FAIR OAKS
CAPITAL

FAIR OAKS INCOME FUND LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 7 MARCH 2014 (DATE OF INCORPORATION) TO 31 DECEMBER 2014

Contents

Highlights

- Initial acquisition of investments completed ahead of schedule
- Total NAV return of 4.2% (7.7% annualised), share price return 4.3% (7.9% annualised), generated over the period outperforming both the US bank loan and high yield indices
- Additional capital raised in October 2014

Subsequent to the period end:

- First interim dividend of 4.25 US cents per ordinary share for the period ended 31 December 2014, declared on 16 January 2015
- Dividend policy changed to monthly with effect from 16 January 2015
- Board announces intention to pay monthly dividends of 0.7 US cents followed by a larger twelfth interim dividend

Financial Highlights	**31 December 2014**
Total Net Assets	US$124,215,131
Net Asset Value per ordinary share	US$1.0204
Share price at 31 December 2014	US$1.0430
Premium to Net Asset Value	2.21%

Summary Information

Principal Activity
Fair Oaks Income Fund Limited ("the Company" or "FOIF") 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. The Company is listed and began trading on the Specialist Fund Market of the London Stock Exchange on 12 June 2014.

The Company is a feeder fund and will pursue its investment objective and policy by investing in FOIF LP (the "Master Fund"), in which the Company is a limited partner, the only other limited partner being the Founding Partner. The general partner of the Master Fund is Fair Oaks Income Fund GP Limited (the "General Partner"). Consequently, the Company's investment objective and policy mirror those of the Master Fund.

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

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 seek exposure to US and European Collateralised Loan Obligations ("CLOs") or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing.

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

- cash or cash equivalents;
- government or public securities (as defined in the Financial Conduct Authority ("FCA") Rules);
- money market instruments;
- bonds;
- commercial paper; or
- other debt obligations with banks or other counterparties having a "single A" (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board (which may or may not be registered in the EU).

The aggregate amount deposited or invested by the Company with any single bank or other non-government counterparty (including their associates) shall not exceed 20% of the Net Asset Value ("NAV") 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.

Dividend Policy
The Board intends to pay dividends to Shareholders representing an amount in aggregate at least equal to the gross income from investments, which are received by the Company in the relevant financial period attributable to the Company's investment in the Master Fund, and Qualifying Short Term Investments less expenses of the Company.

On 16 January 2015, the Company declared its first interim dividend of 4.25 US cents per ordinary share in respect of the period ended 31 December 2014, paid on 12 February 2015. The ex dividend date was 29 January 2015.

Also on 16 January 2015, the Directors announced that the Company changed the frequency of its dividends from quarterly to monthly. The first monthly interim dividend of 0.7 US cents per ordinary share was declared in respect of the month ended 31 January 2015 and was paid on 19 February 2015. The ex dividend date was 5 February 2015.

On 24 February 2015, the second monthly interim dividend of 0.7 US cents per ordinary share was declared in respect of the month ended 28 February 2015 and was paid on 19 March 2015. The ex dividend date was 5 March 2015.

On 26 March 2015, the third monthly interim dividend of 0.7 US cents per ordinary share was declared in respect of the month ended 31 March 2015 and will be paid on 23 April 2015. The ex dividend date is 9 April 2015.

The Board plans to declare eleven monthly dividends of a minimum of 0.7 US cents per ordinary share and a larger twelfth interim dividend such that, in the opinion of the Directors, substantially all net income generated by the Company in 2015 will be distributed to shareholders.

Chairman's Statement

Introduction

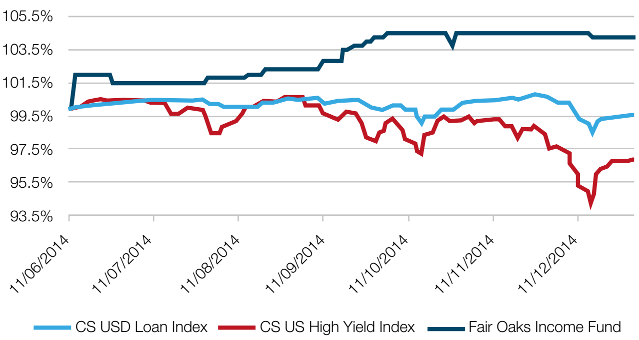
The independent Board of the Company is delighted to present its first set of Financial Statements for the period from 7 March 2014 (date of incorporation) to 31 December 2014. The Company commenced trading on 12 June 2014, the date of the Company's IPO. We are pleased to confirm that the Company has completed the acquisition of investments ahead of its original timetable and has been able to raise additional capital to take advantage of what the General Partner of the Master Fund considers very attractive investment opportunities.

The Company ended its first year on a very strong footing: in addition to the original listing of shares in June 2014, investor demand supported an additional offering in October 2014 and the Company paid, in February 2015, an 8% annualised dividend for the period, in excess of the originally expected 5%. The Company also changed the frequency of its dividends from quarterly to monthly.

Performance

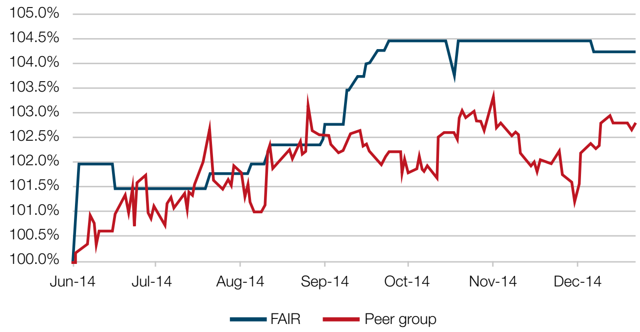
The Company generated a total NAV return of 4.2% (7.7% annualised) over the period. The total return based on share price was 4.3% (7.9% annualised) and the Company's shares ended the year trading at a 2.2% premium to NAV. The Company outperformed the US bank loan and high yield indices both in terms of NAV and share price performance in the period.

Relative Performance



Source: Credit Suisse and Bloomberg. Based on share price.

Fair Oaks income Fund - Relative Performance vs Peers'



Source: Bloomberg and Creditflux. Arithmetic average of comparable funds defined as London Stock Exchange listed CLO/CDO funds as defined by Creditflux in their "credit permanent vehicles ranking" as at 31 December 2014, includes funds seeking admission to the London Stock Exchange. Total share price return from 11 June 2014 except for funds whose IPO took place after this date in which case their total return is calculated from their respective IPO dates.

The Company announced in December 2014 that the Master Fund had exercised its right as majority holder of the Income Notes in T2 Income Fund CLO I Ltd ("T2 CLO") to optionally redeem all of the notes of T2 CLO, generating an expected annualised total return from its investment of 19.0%. The action highlighted the benefits of the Master Fund's independence from CLO managers and the alignment of interest between the General Partner and the Company's shareholders.

Cash flow and dividends

The Master Fund received US$4.7 million worth of cash flows in 2014 from its investments, which formed part of the US$6.6 million distribution from the Master Fund to the Company in February 2015.

The Company announced a dividend of 4.25 US cents per ordinary share for the period, in excess of expectations at the time of the Company's IPO as the Master Fund was able to ramp up its investments effectively taking advantage of market opportunities and Fair Oaks Capital Limited's (the "Investment Adviser") strong sourcing abilities.

Chairman's Statement (continued)

Material events

On 27 October 2014, the Board of the Company announced that the Company had raised USD 7.5 million before costs and expenses through the issue of 7,228,916 new ordinary shares at USD 1.0375 per ordinary share, representing c.2% premium to the NAV per ordinary share as at 30 September 2014.

Subsequent events

For details of significant events subsequent to the period end, refer to Note 15.

Outlook

The Board expects that the Master Fund will continue to benefit from the resources of the Investment Adviser to source, analyse and negotiate attractive investment opportunities. The independence and broader investment policy of the Master Fund has the potential to make the Master Fund a preferred partner for a large number of CLO managers and underwriting banks. The Company expects that the value added by the General Partner and Investment Adviser in terms of analysing and monitoring the underlying portfolios, optimising the CLO's structure and minimising fees and expenses for the Master Fund will become apparent once the investments made since IPO start making distributions.

The Board expects the Master Fund's portfolio to continue to be biased towards US bank loan issuers based on the stronger fundamental outlook in the US vs Europe and the more attractive returns it expects from US CLOs. Although the General Partner will continue to actively explore opportunities to act as an originator for European transactions, it does not believe that the current available terms will support a significant allocation to these investments.

Professor Claudio Albanese
Chairman

2 April 2015

Investment Adviser's Report

The Investment Adviser considers CLOs as one of the most attractive investment opportunities in credit markets at the moment. They provide an efficient way to enhance the attractive relative value of senior secured loans. The long term, non-mark to market, floating rate financing that CLOs provide results in a return which is primarily driven by actual credit losses rather than mark to market volatility. It is important to highlight, however, that CLOs, although diversified, are not as granular as model-driven securitisations such as ABS, CMBS or RMBS. We believe that in order to efficiently risk manage a portfolio of CLO investments, it is critical to understand and monitor each loan in the underlying portfolio, negotiate and fully understand the documentation, maintain a close relationship with the CLO manager, monitor each transaction on an ongoing basis and proactively manage overlap and default risk in the CLO portfolio.

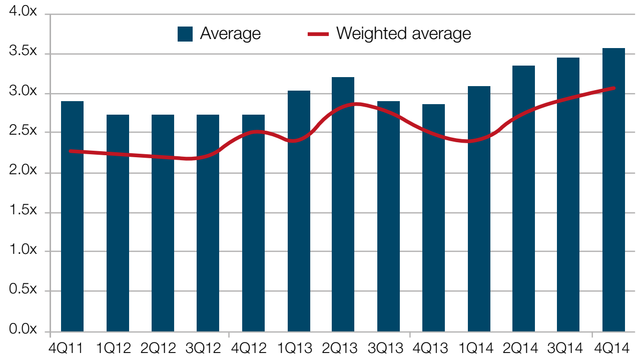
We believe that the Master Fund's focus on control positions will also be a key driver of returns. In addition to supporting the Master Fund's negotiating position with CLO managers and underwriting banks, reducing fees and expenses, control secures the optimal amortization of each CLO investment. The independence of the General Partner of the Master Fund and the Investment Adviser, from the CLO managers, also guarantee that there are no conflicts of interest when deciding whether to amortise CLOs.

Bank loan market overview

During the Company's IPO, we expressed our view that in 2014 the loan market would be characterised by strong fundamentals and significant price volatility. As at the end of December 2014, the US loan market twelve month rolling default rate by number of issuers stood at a 21 month low of 0.62% whereas the Credit Suisse Leveraged Loan Index returned only 2.06% in 2014, confirming this prognosis.

The reduction in the default rate for US bank loans (based on number of issuers) from 0.83% at the end of June to 0.62% at the end of December and our expectation that US loan default rates will continue to be low in the near future are supported by the limited number of distressed borrowers currently in the market, the lack of short-term loan maturities and strong cash-flows and interest cover cushions.

