



Background and investment objective

The investment objective of Fair Oaks Income Ltd (the "Company") is to generate attractive, risk-adjusted returns, principally through income distributions. The Company will implement its investment policy by investing in FOMC III LP ("Fund III") and FOIF II LP ("Fund II").

The investment policy of the Company is to seek exposure to US and European CLOs or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing.

The Company was admitted to trading on the Specialist Fund Market of the London Stock Exchange (now the Specialist Fund Segment of the Main Market of the London Stock Exchange) on 12 June 2014.

Investment opportunity

The General Partner of the Master Funds (the "GP") believes that diversified portfolios of secured bank loans may provide an attractive risk-return profile when financed with well-structured long-term financing. The GP believes the key to successful investment in secured bank loans is an understanding of, and focus on, the credit quality of the underlying corporate borrowers. To this end, portfolio financing structures (such as CLOs) need to be managed efficiently and effectively in order to enhance returns without introducing any mark-to-market or other non-credit risks.

Fund III has an investment period which ends in June 2023 and may be extended by up to two additional consecutive one-year periods, and a fixed life of five years from the end of the investment period. Fund II has an investment period which ends in June 2021, and a fixed life of five years from the end of the investment period. The Company has an unlimited life but on or before 12 June 2024 an extraordinary general meeting will be proposed to consider a continuation resolution.

\$255.3 million

2021 Share Class market capitalisation

\$298 million

Total Company market capitalisation

12–14%

Target total return

Fund performance¹

	1 MONTH	3 MONTH	1 YEAR	ITD
2021 SHARE PRICE (FAIR)	+0.80%	+0.82%	+11.35%	+58.72%
2021 NAV (FAIR)	+1.28%	-0.27%	+15.45%	+71.78%
JP MORGAN LEVERAGED LOAN INDEX	+0.17%	-0.19%	+3.13%	+37.61%
JP MORGAN HIGH YIELD INDEX	-3.39%	-4.89%	-4.33%	+35.55%

Data as at 29-Apr-22

2021 shares

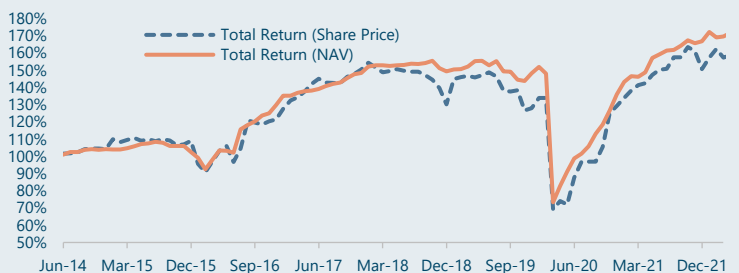
Price per Share	\$0.630
NAV per Share	\$0.663
Premium / (Discount) to NAV	-5.01%
Inception to date NAV return ¹	71.4% (7.1% annualised)
Inception to date price return ¹	58.7% (6.0% annualised)
2021 Share Class market capitalisation	\$255.3 million
2021 Shares in issue	405.2 million

Fund facts

Type of fund	Closed-ended investment fund
Listing and trading	LSE Main Market – SFS
Launch date	12-Jun-14
Launch price	\$1 per Ordinary Share
Dividend	Quarterly
Dealing	Daily during LSE opening hours
NAV calculation	As of the last business day of each month
Currency	\$ denominated
ISA and SIPP eligible	Yes
Management fee	1.00% of NAV p.a.
Performance fee	15% of Fund II/Fund III return once Limited Partners have received, in cash, their original investment plus a 7% annualised return
Catch-up	No
2021 ISIN	GG00BNLWT35

Service providers

Investment advisor	Fair Oaks Capital Limited
Board of Directors	Fully independent
Administrator	Praxis Fund Services Limited
Custodian	BNP Paribas Securities Services S.C.A.
Joint brokers	Numis Securities Ltd Liberum Capital Ltd
Auditor	KPMG (Channel Islands) Limited



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Signatory of:





Company performance¹

The 2021 Share NAV was \$66.32c at the end of April, +1.28% for the month and -0.27% for 1Q22. The 2021 ordinary shares closed at a mid-market price of \$63.00c, +0.80% for the month and +0.82% for 1Q22. The 2017 Share NAV was \$66.26c as at April 29th.

