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1WS Capital Advisors

1st Quarter Review & Outlook 2023

Q1 2023 delivered more questions than answers, as the strong risk-on sentiment to start the year has been overwhelmed by a murky mix of fragile banking system confidence, sustained interest rate volatility, and a resilient labor market, producing slowing growth expectations for the months ahead. It is reasonable to expect tighter financial conditions, both directly from monetary policy and indirectly from tighter bank lending standards. This will have broad consequences for credit, within the consumer and real estate markets, which reflect much of the focus in our portfolios. We have maintained a disciplined risk positioning that has served us well over the past 18 months, in our opinion, mitigating directional risk and positioning in loss-remote credit profiles and short remaining life/spread duration assets until there is greater visibility, in our opinion, to the intermediate-to-longer term horizon. From our perspective, the forces supporting elevated spread levels are offering compelling relative and absolute risk-adjusted returns to well capitalized investors for both public and private investment opportunities across structured credit sectors.

- ***"Bonds are Back" - The income has returned to fixed-income credit:*** *The combination of rising benchmark yields and widening credit spreads has significantly increased the all-in yield of fixed-income credit securities. In many instances, securities higher in the capital structure, in our opinion, present significantly less risk per unit of return on a historical basis.*

- ***Increasing credit dispersion:*** *Even within a particular sector, there is material variation in cumulative realized losses across originators, deals, and vintages driven by significant differences across alternative collateral characteristics and structural nuances.*

- ***Credit convexity has returned to many sectors.*** *Increased fundamental uncertainty and lower dollar prices due to higher yields and wider spreads have improved the convexity profile of many securities in the current market. In addition, evolving structural features/credit enhancement can act as catalysts to leverage positive credit convexity and optimize risk-adjusted return potential.*

- ***Market volatility has increased relative value trading opportunities:*** *Given the significant cheapening of structured credit sectors and volatility within and across sectors, we expect to continue capturing attractive risk premia across various credit sectors and capital structures.*

- ***Tighter lending standards will increase opportunities in specialty lending:*** *Our private credit business spans commercial and residential real estate, in the U.S. and Europe, as well as a broad mix of consumer credit and specialty finance opportunities. Direct lending allows us to shape loan terms and investment structure to better balance the borrower's needs with ours. Having deep collateral expertise, administrative control and dominion over asset quality and collateral characteristics also allows us to tailor our exposures (i.e., specific terms) and the ability to direct potential workout and resolution strategies.*

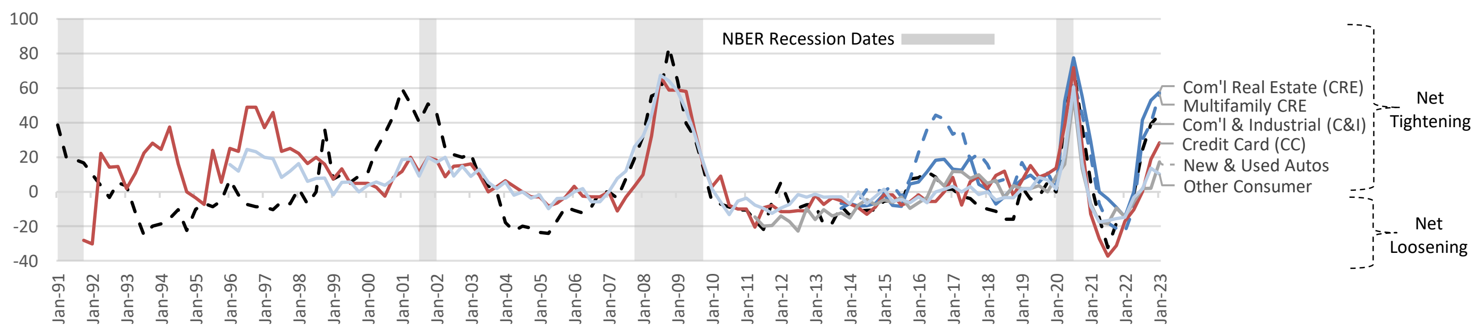
March 31st, 2023

The 1WS Credit Income Fund (the "Fund") is a closed-end interval fund launched in March 2019. As of March 31, 2023, the Fund has gross assets under management of approximately $179 million (approximately $126 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.

Uncertainty regarding the future path of monetary policy and the resulting financial and economic implications continue to be at the center of heightened market volatility, in our opinion. Elevated interest rate volatility was highlighted in Q1 as market participants priced in a higher probability that the Fed's resolve to continue raising interest rates in its attempt to contain still-high inflation will lead to a sharp economic contraction and force a "pivot" by the Fed as early as late 2023. Reinforcing concern, cracks are beginning to appear within sectors of the economy as a result of the already sharp increase in interest rates over the past year, which may force the Fed into a more dovish stance to deal with risks regarding financial stability. It seems as though a combination of the factors is driving interest rate curves.

Several high-profile bank defaults and takeovers over the past month have raised contagion fears and concern that banks may have to sell fixed-income assets to raise capital. We believe this has hampered, and will likely continue to hamper, market liquidity and add to volatility across many fixed-income sectors over the short- to intermediate-term. At a minimum, many economists believe that recent banking sector woes will likely result in increased regulatory scrutiny and more conservative lending

Exhibit 1:
Bank Lending Standards Have Already Been Tightening
Net Percentage of Domestic Respondents Tightening Lending Standards by Loan Type



Sources: Federal Reserve Senior Loan Survey, National Bureau of Economic Research (NBER), Bloomberg, OWS

Source: JPMorgan, Bloomberg, OWS

Past performance is not indicative of future returns. See important risk disclosures and definitions on pp. 11-13. It is not possible to invest in an index.