Average cash-flow coverage of outstanding loans

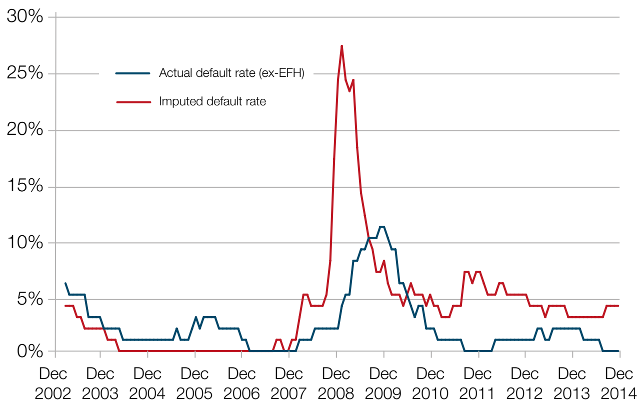


Source: S&P Capital IQ LCD

According to S&P LCD, three issuers in their US institutional loan index defaulted in the second half of 2014 (Nelson Education, Essar Steel Algoma and Education Management). The Master Fund was not exposed to any of them.

Concerns about high leverage multiples, potential increases in interest rates and idiosyncratic risk in the loan market have resulted in a wide difference between the actual default rate in the loan market and the implied default rate in loan spreads. As 31 December 2014, the S&P/LSTA Index was trading at a spread of L+518, suggesting an implied default rate of 4.4% vs an actual default rate of 0.62% (issuer weighted).

Leveraged loan default rate and imputed default rate



Source: S&P Capital IQ LCD

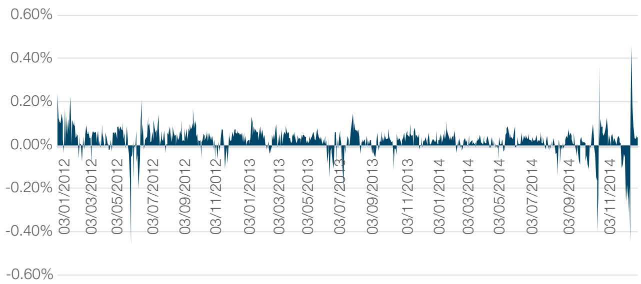
The fundamental environment in the European loan market was markedly different, with a twelve month rolling default rate of 3.7% (issuer weighted). The market expectations for defaults in European loans reflect fundamental and macroeconomic concerns, with most participants, according to S&P LCD, expecting the European loan default rate to remain between 4% and 5%.

Investment Adviser's Report (continued)

Despite low defaults and strong fundamentals, longstanding concerns about the valuation of credit assets were heightened by geopolitical tensions, mixed US and European economic data, a banking crisis in Portugal, a potential Greek default and volatile oil prices. All these contributed to a risk-off movement in broader markets which was further affected by weekly outflows from high yield funds reaching record levels at the beginning of the fourth quarter. Average four week outflows from loan funds at the end of December, at $1.3 billion, were a 3.5 year high.

As a result, US loans had a disappointing performance in 2014, up 2.04% and experienced significant volatility, as the chart above highlights.

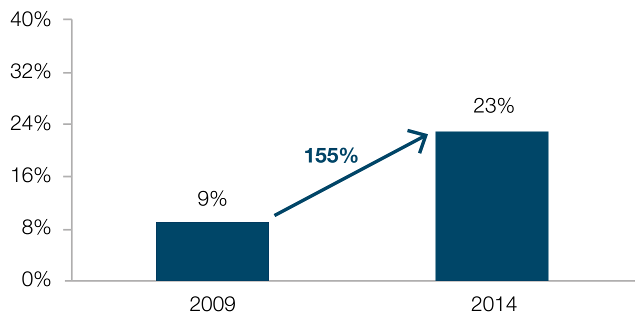
Credit Suisse Leveraged Loan Index (Daily Returns)



Source: Credit Suisse

We believe that the increasing bank loan price volatility is now a structural feature of the market due primarily to technical factors. The importance of retail funds as the marginal buyer or seller in the loan market has increased. The loan market volatility caused by the growth of liquid loan funds and even exchange traded funds could be exacerbated by the mismatch between the liquidity and settlement periods of loans and these vehicles.

Retail Funds' Institutional Loans Market Share

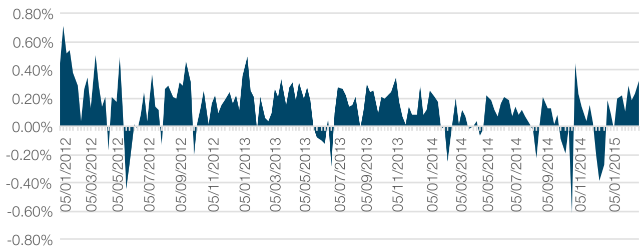


Source: S&P Capital IQ LCD

We expect loan price volatility to continue. As a reference, the 60 day historical volatility in the Powershares Bank Loan ETF increased from 1.7% in mid-July to 5.0% as at 31 December. The implied volatility in three month at the money options on this ETF was 7.3% as at 31 December.

The performance of European loans was similarly underwhelming, up 1.94% in 2014. The lower relevance of retail funds in Europe did not result in lower price volatility.

Credit Suisse Western European Leveraged Loan Index (Weekly Total Return)

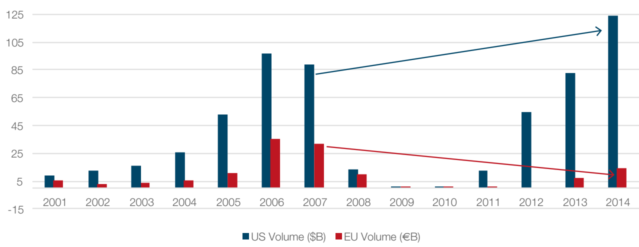


Source: Credit Suisse

CLO market overview

US CLO new issue volume reached an all-time high of USD 124 billion in 2014, 40% more than in 2007, while European CLO new issue volume was EUR 14 billion, 55% below those of 2007.

CLO New Issue Volume



We believe that some of the main reasons for the lack of activity in Europe were the implementation of risk retention regulations, weaker economic fundamentals and the challenges of ramping up portfolios in a significantly smaller primary and secondary loan market. We continue to believe that the arbitrage available in US CLOs is superior. The discount margin to a three year life of the Credit Suisse Western European Leveraged Loan Index was 5.41% vs 5.58% for the Credit Suisse Leverage US Loan Index as at 31 December 2014. According to S&P LCD, the twelve month rolling default rate for European loans was 3.7% vs 0.6% for US loans (based on the number of issuers). Despite the lower cost of CLO financing in Europe, we believe that bank loan spreads and higher defaults make the arbitrage less attractive than in the US.

Investment Adviser's Report (continued)

The future implementation of risk retention (in 2016) in the US market meant that issuers were strongly incentivised to bring forward new transactions, creating attractive opportunities for CLO equity investors. In addition, certain US Business Development Companies ("BDC"), which used to be buyers of CLO income notes as an enhancement to their portfolios in 2014, effectively exited the market, reducing competition for new transactions.

Although we expect new issuance in the US to fall in 2015 to US$80-100 billion, partly as a result of the accelerated activity in 2014, we expect regulatory and technical developments to continue to support the attractiveness of US CLOs. For example, an interesting trend recently has been the emergence of US issuers launching CRD IV (European risk retention) compliant CLOs in order to benefit from tighter pricing of senior CLO debt. We expect that excess demand from European investors will be channelled to US CLOs and senior US and European CLO spreads will converge.

As a final point, it is worth noting the benefits that loan price volatility may bring to investments in CLO income notes. The Master Fund's investments benefit from long-term, fixed spread, financing which is unaffected by fluctuations in loan prices. In addition, loan portfolios continue to see reasonable levels of prepayments. As a result, CLOs have the opportunity to reinvest principal receipts (during the reinvestment period) in loans at lower prices during periods of loan market volatility. The benefit of the higher weighted average yield on the loan portfolio spread will be received by the income note investor. The loan market volatility experienced in the second half of the year, for example, created very attractive investment windows to ramp up CLO portfolios.

Portfolio update

Since the IPO, the Master Fund acquired nine investments in six CLOs and executed its right to amortise one CLO investment, T2 CLO. As the Chairman explained, the attractive total return achieved in this investment is partly due to the ability of the GP to act independently of the CLO manager in order to optimise returns to the CLO equity investor without any consideration of the impact of reducing assets under management or fees for the CLO manager.

In terms of gross portfolio exposure, the Master Fund had, as at the end of December, exposure to 773 issuers, with an average loan spread of USD Libor + 4.6%. The weighted average exposure to single borrowers was 0.2%. The top ten borrowers represented an aggregated 6.2% exposure, with the largest (Advantage Sales & Marketing) representing 0.7% of the gross portfolio. The long-term financing of the underlying CLOs had a weighted average cost of funding of USD Libor + 2.1%.

The Master Fund's portfolio is biased towards "nimble" managers with very strong credit discipline who are able to react quickly and effectively to price movements in the loan market. The GP also believes that mezzanine CLO investments are attractive vs the underlying loans given 1) higher loan volatility, 2) more immediate benefit from increasing interest rates given CLO notes' lack of Libor floors and 3) higher diversification and lower idiosyncratic risk.

Risk management

The Master Fund benefits from an experienced and dedicated team of research analysts who review the initial portfolio of any new CLO and monitor current investments. Where possible, the Master Fund will invest in control positions, thus enabling it to veto any borrowers in the initial portfolio and ensure access and information rights from the CLO manager to ensure efficient monitoring of the investment.

As an example, when oil prices continued to impact markets in November as WTI crude fell to a five year low, the Master Fund's exposure to the oil and gas sector was below the loan index's. The low exposure to oil and gas names is an example of the value generated by the initial due diligence and ongoing fundamental analysis of the portfolios by the Investment Adviser's internal credit team. It also highlights the importance of selecting CLO managers whose size does not prevent efficient and timely fine-tuning of the portfolios and who are subject to the right set of incentives to review and adjust the loan portfolios regularly.

The Investment Adviser believes that, in order to manage risk effectively, it is critical to balance diversity and control. Although diversity in the underlying pool of borrowers is very important, holding an excessive number of individual CLOs may compromise the ability to monitor closely each portfolio, creating a false sense of security.

As we discussed before, as at 31 December 2014, the Master Fund was exposed to over 770 issuers through nine investments in six CLOs. The largest exposure represented 0.7% of gross assets and average exposure was 0.2%. We believe that this level of look-through diversity is comparable to our peers, whereas the General Partner and Investment Adviser's ability to closely monitor and control a smaller number of CLO investments is superior.

