

Credit Outlook

2026

As 2026 begins investors are considering, among other things, fresh geopolitical events, policy surprises, Federal Reserve independence in a likely increasingly dovish regime, and whether or not artificial intelligence (AI) themes will deliver on lofty expectations. Meanwhile, the U.S. economy, in particular, has remained resilient. The current consensus is that the credit backdrop should remain relatively steady; albeit with increasing focus on rising costs, affordability, and ultimately the important potential impacts to employment and consumer behavior.

Risk premia has tightened across most credit markets over the past two years. Structured credit remains attractive in comparison to historical corporate credit levels. However, we expect tactical agility at both the asset and sector levels, along with comprehensive views across collateral, issuers, vintages, structures, and credit protections will become increasingly important differentiators.

OWS Structured Credit - Sector Summary Themes

Asset-Backed Credit: *The broader consumer landscape remains bifurcated: overall fundamentals are solid, yet lower-income households—pressured by lingering post-COVID inflation—are vulnerable to any labor-market slowdown. This underscores the need for rigorous, security-level underwriting. Concerns will weigh on some sectors, subprime auto as a recent example, which often presents risk-adjusted value to credit (vs. yield) investors. We expect greater scrutiny of consumer fundamentals generally, particularly for non-prime borrowers, as economic conditions evolve.*

Residential Credit: *Residential mortgage credit fundamentals remain strong, buoyed by strong HPA and home equity build-up. While this has been beneficial to current homeowners, it is not supportive of the marginal new home buyer, especially when paired with elevated mortgage rates over the past several years. Thus, the affordability issue. This has resulted in lower origination volumes of new first-lien 30-year mortgages, and a decline in agency credit risk transfer (CRT) security issuance. Elevated home prices and relatively high mortgage rates have encouraged borrowers to remain in their current homes. The result has been meaningful growth of home equity lines of credit/home equity loan (HELOC/HELOAN) issuance.*

Commercial Real Estate (CRE) Credit: *The single-asset single-borrower (SASB) market remains interesting, and we expect increasing refinancing opportunities from maturing loans originated in 2021 and 2022—prior to the Fed's most recent rate tightening cycle. Many of these loans were originated at the peak of the most recent CRE cycle when lending standards were generally easy, interest rates were low, and property valuations were generally high. Many of these properties will require loan modifications/extensions, new capital, and/or new sponsorship to reset the basis, creating attractive opportunities to develop differentiated fundamental views on property valuation and cash-flow timing. Additionally, within the conduit sector, we see the potential for attractive investment opportunities from conduit loans approaching or passing maturity.*

Non-dollar ABS: *While GDP growth expectations for the European Union remain lackluster in comparison to U.S., there is a general expectation for an increase in public spending across many European economies—with noteworthy growth expectations in Germany on the back of increased defense spending and infrastructure build-out. Additionally, forecasts suggest that unemployment will remain range-bound, inflation will ease, and interest rates will fall—together creating a supportive environment for European consumers. Based on these observations, selective and customized asset exposures continue to make sense.*

Collateralized Loan Obligations (CLOs): *We view the current convexity profile of CLOs as relatively less compelling compared to other securitized sectors. Until better value emerges in the sector, we remain intentionally underweight CLOs to limit both fundamental credit beta and mark-to-market risk within our portfolio.*

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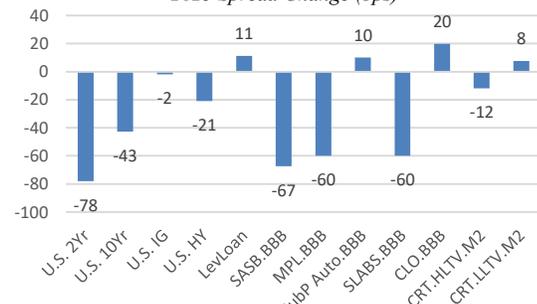
The 1WS Credit Income Fund (the “Fund”) is a closed-end interval fund launched in March 2019. As of December 31st, 2025, the Fund has gross assets under management of approximately \$1.14 billion (approximately \$837 million net assets). The Fund is a non-diversified, closed-end investment management company with an investment objective seeking attractive risk-adjusted total returns through generating income and capital appreciation by investing primarily in a wide array of predominantly structured credit and securitized debt instruments.

Overview

As 2026 begins, risk premia has tightened across most credit markets—particularly in benchmark segments (Exhibit 1)—yet spreads in securitized credit remain attractive in comparison to historical corporate credit levels. Simply being long credit beta and expecting further benchmark spread compression is unlikely to deliver an attractive risk-adjusted return opportunity. We expect differentiated returns will accrue to those who can rely on deep fundamental and structural underwriting to identify security-specific opportunities. While benchmark spreads have narrowed, significant fundamental performance uncertainty still exists across individual assets, issuers, and vintages within structured credit, resulting in higher risk premia, in our opinion. In addition, many securities’ unique structural characteristics can provide idiosyncratic return catalysts, which can enhance expected returns and provide positive credit convexity relative to more traditional non-amortizing, fixed-maturity bonds and loans.

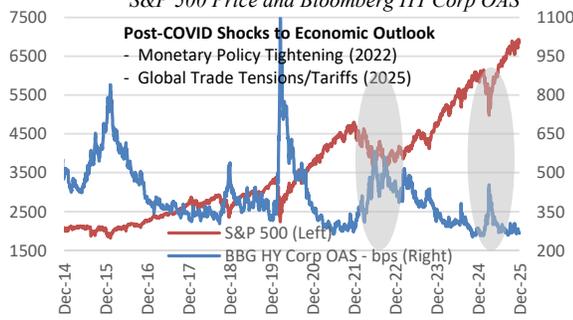
At a macro level, the U.S. economy has remained resilient, reflected in current market pricing (Exhibit 2). Despite widespread concerns over U.S. growth prospects during the past year, economic activity has continued to hold up. The Atlanta Fed survey of professional economists now project full year 2025 U.S. real GDP growth of ~+2.0% with estimates centered around +1.9% for full year 2026—largely unchanged.

Exhibit 1:
Risk Premia Compressed Across Most Credit Sectors
2025 Spread Change (bps)



Sources: Bloomberg Finance L.P., J.P. Morgan, OWS

Exhibit 2:
Equity Prices Continue to Set New Highs and Corporate Credit Spreads Remain at Historical Lows
S&P 500 Price and Bloomberg HY Corp OAS



Sources: Standard & Poor’s, Bloomberg Finance L.P., OWS

Net Return Performance as of 12/31/25*	MTD	YTD	1 YR	3 YR (Ann.)	5 YR (Ann.)	ITD (3/4/19, Ann.)	ITD (3/4/19)
1WS Credit Income Fund (OWSCX) Class I shares	0.51%	8.38%	8.38%	10.59%	8.12%	7.70%	66.03%
1WS Credit Income Fund (OWSAX) Class A-2 shares	0.48%	7.73%	7.73%	9.93%	7.46%	6.99%	58.83%
Bloomberg U.S. Aggregate Bond Index ¹	-0.15%	7.30%	7.30%	4.66%	-0.36%	1.92%	13.85%
ICE BofAML U.S. High Yield Index ²	0.65%	8.50%	8.50%	10.03%	4.50%	5.29%	42.24%

Sources: Bloomberg Finance L.P., Bank of America, OWS

Past performance is not indicative of future returns.

