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1WS Capital Advisors

2nd Quarter Review & Outlook

2023

Following the March banking disruption, Q2 2023 can be described as a quarter of relative calm, or perhaps ultimately viewed as a quarter of complacency. With continued uncertainties spanning Central Banks' ongoing inflation/growth tussle, consumer resilience, expected banking sector consolidation, and credit contraction, as well as justifiable commercial real estate anxiety, risk assets had a solid quarter nonetheless. The divergence between ongoing elevated interest rate volatility, contrasted to essentially the collapse in equity and credit volatility during the quarter, was remarkable (Exhibits 1 & 2).

As a result, from our perspective, the second quarter has not presented any catalysts that would yet warrant a material change in our recent risk posturing. We are still lacking the visibility we consider necessary to materially increase risk to longer-tenor credit profiles and/or structural leverage. As a result, we continue to believe portfolio optimization is achieved via well-enhanced credit, relatively short spread duration profiles complemented with idiosyncratic exposures, and hedges designed to navigate elevated fundamental and market risks.

The good news is that dispersion persists across securitized credit sectors. Whether it be expected default rates, consumer credit tiering, pockets of commercial real estate, vintage, or cohort/originator performance, consensus is in short supply. In our opinion, therein lies the multi-stage opportunity, given the credit sector diversification and evolving structural features/dynamic credit enhancements, that exists within structured credit to manage ongoing risk-adjusted return potential:

- ***Phase I (Current):*** *Slower economic growth and elevated market uncertainty have created stressed and potentially rolling pockets of 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 which prevailed over most of the past decade. Increasingly, in our opinion, many of these investors find themselves unwilling or unable to properly value, and/or retain these legacy investments, as classic "late cycle" factors unfold: fundamental underperformance, increasing credit risk, negative headlines, and potential rating downgrades. Therefore, in our opinion, it would be a missed opportunity simply to avoid entirely any particular sector (i.e. subprime auto, commercial real estate, etc.).*

- ***Phase II (Improved Clarity):*** *Eventually, we will have improved intermediate-term visibility with which to underwrite credit risk. This will not be a single "moment" but, rather, a combination of trending macro and technical factors (i.e., inflation, unemployment, consumer data, refinancing activity, etc.). Investor appetite first returns to high-quality, easy-to-underwrite assets, while it is limited for deeper credits. During this transition phase, we would expect outsized return potential from extending spread duration and identifying first-mover advantages across sectors.*

- ***Phase III (Stable Markets):*** *During this phase, risk-based pricing in markets results in all credits having access to financing, at a price. During this phase, we would be relatively more comfortable adding specific asset profiles with increased structural leverage whereby we consider the risk to be appropriately valued.*

June 30th, 2023

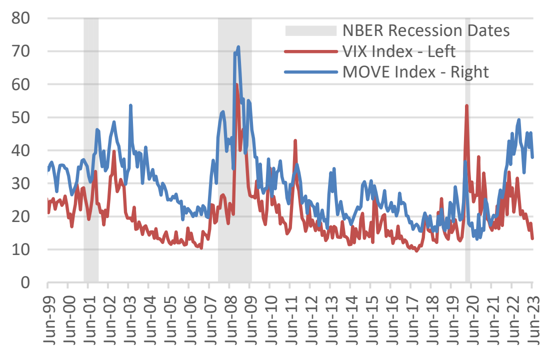
The 1WS Credit Income Fund (the "Fund") is a closed-end interval fund launched in March 2019. As of June 30, 2023, the Fund has gross assets under management of approximately $193 million (approximately $136 million net assets). The Fund is a non-diversified, closed-end investment management company 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.

The tussle between inflation and economic growth continues, with the market's optimistic perception of the Federal Reserve's ability to bring down core inflation expectations while limiting the impact on economic growth. We have observed this struggle since the start of this hawkish monetary cycle. Thus far, the results have been inconclusive, as the economy continues to show resilience to what has been the largest and fastest increase in monetary policy interest rates in decades. We expect a high likelihood of sentiment variability as economic numbers evolve over the intermediate term, although markets seem to be pricing an increasing likelihood of a so-called "soft landing" in which the Fed will be able to slow the economy enough to contain inflation, while not restricting financial conditions so much that the economy sustains a more severe contraction.