Market commentary

Ongoing war in Ukraine, lockdowns in China and poor growth and inflation data in Europe and the US resulted in volatile equity and fixed income markets in April. The S&P 500, Nasdaq and Eurostoxx 50 lost 8.8%, 13.3% and 2.6% respectively in April while 10-year government bond yields increased from 2.3% to 2.9% in the US and from 0.5% to 0.9% in the Eurozone.² High yield spreads were wider in April (+40 bps in the US, and +58 bps in Europe³). The spread for US loans fell from +4.30% to L+4.16% while the spread for European loans fell 2 bps to 4.97%⁴ in the month.

The trailing 12-month loan default rate fell from 0.19% to 0.18% in the US and from 0.81% to 0.64% in Europe in April⁵. The distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) increased from 1.55% to 1.60% in the US and decreased from 1.14% to 0.85% in Europe.⁴

US primary CLO supply was stable in April (\$13.6 billion worth of new issues in the US in April 2022, compared with \$13.8 billion in April 2021) but fell significantly in Europe (€1.6 billion in April 2022, compared to €3.1 billion in April 2021).⁴

Company update

All CLO equity positions made their scheduled distributions in April and continued to benefit from the tight financing rates in the existing portfolio (+1.11% and 0.93% average AAA spread for US and European CLO control positions compared to current secondary AAA levels of +1.40% and +1.18% respectively)⁶.

The Master Fund received \$23.8 million worth of quarterly distributions in April compared to \$20.6 million in January 2022 and \$18.9 million in October 2021. FOAKS 4 is expected to make its first distribution in July 2022.

May 2022 update

Continued volatility in broader markets (S&P 500 -4.9%, Nasdaq -7.8%, Eurostoxx50 -5.0%, US and EU high yield spreads 74 bps and 60 bps wider month-to-date as at May 13th) has started to impact US and EU bank loans (-2.4% and -1.6%, respectively).^{2,3}

The current environment has the potential to create an opportunity for Master Fund to acquire attractive assets. We are primarily focused on sourcing secondary CLO equity benefitting from strong portfolios and attractive funding, and B/BB CLO notes which may suffer pricing pressure due to technical factors.

Top 10 issuers and portfolio data⁸

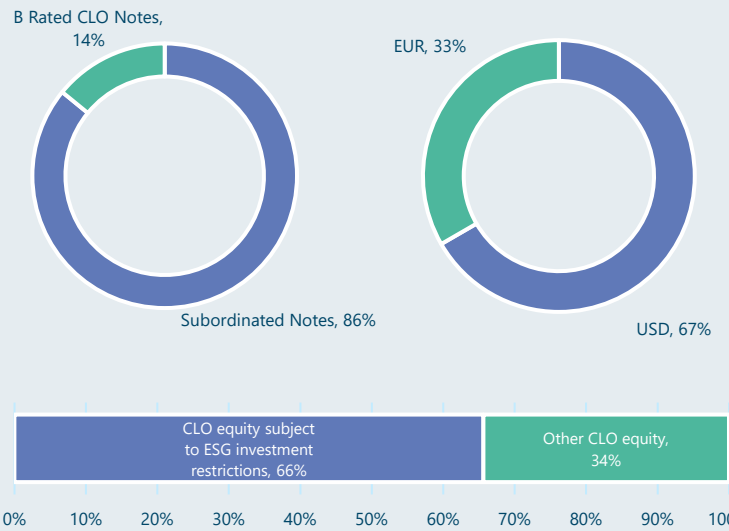
ISSUER	COMPANY RATING (S&P)	% GROSS ⁹	MOODY'S INDUSTRY CLASSIFICATION	COUNTRY
Altice	B	0.76%	Media: Broadcasting & Subscription	United States
Virgin Media	BB-	0.66%	Media: Broadcasting & Subscription	United Kingdom
Asurion	B+	0.58%	Banking, Finance, Insurance & Real Estate	United States
Power Solutions	B	0.49%	Automotive	Canada
Starfruit Finco B.V.	B+	0.44%	Chemicals, Plastics & Rubber	Netherlands
CenturyLink	BB-	0.44%	Telecommunications	United States
McAfee	B-	0.44%	High Tech Industries	United States
TransDigm	B+	0.44%	Aerospace and Defense	United States
Cablevision Systems	BB	0.43%	Media: Broadcasting & Subscription	United States
Paysafe Holdings (US)	B	0.40%	Banking, Finance, Insurance & Real Estate	United Kingdom