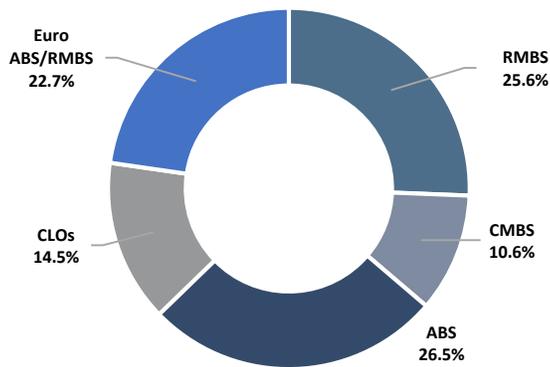
*OWSCX returns are presented net of all fees and expenses, benchmark returns are gross. Please see pp. 11-13 for important risk disclosures and definitions. OWSAX returns prior to May 2021 reflect the performance of Class I shares, adjusted to reflect the distribution and shareholder servicing fees applicable to Class A2 shares. Class I shares are not subject to an upfront sales load. Class A2 shares are subject to a maximum sales load of 3% and a maximum deferred sales load of 1.50%, neither of which are reflected in the returns shown above and, if applied, would lower such returns. Gross Annual Expenses for Class I and Class A2 are 3.74% and 4.34%, respectively, which are based on the expenses shown in the Fund’s most recent prospectus, dated February 28, 2025. Actual expenses may differ.

Management Fee: under the Advisory Agreement will be calculated at an annual rate of 1.50% of the daily gross assets of the Fund. “Gross Assets” means the total assets of the Fund prior to deducting liabilities. Derivatives will be valued at market value for purposes of determining “Gross Assets” in the calculation of management fees. Because the Management Fee is based on the Fund’s daily gross assets, the Fund’s use of leverage, if any, will increase the Management Fee paid to the Adviser. For the initial year of the Fund, the Adviser voluntarily agreed to reduce the Management Fee to .75%. For the one-year period beginning on March 1, 2019, and continuing through the present, the Adviser has voluntarily agreed to reduce the Management Fee to 1.25% of the Fund’s daily gross assets. The Adviser’s board is under no obligation to continue the fee waiver but may continue to do so.

^{1,2} Please refer to the risk disclosures and definitions on pp. 11-13 for a description of the benchmark indices chosen and the risks associated with comparing IWS Credit Income Fund returns to those of an index. Investors cannot invest directly in an index.

Performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. You can obtain performance data current to the most recent month end by calling (833) 834-4923 or visiting www.1wscapital.com. Investors cannot invest directly in an index. All performance shown assumes reinvestment of dividends and capital gains distribution in percent value. Dividends are not guaranteed and will constitute a return of capital if dividend distributions exceed current-year earnings. Please refer to the Fund’s most recent Section 19(a) notice for an estimate of the composition of the Fund’s most recent distribution, available at www.1WScapital.com.

Portfolio Composition¹ and Net Return Attribution²



Asset Type	Net Return ² Attribution YTD
Asset-Backed Securities (ABS)	2.40%
Collateralized Loan Obligations (CLOs)	0.62%
Commercial Mortgage-Backed Securities (CMBS)	1.02%
European ABS & RMBS	2.80%
Residential Mortgage-Backed Securities (RMBS)	1.45%
Other	0.48%
Interest Rate Hedges	-0.39%
Total	8.38%

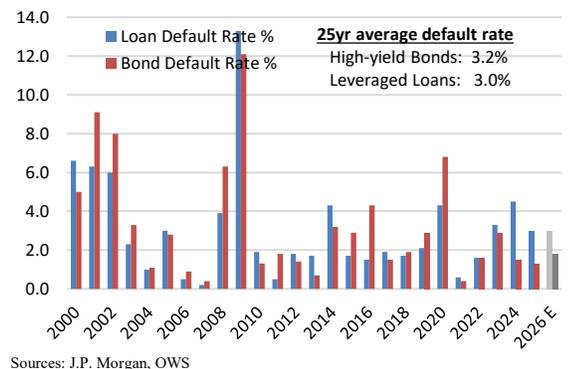
¹ The Portfolio composition as of 12/31/25 differs from the portfolio composition for any point prior to such date and is subject to change at any time.

² Net performance data reflects the deduction of all fees and expenses. Net return attribution represents portfolio PnL by sector divided by the Fund's average net asset value for the period reduced by operating expenses and management fees allocated to the sectors based on the market value of the portfolio for the period. See pages 11-13 for important risk disclosures and definitions.

According to the Bureau of Economic Analysis (BEA) the recent upside surprise in quarterly U.S. GDP was in large part due to an acceleration in consumer spending—reflecting increases in both goods and services. While consumer spending remains the primary engine of economic growth, we expect there to be bifurcation within income cohorts, as pressures due to higher prices and slower wage and job growth may have pronounced effects on the low-end consumer. Of course the evolution of the labor market, unemployment, and consumer sentiment are potential catalysts for changing growth expectations in 2026. On the positive side, many economists expect consumers to benefit in early 2026 from increasing tax refunds. For instance, Goldman Sachs estimates that consumers will receive an extra \$100bn in tax refunds in 1H 2026 as a result of tax changes passed in 2025. This could provide a tailwind for consumer spending and consumer credit fundamentals as we enter the new year.

With respect to underlying credit fundamentals, consensus seems to be in favor of another steady to improving year across most credit sectors. This should provide support to the macro backdrop surrounding credit generally. While many base case high yield bond and leveraged loan default estimates seem supportive (Exhibit 3), most credit analyst continue to highlight that risk and uncertainties remain. There also continues to be much debate as to the underlying credit and performance trends within the private credit sector given greater opaqueness of the underlying data. The Cliffwater Direct Lending Index (CDLI), which seeks to measure the unlevered, gross return of U.S. middle market corporate loans, as represented by the underlying assets, including both exchange-traded and unlisted Business Development Companies (BDCs), subject to certain eligibility criteria, was down approximately -4.08% in 2025.

Exhibit 3:
High Yield Corporate Bond and Loan Default Rates
Par-Weighted Default Rates (%)



Broadly speaking, we believe that fundamentals across most consumer and real estate sectors will remain steady, and some will likely improve in 2026. In aggregate, consumer balance sheets remain strong with measures of debt, leverage, and interest coverage continuing to improve. We acknowledge that there is a great deal of dispersion and bifurcation within and across the consumer sector, however, we believe that credit trends are often misunderstood as credit profiles and the cost of debt are not necessarily used in normalizing historical delinquencies and loss trends. Absent a material economic slowdown, and corresponding decline in employment fundamentals, we believe consumer credit performance will be stable. Furthermore, declining interest rates from recent highs should benefit all sectors and all income cohorts.

We continue to believe that disciplined risk management is warranted to manage against potential shocks to the macro backdrop. For now, the backdrop appears supportive of ongoing credit fundamentals, however, there remain a number of risk factors, both economic and geopolitical, that could shock market sentiment, resulting in the re-emergence of heightened fundamental uncertainty, rising risk premia, and increasing market volatility. Of course at the center of future uncertainty is the ongoing health of the U.S. economy, prospects for growth, and evolving credit fundamentals.

Equity valuations in large cap tech have outperformed, raising the risk of a potential market correction, and a corresponding negative wealth effect on consumption. According to a recent poll Deutsche Bank conducted amongst their institutional clients,

“a tech bubble bursting topped the ranking of the fifteen largest risks for the year ahead, with 57% of respondents placing it among their three biggest risks.” In addition, Monetary policy concerns and Geopolitical risks remain top of mind.