Net Return Performance as of 3/31/23*	MTD	YTD	ITD (3/4/19)
1WS Credit Income Fund (**OWSCX**) Class I shares	0.17%	2.11%	25.33%
1WS Credit Income Fund (**OWSAX**) Class A-2 shares	0.11%	1.91%	21.85%
Bloomberg Barclays U.S. Aggregate Bond Index[1]	2.54%	2.96%	2.25%
ICE BofAML U.S. High Yield Index[2]	1.13%	3.72%	10.76%

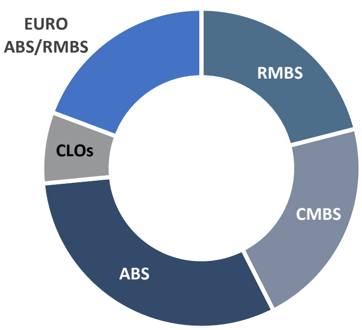
Source: Bloomberg, Bank of America, OWS

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 A2 shares are subject to an upfront sales load of up to 3%, which is not reflected in the returns shown above and, if applied, would lower such returns. 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 1WS 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.*

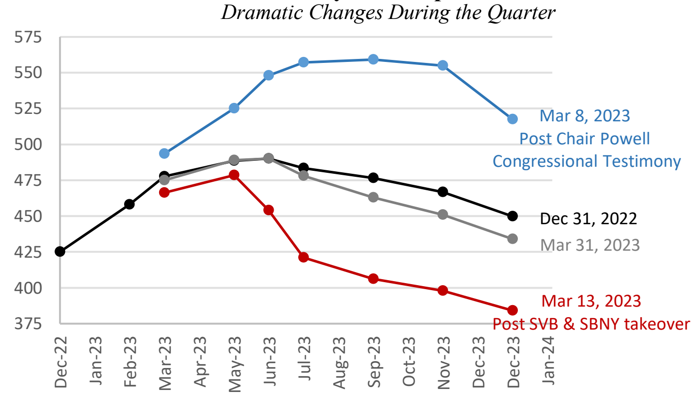
Portfolio Composition[1] and Net Return Attribution[2]



Asset Type	Portfolio Composition 3/31/2023	Net Return[2] Attribution YTD
Asset-Backed Securities (ABS)	31.0%	0.02%
Collateralized Loan Obligations (CLOs)	7.2%	0.22%
Commercial Mortgage-Backed Securities (CMBS)	21.5%	-0.05%
European ABS & RMBS	19.3%	0.80%
Residential Mortgage-Backed Securities (RMBS)	21.0%	0.85%
Other	-	0.60%
Interest Rate Hedges	-	-0.33%
Total	**100.0%**	**2.11%**

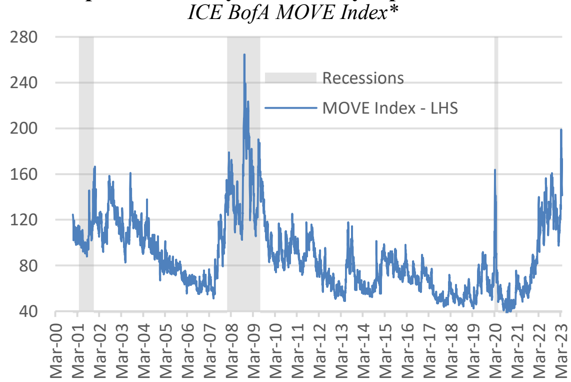
[1] *The Portfolio composition as of 3/31/23 differs from the portfolio composition for any point prior to such date and is subject to change at any time.*
[2] *Net performance data reflects the deduction of all fees and expenses. Net return attribution represents portfolio PnL by sector divided by the 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.*

Exhibit 2:
Fed Policy Rate Expectations
Dramatic Changes During the Quarter



Sources: CME FedWatch Tool
FOMC meeting probabilities are determined from the corresponding CME Group Fed Funds futures contracts

Exhibit 3:
Implied Volatility of Treasury Options Soared
*ICE BofA MOVE Index**



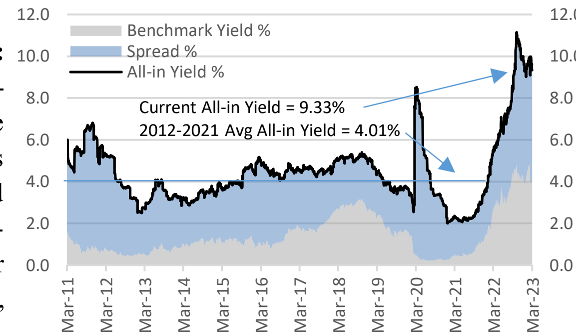
Sources: Bank of America, Bloomberg, OWS
*A yield curve weighted index of implied volatility on 1-month Treasury options across 2yr, 5yr, 10yr and 30yr Treasury maturities.

standards across the banking sector. Moody's recently downgraded their view of the U.S. banking system to negative which may further reduce some banks' desire and ability to lend. Tighter bank lending standards, which have already been tightening (Exhibit 1), will further limit credit availability, in our opinion, and raises the risk of a more severe economic slowdown.

Market expectations for future Fed policy rates have changed dramatically during the first quarter (Exhibit 2). Prior to the emergence of banking sector stresses, strong labor gains and upside surprises to inflation had resulted in the market pricing a more aggressive Fed "Higher for Longer" relative to the start of the year (Exhibit 2). However, immediately following the collapse of Silicon Valley Bank (SVB) and Signature Bank (SBNY), market expectations for future Fed policy downshifted dramatically. Concern over the financial stability of the banking sector and growing concern over downside economic risk resulted in sharp downward repricing of Fed Funds futures; market expectations for the year-end Fed Funds target rate declined by approximately 150 bps in three days (Exhibit 2). Implied volatility of options on interest rates (ICE BofA MOVE index), which had been elevated, spiked to its highest level since the global financial crisis (Exhibit 3).