Investment Adviser's Report (continued)

Outlook

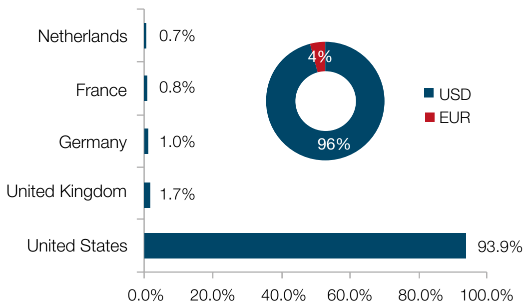
We expect a supportive default environment in the US loan market and technical factors to continue to hold loan price volatility high, benefitting the Master Fund's CLO income note investments as a consequence of the fixed spread financing of the CLOs and their "hold to maturity" advantages.

The Company, General Partner and Investment Adviser continue to believe that the Master Fund's strategy is particularly attractive in the current market environment and has the potential to generate strong returns in 2015 for a number of reasons:

- The relative value of US senior secured loans is attractive given the strong economic environment in the US and recent technical pressure on loan prices due to retail fund outflows;
- We do not see any reason to increase our (sub 5%) exposure to European issuers. We expect defaults in the US loan market to continue to be significantly lower given GDP growth, higher consumer confidence and spending, healthy interest coverage and potential for rate hikes to be delayed or lower than expected as USD strength and low oil prices impact inflation;
- There is a reduced universe of control CLO investors as business development companies exit the market and captive funds concentrate on CLOs managed by their affiliates;
- Implementation of risk retention regulations in the US in 2016 is bringing issuance forward, increasing issuance volume and thus strengthening the negotiating position of CLO investors;
- The General Partner's and Investment Adviser's involvement in the initial portfolio selection and monitoring of CLO loan portfolios has already benefitted the Master Fund by enabling it to avoid deteriorating loans and industry sectors;
- The General Partner's and Investment Adviser's sourcing and structuring of the Master Fund's investments have resulted in substantially lower fees and expenses for the Master Fund's investors than its peers. The General Partner estimated that the weighted average structuring and management fees incurred by the Master Fund were 0.24% and 0.25% respectively as at 31 December 2014;
- The General Partner's independence and alignment of interests will allow the Master Fund to benefit from its control strategy, as exemplified by the liquidation of T2 Income CLO in December.

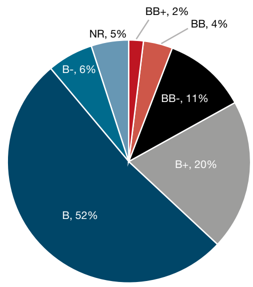
Geographical and Currency Breakdown

(based on par value of loans in gross portfolio)

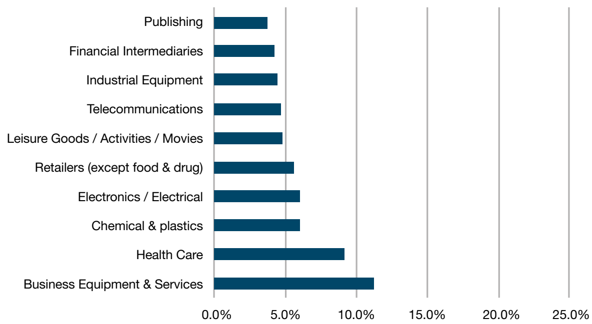


Rating Breakdown

(based on par value of loans in gross portfolio)



Industry Diversification (Top 10)



The Geographical and Currency Breakdown, Rating Breakdown and Industry Diversification tables above form an integral part of the audited Financial Statements. Refer to note 5.

Investment Adviser's Report (continued)

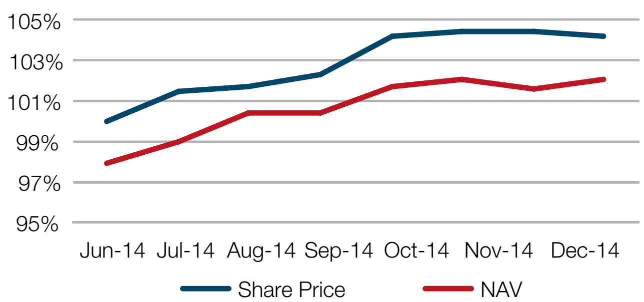
Top 10 Issuers and Portfolio Data

Issuer	S&P	% Gross[(1)]	Industry	Country
Advantage Sales & Marketing	B	0.72%	Business Equipment & Services	US
Asurion	B	0.70%	Property & Casualty Insurance	US
iEnergizer Limited	B	0.69%	Publishing	UK
Gardner Denver	B	0.66%	Industrial Equipment	US
Albertsons	B	0.63%	Food / Drug Retailers	US
Community Health Systems	B+	0.58%	Health Care	US
Dell	BB-	0.57%	Electronics / Electrical	US
First Data	B	0.56%	Financial Intermediaries	US
Tribune Company	BB-	0.54%	Publishing	US
American Rock Salt	B-	0.54%	Nonferrous Metals / Minerals	US
Total Number of Issuers in the Portfolio:				**773**
Weighted Average Asset Spread[(1)]:				**Libor+4.64%**
Weighted Average Cost of CLO Financing[(2)]:				**Libor+2.12%**

[(1)] Based on loan par value weighted by the Master Fund's proportional ownership.
Source: Intex, latest available trustee reports or manager reports.
[(2)] Excludes investment in mezzanine CLO notes. Based on stated coupons. Source Intex.

Fund Performance

	1 month	3 month	1 year	ITD
Share Price	-0.19%	+0.05%	n/a	+4.30%
NAV	+0.44%	+0.32%	n/a	+4.21%
CS Leveraged Loan Index	-1.10%	-0.37%		-0.40%



Fair Oaks Capital Limited
2 April 2015

Board of Directors

The Directors of the Company, all of whom are non-executive and independent, are listed as follows:

Professor Claudio Albanese (Chairman) (age 52) is the CEO of Global Valuation Limited and Visiting Professor of Mathematical Finance at King's College London (since Autumn 2008). He received a PhD in Theoretical Physics from ETH Zurich in 1988. He has held faculty positions at numerous academic institutions including ETH Zurich, CLA, the Courant Institute at NYU, and Princeton University. In 1994 he joined the University of Toronto as Associate Professor of Mathematical Physics and in that year he redirected his career towards Mathematical Finance. In 1998 he spent one year at Morgan Stanley at the credit derivatives trading desk. In 2004 he joined Imperial College London as Professor of Mathematical Finance. Claudio consults for several banks, financial service organisations and hardware manufacturers, speaks at numerous conferences and has published over 50 articles in academic and professional journals. Global Valuation's products include a combined software hardware solution for the simulation of banks' OTC portfolios and XVA metrics, a market data service for calibrated derivative models and a cloud based XVA benchmarking service. Claudio was non-Executive Director at Carador Income Fund from 2006 to 2013. Claudio is a UK resident.

Jonathan (Jon) Bridel (Chairman of the Audit Committee) (age 50) is currently a non-executive chairman or director of various listed and unlisted investment funds and private equity investment managers. These include listings on the premium segment of the Official List of the UK Listing Authority, the Alternative Investment Market, trading on the Specialist Fund Market and the Official List of the Channel Islands Securities Exchange. He was until 2011 Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands. This role had a strong focus on corporate governance, oversight, regulatory and technical matters and risk management. Jon worked with Price Waterhouse Corporate Finance in London and subsequently served in a number of senior management positions in London, Australia and Guernsey in corporate and offshore banking and specialised in credit and investment management. He was also chief financial officer of two private multi-national businesses, one of which raised private equity. He holds qualifications from the Institute of Chartered Accountants in England and Wales where he is a Fellow, the Chartered Institute of Marketing and the Australian Institute of Company Directors. He graduated with an MBA from Durham University in 1988. Jon is a chartered marketer and a member of the Chartered Institute of Marketing, the Institute of Directors and is a chartered fellow of the Chartered Institute for Securities and Investment. Jon is a Guernsey resident.

Nigel Ward (Chairman of the Risk Committee) (age 58) has over 40 years' experience in international investment markets, credit and risk analysis, portfolio management, corporate and retail banking, corporate governance, compliance and the managed funds industry. He is currently an independent non-executive chairman or director on the board of several offshore funds and companies, including London and CISE listings, with investment mandate experience ranging across distressed debt, European SME private debt, ground rents, agricultural land, student accommodation, commodities, equity income and UK activist equity. Nigel was a founding Commissioner of the Guernsey Police Complaints Commission, and is an Associate of the Institute of Financial Services, a member of the Institute of Directors and holder of the IoD Diploma in Company Direction. Nigel is a Guernsey resident.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The following summarises the Directors' directorships in other public companies:

Company Name	Stock Exchange
Claudio Albanese	
None	
Jon Bridel	
Alcentra European Floating Rate Income Fund Limited	London Stock Exchange – Main Market
Altus Global Gold Limited	Channel Islands Securities Exchange
Aurora Russia Limited	London Stock Exchange – AIM
DP Aircraft 1 Limited	London Stock Exchange – SFM and Channel Islands Securities Exchange
Sequoia Economic Infrastructure Income Fund Limited (appointed 6 January 2015)	London Stock Exchange – Main Market
Starwood European Real Estate Finance Limited	London Stock Exchange – Main Market
The Renewables Infrastructure Group Limited	London Stock Exchange – Main Market
Nigel Ward	
Acorn Income Fund Limited	London Stock Exchange – Main Market
Braemar Group PCC Limited	Channel Islands Securities Exchange
Crystal Amber Fund Limited	London Stock Exchange – AIM
Emerging Manager PCC Limited	Channel Islands Securities Exchange

Directors' Report

The Directors of Fair Oaks Income Fund Limited (the "Company") are pleased to submit their Annual Report and the Audited Financial Statements (the "Financial Statements") for the period from 7 March 2014 (date of incorporation) to 31 December 2014. In the opinion of the Directors, the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Company

The Company was incorporated and registered in Guernsey on 7 March 2014 under the Companies (Guernsey) Law, 2008. The Company's registration number is 58123 and it is regulated by the Guernsey Financial Services Commission ("GFSC") as a registered closed-ended collective investment scheme. The ordinary shares were listed on the Specialist Fund Market of the London Stock Exchange on 12 June 2014.

Going Concern

The Company has been incorporated with an unlimited life. On or before 31 May 2019, being the planned end date of the Master Fund, an ordinary resolution will be proposed by the Board to Shareholders that the Company continues as a Registered Closed-Ended Collective Investment Scheme ("Continuation Resolution"). If the Continuation Resolution is passed by Shareholders, a further Continuation Resolution will be proposed on the nearest Business Day falling every two years thereafter. If the Continuation Resolution is not passed, the Board shall draw up proposals for the voluntary liquidation of the Company.

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from those investments 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.

Principal risks and uncertainties

It is intended that the Risk Committee will review the Company's overall risks at least four times a year and monitors the risk control activity designed to mitigate these risks. However, due to this being the first financial period, the Risk Committee only formally conducted a review once during the financial period.

