

A large, stylized oak leaf graphic in a lighter shade of blue, positioned on the left side of the page. The leaf has several lobes and a central vein, extending from the top left towards the bottom center.

# FAIR OAKS INCOME LIMITED

INTERIM REPORT AND UNAUDITED CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022



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## COMPANY OVERVIEW

# Highlights

- Fair Oaks Income Limited's (the "Company") Net Asset Value ("NAV") return per 2021 Share was -5.3%<sup>1</sup> (30 June 2021: +17.1%) for the six month period ended 30 June 2022 on a total return basis (with dividends reinvested). The NAV return per Realisation Share was -5.0%<sup>1</sup> (30 June 2021: +17.0%) for the six month period ended 30 June 2022 on the same basis.
- As at 30 June 2022, the Company's total market capitalisation<sup>2</sup> was US\$266 million, comprising US\$225 million of 2021 Shares and US\$41 million of Realisation Shares.
- The Company's 2021 shares closed at a mid-price of US\$0.5750 on 30 June 2022 (30 June 2021: US\$0.6675). The 2021 Shares traded at an average discount to NAV of 5.51% during the six month period ended 30 June 2022 (30 June 2021: 1.76%).
- The Company's Realisation shares closed at a mid-price of US\$0.6500 on 30 June 2022. The Realisation Shares traded at an average discount to NAV of 3.22% during the six month period ended 30 June 2022.
- The Company declared dividends of 5.00 US cents per 2021 Share and Realisation Share in the six month period ended 30 June 2022.

<b>Financial Highlights</b>	<b>30 June 2022 (unaudited)</b>	<b>31 December 2021 (audited)</b>
<u>2021 Shares</u>		
Net Assets	US\$238,297,481	US\$270,738,076
Net Asset Value per share	US\$0.5881	US\$0.6682
Share mid-price at period/year end	US\$0.5750	US\$0.6225
Discount to Net Asset Value	(2.23%)	(6.84%)
Ongoing charges figure (2021 Shares only) <sup>3</sup>	0.30%	0.25%
Ongoing charges figure (look through basis) <sup>4</sup>	1.41%	1.35%
	<b>30 June 2022 (unaudited)</b>	<b>31 December 2021 (audited)</b>
<u>Realisation Shares</u>		
Net Assets	US\$36,764,449	US\$41,786,970
Net Asset Value per share	US\$0.5876	US\$0.6679
Share mid-price at period/year end	US\$0.6500	US\$0.7000
Premium to Net Asset Value	10.62%	4.80%
Ongoing charges figure (Realisation Shares only) <sup>2</sup>	0.30%	0.25%
Ongoing charges figure (look through basis) <sup>3</sup>	1.30%	1.34%

<sup>1</sup>See "Appendix" on page 48.

<sup>2</sup>Market capitalisation calculated based on the closing 2021 Share price and Realisation Share price at 30 June 2022.

<sup>3</sup>Total ongoing charges, calculated in accordance with the AIC guidance, is at the Company level only for the year divided by the average NAV for the period/year. Charges of the underlying Master Funds are not included. See "Appendix" on pages 48 to 53.

<sup>4</sup>Total ongoing charges, calculated in accordance with the AIC guidance, including the Company and the underlying funds divided by the average NAV for the period/year. See "Appendix" on pages 48 to 53.



## 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 and Guidance 2021. The Company began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange on 12 June 2014.

### Reorganisation

On 19 April 2021, the Company announced the result of its reorganisation proposal, being that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares (the “Realisation Shares”), representing 13.4% of the 2017 Shares in issue, and 405,815,477 2017 Shares were re-designated as 2021 Shares (the “2021 Shares”), representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury). The Company makes its investments through FOIF II LP (the “Master Fund II”) and FOMC III LP (the “Master Fund III”), in both of which the Company is a limited partner (the “Master Fund II” and the “Master Fund III” together the “Master Funds”). The Master Fund II was registered in Guernsey on 24 February 2017 and the Master Fund III was registered in Guernsey on 10 March 2021 under The Limited Partnerships (Guernsey) Law, 1995. The purpose of the reorganisation was to allow those Shareholders who wished to extend the life of their investment in the Company beyond the planned end date of the Master Fund II, to be able to do so by having their 2017 Shares re-designated as 2021 Shares, with such 2021 Shares investing in the new Master Fund III, which has a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of the Master Fund II.

At 30 June 2022, the Company has 62,562,883 Realisation Shares (“Realisation Shares”) and 405,165,477 2021 Shares (“2021 Shares”) in issue. The Realisation Shares invest solely into the Master Fund II and the 2021 Shares invest solely into the Master Fund III. At 30 June 2022, the Company had direct holdings of 9.59% (31 December 2021: 9.59%) in the Master Fund II and 100% holding in Master Fund III (31 December 2021: 100%), which in turn had a holding of 62.21% in the Master Fund II (31 December 2021: 62.21%). Together, the Company held a direct and indirect holding of 71.80% in the Master Fund II (31 December 2021: 71.80%).

### The Master Funds

At 30 June 2022, the Master Fund II had six limited partners (31 December 2021: six limited partners), including Fair Oaks Founder II LP, a related entity. At 30 June 2022, the Master Fund III had two limited partners (31 December 2021: two limited partners), including Fair Oaks Founder VI LP. The General Partner of the Master Fund II and Master Fund III is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”).

### Cycad and Wollemi

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 Collateralised Loan Obligations (“CLOs”). On 9 March 2021, a Guernsey limited partnership was established called Wollemi Investments I LP (“Wollemi”). On 23 March 2021, the Master Fund II transferred its investment in Cycad to Wollemi in exchange for limited partnership interests in Wollemi. In addition, since March 2021, the Master Fund II also transferred its investments in FOAKS 1X CLO, FOAKS 2X CLO, FOAKS 3X CLO and FOAKS 4X CLO (the “Fair Oaks CLOs”) to Wollemi in exchange for limited partnership interests in Wollemi. At 30 June 2022, the Master Fund II holds 100.00% (31 December 2021: 100%) of the commitment capital of Wollemi.

### Founder Partners

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

### Investment Objective and Policy

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

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



## COMPANY OVERVIEW

### Summary Information (continued)

#### **Investment Objective and Policy** continued

The Company implements its investment policy by:

1. with respect to those assets of the Company attributable to the Realisation Shares: investing in Master Fund II; and
2. with respect to those assets of the Company attributable to the 2021 Shares and any future C Shares: investing in Master Fund III.

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

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

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



## STRATEGIC REVIEW

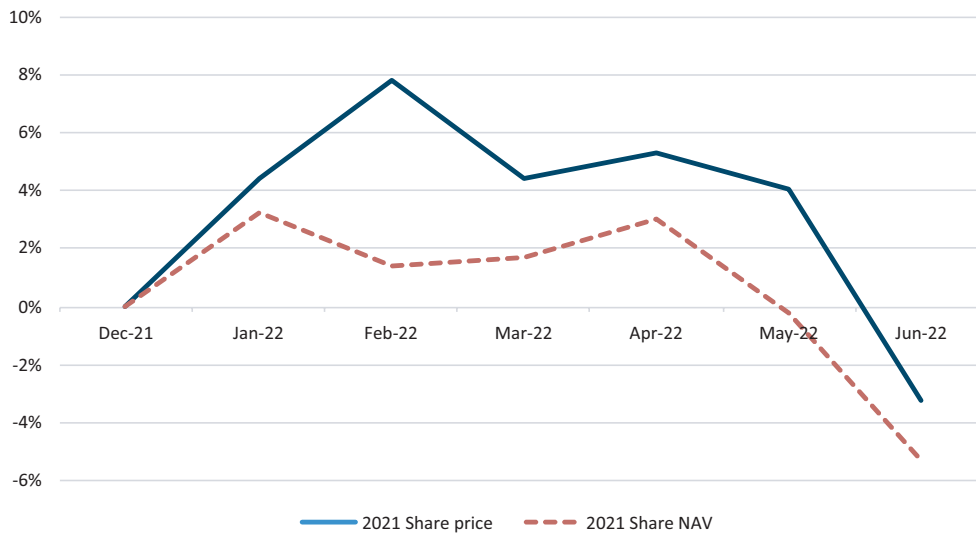
# Chairman's Statement

The independent Board of the Company is pleased to present its Interim Report and Unaudited Condensed Financial Statements for the six month period ended 30 June 2022.

The Company's NAV per 2021 Share and 2021 Share price generated a total return (with dividends reinvested) of -5.26% and -3.23% respectively. The Company's 2021 Shares closed at a mid-price of 57.5 US cents as of 30 June 2022, representing a discount to NAV of -2.23%.

The Company's NAV per Realisation Share and Realisation Share price generated a total return (with dividends reinvested) of -5.02% and 0.26% respectively. The Company's Realisation Shares closed at a mid-price of 65.0 US cents as of 30 June 2022, representing a premium to NAV of +10.6%.

Figure 1.1 – Total return: NAV per 2021 Shares and 2021 Shares share price in 2022



The total return for the JP Morgan US leveraged loan index in H1 2022 was -4.1%<sup>1</sup>. In the same period, the JP Morgan US high yield total return was -13.3%<sup>2</sup> while the JP Morgan Post-Crisis CLOIE B rated index returned -12.8%<sup>2</sup>.

Figure 1.2 – Total returns in H1 2022

	H1 2022 total return
Company's 2021 Shares share price	-3.2%
Company's 2021 Shares NAV	-5.3%
JP Morgan US High Yield index	-13.3%
JP Morgan US Leveraged Loan index	-4.1%
JP Morgan Post-Crisis CLOIE B rated index	-12.8%

<sup>1</sup> Source: JP Morgan. Data as at 30 June 2022.

<sup>2</sup> Source: JP Morgan. Post-Crisis Single-B rated composite (Unhedged USD). Data as at 30 June 2022.



## STRATEGIC REVIEW

### Chairman's Statement (continued)

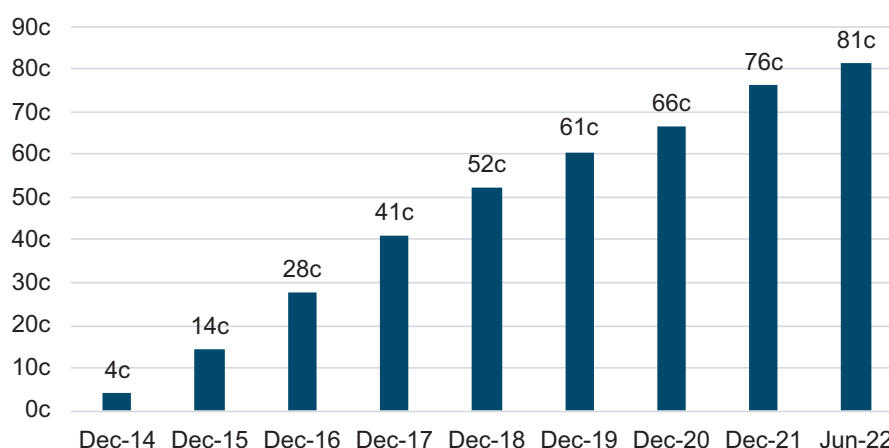
#### Cash flow and dividends

The CLOs in which the Master Funds hold control CLO equity investments experienced an annualised default rate of 0.24%<sup>3</sup> from 12 June 2014 to 30 June 2022 and had CCC exposure of 3.47%<sup>4</sup> as at June 2022, both well below the market's average of 1.61% and 4.13%.<sup>5</sup> As a result of the strong fundamental performance of the portfolio, all CLO equity and debt investments made their scheduled distributions in the first half of 2022.

The Company declared a dividend of 2.50 US cents per 2021 Share in respect of the quarter ending March 2022.

The Company expects that the next dividend (to be declared in August) will be unchanged (2.5 US cents per share) and will remain well covered. The dividend yield for the 2021 Shares was 18.0% of the end of June, based on the closing share price.

Figure 1.3 – Cumulative dividends per share since inception (US cents per 2021 Share):



The quality of the Master Funds' portfolio and the robustness of the CLO structure are evidenced by its resilience. As an example, the expected gross returns for the Master Funds (based on current NAV) under stress scenarios based on the 2000 and 2008 periods are +4.4% and +9.3% respectively (noting that defaults around 2000 were concentrated in telecom and technology sector so diversified CLOs would have suffered lower default rates). These scenarios apply actual historical defaults, recovery rates, CCC balances/prices, prepayment rates, interest rates and reinvestment assumptions for each period.

#### Professor Claudio Albanese

Chairman

8 September 2022

<sup>3</sup> Annualised default rate of the Master Funds portfolio.

<sup>4</sup> Intex: CCC+, CCC and CCC- rated assets (S&P). Based on loan facility rating (S&P).

<sup>5</sup> Morningstar/LSTA Leveraged loan index. Data as at 30 June 2022.



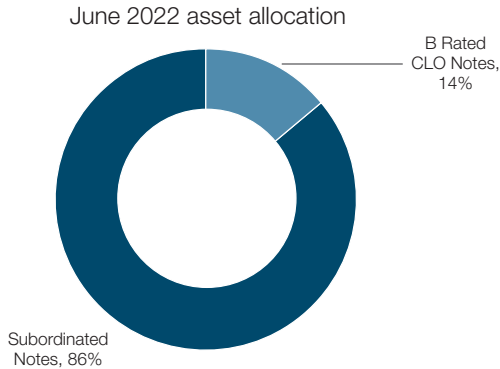
## STRATEGIC REVIEW

# Investment Adviser’s Report

### Portfolio Review

As at 30 June 2022, the Master Funds held 19 CLO equity positions and 13 CLO mezzanine investments offering exposure to 1,225 loan issuers<sup>1</sup> and 20 CLO managers. Control CLO equity positions represented 83.9% of the portfolio’s market value<sup>2</sup>.

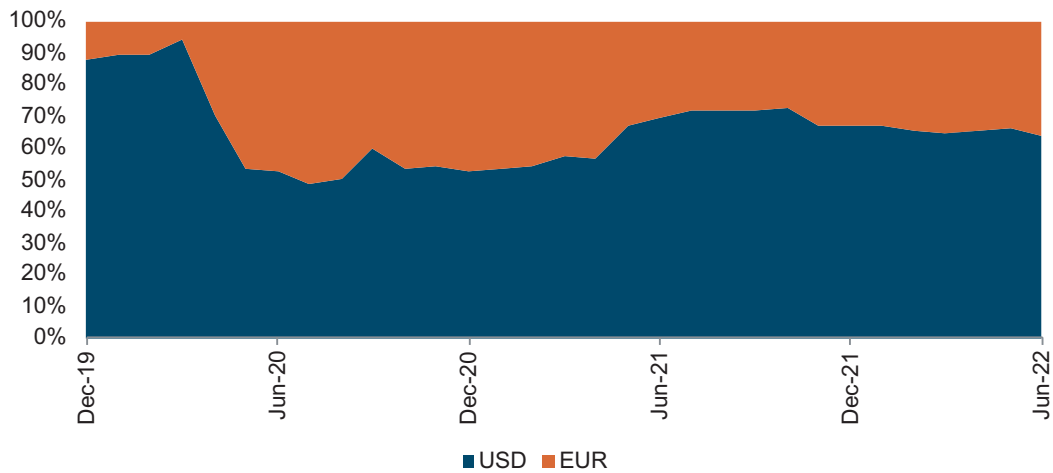
Figure 2.1 – Portfolio composition of the Master Funds<sup>3</sup>



As of the end of June 2022, all positions are in compliance with their over-collateralisation tests, with the average CLO equity test value 4.3% above its threshold (assuming a 70c recovery in the case of default, it would require 15% cumulative defaults to generate the par loss required to reach the test limit, before any cash-flow diversion).