While mindful of elevated economic and fundamental risks, we believe that many of the current risk-adjusted investment opportunities we see across structured credit are among the most attractive we have seen since the fallout of the global financial crisis (GFC). Market technicals in 2022 brought a significant amount of supply back into the market, in our opinion. We believe a host of flawed portfolio strategies, given large sustained movement in interest rates, volatility, redemption activity, and negative convexity, exposed many of the negative portfolio characteristics we have highlighted as a concern for a number of years. Increased market turbulence and economic uncertainty have created divergent perceptions among investors regarding the appropriate pricing of securities across various sectors, issuers, and vintages. This environment has introduced even more opportunities to leverage our infrastructure to underwrite borrower and collateral fundamentals as well as prioritizing our skills in underwriting asset price volatility relative to required returns. The many structural characteristics, differentiating structured credit relative to other credit sectors, create even more complexity, in our opinion, regarding valuations with increasing levels of volatility. Conditions have changed markedly across credit markets over the past year, many of which contribute to our current enthusiasm for the investment opportunities we see.

Exhibit 4:
All-in Credit Yields Have Increased Significantly
Benchmark New-Issue Subprime Auto - BB-Rated



Sources: JPMorgan, OWS

- **"Bonds are Back" - The income has returned to fixed-income credit:** After nearly a decade of near-zero monetary policy rates, prolonged periods of low volatility, and historically narrow credit spreads, we believe credit markets currently offer the potential for generating attractive returns from income/yield alone. The combination of rising benchmark yields and dramatically wider credit spreads available in certain sectors, has significantly increased the all-in yield of fixed-income credit securities, in our opinion. For example, new issue benchmark subprime auto (BB-rated, 3.5yr avg. life) securities currently offer an unleveraged yield of approximately 9.3%, more than double the average yield of comparable securities during the decade preceding 2022 (Exhibit 4). Securities higher in the capital structure may have a lower expected nominal return but significantly less risk. With modest leverage, in many cases, it may be possible to replicate the same or lower risk profile of benchmark indices with a higher expected return. Having a flexible investment mandate assists us in working to optimize portfolios to potentially extract the most attractive risk-adjusted return opportunities up and down the capital structure and across collateral types.

- **Increasing credit dispersion:** When market volatility and fundamental uncertainty are low, investors' search for yield tends to compress risk premia across sectors/securities, in our opinion. As the price of risk compresses, there are fewer opportunities to extract an attractive risk premia (Alpha) by having a differentiated fundamental view. We believe that the current environment of heightened market volatility and rising fundamental uncertainty have increased opportunities for identifying attractive relative return opportunities. This is particularly true, in our opinion, within securitized products in which many diverse collateral characteristics and structural nuances differentiate the risk and return profile of alternative securities. Having the collateral and structural underwriting expertise to differentiate between risks and opportunities is critical.

- **Credit convexity has returned to many sectors:** Increased fundamental uncertainty and lower dollar prices due to higher yields and wider spreads have improved the convexity profile of many securities in the current market. In our opinion, positive credit convexity can substantially improve an investment's risk-adjusted total return potential relative to nominal yield alone. The many structural nuances within structured credit can act as catalysts to leverage positive credit convexity and optimize risk-adjusted return potential.

- **Heightened market volatility has increased relative value trading opportunities:** The sharp increase in market volatility over the past year has increased relative value trading opportunities across capital markets. We believe heightened capital market volatility will likely remain over the intermediate term, creating ongoing opportunities to capitalize on short- to intermediate-term market dislocations within and across sectors.

- **Distressed opportunities are increasing:** Slower economic growth, and elevated market volatility have created, and we believe will continue to create, stressed and ultimately distressed opportunities in the market. Many investors were encouraged to add risk, in search of yield, during the low-interest rate, low-volatility, and low-spread environment in past years. Increasingly, we believe many investors will find themselves unwilling or unable to retain investments, as such classic "late cycle" factors as fundamental underperformance and increasing uncertainty lead to rating downgrades; many existing investors may be ill-equipped to value and to manage risks in the current environment. Recent banking sector woes and refinancing challenges facing many commercial real estate properties will likely present additional distressed opportunities. Given the size and speed of recent monetary policy tightening, we are confident many opportunities will emerge as the economy transitions through this economic cycle. That said, we still feel it is premature, since subordinate pricing generally does not reflect the potential impact of the weakening macro backdrop. We see more value, higher in the capital structure, where outsized risk premia comes with little fundamental risk exposure.

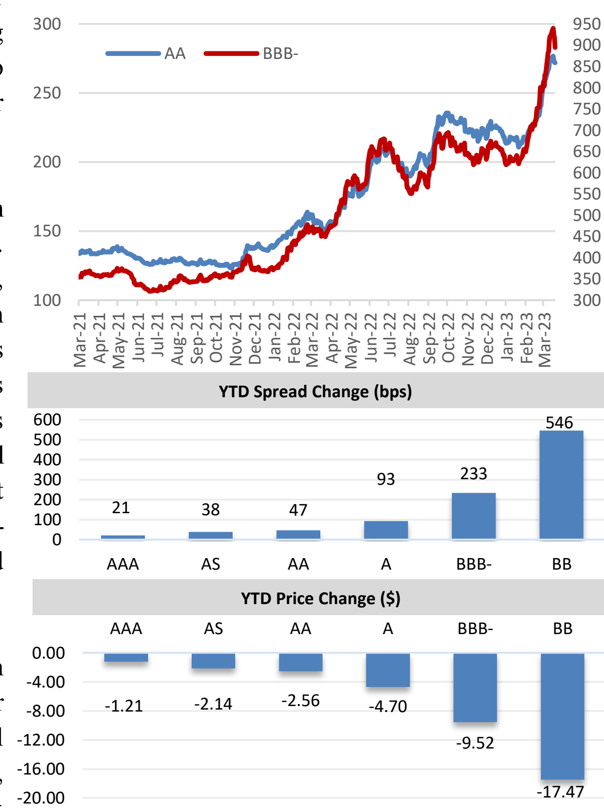
We believe the current environment of sharply higher yields, attractive risk premia, and embedded positive credit convexity sets up a scenario for generating higher returns for a given level of risk than we have seen in a decade. In our opinion, increasing fundamental uncertainty translates into greater opportunities for us to capitalize on our differentiated fundamental views. The potential for continued market dislocations, distressed situations, and private lending opportunities will only add to the attractive opportunity set that we believe has emerged. We remain focused on identifying shorter-duration investment profiles whose returns will be driven by near-term fundamentals being better than expectations, combined with loss remote, longer-duration profiles, which on a hedged basis, should provide attractive total returns as spreads converge toward historical norms while minimizing directional risks.

