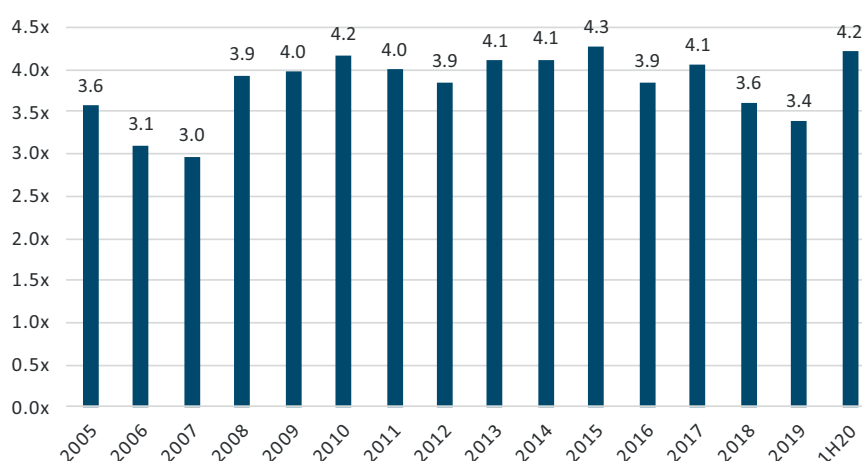


Figure 2.6 – Adjusted EBITDA/Cash interest of large corporates¹¹



The rolling twelve-month default rate increased to 3.23% as of 30 June 2020¹². A total of 57 loan issuers tracked by the US S&P/LSTA index have defaulted this year with "Services and Leasing", being the largest sector by number with 10 defaults, followed by "Retail" (8), "Energy: Oil and Gas" (6) and "Telecommunications" (4)¹³.

⁷ Based on 3-year discount margin of BB rated loans from Credit Suisse Leveraged loan index.

⁸ LCD's Quarterly Leveraged Lending Review: Q2 2020 from S&P Global Intelligence. Analysis excludes media and telecom loans prior to 2011. EBITDA adjusted for prospective cost savings or synergies.

⁹ LCD's Quarterly Leveraged Lending Review: Q2 2020 from S&P Global Intelligence. Based on non-adjusted EBITDA/Cash interest which excludes media and telecom loans prior to 2011.

¹⁰ LCD's Quarterly Leveraged Lending Review: Q2 2020 from S&P Global Intelligence. Analysis excludes media and telecom loans prior to 2011. EBITDA adjusted for prospective cost savings or synergies.

¹¹ LCD's Quarterly Leveraged Lending Review: Q2 2020 from S&P Global Intelligence. Based on non-adjusted EBITDA/Cash interest which excludes media and telecom loans prior to 2011.

¹² S&P/LSTA Leveraged Loan index by principal amount. Data as at 30 June 2020.

¹³ Based on S&P/LSTA defaults' list and Moody's industry classification. Data as at 30 June 2020.



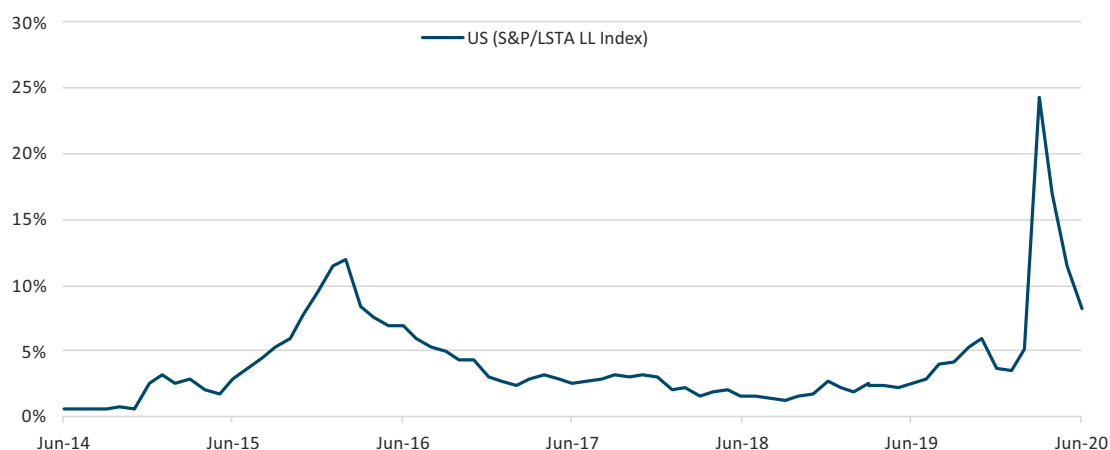
STRATEGIC REVIEW

Investment Adviser's Report (continued)

Loan Market Update continued

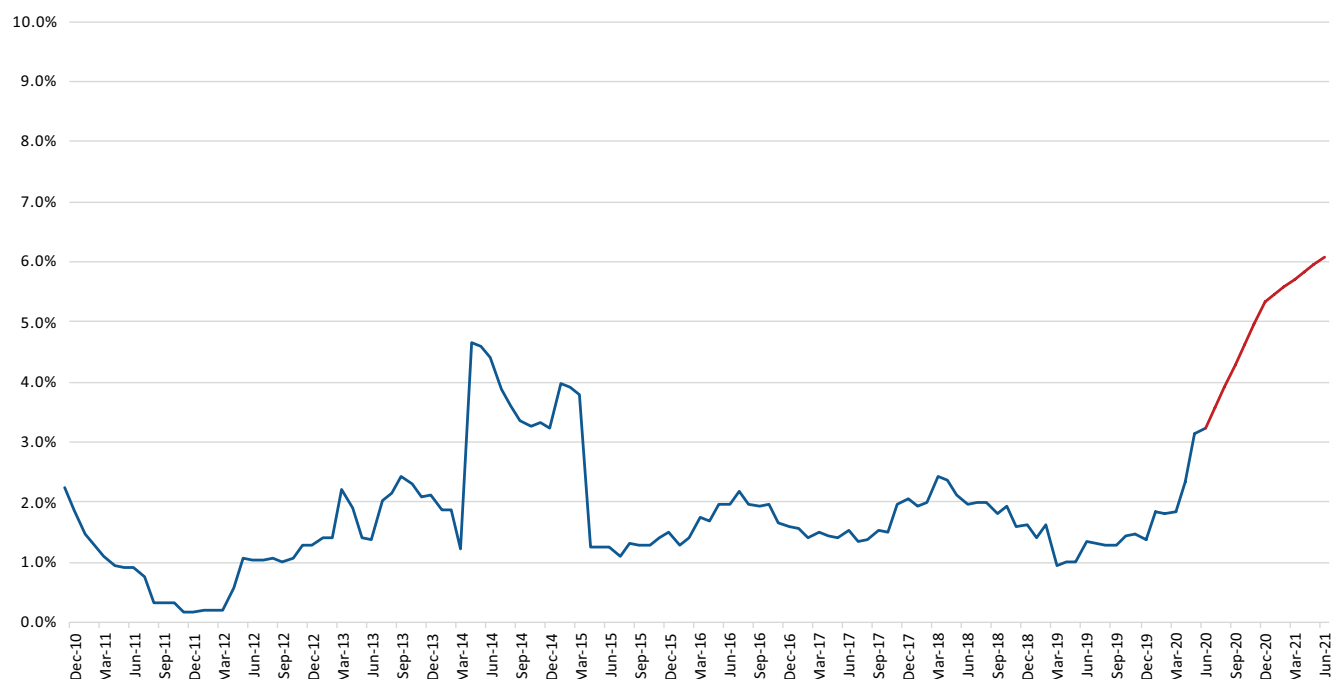
The distressed ratio in the US, defined as percentage of loans trading below 80c, increased substantially in March, to 24%, but has since decreased (Figure 2.7).