The Master Funds received total distributions of US\$45.0 million in H1-2022, compared to US\$33.0 million in H1-2021.

Figure 2.2 – Currency breakdown (excl. cash)<sup>4</sup>



<sup>1</sup> Based on the underlying loans in CLOs in which Master Funds holds equity. Data as at 30 June 2022.

<sup>2</sup> Percentage by market value of control CLO equity positions. Data as at 30 June 2022.

<sup>3</sup> Breakdown by market value of the CLO investments in local currency held by Master Funds which includes its share Wollemi Investments I LP (“Wollemi LP”). Percentages may not add up to 100% because of rounding errors. Data as at 30 June 2022.

<sup>4</sup> Fair Oaks’ data on Original CLO ratings at month-end. NAV weighted, excluding cash. Source: Fair Oaks Income Fund monthly reports, RNS statements, trustee reports; as at 30 June 2022. Source: Intex.





## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### Portfolio Review continued

All control CLO equity investments (including reset and refinancing) completed since July 2019 have included ESG-related exclusion criteria in the CLO’s documentation. CLO investments subject to ESG-related investment criteria represented 68% of all CLO equity investments in the portfolio as of the end of H1-22.

Figure 2.3 – CLO equity investments subject to ESG investment restrictions<sup>5</sup>

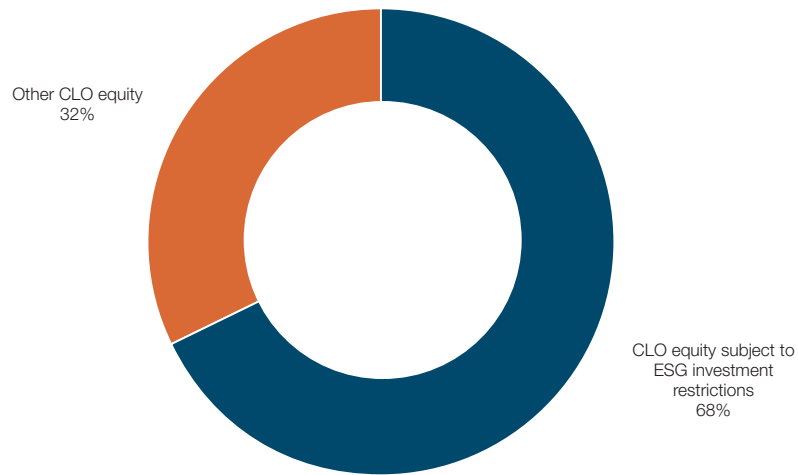
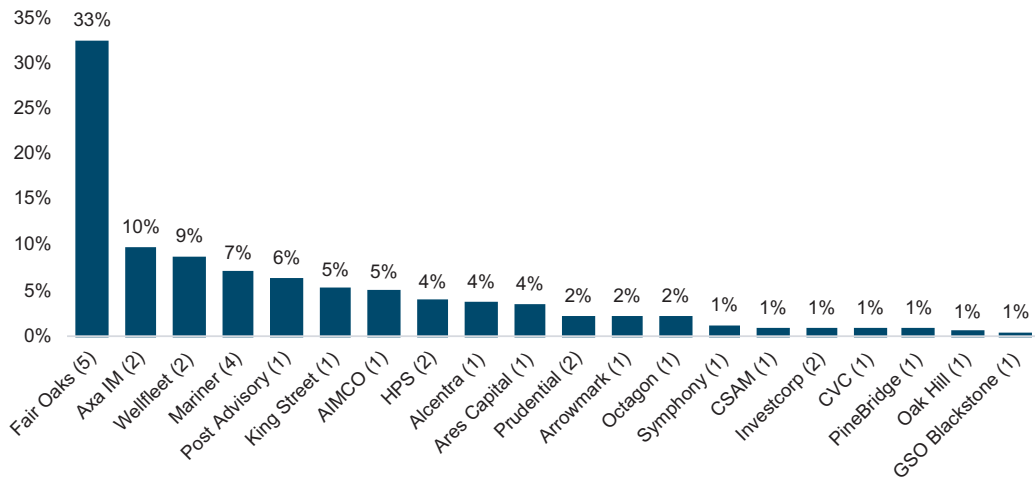


Figure 2.4 – CLO manager diversification of the Master Funds<sup>6</sup>



<sup>5</sup> Source: Intex. The proportion of the Master Funds’ investments which include ESG-focused investment criteria is being reported as per Article 8 of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”).

<sup>6</sup> Based on market value of the CLO investments, as at 30 June 2022. Percentages may not add up to 100% because of rounding errors. The number of investments is shown in parentheses after each manager name.



## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### Portfolio Review continued

Figure 2.5 – Geographical spread of loans (top 5) and currency breakdown<sup>7</sup>

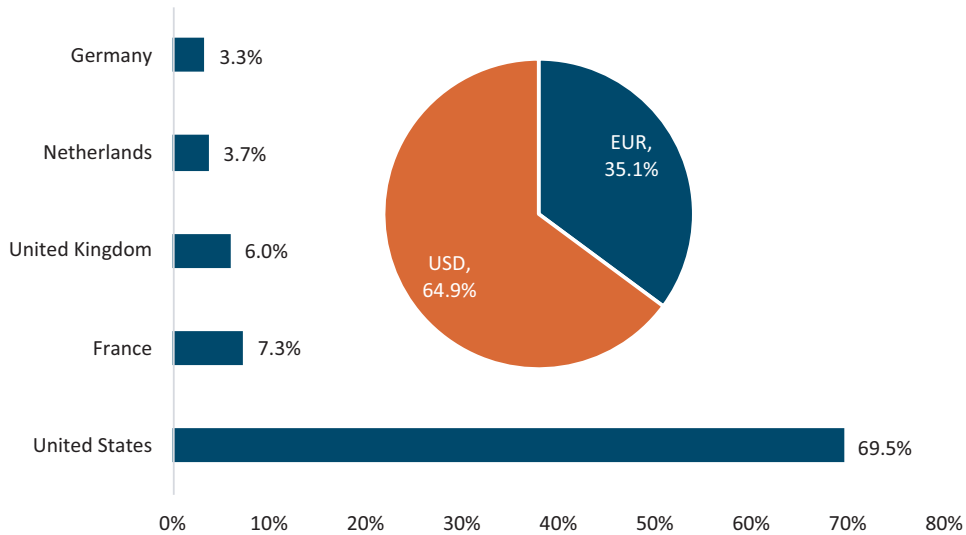
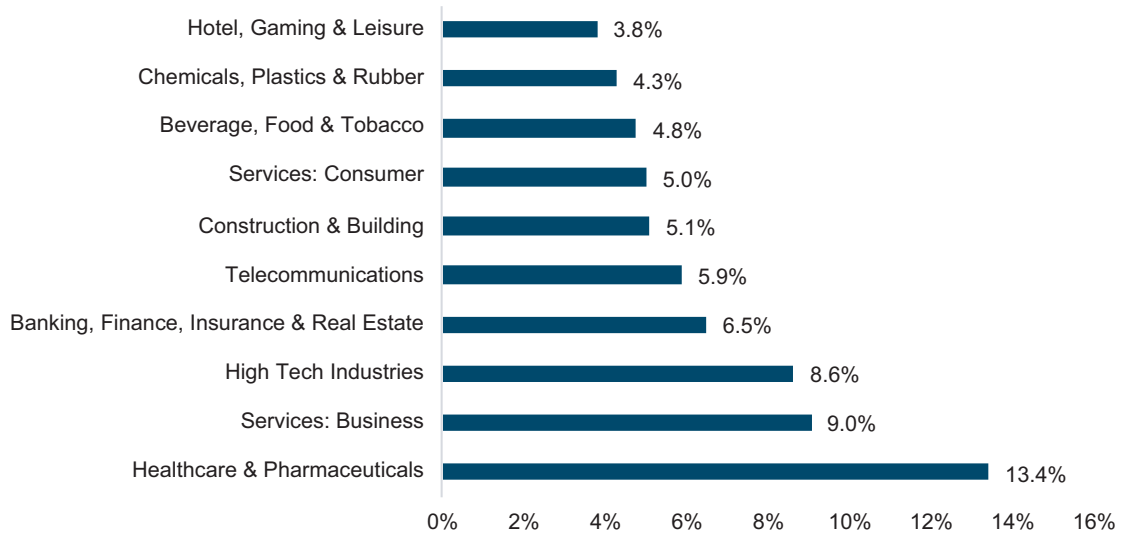


Figure 2.6 – Industry diversification (top 10)<sup>8</sup>



<sup>7</sup> Based on loan par value weighted by the Master Funds ownership of Income Notes. Source: Intex. Data as at 30 June 2022.

<sup>8</sup> Based on Moody’s sectors and loan par value weighted by the Master Funds’ ownership of Income Notes. Source: Intex. Data as at 30 June 2022.

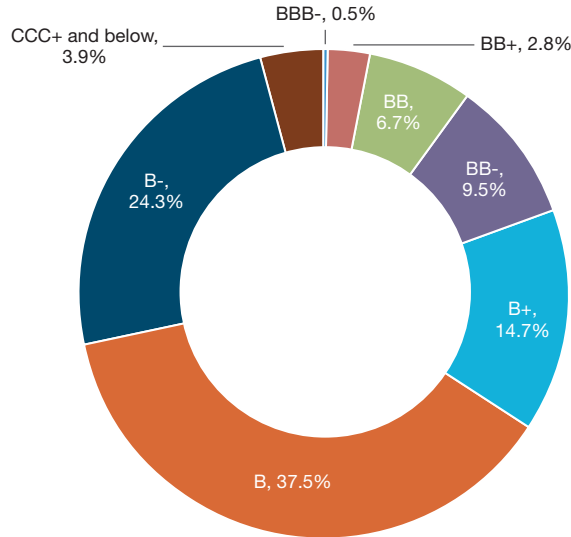


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

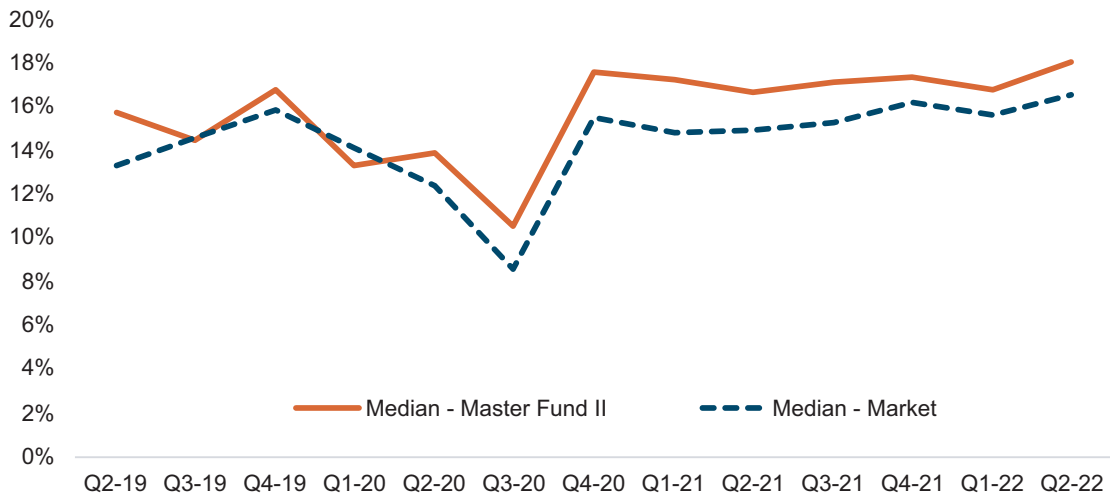
#### Portfolio Review continued

Figure 2.7 – Rating breakdown<sup>9</sup>



The focus on originating and controlling CLO subordinated note investments has resulted in fundamental performance above the market average. Origination and control allowed the Master Funds to veto specific loans when the transactions were launched and to monitor and influence the CLOs over time. Lower fees in primary investments also allowed CLO managers to construct more conservative portfolios with no need to stretch for yield. As a result, the Master Funds have benefitted from underexposure to sectors such as retail or energy.

Figure 2.8 – Annualised Equity Distributions (over par)<sup>10</sup>



<sup>9</sup> Based on loan par value weighted by the Master Funds’ proportional ownership of Income Notes. Source: Intex. Based on S&P deal ratings. Due to rounding errors, the percentages may not sum to 100%. Data as at 30 June 2022.

<sup>10</sup> Source: Intex, Barclays. Based on annualised quarterly distributions over par.