Interest rate uncertainty remains elevated, but trending lower, as seen from the ICE BofA Move Index (Exhibit 1). However, the VIX Index measuring the expected volatility of the S&P 500 has declined sharply, and, we believe that index levels appear to be pricing in modest growth in the future (Exhibit 1). Similarly, while spiking briefly following the collapse of Silicon Valley Bank (SVB) and Signature Bank (SBNY) in March, credit spread volatility has also declined appreciably over the quarter and is now back to levels seen before the start of the current monetary policy tightening cycle, also not indicating outsized recessionary risks, in our opinion (Exhibit 2).

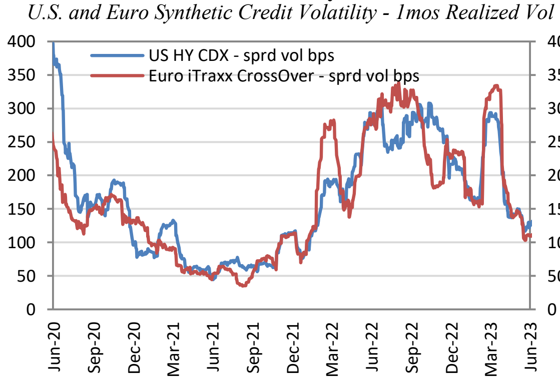
Growing optimism for a soft landing seems to be supporting risk-on sentiment, which we believe has suppressed volatility and lowered risk premia across

Exhibit 1:
Interest Rate & Equity Volatility Have Diverged
*ICE BofA MOVE Index vs VIX Index**



Sources: Bank of America, Chicago Board Options Exchange, Bloomberg, National Bureau of Economic Research (NBER), OWS
*The MOVE Index is a yield curve weighted index of implied volatility on 1-month Treasury options. The VIX Index is a market estimate of the expected volatility of the S&P 500.

Exhibit 2:
Credit Sector Volatility Has Declined
U.S. and Euro Synthetic Credit Volatility - 1mos Realized Vol



Sources: Markit, Bloomberg, OWS

Source: J.P. Morgan, Bloomberg, OWS

Past performance is not indicative of future returns. See important risk disclosures and definitions on pp. 10-12. It is not possible to invest in an index.

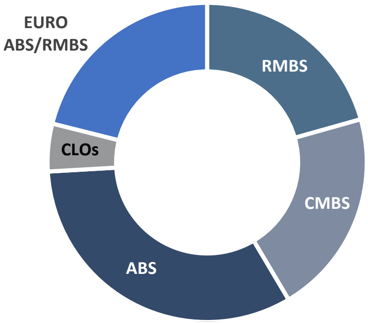
Net Return Performance as of 6/30/23*	MTD	YTD	ITD (3/4/19)
1WS Credit Income Fund (OWSCX) Class I shares	1.41%	5.62%	29.63%
1WS Credit Income Fund (OWSAX) Class A-2 shares	1.32%	5.23%	25.81%
Bloomberg Barclays U.S. Aggregate Bond Index[1]	-0.36%	2.09%	1.38%
ICE BofAML U.S. High Yield Index[2]	1.63%	5.41%	12.57%

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. 10-12 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. 10-12 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]