Figure 2.7 – Distressed ratio on US loans¹⁴



According to a quarterly survey published by S&P Global Intelligence in June 2020, loan managers expect the default rate to increase to 6.08% in June 2020 (Figure 2.8)¹⁵. Negative sentiment is considerably greater than six months ago, where from the same survey of loan managers predicted a default rate of 2.04% for June 2020¹⁶.

Figure 2.8 – Lagging 12-month default rate: historical and current expectations (forecast through to December 2020)¹⁵



¹⁴ S&P/LSTA Leveraged Loan index. Distress ratio by par amount. The definition of distressed loans is defined as the percentage of loans trading below 80c. Data as at 30 June 2020.

¹⁵ Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in June 2020.

¹⁶ Default survey by LCD, an offering on S&P Global Intelligence. Survey conducted in June 2019.



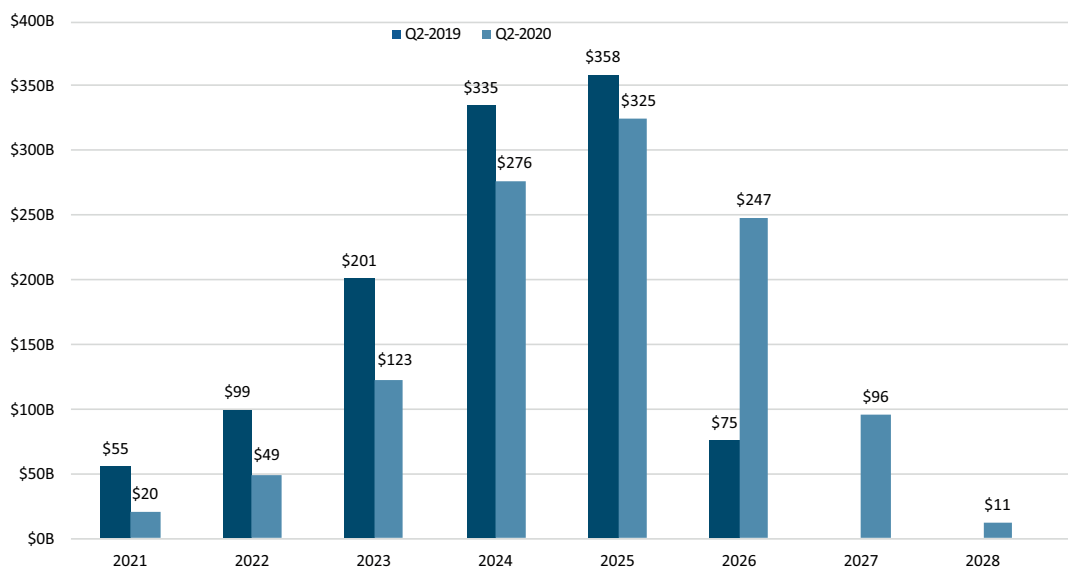
STRATEGIC REVIEW

Investment Adviser's Report (continued)

Loan Market Update continued

A potential positive factor continues to be the very limited amount of loans set to mature over the next three years. The notional of loans maturing in 2021-2023 has fallen from US\$355 billion as of 28 June 2019 to US\$193 billion as of 30 June 2020 (Figure 2.9)¹⁷.

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



CLO Market Update

The CLO market has experienced significant volatility in 2020 and has underperformed high yield bonds and loans in the recovery phase.

Figure 2.10 – EUR CLO spreads¹⁸

	June 2020	May 2020	April 2020	March 2020 (intra month wides)	February 2020	2018 wides	2016 wides
AAA	150-175	160-180	170-250	300-400	130-150	50-75	175-200
AA	210-260	200-250	270-350	500-700	H100s	L100s	300a
A	285-385	250-300	375-475	650-850	M200s	H100s	400a
BBB	450-600	400-700	550-800	850-1000	L400s	200s	550-700
BB	750-950	700-1050	1000-1400	1300-1500	L600s-M800s	400s	850-1050

Figure 2.11 – US CLO spreads¹⁸

	June 2020	May 2020	April 2020	March 2020 (intra month wides)	February 2020	2018 wides	2016 wides
AAA	165-210	160-200	180-275	400-600	115-125	92	180-265
AA	220-310	225-275	265-375	600s	175-190	135	270-425
A	265-380	250-325	385-500	700s	240-265	170	400-750
BBB	415-700	450-800	600-1000	800-1000	340-390	250	600-1200+
BB	785-1350	900-1,500	1100-1850	1400+	L700s-M900s	495-575	1050-1700+

¹⁷ LS&P Global Intelligence, Q2-2020. Distribution by year of maturity.

¹⁸ Source: Morgan Stanley.



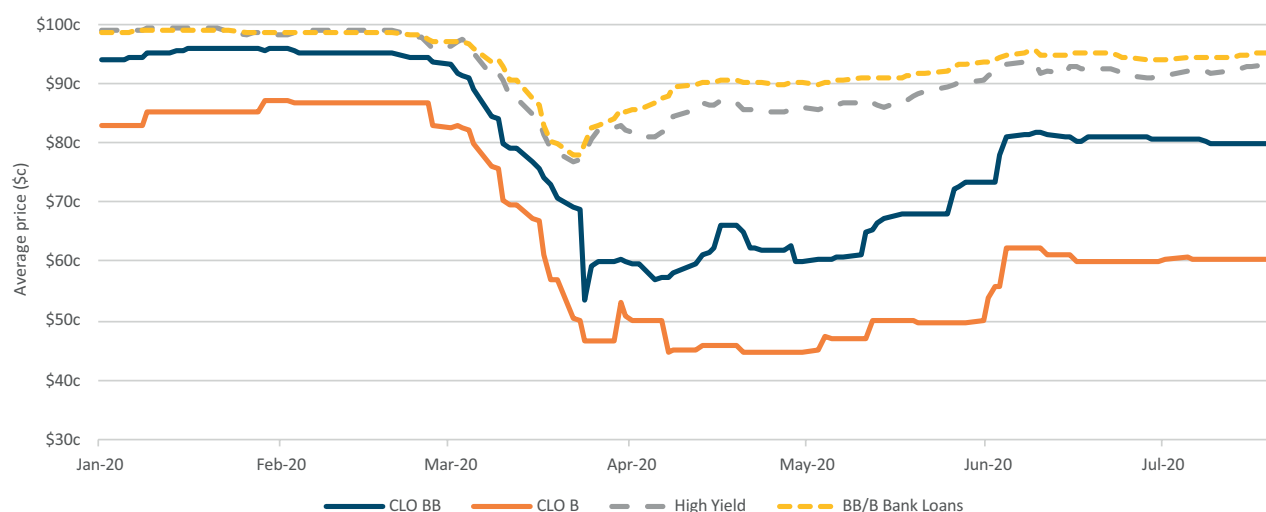
STRATEGIC REVIEW

Investment Adviser's Report (continued)