TOTAL NUMBER OF ISSUERS IN THE PORTFOLIO: 1,232

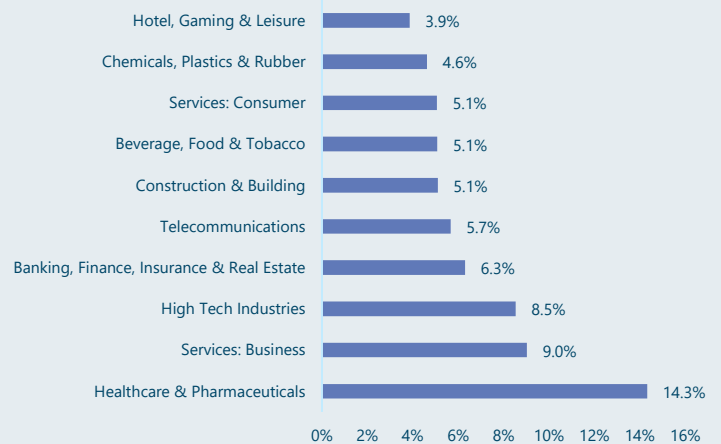
WEIGHTED AVERAGE ASSET SPREAD⁸: **Libor+3.65%**

WEIGHTED AVERAGE COST OF CLO FINANCING⁹: **Libor+1.70%**

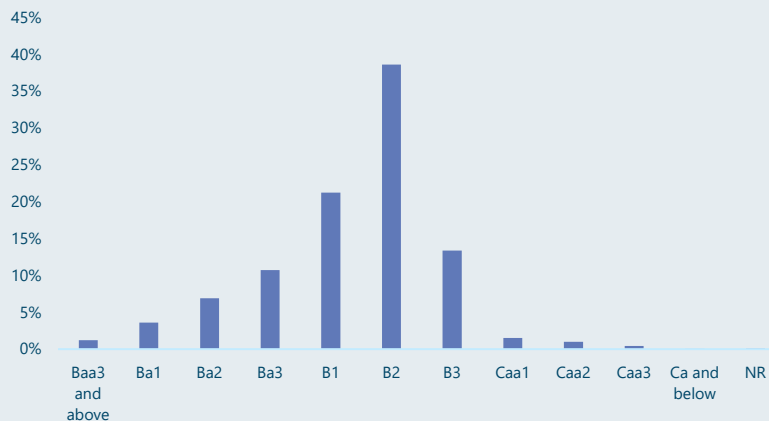
CLO portfolio rating and currency breakdown (Apr-22)⁷



Industry diversification by Moody's (top 10)⁷



Rating breakdown^{7,10}





Fund holdings (Apr-22):

