



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 2024 (and may be extended by an additional one-year period), and a fixed life of five years from the end of the investment period. Fund II had an investment period which ended 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 2028 an extraordinary general meeting will be proposed to consider a continuation resolution.

\$219.1 million

2021 Share Class market capitalisation

\$247.5 million

Total Company market capitalisation

12–14%

Target total return

Fund performance¹

	1 MONTH	3 MONTH	1 YEAR	ITD
2021 SHARE PRICE (FAIR)	+5.05%	+11.79%	+34.21%	+98.83%
2021 NAV (FAIR)	+0.75%	+3.22%	+13.24%	+94.23%
JP MORGAN LEVERAGED LOAN INDEX	+1.01%	+3.36%	+11.55%	+58.26%
JP MORGAN HIGH YIELD INDEX	+0.44%	+4.29%	+11.90%	+50.05%

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Signatory of:



Data as at 29-Feb-24

2021 shares

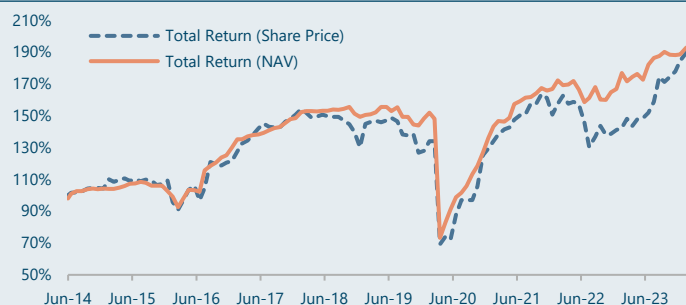
Price per Share	\$0.573
NAV per Share	\$0.561
Premium / (Discount) to NAV	2.05%
Inception to date NAV return ¹	94.2% (7.1% annualised)
Inception to date price return ¹	98.8% (7.3% annualised)
2021 Share Class market capitalisation	\$219.1 million
2021 Shares in issue	382.6 million

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	GG00BNNLWT35

Service providers

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





Company performance¹

The 2021 Share NAV was \$56.10c at the end of February, marking a +0.75% increase for the month. The 2021 ordinary share closed at a price of \$57.25c, up by +5.05% for the month. The 2017 Share NAV stood at \$57.18c as of February 29th.

Market commentary

In January, the US loan default rate decreased from 1.47% to 1.41%, while the European loan default rate was unchanged at 1.86%. Additionally, the forward-looking distress ratio decreased from 5.48% to 5.08% in the US and from 2.84% to 2.80% in Europe.²

CLO spreads have continued to tighten, although pricing dispersion was more pronounced in February as primary European AAA CLO spreads ranged from 148 bps to 170 bps. This range reflects more pronounced manager tiering and differences in deal structures.³ As a result of this spread tightening, CLO refinancing/reset activity in Europe and the US reached €1.4bn and \$14.4bn, respectively, the highest monthly volume seen in over two years.⁴

The more attractive cost of CLO financing has improved CLO equity arbitrage. We estimate that modelled returns for typical US and European primary CLO equity investments are in the low to mid-teens, with potential upside under reset or refinancing assumptions.

We continue to consider the Company's portfolio of performing secondary CLO equity very attractive, based on i) historical valuations (the weighted average price for US CLO equity in the Master Fund's portfolio has decreased from 44.7c to 35.8c in the last 12 months while the weighted average loan bid price has risen from 94.3c to 96.6c in the same period)⁵ and ii) cash-flow multiples (c.3.5x based on February's valuations and annualised quarterly cash-flows).

Fair Oaks believes that, given the more benign macroeconomic environment, the Master Fund's CLO equity valuations have the potential to follow the normalization path seen in CLO mezzanine debt. Tighter CLO liabilities are also increasing the probability of CLO resets, which would further enhance returns.

Company update

The Company's portfolio continues to enjoy a below-market 0.35%⁶ annualized default rate since inception and all investments are in compliance with their respective over-collateralisation tests.

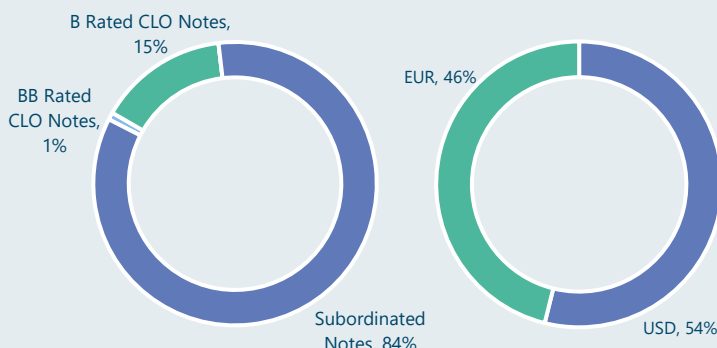
As the 2021 shares traded above NAV, there were no share buybacks in February and c.849k shares were sold from Treasury, at a premium to the prevailing NAV, to satisfy market demand.⁷ The Company confirmed that it would maintain its commitment to the share buyback programme announced in September 2022, further supported by the Adviser's commitment to reinvest 25% of management fees should the shares trade at a discount.