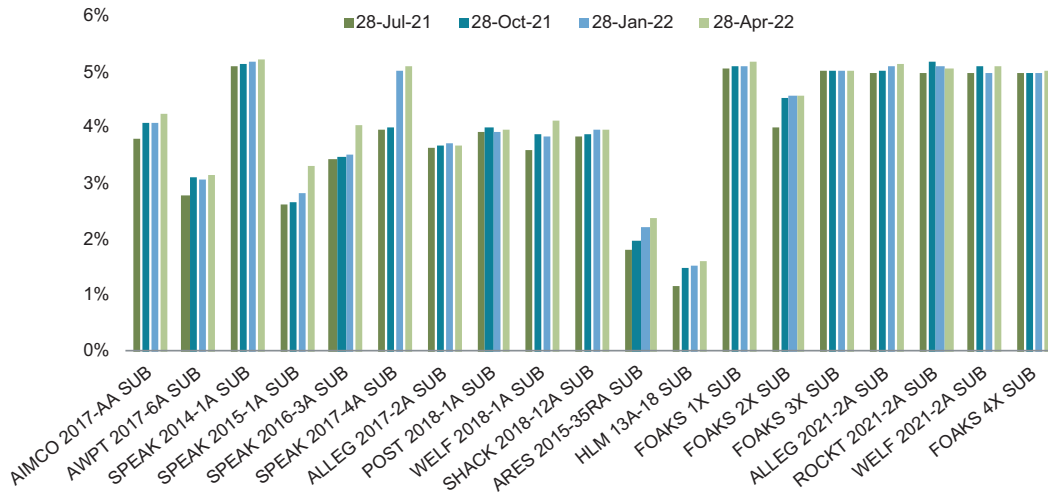


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### Portfolio Review continued

Figure 2.9 – Overcollateralisation test headroom<sup>11</sup>

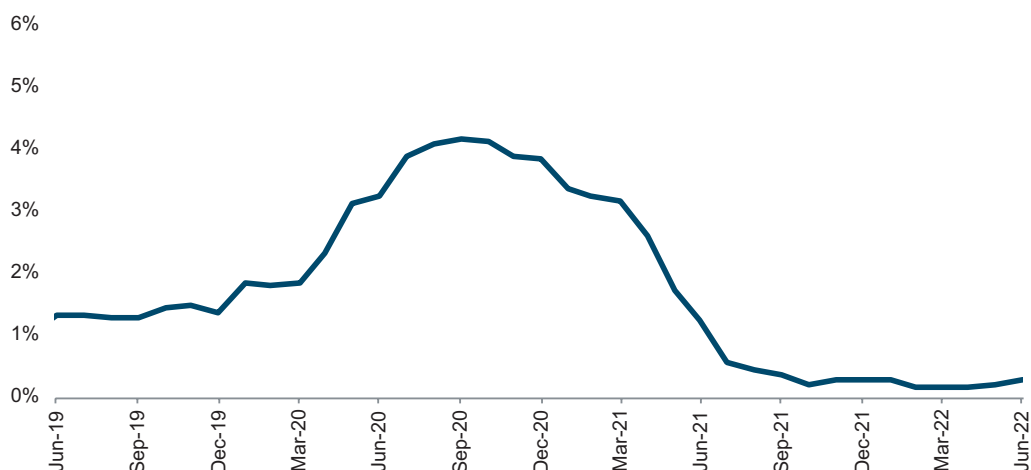


The over-collateralisation test headroom, which determines whether distributions may be temporarily diverted from the CLO equity, has shown general improvement since July 2021, reducing the potential for any future cash-flow diversion.

#### US Loan Market Update

The trailing 12-month loan default rate fell to 0.28% in the US (from 0.29% in at the end of December 2021). The US distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) increased from 0.99% in December 2021 to 2.81% in June 2022.

Figure 2.10 – US loan default rate<sup>12</sup>



<sup>11</sup> Source: Intex. Data as of 29 April 2022.

<sup>12</sup> Source: S&P/LSTA Leveraged Loan index. Defaults by principal amount. Distress ratio by par amount. The definition of distressed loans is defined as the percentage of loans trading below 80c.

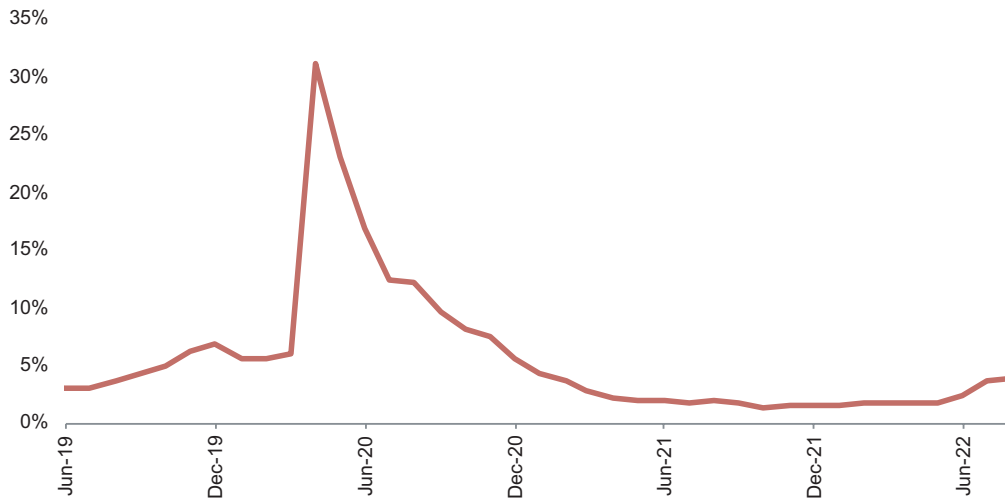


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

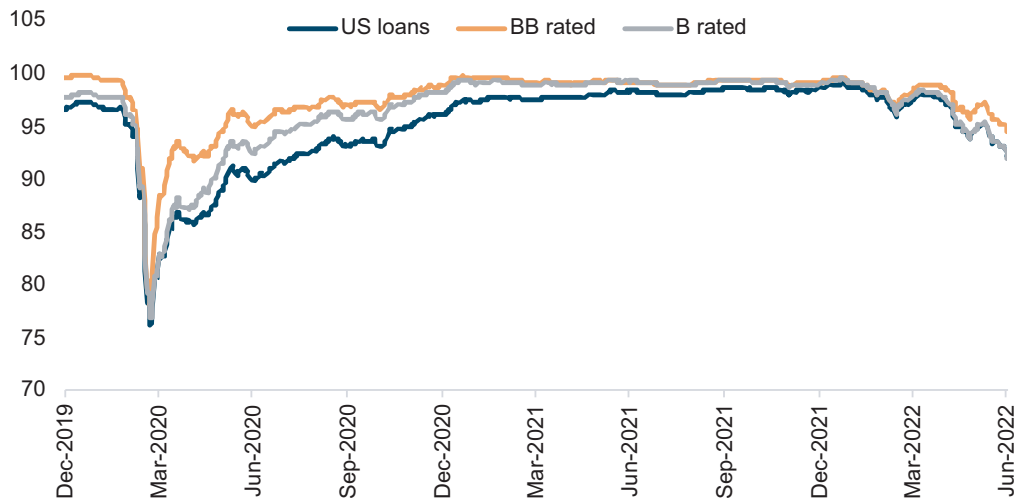
#### US Loan Market Update continued

Figure 2.11 – US loan distress ratio<sup>13</sup>



The average bid price of the S&P US Leveraged Loan Index was 92.16 on 30 June 2022, compared to 98.64 on 31 December 2021.

Figure 2.12 – Average bid price of US leveraged loans, BB and B rated loans<sup>14</sup>



<sup>13</sup> Source: S&P/LSTA Leveraged Loan index. Defaults by principal amount. Distress ratio by par amount. The definition of distressed loans is defined as the percentage of loans trading below 80c.

<sup>14</sup> Source: S&P/LSTA Leveraged Loan Index.

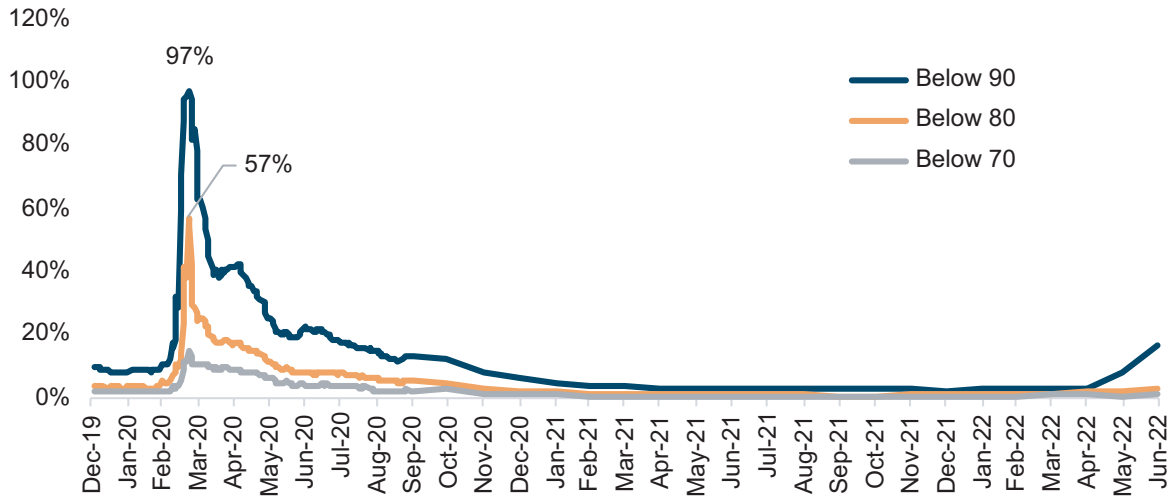


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### US Loan Market Update continued

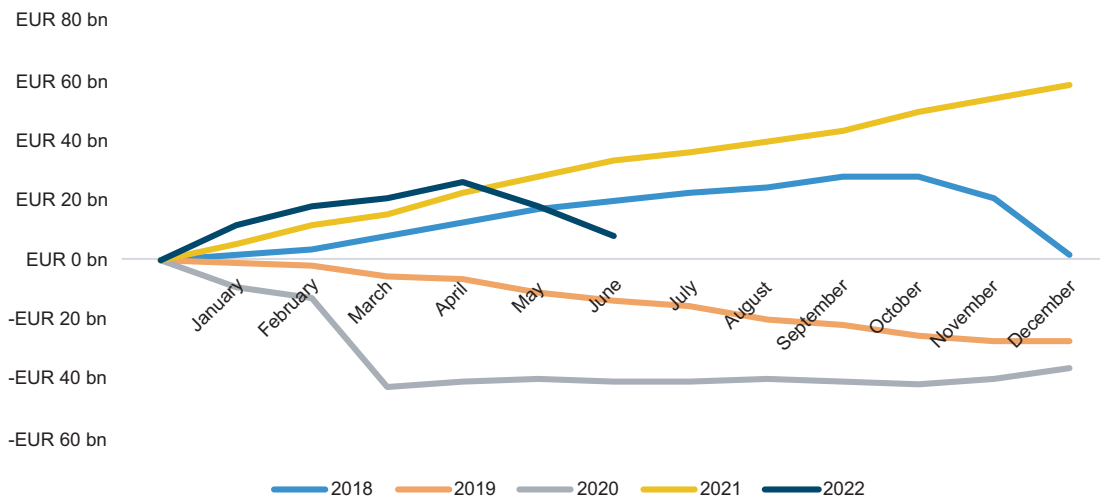
Figure 2.13 – US loan price distribution<sup>15</sup>



The direct impact of the Russian invasion of Ukraine was limited as US borrowers have minimal exposures in terms of revenues and profitability (EBITDA) and exposure to either country.

H1-2022 saw positive net inflows into Prime loan funds. Inflows totalled US\$8.2 billion compared to US\$32.9 billion in the first half of 2021.

Figure 2.14 – Flows into loan funds by year<sup>15</sup>



The strength of the loan market allowed companies to refinance shorter term maturities. The number of loans due to be repaid in the next few years is limited. The notional of US loans maturing in 2023-2025 has fallen from US\$509 billion as of year-end 2021 to US\$376 billion as of the 30 June 2022.

<sup>15</sup> Source: S&P Global Market Intelligence. Data as of 30 June 2022.

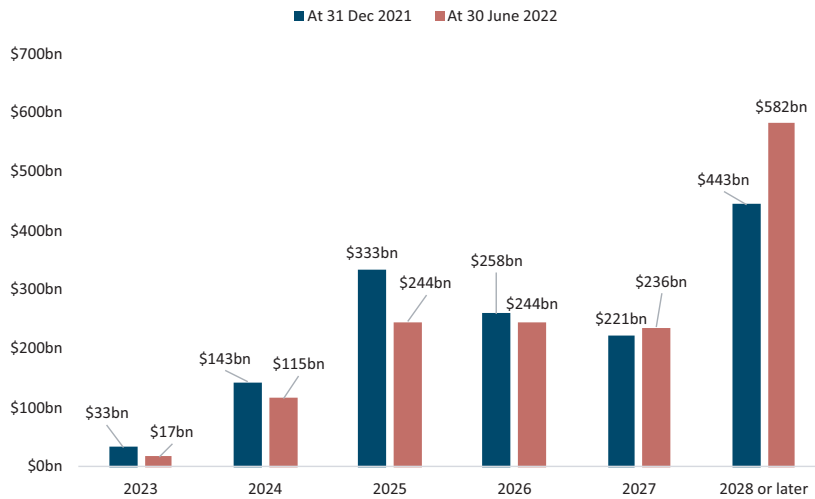


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### US Loan Market Update continued

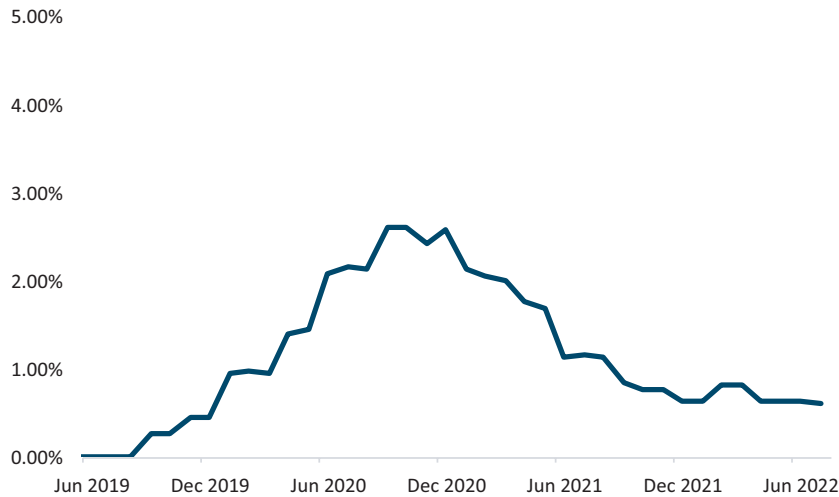
Figure 2.15 – Maturity wall of the US loan market of performing loans (US\$billion)<sup>16</sup>



#### European Loan Market Update

The trailing 12-month loan default rate was unchanged at 0.6% in Europe at the end of the first half of 2022. The European distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) increased from 0.5% in December 2021 to 4.4% in June 2022.

Figure 2.16 – European loan default rate<sup>17</sup>



<sup>16</sup> S&P Global Intelligence, Q2-2022. Distribution by year of maturity.

<sup>17</sup> S&P Global Intelligence and Moody’s. Data as at 30 June 2022 unless otherwise stated. Based on S&P/LSTA Leveraged Loan Index.