EQUITY ¹¹											
Nominal amount ¹²	Current market valuation ¹³	Deal name	Control ¹⁴	% Defaults ¹⁵	% CCC (S&P) ¹⁶	% CCC (Moody's) ¹⁶	% Oil & gas ¹⁷	% Risk sectors ¹⁷	Weighted average collateral bid price ¹⁸	Last cash payment (annualised yield on current market price) ¹⁹	Relevant OC test cushion ²⁰
USD Equity											
\$19,443,440	68.0%	AIMCO 2017-AA SUB	Y	0.32%	5.60%	2.80%	2.35%	18.43%	\$97.1	28.5%	4.27%
\$28,630,250	49.0%	ALLEG 2017-2A SUB	Y	0.26%	4.20%	3.90%	2.81%	11.98%	\$97.1	34.6%	3.68%
\$18,668,000	54.0%	ARES 2015-35RA SUB	Y	0.18%	4.30%	5.30%	3.69%	8.11%	\$97.0	35.8%	2.38%
\$21,575,900	28.0%	AWPT 2017-6A SUB	Y	0.00%	4.47%	5.12%	0.77%	16.58%	\$96.8	51.3%	3.15%
\$4,540,807	49.0%	ELM 2014-1A SUB	Y	0.00%	4.57%	3.47%	0.98%	14.76%	\$96.8	17.3%	5.22%
\$18,632,100	40.0%	HLM 13A-18 SUB	Y	0.00%	3.20%	1.40%	4.96%	11.49%	\$97.5	43.1%	1.62%
\$4,693,868	39.0%	MARNR 2015-1A SUB	Y	0.00%	5.14%	3.72%	0.63%	16.88%	\$97.1	28.1%	3.34%
\$4,428,562	54.0%	MARNR 2016-3A SUB	Y	0.00%	5.18%	3.92%	0.72%	16.71%	\$97.1	25.8%	4.06%
\$26,243,063	47.0%	MARNR 2017-4A SUB	Y	0.00%	3.96%	2.60%	0.53%	14.36%	\$97.4	29.1%	5.09%
\$28,204,835	65.0%	POST 2018-1A SUB	Y	0.00%	3.30%	3.30%	4.34%	13.45%	\$98.1	28.1%	3.97%
\$21,540,000	50.0%	SHACK 2018-12A SUB	Y	0.00%	4.70%	3.40%	3.93%	13.57%	\$97.0	38.7%	3.96%
\$20,732,250	54.0%	WELF 2018-1A SUB	Y	0.00%	7.68%	6.42%	0.58%	10.96%	\$96.4	29.7%	4.14%
\$19,525,292	70.0%	ALLEG 2021-1X SUB	Y	0.00%	0.86%	0.30%	2.29%	12.05%	\$98.2	22.8%	5.13%
\$17,591,000	80.0%	ROCKT 2021-2X SUB	Y	0.00%	1.80%	2.10%	1.29%	14.80%	\$97.6	32.5%	5.06%
\$20,822,000	63.0%	WELF 2021-2X SUB	Y	0.00%	1.03%	1.36%	0.00%	6.92%	\$97.6	29.1%	5.11%
Weighted average²³	54.8%			0.06%	3.69%	3.07%	2.25%	12.86%	\$97.4	31.7%	4.14%
EUR Equity											
€20,104,000	70.3%	FOAKS 1X SUB	Y	0.00%	3.20%	1.70%	0.00%	6.88%	€97.2	22.5%	5.18%
€33,746,000	55.1%	FOAKS 2X SUB	Y	0.00%	4.40%	2.40%	0.00%	9.14%	€97.1	20.6%	4.59%
€25,130,000	63.1%	FOAKS 3X SUB	Y	0.00%	3.20%	n.a.	0.00%	8.46%	€97.4	37.3%	5.03%
€20,104,000	93.8%	FOAKS 4X SUB	Y	0.00%	2.33%	1.58%	0.00%	8.29%	€97.3	-	4.50%
Weighted average²³	68.1%			0.00%	3.29%	1.46%	0.00%	8.27%	€97.2	26.6%	4.79%
Total weighted average²³	58.4%			0.04%	3.56%	2.55%	1.53%	11.39%	\$97.3	30.4%	4.35%

Cash and cash equivalents²²: \$41,905,270



Fund holdings (Apr-22):