Top 10 issuers and portfolio data⁹

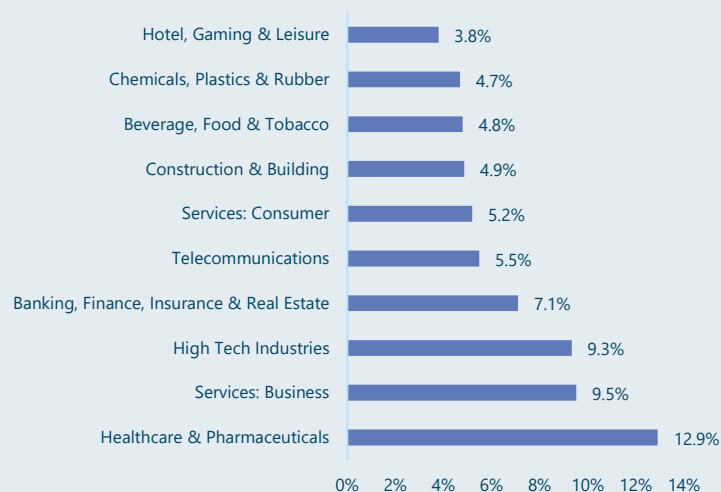
ISSUER	COMPANY RATING (S&P)	% GROSS ¹¹	MOODY'S INDUSTRY CLASSIFICATION	COUNTRY
Virgin Media	BB-	0.78%	Media: Broadcasting & Subscription	United Kingdom
Ineos US	BB	0.60%	Chemicals, Plastics & Rubber	United States
Altice France	B-	0.56%	Media: Broadcasting & Subscription	France
Asurion	B+	0.53%	Banking, Finance, Insurance & Real Estate	United States
Refresco	B+	0.50%	Beverage, Food & Tobacco	Netherlands
Zayo Group	B-	0.49%	Telecommunications	United States
Groupe Inovie	B-	0.45%	Healthcare & Pharmaceuticals	France
ION Trading Technologies	B-	0.43%	Banking, Finance, Insurance & Real Estate	Luxembourg
McAfee	B-	0.43%	High Tech Industries	United States
Filtration Group	B	0.42%	Capital Equipment	United States
TOTAL NUMBER OF ISSUERS IN THE PORTFOLIO:				1,139
WEIGHTED AVERAGE ASSET SPREAD⁹:				3.67%
WEIGHTED AVERAGE COST OF CLO FINANCING¹⁰ (SOFR / EURIBOR+):				1.95%

Please refer to the footnotes for the important information on page 8. Past performance is no indication of future results. Inherent in any investment is the potential for loss. Copyright © 2024 Fair Oaks Capital Ltd. All rights reserved.

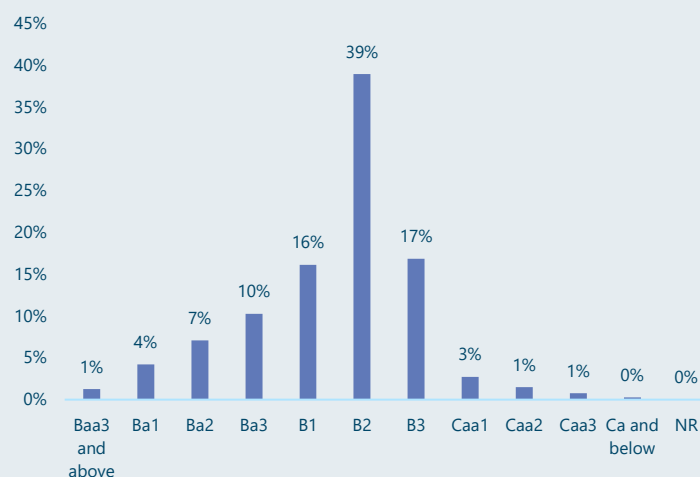
CLO portfolio rating and currency breakdown (Feb-24)⁸



Industry diversification by Moody's (top 10)⁸



Rating breakdown^{8,11}





Fund holdings (Feb-24)