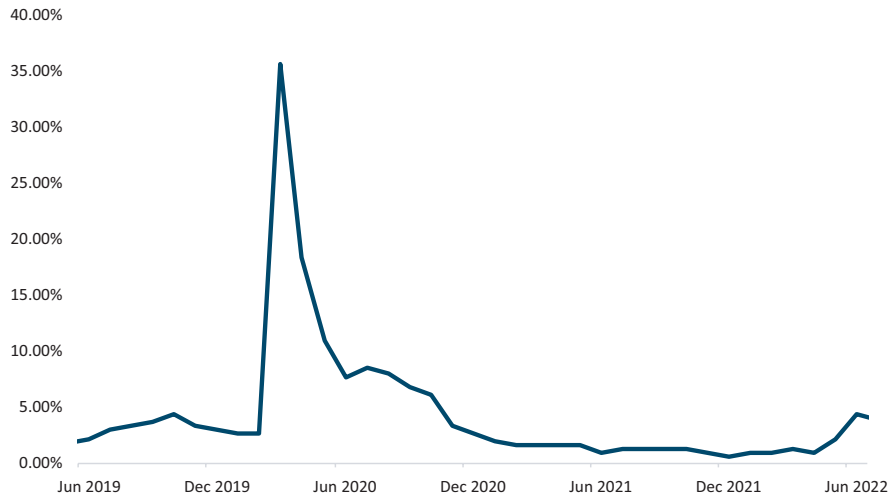


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

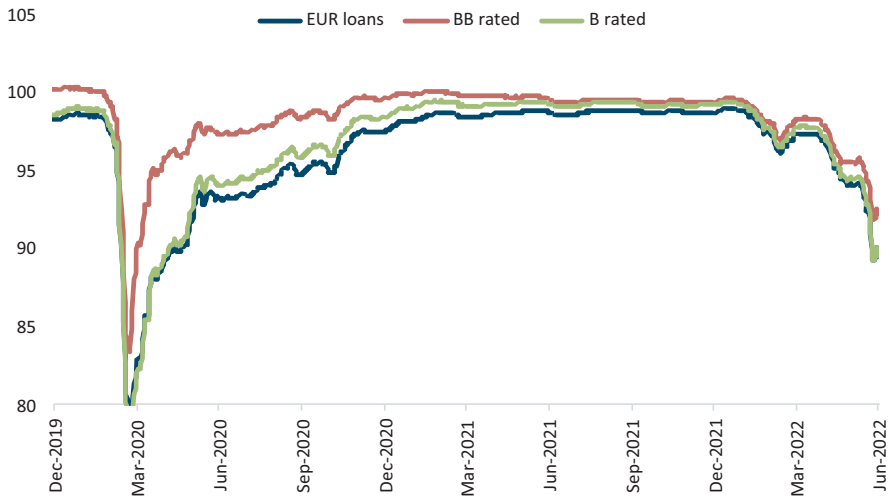
#### European Loan Market Update continued

Figure 2.17 – European Leveraged Loan Index (“ELLI”) distress ratio<sup>18</sup>



The average bid price of the S&P European Leveraged Loan Index was 89.61 on 30 June 2022, compared to 98.77 on 31 December 2021.

Figure 2.18 – Average bid price of EUR leveraged loans, BB and B rated loans<sup>19</sup>



<sup>18</sup> The distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults). Data as at 30 June 2022.

<sup>19</sup> Source: S&P European Leveraged Loan Index. Data as at 30 June 2022.





## STRATEGIC REVIEW

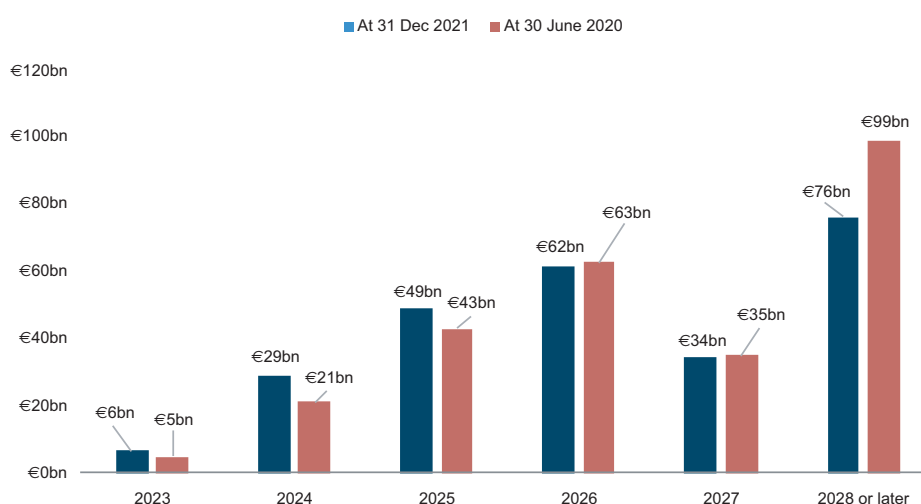
### Investment Adviser's Report (continued)

#### European Loan Market Update *continued*

The main impact of the Russian invasion of Ukraine on loan issuers in Europe has resulted from changes in the supply and pricing of raw materials. Borrowers likely to be impacted include those in sectors which consume petrochemicals, metals, cooking oils and wheat. Most of these companies have already seen input price inflation during the last nine months and generally had success in implementing price increases. This may become more difficult in an environment with more extreme price inflation of certain inputs and weaker consumer confidence. We continue to reach out to management teams and financial sponsors in the underlying exposures.

In Europe, the notional of EUR loans maturing in 2023-2025 has fallen from EUR 84 billion as of year-end 2021 to EUR 69 billion as of the end of June 2022 (Figure 2.20).

Figure 2.19 – Maturity wall of the EUR loan market of performing loans (EUR billion)<sup>20</sup>



The lack of loan maturities in the short to medium term, combined with strong earnings in 2022, have supported high cash-flow and interest coverage, both supportive given the potential for higher interest rates. Bottom-up credit analysis continues to be key as the market average hides an extensive range of fundamental performance.

The combination of strong fundamentals and limited maturities continue to support low defaults in 2022 and beyond. According to S&P Leveraged Commentary & Data ("LCD") June 2022 quarterly survey of market participants, the expectation is that the default rate, at the end of 2022, will be between 1% and 1.5%, well below the long-term average.

#### US CLO Market Update

The primary US CLO market in 2022 has seen a slow-down in new issuance. CLO new issuance volume was US\$72.8 billion, a significant decrease from US\$83.2 billion at the same point in 2021. So far in 2022, refinancings and resets totalled US\$4.8 billion (12 deals) and US\$19.6 billion (34 deals) respectively, compared to US\$60.7 billion (156 deals) and US\$56.6 billion (103 deals) in 2021. Forecast for CLO new issuance in 2022 are US\$90 billion – US\$100 billion, down from the prior US\$110 billion – US\$120 billion at the start of the year<sup>21</sup>, and forecasts for refi/reset volume are currently at US\$37 billion, down from US\$140 billion<sup>22</sup>.

<sup>20</sup> S&P Global Intelligence, 30 June 2022. Distribution by year of maturity.

<sup>21</sup> Source: S&P Global Market Intelligence. J.P. Morgan Securities fixed income research. At 13 June 2022.

<sup>22</sup> Source: S&P Global Market Intelligence. Deutsche Bank 2022 CLO forecast. At 22 June 2022.

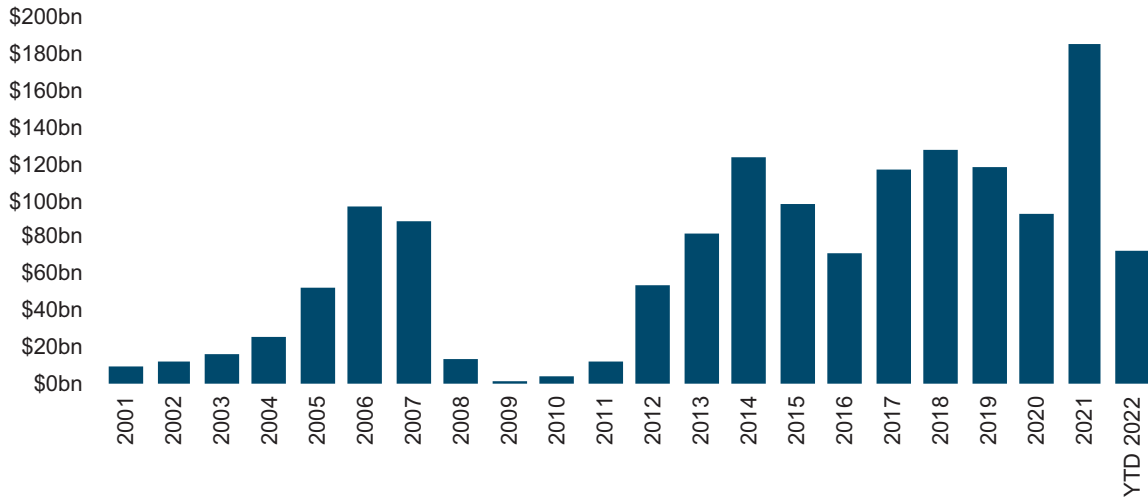


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

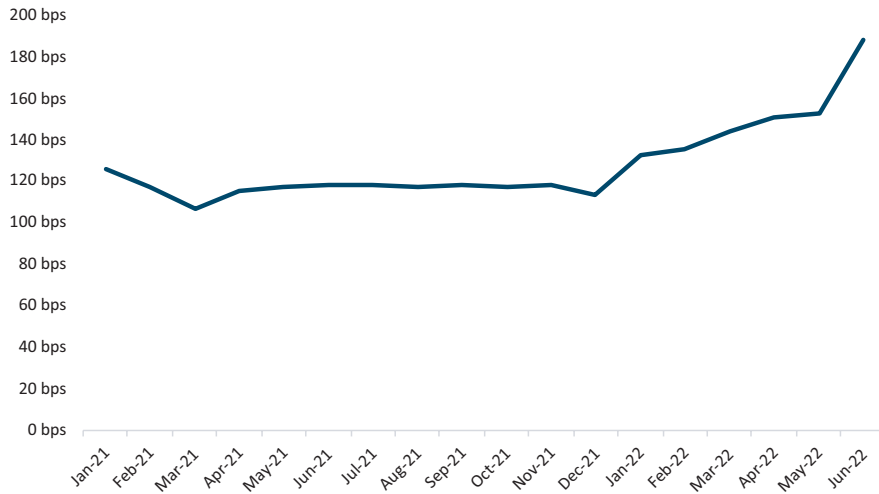
#### US CLO Market Update continued

Figure 2.20 – US CLO new issue volume<sup>23</sup>



The slowdown in issuance has been caused by a significant widening in CLO debt spreads. The weaker market conditions caused by rising inflation, rising interest rates and the invasion of Ukraine resulted in wider spreads across credit products. AAA-rated CLOs were also impacted by reduced demand from US banks as a result of their declining reserve levels.

Figure 2.21 – US AAA primary spreads (bps)<sup>24</sup>



<sup>23</sup> Source: S&P Global Market Intelligence. Year to date June 2022.

<sup>24</sup> Source: JP Morgan. Data as of 30 June 2022.

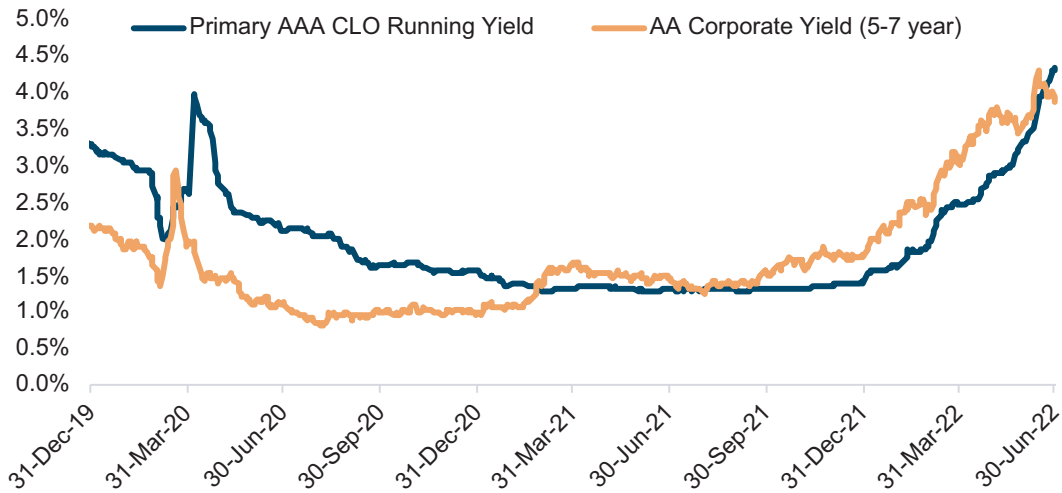


## STRATEGIC REVIEW

### Investment Adviser’s Report (continued)

#### US CLO Market Update continued

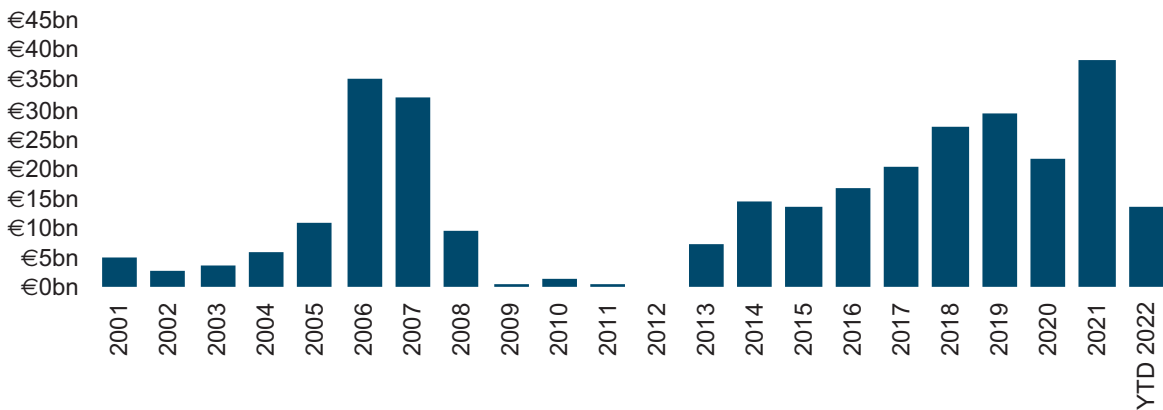
Figure 2.22 – USD AAA CLOs vs US Corporate loans (yield)<sup>25</sup>



#### European CLO Market Update

The European CLO market has also seen a reduction in new issuance. CLO new issuance volume was EUR 13.7 billion in the first half of 2022, compared to EUR 15.1 billion in the first half of 2021<sup>26</sup>. First half of 2022 refinancings and resets totalled €1.7 billion (5 deals) and €4.6 billion (11 deals) respectively, compared to €12.6 billion (41 deals) and €20.4 billion (48 deals) in 2021. Forecasts for European CLO new issuance in 2022 are €25 billion.

Figure 2.23 – EUR CLO new issue volume<sup>26</sup>



<sup>25</sup> Source: JP Morgan. JULI Non-Financials Main Sectors (5-7 years) Data as at 30 June 2022.

<sup>26</sup> Source: S&P Global Market Intelligence.



## STRATEGIC REVIEW

### Investment Adviser's Report (continued)

#### European CLO Market Update *continued*

As in the US, the decline in European issuance has been driven by a significant widening in the spreads of CLO liabilities.