2026 Investment Strategy & Outlook

While the fundamental credit environment remains broadly supportive, we believe most of that strength is already priced in. Looking ahead, absolute and relative returns should favor investors with the expertise to uncover value in sectors that have experienced wide performance dispersion. We see many of the most attractive prospects in structured credit, where diverse collateral, underlying fundamentals, and deal structures create differentiated risk-return profiles.

Corporate credit has ridden a mild default cycle, and many analysts expect that backdrop to persist into next year. Yet spreads are near historic tights (Exhibit 4), and flatter credit curves point to diminished dispersion across issuers. At these valuations, the return profile strikes us as negatively convex—upside is capped while downside risks linger. Under current pricing, the best-case scenario for a portfolio of corporate bonds or loans is to collect carry, contingent on defaults staying subdued.

By contrast, many areas of structured credit still trade at spreads well above their historical tights and meaningfully wider than comparable corporate benchmarks. This is most pronounced in consumer ABS and commercial real estate, where lingering fundamental uncertainty continues to keep risk premia elevated (Exhibits 5 & 6).

Portfolio positioning themes that follow frame what we currently see as attractive opportunities across the broader structured-credit landscape:

- From an asset-allocation standpoint, pairing structured credit and other loan exposures with a nimble blend of market-neutral and idiosyncratic strategies positions us to earn attractive returns in today’s environment without being drawn into crowded or mispriced trades.
- With benchmark spreads tight and volatility muted, broad market risk looks asymmetric to us, so we are keeping overall directional exposure deliberately low. We monitor price volatility across our portfolios and size risk relative to a reference benchmark—the 5-year on-the-run CDX HY index. As it stands, our portfolio currently carries roughly half of the market risk of a traditional high-yield corporate bond allocation.
- Beyond spread, structured credit often delivers more attractive risk-adjusted returns than traditional corporate bonds. Features such as amortizing cash flows, waterfall payment priorities, excess spread, overcollateralization, and deal-specific triggers shape each tranche’s risk profile—and that profile evolves as the collateral seasons and the structure pays down. As many deals amortize, leverage declines, credit quality improves, and prices typically rise. This built-in deleveraging can materially lift holding-period returns and help buffer portfolios against wider market spreads in the future. Harvesting these non-coupon sources of return is a central aim of our investment strategy.

Exhibit 4:
Corp Credit Spreads Are Not Pricing Significant Risk
Bloomberg (BBG) High Yield (HY) OAS

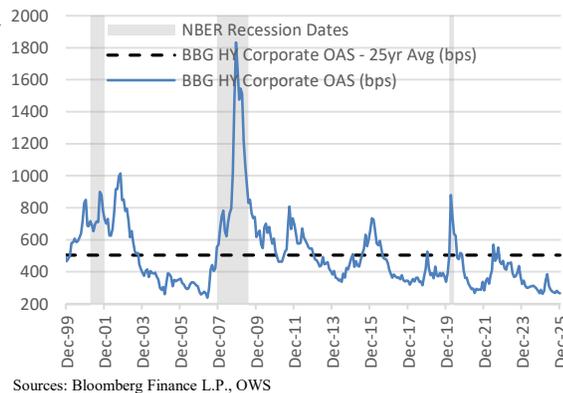


Exhibit 5:
Consumer ABS Remain Attractive
Benchmark Subprime Auto vs Unsecured HY Corporate Bonds

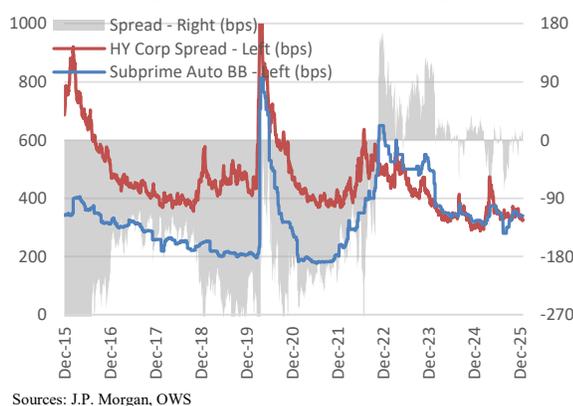


Exhibit 6:
Elevated Risk Premia Within CMBS
Benchmark CMBS vs Unsecured HY Corporate Bonds

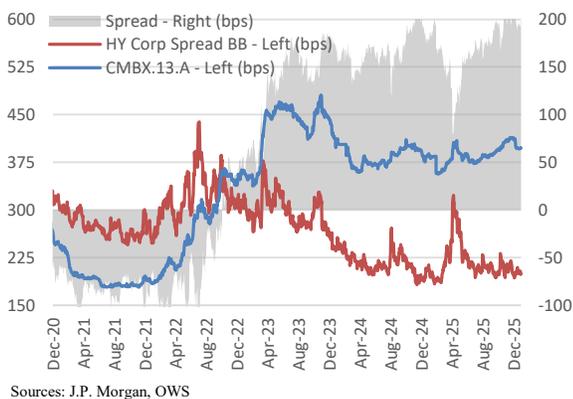
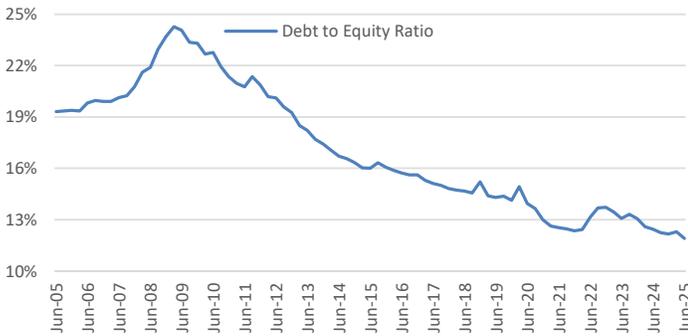
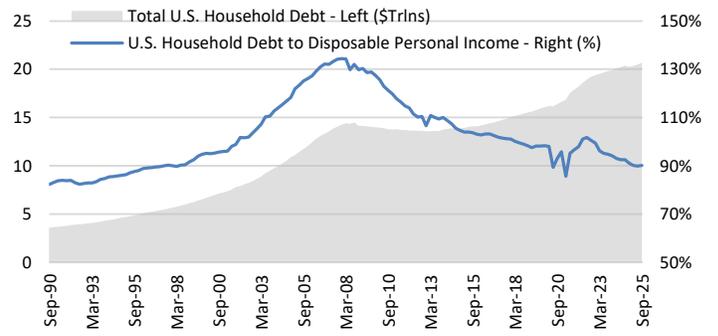


Exhibit 7:
Consumer Leverage Remains Low
Total Debt to Equity



Sources: Federal Reserve, Bloomberg Finance L.P., OWS

Exhibit 8:
Debt Service Ratios Have Stabilized at Post-GFC Range
Household Debt Service Ratio



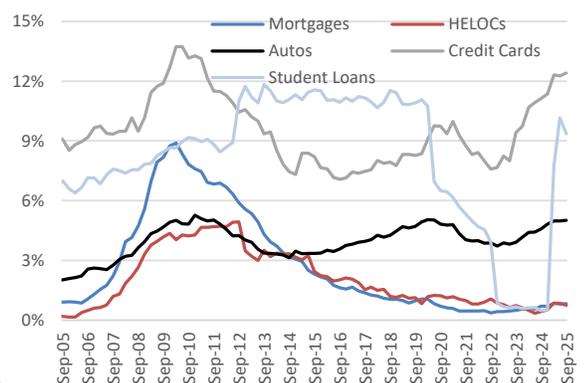
Sources: Federal Reserve, Bloomberg Finance L.P., OWS

Consumer Outlook - As 2026 begins, there remains much focus on the health of the consumer given the trend of unemployment, and a general uncertainty around how tariff policy will ultimately effect inflation. Moreover, some high profile bankruptcies have driven a renewed focus on the state of auto fundamentals—with a particular focus on subprime auto borrowers. To date, we do not believe these recent events to be indicative of greater stress on the consumer or the subprime auto sector at large, as we discussed in our *“IWS Third Quarter Commentary”* (available upon request). Generally speaking, we believe that, in aggregate, consumer fundamentals remain solid, even if idiosyncratic risks have increased. It remains true that consumer leverage remains stable, with aggregate debt to equity hitting an all-time low in June (Exhibit 7), and debt as a percentage of disposable income remaining steady, and below its long-run average (Exhibit 8).