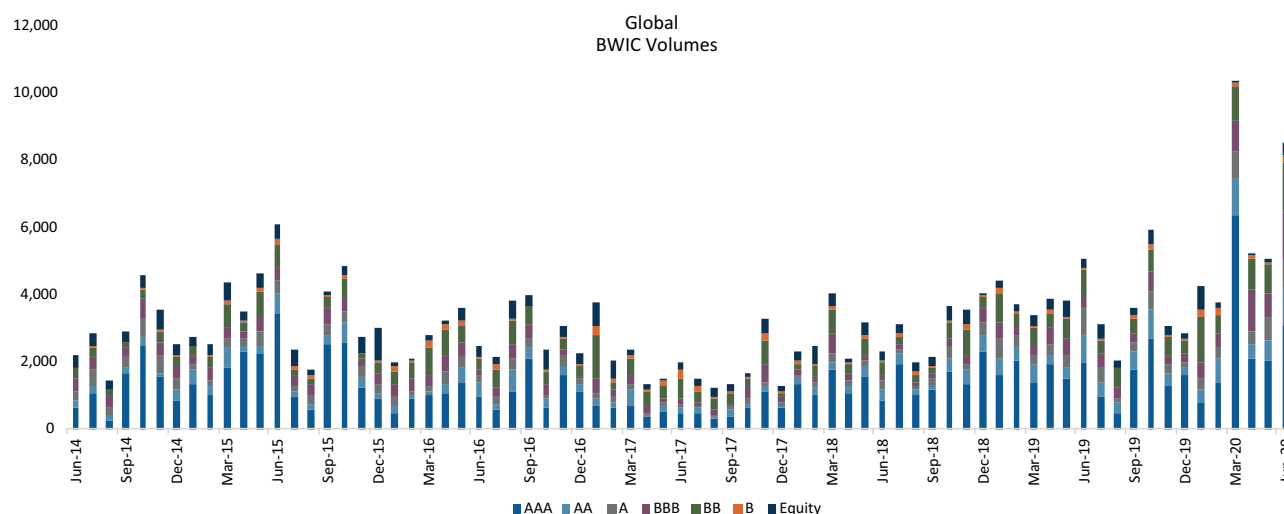
CLO Market Update continued

Figure 2.12 –CLO BB and B rated notes, high yield bonds and loan performance

	Price (13-Feb)		Price (25-Mar)		Price (21-Jul)
US High Yield	99.1c	US High Yield	78.3c	US High Yield	93.8c
US Lev Loan	98.5c	US Lev Loan	79.8c	US Lev Loan	95.4c
US CLO BB	95.1c	US CLO BB	53.3c	US CLO BB	80.0c
US CLO B	86.7c	US CLO B	46.5c	US CLO B	60.2c



CLO trading volumes in the first half of 2020 have been very high, with average monthly volumes in “bids wanted in competition” (“BWIC”) auctions exceeding US\$10 billion in March, the most active month since records started in 2014 and well above the US\$3.2 billion monthly average¹⁹.

Figure 2.13 – Global BWIC Volumes¹⁹

¹⁹ Citibank. Data as at 30 June 2020.



STRATEGIC REVIEW

Investment Adviser's Report (continued)

Outlook

We will continue to seek the best risk-adjusted opportunities for Master Fund II in the CLO equity and debt primary and secondary markets.

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

Conservatively positioned portfolio with significant upside potential from market normalisation

- Diversified portfolio offering global exposure to over 1,000 issuers through 62 investments in 55 CLOs, managed by 31 managers.
- BB/B rated CLO mezzanine notes combined with high quality portfolio of CLO subordinated notes with potential to provide further upside under normalisation scenario.

Fixed life

- The Company will start returning any principal received from the Master Fund II after June 2021. Final maturity June 2026.

Broad shareholder base

- The Investment Adviser believes that the structure of the Company has attracted a broader, more global, shareholder base.

Strong discount management provisions

- Fair Oaks Income Fund (GP) Limited has committed to invest 25% of quarterly management fees purchasing shares in the secondary market if the shares trade at any discount to NAV at the end of a calendar quarter.
- The Company is also authorised to buy back up to 14.99% of the 2017 Shares in issue in order to facilitate its discount management policy.

Fair Oaks Capital Limited

9 September 2020



GOVERNANCE

Statement of Principal Risks and Uncertainties

The Company is a feeder fund investing its assets into the Master Fund II. Its principal risks include operational, investment, regulatory and financial risks. These risks, and the way in which they are managed, are described in more detail under the heading 'Principal Risks and Uncertainties' within the Directors' Report of the Company's last Annual Report for the year ended 31 December 2019. With the exception of the Pandemic (COVID-19) risk as detailed below, 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.

Pandemic (COVID-19)

The economic disruption related to COVID-19 in the first half of 2020 has had significant short-term impacts, increasing the number of defaults in the loan markets and depressing valuations of the Master Fund II's investments. While all the Master Fund II's investments continue to comply with their over-collateralisation tests and make cash distributions to the Master Fund II, the medium and long-term impacts of COVID-19 disruption on the fundamental performance of the Master Fund II's investments and on their valuation will depend on the future development of the virus and potential vaccines, restrictions on, and changes in, consumer behaviour and mitigating actions taken by governments. In addition to the portfolio de-risking that took place in the first half of 2020 (increasing the proportion of rated CLO investments), the Investment Adviser continues to closely monitor the performance of the Master Fund II's investments and update the Company on current and emerging risks. The Investment Adviser also carries out extensive due diligence on Master Fund II's underlying investments before acquisition and they will ensure adequate diversification of the underlying assets is achieved.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- these Unaudited Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as required by DTR 4.2.4R of the Disclosure Guidance and Transparency Rules ("DTR") of the UK's FCA; and
- the Chairman's Statement, the Investment Adviser's Report and the Statement of Principal Risks and Uncertainties, together with the Unaudited Condensed Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
 - (a) DTR 4.2.7R of the DTR of the UK's FCA, being an indication of important events that have occurred during the six month period ended 30 June 2020 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 2020 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

9 September 2020

GOVERNANCE

Independent Review Report to Fair Oaks Income Limited

Conclusion

We have been engaged by Fair Oaks Income Limited (the “Company”) to review the unaudited condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 of the Company which comprises the Unaudited Condensed Statement of Comprehensive Income, the Unaudited Condensed Statement of Financial Position, the Unaudited Condensed Statement of Changes in Shareholders’ Equity, the Unaudited Condensed Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules (the “DTR”) of the UK’s Financial Conduct Authority (the “UK FCA”).