Figure 2.24 – EUR AAA primary spreads (bps)<sup>27</sup>

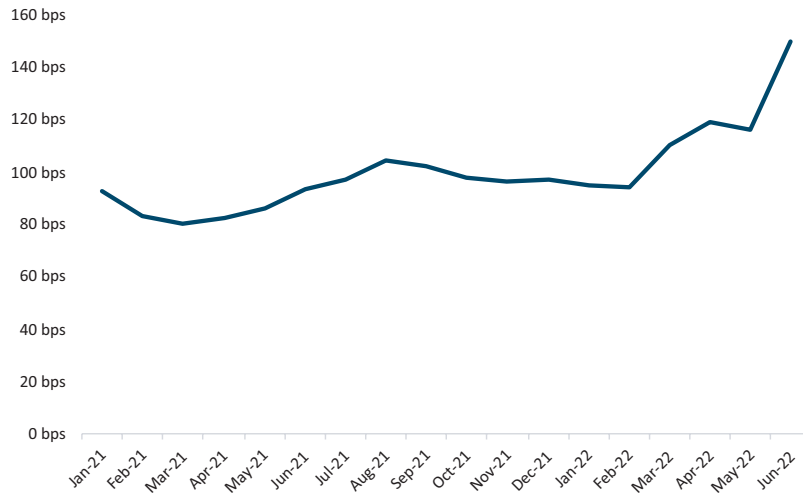
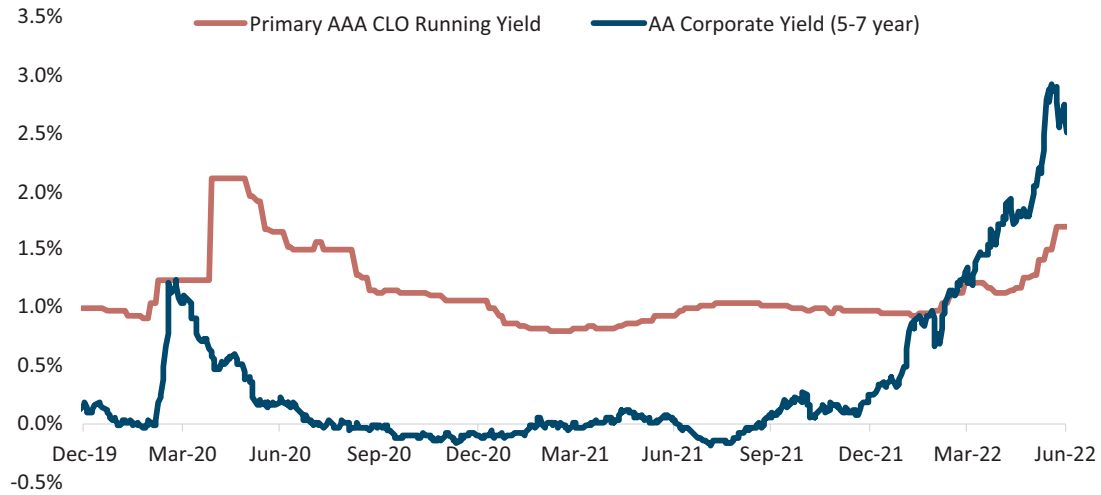


Figure 2.25 – European AAA CLOs vs European corporate (yield)<sup>28</sup>



<sup>27</sup> Source: JP Morgan. Median Euro Primary CLO AAA spreads. Data as at 30 June 2022.

<sup>28</sup> Source: JP Morgan. Data as at 30 June 2022.



## STRATEGIC REVIEW

### Investment Adviser's Report (continued)

#### Outlook

We believe that the Company and the Master Funds are well positioned to generate attractive risk-adjusted returns in 2022:

- Stable and attractive dividend yield: current dividend yield of 18.0%<sup>29</sup> supported by distributions from new investments. The Master Fund II received US\$20.8 million worth of quarterly distributions in January of 2022 and US\$24.1 million worth of quarterly distributions in April 2022, compared to US\$16.9 million and US\$16.0 million in January and April of last year. Fair Oaks Loan Funding IV ("FOLF IV"), a new investment completed in January, made its first distribution in July of 2022.
- Existing, high-quality portfolio and strong sourcing ability: CLO new issue supply in 2022 has been significantly below 2021's and is forecast to remain subdued, generating a demand-supply imbalance in CLO equity and debt given increasing demand for floating-rate assets. The Master Funds benefit from strong, long-term relationships with CLO managers, including preferential access to Fair Oaks-managed CLOs.
- Structural advantages: Supported by the Master Funds' rigorous valuation policy, fixed life of the underlying Master Funds and discount management provisions, including quarterly reinvestment of 25% of management fees if the Company does not trade at or above NAV.

We continue to believe that the 18.0%<sup>29</sup> dividend yield offered by the Company, supported by a high-quality portfolio of primarily first-lien, senior secured loans with very attractive term, non-mark-to-market financing represents one of the most attractive risk-adjusted opportunities available to investors in the current market environment.

#### Fair Oaks Capital Limited

8 September 2022

<sup>29</sup> Dividend yield is calculated using the most recent dividend (23 June 2022) annualised and Fair Oaks Income Fund 2021 share price as at 30 June 2022. See "Appendix" on page 53.



## GOVERNANCE

# Statement of Principal and Emerging Risks and Uncertainties

The Company is a feeder fund investing its assets into the Master Fund II and the Master Fund III. Its principal and emerging risks and uncertainties include operational, investment and financial (market risk), financial (counterparty risk and liquidity risk), compliance and regulatory, political and economic and ESG risks. These risks, and the way in which they are managed, are described in more detail under the heading ‘Principal and emerging risks’ within the Strategic Report of the Company’s last Annual Report for the year ended 31 December 2021. The Company’s principal and emerging risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remainder of the Company’s financial year.

## Statement of Directors’ Responsibilities

We confirm that to the best of our knowledge:

- these Unaudited Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” as required by DTR 4.2.4R of the Disclosure Guidance and Transparency Rules (“DTR”) of the UK’s FCA; and
- the Chairman’s Statement, the Investment Adviser’s Report and the Statement of Principal Risks and Uncertainties, together with the Unaudited Condensed Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
  - (a) DTR 4.2.7R of the DTR of the UK’s FCA, being an indication of important events that have occurred during the six month period ended 30 June 2022 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 2022 and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:

**Jon Bridel**

Director

8 September 2022

## 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 2022 of the Company, which comprises the unaudited condensed statement of comprehensive income, the unaudited condensed statement of changes in shareholders’ equity, the unaudited condensed statement of financial position, the unaudited condensed statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 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) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (“ISRE (UK) 2410”) issued by the Financial Reporting Council 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.

### Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Scope of review section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK) 2410. However future events or conditions may cause the Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Company will continue in operation.

### 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 interim 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 Interim Financial Reporting.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### 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. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the scope of review paragraph of this report.

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

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

### Steven Stormonth

for and on behalf of KPMG Channel Islands Limited  
Chartered Accountants, Guernsey  
8 September 2022

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

For the six month period ended 30 June 2022

	Note	1 January 2022 to 30 June 2022 (unaudited) US\$	1 January 2021 to 30 June 2021 (unaudited) US\$
<b>Revenue</b>			
Net (losses)/gains on financial assets at fair value through profit or loss	5	(13,654,747)	49,737,450
Investment income		5,227	–
Net foreign exchange (losses)/gains		(74,462)	17,321
<b>Total revenue</b>		<b>(13,723,982)</b>	<b>49,754,771</b>
<b>Expenses</b>			
Investment advisory fees	6	24,990	3,105
Audit and interim review fees		145,547	77,469
Administration fees	6	41,798	46,548
Directors' fees and expenses	6	82,459	89,072
Legal and professional fees		9,144	4,261
Broker fees		60,818	47,475
Other expenses		83,095	148,637
<b>Total operating expenses</b>		<b>447,851</b>	<b>416,567</b>
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>		<b>(14,171,833)</b>	<b>49,338,204</b>
<b>Basic and diluted (losses)/earnings per 2021 Share</b>	9	<b>(0.0303)</b>	<b>0.1055</b>
<b>Basic and diluted (losses)/earnings per Realisation Share</b>	9	<b>(0.0303)</b>	<b>0.1057</b>

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

The accompanying notes on pages 26 to 44 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 2022

	Note	Share capital (Realisation Shares) US\$	Share capital (2021 Shares) US\$	Retained earnings (Realisation Shares) US\$	Retained earnings (2021 Shares) US\$	Total equity US\$
<b>At 1 January 2022</b>		<b>59,251,697</b>	<b>384,339,570</b>	<b>(17,464,727)</b>	<b>(113,601,494)</b>	<b>312,525,046</b>
<i>Total comprehensive loss:</i>						
Loss for the period		–	–	(1,894,231)	(12,277,602)	(14,171,833)
<b>Total comprehensive loss for the period</b>		<b>–</b>	<b>–</b>	<b>(1,894,231)</b>	<b>(12,277,602)</b>	<b>(14,171,833)</b>
<i>Transactions with Shareholders:</i>						
Dividends declared during the period	4	–	–	(3,128,290)	(20,162,993)	(23,291,283)
<b>Total transactions with Shareholders</b>						
<b>At 30 June 2022</b>		<b>59,251,697</b>	<b>384,339,570</b>	<b>(22,487,248)</b>	<b>(146,042,089)</b>	<b>275,061,930</b>

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

The accompanying notes on pages 26 to 44 form an integral part of the Unaudited Condensed Financial Statements.

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

At 30 June 2022

	Note	30 June 2022 (unaudited) US\$	31 December 2021 (audited) US\$
<b>Assets</b>			
Cash and cash equivalents		23,507,820	1,294,271
Prepayments		35,707	97,627
Financial assets at fair value through profit or loss	5	262,885,850	311,699,203
Distribution receivable		505,864	–
<b>Total assets</b>		<b>286,935,241</b>	<b>313,091,101</b>
<b>Liabilities</b>			
Distributions prepaid		–	458,709
Trade and other payables		205,814	107,346
Dividends payable		11,667,497	–
<b>Total liabilities</b>		<b>11,873,311</b>	<b>566,055</b>
<b>Net assets</b>		<b>275,061,930</b>	<b>312,525,046</b>
<b>Equity</b>			
Retained earnings		(168,529,337)	(131,066,221)
Share capital	8	443,591,267	443,591,267
<b>Total equity</b>		<b>275,061,930</b>	<b>312,525,046</b>
<b>Net Assets attributable to 2021 Shareholders</b>		<b>238,297,481</b>	<b>270,738,076</b>
<b>Number of 2021 Shares</b>	8	<b>405,165,477</b>	<b>405,165,477</b>
<b>Net asset value per 2021 Share</b>		<b>0.5881</b>	<b>0.6682</b>
<b>Net Assets attributable to Realisation Shareholders</b>		<b>36,764,449</b>	<b>41,786,970</b>
<b>Number of Realisation Shares</b>	8	<b>62,562,883</b>	<b>62,562,883</b>
<b>Net asset value per Realisation Share</b>		<b>0.5876</b>	<b>0.6679</b>

The Unaudited Condensed Financial Statements on pages 22 to 44 were approved and authorised for issue by the Board of Directors on 8 September 2022 and signed on its behalf by:

**Jon Bridel**

Director

The accompanying notes on pages 26 to 44 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 2022

	Note	1 January 2022 to 30 June 2022 (unaudited) US\$	1 January 2021 to 30 June 2021 (unaudited) US\$
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(14,171,833)	49,338,204
Adjustments for:			
Net losses/(gains) on financial assets at fair value through profit or loss	5	13,654,747	(49,737,450)
Net foreign exchange losses/(gains)		74,462	(17,321)
		<b>(442,624)</b>	<b>(416,567)</b>
(Decrease)/increase in prepayments		61,921	(31,591)
Increase in trade and other payables		98,467	56,197
Income distributions received from Master Fund II		4,291,312	11,829,093
Income distributions received from Master Fund III		27,525,144	9,752,319
Capital distributions received from Master Fund II		2,377,577	–
<b>Net cash flow from operating activities</b>		<b>33,911,797</b>	<b>21,189,451</b>
<b>Cash flows from financing activities</b>			
Costs of conversion of 2017 shares into 2021 Shares during the period	8	–	(1,041,134)
Dividends paid during the period	4	(11,623,786)	(22,225,198)
<b>Net cash flow used in financing activities</b>		<b>(11,623,786)</b>	<b>(23,266,332)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>22,288,011</b>	<b>(2,076,881)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>1,294,271</b>	<b>2,397,636</b>
Effect of foreign exchange rate changes during the period		(74,462)	17,321
<b>Cash and cash equivalents at end of period</b>		<b>23,507,820</b>	<b>338,076</b>

The accompanying notes on pages 26 to 44 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 2022

### 1. GENERAL INFORMATION

Fair Oaks Income Limited (the “Company”) was registered in Guernsey under the Companies (Guernsey) Law, 2008 on 7 March 2014. The Company’s registration number is 58123 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules and Guidance 2021. The Company began trading on the Specialist Fund Segment (“SFS”) of the London Stock Exchange on 12 June 2014.

#### *Reorganisation*

On 19 April 2021, the Company announced the result of its reorganisation proposal, being that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares (the “Realisation Shares”), representing 13.4% of the 2017 Shares in issue, and 405,815,477 2017 Shares were re-designated as 2021 Shares (the “2021 Shares”), representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury). The Company makes its investments through FOIF II LP (the “Master Fund II”) and FOMC III LP (the “Master Fund III”), in both of which the Company is a limited partner (the “Master Fund II” and the “Master Fund III” together the “Master Funds”). The Master Fund II was registered in Guernsey on 24 February 2017 and the Master Fund III was registered in Guernsey on 10 March 2021 under The Limited Partnerships (Guernsey) Law, 1995. The purpose of the reorganisation was to allow those Shareholders who wished to extend the life of their investment in the Company beyond the planned end date of the Master Fund II, being 21 June 2026, and to be able to do so by having their 2017 Shares re-designated as 2021 Shares. These 2021 Shares investing in the new Master Fund III, which has a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of Master Fund II.

At 30 June 2022, the Company has 62,562,883 Realisation Shares (31 December 2021: 62,562,883 Realisation Shares) and 405,165,477 2021 Shares (31 December 2021: 405,165,477 2021 Shares) in issue. The Realisation Shares invest solely into the Master Fund II and the 2021 Shares invest solely into the Master Fund III. At 30 June 2022, the Company had direct holdings of 9.59% (31 December 2021: 9.59%) in the Master Fund II and 100% (31 December 2021: 100.00%) holding in Master Fund III, which in turn had a holding of 62.21% (31 December 2021: 62.21%) in the Master Fund II. Together, the Company held a direct and indirect holding of 71.80% (31 December 2021: 71.80%) in the Master Fund II.