Furthermore, while aggregate late-stage delinquencies have risen across each product type on a year-over-year (YoY) basis, residential mortgage delinquencies remain near record lows, home equity lines of credit (HELOC) delinquencies are well below long-run averages, and auto delinquencies are showing signs of stabilization (Exhibit 9). As for student loans, while the initial rise in delinquencies following the resumption of the collection of student loan payments was dramatic, it remains in-line with pre-COVID averages, and appears to be stabilizing.

Beginning January 7th, 2026, the U.S. Department of Education has stated that they will begin garnishing the wages of student loan borrowers in default, according to CNBC. This may have adverse effects on the consumer credit, especially on those debt products which consumers deem lower in their priority of payments. Our student loan exposures are largely privately-originated student loans, not government-originated, and therefore not necessarily directly effected by these wage garnishment measures.

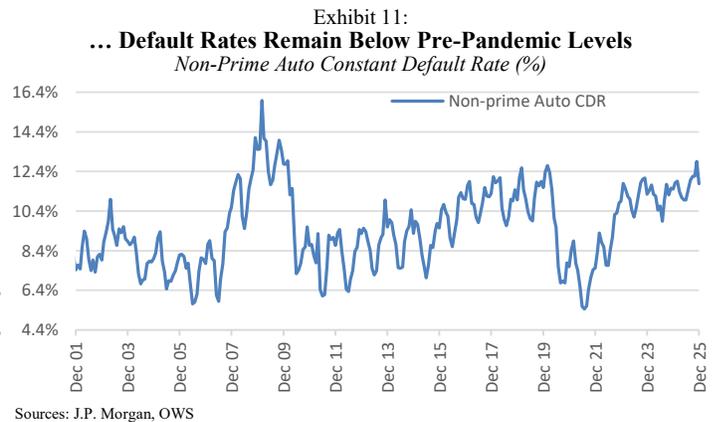
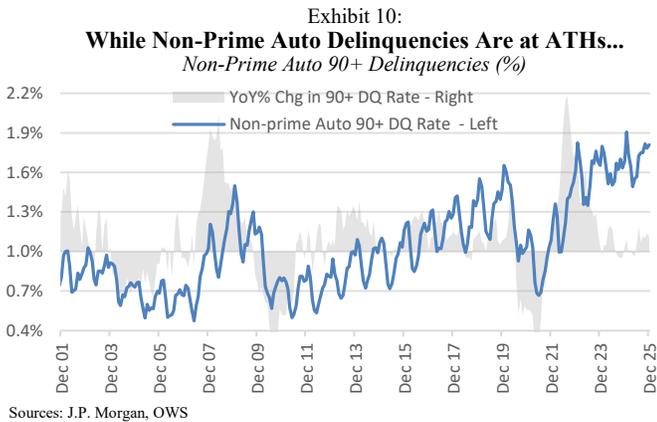
Exhibit 9:
Percent of Balance 90+ Days Delinquent by Loan Type
Percentage (%)



Sources: New York Fed Consumer Credit Panel/Equifax, OWS

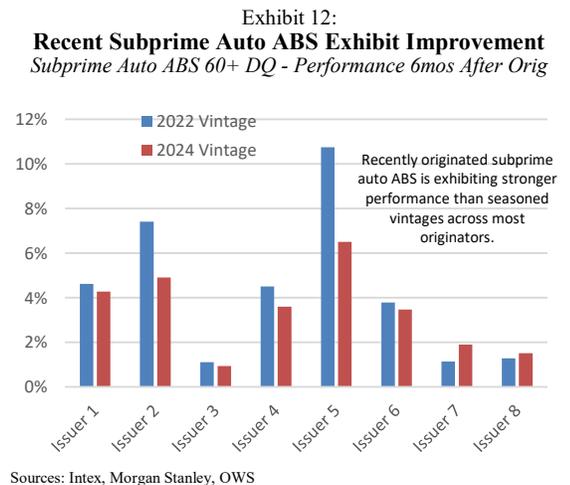
Although the aggregate health of the U.S. consumer does not dictate the outcome of any individual securities performance, it remains central to our macro view. Because the assets we target are often anchored in consumer fundamentals, maintaining a data-driven assessment of household strength is essential. Our trading activity, portfolio positioning, and proprietary analytics across consumer-linked markets provide us with a distinctive lens through which to formulate and express investment ideas. Persistent dispersion in credit quality—both within and across consumer sectors and cohorts—creates abundant scope to pursue differentiated, risk-adjusted opportunities.

For individual securitizations, we drill down to the credit behavior of the underlying borrowers and collateral pools, examining factors such as age, income, FICO scores, total leverage, and debt composition. Just as critical are the structural features unique to each deal. These mechanics vary widely by collateral type and evolve as pools season and transactions amortize, continuously reshaping individual securities risk profile. By understanding this dynamic structure, we can target embedded credit convexity and optimize expected risk-adjusted returns.



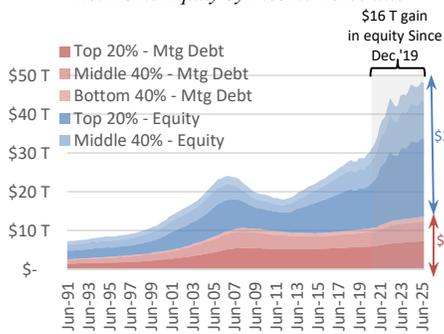
Structured ABS & Other Idiosyncratic Opportunities - Our consumer ABS portfolio continued to perform well in comparison to our other sector strategies in 2025. Our subprime auto ABS exposures underperformed versus our unsecured consumer debt exposure, as investors have become critical of the subprime auto sector following the Tricolor bankruptcy filing in the third quarter. While we do not view this bankruptcy as indicative of systemic weakness in subprime auto credit, we do find the broader consumer landscape remains bifurcated. This underscores the need for rigorous, security-level underwriting. Still, Tricolor’s collapse has and will likely continue to dampen investor sentiment in the subprime auto sector over the near to medium term. We are therefore maintaining a cautious stance while the market gauges the extent of possible fraud and ensuing loss exposure. We also expect greater scrutiny of consumer fundamentals generally, particularly for non-prime borrowers, as economic conditions evolve.