The principal risks associated with the Company are:

- **Operational risk -** The Board is ultimately responsible for all operational facets of performance including cash management, asset management, regulatory and listing obligations. The Company has no employees and so enters into a series of contracts/legal agreements with a series of service providers to ensure that both operational performance and regulatory obligations are met. The Board performs on-going internal monitoring of operational processes and controls and receives regular reports from the administrators of the Company.

- **Investment risk -** The Risk Committee formally monitors the investment performance of the Company four times a year, when the Investment Adviser reports on the performance of the Company's portfolio at the Board meetings. The Investment Adviser carries out extensive due diligence on the Master Fund's underlying investments and monitors performance regularly. The investment guidelines and restrictions, as detailed in the prospectus of the Company, ensures adequate diversification of the Master Fund's underlying investments is regularly monitored by the Investment Adviser.

- **Regulatory risk -** The Company is required to comply with the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority). Any failure to comply could lead to criminal or civil proceedings. The Investment Adviser and Administrator monitor compliance with regulatory requirements and the Administrator presents a report at quarterly Board meetings.

- **Financial risk -** The financial risks, including market, credit and liquidity risk, faced by the Company, where appropriate, are set out in Note 5. These risks and the controls in place to mitigate these risks are reviewed at each Risk Committee meeting.

Results and Dividends

The results for the period are shown in the Statement of Comprehensive Income on page 23.

There were no dividends declared or paid during the period. Further details of dividends declared or paid subsequent to the period end are detailed in note 15.

The Board intends to pay dividends to Shareholders representing an amount in aggregate at least equal to the gross income from investments, which are received by the Master Fund in the relevant financial period attributable to the Company's investment in the Master Fund, and Qualifying Short Term Investments less expenses of the Company.

Also on 16 January 2015, the Directors announced that the Company changed the frequency of its dividends from quarterly to monthly.

Directors' Report (continued)

Independent Auditor

KPMG Channel Islands Limited were appointed on 12 May 2014 and served as Auditor during the Company's first financial period since incorporation. A resolution to re-appoint KPMG Channel Islands Limited as Auditor will be put to the forthcoming Annual General Meeting ("AGM").

Investment Adviser

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has, however, entered into an Investment Advisory Agreement with Fair Oaks Capital Limited (the "Investment Adviser") under which the Investment Adviser has been appointed to provide investment advisory services, which include analysing the progress of all assets and investments of the Company and advising the Company on liquidity and working capital retention issues, subject to the overriding supervision of the Directors.

The Directors consider that the interests of Shareholders, as a whole, are best served by the continued appointment of the Investment Adviser to achieve the Company's investment objectives. A summary of these terms, including the investment advisory fee and notice of termination period, is set out in Note 8 of the Financial Statements.

Custody Arrangements

The Company's assets, excluding the investment into the Master Fund, are held in custody by Royal Bank of Canada (Channel Islands) Limited (the "Custodian") pursuant to an agreement dated 15 May 2014. A summary of the terms, including fees and notice of termination period, is set out in Note 8 of the Financial Statements.

The Company's assets, excluding the investment into the Master Fund, are registered in the name of the Custodian in each case within a separate account designation and may not be appropriated by the Custodian for its own account.

The Board conducts an annual review of the custody arrangements as part of its general internal control review and is pleased to confirm that the Company's custody arrangements continue to operate satisfactorily. The Board also monitors the credit rating of the Custodian, to ensure the financial stability of the Custodian is being maintained to acceptable levels. As at December 2014, the credit rating of the Custodian as reported by Moody's and Standard & Poor's is Aa3 and AA- respectively, which is deemed to be an acceptable level.

Directors and Directors' Interests

The Directors, all of whom are independent and non-executive, are listed on page 9.

None of the Directors have service contracts with the Company and no such contracts are proposed. Each independent non-executive Director is entitled to a basic fee of £32,000 per annum. In addition, a one-off payment of £7,500 was paid to them relating to work performed prior to Admission to the Specialist Fund Market of the London Stock Exchange.

The Directors had the following interests in the Company at 31 December 2014, held either directly or beneficially:

	31 December 2014	
Name	**No. of Ordinary Shares**	**Percentage**
Claudio Albanese (Chairman)	10,000	0.01%
Jon Bridel	10,000	0.01%
Nigel Ward	20,000	0.02%

There have been no changes to the Directors' shareholdings since 31 December 2014.

Substantial Shareholdings

As at 5 March 2015, the Company had the following shareholdings in excess of 5% of the issued Share Capital:

Name	**No. of Ordinary Shares**	**Percentage**
Coller Investment Management	34,298,425	20.55%
Seven Investment Management	21,143,775	12.67%
AXA Framlington Investment Managers	13,335,500	7.99%
Wirral BC	10,963,855	6.57%
Smith & Williamson	9,577,269	5.74%
Canaccord Genuity Wealth Management (ND)	8,736,112	5.23%
Seneca Investment Managers	8,620,000	5.16%

Related Parties

Details of transactions with related parties are disclosed in Note 8 to these Financial Statements.

Directors' Report (continued)

Listing Requirements

Throughout the period, since being admitted to the Specialist Fund Market of the London Stock Exchange, the Company has complied with the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements under FATCA. The Company registered with the Internal Revenue Service ("IRS") on 21 November 2014 as a Foreign Financial Institution ("FFI") and a Sponsoring Entity.

United Kingdom-Guernsey Intergovernmental Agreement

On 22 October 2013 the Chief Minister of Guernsey signed an intergovernmental agreement with the United Kingdom ("UK-Guernsey IGA") under which certain disclosure requirements may be imposed in respect of certain Shareholders in the Company who are, or are entities that are controlled by one or more, residents of the United Kingdom. The UK-Guernsey IGA is implemented through Guernsey's domestic legislation, in accordance with guidance which is currently published in draft form.

Alternative Investment Fund Managers Directive

The Company is categorised as a non-EU Alternative Investment Fund ("AIF") and an internally managed non-EU Alternative Investment Fund Manager ("AIFM") (as defined in the AIFMD) for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD") and as such neither it nor the Investment Adviser will be required to seek authorisation under the AIFMD. However, following national transposition of the AIFMD in a given EU member state, the marketing of ordinary shares in AIFs (as defined in the AIFMD) that are established outside the EU (such as the Company) to investors in that EU member state will be prohibited unless certain conditions are met. Certain of these conditions are outside the Company's control as they are dependent on the regulators of the relevant third country and the relevant EU member state entering into regulatory co-operation agreements with one another.

An Article 42 Notification was submitted to the Financial Conduct Authority ("FCA"). Confirmation was then received on 18 February 2015 that the Fund was eligible to be marketed via the FCA's National Private Placement Regime.

Non-Mainstream Pooled Investments

The Company's ordinary shares are considered as "excluded securities" for the purposes of the FCA Rules regarding the definition and promotion of non-mainstream pooled investments ("NMPI") because the returns to investors holding the Company's ordinary shares are, and are expected to continue to be, predominantly based on the returns from ordinary shares and debentures held indirectly by the Company. The Board therefore believes that independent financial advisers can recommend the Company's ordinary shares to retail investors, although financial advisers should seek their own advice on this issue.

Reporting Fund regime

The Company was accepted into the UK Reporting Fund regime with effect from 7 March 2014. Under this regime, which effectively replaced the UK Distributor Status regime, an offshore investment fund operates by reference to whether it opts into the reporting regime ("Reporting Funds") or not ("Non-reporting Funds")

A UK investor who disposes of an interest in a Reporting Fund should be subject to tax on any gains realised as capital gains rather than income. Such investors will also be subject to income tax on the distributions received from the offshore fund and their share of the excess of the offshore fund's reported income over the distributions made (i.e. they will be subject to income tax on their share of the offshore fund's income regardless of whether this is distributed or not). Shareholders should seek their own professional advice as to the tax consequences of the UK Reporting Fund regime.

By order of the Board

Jon Bridel
Director

2 April 2015

Corporate Governance

Compliance

The Board has taken note of the Code of Corporate Governance issued by the Guernsey Financial Services Commission ("Guernsey Code"). The Guernsey Code provides a governance framework for GFSC licensed entities, authorised and registered collective investment schemes. Companies reporting against the UK Corporate Governance Code (the "UK Code") or the Association of Investment Companies Code of Corporate Governance ("AIC Code"), which was published in February 2013, are deemed to satisfy the provisions of the Guernsey Code. The UK Code is available on the Financial Reporting Council website, www.frc.org.uk.

As a Guernsey incorporated company and under the SFM Rules for Companies, it is not a requirement for the Company to comply with The UK Code. However, the Directors place a high degree of importance on ensuring that high standards of corporate governance are maintained and have considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies ("AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Code. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide better information to Shareholders. The AIC code is available on the AIC website, www.theaic.co.uk.

For the period ended 31 December 2014, the Company complied substantially with the relevant provisions of the AIC Code and it is the intention of the Board that the Company will comply with those provisions throughout the year ending 31 December 2015, with the exception of the provisions listed below:

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Establishment of a Nomination Committee:* The Board comprises three non-executive Directors, therefore the Board does not consider it necessary to establish a Nomination Committee. The Board as a whole monitors performance and plans for succession of the Board, through Board meetings. The Board has due regard for the benefits of greater diversity, including gender, and will consider prospective candidates based on merit and against objective criteria in the context of the skills and experience the Board as a whole requires in order to be effective.
- *Internal audit function:* The Board has reviewed the need for an internal audit function and due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.

Composition and Independence of Directors

As at 31 December 2014, the Board of Directors comprised three non-executive and independent Directors as set out below. The Company has no executive Directors or any employees. The biographies of the Board are disclosed on page 9.

Claudio Albanese is the Chairman of the Board and of the Management Engagement Committee.

Jon Bridel is the Chairman of the Audit Committee.

Nigel Ward is the Chairman of the Risk Committee.

In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Claudio Albanese is an Independent Director.

Under the terms of their appointment, all non-executive Directors are subject to re-election at the first Annual General Meeting ("AGM") and annually thereafter.

Although no formal training is given to Directors by the Company, the Directors are kept up to date on various matters such as Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

The Board receives quarterly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the share price premium or discount to determine what action is desirable (if any).

Corporate Governance (continued)

Composition and Independence of Directors (continued)
The Board and relevant personnel of the Investment Adviser acknowledges and adheres to the Model Code of Directors Dealings contained in the Listing Rules.

Directors' Performance Evaluation
The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

Following the first financial period, the Directors will undertake, on an annual basis, a verbal assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Adviser and other key service providers. The evaluations will consider the balance of skills, experience, independence and knowledge of the Company. The Board will also evaluate the effectiveness of each of the Directors.

Directors' Remuneration
It is the responsibility of the Board as a whole to determine and approve the Directors' remuneration, following a recommendation from the Chairman who will have given the matter proper consideration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman's remuneration is decided separately and is approved by the Board as a whole.

No Director has a service contract with the Company and details of the Directors' remuneration can be found in the Directors Remuneration Report on page 18.

Directors' and Officers' Liability Insurance
The Company maintains insurance in respect of directors' and officers' liability in relation to their acts on behalf of the Directors.