EQUITY ¹²											
Nominal amount ¹³	Current market valuation ¹⁴	Deal name	Control ¹⁵	% Defaults ¹⁶	% CCC (S&P) ¹⁷	% CCC (Moody's) ¹⁷	% Oil & gas ¹⁸	% Risk sectors ¹⁸	Weighted average collateral bid price ¹⁹	Last cash payment (annualised yield on current market price) ²⁰	Relevant OC test cushion ²¹
USD Equity											
\$18,682,492	52.0%	AIMCO 2017-AA SUB	Y	0.60%	3.20%	3.80%	2.04%	19.53%	\$98.3	18.2%	2.03%
\$27,509,763	26.0%	ALLEG 2017-2A SUB	Y	0.00%	11.00%	10.00%	1.95%	11.99%	\$95.8	48.0%	1.97%
\$17,937,400	25.0%	ARES 2015-35RA SUB	Y	0.62%	7.00%	6.60%	2.46%	8.49%	\$97.2	46.8%	0.36%
\$20,731,495	9.0%	AWPT 2017-6A SUB	Y	0.38%	10.29%	7.98%	0.87%	14.76%	\$94.7	29.8%	2.61%
\$4,569,928	44.0%	ELM 2014-1A SUB	Y	1.98%	4.90%	3.47%	0.55%	13.31%	\$97.0	26.3%	1.11%
\$17,902,905	21.0%	HLM 13A-18 SUB	Y	0.99%	7.30%	3.90%	2.36%	13.83%	\$96.6	65.4%	0.92%
\$4,723,970	13.0%	MARNR 2015-1A SUB	Y	2.51%	5.94%	3.11%	0.00%	15.29%	\$96.0	33.4%	1.59%
\$25,216,002	32.0%	MARNR 2017-4A SUB	Y	1.48%	4.80%	3.65%	0.35%	12.94%	\$97.2	24.4%	2.18%
\$27,100,997	36.0%	POST 2018-1A SUB	Y	1.47%	9.50%	7.70%	3.12%	15.78%	\$96.1	38.9%	2.65%
\$20,697,000	36.0%	SHACK 2018-12A SUB	Y	0.31%	7.25%	4.99%	2.16%	13.49%	\$97.1	38.0%	2.91%
\$19,920,863	17.0%	WELF 2018-1A SUB	Y	0.20%	11.05%	8.90%	0.69%	8.10%	\$95.0	83.1%	0.01%
\$18,761,141	67.0%	ALLEG 2021-1X SUB	Y	0.91%	6.61%	5.40%	4.01%	14.37%	\$97.2	23.4%	4.59%
\$16,902,550	71.0%	ROCKT 2021-2X SUB	Y	1.51%	6.70%	5.80%	2.36%	13.17%	\$95.7	20.1%	4.47%
\$20,007,100	53.0%	WELF 2021-2X SUB	Y	0.49%	8.59%	5.37%	0.00%	6.73%	\$96.0	27.2%	3.30%
Weighted average²⁴	35.8%			0.88%	7.26%	5.81%	2.00%	13.12%	\$96.6	32.8%	2.77%
EUR Equity											
€20,235,600	68.0%	FOAKS 1X SUB ²²	Y	0.00%	3.40%	2.40%	0.00%	6.08%	€97.8	28.9%	4.95%
€33,966,900	47.1%	FOAKS 2X SUB ²²	Y	0.00%	4.20%	3.90%	0.00%	7.85%	€97.8	25.1%	4.24%
€25,294,500	63.1%	FOAKS 3X SUB ²²	Y	0.00%	2.90%	4.02%	0.00%	5.88%	€98.0	18.8%	5.11%
€20,235,600	81.6%	FOAKS 4X SUB ²²	Y	0.00%	n.a.	1.70%	0.00%	6.86%	€97.9	19.0%	5.33%
Weighted average²⁴	62.4%			0.00%	2.58%	3.02%	0.00%	6.69%	€97.9	22.7%	4.91%
Total weighted average²⁴	43.5%			0.51%	5.30%	4.64%	1.16%	10.43%	\$97.1	28.6%	3.66%

Cash and cash equivalents²³: \$ 11,558,665



Fund holdings (Feb-24)