While it is true that aggregate delinquencies of loans backing subprime auto ABS are hovering near record highs, it is also worth noting that the acceleration (i.e., the year-over-year rate of change) has subsided (Exhibit 10). Moreover, defaults are in-line with pre-pandemic levels, and well below the highs reached during the GFC (Exhibit 11). Furthermore, it is important to understand that while aggregate delinquencies may be rising, it can still be true that individual originators are tightening lending standards of their most recent vintages in comparison to the weakness seen in 2022/2023 vintages. In turn, this is driving better performance of individual originators. For example, when looking at some of the largest origination platforms, one will observe that mostly all have seen improving performance in their 2024 vintages in comparison to their 2022 vintage (Exhibit 12). Morgan Stanley found that the driving force behind the increase in aggregate delinquencies is that origination volume is skewing towards shelves that originate to weaker credits, causing aggregate delinquencies to rise, despite the fact that on average, individual originators have tightened their lending standards and performance has improved versus their 2022/2023 vintages.



This reinforces the point that while aggregate data may capture headlines, it does not necessarily illuminate the credit dynamics of any individual securitization. Evaluating security level risks lies in loan-level details—FICO tiers, LTVs, seasoning, geography—and modest shifts in those variables can send superficially similar portfolios on markedly different trajectories. Initial structural credit enhancement also changes across time and must be accounted for when evaluating individual securities fundamental credit strength. Today, certain consumer segments are shouldering the brunt of higher rates and an elevated cost of living, so we intensify our stress assumptions where the pressure is most acute.

**Exhibit 13:
Consumer Real Estate Equity - (\$T)
Net Home Equity by Income Percentile**



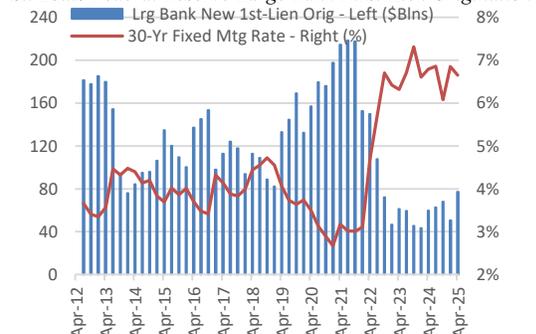
Sources: Federal Reserve, Bloomberg Finance L.P., OWS

**Exhibit 14:
Housing Affordability Remains Strained
Mortgage Payment as a Percentage of Income**



Sources: National Assoc. of Realtors, Bloomberg Finance L.P., OWS

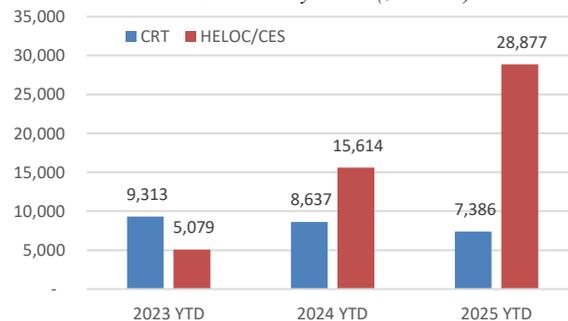
**Exhibit 15:
30-Year Mortgage Origination Has Dried Up
St. Louis Federal Reserve Large Bank First-Lien Origination**



Sources: Federal Reserve, Freddie Mac, Bloomberg Finance L.P., OWS

Residential Mortgage Credit - Residential mortgage credit fundamentals remain strong, buoyed by strong HPA and home equity build-up (Exhibit 13). While this has been beneficial to current homeowners, it is not supportive of the marginal new home buyer, especially when paired with elevated mortgage rates over the past several years, as this has caused affordability constraints (Exhibit 14). This has resulted in lower origination volumes of new first-lien 30-year mortgages (Exhibit 15), in turn leading to a decline in agency credit risk transfer (CRT) security issuance (Exhibit 16).

**Exhibit 16:
HELOC Issuance Exhibiting Meaningful Growth
YTD RMBS Issuance by Sector (\$Millions)**



Sources: J.P. Morgan, OWS

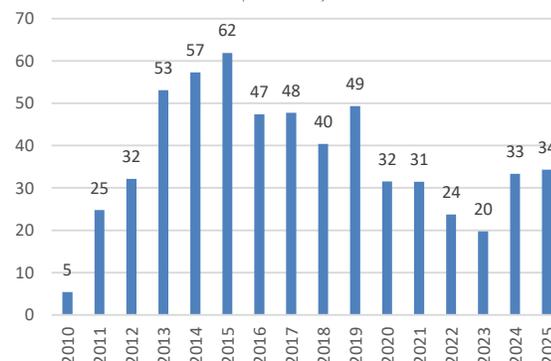
With elevated home prices and persistently high mortgage rates encouraging borrowers to remain in their current homes, there has been meaningful growth of home equity lines of credit/home equity loan (HELOC/HELOAN) issuance (Exhibit 16). These second lien loans provide borrowers access to the build up in their home equity while retaining the lower interest rate of their existing first-lien mortgages. We continue to source what we believe are attractive opportunities within the HELOC/HELOAN sector. We believe that HELOC/HELOANS exhibit robust fundamental collateral performance, with delinquencies remaining low and prepayments exhibiting limited sensitivity to mortgage rates.

We also continue to source what we believe are attractive opportunities in residential transitional loans (RTL). Key features of RTLs that we find appealing include their relatively short duration, strong fundamental performance, and limited prepayment sensitivity. The sector continues to grow, broadening the investor base and improving liquidity.

Commercial Real Estate & CMBS - Seasoned conduit and single-asset single-borrower (SASB) office exposures have been among the best performing in our portfolios, both of which target properties with some level of stress and are therefore trading at wider risk premia in the market. In these situations we believe we can leverage our underwriting to develop a differentiated view on fundamental value relative to market pricing.

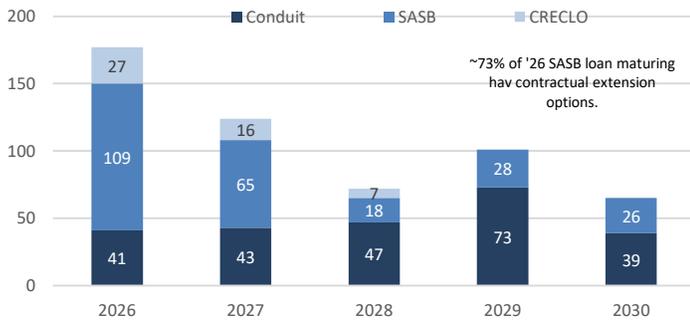
Within the conduit sector, we see the potential for an increasing opportunity set in the coming years from conduit loans approaching or passing maturity. Following the global financial crisis (GFC), CMBS conduit issuance increased appreciably beginning in 2013 (Exhibit 17) with many of these, often 10-year maturity loans, now approaching or past their original stated maturity. While the majority of these loans will refinance and exit the CMBS pools, some will not. Some borrowers will struggle to attain new financing and will require existing loan modifications, new capital, and or new sponsorship. It is in these situations where we believe we can leverage our underwriting to develop differentiated fundamental views on property valuation and cash flow timing. CMBS tranches should allow us to target our desired exposure within the capital structure to optimize what we believe is the best risk-adjusted return opportunity. We believe this strategy will continue to provide an attractive oppor-