Relations with Shareholders
The Company reports to Shareholders twice a year by way of the Interim Report and the Annual Report and Audited Financial Statements. In addition, net asset values are published monthly and the Investment Adviser publishes monthly reports to Shareholders on its website www.fairoaksincomefund.com.

The Board receives quarterly reports on the Shareholder profile of the Company and regular contact with major Shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Adviser. Any issues raised by major Shareholders are reported to the Board on a regular basis.

The Chairman and individual Directors are willing to meet major Shareholders to discuss any particular items of concern regarding the performance of the Company. Members of the Board, including the Chairman and the Audit Committee Chairman, and the Investment Adviser are also available to answer any questions which may be raised by any Shareholder at the Company's Annual General Meeting.

Directors' Meetings and Attendance
The table below shows the attendance at Board, Audit and Risk Committee meetings during the period. There were three formal Board meetings, one Audit Committee meeting and one Risk Committee meeting held and four informal Board meetings and one informal Risk Committee meeting held during the period ended 31 December 2014.

Name	Board	Audit Committee	Risk Committee
Number of meetings held	7	1	2
Claudio Albanese (Chairman)	6	1	N/A
Jon Bridel (Audit Committee Chairman)	7	1	2
Nigel Ward (Risk Committee Chairman)	7	1	2

Board Committees
Audit Committee

The Audit Committee comprises all Board members, and meets at least three times a year. Jon Bridel is Chairman of the Audit Committee. As all Directors are non-executive whilst also taking into account the size and composition of the Board, it was deemed appropriate that all Board members are also members of the Audit Committee.

The key objectives of the Audit Committee include a review of the Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the external auditor. With respect to the external auditor, the Audit Committee's role will include the assessment of their independence, review of auditor's engagement letter, remuneration and any non-audit services provided by the auditor. For the principal duties and report of the Audit Committee please refer to the Report of the Audit Committee on page 19.

Corporate Governance (continued)

Board Committees (continued)

Management Engagement Committee

The Management Engagement Committee will meet at least once a year. It comprises the entire Board and is chaired by Claudio Albanese. The Management Engagement Committee is responsible for the regular review of the terms of the Investment Advisory Agreement and the performance of the Administrator and the Investment Adviser and also the Company's other service providers. The first Management Engagement Committee meeting is due to be held in 2015.

Risk Committee

The Risk Committee will meet at least four times per year. It comprises Nigel Ward and Jon Bridel and is chaired by Nigel Ward. The principal function of the Risk Committee is to identify, assess, monitor and, where possible, oversee the management of risks to which the Company's investments are exposed, principally to enable the Company to achieve its target investment objective of a total return of 12% to 14% per annum over the planned life of the Company, with regular reporting to the Board. As the Company is an internally managed non-EU AIFM for the purposes of AIFMD, the Directors have appointed the Risk Committee to manage the additional risks faced by the Company as well as the relevant disclosures to be made to investors and the necessary regulators. On 18 February 2015, the FCA confirmed that the Company was eligible to be marketed via the FCA's National Private Placement Regime and the Company will comply with Article 22 and 23 of the AIFMD for the year ended 31 December 2015.

Nomination Committee

The Directors do not consider it necessary for the Company to establish a separate Nomination Committee. All of the matters recommended by the AIC Code that would be delegated to such a committee are considered by the Board as a whole.

Internal Control Review and Risk Management System

The Board of Directors is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on going process for identifying and evaluating the risks faced by the Company, and which are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These internal controls are implemented by the Company's three main service providers, the Investment Adviser, the Administrator and the Custodian. The Board receives periodic updates from these main service providers at the quarterly Board meetings of the Company. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

The Board of Directors considers the arrangements for the provision of Investment Advisory, Administration and Custody services to the Company on an on-going basis and a formal review is conducted annually. As part of this review the Board considered the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date. The first review will be carried out in 2015.

Anti-bribery and Corruption

The Board acknowledge that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of The Bribery Act 2010, enacted in the UK, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and the Companies (Guernsey) Law, 2008 which give a true and fair view of the state of affairs of the Company and its profit or loss for that period.

International Accounting Standard ("IAS") 1 requires that Financial Statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the Specialist Fund Market of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

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.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Responsibility Statement

Each of the Directors, whose names and functions are listed on page 9, confirms to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company;

- the Management Report (comprising the Chairman's Statement, the Investment Adviser's Report and the Directors' Report), taken as a whole, are fair, balanced and understandable and include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

Signed on behalf of the Board by:

Jon Bridel
Director

2 April 2015

Directors' Remuneration Report

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The Directors are currently subject to the following annualised remuneration in the form of Directors' fees:

	Annualised £	For the period from 7 March 2014 (date of incorporation) to 31 December 2014 Actual £
Claudio Albanese (Chairman)	32,000	21,538
Jon Bridel (Audit Committee Chairman)	32,000	21,538
Nigel Ward (Risk Committee Chairman)	32,000	21,538
Total	**96,000**	**64,614**

In addition, a one-off payment of £7,500 was paid to each Director relating to work performed prior to Admission to the Specialist Fund Market of the London Stock Exchange.

The remuneration policy set out above is the one applied for the period ended 31 December 2014 and is not expected to change in the immediate future.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued in April and May 2014. Each Director's appointment letter provides that, upon the termination of his appointment, he must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The notice period for the removal of Directors is three months as specified in the Director's appointment letter. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for six months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director is subject to re-election at the first Annual General Meeting ("AGM") and annually thereafter. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors as at 31 December 2014 are shown in Note 8 were for services as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Signed on behalf of the Board of Directors on 2 April 2015 by:

Jon Bridel
Director

Report of the Audit Committee

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary).

Chairman and Membership

The Audit Committee is chaired by Jon Bridel, a Chartered Accountant. He and its other members, Claudio Albanese and Nigel Ward, are all independent directors. Only independent directors serve on the Audit Committee and members of the Audit Committee have no links with the Company's external auditor and are independent of the Investment Adviser. The membership of the Audit Committee and its terms of reference are kept under review. The relevant qualifications and experience of each member of the Audit Committee is detailed on page 9 of these Financial Statements. The Audit Committee's intention is to meet three times a year in any full year and meets the external auditor during those meetings. However, the Audit Committee only met once during the period from 7 March 2014 to 31 December 2014.

Duties

The Audit Committee's main role and responsibilities is to provide advice to the Board on whether the Annual Report and Audited Financial Statements and Interim Report and Unaudited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Audit Committee gives full consideration and recommendation to the Board for the approval of the contents of the interim and annual Financial Statements of the Company, which includes reviewing the external auditor's report.

The other principal duties include to consider the appointment of the external auditor, to discuss and agree with the external auditor the nature and scope of the audit, to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditor's letter of engagement, the auditor's planning report for the financial year and management letter and to analyse the key procedures adopted by the Company's service providers.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained.

The Audit Committee also reviews, considers and, if thought appropriate, recommends for the purposes of the Company's Financial Statements valuations prepared by the Investment Adviser. These valuations are the most critical element in the Company's Financial Statements and the Audit Committee questions them carefully.

Financial Reporting and Audit

The Audit Committee has an active involvement and oversight in the preparation of both the interim and annual Financial Statements and in doing so is responsible for the identification and monitoring of the principal risks associated with the preparation of the Financial Statements. The principal risks identified in the preparation of these Financial Statements are as follows:

- Valuation of the Master Fund – The Company's investment in the Master Fund had a fair value of US$123,902,137 as at 31 December 2014 and represents substantially all the net assets of the Company and as such is the biggest factor in relation to the accuracy of the Financial Statements. This investment is valued in accordance with the Accounting Policies set out in note 2 to the Audited Financial Statements. The Financial Statements of the Master Fund for the period ended 31 December 2014 were audited by KPMG Channel Islands Limited who issued an unqualified audit opinion dated 26 March 2015. The Audit Committee has reviewed the Financial Statements of the Master Fund and the Accounting Policies and determined the Company's fair value of the investment in the Master Fund as at 31 December 2014 is reasonable.

The Audit Committee reviewed the Company's accounting policies applied in the preparation of its annual financial statements report together with the relevant critical judgements, estimates and assumptions and, upon taking the appropriate advice from the Auditor, determined that these were in compliance with International Financial Reporting Standards ("IFRS") and were reasonable. The Audit Committee reviewed the materiality levels applied by the Auditor to both the financial statements as a whole and to individual items and was satisfied that these materiality levels were appropriate. The Auditor reports to the Audit Committee all material corrected and uncorrected differences. The auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the Financial Statements as a whole.

Report of the Audit Committee (continued)

Financial Reporting and Audit (continued)

The Audit Committee also reviews the Company's financial reports as a whole to ensure that such reports appropriately describe the Company's activities and to ensure that all statements contained in such reports are consistent with the Company's financial results and projections. Accordingly, the Audit Committee was able to advise the Board that the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

External Auditor

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. KPMG Channel Islands Limited ("KPMG") were appointed as the first auditors of the Company. During the period, the Audit Committee received and reviewed the audit plan and report from the external auditors. It is standard practice for the external auditor to meet privately with the Audit Committee without the Investment Adviser being present at each Audit Committee meeting.

To assess the effectiveness of the external auditor, once the first audit is complete, the Audit Committee will review:

- The external auditor's fulfilment of the agreed audit plan and variations from it;
- The Audit Committee Report from the auditor highlighting the major issues that arose during the course of the audit; and
- Feedback from the Investment Adviser and Administrator evaluating the performance of the audit team.

Where non-audit services are to be provided to the Company by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit Committee after it is satisfied that relevant safeguards are in place to protect the auditors' objectivity and independence.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee considered:

- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

During the period ended 31 December 2014, a member firm of KPMG provided non-audit services in relation to providing advice to the Board on the initial prospectus and tax compliance work. At the Audit Committee meeting in November 2014, KPMG confirmed that this had not impacted their independence and outlined the reasons for this. The Audit Committee considered this and were satisfied these non-audit services had no bearing on the independence of the Auditor.

The following table summarises the remuneration paid to KPMG and to other KPMG member firms for audit and non-audit services during the period ended 31 December 2014.

	For the period from 7 March 2014 (date of incorporation) to 31 December 2014
KPMG Channel Islands Limited	
- Annual Audit	€35,000
Other KPMG member firms	
- Initial prospectus	€85,000
- Tax compliance services	£4,500

Internal Controls

As the Company's investment objective is to invest all of its assets into the Master Fund, the Audit Committee, after consultation with the Investment Adviser and external auditor, considers the key risk of misstatement in its Financial Statements to be the valuation of its investment in the Master Fund, but are also mindful of the risk of the override of controls by its service providers, the Investment Adviser and Administrator.

The Investment Adviser and Administrator together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Adviser and Administrator, provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Report of the Audit Committee (continued)

Internal Controls (continued)

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the 'Turnbull Report' by the Financial Reporting Council (the "FRC"), the Audit Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's two main service providers, the Investment Adviser and the Administrator. The Audit Committee has performed reviews of the internal financial control systems and risk management systems during the period. The Audit Committee is satisfied with the internal financial control systems of the Company.