MEZZANINE

Nominal amount ¹²	Current market valuation ¹³	Deal name	Original rating	Current rating	% Defaults ¹⁵	% CCC (S&P) ¹⁶	% CCC (Moody's) ¹⁶	% Oil & gas ¹⁷	% Risk Sectors ¹⁷	Weighted average collateral bid price ¹⁸	Coupon	Current yield (based on current market price)	Relevant OC test cushion ²⁰
USD B													
\$2,872,000	88.6%	APID 2018-18A F	B	Mezz	0.01%	6.10%	3.80%	2.23%	13.74%	\$97.2	Libor+8.08%	10.40%	3.36%
\$3,302,800	91.6%	DRLSF 2017-49A F	B	Mezz	0.45%	3.83%	4.14%	1.67%	14.17%	\$97.0	Libor+7.55%	9.38%	3.91%
\$3,590,000	91.2%	DRLSF 2017-53A F	B	Mezz	0.43%	3.52%	n.a.	1.65%	14.15%	\$97.1	Libor+7.50%	9.37%	4.28%
\$4,119,525	86.9%	HLM 13X-2018 F	B	Mezz	0.00%	3.20%	1.40%	4.96%	11.49%	\$97.5	Libor+7.65%	10.01%	1.62%
\$1,436,000	96.8%	JPARK 2016-1A ER	B	Mezz	0.00%	4.20%	4.10%	1.07%	10.99%	\$97.2	Libor+7.35%	8.69%	3.87%
\$2,872,000	94.8%	MDPK 2016-20A FR	B	Mezz	0.70%	4.87%	5.01%	2.35%	8.79%	\$97.5	Libor+8.15%	9.89%	3.20%
\$6,462,000	91.5%	OCT39 2018-3A F	B	Mezz	0.00%	5.74%	4.75%	1.83%	17.74%	\$97.5	Libor+8.00%	9.91%	4.08%
\$3,949,000	86.7%	SYMP 2018-19A F	B	Mezz	0.20%	6.22%	4.64%	3.35%	15.45%	\$97.1	Libor+7.14%	9.44%	3.32%
Weighted average²³	90.4%				0.21%	4.81%	4.01%	2.48%	14.00%	\$97.3	Libor+7.71%	9.71%	3.47%
EUR B													
€3,051,500	92.1%	EGLXY 2018-6X F	B	Mezz	0.00%	n.a.	4.38%	0.00%	16.16%	€96.8	Euribor+5.90%	6.40%	5.25%
€1,795,000	89.1%	HARVT 11X FR	B	Mezz	0.00%	5.70%	n.a.	0.00%	9.73%	€96.7	Euribor+6.55%	7.35%	2.59%
€1,256,500	93.6%	HARVT 7X FR	B	Mezz	0.00%	7.51%	n.a.	0.00%	8.99%	€96.4	Euribor+7.44%	7.95%	4.90%
€1,823,002	88.0%	OHECP 2015-4X FR	B	Mezz	0.00%	n.a.	2.54%	1.06%	18.88%	€96.6	Euribor+6.10%	6.93%	3.02%
€3,661,800	101.0%	FOAKS 4X F	B	Mezz	0.00%	n.a.	1.58%	0.00%	8.29%	€97.3	Euribor+9.25%	8.61%	5.00%
Weighted average²³	94.0%				0.00%	6.47%	2.74%	0.16%	12.17%	€96.9	Euribor+7.26%	7.54%	4.41%
Total weighted average²³	91.5%				0.14%	4.98%	3.14%	1.76%	13.44%	\$97.2		9.04%	3.76%



Footnotes:

All references to "Fund III" are to "FOMC III LP", Master Fund III.