**Exhibit 17:
Annual Conduit CMBS Issuance
(\$Billions)**



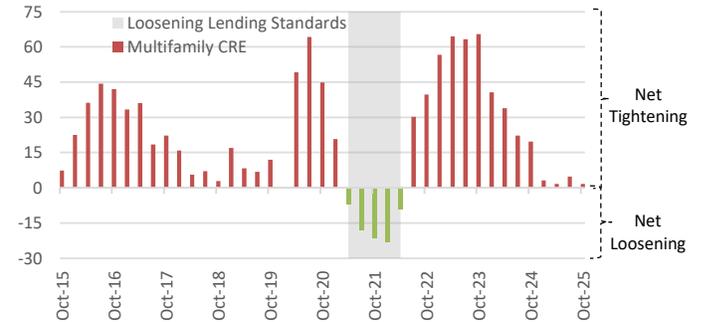
Sources: J.P. Morgan, OWS

Exhibit 18:
CMBS Maturity Wall
By Maturity Year & Issuance Type (\$Billions)



Sources: Trepp, Morgan Stanley Research, OWS

Exhibit 19:
Borrowers Benefited From Lax Lending Standards
SLOOS Lending Standards on Multifamily CRE Loans

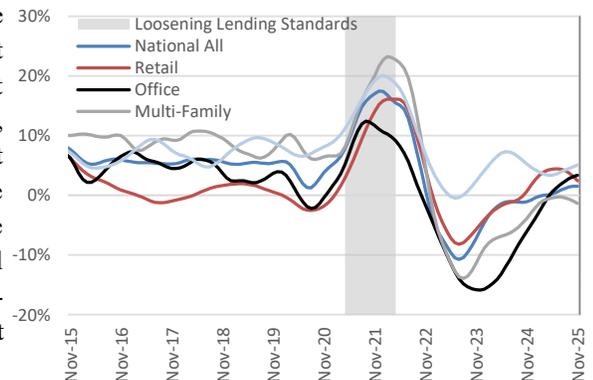


Sources: Federal Reserve Senior Loan Office Survey, Bloomberg Finance L.P., OWS

tunity set into 2026 and beyond, as there is a considerable pipeline of maturing CMBS loans on the horizon (Exhibit 18). We target seasoned loan pools that generally have only one to a few loans remaining in the securitization. Therefore, we expect that we can thoroughly underwrite each of the remaining properties. This trade is fundamentally different from buying new issue conduit CMBS, which are collateralized by a large and diverse mix of underlying properties. Because of the difficulty underwriting the credit fundamentals of these large pools of diverse properties at a level we deem acceptable, we have historically underweight new issue conduit securities in environments other than when benchmark risk premia/spreads are wide and we want to expressly overweight generic CMBS market beta.

We remain active within the new issue SASB market and expect increasing opportunities from maturing loans originated in 2021 and 2022 prior to the Fed's most recent rate tightening cycle that will need to refinance over the next couple of years. Many of these loans were originated at the peak of the most recent CRE cycle when lending standards were generally easy (Exhibit 19), interest rates were low, and property valuations were generally high (Exhibit 20). Similar to maturing conduit loans, many of these properties will require loan modifications/extensions, new capital and/or new sponsorship to reset the basis, creating attractive opportunities to develop differentiated fundamental views on property valuation and cashflow timing. Again, CMBS tranches facilitate targeted risk exposure up and down the capital structure to optimize what we believe to be the most attractive risk-adjusted return opportunities.

Exhibit 20:
CRE Prices Have Declined from Peaks
RCA Commercial Property Price Index (CPPI) - YoY Chg (%)



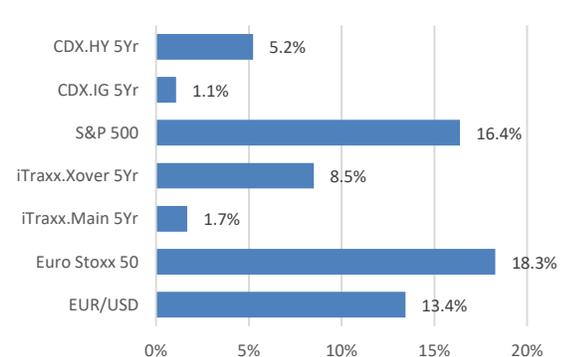
Sources: RCA, Federal Reserve Senior Loan Office Survey, Bloomberg Finance L.P., OWS

We expect their to be attractive investment opportunities to capitalize on the wave of loans that will need to refinance over the next couple of years. We remain vigilant within the CRE sector and continue to identify what we find to be the most attractive risk-adjusted opportunities as they arise.

Non-Dollar ABS & RMBS - Despite U.S. tariff policy uncertainty, European risk assets have generally outperformed their U.S. counterparts. The Euro Stoxx 50 Index outperformed the S&P 500 by ~+190 bps—not accounting for the ~+13.4% appreciation the Euro experienced against the Dollar this year. Meanwhile, iTraxx Crossover outperformed High-Yield CDX by ~+3.27% (Exhibit 21).

While 2026 GDP growth expectations for the European Union remain lackluster in comparison to U.S., there is a general expectation for an increase in public spending across many European economies—with noteworthy growth expectations in Germany on the back of increased defense spending and infrastructure build-out. Additionally, forecasts suggest that unemployment will remain range-bound, inflation will ease, and interest rates will fall—together creating a supportive environment for European consumers.

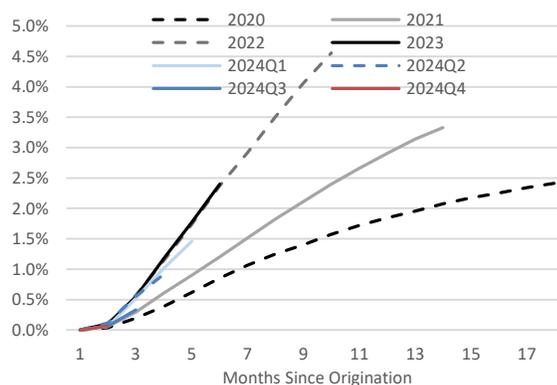
Exhibit 21:
European Risk Assets Outperformed U.S. in 2025
Corporate Credit, Equity, and Currency Benchmarks



Sources: STOXX, Standard & Poor's, J.P. Morgan, Bloomberg Finance L.P., OWS
*CDX and iTraxx Indices are representative of unfunded returns.
* Euro Stoxx 50 Index return is not currency-adjusted.

Our non-dollar portfolio continued to perform well in 2025. Our RMBS portfolio outperformed ABS over the course of the year, with our selectively constructed exposure to re-performing and non-performing loans (RPL/NPL) performing well. We have deliberately increased activity in this segment over the course of the year, as we consider the opportunity set attractive relative to performing European RMBS on both an absolute and relative basis. Similar to in the U.S., we continue to find new issue European ABS fundamental credit performance to be strong, with delinquencies coming in below the underperforming 2022/2023 vintages. While we invest across Europe, we have recently found ABS exposures across Spain to be particularly robust, as economic growth and employment within the country remains resilient. Moreover, post-2022/2023 underperformance, originators have tightened lending standards, resulting in what we find to be stronger credit profiles in the 2024/2025 vintages. For instance, in Exhibit 22, we show the historical default curves of a prominent Spanish unsecured consumer ABS issuer. The 2024 vintages are performing better than the 2022/2023 vintages—with the 2H 2024 vintages showing signs of meaningfully better credit performance.