#### *The Master Funds*

At 30 June 2022, the Master Fund II had six limited partners (31 December 2021: six limited partners), including Fair Oaks Founder II LP, a related entity. At 30 June 2022, the Master Fund III had two limited partners (31 December 2021: two limited partners), including Fair Oaks Founder VI LP. The General Partner of the Master Fund II and Master Fund III is Fair Oaks Income Fund (GP) Limited (the “General Partner” or “GP”).

#### *Cycad and Wollemi*

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 Collateral Loan Obligations (“CLOs”). On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (“Wollemi”). On 23 March 2021, the Master Fund II transferred its investment in Cycad to Wollemi in exchange for limited partnership interests in Wollemi. In addition, since March 2021, the Master Fund II also transferred its investments in FOAKS 1X CLO, FOAKS 2X CLO, FOAKS 3X CLO and FOAKS 4X CLO (the “Fair Oaks CLOs”) to Wollemi in exchange for limited partnership interests in Wollemi. At 30 June 2022, the Master Fund II holds 100.00% (31 December 2021: 100.00%) of the commitment capital of Wollemi.

#### *Founder Partners*

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



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

### 1. GENERAL INFORMATION *continued*

#### *General Partner*

The General Partner of the Master Fund II, Master Fund III, Cycad and Wollemi is Fair Oaks Income Fund (GP) Limited (the "General Partner" or "GP"). The Master Funds' invest in portfolios consisting primarily of CLOs. The Company may also invest in Qualifying Short Term Investments if at any time the Company holds any uninvested cash.

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

These Unaudited Condensed Financial Statements ("Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' 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 2021.

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 2021, which were prepared in accordance with International Financial Reporting Standards ("IFRS").

These Financial Statements were authorised for issue by the Company's Board of Directors on 8 September 2022.

Expenses and non-investment assets and liabilities were apportioned to 2021 Shares and to Realisation Shares based on the assets under management of the respective share class at the date of the transaction and income was based on the share classes' respective ownership of the Master Fund II and Master Fund III. For the comparative period, following the conversion of 2017 Shares to 2021 Shares and Realisation Shares on 22 April 2021, expenses and non-investment assets and liabilities are apportioned 86.6% to 2021 Shares and 13.4% to Realisation Shares. Prior to 22 April 2021, expenses and non-investment assets and liabilities are apportioned 100% to 2017 Shares.

#### **Going Concern**

The Directors have assessed the financial position of the Company as at 30 June 2022 and the factors that may impact its performance (including the potential impact on markets and supply chains of geo-political risks such as the current crisis in Ukraine and the continuing macro-economic factors and inflation) in the forthcoming year.

#### *Russia/Ukraine crisis*

The Master Funds CLO investments do not hold any securities in the Russia/Ukraine region and as such the performance or creditworthiness of the underlying CLOs are not expected to be significantly impacted. Commodity prices due to the invasion of Ukraine (mainly oil/gas, metals and wheat) may impact some of the companies that the CLOs have loans to but many companies were already subject to input price inflation before the Ukraine invasion and it is not expected that the additional cost inflation will significantly impact the performance of the CLOs.

The Investment Adviser continues to carefully monitor the performance of the Master Funds' investments, working closely with the Directors on current and emerging risks to the Company.

Following due consideration and after a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from the investments in the Master Funds, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements, as the Company has adequate financial resources to meet its liabilities as they fall due for at least the 12 month period from the date of the approval of the Financial Statements.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

## 2. PRINCIPAL ACCOUNTING POLICIES *continued*

### Significant judgements and estimates

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company's Audited Annual Financial Statements for the year ended 31 December 2021.

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

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 3. SEGMENTAL REPORTING

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

In the Board of Directors' opinion, the Company is engaged in a single segment of business, being investments into the Master Fund II and Master Fund III (30 June 2021: Master Fund II and the Master Fund III), 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 2021 and Realisation shareholders as follows:

### 2021 Shares

The Board intends to pay quarterly dividends to holders of 2021 Shares representing an amount in aggregate at least equal to the gross income received by the Company from investments in the relevant financial year that are attributable to the 2021 Shares' interest in Master Fund III and qualifying short term investments, less a proportionate share of the expenses of the Company.

### Realisation Shares

The Company intends to pay dividends to holders of Realisation Shares representing an amount in aggregate at least equal to the gross income from investments received by the Company in the relevant financial period attributable to the Realisation Shares' interest in Master Fund II and qualifying short term Investments, less expenses of the Company.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

#### 4. DIVIDENDS continued

##### Realisation Shares continued

The Company declared the following dividends per 2021 Share during the six month period ended 30 June 2022:

Period to	Payment date	Dividend rate per 2021 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2021	18 March 2022	2.5	10,017,606	18 February 2022	17 February 2022
31 March 2022	25 July 2022	2.5	10,145,387	24 June 2022	23 June 2022
		5.0	20,162,993		

The Company declared the following dividends per Realisation Share during the six month period ended 30 June 2022:

Period to	Payment date	Dividend rate per 2021 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2021	18 March 2022	2.5	1,564,218	18 February 2022	17 February 2022
31 March 2022	25 July 2022	2.5	1,564,072	24 June 2022	23 June 2022
		5.0	3,128,290		

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

Period to	Payment date	Dividend rate per 2021 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2020	26 February 2021	2.50	10,148,155	12 February 2021	11 February 2021
31 March 2021	25 June 2021	2.25	9,104,882	28 May 2021	27 May 2021
		4.75	19,253,037		

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

Period to	Payment date	Dividend rate per 2021 Share (cents)	Net dividend payable (US\$)	Record date	Ex-dividend date
31 December 2020	26 February 2021	2.50	1,564,499	12 February 2021	11 February 2021
31 March 2021	25 June 2021	2.25	1,407,662	28 May 2021	27 May 2021
		4.75	2,972,161		

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

The rate per 2021 Share and Realisation Share 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 2022****4. DIVIDENDS** continued**Realisation Shares** 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 2022 were US\$11,667,497 (31 December 2021: US\$nil).

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

	<b>1 January 2022 to 30 June 2022 (unaudited)</b>		
	<b>2021 Shares US\$</b>	<b>Realisation Shares US\$</b>	<b>Total Company US\$</b>
Cost of financial assets at fair value through profit or loss at the start of the period	371,719,138	57,306,391	429,025,529
Sale of investments in Master Fund II during the period	–	–	–
Purchase of investments in Master Fund III at cost during the period	–	–	–
Return of capital from Master Fund II	–	(2,377,577)	(2,377,577)
Cost of financial assets at fair value through profit or loss at the end of the period	371,719,138	54,928,814	426,647,952
Net unrealised losses on financial assets at the end of the period	(141,353,249)	(22,408,853)	(163,762,102)
<b>Financial assets at fair value through profit or loss at the end of the period</b>	<b>230,365,889</b>	<b>32,519,961</b>	<b>262,885,850</b>
Movement in net unrealised loss during the period	(39,518,445)	(6,917,331)	(46,435,776)
Income distributions declared from Master Fund II during the period	–	5,086,711	5,086,711
Income distributions declared from Master Fund III during the period	27,694,318	–	27,694,318
<b>Net losses on financial assets at fair value through profit or loss</b>	<b>(11,824,127)</b>	<b>(1,830,620)</b>	<b>(13,654,747)</b>





## FINANCIAL STATEMENTS

### Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

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

	1 January 2021 to 31 December 2021 (audited)		
	2021 Shares US\$	Realisation Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the period	–	429,025,529	429,025,529
Sale of investments in Master Fund II during the year	–	(371,719,138)	(371,719,138)
Purchase of investments in Master Fund III at cost during the year	371,719,138	–	371,719,138
Cost of financial assets at fair value through profit or loss at the end of the year	371,719,138	57,306,391	429,025,529
Net unrealised losses on financial assets at the end of the year	(101,834,804)	(15,491,522)	(117,326,326)
<b>Financial assets at fair value through profit or loss at the end of the year</b>	<b>269,884,334</b>	<b>41,814,869</b>	<b>311,699,203</b>
Movement in net unrealised loss during the year	16,129,058	2,486,550	18,615,608
Income distributions declared from Master Fund II during the year	9,959,936	6,104,589	16,064,525
Income distributions declared from Master Fund III during the year	30,559,993	–	30,559,993
<b>Net gains on financial assets at fair value through profit or loss</b>	<b>56,648,987</b>	<b>8,591,139</b>	<b>65,240,126</b>
	1 January 2021 to 30 June 2021 (unaudited)		
	2021 Shares US\$	Realisation Shares US\$	Total Company US\$
Cost of financial assets at fair value through profit or loss at the start of the period	–	429,025,529	429,025,529
Sale of investments in Master Fund II during the period	–	(371,719,138)	(371,719,138)
Purchase of investments in Master Fund III at cost during the period	371,719,138	–	371,719,138
Cost of financial assets at fair value through profit or loss at the end of the period	371,719,138	57,306,391	429,025,529
Net unrealised losses on financial assets at the end of the period	(93,978,799)	(14,478,484)	(108,457,283)
<b>Financial assets at fair value through profit or loss at the end of the period</b>	<b>277,740,339</b>	<b>42,827,907</b>	<b>320,568,246</b>
Movement in net unrealised loss during the period	23,813,433	3,671,218	27,484,651
Income distributions declared from Master Fund II during the period	9,335,321	2,980,235	12,315,556
Income distributions declared from Master Fund III during the period	9,937,243	–	9,937,243
<b>Net gains on financial assets at fair value through profit or loss</b>	<b>43,085,997</b>	<b>6,651,453</b>	<b>49,737,450</b>

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

(continued)

**For the six month period ended 30 June 2022****5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued

The sale of Master Fund II and purchase of Master Fund III shown in the table above are non-cash transactions following the re-designation of 2017 Shares to 2021 Shares and Realisation Shares on 22 April 2021. On this date, in accordance with the Contribution Agreement dated 26 March 2021, the Company subscribed to a commitment amount equal to the 2021 Shares proportionate ownership of the Company into the Master Fund III. The Company made such an advance in kind, by transferring in specie to the Master Fund III its proportionate share of the Master Fund II. Following this transaction, and at 30 June 2022, the Company had a 100% holding of the limited partnership interests in the Master Fund III on behalf of the 2021 Shares, which in turn had a holding of 62.21% in the Master Fund II. The Company also retained a direct holding of 9.59% in the Master Fund II on behalf of the Realisation Shares.

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

The following tables reconcile the Company's proportionate share of the Master Fund III's and Master Fund II's financial assets at fair value through profit or loss to the Company's financial assets at fair value through profit or loss:

	<b>30 June 2022</b>		
	<b>Master Fund III<sup>1</sup></b>	<b>Master Fund II<sup>2</sup></b>	<b>Total Company</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Financial assets at fair value through profit or loss	210,892,921	32,307,133	243,200,054
Add: Other net current (liabilities)/assets	19,472,968	212,828	19,685,796
<b>Total financial assets at fair value through profit or loss</b>	<b>230,365,889</b>	<b>32,519,961</b>	<b>262,885,850</b>
	<b>31 December 2021</b>		
	<b>Master Fund III<sup>1</sup></b>	<b>Master Fund II<sup>2</sup></b>	<b>Total Company</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Financial assets at fair value through profit or loss	271,170,675	39,706,362	310,877,037
Add: Other net current (liabilities)/assets	(1,286,341)	2,108,507	822,166
<b>Total financial assets at fair value through profit or loss</b>	<b>269,884,334</b>	<b>41,814,869</b>	<b>311,699,203</b>

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

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



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

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

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

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

	1 January 2022 to 30 June 2022 (unaudited)		
	Master Fund III <sup>1</sup> US\$	Master Fund II <sup>2</sup> US\$	Total Company US\$
Net unrealised losses on investments at the beginning of the period	(101,834,804)	(15,491,522)	(117,326,326)
Investment income	–	4,677,981	4,677,981
Income distributions received from Master Fund II	33,171,607	–	33,171,607
Unrealised losses on financial assets at fair value through profit or loss	(44,854,497)	(7,401,333)	(52,255,830)
Net gains on derivative financial instruments and foreign exchange	–	1,019,753	1,019,753
Other income	1,052	70,713	71,765
Expenses	(142,289)	(170,867)	(313,156)
Income distributions declared during the period	(27,694,318)	(5,113,578)	(32,807,896)
<b>Net unrealised losses on investments at the end of the period</b>	<b>(141,353,249)</b>	<b>(22,408,853)</b>	<b>(163,762,102)</b>

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

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

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

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

(continued)

**For the six month period ended 30 June 2022****5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** *continued*

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

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

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

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

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

	<b>30 June 2022 (unaudited)</b>			<b>Total US\$</b>
	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>	
<b>Assets:</b>				
Financial assets at fair value through profit or loss	–	–	262,885,850	262,885,850
<b>Total</b>	<b>–</b>	<b>–</b>	<b>262,885,850</b>	<b>262,885,850</b>
	<b>31 December 2021 (audited)</b>			<b>Total US\$</b>
	<b>Level 1 US\$</b>	<b>Level 2 US\$</b>	<b>Level 3 US\$</b>	
<b>Assets:</b>				
Financial assets at fair value through profit or loss	–	–	311,699,203	311,699,203
<b>Total</b>	<b>–</b>	<b>–</b>	<b>311,699,203</b>	<b>311,699,203</b>

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



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

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

The following table presents the movement in Level 3 instruments:

	1 January 2022 to 30 June 2022 (unaudited) US\$	1 January 2021 to 31 December 2021 (audited) US\$
Opening Balance	311,699,203	293,083,595
Sale of investments in Master Fund II	–	(371,719,138)
Purchase of investments in Master Fund III	–	371,719,138
Return of capital from Master Fund II	(2,377,577)	–
Movement in net unrealised (losses)/gain during the period/year	(46,435,776)	18,615,608
Closing Balance	<b>262,885,850</b>	<b>311,699,203</b>

#### *Transfers between Level 1, 2 and 3*

There have been no transfers between levels during the period ended 30 June 2022 or for the year ended 31 December 2021. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

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

On a look-through basis, the following table analyses within the fair value hierarchy the Company's proportionate share of the Master Fund III's and the Master Fund II's financial assets and derivatives (by class, excluding cash and cash equivalents, other receivables and prepayments, distribution payable, carried interest payable and trade and other payables) measured at fair value:

	30 June 2022 (unaudited)			Total
	Level 1 US\$	Level 2 US\$	Level 3 US\$	US\$
<b>Master Fund III<sup>1</sup></b>				
Financial assets at fair value through profit or loss	–	–	210,892,921	210,892,921
<b>Total</b>	–	–	<b>210,892,921</b>	<b>210,892,921</b>
	31 December 2021 (audited)			Total
	Level 1 US\$	Level 2 US\$	Level 3 US\$	US\$
<b>Master Fund III<sup>1</sup></b>				
Financial assets at fair value through profit or loss	–	–	271,170,675	271,170,675
<b>Total</b>	–	–	<b>271,170,675</b>	<b>271,170,675</b>
	30 June 2022 (unaudited)			Total
	Level 1 US\$	Level 2 US\$	Level 3 US\$	US\$
<b>Master Fund II<sup>2</sup></b>				
Financial assets at fair value through profit or loss	–	812,974	31,494,159	32,307,133
Derivatives at fair value through profit or loss	–	241,311	–	241,311
<b>Total</b>	–	<b>1,054,285</b>	<b>31,494,159</b>	<b>32,548,444</b>