On behalf of the Audit Committee

Jon Bridel
Audit Committee Chairman

2 April 2015

Independent Auditor's Report to the members of Fair Oaks Income Fund Limited

We have audited the financial statements of Fair Oaks Income Fund Limited (the "Company") for the period from 7 March 2014 (date of incorporation) to 31 December 2014 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its result for the period from 7 March 2014 (date of incorporation) to 31 December 2014;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Guernsey

2 April 2015

Statement of Comprehensive Income

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

	Note	For the period from 7 March 2014 (date of incorporation) to 31 December 2014 US$
Revenue		
Net gains on financial assets at fair value through profit or loss	6	5,175,980
Investment income	7	4,155
Net foreign exchange loss		(1,917)
Total revenue		**5,178,218**
Expenses		
Investment adviser fees	8	154,511
Audit fees		51,486
Administration fees	8	71,375
Directors' fees and expenses	8	106,299
Other expenses		121,598
Total operating expenses		**505,269**
Total comprehensive income for the period		**4,672,949**
Basic and Diluted Earnings per Ordinary Share	11	**0.0400**

All items in the above statement derive from continuing operations.

The accompanying notes on pages 27 to 43 form an integral part of the Financial Statements.

Statement of Changes in Shareholders' Equity

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

	Note	For the period from 7 March 2014 (date of incorporation) to 31 December 2014 US$
At 7 March 2014 (date of incorporation)		**–**
Issue of ordinary shares during the period	10	119,542,182
Total comprehensive income for the period		4,672,949
At 31 December 2014		**124,215,131**

The accompanying notes on pages 27 to 43 form an integral part of the Financial Statements.

Statement of Financial Position

At 31 December 2014

	Note	31 December 2014 US$
Assets		
Cash and cash equivalents	2	331,830
Prepayments		37,242
Financial assets at fair value through profit or loss	6	123,902,137
Total assets		**124,271,209**
Liabilities		
Other payables	13	56,078
Total liabilities		**56,078**
Net assets		**124,215,131**
Equity		
Retained earnings		4,672,949
Share capital	10	119,542,182
Total equity		**124,215,131**
Net asset value per Ordinary Share		1.0204
Number of Ordinary Shares	10	**121,728,916**

The Financial Statements on pages 23 to 43 were approved and authorised for issue by the Board of Directors on 2 April 2015 and signed on its behalf by:

Jon Bridel
Director

The accompanying notes on pages 27 to 43 form an integral part of the Financial Statements.

Statement of Cash Flows

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

	Note	For the period from 7 March 2014 (date of incorporation) to 31 December 2014 US$
Cash flows from operating activities		
Total comprehensive income for the period		4,672,949
Adjustments for:		
Increase in prepayments and other receivables		(37,242)
Increase in other payables		56,078
Net gains on financial assets at fair value through profit or loss	6	(5,175,980)
		(484,195)
Purchase of investments*		(206,924,456)
Sale of investments		122,496,724
Net cash flow from operating activities		**(84,911,927)**
Cash flows from financing activities		
Ordinary Shares issued**		85,243,757
Net cash flow from financing activities		**85,243,757**
Net increase in cash and cash equivalents		331,830
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period		**331,830**

* Purchase of investments excludes non-cash purchases of US$34,298,425. Refer to notes 6 and 8 for further details.

** Excludes non-cash in specie transfer of US$34,298,425 during the period. Refer to notes 8 and 10 for further details.

The accompanying notes on pages 27 to 43 form an integral part of the Financial Statements.

Notes to the Financial Statements

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

1. GENERAL INFORMATION

The Company was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 7 March 2014. The Company's registration number is 58123 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme. The Company is listed and began trading on the Specialist Fund Market of the London Stock Exchange on 12 June 2014.

The Company makes its investments through FOIF LP (the "Master Fund"), in which the Company is a limited partner, the only other limited partner being the Founding Partner and the general partner of the Master Fund is Fair Oaks Income Fund GP Limited (the "General Partner"). The Master Fund invests in a portfolio consisting primarily of Collateral Loan Obligations ("CLOs"). The Company may also invest in Qualifying Short Term Investments if at any time the Company holds any uninvested cash.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Financial Statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are in compliance with the Companies (Guernsey) Law, 2008 and the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Basis of Preparation

The Company's Financial Statements have been prepared on a historical cost basis, except for financial instruments measured at fair value through profit or loss.

The preparation of Financial Statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in Note 3. The principal accounting policies adopted are set out below.

The Directors believe that the Annual Report and Financial Statements contains all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which it relates and does not omit any matter or development of significance.

As explained below, the Company qualifies as an investment entity and is therefore only required to prepare individual Financial Statements under IFRS.

New Accounting Standards and interpretations applicable to future reporting periods

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

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

The Board expects that the adoption of the standard in a future period will not have a material impact on the Financial Statements of the Company as the majority of the Company's financial assets are designated at fair value through profit or loss.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES continued

Investment income

Other income relates to interest income. Interest income is recognised on a time-proportionate basis using the effective interest method and includes interest income from cash and cash equivalents.

Net Gains and losses on Financial Assets at Fair Value through Profit or Loss

Net gains on financial assets at fair value through profit or loss consists of both realised and unrealised gains and losses on financial assets at fair value through profit or loss, calculated as described below.

Expenses

Expenses of the Company are charged through profit or loss in the Statement of Comprehensive Income on an accruals basis.

Ordinary Shares

The ordinary shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32.

The proceeds from the issue of participating shares are recognised in the Statement of Changes in Shareholders' Equity, net of incremental issuance costs.

Cash and Cash Equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Financial Instruments

Classification

The Company classifies its financial assets and financial liabilities into categories in accordance with IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

Financial assets at fair value through profit and loss

Financial assets classified in this category are designated by management on initial recognition as part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy. The term "financial assets designated at fair value through profit or loss" included investments in US Treasury Bills which were purchased and sold during the period. The Investment Entities exception to consolidation ("Investment entities exception") in IFRS 10 'Consolidated Financial Statements' ("IFRS 10") requires subsidiaries of an investment entity to be accounted for at fair value through profit or loss in accordance with IAS 39. As the Company's investment in the Master Fund is not held for trading, it is presented in the financial statements with the "designated at fair value" financial assets, as all are managed together on a fair value basis.

Financial assets at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and they are carried at amortised cost. The Company includes in this category cash and cash equivalents and other receivables. The amortised cost of a financial asset is the amount at which the instrument is measured at initial recognition (its fair value) adjusted for initial direct costs, minus principal repayments, plus or minus the cumulative amortisation, using effective interest rate method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES continued

Financial Instruments continued

Classification continued

Financial liabilities at amortised cost

The Company includes in this category expenses payable.

Recognition and initial measurement

Financial assets and financial liabilities are measured initially at fair value, being the transaction price, including transaction costs for items that will subsequently be measured at amortised cost, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Subsequent measurement

After initial measurement, the Company measures financial instruments classified at fair value through profit or loss at their fair values. Changes in fair value are recorded within “Net gains on financial assets at fair value through profit or loss” in the Statement of Comprehensive Income.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Investment in the Master Fund

The Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to the Master Fund as the Company is effectively the sole limited partner, is exposed and has rights to the returns of the Master Fund and has the ability either directly or through the Investment Adviser to affect the amount of its returns from the Master Fund.

The Investment entities exception requires that an investment entity that has determined that it is a parent under IFRS 10 shall not consolidate certain of its subsidiaries; instead it is required to measure its investment in these subsidiaries at fair value through profit or loss in accordance with IAS 39.

The criteria which defines an investment entity are as follows:

- An entity has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- An entity has committed to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both; and
- An entity measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company provides investment management services and has a number of investors who pool their funds to gain access to these services and investment opportunities that they might not have had access to individually. The Company, being listed on the Specialist Fund Market of the London Stock Exchange, obtains funding from a diverse group of external Shareholders.

Consideration is also given to the time frame of an investment. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation. As the Master Fund’s investments have documented maturity/redemption dates or will be sold if other investments with better risk/reward profile are identified, the Directors consider that this demonstrates a clear exit strategy.

The Master Fund measures and evaluates the performance of substantially all of its investments on a fair value basis. The fair value method is used to represent the Company’s performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as a significant measurement attribute to evaluate the performance of its investments and to make investment decisions for mature investments.

The Company has determined that the fair value of the Master Fund is the Master Fund’s Net Asset Value (“NAV”).

The Company has concluded that the Master Fund, which is fully drawn at the period end, meets the definition of a unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES continued

Foreign Currency

Functional and presentation currency

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company and considered the currency in which the original finance was raised, distributions will be made, and ultimately what currency would be returned if the Company was wound up. The Directors have also considered the currency to which the underlying investments are exposed. On balance, the Directors believe US Dollar best represents the functional currency of the Company during the period. Therefore the books and records are maintained in US Dollars and for the purpose of the Financial Statements the results and financial position of the Company are presented in US Dollar, which has been selected as the presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Taxation

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £600.

Dividends

Dividends to the holders of ordinary shares are recorded through the Statement of Changes in Shareholders' Equity when they are declared to Shareholders. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008.

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 they are responsible for the management of the Company's investment portfolio, subject to the overall supervision of the 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's opinion, the Company is engaged in a single segment of business, being the investment into the Master Fund, a Guernsey registered Limited Partnership.

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.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of Financial Statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a semi-annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The principal estimates and judgements are as follows:

Going Concern

The Board has assessed the Company's financial position as at 31 December 2014 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Financial Statements on a going concern basis.

Fair Value

The Company records its investment in the Master Fund at fair value. Fair value is determined as the Company's share of the Master Fund's NAV. The Investment Adviser has reviewed the NAV of the Master Fund and determined that no adjustments regarding liquidity discounts were required. At 31 December 2014 the Company is effectively the sole limited partner in the Master Fund.

Investment Entity

In accordance with the Investment entities exception the Board has determined that the Company satisfies the criteria to be regarded as an investment entity and that the Company provides investment related services and as a result measures it's investment in the Master Fund at fair value. This determination involves a degree of judgement (see note 2).

4. DIVIDENDS

No dividends have been declared or paid during the period from 7 March 2014 (date of incorporation) to 31 December 2014.

Further details of dividends subsequent to the period end are disclosed in note 15.

5. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

Market Risk

Market risk is the risk of changes in market prices, such as foreign exchange rates, interest rates and equity prices, affecting the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk comes mainly from movements in the value of its investment in the Master Fund and on a look-through basis to the underlying loans in each CLO. Changes in credit spreads may further affect the Company's net equity or net income directly through their impact on unrealised gains or losses on investments within the Master Fund and on a look-through basis to the underlying loans in each CLO.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

5. FINANCIAL RISK MANAGEMENT continued

Market Risk continued

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company's strategy for the management of market risk mirrors the strategy of the Master Fund, driven by their investment objective to generate attractive, risk-adjusted returns, principally through income distributions by seeking 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's market risk is managed on a daily basis by the Investment Adviser in accordance with policies and procedures in place.