First Quarter Review

Volatility and macro uncertainty continued to define the backdrop across capital markets, during the first quarter structured credit sectors were relatively stable. March performance was more muted, given the onset of stresses in the banking sector and the ensuing downside risks to economic growth. The significant decline in interest rates during March resulted in rate hedging losses across our portfolio. Despite growing fundamental uncertainty in some sectors of consumer asset-backed securities (ABS) and commercial real estate, we realized positive first-quarter gains across each of our broad sector-level investment strategies.

Commercial Real Estate Debt - There has been no escaping the negative headlines surrounding commercial real estate (CRE) during the first quarter, with particular attention being cast on fundamental challenges (both secular and cyclical) faced in the office sector. The office sector has been struggling for several years as the shift to remote work following the pandemic has led to rising vacancy rates and increasing concerns over obsolescence risk in older vintage properties.

Exhibit 5:
Commercial Mortgage-Backed Securities (CMBS)
Synthetic CMBX Series 13 (2019 Vintage)



Sources for all 3 charts: JPMorgan, OWS

According to JPMorgan, national vacancy rates and total availability, which include space put up for sublease, have reached 12.5% and 16%, respectively. This is just shy of the highs reached during the global financial crisis (GFC), and it remains unclear where we plateau as vacancy rates continue to climb in most markets. One of the biggest challenges in CRE underwriting today is forecasting lease renewals and net effective rents in the office sector. This challenge of oversupply is not dissimilar to the challenges the retail sector has been dealing with for years, with an overabundance of brick-and-mortar retail malls as online sales capture market share. We have seen the crushing impact to property values of right-sizing supply where properties need to be redeveloped into alternative uses, given zoning processes and high development and capital costs.

This negative sentiment in the office sector has been a significant concern since the COVID pandemic. Recently, more attention has been raised after several high-profile CRE investors effectively turned in the keys on several large office properties that were up for refinancing. As existing loans mature, many sponsors are struggling with their ability to refinance without adding significant new equity and at potentially much higher borrowing rates. It is important to remember that real estate is not homogeneous, and property-level economics and outlook vary widely across assets. Also, capital structures vary in the amount of leverage and therefore how much equity sponsors have at risk. Over the last several years we have seen low rates drive refinancing, with increasing demand for mezzanine debt and preferred equity allowing some sponsors to reduce dramatically their remaining equity at risk. Further complicating matters for CRE lenders is, what we believe to be, an increasing propensity of sophisticated sponsors deploying strategic defaults as a liability management tool, improving recoveries on their leveraged positions in assets at the expense of weak creditors who may lack flexibility, capital, or operating experience to drive (or discourage) workouts.

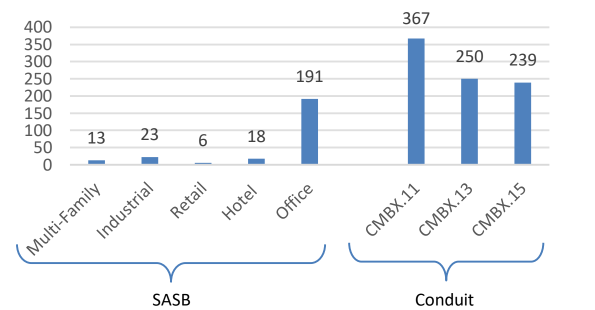
More generally across CRE, the rising rate environment has spelled increased uncertainty, with respect to property level cash-flows and appropriate cap rates to apply. Compounding the issue of higher rates is a marked tightening in the availability of, and terms for financing, CRE. For example, in the multifamily sector, the government-sponsored entities' (GSEs) current coupon loan program often would provide leverage of up to 75%. However, given higher rates and DSCR-driven underwriting constraints, leverage today more closely approximates 55% LTV. In the multifamily sector, which has largely stable fundamental performance, we are seeing how recent leverage attachment points affect volatility. Together, these forces have slowed CRE transaction activity markedly and have put pressure on property values.

Further pressure in the CRE sector arose in the aftermath of the collapse of SVB and SBNY. Initial concerns over mismatched interest rate risk on bank balance sheets quickly turned to concerns over credit risk in CRE loan portfolios and the potential risk of banks needing to sell CMBS to raise liquidity. Regional banks are one of the largest U.S. lenders of commercial real estate and banks generally are large buyers of commercial mortgage-backed securities (CMBS). Longer term, many economists believe that recent stresses in the banking sector will likely result in increased regulatory scrutiny and more conservative lending standards across the banking sector. Bank lending standards had already been increasing after the Fed began raising interest rates (Exhibit 1). An additional pullback will only further reduce available capital for CRE financing at a time when funding through the CMBS market has also declined significantly. According to Green Street data, CMBS originations during the first quarter were just $17.4 billion, down 77% from last year, and on pace for the lowest annual level in more than a decade.

Exhibit 6:

Repricing Has Been Concentrated in Conduit & Office

YTD Spread Change CMBS BBB-Rated Tranches (by Security Type)