Scope of review

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

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

Directors’ responsibilities

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

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

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

Steven Stormonth

for and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey
9 September 2020

**FINANCIAL STATEMENTS**

Unaudited Condensed Statement of Comprehensive Income

For the six month period ended 30 June 2020

	Note	1 January 2020 to 30 June 2020 (unaudited) US\$	1 January 2019 to 30 June 2019 (unaudited) US\$
Income			
Net (losses)/gains on financial assets at fair value through profit or loss	5	(108,842,611)	9,234,045
Investment income		3,215	144,693
Net foreign exchange (losses)/gains		(52,848)	32,987
Total income		(108,892,244)	9,411,725
Expenses			
Investment advisory fees	6	93,086	9,301
Audit and interim review fees		73,547	23,211
Administration fees	6	76,053	73,030
Directors' fees and expenses	6	81,449	82,853
Legal and professional fees		21,405	39,423
Other expenses		157,340	152,777
Total operating expenses		502,880	380,595
(Loss)/profit and total comprehensive (loss)/income for the period		(109,395,124)	9,031,130
Basic and diluted (losses)/earnings per 2017 share	9	(0.2388)	0.0204
Basic and diluted losses per 2014 share*	9	N/A	(0.0091)

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

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

The accompanying notes on pages 18 to 35 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Unaudited Condensed Statement of Changes in Shareholders' Equity

For the six month period ended 30 June 2020

		Share capital (2017 Shares) (unaudited) US\$	Retained earnings (2017 Shares) (unaudited) US\$	Total equity (unaudited) US\$
At 1 January 2020		439,400,944	(96,242,034)	343,158,910
<i>Total comprehensive income:</i>				
Loss for the period		–	(109,395,124)	(109,395,124)
Total comprehensive loss for the period		–	(109,395,124)	(109,395,124)
<i>Transactions with Shareholders:</i>				
Issue of 2017 Shares during the period, net of issue costs	8	5,521,130	–	5,521,130
Dividends declared during the period	4	–	(9,450,854)	(9,450,854)
Total transactions with Shareholders		5,521,130	(9,450,854)	(3,929,724)
At 30 June 2020		444,922,074	(215,088,012)	229,834,062

	Note	Share capital (2017 Shares) (unaudited) US\$	Share capital (2014 Shares) (unaudited) US\$	Retained earnings (2017 Shares) (unaudited) US\$	Retained earnings (2014 Shares) (unaudited) US\$	Total equity (unaudited) US\$
At 1 January 2019		439,888,273	22,716,434	(43,577,478)	(3,408,180)	415,619,049
<i>Total comprehensive income:</i>						
Profit for the period		–	–	9,230,890	(199,760)	9,031,130
Total comprehensive income for the period		–	–	9,230,890	(199,760)	9,031,130
<i>Transactions with Shareholders:</i>						
2014 share redemptions paid during the period	8	–	(17,866,496)	–	–	(17,866,496)
Transfer of reserves on closure of 2014 share class		–	(4,849,938)	–	4,849,938	–
Dividends declared during the period	4	–	–	(31,539,888)	(1,241,998)	(32,781,886)
Total transactions with Shareholders		–	(22,716,434)	(31,539,888)	3,607,940	(50,648,382)
At 30 June 2019		439,888,273	–	(65,886,476)	–	374,001,797

The accompanying notes on pages 18 to 35 form an integral part of the Unaudited Condensed Financial Statements.

**FINANCIAL STATEMENTS**

Unaudited Condensed Statement of Financial Position

At 30 June 2020

	Note	30 June 2020 (unaudited) US\$	31 December 2019 (audited) US\$
Assets			
Cash and cash equivalents		1,445,780	5,340,650
Prepayments		58,368	17,899
Distribution receivable		–	1,168,089
Financial assets at fair value through profit or loss	5	228,444,427	336,721,957
Total assets		229,948,575	343,248,595
Liabilities			
Trade and other payables		114,513	89,685
Total liabilities		114,513	89,685
Net assets		229,834,062	343,158,910
Equity			
Retained earnings		(215,088,012)	(96,242,034)
Share capital	8	444,922,074	439,400,944
Total equity		229,834,062	343,158,910
Total Net Assets attributable to 2017 Shareholders		229,834,062	343,158,910
Number of 2017 Shares	8	467,728,360	452,698,737
Net asset value per 2017 Share		0.4914	0.7580

The Unaudited Condensed Financial Statements on pages 14 to 35 were approved and authorised for issue by the Board of Directors on 9 September 2020 and signed on its behalf by:

Jon Bridel
Director

The accompanying notes on pages 18 to 35 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Unaudited Condensed Statement of Cash Flows

For the six month period ended 30 June 2020

	Note	1 January 2020 to 30 June 2020 (unaudited) US\$	1 January 2019 to 30 June 2019 (unaudited) US\$
Cash flows from operating activities			
(Loss)/profit for the period		(109,395,124)	9,031,130
Adjustments for:			
Net losses/(gains) on financial assets at fair value through profit or loss	5	108,842,611	(9,234,045)
Net foreign exchange losses/(gains)		52,848	(32,987)
		(499,665)	(235,902)
(Increase)/decrease in prepayments		(40,469)	17,012
Increase/(decrease) in trade and other payables		24,828	(11,779)
Income distributions received from Master Fund		—	1,147,242
Income distributions received from Master Fund II		5,807,635	23,107,765
Purchases into Master Fund II during the period	5	(40,204,500)	(5,350,000)
Net cash flow (used in)/from operating activities		(34,912,171)	18,674,338
Cash flows from investing activities			
Sale of investment during the period	5	34,999,873	—
Net cash flow from investing activities		34,999,873	—
Cash flows from financing activities			
Proceeds from 2017 share issuance, net of costs	8	5,521,130	—
Dividends paid during the period	4	(9,450,854)	(32,781,886)
Net cash flow used in financing activities		(3,929,724)	(32,781,886)
Net decrease in cash and cash equivalents		(3,842,022)	(14,107,548)
Cash and cash equivalents at beginning of period		5,340,650	16,552,741
Effect of foreign exchange rate changes during the period		(52,848)	32,987
Cash and cash equivalents at end of period		1,445,780	2,478,180

The accompanying notes on pages 18 to 35 form an integral part of the Unaudited Condensed Financial Statements.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

For the six month period ended 30 June 2020

1. GENERAL INFORMATION

Fair Oaks Income Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 7 March 2014. The Company's registration number is 58123 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE") on 12 June 2014.

The Company makes its investments through FOMC II LP (the "Master Fund II") in which the Company is a limited partner and indirectly through FOIF LP (the "Master Fund") (the "Master Fund" and the "Master Fund II" together the "Master Funds"). The Master Fund II was registered in Guernsey on 24 February 2017 and the Master Fund was registered in Guernsey on 7 May 2014 under The Limited Partnerships (Guernsey) Law, 1995, as amended. During the six month period ended 30 June 2020, the Master Fund II allowed three new limited partners to enter the partnership and at 30 June 2020, the Master Fund II had five limited partners, including Fair Oaks Founder II LP, a related entity. At 30 June 2020, following the admission of the three new limited partners, the Company had a 71.80% holding in the Master Fund II. On 1 April 2019, the Company sold its direct holding of 11.31% in the Master Fund, but indirectly remains invested in the Master Fund through the Master Fund II.

At 30 June 2020, the Company had 467,728,360 2017 Shares ("2017 Shares") (31 December 2019: 452,698,737 2017 Shares). At 31 December 2019, the Company on behalf of the 2017 Shares had a 71.80% (31 December 2019: 100%) holding in the Master Fund II, which in turn had a holding of 66.20% (31 December 2019: 66.20%) 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 Funds invest in portfolios consisting primarily of Collateral Loan Obligations ("CLOs"). The Company may also invest in Qualifying Short Term Investments if at any time the Company holds any uninvested cash.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

These Unaudited Condensed Financial Statements ("Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' as required by DTR 4.2.4R, the Listing Rules of the LSE and applicable legal and regulatory requirements. They do not include all the information and disclosures required in Annual Financial Statements and should be read in conjunction with the Company's last Annual Audited Financial Statements for the year ended 31 December 2019.

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 2019, 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 9 September 2020.