Exhibit 22:
Representative Spanish Consumer ABS Originator
Historical Defaults by Vintage - Months Since Origination

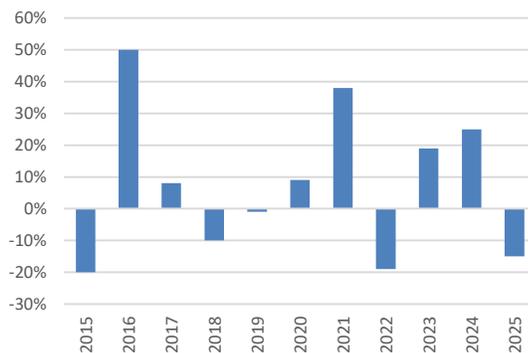


Source: OWS

Collateralized Loan Obligations (CLOs) - We have been intentionally underweight CLOs to limit both fundamental credit beta and mark-to-market risk within our portfolio. While corporate earnings have been robust, growth and inflation concerns drove investor scrutiny within the most risky tranches of the CLO capital structure. According to Nomura, CLO equity returns totaled a median return of -15% in 2025—the third-lowest total return in the post GFC era, driven by NAV declines (Exhibit 23).

We continue to view the convexity profile of CLOs as less compelling compared to other sectors in which we invest. We still find risks within CLOs to be skewed towards the downside, and generally find the sector to remain rich in comparison to other opportunities we see across securitized credit. While in absolute terms, benchmark CLOs offer spread pick-up to comparable unsecured corporate credit, we find the quality of the assets backing CLOs to continue to skew towards lower quality assets. According to J.P. Morgan, the percentage of CLOs backed by mezzanine B3-rated (i.e., B-) assets have risen to multi-year highs, while spreads are at multi-year lows. Consequently, we continue to adopt a tactical approach to our CLO exposure, focusing on relative value opportunities both within the sector and across the broader corporate credit market.

Exhibit 23:
CLO Equity Exhibited Poor Performance in 2025
Annual CLO Equity Total Returns



Sources: Nomura, OWS

Investing in the Fund may be considered speculative and involves a high degree of risk, including the risk of possible substantial loss of your investment.

Prior to investing, Investors should carefully consider the investment objectives, risks, charges and expenses of the IWS Credit Income Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling (833) 834-4923 or visiting www.IWSCapital.com. The prospectus should be read carefully before investing.

IWS Credit Income Fund is distributed by ALPS Distributors, Inc. ALPS Distributors, Inc. is not affiliated with IWS Capital Advisors, LLC or One William Street Capital Management, L.P.

Net performance data are pre-tax, fund-level, net of operating expenses, management fees, and any applicable shareholder servicing and distribution fees charged to investors. ITD Net return is a linked monthly return. Actual returns experienced by an investor may vary due to these factors, among others.

RISK DISCLOSURES

Past performance is not a guarantee of future results. There is no assurance that the Fund will meet its investment objective.

Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% of the Fund's shares outstanding at net asset value. There is no guarantee that shareholders will be able to sell all of the shares they desire to sell in a quarterly repurchase offer. The Fund is suitable only for investors who can bear the risks associated with the limited liquidity of the Fund and should be viewed as a long-term investment. The Fund's investments may be negatively affected by the broad investment environment in the real estate market, the debt market and/or the equity securities market. The value of the Fund's investments will increase or decrease based on changes in the prices of the investments it holds. This will cause the value of the Fund's shares to increase or decrease. The Fund is "non-diversified" under the Investment Company Act of 1940 and, thus, changes in the financial condition or market value of a single issuer may cause a greater fluctuation in the Fund's net asset value than in a "diversified" fund. Diversification does not eliminate the risk of experiencing investment losses. The Fund is not intended to be a complete investment program. The Fund expects most of its investments to be in securities that are rated below investment grade or would be rated below investment grade if they were rated. Below investment grade instruments or "junk securities" are particularly susceptible to economic downturns compared to higher rated investments. While the Fund may employ hedging techniques to seek to minimize interest rate risk, there can be no assurance that it will engage in such techniques at any given time or that such techniques would be successful. As such, the Fund is subject to interest rate risk and may decline in value as interest rates rise. The Fund may use leverage to achieve its investment objective, which involves risks, including the increased likelihood of net asset value volatility and the increased risk that fluctuations in interest rates on borrowings will reduce the return to investors. In addition to the normal risks associated with investing, investing in international and emerging markets involves risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles or from social, economic or political instability in other nations. The Fund may employ hedging techniques to seek to minimize foreign currency risk. There can be no assurance that it will engage in such techniques at any given time or that such techniques would be successful. The Fund may invest in derivatives, which, depending on market conditions and the type of derivative, are more volatile than other investments and could magnify the Fund's gains or losses. An investment in shares should be considered only by investors who can assess and bear the illiquidity and other risks associated with such an investment.

Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. Mortgage-backed and asset-backed securities are affected by interest rates, financial health of issuers/originators, creditworthiness of entities providing credit enhancements and the value of underlying assets. Fixed-income securities present issuer default risk. Prepayment and extension risk exists because a loan, bond or other investment may be called, prepaid or redeemed before maturity and similar yielding investments may not be available for purchase. Structured finance securities may present risks similar to those of the other types of debt obligations in which the Fund may invest and, in fact, such risks may be of greater significance in the case of structured finance securities. Investing in structured finance securities may be affected by a variety of factors, including priority in the capital structure of the issuer thereof, the availability of any credit enhancement, and the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, among others. Market or other (e.g., interest rate) environments may adversely affect the liquidity of Fund investments, negatively impacting their price. Generally, the less liquid the market at the time the Fund sells a holding, the greater the risk of loss or decline of value to the Fund. See the Fund's prospectus for information on these and other risks.

There can be no assurance that the Fund will achieve its investment objective. Many of the Fund's investments may be considered speculative and subject to increased risk. Neither One William Street Capital Management, LP nor IWS Capital Advisors, LLC has managed a 1940-Act registered product prior to managing the fund. Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The ability of the Fund to achieve its investment objective depends, in part, on the ability of the Adviser to allocate effectively the assets of the Fund among the various securities and investments in which the Fund invests. There can be no assurance that the actual allocations or investment selections will be effective in achieving the Fund's investment objective or delivering positive returns.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the portfolio manager disclaims any responsibility to update such views. The views expressed in this report reflect the current views of the portfolio manager as of December 31st, 2025.

There are limitations when comparing the IWS Credit Income Fund to indices. Many open-end funds which track these indices offer daily liquidity, while closed-end interval funds offer liquidity on a periodic basis. Deteriorating general market conditions will reduce the value of stock securities. When interest rates rise, the value of bond securities tends to fall. Investing in lower-rated securities involves special risks in addition to the risks

associated with investments in investment grade securities, including a high degree of credit risk. Lower-rated securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. There is a risk that issuers will not make payments, resulting in losses to the Fund. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Assets and securities contained within indices are different than the assets and securities contained in the IWS Credit Income Fund and will therefore have different risk and reward profiles. An investment cannot be made in an index, which is unmanaged and has returns that do not reflect any trading, management or other costs. Please see definitions for a description of the investment indexes selected.

DEFINITIONS

Aaa Corporate: The Bloomberg Aaa Corporate Index measures the Aaa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Aa Corporate: The Bloomberg Aa Corporate Index measures the Aa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

A Corporate: The Bloomberg A Corporate Index measures the A-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

ABS: Asset-Backed Securities are instruments secured by financial, physical, and/or intangible assets (e.g., receivables or pools of receivables), and investments in any assets/instruments underlying the foregoing structured/secured obligations.