The Company intends to mitigate market risk generally by not making investments that would cause it to have exposure to a single corporate issuer exceeding 5% of the Master Fund's aggregate gross assets at the time of investment. Special Purpose Vehicles such as CLOs are not considered corporate issuers. The Company's market positions are monitored on a quarterly basis by the Board of Directors.

Interest Rate Risk

The Company is exposed to interest rate risk through the investments held by the Master Fund and on a look-through basis to the underlying assets in the CLOs, along with their investment in US Treasury Bills.

The majority of the Company's financial assets are into the Master Fund which invests in Income Notes and Mezzanine tranches of cash flow CLOs. The Company's exposure to interest rate risk is significantly mitigated by the fact that a small proportion of the assets and liabilities of the CLOs in which the Master Fund invests and on a look-through basis to the underlying loans in each CLO, bear interest at floating Libor-based rates.

The Company's investment in US Treasury Bills were short term, therefore, their exposed interest rate risk was minimal as they were all sold within 3 months of them being purchased.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates, however, the underlying cash positions will not be affected.

The following table shows the portfolio profile of the Master Fund at 31 December 2014:

	31 December 2014 US$
Investments with a floating interest rate	123,326,800
Financial assets at fair value through profit or loss (note 6)	**123,326,800**

The following table shows the Directors' best estimate of the sensitivity of the portfolio of the Master Fund to stressed changes in interest rates, with all other variables held constant. The table assumes parallel shifts in the respective forward yield curves.

Possible reasonable change in rate	**31 December 2014 effect on net assets and profit or loss US$**
-1%	(424,187)
1%	424,187

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

5. FINANCIAL RISK MANAGEMENT continued

Market Risk continued

Currency risk

The Company is exposed to very limited currency risk, as a majority of its assets and liabilities are denominated in US Dollars.

The Company is exposed indirectly to currency risk through its investment into the Master Fund. The Master Fund's portfolio is predominantly denominated in US Dollar. However, the Master Fund may also invest in underlying assets which are denominated in currencies other than the US Dollar (e.g. Euro). Accordingly, the value of such assets may be affected, favourably or unfavourably, by fluctuations in currency rates and which, if unhedged, could have the potential to have a significant effect on returns. To reduce the impact of currency fluctuations and the volatility of returns which may result from currency exposure, the Investment Adviser may hedge the currency exposure of the assets of the Master Fund.

The total net foreign currency exposure of the Master Fund at the period end was as follows:

	31 December 2014 US$
EUR Exposure	
Financial assets at fair value through profit or loss	6,198,862
Forward foreign exchange contracts	(6,199,139)
Other payables	(30,244)
Net EUR Exposure	**(30,521)**
GBP Exposure	
Cash and cash equivalents	7,789
Other receivables	19,761
Other payables	(12,462)
Net GBP Exposure	**15,088**
NET EXPOSURE	**(15,433)**

	Possible change in exchange rate	31 December 2014 net exposure US$	31 December 2014 effect on net assets and profit or loss US$
EUR/US Dollar	+/- 5%	(30,521)	(+/-) 1,526
GBP/US Dollar	+/- 5%	15,088	(+/-) 754

Other price risks

The risk that the fair value or future cash flows, on a look-through basis to the underlying CLOs' will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Directors do not believe that the returns on investments are correlated to any specific index or other price variable.

If the value of the Company's investment in the Master Fund was to increase or decrease by 1%, the impact on the net asset value of the Company would be +/- US$1,239,021.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

5. FINANCIAL RISK MANAGEMENT continued

Credit and Counterparty Risk

Credit risk, is the risk that a counterparty to a financial instrument, will fail to discharge an obligation or commitment that it has entered into with the Company, the Master Fund or a vehicle in which the Master Fund invests, resulting in a financial loss to the Company. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

The Company's policy over credit risk, mirrors that of the Master Fund, which is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Company's prospectus and by taking collateral.

The table below analyses the Company's maximum credit exposure to credit risk for the components of the Statement of Financial Position.

	31 December 2014 US$
Cash and cash equivalents	331,830
Other receivables	37,242
Financial assets at fair value through profit or loss	123,902,137
	124,271,209

The cash and assets of the Company, excluding its investment into the Master Fund, and substantially all of the assets of the Master Fund are held by the Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. This risk is managed by monitoring the credit quality and financial positions of the Custodian. The long-term rating of Royal Bank of Canada (Channel Islands) Limited as at 31 December 2014 was Aa3 as rated by Moody's and AA- by Standard & Poor's.

Credit risk is assessed from time to time by the Investment Adviser on a look-through basis to the underlying loans in each CLO. The Investment Adviser seeks to provide diversification in terms of underlying assets, issuer section, geography and maturity profile. Please refer to the graph on page 7 for the concentration of credit risk by industry for the CLO investments on a look-through basis as at 31 December 2014. The Company's credit risk is monitored on a quarterly basis by the Board of Directors.

The Master Fund's exposure to credit risk of all of the underlying CLO investments based on the country of registration (not necessarily asset class exposure) as at 31 December 2014 is summarised below:

	31 December 2014 US$
United States of America	117,127,938
Europe	6,198,862
Master Fund financial assets at fair value through profit or loss (note 6)	**123,326,800**

The table below summarises the Master Fund's portfolio concentrations as of 31 December 2014:

	Maximum portfolio holdings of a single asset % of total portfolio	Average portfolio holdings % of total portfolio
31 December 2014	37.82%	11.11%

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

5. FINANCIAL RISK MANAGEMENT continued

Credit and Counterparty Risk continued

The below table summarises the Master Fund's portfolio by asset class of the portfolio as at 31 December 2014:

By Asset Class	**31 December 2014 US$**
Equity CLO	110,870,529
Mezzanine CLO	12,456,271
Master Fund financial assets at fair value through profit or loss (note 6)	**123,326,800**

Further information regarding the geographical, currency, rating and industry diversification breakdown is provided in the tables on page 7 in the Investment Adviser's Report.

Activities undertaken by the Company and Master Fund may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, settlement risk is mitigated by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Investment Adviser's approach to managing the liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity risk is managed on a daily basis by the Investment Adviser on a look-through basis to the underlying loans in each CLO. The Investment Adviser monitors and considers the Company's and the Master Fund's cash balances, projected expenses and projected income from investments when making any new investment recommendations.

Given the Company's permanent capital structure as a closed-ended fund, it is not exposed to redemption risk. However, the Company's financial instruments include investments in collateralised debt obligations and derivative contracts (if any) traded over-the-counter which are not traded in an organised public market and which may be illiquid.

The Company's overall liquidity risk is monitored on a quarterly basis by the Board of directors. Shareholders will have no right of redemption and must rely, in part, on the existence of a liquid market in order to realise their investment.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities relating to financial instruments, either internally or on the part of service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

Operational risk is managed so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

5. FINANCIAL RISK MANAGEMENT continued

Operational Risk continued

The directors' assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers and a review of the service providers' Service Organisation Controls ("SOC") 1 reports on internal controls, if available.

Substantially all of the assets of the Company and Master Fund are held by Royal Bank of Canada (Channel Islands) Limited in its capacity as Custodian. The bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to the securities held by the Custodian to be limited. The Investment Adviser monitors the credit ratings and capital adequacy of the Custodian on a quarterly basis, and reviews the findings documented in the SOC 1 report on the internal controls annually.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the ordinary shares. Capital is managed in accordance with the investment policy, in pursuit of its investment objectives.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2014 US$
Cost at the start of the period	–
Purchases into the Master Fund at cost during the period*	118,724,784
Purchases of US Treasury Bills at cost during the period	122,498,097
Proceeds from sale of US Treasury Bills during the period	(122,496,724)
Realised loss on sale of US Treasury Bills	(1,373)
Cost of investment into the Master Fund at the end of the period	118,724,784
Net unrealised gains/(losses) on investments at the end of the period	5,177,353
Financial assets at fair value through profit or loss at the end of the period	**123,902,137**
Realised loss on sales during the period	(1,373)
Increase in unrealised gain during the period	5,177,353
Net gains on financial assets at fair value through profit or loss	**5,175,980**

* the purchase of investments includes non-cash purchases of US$34,298,425. Refer to Note 8.

The following table reconciles the Master Funds financial assets at fair value through profit or loss to the Company's financial assets at fair value through profit or loss:

	31 December 2014 US$
Master Fund - Financial assets at fair value through profit or loss	123,326,800
Add: Master Fund net current assets	575,337
Company's financial assets at fair value through profit or loss	**123,902,137**

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

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

The Company's unrealised gains/(losses) on investment in the period comprises the following:

	31 December 2014 US$
Master Fund	
Investment income	6,464,186
Unrealised gains/(losses) on financial assets at fair value through profit or loss	(1,327,156)
Net gains/(losses) on derivative financial instruments and foreign exchange	799,006
Other income	186
Expenses	(758,869)
Net unrealised gains/(losses) on investments at the end of the period	**5,177,353**

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 in its entirety 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 only financial instrument carried at fair value at period end is the investment in the Master Fund, which is fair valued at each reporting date. The Company's investment in the Master Fund has been classified within Level 3 as it is not traded and contains unobservable inputs.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

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

The following table presents the movement in level 3 instruments for the period ended 31 December 2014:

	31 December 2014 US$
Opening Balance	–
Purchases	118,724,784
Net gains on financial assets held at fair value through profit or loss	5,177,353
Closing Balance	**123,902,137**

Transfers between Level 1, 2 and 3

There have been no transfers between levels during the period ended 31 December 2014. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed:

	31 December 2014			
	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Assets:				
Cash and cash equivalents	331,830	–	–	331,830
Other receivables	–	37,242	–	37,242
Total	**331,830**	**37,242**	**–**	**369,072**
Liabilities				
Other payables	–	56,078	–	56,078
Total	**–**	**56,078**	**–**	**56,078**

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

Cash and cash equivalents include deposits held with banks.

Other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses.

The following table summarises the valuation methodologies used for the Company's investments categorised in level 3 as at 31 December 2014:

Security	Fair Value US$	Valuation methodology	Unobservable inputs	Ranges
Master Fund	123,902,137	NAV	Zero % discount	N/A

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

7. INVESTMENT INCOME

	For the period from 7 March 2014 (date of incorporation) to 31 December 2014 US$
Interest income on financial assets carried at amortised cost:	
Cash and cash equivalents	932
Interest income on financial assets at fair value through profit and loss	3,223
	4,155

8. RELATED PARTIES AND OTHER KEY CONTACTS

Transactions with Investment Adviser and Investment Portfolio Investor

Investment Adviser

With effect from 15 May 2014, Fair Oaks Capital Limited (the "Investment Adviser") was appointed as the Investment Adviser. The Investment Adviser of the Company is entitled to receive an investment advisory fee from the Company of 1% per annum of the net asset value of the Company, calculated and payable on the last business day of each month or on the date of termination of the agreement. The base management fee will be reduced to take into account any fees received by the Investment Adviser incurred by the Company in respect of its investment in the Master Fund (taking into account any rebates of such Management Fees to the Company) in respect of the same relevant period. During the period, the rebate amounted to US$77,297.