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

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

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

(continued)

For the six month period ended 30 June 2022

**5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued**Look-through financial information: Master Fund III and Master Fund II fair value hierarchy information** continued

	31 December 2021 (audited)			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Master Fund II<sup>2</sup></b>				
Financial assets at fair value through profit or loss	–	4,179,506	35,526,856	39,706,362
Derivatives at fair value through profit or loss	–	84,802	–	84,802
<b>Total</b>	<b>–</b>	<b>4,264,308</b>	<b>35,526,856</b>	<b>39,791,164</b>

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 30 June 2022 (unaudited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund III <sup>1</sup>	230,365,889	NAV	Zero % discount	N/A
Master Fund II <sup>2</sup>	32,519,961	NAV	Zero % discount	N/A
	<b>262,885,850</b>			

The following table summarises the valuation methodologies used for the Company's investments categorised in Level 3 as at 31 December 2021 (audited):

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Ranges
Master Fund III <sup>1</sup>	269,884,334	NAV	Zero % discount	N/A
Master Fund II <sup>2</sup>	41,814,869	NAV	Zero % discount	N/A
	<b>311,699,203</b>			

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

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



## FINANCIAL STATEMENTS

### Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

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

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

The Master Funds have engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 30 June 2022 (unaudited):

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<b>Master Fund III<sup>1</sup></b>					
<u>Limited Partnerships</u>					
Master Fund II	210,892,921	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$21,089,292
	<b>210,892,921</b>				

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<b>Master Fund II<sup>2</sup></b>					
<u>Income Note CLOs</u>					
United States of America	19,810,429	Prices provided by a third party agent	US\$0.2500 - US\$0.8700	US\$0.5111	10% increase/decrease will have a fair value impact of +/- US\$1,981,043
<u>Limited Partnerships</u>					
Wollemi	11,683,731	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$1,168,373
	<b>31,494,159</b>				

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

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

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

(continued)

**For the six month period ended 30 June 2022****5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** continued**Look-through financial information: Master Funds' Level 3 information** continued

The Master Fund II has engaged an independent third party to provide valuations for their CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 31 December 2021 (audited):

<b>Asset Class</b>	<b>Fair Value US\$</b>	<b>Unobservable inputs</b>	<b>Ranges</b>	<b>Average</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
<b>Master Fund III<sup>1</sup></b>					
<u>Limited Partnerships</u>					
Master Fund II	271,170,675	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$27,117,068
	<b>271,170,675</b>				

The Master Funds have engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the Company's opinion, the valuation methodologies used by the independent third party to value the Master Fund II's investments categorised in Level 3 as at 31 December 2021:

<b>Asset Class</b>	<b>Fair Value US\$</b>	<b>Unobservable inputs</b>	<b>Ranges</b>	<b>Average</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
<b>Master Fund II<sup>2</sup></b>					
<u>Income Note CLOs</u>					
United States of America	25,530,599	Prices provided by a third party agent	US\$0.0001 - US\$0.9866	US\$0.6437	10% increase/decrease will have a fair value impact of +/- US\$2,553,060
<u>Limited Partnerships</u>					
Wollemi	9,996,257	Zero % discount	N/A	N/A	10% increase/decrease will have a fair value impact of +/- US\$999,626
	<b>35,526,856</b>				

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

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





## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

### 6. RELATED PARTIES AND OTHER KEY CONTACTS

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

##### Investment Adviser

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

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

	For the six month period ended 30 June 2022 (unaudited) US\$	For the six month period ended 30 June 2021 (unaudited) US\$
Company investment advisory fee	1,105,542	1,131,282
Less: Master fund II rebate	(1,024,312)	(1,128,177)
Less: Master fund III rebate	(56,240)	–
<b>Net investment advisory fee</b>	<b>24,990</b>	<b>3,105</b>

In circumstances where, as at the date the Net Asset Value per share of the 2021 Shares with respect to the last calendar month of a calendar quarter (the "Quarter End 2021 NAV") is published, the price of the 2021 Shares, adjusted for any dividends declared if required, traded at close in the secondary market below their then-prevailing Quarter End 2021 NAV, the Investment Adviser agrees to reinvest and/or procure the reinvestment by an Associate of it of (a) 25 per cent. of the fees which it shall receive with respect to that quarter from the Company pursuant to the agreement which is attributable to the Net Asset Value of the 2021 Shares and (b) 25 per cent. of the management fee which the General Partner shall receive with respect to that quarter from Master Fund II and Master Fund III which is attributable to the Net Asset Value of the 2021 Shares by, in each case, using its best endeavours to purchase or procure the purchase of 2021 Shares in the Company in the secondary market. The obligation to purchase or procure the purchase of such 2021 Shares shall be fulfilled by the Investment Adviser by no later than one month after the end of such calendar quarter. The Investment Adviser will have no obligation to reinvest and/or procure the reinvestment of fees it receives with respect to a calendar quarter in circumstances where: (i) the 2021 Shares did not trade at close in the secondary market at a discount to their then-prevailing Quarter End 2021 NAV; or (ii) where the 2021 Shares did trade at close in the secondary market at a discount to their then-prevailing Quarter End 2021 NAV and it is unable to purchase or procure the purchase of 2021 Shares in the secondary market at a discount to their then-prevailing Quarter End 2021 NAV despite having used its best endeavours to do so; or (iii) the Master Fund III Commitment Period has already expired, and, in each case, the Investment Adviser shall retain all fees it receives for such quarter.

In circumstances where, as at the date of the Net Asset Value per share of the Realisation Shares with respect to the last calendar month of a calendar quarter (the "Quarter End Realisation NAV") is published, the price of the Realisation Shares, adjusted for any dividends declared if required, traded at close in the secondary market below their then-prevailing Quarter End Realisation NAV, the Investment Adviser agrees to reinvest and/or procure the reinvestment by an Associate of it of (a) 25 per cent. of the fees which is received with respect to that quarter from the Company pursuant to the agreement which is attributable to the Net Asset Value of the Realisation Shares and (b) 25 per cent. of the Master Fund II Management Fee which the General Partner shall receive in respect to that quarter from Master Fund II which is attributable to the Net Asset Value of the Realisation Shares by, in each case, using its best endeavours to purchase or procure the purchase of Realisation Shares in the secondary market. The obligation to purchase or procure the purchase of Realisation Shares shall be fulfilled by the Investment Adviser by no later than one month after the end of such calendar quarter.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

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

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

##### *Investment Adviser* *continued*

The Investment Adviser will have no obligation to reinvest and/or procure the reinvestment of fees it receives with respect to a calendar quarter in circumstances where either: (i) the Realisation Shares did not trade at close in the secondary market at a discount to their then-prevailing Quarter End Realisation NAV; or (ii) where the Realisation Shares did trade at close in the secondary market at a discount to their then-prevailing Quarter End Realisation NAV and it is unable to purchase or procure the purchase of Realisation Shares in the secondary market at a discount to their then-prevailing Quarter End Realisation NAV despite having used its best endeavours to do so and, in either case, the Investment Adviser shall retain all fees it receives for such quarter.

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

##### *Fair Oaks CLOs*

At 30 June 2022, Wollemi had investments in FOAKS 1X CLO, FOAKS 2X CLO, FOAKS 3X CLO and FOAKS 4X CLO Limited valued at €21,953,476, €27,929,704, €24,768,424 and €33,395,664 respectively. At 31 December 2021, Wollemi had investments in FOAKS 1X CLO, FOAKS 2X CLO, FOAKS 3X CLO and FOAKS 4X CLO Limited valued at €22,630,204, €27,537,544, €26,682,043 and €32,947,186 respectively. The Investment Adviser to the Company also acts as collateral manager to the Fair Oaks CLOs.

##### *Founder Partners*

The Master Fund III and Master Fund II also pay the Founder Partner VI and Founder Partner II a carried interest equal to 15 per cent of cash available to be distributed (after payment of expenses and management fees) after Limited Partners have received a Preferred Return. The threshold calculation of the Preferred Return will be based solely on distributions and not on NAV calculations so the Master Fund III and Master Fund II will not pay any carried interest until their investors have realised the amounts drawn down for investments and met their Preferred Returns. At 30 June 2022, US\$Nil (31 December 2021: US\$Nil) carried interest was accrued at Master Fund III or Master Fund II level in respect of the Company's limited partnership interests.

#### **Other Material Contracts**

##### *Administrator*

Sanne Fund Services (Guernsey) 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\$33,888 (31 December 2021: US\$32,320), payable quarterly in arrears for Administration and Accounting services. The Administrator is also entitled to an annual fee of £582 (31 December 2021: £500) in relation to FATCA reporting and acting as Responsible Officer.

On 4 August 2022, the entire share capital of Sanne Group Plc, the ultimate parent company of Sanne Fund Services (Guernsey) Limited, the Administrator, was acquired by Apex Acquisition Company Limited, a wholly owned subsidiary of Apex Group Limited.

##### *Custodian*

BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") waived all fees on the basis that all assets are invested into the Master Fund II.

##### *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 £45,000 each per annum (31 December 2021: £43,000). The increase to £45,000 each per annum was with effect from 1 January 2022.



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

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

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 2022 (unaudited) US\$	For the six month period ended 30 June 2021 (unaudited) US\$
<b>CHARGE FOR THE PERIOD</b>		
Investment adviser fee	24,990	3,105
Administration fee	41,798	46,548
Directors' fees and expenses	82,459	89,072
	30 June 2022 (unaudited) US\$	31 December 2021 (audited) US\$
<b>OUTSTANDING FEES</b>		
Investment adviser fee	24,768	–
Administration fee	19,056	34,375

*Shares held by related parties*

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

Name	30 June 2022 (unaudited)		31 December 2021 (audited)	
	No. of		No. of	
	Realisation	Percentage	Realisation	Percentage
Claudio Albanese (Chairman)	9,697	0.00%	9,697	0.00%
Jon Bridel*	40,000	0.01%	40,000	0.01%
Nigel Ward	60,000	0.01%	60,000	0.01%

\*A person closely associated with Jon Bridel is the registered holder of these shares.

As at 30 June 2022, the Investment Adviser, the General Partner and principals of the Investment Adviser and General Partner held an aggregate of 1,988,946 2021 Shares (31 December 2021: 3,703,825 Shares), which is 0.42% (31 December 2021: 0.91%) of the issued share capital.

### 7. TAX STATUS

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



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

### 8. SHARE CAPITAL

The Company's 2021 Shares and Realisation Shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

Following an Extraordinary General Meeting of the Company of 19 April 2021, the Company announced that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares at the effective date, representing 13.4% of the 2017 Shares in issue.

Consequently, 405,815,477 2017 Shares were re-designated as 2021 Shares, representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury). Incremental costs directly attributable to the re-designation of 2017 Shares into Realisation Shares and 2021 Shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

On 22 April 2021, 405,815,477 2021 Shares and 62,562,883 Realisation Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

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

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



## FINANCIAL STATEMENTS

### Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

#### 8. SHARE CAPITAL continued

##### Issued share capital

2021 Shares

	30 June 2022 (unaudited)		31 December 2021 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	405,165,477	384,339,570	–	–
Re-designation from 2017 Shares into 2021				
Shares during the period	–	–	405,165,477	385,492,327
Share capital conversion costs	–	–	–	(1,152,757)
Share capital at the end of the period/year	405,165,477	384,339,570	405,165,477	384,339,570

Realisation Shares

	30 June 2022 (unaudited)		31 December 2021 (audited)	
	Shares	US\$	Shares	US\$
Share capital at the beginning of the period/year	62,562,883	59,251,697	467,728,360	444,922,074
Re-designation into 2021 Shares during the period	–	–	(405,165,477)	(385,492,327)
Share capital conversion/issued costs	–	–	–	(178,050)
Share capital at the end of the period/year	62,562,883	59,251,697	62,562,883	59,251,697

The total number of 2021 Shares in issue, as at 30 June 2022 was 405,815,477 (31 December 2021: 405,815,477 shares), of which 650,000 2021 Shares were held in treasury (31 December 2021: 650,000 shares), and the total number of 2021 shares in issue excluding treasury shares were 405,165,477 (31 December 2021: 405,165,477 shares).

The total number of Realisation Shares in issue, as at 30 June 2022 was 62,562,883 (31 December 2021: 62,562,883), of which no shares were held in treasury (31 December 2021: none).

At 30 June 2022, the Company has 467,728,360 Shares.

On 25 August 2022, the Company announced a return of capital to Realisation Shareholders of US\$4,000,000 (equivalent to 6.3936 cents per Realisation Share) on 12 September 2022 by way of a compulsory partial redemption of Realisation Shares.

#### 9. EARNINGS PER SHARE

	For the six month period ended 30 June 2022 (unaudited)		For the six month period ended 30 June 2021 (unaudited)	
	2021 Shares US\$	Realisation Shares US\$	2021 Shares US\$	Realisation Shares US\$
Weighted average number of shares	405,165,477	62,562,883	405,165,477	62,562,883
(Loss)/profit for the financial period	(12,277,602)	(1,894,231)	42,728,011	6,610,193
Basic and diluted (losses)/earnings per share	(0.0303)	(0.0303)	0.1055	0.1057



## FINANCIAL STATEMENTS

# Notes to the Unaudited Condensed Financial Statements

(continued)

For the six month period ended 30 June 2022

### 9. EARNINGS PER SHARE *continued*

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

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

The weighted average number of shares as at 30 June 2022 and 30 June 2021 is based on the number of 2021 Shares and Realisation Shares in issue during the period under review, as detailed in Note 8. The weighted average number of 2021 Shares and Realisation Shares for the period from 1 January 2021 to 22 April 2021, have been apportioned 86.6% to 2021 Shares and 13.4% to Realisation Shares.

### 10. CONTINGENT LIABILITIES AND COMMITMENTS

The Company entered into a Subscription Agreement with Master Fund III and agreed to become a Limited Partner and made a commitment to Master Fund III of US\$264,000,000 (31 December 2021: US\$264,000,000) of which US\$263,875,619 (31 December 2021: US\$263,875,619) had been called.

The Company entered into a Subscription Agreement with Master Fund II and agreed to become a Limited Partner and made a commitment to Master Fund II of US\$452,346,532 (31 December 2021: US\$452,346,532) of which US\$432,982,362 (31 December 2021: US\$432,982,362) had been called. With effect from 22 April 2021, the Company's 2021 Shares commitment to Master Fund II is on an indirect basis through the Master Fund III. The Master Fund II commitment period ended on 12 June 2021.