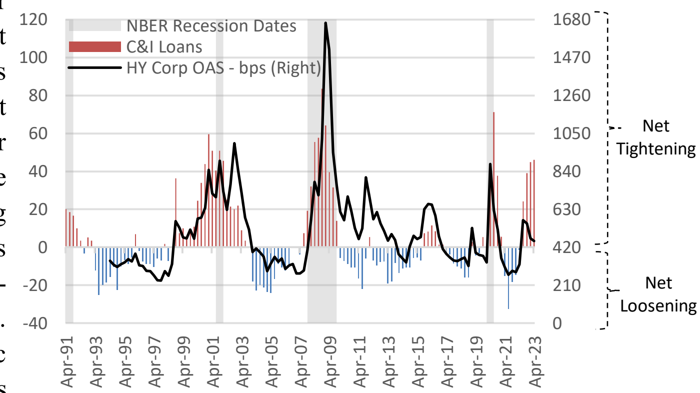
Asset Type	Portfolio Composition 6/30/2023	Net Return[2] Attribution YTD
Asset-Backed Securities (ABS)	32.6%	0.97%
Collateralized Loan Obligations (CLOs)	4.8%	0.51%
Commercial Mortgage-Backed Securities (CMBS)	20.8%	-0.12%
European ABS & RMBS	21.1%	1.68%
Residential Mortgage-Backed Securities (RMBS)	20.6%	0.81%
Other	-	0.72%
Interest Rate Hedges	-	1.05%
Total	**100.0%**	**5.62%**

[1] *The Portfolio composition as of 6/30/23 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 10-12 for important risk disclosures and definitions.*

credit and equity markets. We believe that economic risks remain elevated and that the potential for future increases in market volatility as a result of changing economic outlooks and corresponding policy actions favor a heightened focus on risk management and portfolio positioning. The Fed has indicated that they are unlikely to make a quick pivot to easing, given slow progress on taming core inflation which, if inflation should remain resilient, will force markets to reevaluate the duration of the rate cycle and the impact on borrowers' ability to manage elevated debt service and increase refinancing risk for many borrowers.

Thus far, the economy has withstood the Fed's monetary policy tightening quite well, in our opinion. Consumer spending has remained strong, the labor market remains tight, and we believe that consumer and corporate defaults, while increasing from recent lows, have not yet signaled significant stress. However, the longer monetary policy rates remain elevated, the greater the chance of future distress as loans reset and maturities come due. Tighter bank lending standards should further limit credit availability, in our opinion; this raises the risk of a more protracted economic downturn. While stresses in the regional banking sector seem to have abated from several months ago, many economists continue to believe that there will likely be increased regulatory scrutiny and more conservative lending standards across the banking sector. Historically, tighter lending standards have coincided with economic downturns (Exhibit 3), and while high-yield corporate credit spreads have widened from historic lows, they do not seem to reflect levels associated with heightened economic uncertainty, in our opinion.

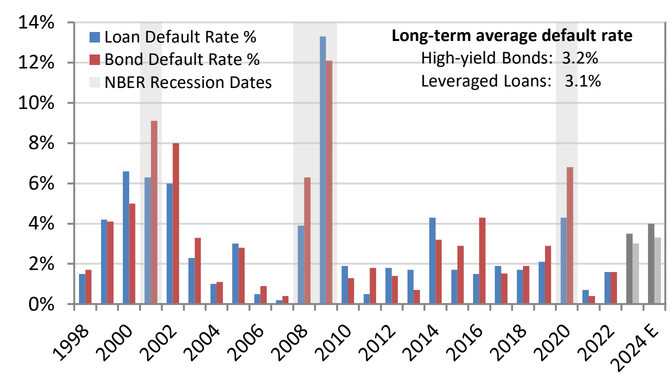
Exhibit 3:
Bank Lending Standards Continue to Tighten
*Net Percentage Tightening Lending Standards for C&I Loans**



Sources: Federal Reserve Senior Loan Survey, National Bureau of Economic Research (NBER), Bloomberg, OWS
*Commercial and Industrial Loans

With respect to fundamentals, default rates across most asset classes have been increasing in 2023, albeit from very low levels during the past two years. We believe credit performance is likely to continue to deteriorate across most corporate, consumer, and other credit sectors. In the corporate sector, while most credit analysts and rating agencies are increasing their default forecasts for the remainder of this year and into next year, we believe there is growing dispersion concerning the magnitude of defaults projected. For instance, analysts at J.P. Morgan are currently forecasting trailing twelve-month (TTM) default rates for high-yield bond and leveraged loan sectors to reach 3.3% and 4.0% in 2024, modestly above long-term averages of 3.2% and 3.1%, respectively (Exhibit 4). Fitch ratings recently increased their high-yield bond and leveraged loan default forecasts for 2024 to between 3.5% and 4.5%, while Moody's expects speculative-grade defaults to peak