The Investment Adviser has agreed to reinvest and/or procure the reinvestment by the General Partner or by an Affiliate of it of (a) 25% of the fees which it receives annually from the Company pursuant to the Investment Advisory Agreement and (b) 25% of the Management Fee which the General Partner receives annually from the Master Fund in relation only to the Company's interest in the Master Fund by, in each case, subscribing for or procuring the subscription for ordinary shares issued by the Company at the then-prevailing Net Asset Value per ordinary share, provided that it shall instead use its best endeavours to purchase or procure the purchase of such ordinary shares in the secondary market in circumstances where, at the time of any such subscription or purchase, the ordinary shares are trading at a discount of 5% or more of the Net Asset Value per ordinary share of the period to which it relates. If, having used best endeavours as mentioned above, ordinary shares cannot be purchased on the secondary market, ordinary shares shall be subscribed for from the Company. The obligation to subscribe for or purchase or procure the subscription for or purchase of these ordinary shares shall be fulfilled by the Investment Adviser by no later than one month after the end of the relevant financial period of the Company.

The investment advisory fee charged to the Company during the period amounted to US$154,511, all of which had been paid by 31 December 2014. The Company also reimburses the Investment Advisory for all out-of-pocket expenses reasonably incurred in the performance of its duties.

On 2 February 2015, the General Partner of the Master Fund reinvested US$165,701 into the Company's ordinary shares which is equivalent to 25% of the investment advisory and management fees paid to the Investment Adviser and the General Partner during the period ended 31 December 2014. See note 15 for further details.

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

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

8. RELATED PARTIES AND OTHER KEY CONTACTS continued

Transactions with Investment Adviser and Investment Portfolio Investor continued

Initial Portfolio Investor

The Company and the Master Fund (acting by the General Partner) entered into the Acquisition Agreement with GLI Finance Limited (the "Initial Portfolio Investor") pursuant to which the Initial Portfolio Investor agreed to transfer the assets comprising the Initial Portfolio (see below) to the order of the Company in consideration for (i) the Company issuing to it Consideration Shares of 34,298,425 and (ii) the payment to it of part of the proceeds of the Placing in cash of US$20,425,347, in accordance with the terms of the Placing and Offer Agreement. Following this transaction, GLI Finance Limited became a major Shareholder and has therefore been classified as a Related Party (refer to note 15 for further details). Under the Subscription Agreement which the Company entered in with the General Partner (as general partner of the Master Fund), the Company agreed to subscribe for an interest in the Master Fund in cash and by making a contribution in specie with the Initial Portfolio (by ordering the Initial Portfolio Investor to transfer the assets comprising the Initial Portfolio upon completion of the Acquisition (pursuant to the Acquisition Agreement) to the Master Fund). The Initial Portfolio consisted of two CLO investments, both listed on the Irish Stock Exchange:

- Harvest CLO VII Limited (US$7,481,772); and
- T2 Income Fund CLO I Ltd (US$47,242,000).

The Initial Portfolio Investor has also entered into the Lock-In Agreement under which it has agreed not to, for a period of two years from the date of the Lock-In Agreement, directly or indirectly transfer the legal and/or beneficial ownership or any interest therein in any of the ordinary shares owned by it, subject to certain agreed exceptions.

Subsequent to the period end, a fund had purchased the entire holding of 34,298,425 ordinary shares in the Company from the Initial Portfolio Investor. Refer to note 15 for further details.

Other Material Contracts

Administrator

With effect from 15 May 2014, Praxis Fund Services Limited (the "Administrator") was appointed as the administrator. The Administrator shall be entitled to receive a time based fee quarterly in arrears for all Company Secretarial services. The Administrator is also entitled to an annual fee of US$25,000, payable quarterly in arrears for Administration and Accounting services along with a time cost fee of US$42,000 for services provided in relation to the establishment and launch of the Company and related entities.

Custodian

With effect from 15 May 2014, Royal Bank of Canada (Channel Islands) Limited (the "Custodian") was appointed as the Custodian. The Custodian has waived all fees on the basis that all assets are invested into the Master Fund.

Directors' Fees

The Company's Directors are entitled to a fee in remuneration for their services as Directors at a rate payable of £32,000 each per annum. In addition, a one-off payment of £7,500 was paid to each Director relating to the work performed prior to Admission.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

8. RELATED PARTIES AND OTHER KEY CONTACTS continued

Other Material Contracts continued

The overall charge for the above-mentioned fees for the Company for the period ended 31 December 2014 and the amounts due at 31 December 2014 are as follows:

	For the period from 7 March 2014 (date of incorporation) to 31 December 2014 US$
CHARGE FOR THE PERIOD	
Investment adviser fee	154,511
Administration fee	71,375
Directors' fees and expenses	106,299
OUTSTANDING FEES	
Investment adviser fee	174
Administration fee	6,079
Directors' fee	–

Shares held by related parties

The Shareholdings of the Directors' in the Company at 31 December 2014 were as follows:

	31 December 2014	
Name	**No. of Ordinary Shares**	**Percentage**
Claudio Albanese (Chairman)	10,000	0.01%
Jon Bridel	10,000	0.01%
Nigel Ward	20,000	0.02%

As at 31 December 2014, the members of the Investment Adviser's founding team held an aggregate of 500,000 shares, which is 0.41% of the issued share capital.

9. TAX STATUS

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £600 under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

10. SHARE CAPITAL

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

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

(a) Dividends: Shareholders are entitled to receive, and participate in, any dividends or other distributions 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 shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.

(c) Voting: Subject to any rights or restrictions attached to any 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 shares which may be subject to special conditions. Refer to the Memorandum and Articles of Incorporation for further details.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

10. SHARE CAPITAL continued

Issued Share Capital

Ordinary Shares

	31 December 2014 Shares	31 December 2014 US$
Share Capital at the beginning of the period	–	–
Issued Share Capital*	121,728,916	121,908,119
Share issue costs	–	(2,365,937)
Total Share Capital at the end of the period	**121,728,916**	**119,542,182**

* Includes non-cash in specie transfer of US$34,298,425 during the period.

11. EARNINGS PER SHARE

	31 December 2014 Number of Ordinary Shares
Weighted average number of Ordinary Shares	116,686,306
Profit for the financial period	US$4,672,949
Basic and diluted earnings per Ordinary Share	**US$0.0400**

The weighted average number of ordinary shares as at 31 December 2014 is based on the number of ordinary shares in issue during the period under review, as detailed in Note 10.

12. TRADE AND OTHER RECEIVABLES

	31 December 2014 US$
Prepaid expenses	37,242
	37,242

13. TRADE AND OTHER PAYABLES

	31 December 2014 US$
Directors' fees payable (note 8)	–
Investment advisory fee payable (note 8)	174
Audit fees payable	42,342
Administration fees payable (note 8)	6,079
Sundry expenses payable	7,483
	56,078

14. CONTINGENT LIABILITIES AND COMMITMENTS

The Company entered into a Subscription Agreement with the Master Fund and agreed to become a Limited Partner and made a commitment to the Master Fund of US$118,724,784.

At 31 December 2014, the Company had no further outstanding commitments.

Notes to the Financial Statements (continued)

For the period from 7 March 2014 (date of incorporation) to 31 December 2014

15. SUBSEQUENT EVENTS

On 22 December 2014, the Company announced that FOIF LP had exercised its right as majority holder of the Income Notes in T2 Income Fund CLO I Ltd ("T2 CLO") to optionally redeem all of the notes of T2 CLO. The vast majority of assets were sold in mid-November for consideration in the form of shares and cash, ahead of the market weaknesses. The redemption was effective on T2 CLO's payment date of 15 January 2015.

On 16 January 2015, the Company declared its first interim dividend of 4.25 US cents per ordinary share in respect of the period ended 31 December 2014, paid on 12 February 2015. The ex dividend date was 29 January 2015.

Also on 16 January 2015, the Directors announced that the Company will change the frequency of its dividends from quarterly to monthly.

On 28 January 2015, the Company declared its interim dividend of 0.7 US cents per ordinary share in respect of the month ended 31 January 2015, paid on 19 February 2015. The ex dividend date was 5 February 2015.

On 30 January 2015, the Directors announced that the General Partner of the Master Fund had applied to reinvest into the Company's ordinary shares an amount equivalent to 25% of the advisory and management fees paid to the Investment Adviser during 2014.

The reinvestment was effected by the issue of new ordinary shares at the prevailing NAV per ordinary share. 169,446 new ordinary shares were issued on 2 February 2015 at $0.9779, being the NAV per ordinary share as at 31 December 2014 minus the 2014 dividend to which the new ordinary shares were not entitled.

The Investment Adviser also agreed at IPO to reinvest 25% of its future advisory and management fees into ordinary shares. Such ordinary shares will either be issued at the then prevailing NAV, or instead purchased in the secondary market should the ordinary shares be trading at a discount to NAV of 5% or more.

The dealings in the new ordinary shares commenced on 4 February 2015.

On 16 February 2015, the Company announced it had raised US$39.7 million (before costs and expenses) through the issue of 40,000,000 new ordinary shares. The new ordinary shares were admitted to the Specialist Fund Market of the London Stock Exchange on 19 February 2015.

On 18 February, the Company announced a further placing of 5,000,000 new ordinary shares which raised US$5.0 million (before costs and expenses). The new ordinary shares were admitted to the Specialist Fund Market of the London Stock Exchange on 23 February 2015.

Following the issue of new ordinary shares, the Company's issued share capital will consist of 166,898,362 ordinary shares.

Following this issue, the Company used US$24,999,832 of the proceeds and invested in US Treasury Bill on 25 February 2015.

An Article 42 Notification was submitted to the Financial Conduct Authority ("FCA"). Confirmation was then received on 18 February 2015 that the Fund was eligible to be marketed via the FCA's National Private Placement Regime.

On 24 February 2015, the Company declared its interim dividend of 0.7 US cents per ordinary share in respect of the month ended 28 February 2015, paid on 19 March 2015. The ex dividend date was 5 March 2015.

On 4 March 2015, the Company announced that a fund advised by Coller Capital Limited had purchased the entire holding of 34,298,425 ordinary shares in the Company previously held by GLI Finance Limited.

Coller Capital Limited entered into a lock-in agreement under which it agreed until 16 August 2016 not to directly or indirectly transfer the legal and/or beneficial ownership or any interest therein in any of the shares owned by it, subject to certain agreed exceptions.

On 26 March 2015, the third monthly interim dividend of 0.7 US cents per ordinary share was declared in respect of the month ended 31 March 2015 and will be paid on 23 April 2015. The ex dividend date is 9 April 2015.

There were no other significant events since the period end which would require revision of the figures or disclosures in the financial statements.

Management and Administration

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

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