At 30 June 2022 and 31 December 2021, the Company had no other outstanding commitments.

### 11. SUBSEQUENT EVENTS

On 12 August 2022, the Company declared an interim dividend of 2.50 cents per 2021 Share and 2.50 cents per Realisation Share in respect of the quarter ended 30 June 2022. The ex-dividend date was 18 August 2022 and the dividend was paid on 15 September 2022.

On 25 August 2022, the Company announced a return of capital to Realisation Shareholders of US\$4,000,000 (equivalent to 6.3936 cents per Realisation Share) on 12 September 2022 by way of a compulsory partial redemption of Realisation Shares.

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 2022

### CLO Equity

Security	Instrument	Par Value Master Fund II <sup>1</sup>	Valuation
AIMCO 2017-A SUB	Subordinated Notes	US\$19,443,440	62.00%
ALLEG 2017-2X SUB	Subordinated Notes	US\$28,630,250	39.00%
ALLEG 2021-1X SUB	Subordinated Notes	US\$19,525,292	64.00%
ARES 2015-35R	Subordinated Notes	US\$18,668,000	46.00%
AWPT 2017-6X SUB	Subordinated Notes	US\$21,575,900	25.00%
ELM 2014-1A SUB	Subordinated Notes	US\$4,540,807	45.00%
FOAKS 1X M	Subordinated Fee Notes	€718,000	0.00%
FOAKS 1X SUB	Subordinated Notes	€20,104,000	72.81%
FOAKS 1X Z	Subordinated Fee Notes	€615,429	182.89%
FOAKS 2X M	Subordinated Fee Notes	€718,000	0.00%
FOAKS 2X SUB	Subordinated Notes	€33,746,000	55.59%
FOAKS 2X Z	Subordinated Fee Notes	€615,429	210.10%
FOAKS 3X M	Subordinated Fee Notes	€718,000	12.11%
FOAKS 3X SUB	Subordinated Notes	€25,130,000	64.97%
FOAKS 3X Z	Subordinated Fee Notes	€615,429	222.45%
FOAKS 4X M	Subordinated Fee Notes	€718,000	0.00%
FOAKS 4X SUB	Subordinated Notes	€20,104,000	91.98%
FOAKS 4X Z	Subordinated Fee Notes	€615,429	280.49%
HLM 13X-2018 SUB	Subordinated Notes	US\$18,632,100	33.00%
MARNR 2015-1A SUB	Subordinated Notes	US\$4,693,868	32.00%
MARNR 2016-3A SUB	Subordinated Notes	US\$4,428,562	46.00%
MARNR 2017-4 SUB	Subordinated Notes	US\$26,243,063	43.00%
POST 2018-1X SUB	Subordinated Notes	US\$28,204,835	54.00%
ROCKT 2021-2X SUB	Subordinated Notes	US\$17,591,000	72.00%
SHACK 2018-12 SUB	Subordinated Notes	US\$21,540,000	43.00%
WELF 2018-1X SUB	Subordinated Notes	US\$20,732,250	44.00%
WELF 2021-2X SUB	Subordinated Notes	US\$20,822,000	57.00%

<sup>1</sup> Shows the Company's 2021 Shares proportionate share, via the Master Fund III, in the Master Fund II at 62.21% and the Company's direct holding in the Master Fund II at 9.59%. 2021 Shares and Realisation Shares proportionate share together at 71.20%. Also includes Master Fund II's 100% share in Wollemi and its 14.96% interest in Cycad.

**ADDITIONAL INFORMATION**

## Portfolio Statement (unaudited) (continued)

As at 30 June 2022

**CLO Mezzanine**

<b>Security</b>	<b>Instrument</b>	<b>Par Value Master Fund II<sup>1</sup></b>	<b>Valuation</b>
APID 2018-18A F	Class F Notes	US\$2,872,074	78.79%
DRSLF 2017-49A F	Class F Notes	US\$3,302,885	78.38%
DRSLF 2017-53A F	Class F Notes	US\$3,590,093	77.65%
EGLXY 2018-6X F	Class F Notes	€3,051,579	68.90%
FOAKS 4X F	Class F Notes	€3,661,800	98.82%
HARVT 11X FR MTG	Class F Notes	€1,795,046	73.12%
HARVT 7X FR MTGE	Class F Notes	€1,256,533	81.71%
HLM 13X-18 F	Class F Notes	€4,119,632	77.29%
JPARK 2016-1A ER	Class E Notes	US\$1,436,037	85.74%
MDPK 2016-20A FR	Class F Notes	US\$2,872,074	80.86%
OCT39 2018-3A F	Class F Notes	US\$6,462,167	79.52%
OHECP 2015-4X FR	Class F Notes	€1,823,049	70.28%
SYMP 2018-19A F	Class F Notes	US\$3,949,102	76.55%

<sup>1</sup> Shows the Company's 2021 Shares proportionate share, via the Master Fund III, in the Master Fund II at 62.21% and the Company's direct holding in the Master Fund II at 9.59%. 2021 Shares and Realisation Shares proportionate share together at 71.20%. Also includes Master Fund II's 100% share in Wollemi and its 14.96% interest in Cycad.





## ADDITIONAL INFORMATION

# Management and Administration

### Directors

Claudio Albanese (Independent non-executive Chairman)

Jon Bridel (Independent non-executive Director)

Nigel Ward (Independent non-executive Director)

Fionnuala Carvill (Independent non-executive Director) – *appointed on 14 June 2022*

### Registered Office and Business Address

Sarnia House

Le Truchot

St Peter Port

Guernsey GY1 1GR

### Administrator and Secretary

Sanne Fund Services (Guernsey) Limited

Le Truchot

Sarnia House

St Peter Port

Guernsey GY1 1GR

### Investment Adviser

Fair Oaks Capital Limited

1 Albemarle Street

London W1S 4HA

### Registrar

Link Market Services (Guernsey) Limited

Mont Crevelt House

Bulwer Avenue

St Sampson

Guernsey GY2 4LH

### Legal Advisers in Guernsey

Carey Olsen (Guernsey) LLP

Carey House

Les Banques

St Peter Port

Guernsey GY1 4BZ

### Legal Advisers in United Kingdom

Stephenson Harwood LLP

1 Finsbury Circus

London EC2M 7SH

### Custodian and Principal Bankers

BNP Paribas Securities Services S.C.A.

BNP Paribas House

St Julian's Avenue

St Peter Port

Guernsey GY1 1WA

### Independent Auditor

KPMG Channel Islands Limited

Glategny Court

Glategny Esplanade

St Peter Port

Guernsey GY1 1WR

### Joint Bookrunners, Joint Brokers and Joint Financial Advisers

Numis Securities Limited

10 Paternoster Square

London EC4M 7LT

Liberum Capital Limited

Ropemaker Place, Level 12

Ropemaker Street

London EC2Y 9LY



## ADDITIONAL INFORMATION

# Appendix

### Alternative Performance Measures used in the Interim Report

- Total NAV return**

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

<b>2021 Shares</b>		<b>For the six month period ended 30 June 2022</b>	<b>For the six month period ended 30 June 2021</b>
Opening NAV per 2021 share		US\$0.6682	US\$0.6306
Opening accumulated number of 2021/2017 Shares*	(a)	2,444.40	2,110.9 shares
Opening NAV valuation of shares	(b)	US\$1,633.4	US\$1,331.1
Dividends paid during the period		US\$0.0500	US\$0.0475
Dividends converted to shares**	(c)	186.9 shares	159.5 shares
Closing NAV per 2021 share		US\$0.5881	US\$0.6865
Closing accumulated number of 2021/Realisation Shares* (d = a + c)	(d)	2,631.30 shares	2,270.4 shares
Closing NAV valuation of shares	(e)	US\$1,547.5	US\$1,558.6
NAV valuation of shares return (f = e – b)	(f)	(US\$85.9)	US\$227.5
<b>Total NAV return (g = (f / b) x 100)</b>	<b>(g)</b>	<b>(5.3%)</b>	<b>17.1%</b>

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

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



## ADDITIONAL INFORMATION

# Appendix (continued)

### Alternative Performance Measures used in the Interim Report (continued)

- **Total NAV return** continued

<b>Realisation Shares</b>		<b>For the six month period ended 30 June 2022</b>	<b>For the six month period ended 30 June 2021</b>
Opening NAV per Realisation share		US\$0.6679	US\$0.6306
Opening accumulated number of Realisation Shares*	(a)	2,444.7	2,110.9 shares
Opening NAV valuation of shares	(b)	US\$1,632.8	US\$1,331.1
Dividends paid during the year		US\$0.0500	US\$0.0475
Dividends converted to shares**	(c)	194.7 shares	159.5 shares
Closing NAV per Realisation share		US\$0.5876	US\$0.6857
Closing accumulated number of Realisation Shares* (d = a + c)	(d)	2,639.4 shares	2,270.4 shares
Closing NAV valuation of shares	(e)	US\$1,550.9	US\$1,556.9
NAV valuation of shares return (f = e – b)	(f)	(US\$81.9)	US\$225.8
<b>Total NAV return (g = (f / b) x 100)</b>	<b>(g)</b>	<b>(5.0%)</b>	<b>17.0%</b>

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

\*\*converted to Realisation Shares at the prevailing month end NAV ex-dividend for all dividends paid during the period.

**ADDITIONAL INFORMATION****Appendix** (continued)**Alternative Performance Measures used in the Interim Report**

- Total share price return**

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

<b>2021 Shares</b>		<b>For the six month period ended 30 June 2022</b>	<b>For the six month period ended 30 June 2021</b>
Opening share price per 2021 share		US\$0.6225	US\$0.6175
Opening accumulated number of 2021 Shares*	(a)	2,422.0 shares	2,094.4 shares
Opening share price valuation of shares	(b)	US\$1,507.7	US\$1,293.3
Dividends paid during the period		US\$0.0500	US\$0.0475
Dividends converted to shares**	(c)	206.8 shares	156.5 shares
Closing share price per 2021 share		US\$0.5550	US\$0.6675
Closing accumulated number of 2021 Shares* (d = a + c)	(d)	2,628.9 shares	2,250.9 shares
Closing share price valuation of shares	(e)	US\$1,459.0	US\$1,502.5
Valuation of shares return (f = e – b)	(f)	(US\$48.7)	US\$209.2
<b>Total share price return (g = (f / b) x 100)</b>	<b>(g)</b>	<b>(3.2%)</b>	<b>16.2%</b>

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

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



## ADDITIONAL INFORMATION

# Appendix (continued)

### Alternative Performance Measures used in the Interim Report (continued)

- **Total share price return** continued

<b>Realisation Shares</b>		<b>For the six month period ended 30 June 2022</b>	<b>For the six month period ended 30 June 2021</b>
Opening share price per Realisation share		US\$0.7000	US\$0.6175
Opening accumulated number of Realisation Shares*	(a)	2,409.6 shares	2,094.4 shares
Opening share price valuation of shares	(b)	US\$1,686.7	US\$1,293.3
Dividends paid during the year		US\$0.0500	US\$0.0475
Dividends converted to shares**	(c)	184.6 shares	156.5 shares
Closing share price per Realisation share		US\$0.6500	US\$0.6650
Closing accumulated number of Realisation Shares* (d = a + c)	(d)	2,601.6 shares	2,250.9 shares
Closing share price valuation of shares	(e)	US\$1,691.1	US\$1,496.9
Valuation of shares return (f = e – b)	(f)	US\$4.4	US\$203.6
<b>Total share price return (g = (f / b) x 100)</b>	<b>(g)</b>	<b>0.3%</b>	<b>15.7%</b>

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

\*\*converted to Realisation Shares at the prevailing month end NAV ex-dividend for all dividends paid during the period.



## ADDITIONAL INFORMATION

# Appendix (continued)

### Alternative Performance Measures used in the Interim Report

- **2021 and Realisation Share (discount)/premium to NAV**

2021 and Realisation Share (discount)/premium to NAV is the amount by which the 2021 and Realisation Share price is lower/higher than the NAV per 2021 and Realisation Share, expressed as a percentage of the NAV per 2021 and Realisation Share, and provides a measure of the Company's share price relative to the NAV.

- **Ongoing charges ratio ("OCR")**

The ongoing charges ratio of an investment company is the annual percentage reduction in shareholder returns as a result of recurring operational expenditure. Ongoing charges are classified as those expenses which are likely to recur in the foreseeable future, and which relate to the operation of the company, excluding investment transaction costs, gains or losses on investments and performance fees. In accordance with the AIC guidance, the proportionate charges for the period are also incorporated from investments in other funds. As such charges for:

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

Performance fees or carried interest from the underlying funds are not included. The OCR is calculated as the total ongoing charges for a period divided by the average net asset value over that period/year

<b>2021 Shares</b>	<b>For the six month period ended 30 June 2022</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	388,030	1,551,916	1,919,946
Non-recurring expenses	–	(112,300)	(112,300)
Total ongoing expenses	388,030	1,439,615	1,827,645
<b>Annualised total ongoing expenses</b>	<b>786,839</b>	<b>2,919,220</b>	<b>3,706,059</b>
Average NAV	262,801,488		262,801,488
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.30%</b>		<b>1.41%</b>

<b>Realisation Shares</b>	<b>For the six month period ended 30 June 2022</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	59,821	217,896	277,717
Non-recurring expenses	–	(17,008)	(17,008)
Total ongoing expenses	59,821	200,889	260,709
<b>Annualised total ongoing expenses</b>	<b>121,304</b>	<b>407,357</b>	<b>528,661</b>
Average NAV	40,545,460		40,545,460
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.30%</b>		<b>1.30%</b>

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



## ADDITIONAL INFORMATION

# Appendix (continued)

### Alternative Performance Measures used in the Interim Report (continued)

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

<b>2021 Shares</b>	<b>For the year ended 31 December 2021</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	682,320	3,241,427	3,923,747
Non-recurring expenses	–	(246,520)	(246,520)
Total ongoing expenses	682,320	2,994,907	3,677,227
Average NAV	271,982,050		271,982,050
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.25%</b>		<b>1.35%</b>

<b>Realisation Shares</b>	<b>For the year ended 31 December 2021</b>		
	<b>Company US\$</b>	<b>Master Funds<sup>1</sup> US\$</b>	<b>Total US\$</b>
Total expenses	105,191	470,082	575,273
Non-recurring expenses	–	(15,221)	(15,221)
Total ongoing expenses	105,191	454,861	560,052
Average NAV	41,947,976		41,947,976
<b>Ongoing charges ratio (using AIC methodology)</b>	<b>0.25%</b>		<b>1.34%</b>

- **Dividend yield**

The dividend yield is a financial ratio that shows how much the Company's 2021 Shares have paid out in dividends during the six month period to 30 June 2022 on an annualised basis relative to the 2021 Share price at 30 June 2022.

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