Sources: JPMorgan, OWS

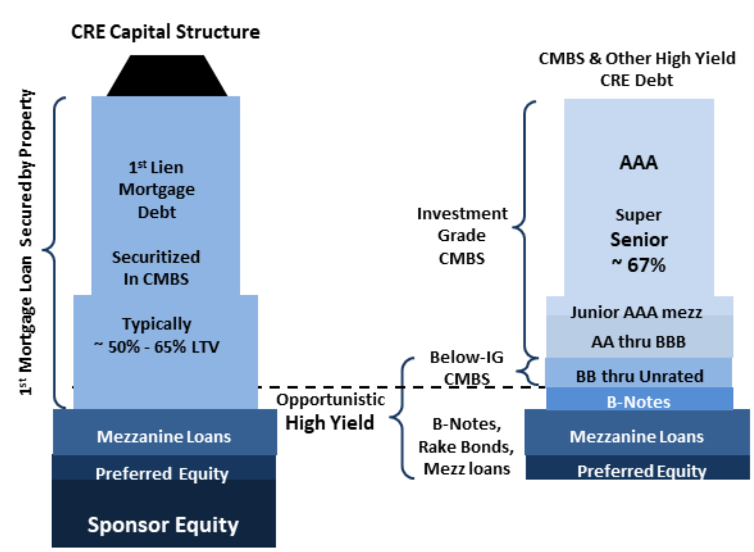
While we do not believe there has been wholesale bank selling of CMBS, bond spreads have come under significant pressure during the first quarter (Exhibits 5 & 6). This is particularly true in conduit (mixed pool) CMBS, where office properties also generally make up the largest share of underlying loans by property type. CMBX, which are derivative contracts referencing underlying conduit CMBS deals, provide a way for investors to sell CMBS exposure across the capital structure, putting pressure on cash spreads in the absence of portfolio sales. In the single-asset, single-borrower (SASB) sector, weakness has been more contained and concentrated predominantly within the office sector (Exhibit 6) and, in our opinion, is offering pools of attractive risk-adjusted returns for investors able to individually underwrite each security underlying CRE collateral and structure.

Given the obvious challenges facing the CRE sector, it is worth remembering that we invest in commercial real estate debt (not equity), which, due to total CRE capital structure financing (Exhibit 7), tends to offer significant credit enhancement with mitigated risk to a first-order reduction of commercial real estate property valuations. For years we have been writing about the risks attributable to cyclical cap rate compression and rapid property price appreciation (PPI); the market is now coming to terms with these dynamics. However, being mindful of needed property repositionings, modifications, extensions, etc., to play out over the next two years, we have continued to seek opportunities offering both significant credit enhancement cushions and/or strong property-specific characteristics (NOI), along with attractive returns. Historically, our approach to commercial real estate investments in both the public/CMBS market as well as our private/CRE lending business is as an individual property underwriter, and as a result we have minimized our CMBS conduit exposure for years. We are, and have been, very targeted

Exhibit 7:

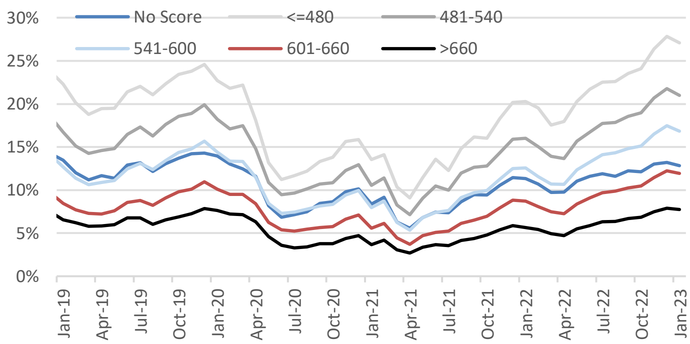
Commercial Real Estate (CRE) Finance

CRE is Financed With a Mix of Debt and Equity



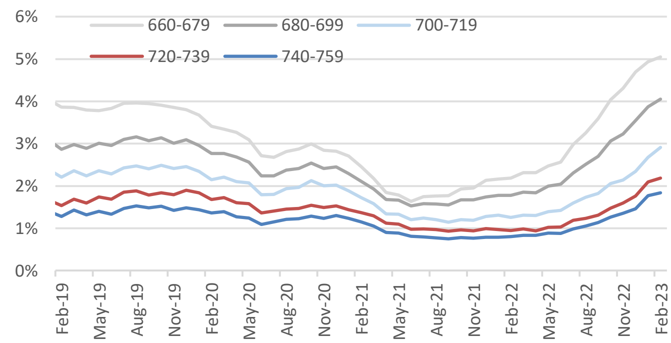
Source: OWS

Exhibit 8:
Subprime Auto 30+ Delinquencies by FICO



Source: DV01, OWS

Exhibit 9:
Unsecured Consumer 30+ Delinquencies by FICO



Source: DV01, OWS

and selective when choosing our exposures. Property type, specific property, geography, strength of sponsor, and updated underwriting metrics are all critical to our underwriting and investment process.

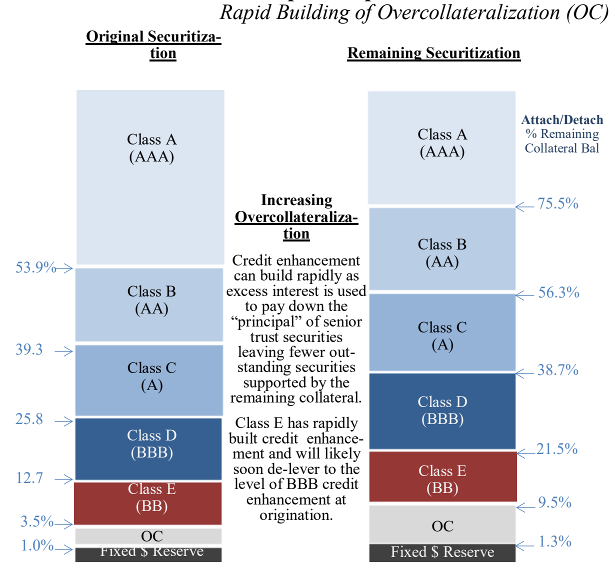
Within CMBS, our focus continues to be tilted toward the single-asset, single-borrower (SASB) sector. Short duration, primarily floating rate, generally one- to three-year remaining to max maturity, trading at what we believe to be attractive discounts. We attempt to identify situations in which we believe the underlying sponsor may have the incentive and capacity to pay off (sell the property) or refinance the loan before maturity. Given discount-dollar prices as a result of recent spread widening, these opportunities offer potentially attractive convexity characteristics. Their short duration limits market risk to further spread expansion, while discount-dollar prices offer attractive upside return potential in an early repayment.