Expenses and non-investment assets and liabilities were apportioned to 2017 Shares and to 2014 Shares based on the assets under management of the respective share class at the date of the transaction and income was based on the share classes' respective ownership of the Master Fund and Master Fund II. Following the final 2014 Share redemption on 1 April 2019, expenses and non-investment assets and liabilities are apportioned 100% to 2017 Shares.

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 2019.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES *continued*

New Accounting Standards and interpretations applicable to future reporting periods

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

- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for periods commencing on or after 1 January 2020) – The amendments in *Definition of Material (Amendments to IAS 1 and IAS 8)* clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for periods commencing on or after 1 January 2020) – The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
- Amendments to References to Conceptual Framework in IFRS Standard (effective for periods commencing on or after 1 January 2020).

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

3. SEGMENTAL REPORTING

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

In the Board of Directors’ opinion, the Company is engaged in a single segment of business, being investments into the Master Fund 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’s policy is to declare dividends 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 II and Qualifying Short Term Investments, less expenses of the Company.

Prior to March 2020, the Company declared monthly dividends of 0.7 US cents per 2017 Share (previously 2014 Share also) and a twelfth interim dividend such that, in the opinion of the Board of Directors, substantially all net income generated by the Company in 2019 will be distributed to shareholders.

On 30 March 2020, the Company announced that in light of ongoing uncertainty in economies and markets caused by the COVID-19 pandemic, the Board resolved to suspend the declaration of dividend payments.

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

(continued)

For the six month period ended 30 June 2020**4. DIVIDENDS** continued

On 20 July 2020, in light of the continued performance and the increased resilience of Master Fund II's investments, the Board decided to resume the payment of dividends, on a quarterly basis and at a variable rate. The Company announced the first quarterly dividend at the end of July in an amount of 1.5 cents per share.

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

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

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

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

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

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

*2014 Shares fully redeemed on 1 April 2019.

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

The rate per 2017 Share (prior to 1 April 2019: 2014 Share also) to be used to pay shareholders who elected to receive their dividend in Sterling will be announced on the London Stock Exchange each month prior to the payment date.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

4. DIVIDENDS continued

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

Total dividends payable as at 30 June 2020 were US\$nil (31 December 2019: US\$nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	1 January 2020 to 30 June 2020 (unaudited) 2017 Shares US\$
Cost of financial assets at fair value through profit or loss at the start of the period	426,885,179
Purchases of investments at cost during the period	40,204,500
Sale of investment during the period	(34,999,873)
Realised loss on sale of investment during the period	(3,064,276)
Cost of financial assets at fair value through profit or loss at the end of the period	429,025,530
Net unrealised losses on financial assets at the end of the period	(200,581,103)
Financial assets at fair value through profit or loss at the end of the period	228,444,427
Realised loss on sale of investment during the period	(3,064,276)
Movement in net unrealised losses during the period	(110,417,881)
Income distributions declared from Master Fund II during the period	4,639,546
Net losses on financial assets at fair value through profit or loss	(108,842,611)

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

(continued)

For the six month period ended 30 June 2020**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *continued*

	1 January 2019 to 31 December 2019 (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	22,491,051	425,164,125	447,655,176
Purchase of investments in Master Fund II at cost during the year	–	9,782,000	9,782,000
Purchase of investment at cost during the year	–	38,064,150	38,064,150
Capital distribution received from Master Fund II	–	(46,125,096)	(46,125,096)
Sale of investment in the Master Fund during the year*	(17,536,442)	–	(17,536,442)
Realised loss on sale of investment during the year	(4,954,609)	–	(4,954,609)
Cost of financial assets at fair value through profit or loss at the end of the year	–	426,885,179	426,885,179
Net unrealised losses on financial assets at the end of the year	–	(90,163,222)	(90,163,222)
Financial assets at fair value through profit or loss at the end of the year	–	336,721,957	336,721,957
Realised loss on sale of investment in the Master Fund	(4,954,609)	–	(4,954,609)
Movement in net unrealised loss during the year	4,333,950	(32,004,352)	(27,670,402)
Income distributions declared from the Master Fund during the year	454,996	–	454,996
Income distributions declared from Master Fund II during the year	–	30,510,995	30,510,995
Net losses on financial assets at fair value through profit or loss	(165,663)	(1,493,357)	(1,659,020)

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



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

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

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

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

At 30 June 2020, the Company's 2017 Shareholders were 100% invested into Master Fund II. During the six month period ended 30 June 2020, the Master Fund II allowed three new limited partners to enter the partnership and at 30 June 2020, the Master Fund II had five limited partners, including Fair Oaks Founder II LP, a related entity. At 30 June 2020, following the admission of the three new limited partners, the Company had a 71.80% holding in the Master Fund II.

On 1 April 2019, the Master Fund II increased its limited partner interest in the Master Fund by 3.38%, through the partial acquisition of the 2014 Shares direct holding in the Master Fund in exchange for a cash settlement to the 2014 Shareholders. At 30 June 2020, the Master Fund II had a 66.20% holding in the Master Fund (31 December 2019: 66.20%). Prior to the 1 April 2019, the Company's 2014 Shareholders had a 11.31% holding in the Master Fund.

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

(continued)

For the six month period ended 30 June 2020**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued**Look-through financial information: Master Funds' Financial Position**

The following tables reconcile the Company's proportionate share of the Master Fund 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 2020 (unaudited) Master Fund II US\$
Financial assets at fair value through profit or loss	229,407,456
Add: Other net current liability	(963,029)
Total financial assets at fair value through profit or loss	228,444,427

	31 December 2019 (audited) Master Fund II US\$
Financial assets at fair value through profit or loss	285,420,752
Less: Net current assets	13,177,705
Total financial assets at fair value through profit or loss	298,598,457

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

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

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



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

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

	1 January 2019 to 31 December 2019 (audited)		
	Master Fund*	Master Fund II	Total Company
	US\$	US\$	US\$
Net unrealised losses on investments at the beginning of the year	(4,333,950)	(58,158,870)	(62,492,820)
Investment income	969,559	26,532,789	27,502,348
Income distributions received from Master Fund	–	4,585,652	4,585,652
Income distributions received from Cycad	–	1,629,268	1,629,268
Unrealised losses on financial assets at fair value through profit or loss	(1,150,240)	(31,239,221)	(32,389,461)
Realised losses on financial assets at fair value through profit or loss	–	(1,697,606)	(1,697,606)
Net losses on derivative financial instruments and foreign exchange	5,923	1,232,003	1,237,926
Other income	–	487,857	487,857
Expenses	9,095	(3,083,450)	(3,074,355)
Income distributions declared during the year	(454,996)	(30,510,995)	(30,965,991)
Movement in unrealised on sale of the Master Fund	4,954,609	–	4,954,609
Net unrealised losses on investments at the end of the year	–	(90,222,573)	(90,222,573)

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

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

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

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

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

(continued)

For the six month period ended 30 June 2020**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *continued*

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 2020 (unaudited)			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Assets:				
Financial assets at fair value through profit or loss	–	–	228,444,427	228,444,427
Total	–	–	228,444,427	228,444,427

	31 December 2019 (audited)			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Assets:				
Financial assets at fair value through profit or loss	–	38,123,500	298,598,457	336,721,957
Total	–	38,123,500	298,598,457	336,721,957

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

At 31 December 2019, the Company's UCITS investment publishes daily prices which are derived by underlying administrators of the entity on a net asset value basis. The Directors value this UCITS investment at its net asset value at the relevant valuation date, as determined in accordance with the terms of the UCITS investment and as notified to the Company by the underlying administrator. The Directors determined that the net asset value best represents fair value and have classified the UCITS investment as a level 2 investment. During the six month period ended 30 June 2020, the UCITS investment was sold.