Baa Corporate: The Bloomberg Baa Corporate Index measures the Baa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

Ba U.S. High Yield: The Bloomberg Ba US High Yield Index measures the USD-denominated, Ba-rated, fixed-rate high-yield corporate bond market. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

B U.S. High Yield: The Bloomberg B US High Yield Index measures the USD-denominated, B-rated, fixed-rate high-yield corporate bond market. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Basis Points (bps): A basis point is a common unit of measurement for interest rates and credit spreads and is equal to one hundredth of one percent.

Bond Rating Scale:

Moody's	Standard & Poor's	Fitch
Aaa	AAA	AAA
Aa1	AA+	AA+
Aa2	AA	AA
Aa3	AA-	AA-
A1	A+	A+
A2	A	A
A3	A-	A-
Baa1	BBB+	BBB+
Baa2	BBB	BBB
Baa3	BBB-	BBB-
Ba1	BB+	BB+
Ba2	BB	BB
Ba3	BB-	BB-
B1	B+	B+
B2	B	B
B3	B-	B-
Caa	CCC	CCC
Ca	CC	CC
C	C	C

Investment Grade

A bond rating is a letter-based scoring scheme used to judge the quality and creditworthiness of a bond. The three largest private independent rating services are Moody's, Standard & Poor's and Fitch Ratings Inc. The letter-based grading scale for each of these rating agencies is highlighted to the left. The higher a bond's rating, the higher its credit quality. Bonds rated BBB or higher are considered investment grade. Bonds rated BB and below are considered non-investment grade.

Non-Investment Grade

Buy-to-Let (BTL): Buy-to-let mortgages are for landlords who want to buy property to rent it out.

Caa U.S. High Yield: The Bloomberg Caa US High Yield Index measures the USD-denominated, Caa-rated, fixed-rate high-yield corporate bond market. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Capitalization Rate: The capitalization rate (also known as cap rate) is used in the world of commercial real estate to indicate the rate of return that is expected to be generated on a real estate investment property.

CLO: Collateralized Loan Obligations are instruments that represent debt and equity tranches of collateralized loan obligations and collateralized debt obligations.

CDX High Yield Index: An equal-weight index composed of 100 non-investment grade credit default swaps on entities domiciled in North America.

CDX Investment Grade Index: An equal-weight index composed of 125 investment grade credit default swaps on entities domiciled in North America.

CMBS: Commercial Mortgage-Backed Securities are fixed income instruments that are secured by mortgage loans on commercial real property.

CMBX: CMBX indices are synthetic tradable indices referencing a basket of 25 commercial mortgage-backed securities (CMBS).

Convexity: Convexity is a measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields.

Credit Enhancement: Credit enhancement is a risk-reduction technique that provides protection, in the form of financial support, to cover losses under stressed scenarios.

Credit Risk Transfer (CRT) Securities: CRT securities effectively transfer a portion of the risk associated with credit losses within pools of residential mortgage loans to investors.

Debt Service Ratio: The household debt service ratio (DSR) is the ratio of total required household debt payments to total disposable income.

Duration-Adjusted: Duration-adjusted or excess return is a measure of pure credit performance for fixed-rate bonds by adjusting for movements in benchmark interest rates.

EURO STOXX 50: The index covers 50 of the leading blue-chip stocks from 11 Eurozone countries.

FICO: The Fico Score is used by lenders to help make accurate, reliable, and fast credit risk decisions across the customer lifecycle.

Financial Obligation Ratio: The financial obligation ratio is the ratio of required household debt payments to total disposable income and includes rent payments on tenant-occupied property, auto lease payments, homeowners' insurance, and property tax payments

Floating-Rate Loans: A floating rate loan has an interest rate which changes periodically based on an underlying index plus a spread.

Forbearance: The temporary suspension of loan repayments due to demonstrated financial hardship on the part of the borrower.

Home Equity Line of Credit / Loan (HELOC / HELOAN): A loan that allows a homeowner to borrow against the equity in their home. A HELOC is a revolving line of credit with a defined draw period, whereas a HELOAN is a loan received upfront in its entire amount.

ICE BofAML US High Yield Master II TR Index: The index tracks the performance of US dollar denominated below investment grade rated corporate debt publically issued in the US domestic market. Investors cannot invest directly in an index.

Interest Rate Hedges: Interest rate hedges include a variety of different products to help protect against interest rate risk. In principle, interest rate hedging products provide greater certainty over future loan repayments.

iTraxx Crossover: An equally weighted index comprised of 75 credit default swaps on the most liquid non-investment grade European corporates.

iTraxx Main: An equally weighted index comprised of 125 credit default swaps on investment grade European corporates.

Loan-to-Value (LTV): Loan-to-value is a measure of the size of a loan relative to the value of an asset.

Mezzanine Tranche: A mezzanine tranche within a securitization lies in the middle of the capital structure, below the senior tranche and above the junior tranche (typically an unrated equity tranche).

Morningstar LSTA US Leveraged Loan Index: A market value weighted index designed to measure the performance of the US leveraged loan market that tracks the performance of more than 1,400 USD denominated loans.

Non-Dollar ABS: Non-Dollar Asset-Backed Securities are instruments secured by financial, physical, and/or intangible assets (e.g., receivables or pools of receivables), and investments in any assets/instruments underlying the foregoing structured/secured obligations outside of the U.S. Non-Dollar Asset-Backed Securities are denominated in currencies other than the U.S. Dollar.

Non-Dollar RMBS: Non-Dollar Residential Mortgage-Backed Securities are securities that may be secured by interests in a single residential mortgage loan or a pool of mortgage loans secured by residential property outside of the U.S. Non-Dollar Residential Mortgage-Backed Securities are denominated in currencies other than the U.S. Dollar.

Non-Performing Loans (NPL): Mortgage loans that are subject to late repayment (i.e., 90 days have passed without the borrower paying the agreed instalments) or are unlikely to be repaid by the borrower.

Non Qualified Mortgages (Non-QM): A non-qualified mortgage — or non-QM — is a home loan that is not required to meet agency-standard documentation requirements as outlined by the Consumer Financial Protection Bureau (CFPB).

Real Capital Analytics (RCA) Property Price Index: The RCA Property Price Indices are transaction based indices that measure property prices at a national level.

Re-performing Loans (RPL): Mortgage loans that were once delinquent but has since returned to performing status.

Residential Transitional Loans (RTL): Mortgage loans, specifically real estate investment loans, that are usually short duration financing for investors pursuing construction, renovation, and other rehabilitation projects on a property.

RMBS: Residential Mortgage-Backed Securities are securities that may be secured by interests in a single residential mortgage loan or a pool of mortgage loans secured by residential property.

Risk-Adjusted: A risk-adjusted return is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it. The risk is measured in comparison to that of a risk-free investment, usually U.S. Treasuries.

Risk Premia: Risk Premia is the investment return an asset is expected to yield in excess of the risk-free rate of return.

SASB: Single Asset Single Borrower (SASB) CMBS transactions involve the securitization of a single loan (SA) or collateralized by a group of assets all owned by the same borrower (SB).

S&P 500 Index: An index that includes 500 leading companies and covers approximately 80% of available market capitalization.

S&P CoreLogic Case-Shiller U.S. National Home Price Index: The index tracks the value of single-family housing within the United States.

Subprime Auto ABS: Auto asset-backed securities (auto ABS) are structured finance securities that are collateralized by auto loans or leases, specifically subprime (poor credit standing) borrowers.

Tranche: Tranches are segments created from a pool of assets - usually debt instruments such as bonds or mortgages - that are divided up by risk, time to maturity, or other characteristics in order to be marketable to different investors.

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