As an example of an investment profile we are currently looking for, during the first quarter we purchased a mezzanine tranche off of a SASB deal, backed by a national portfolio of hospitality properties combining a hotel and water park. The underlying loan provided acquisition financing in 2019 (12/24 final) for a strong sponsor who committed significant upfront equity to fund the purchase of 14 properties in various markets. The sponsor is currently building four new waterparks in new markets, showing commitment to the brand. Net cash flow on the collateral pool backing the SASB deal is up 23% from acquisition underwriting with a current debt yield of 15.8% through the mezzanine tranche we purchased and 13.8% through the entire first mortgage loan backing the deal. Given general spread widening in the CRE markets, we believe we are able to find attractive investment profiles with strong underwritten asset coverage and relatively short maturities, with upside return potential from an early payoff.

Consumer Credit - The debate over the ongoing strength of the U.S. consumer in the face of still-elevated levels of inflation continues. As we highlighted in our "2023 Credit Outlook", consumer credit measures, in aggregate, had remained quite strong as we entered the year. Aggregate measures of total debt, leverage, and debt service remain near decade lows. However, we also highlighted that we expected consumer fundamentals to weaken as the economy slows, particularly as unemployment increases. Fortunately, despite an aggressive tightening cycle on the part of the Federal Reserve over the past year, the consumer sector has remained quite resilient, in our opinion.

In their latest monthly consumer checkpoint publication (3/9/22), Bank of America highlights that consumers are not yet showing material signs of stress. They point to the ongoing strength of the labor market as having allowed consumers to largely ride through inflationary pressures. With respect to the large consumer savings built up during the pandemic, they note that while these excess savings have been drawing down, the pace of drawdowns is not accelerating. "Deposits remain well above pre-pandemic

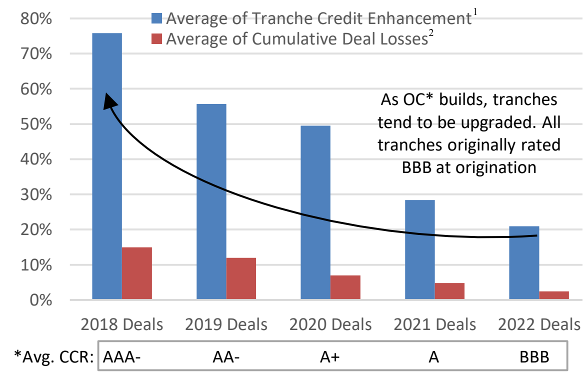
Exhibit 10:
Sample Subprime Auto Structure
Rapid Building of Overcollateralization (OC)



Source: Bloomberg, OWS

levels across income cohorts." For the lowest-income households (<50K), they note that savings remain nearly 50% higher than the 2019 average (Bank of America Institute, Feb 2023).

Exhibit 11:
Benchmark Subprime Auto Originator
Originally Rated (BBB) Tranches From Same Originator - by Vintage



Sources: JPMorgan, Bloomberg, OWS
* Overcollateralization (OC), Current Credit Rating (CCR)
[1]Credit Enhancement is expressed as a percentage of current loan balance
[2]Cumulative Deal Losses is expressed as a percentage of original loan balance

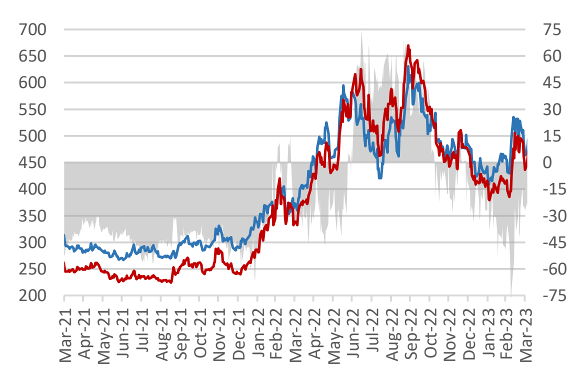
Aggregate consumer delinquencies have been increasing from their COVID lows and are starting to exceed pre-COVID levels across some cohorts (Exhibits 8 & 9). However, among ABS issuers, we are seeing consumer performance deteriorate materially across certain select issuers and vintages with some of the largest increases seen on less seasoned, late-2021, and early -2022 collateral pools. While there is always significant variation in loan performance across alternative originators and vintages, the underperformance of these particular cohorts is noteworthy in that mezzanine tranches from several deals have been put on rating watch/negative or have been downgraded. This is notable since consumer ABS deals, particularly in the subprime auto sector, have a robust track record of frequent upgrades and are rarely downgraded.

For instance, many consumer ABS can rapidly build overcollateralization (de-leverage) from excess interest in the securitization (Exhibit 10). Looking at the average overcollateralization and average current credit rating of BBB rated (at origination) tranches, analyzing subprime auto originations from the same benchmark originator shows a similar pattern (Exhibit 11). In 2022, there were no downgrades in the subprime auto or unsecured consumer sectors while there were 207 upgrades. It is not lost on us that credit and asset quality dropped materially in 2022 as lenders in many sectors took advantage of COVID fundamental consumer outperformance (including resulting credit score inflation) and asset price appreciation to lend to much weaker normalized consumer profiles. This, in our opinion, will lead to higher levels of stress as the economy slows and credit availability tightens. As a result, we have been more conservative regarding portfolio positioning, in particular with respect to those vintages most affected.

As a result of many of our concerns and broader fundamental and technical pressure in markets, we continue to be active within the consumer ABS sector. We believe that the current environment presents significant opportunities for investors to filter through the diverse set of collateral and structural characteristics across the sector. Fundamental credit dispersion will likely continue to increase across portfolios of diverse collateral characteristics, and we expect credit curves will remain steep with increasing spread tiering across asset classes and originators. The capacity to underwrite individual securities and to stress-test for adverse fundamental outcomes are increasingly important as the economic outlook worsens and idiosyncratic risk increases. That said, we believe that consumer ABS have robust structural features/credit support generally, which should continue to support performance under all but the most severe economic downturn.