The following table presents the movement in Level 3 instruments:

	1 January 2020 to 30 June 2020 (unaudited) US\$	1 January 2019 to 31 December 2019 (audited) US\$
Opening Balance	298,598,457	385,162,356
Purchases	40,204,500	9,782,000
Sale of investment in the Master Fund during the year	–	(17,536,442)
Movement in net unrealised gain/(loss) during the period/year	(110,358,530)	(27,729,752)
Realised loss on sale during the period/year	–	(4,954,609)
Capital distributions received from Master Fund II	–	(46,125,096)
Closing Balance	228,444,427	298,598,457

Transfers between Level 1, 2 and 3

There have been no transfers between levels during the period ended 30 June 2020 or for the year ended 31 December 2019. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

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

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

On a look-through basis, the following table analyses within the fair value hierarchy the Company's proportionate share of the Master Fund 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 2020 (unaudited)			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Master Fund II*				
Financial assets at fair value through profit or loss	–	86,817,423	142,590,033	229,407,456
Derivatives at fair value through profit or loss	–	(1,838,110)	–	(1,838,110)
Total	–	84,979,313	142,590,033	227,569,346

*Shows the Company's proportionate share in the Master Fund II at 71.80% at 30 June 2020.

	31 December 2019 (audited)			
	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Master Fund II**				
Financial assets at fair value through profit or loss	–	5,033,751	280,387,001	285,420,752
Derivatives at fair value through profit or loss	–	(412,504)	–	(412,504)
Total	–	4,621,247	280,387,001	285,008,248

**Shows the Company's proportionate share in the Master Fund II at 100.00% at 31 December 2019

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 30 June 2020 (unaudited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund II	228,444,427	NAV	Zero % discount	N/A
	228,444,427			

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2019 (audited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund II	298,598,457	NAV	Zero % discount	N/A
	298,598,457			

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

(continued)

For the six month period ended 30 June 2020**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued**Look-through financial information: Master Funds' Level 3 information**

The Master Fund II have engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 30 June 2020 (unaudited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II*					
<u>CLO Income Notes</u>					
United States of America	100,453,540	Prices provided by a third party agent	US\$0.2900 - US\$0.8903	US\$0.4603	10% increase/decrease will have a fair value impact of +/- US\$10,045,354
Europe	31,873,446	Prices provided by a third party agent	€0.2700 - €0.9742	€0.7319	10% increase/decrease will have a fair value impact of +/- US\$3,187,345
<u>CLO Sub Fee Notes</u>					
Europe	1,351,771	Prices provided by a third party agent	€0.2700 - €0.9742	€0.7319	10% increase/decrease will have a fair value impact of +/- US\$135,177
<u>Limited Partnerships</u>					
Master Fund	3,619,643	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$361,964
Cycad	5,291,633	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$529,163
	142,590,033				

*Shows the Company's proportionate share in the Master Fund II at 71.80% at 30 June 2020.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

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

The Master Fund II has engaged an independent third party to provide valuations for their CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 31 December 2019 (audited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
Master Fund II**					
<u>CLO Income Notes</u>					
United States of America	180,920,825	Prices provided by a third party agent	US\$0.4800 - US\$0.7000	US\$0.6466	10% increase/decrease will have a fair value impact of +/- US\$18,092,083
Europe	42,739,623	Prices provided by a third party agent	€0.0001 - €1.4500	€0.9600	10% increase/decrease will have a fair value impact of +/- US\$4,273,962
<u>Limited Partnerships</u>					
Master Fund	44,045,876	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$4,404,588
Cycad	12,680,677	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$1,268,068
	280,387,001				

**Shows the Company's proportionate share in the Master Fund II at 100.00% at 31 December 2019.

6. RELATED PARTIES AND OTHER KEY CONTACTS

Transactions with Investment Adviser and Investment Portfolio Investor

Investment Adviser

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

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

(continued)

For the six month period ended 30 June 2020**6. RELATED PARTIES AND OTHER KEY CONTACTS** *continued*

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

	For the six month period ended 30 June 2020 (unaudited) US\$	For the six month period ended 30 June 2019 (unaudited) US\$
Company investment advisory fee	1,051,823	1,726,711
Less: Master fund II rebate	(915,276)	(1,211,595)
Less: Master fund rebate	(43,461)	(505,815)
Net investment advisory fee	93,086	9,301

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. On 22 January 2020, the General Partner purchased 271,851 2017 Shares in the secondary market by way of reinvesting 25% of the quarter's investment advisory fees. On 24 July 2019 and 23 October 2019, the General Partner purchased 285,355 and 289,969 2017 Shares respectively in the secondary market by way of reinvesting 25% of the quarter's investment advisory fees.

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

Fair Oaks CLOs

At 30 June 2020, Master Fund II had investments in Fair Oaks Loan Funding I and Fair Oaks Loan Funding II (the "Fair Oaks CLOs") valued at €8,198,822 and €37,064,997 respectively. The Investment Adviser to the Company also has an investment in Fair Oaks Loan Funding I and acts as collateral manager to the Fair Oaks CLOs. In addition, Master Fund II acts as the risk retention holder for the Fair Oaks CLOs. As risk retention holder, Master Fund II is required to retain, on an ongoing basis, a material net economic interest in the Fair Oaks CLOs of not less than 5%.

In addition, during the final quarter of 2019, the Company's uninvested cash was invested, in accordance with the Company's investment policy, into a zero-fee USD share class of Fair Oaks High Grade Credit Fund, an open-ended UCITS fund for which the Investment Adviser to the Company acts as investment manager. During the six month period ended 30 June 2020, this UCITS investment was sold.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

6. RELATED PARTIES AND OTHER KEY CONTACTS *continued*

Transactions with Investment Adviser and Investment Portfolio Investor *continued*

Founder Partners

The Master Fund and Master Fund II also pay the Founder Partner and Founder Partner II a carried interest equal to 15 per cent of cash available to be distributed (after payment of expenses and management fees) after Limited Partners have received a Preferred Return. The threshold calculation of the Preferred Return will be based solely on distributions and not on NAV calculations so the Master Fund and Master Fund II will not pay any carried interest until their investors have realised the amounts drawn down for investments and met their Preferred Returns. On 1 April 2019, the Company sold its direct holding of 11.31% in the Master Fund, but indirectly remains invested in the Master Fund through the Master Fund II. At 30 June 2020, US\$1,346,062 (31 December 2019: US\$14,522,140) carried interest was accrued at the Master Fund level, to be apportioned to and payable by all limited partners. At 30 June 2020, US\$3,404,181 (31 December 2019: US\$nil) carried interest was accrued at Master Fund II level. None of the carried interest accrued at Master Fund II level was related to the Company's investment in the Master Fund II.

Other Material Contracts

Administrator

Praxis Fund Services Limited (the "Administrator") is entitled to receive a time-based fee quarterly in arrears for all Company Secretarial services. The Administrator is also entitled to an annual fee of US\$33,128 (31 December 2019: US\$32,320), payable quarterly in arrears for Administration and Accounting services.