- (1) Price and NAV returns includes reinvestment of dividends. Inception to date NAV return based on initial NAV as of June 2014 and includes share performance prior to the re-designation of the shares in 2017 and 2021. Net of fund expenses and fees.
- (2) Source: Bloomberg.
- (3) Source: JP Morgan – US and European high yield and leveraged loan indices.
- (4) Source: S&P Global Market Intelligence.
- (5) Source: Euro and US loan index lagging 12-month loan default rate based on principal amount.
- (6) Source: Citi.
- (7) Portfolio currency and rating breakdown based on latest NAV, original ratings and currency denominations of all CLO investments, excluding cash. Industry diversification and rating breakdown based on Moody's sectors and ratings and loan par value weighted by Fund III's ownership of Income Notes. Source: Intex. The proportion of the fund's 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").
- (8) Source: Intex. Based on loan par value weighted by Master Fund III's proportional ownership of income notes.
- (9) Source: Intex. Based on CLO liability spreads weighted by Fund III's proportional ownership of Income Notes.
- (10) Based on Moody's company ratings. Due to rounding errors, the percentages may not sum to 100%.
- (11) Table excludes the sub-fee notes held in the portfolio.
- (12) Includes the Company's proportional ownership of investments held by Master Fund II and Master Fund III.
- (13) Valuations are independently sourced by a third-party service provider, except for valuations for FOLF 1X SUB, FOLF 2X SUB, FOLF 3X SUB, FOLF 4X SUB, FOLF 4 F and their respective X and M (fee) notes which are provided by Wollemi Investments I LP.
- (14) Vehicles managed by the General Partner own a majority of the CLO equity in the transaction.
- (15) Intex; Balance of defaulted assets as of latest trustee report.
- (16) Intex: CCC+, CCC and CCC- rated assets (S&P) and Caa1, Caa2 and Caa3 rated assets (Moody's). Based on loan facility rating from the rating agencies, Moody's and S&P.
- (17) Based on Moody's industry classification (or S&P equivalent) in monthly trustee reports. Risk sectors are defined as the five sectors most affected by Covid-19, according to Moody's: gaming and leisure; consumer transportation; advertising, printing and publishing; retail; automotive.
- (18) Based on month-end prices from Markit but where prices are not available, we may use the latest price from the monthly trustee reports to calculate the weighted average.
- (19) Distributions received from fee notes are included in the calculation.
- (20) Difference between latest available value and threshold for BB over-collateralization test for CLO subordinated notes and relevant over-collateralisation test for mezzanine investments. Source: Intex based on latest available trustee report.
- (21) Fair Oaks Capital acts as CLO manager for the deal.
- (22) Total includes cash at Fair Oaks Income Limited and its proportional ownership of cash at the Master Funds.
- (23) Weighted averages are by market value except for current market valuation and coupon which are weighted by par value. Weighted average calculation uses the closing Bloomberg EUR/USD foreign exchange rate on 31-Mar-22 (1.1065).

Important information:

The Net Asset Value and the portfolio valuations contained in this report are estimates and are based on unaudited estimated valuations. The final Net Asset Value and portfolio valuations of the Company may be materially different from the estimated values, which should only be taken as indicative values which have been provided for information only and upon which no reliance should be placed. The level of default for each portfolio holding is expressed as at a particular date and so may increase in the future. Actual results, performance or achievements may differ materially from estimated results, performance or achievements. Except as required by applicable law, the Company expressly disclaims any obligation to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise. This document is for information purposes only and is not an offer to invest. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions. Inception to date performance figures include share performance prior to the re-designation of the Company's initial share class in 2017 and are calculated by reference to the estimated NAV on 12 June 2014, the date of admission to trading of the Company's initial share class. Due to applicable legal restrictions, electronic versions of these materials are not directed at, or accessible by, US Persons (as defined in Regulation S under the US Securities Act of 1933) or persons located in the United States, Australia, Canada, Japan, the EEA (except the UK, Luxembourg, Sweden and Finland) or South Africa, or any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

Past performance is no indication of future results. Inherent in any investment is the potential for loss. Target returns and distributions are hypothetical targets only and are neither guarantees nor predictions or projections of future performance. There can be no assurance that such targeted returns will be achieved or that the Company (or the master fund in which it invests) will be able to implement its investment strategy, achieves its investment objective or avoid substantial losses.

Neither the Company nor any class of shares of the Company has been approved by the Swiss Financial Market Supervisory Authority ("FINMA") for offering to non-qualified investors pursuant to Art. 120 para. 1 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended ("CISA"). In addition, the Company has not and does not intend to appoint a Swiss representative or a Swiss paying agent for the shares of the Company offered in Switzerland. Accordingly, the shares of the Company may only be offered or advertised and this document may only be made available, in Switzerland to qualified investors within the meaning of CISA who are not high-net-worth individuals (or private investment structures established for high-net-worth individuals) having opted out to professional client status under Art. 5 para. 1 of the Swiss Federal Act on Financial Services. Investors in the shares of the Company do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA in connection with the approval for offering.