We generally favor more seasoned collateral, with a preference for extending out spread duration to lock in wide relative spreads. Given the significant repricing in the sector over the past year, we can now seek to locate attractive risk-adjusted return opportunities higher in the capital structure whereby we can obtain greater credit enhancement while still capturing attractive absolute and risk-adjusted return potential. Ongoing ratings downgrades and fundamental uncertainty will continue to increase opportunities at wider spread levels, in our opinion. We believe investment opportunities will increasingly arise from sellers less capable of underwriting credit and structure at this point in the credit cycle.

Exhibit 12:
European Spreads Have Rebounded From 2022 Wides
Euro iTraxx.Xover.5yr vs U.S. CDX.HY.5yr



Source: JPMorgan, OWS

Non-Dollar ABS - European high-yield spreads, after cheapening more than 100bps relative to comparable credits in the U.S. in 2022, continued to recover during the first quarter (Exhibit 12). An unseasonably warm winter in Europe helped to reduce worst-case fears of an energy price-induced recession for the continent. The European Commission also noted strong labor markets and peaked inflation, among other factors supporting recent improvements in economic sentiment.

Despite the relative recovery of credit spreads in Europe, we believe structured credit sectors have lagged and remain attractive relative to unsecured corporate sectors. While we believe securitized credits are generally higher-quality than in the U.S., and structural protections are generally strong across European structured credit sectors, fundamental uncertainty remains elevated globally. We continue to believe that security selection and distressed underwriting assumptions are critical to uncovering value and managing risk. Fundamental credit dispersion will continue to increase across portfolios of diverse collateral characteristics and we expect credit curves will remain steep, with pronounced spread tiering for subordinates, off-the-run asset classes, and non-benchmark originators. Seemingly similar securities can have significantly different risk profiles, given the dispersion in collateral and structural characteristics. Consequently, we believe that thorough underwriting of individual securities is increasingly important.

To illustrate this point, we highlight two relatively similar European consumer auto deals which have recently come to market over the past six months (Exhibit 13). Both deals are from the same originator, who is considered a benchmark originator of prime-quality collateral. The first was collateralized by auto loans in Spain while the second was collateralized by auto loans in Germany. In each case, we evaluated the unrated first loss tranche, which had similar attach/detach points. At first glance, these might appear to be of similar value, same originator, similar collateral, and similar attach/detach. From a macro perspective, the Spanish bond may seem more favorable, as Germany has lower GDP growth and higher inflation. While the first bond offered a wider nominal spread, they were similar with respect to where they were trading as a multiple of the iTraxx.Xover index at the time of pricing.

Exhibit 13:
Euro Consumer Auto ABS Tranche Analysis
Same Benchmark Originator, Prime-Quality Collateral

	Bond A	Bond B
Origination Country	Spain	Germany
Tranche Attach	0.00%	0.00%
Tranche Detach	3.25%	3.01%
Rating	NR	NR
Issue Date	Sep-22	Mar-23
Spread (bps)	+1200	+1050

Source: Bloomberg, OWS

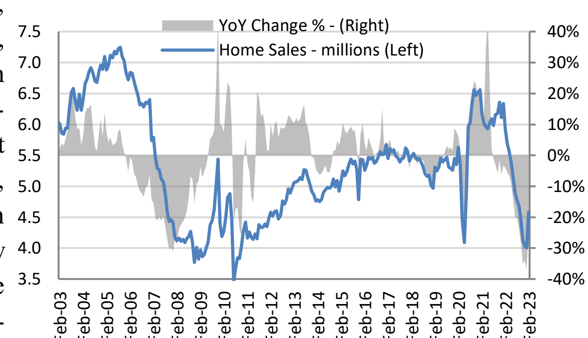
In our analysis, neither bond realized a principal loss under our base case assumptions for delinquencies, defaults, and losses. Again, seemingly similar. However, stressing our base case assumptions to potentially more severe fundamental outcomes, the two looked quite different. In the case of the German bond, it could withstand a 2.4x multiple increase in our base case default and loss assumptions before taking a principal loss, something that historically would exceed worst-case realized losses for similar collateral going back to the global financial crisis (GFC). On the other hand, the Spanish bond could only withstand a 1.29x stress before taking a principal loss, which we believe is a realistic outcome under a mild recessionary scenario.

In the case of the German bond, the originator had purchased an off-market swap to include in the deal which effectively added significant excess spread and credit support to the deal. We purchased several mezzanine tranches from the German deal in March, while we passed on the Spanish deal at the end of last year.

Residential Credit - Higher interest rates and declining affordability continue to weigh on the housing sector, with sales volumes down sharply over the past year (Exhibit 14). The year-over-year decline in January represented the largest annual decline since the inception of the index.

Home prices, after peaking in June of 2022, have declined on a month-over-month basis for seven consecutive months (Exhibit 15). The year-over-year gain has declined to 3.8% after peaking near 21% in March of last year. With recent declines, the cumulative gain in home prices since the start of the pandemic is now 37.9%, still quite substantial and supportive of seasoned residential credit fundamentals, in our opinion. Away from declining affordability, many of the factors generally attributable to the more recent increase in home price appreciation (HPA) are still at play; chief among them is a limited supply. The National Association of Realtors, in a recent report, stated that the U.S. faces a shortage of 5.5 million homes*. In addition, many existing homeowners are effectively "locked-in" to historically low fixed-rate mortgages, potentially further reducing the supply of homes available for sale, in our opinion. While this is negative from a supply perspective, it is positive from a fundamental perspective as borrowers with an existing fixed-rate mortgage will not be squeezed by rising interest rates.

Exhibit 14:
U.S. Total Existing Home Sales
Seasonally Adjusted Annual Rate and YoY Change %

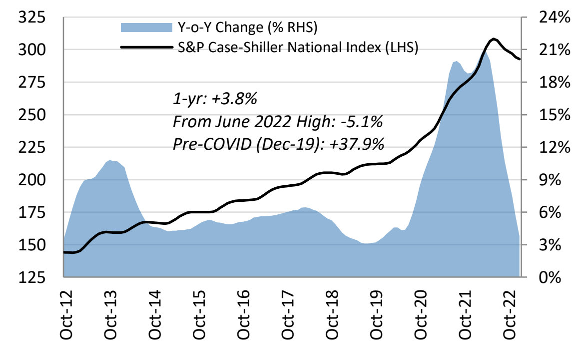


Sources: National Association of Realtors, Bloomberg, OWS

While we acknowledge rising risks within the residential mortgage sector as a result of higher mortgage rates and a slowing economy, we do not foresee a systemic rise in mortgage defaults and would expect any material weakness to be concentrated in recent originations (see fundamental outlook in our "2023 Credit Outlook"). Mortgage credit conditions remain near their tightest levels in several decades, and credit conditions are likely to tighten further given recent stresses in the banking sector.