MEZZANINE													
Nominal amount ¹³	Current market valuation ¹⁴	Deal name	Original rating	Current rating	% Defaults ¹⁶	% CCC (S&P) ¹⁷	% CCC (Moody's) ¹⁷	% Oil & gas ¹⁸	% Risk Sectors ¹⁸	Weighted average collateral bid price ¹⁹	Coupon	Current yield (based on current market price)	Relevant OC test cushion ²¹
USD													
\$2,759,600	88.6%	APID 2018-18A F	B	Mezz	0.02%	7.40%	4.00%	4.62%	13.99%	\$97.6	SOFR+8.34%	15.41%	1.59%
\$3,173,540	80.8%	DRSLF 2017-49A F	B	Mezz	1.74%	7.12%	5.17%	1.24%	16.12%	\$95.5	SOFR+7.81%	16.22%	1.23%
\$3,449,500	74.5%	DRSLF 2017-53A F	B	Mezz	1.67%	7.93%	n.a.	1.38%	15.56%	\$95.7	SOFR+7.76%	17.56%	2.03%
\$3,958,301	85.6%	HLM 13X-2018 F	B	Mezz	0.99%	7.30%	3.90%	2.36%	13.83%	\$96.6	SOFR+7.91%	15.45%	0.92%
\$2,759,600	89.2%	MDPK 2016-20A FR	B	Mezz	0.38%	8.25%	6.79%	1.47%	10.80%	\$96.4	SOFR+8.41%	15.39%	2.38%
\$6,209,100	84.4%	OCT39 2018-3A F	B	Mezz	0.78%	7.17%	6.22%	1.69%	17.95%	\$96.6	SOFR+8.26%	16.09%	2.39%
\$3,794,450	65.4%	SYMP 2018-19A F	B	Mezz	0.11%	12.37%	9.60%	3.62%	17.71%	\$95.3	SOFR+7.40%	19.45%	0.68%
Weighted average²⁴	81.0%				0.82%	8.04%	5.89%	2.24%	15.46%	\$96.3	SOFR+7.99%	16.42%	1.68%
EUR													
€2,932,075	86.8%	EGLXY 2018-6X F	B	Mezz	2.34%	n.a.	6.81%	0.00%	13.52%	€95.6	Euribor+5.90%	11.33%	4.17%
€1,724,750	94.0%	HARVT 11X FR	B	Mezz	1.40%	3.60%	n.a.	0.00%	9.43%	€97.3	Euribor+6.55%	11.13%	1.00%
€1,751,656	91.1%	OHECP 2015-4X FR	B	Mezz	1.35%	n.a.	1.66%	1.18%	15.41%	€97.7	Euribor+6.10%	11.05%	2.00%
€3,685,770	96.6%	FOAKS 4X F ²²	B	Mezz	0.00%	n.a.	1.70%	0.00%	6.86%	€97.9	Euribor+9.25%	13.66%	5.33%
€1,432,350	98.1%	FOAKS 2X ER ²²	BB	Mezz	0.00%	4.20%	3.90%	0.00%	7.85%	€97.8	Euribor+5.91%	10.04%	4.24%
Weighted average²⁴	92.3%				1.11%	3.60%	3.38%	0.20%	10.59%	€97.1	Euribor+7.27%	12.14%	3.69%
Total weighted average²⁴	84.9%				0.87%	7.48%	5.05%	1.51%	13.61%	\$96.6		14.80%	2.41%



Footnotes

All references to "Fund II" are to "FOIF II LP", Master Fund II. 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) PitchBook LCD as at 29-Feb-24. Morningstar US Leveraged Loan Index and European Leveraged Loan Index lagging 12-month loan default rate based on principal amount and distress ratio based on issuer count and defined as loans trading below 80c.
- 3) Bank of America as at 26-Feb-24.
- 4) Pitchbook LCD. Only actively managed BSL CLOs.
- 5) Intex and Fair Oaks Capital as at 29-Feb-24.
- 6) Fair Oaks Capital data as at 29-Feb-24.
- 7) Regulatory Announcement (RNS Number: 9371E) as at 29-Feb-24.
- 8) Intex. 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.
- 9) Intex. Based on loan par value weighted by Master Fund III's proportional ownership of Income Notes.
- 10) Intex. Based on CLO liability spreads weighted by Master Fund III's proportional ownership of Income Notes.
- 11) Based on Moody's company ratings. Due to rounding errors, the percentages may not sum to 100%.
- 12) Table excludes the sub-fee notes and any investments in CLO warehouses held in the portfolio.
- 13) Includes the Company's proportional ownership of investments held by Master Fund II and Master Fund III.
- 14) 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 and their respective Z and M (fee) notes which are provided by Wollemi Investments I LP.
- 15) Vehicles managed by the General Partner own a majority of the CLO equity in the transaction.
- 16) Intex. Balance of defaulted assets as of latest trustee report.
- 17) 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.
- 18) 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.
- 19) 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.
- 20) Distributions received from fee notes are included in the calculation.
- 21) Intex based on latest available trustee report. Difference between latest available value and threshold for BB over-collateralization test for CLO subordinated notes and relevant over-collateralisation test for mezzanine investments.
- 22) Fair Oaks Capital acts as CLO manager for the deal.
- 23) Total includes cash at Fair Oaks Income Limited. The cash balance is pro-forma for the latest dividend announced.
- 24) Weighted averages are by market value except for current market valuation and coupon which are weighted by par value. Weighted average calculation uses the Bloomberg EUR/USD foreign exchange rate on 29-Feb-24 (1.0805).

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.