The Administrator is also entitled to an additional fee for assisting with reporting under Article 24 of the AIFM Directive. The fee was increased to £2,768 (31 December 2019: £2,700) per return, per jurisdiction, with effect from 1 May 2019.

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 2019: £43,000).

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

	For the six month period ended 30 June 2020 (unaudited) US\$	For the six month period ended 30 June 2019 (unaudited) US\$
CHARGE FOR THE YEAR		
Investment adviser fee	93,086	9,301
Administration fee	76,053	73,030
Directors' fees and expenses	81,449	82,853

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

(continued)

For the six month period ended 30 June 2020**6. RELATED PARTIES AND OTHER KEY CONTACTS** continued**Other Material Contracts** continued

	30 June 2020 (unaudited) US\$	31 December 2019 (audited) US\$
OUTSTANDING FEES		
Investment adviser fee	730	32,516
Administration fee	16,146	5,401

Shares held by related parties

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

	30 June 2020 (unaudited)		31 December 2019 (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	60,000	0.01%	60,000	0.01%

As at 30 June 2020, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 2,825,789 2017 Shares (31 December 2019: 2,566,438 2017 Shares), which is 0.60% (31 December 2019: 0.57%) of the issued 2017 share capital.

7. TAX STATUS

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

8. SHARE CAPITAL

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

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

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

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



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

8. SHARE CAPITAL continued

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

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

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

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

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

Issued share capital

2017 Shares

	30 June 2020 (unaudited)		31 December 2019 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	452,698,737	439,400,944	453,348,737	439,888,273
Own share capital acquired during the period/year	–	–	(650,000)	(487,329)
Share capital issued during the period/year, net of issue costs	15,029,623	5,521,130	–	–
Share capital at the end of the period/year	467,728,360	444,922,074	452,698,737	439,400,944

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

(continued)

For the six month period ended 30 June 2020**8. SHARE CAPITAL** continued**Issued share capital** continued

2014 Shares

	31 December 2019 (audited)	
	Shares	US\$
Share capital at the beginning of the year	21,942,137	22,716,434
Share redemptions*	(21,942,137)	(17,866,496)*
Transfer of reserves on final 2014 share redemption	–	(4,849,938)
Share capital at the end of the year	–	–

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

The total number of 2017 Shares in issue, as at 30 June 2020 was 468,378,360 (31 December 2019: 453,348,737), of which 650,000 (31 December 2019: 650,000) Shares were held in treasury, and the total number of shares in issue excluding treasury shares were 467,728,360 (31 December 2019: 452,698,737). At 30 June 2020, the Company has 467,728,360 (31 December 2019: 452,698,737) total voting rights.

During the year ended 31 December 2019, the Company bought back 650,000 2017 shares, at an average price of £0.7497.

9. EARNINGS PER SHARE

	For the six month period ended 30 June 2020 (unaudited)		For the six month period ended 30 June 2019 (unaudited)	
	2017 Shares	2014 Shares*	2017 Shares	2014 Shares*
	US\$	US\$	US\$	US\$
Weighted average number of shares	458,111,561	21,942,137	453,348,737	21,942,137
(Loss)/profit for the financial year	(109,395,124)	(199,760)	9,230,890	(199,760)
Basic and diluted (losses)/earnings per share	(0.2388)	(0.0091)	0.0204	(0.0091)

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

The weighted average number of shares as at 30 June 2020 and 30 June 2019 is based on the number of 2017 Shares (30 June 2019: 2014 Shares also) in issue during the period under review, as detailed in Note 8.

10. CONTINGENT LIABILITIES AND COMMITMENTS

The Company entered into a Subscription Agreement with Master Fund II and agreed to become a Limited Partner and made a commitment to Master Fund II of US\$434,013,756 (31 December 2019: US\$435,442,012) of which US\$432,982,362 (31 December 2019: US\$392,777,862) had been called.

At 30 June 2020 and 31 December 2019, the Company had no other outstanding commitments.



FINANCIAL STATEMENTS

Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2020

11. SUBSEQUENT EVENTS

On 20 July 2020, in light of the continued performance and the increased resilience of Master Fund II's investments, the Board decided to resume the payment of dividends, on a quarterly basis and at a variable rate. The Company expected to announce the first quarterly dividend at the end of July in an amount of approximately 1.5 cents per share.

The Master Funds received distributions on all equity investments in April and, with all investments passing their over-collateralisation tests, distributions are also expected on all investments in July. Furthermore, the opportunistic investments made in the second quarter have resulted in the portfolio consisting of 48% CLO debt by market value. This increases the resilience and predictability of Master Fund II and the Company's cash flow.

On 30 July 2020, the Company declared a interim dividend of 1.5 US cents per 2017 share in respect of the quarter ended 30 June 2020 to the 2017 Shares, which was paid on 20 August 2020. The ex dividend date was 6 August 2020.

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



ADDITIONAL INFORMATION

Portfolio Statement (unaudited)

As at 30 June 2020

CLO Equity

Security	Instrument	Par Value Master Fund II ¹	Valuation
AIMCO 2017-A SUB	Subordinated Notes	US\$19,443,440	38.00%
ALLEG 2017-2X SUB	Subordinated Notes	US\$28,630,250	51.00%
ARES 2015-35R	Subordinated Notes	US\$18,668,000	49.00%
AWPT 2015-4 SFN	Subordinated Fee Notes	US\$9,197,231	0.01%
AWPT 2017-6X SUB	Subordinated Notes	US\$21,575,900	29.00%
ELM 2014-1A SUB	Subordinated Notes	US\$4,540,807	30.00%
FOAKS 1X M	Subordinated Fee Notes	€718,000	0.01%
FOAKS 1X SUB	Subordinated Notes	€20,104,000	27.00%
FOAKS 1X Z	Subordinated Fee Notes	€361,104	127.00%
FOAKS 2X M	Subordinated Fee Notes	€718,000	0.01%
FOAKS 2X SUB	Subordinated Notes	€33,746,000	68.00%
FOAKS 2X Z	Subordinated Fee Notes	€615,429	121.00%
HLM 13X-2018 SUB	Subordinated Notes	US\$18,632,100	36.00%
MARNR 2015-1A SUB	Subordinated Notes	US\$4,693,868	35.00%
MARNR 2016-3A SUB	Subordinated Notes	US\$4,428,562	41.00%
MARNR 2017-4 SUB	Subordinated Notes	US\$20,743,020	39.00%
POST 2018-1X SUB	Subordinated Notes	US\$28,204,835	41.00%
SHACK 2018-12 SUB	Subordinated Notes	US\$21,540,000	41.00%
WELF 2018-1X SUB	Subordinated Notes	US\$20,732,250	40.00%

¹ Master fund II holdings include investments held indirectly via Master Fund II's 66.20% interest in the Master Fund and its 14.96% interest in Cycad Investments LP.