We remain active in the RMBS sector and continue to look for attractive opportunities to add exposure or upgrade existing exposures within the seasoned legacy RMBS sectors when secondary opportunities exit. We started buying credit risk transfer (CRT) securities during the latter half of 2022 after the sector repriced to wider spreads and at significantly slower expected prepayment speeds as a result of the rapidly rising interest rate environment. This improved the convexity and risk profile, making them much more appealing. We generally favor more seasoned exposures that have built up credit enhancement through home price appreciation (HPA) and favor securities higher in the capital structure, as opposed to first-loss exposures. We expect new residential credit opportunities will emerge from borrowers looking to tap into their accumulated home equity wealth (from strong gains in recent home price appreciation (HPA)) but who do not want to refinance their existing mortgages (which generally have much lower fixed-rate coupons than are available in the market today).

Exhibit 15:
U.S. National Home Prices
Home Prices Have Declined From Peak - Through Jan 2023

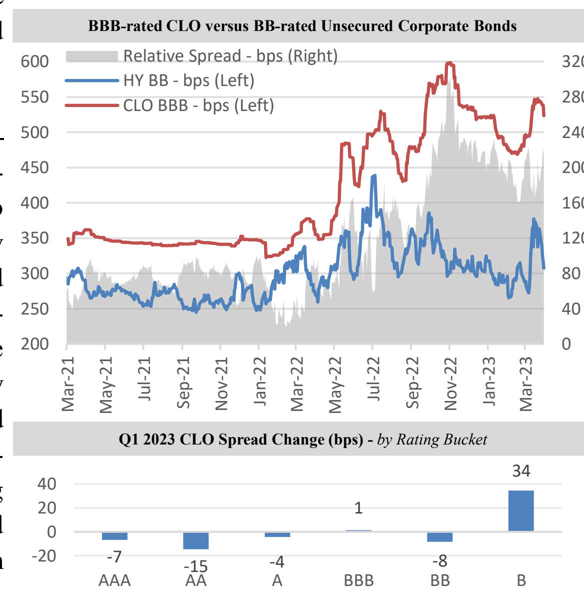


Sources: S&P/Case Shiller, Bloomberg, OWS

Collateralized Loan Obligations (CLOs) - CLOs traded broadly in line with unsecured corporate bonds for much of the quarter. Spreads initially tightened at the beginning of the year, in line with a general risk-on sentiment in corporate credit and equities. Following the collapse of SVB and SBNY spreads widened out and finished the quarter largely unchanged (Exhibit 16).

Rising debt burdens as a result of higher interest rates and floating-rate debt, continued inflationary pressures, potentially slower economic growth pressuring corporate margins, and tighter liquidity in capital markets are a few of the macro headwinds facing the sector, in our opinion. While a potential downside skew may deter us from increasing exposure at present, attractive current spreads and all-in yields are likely to provide support at these levels, particularly if the fundamental outlook does not materially weaken. If downgrades emerge and loan price dispersion increases, we think markets will struggle with forecasting recovery rates, given default, and default timing - all of which will add to higher required returns. We continue to actively trade within the sector, preferring shorter duration profiles with less market risk in aggregate. We have also increased trading relative to corporate bonds/synthetic CDX as a way to capitalize on the increased volatility across capital markets, which we believe will remain elevated given economic uncertainty.

Exhibit 16:
Collateralized Loan Obligations
JPM CLO Index



Source: JPMorgan, 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 1WS 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.1wscapital.com.](http://www.1wscapital.com) The prospectus should be read carefully before investing.

1WS Credit Income Fund is distributed by ALPS Distributors, Inc. ALPS Distributors, Inc. is not affiliated with 1WS 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 1WS 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 30th, 2022.

There are limitations when comparing the 1WS 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 1WS 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+*	***Investment Grade***
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+*	***Non-Investment Grade***
B2	*B*	*B*	
B3	*B-*	*B-*	
Caa	*CCC*	*CCC*	
Ca	*CC*	*CC*	
C	*C*	*C*	

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.

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.*
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).*
CDX.IG: *The Markit CDX North America Investment-Grade Index is composed of 125 equally weighted credit default swaps on investment-grade entities.*
CDX.HY: *The Markit CDX North America High-Yield Index is composed of 125 equally weighted credit default swaps on investment-grade entities.*
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 Auto Mezzanine (A-rated): *European Auto Mezzanine A-rated is representative of an A-rated mezzanine tranche of a Non-Dollar Asset-Backed Securities Index, specifically auto loans or leases.*

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.*

ICE BofA MOVE Index: *This is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. It is the weighted average of volatilities on the CT2, CT5, CT10, and CT30. (weighted average of 1m2y, 1m5y, 1m10y and 1m30y Treasury implied vols with weights 0.2/0.2/0.4/0.2, respectively).*

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: *The Markit iTraxx Crossover index comprises the 75 most liquid sub-investment grade entities. The European iTraxx indices trade 3, 5, 7 and 10-year maturities, and a new series is determined on the basis of liquidity every six months.*

iTraxx Main: *The Markit European iTraxx indices trade 3, 5, 7 and 10-year maturities, and a new series is determined on the basis of liquidity every six months. The benchmark iTraxx Europe index comprises 125 equally-weighted European names.*

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).*

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 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.*

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 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 divvied up by risk, time to maturity, or other characteristics in order to be marketable to different investors.*

U.K. Gilt: *A gilt is a U.K. Government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange.*

Unsecured Corporate Credit (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.*

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