ADDITIONAL INFORMATION

Portfolio Statement (unaudited) (continued)

As at 30 June 2020

CLO Mezzanine

Security	Instrument	Par Value Master Fund II ¹	Valuation
ACLO 2X ER	Class E Notes	€1,687,300	87.84%
APID 2018-18A F	Class F Notes	US\$2,872,000	68.26%
ARESE 10X E	Class E Notes	€2,513,000	90.53%
ARESE 2013-6X ER	Class E Notes	€8,903,200	91.63%
ARESE 9X E	Class E Notes	€3,661,800	88.34%
AVOCA 13X ER	Class E Notes	€1,543,700	91.72%
BLUME 2017-2X E	Class E Notes	€1,077,000	92.19%
BOPHO 4X E	Class E Notes	€1,436,000	86.36%
CADOG 6A ER	Class E Notes	€1,436,000	90.58%
CEDF 2014-4A ER	Class E Notes	US\$1,436,000	89.03%
CGMSE 2017-1X E	Class E Notes	€1,436,000	73.95%
CGMSE 2018-1X D	Class D Notes	€7,180,000	82.56%
CORDA 10X E	Class E Notes	€1,436,000	86.99%
CORDA 11X E	Class E Notes	€2,513,000	87.88%
CORDA 16X E	Class E Notes	€2,513,000	94.00%
CRNCL 2018-9X E	Class E Notes	€1,436,000	90.62%
DRSLF 2017-49A F	Class F Notes	US\$3,302,800	72.17%
DRSLF 2017-53A F	Class F Notes	US\$3,590,000	71.14%
EGLXY 2018-6X F	Class F Notes	€3,051,500	69.90%
GLM 2019-5A E	Class E Notes	US\$7,180,000	79.23%
HARVT 11X FR	Class F Notes	€795,000	73.84%
HARVT 7X FR	Class F Notes	€1,256,500	77.61%
HLM 13X-2018 F	Class F Notes	US\$4,119,525	58.87%
INVSC 3X E	Class E Notes	€4,523,400	96.20%
JPARK 2016-1A ER	Class E Notes	US\$1,436,000	70.01%
JUBIL 2015-15X E	Class E Notes	€1,464,720	87.56%
JUBIL 2016-17X ER	Class E Notes	€2,872,718	86.51%
JUBIL 2017-19X E	Class E Notes	€6,462,000	84.97%
MDPK 2016-20A FR	Class F Notes	US\$2,872,000	72.78%
OCT39 2018-3A E	Class E Notes	US\$2,154,000	88.64%
OCT39 2018-3A F	Class F Notes	US\$6,462,000	68.02%
OHECP 2015-4X FR	Class F Notes	€1,823,002	72.16%
OZLME 2X F	Class F Notes	€4,458,780	161.02%
OZLME 2X F	Class F Notes	€4,458,780	161.02%
OZLME 3X E	Class E Notes	€1,436,000	85.21%
PHNXP 1X DR	Class D Notes	€2,513,000	91.61%
RPARK 1X ER	Class E Notes	€2,154,000	88.36%
SNDPE 1A E	Class E Notes	€1,795,000	97.24%
SNDPE 1X E	Class E Notes	€2,154,000	97.24%
SNDPE 2X E	Class E Notes	€1,651,400	97.42%
SPAUL 5X ER	Class E Notes	€1,543,700	87.48%
SYMP 2018-19A F	Class F Notes	US\$3,949,000	69.87%
SYMP 2013-12A F	Class F Notes	US\$6,179,018	62.43%

¹ Master fund II holdings include investments held indirectly via Master Fund II's 66.20% interest in the Master Fund and its 14.96% interest in Cycad Investments LP.



ADDITIONAL INFORMATION

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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Administrator and Secretary

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ADDITIONAL INFORMATION

Appendix

Alternative Performance Measures used in the Financial Statements

- Total NAV return**

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

		For the six month period ended 30 June 2020	For the six month period ended 30 June 2019
Opening NAV per 2017 share		US\$0.7580	US\$0.8742
Opening accumulated number of 2017 Shares*	(a)	1,915.3 shares	1,672.5 shares
Opening NAV valuation of shares	(b)	US\$1,451.8	US\$1,462.1
Dividends paid during the period		US\$0.0210	US\$0.0695
Dividends converted to shares**	(c)	54.1 shares	142.7 shares
Closing NAV per 2017 share		US\$0.4914	US\$0.8250
Closing accumulated number of 2017 Shares* (d = a + c)	(d)	1,969.4 shares	1,815.2 shares
Closing NAV valuation of shares	(e)	US\$967.8	US\$1,497.5
NAV valuation of shares return (f = e – b)	(f)	(US\$484.0)	US\$35.4
Total NAV return (g = (f / b) x 100)	(g)	(33.3%)	2.4%

*with dividends reinvested since inception (12 June 2014)

**converted to 2017 Shares at the prevailing month end NAV ex-dividend for all dividends paid in 2020.



ADDITIONAL INFORMATION

Appendix (continued)

Alternative Performance Measures used in the Financial Statements (continued)

- Total share price return**

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

		For the six month period ended 30 June 2020	For the six month period ended 30 June 2019
Opening share price per 2017 share		US\$0.6775	US\$0.7925
Opening accumulated number of 2017 Shares*	(a)	1,889.4 shares	1,642.4 shares
Opening share price valuation of shares	(b)	US\$1,280.1	US\$1,301.6
Dividends paid during the period		US\$0.0210	US\$0.0695
Dividends converted to shares**	(c)	59.5 shares	144.5 shares
Closing share price per 2017 share		US\$0.4500	US\$0.8325
Closing accumulated number of 2017 Shares* (d = a + c)	(d)	1,948.8 shares	1,786.9 shares
Closing share price valuation of shares	(e)	US\$877.0	US\$1,487.6
Valuation of shares return (f = e – b)	(f)	(US\$403.1)	US\$186.0
Total share price return (g = (f / b) x 100)	(g)	(31.5%)	14.3%

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

**converted to 2017 Shares at the prevailing month end share price ex-dividend for all dividends paid in 2020.



ADDITIONAL INFORMATION

Appendix (continued)

Alternative Performance Measures used in the Financial Statements (continued)

- Ongoing charges ratio ("OCR")**

The ongoing charges ratio of an investment company is the annual percentage reduction in shareholder returns as a result of recurring operational expenditure. Ongoing charges are classified as those expenses which are likely to recur in the foreseeable future, and which relate to the operation of the company, excluding investment transaction costs, gains or losses on investments and performance fees. In accordance with the AIC guidance, the proportionate charges for the period are also incorporated from investments in other funds. As such charges from the Master Fund II a weighted average percentage for the period of 71.28% (31 December 2019: 100%), the Master Fund at a weighted average percentage for the period of 47.18% (31 December 2019: 65.36%) and Cycad Investments LP at a weighted average percentage for the period of 10.66% (31 December 2019: 14.96%) are included. Performance fees or carried interest from the underlying funds are not included. The OCR is calculated as the total ongoing charges for a period divided by the average net asset value over that period/year.

	For the six month period ended 30 June 2020			For the year ended 31 December 2019		
	Company US\$	Master Funds* US\$	Total US\$	Company US\$	Master Funds* US\$	Total US\$
Total expenses	502,880	3,559,719	4,062,599	805,444	4,213,653	5,019,097
Non-recurring expenses	–	(2,426,372)	(2,426,372)	(5,103)	(193,502)	(198,605)
Total ongoing expenses	502,880	1,133,347	1,636,227	800,341	4,020,151	4,820,492
Annualised total ongoing expenses	1,011,286		2,991,581	800,341	4,020,151	4,820,492
Average NAV	247,376,286		247,376,502	366,775,594		366,775,594
Ongoing charges ratio (using AIC methodology)	0.41%		1.21%	0.22%		1.31%

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