Exhibit 4:
Historical High Yield Corporate Bond and Loan Default Rates
Par-Weighted Default Rates (%)



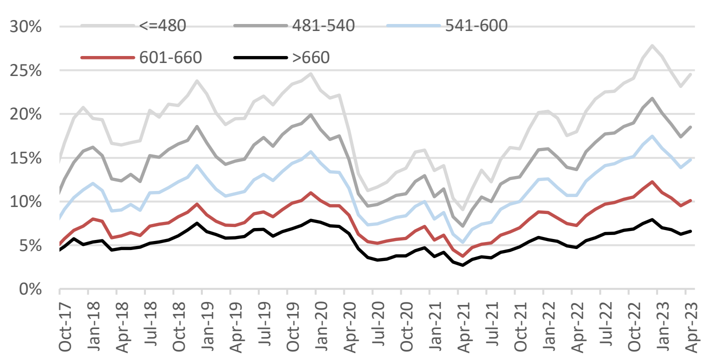
Sources: J.P. Morgan, National Bureau of Economic Research (NBER), OWS around 5% in Q2 of 2024. However, not all are so sanguine concerning corporate default expectations. In their recently published annual default study, Deutsche Bank analysts believe the next default cycle has commenced; they forecast defaults to continue increasing over the next 18 months, peaking in Q4 2024 at 9% for high-yield bonds and 11.3% for corporate loans. They believe that elevated defaults are likely, even without a severe decline in nominal GDP. This dispersion in default expectations, we believe, underscores that we are entering a classic late-stage credit environment. We are likely to see a continuation of underperformance in weaker credits, assets, and structures. We feel this will ultimately lead to an attractive investment landscape for taking advantage of large fundamental differences in performance expectations, in turn leading to uncertainty premiums widening to very attractive levels. With few exceptions, and broadly speaking, such an opportunity has yet to materialize, as lack of transparency or other catalysts that drive activity have lowered volumes in many sectors to a standstill.

Across consumer credit sectors we continue to monitor aggregate delinquencies, which have been increasing from the lows seen during COVID - particularly for the lowest FICO borrowers within the subprime auto and unsecured consumer sectors (Exhibits 5 & 6). However, to date and in aggregate, credit performance has been largely within our band of expectations, and there has been limited deterioration in credit performance for consumer ABS generally. We have seen credit deterioration largely limited to late 2021- and 2022-vintage deals from select originators. In our opinion, a number of originators took advantage both of the COVID fiscal benefits provided to consumers and their lack of consumption options to greatly reduce the quality of originator's underwriting. In some cases, we believe that the federal student loan forbearance program led to increasing credit scores for many student loan borrowers, resulting in increasing credit limits and other types of consumer borrowing. At the same time, we believe that the rating agencies were slow to recognize the deterioration in collateral characteristics and to change required credit enhancement levels. On a positive note, we are seeing a tightening of lending standards in general, and rating agencies have been raising credit enhancement levels in light of these recent vintages' underperformance. Also, several active ABS sponsors have taken action to support, for now, the credit performance of specific deals by injecting capital and forgoing servicing fees in order to boost excess spread/credit support of their deals. These actions have limited downgrades to a few specific deals, which have seen single-notch downgrades of the most junior tranches. More severe downgrades have been limited to two specific subprime auto lenders that have shut down/closed.

Consumer credit performance has been supported by relatively strong consumer balance sheets, accumulated savings during COVID, and a tight labor market that has supported strong employment opportunities and low unemployment. However, we believe that diligent credit underwriting is increasingly important in the current environment. Credit dispersion has always varied considerably across originators, vintages, and consumer products, and we believe this dispersion has grown larger and will likely continue to grow as the economy slows. In addition to lingering high inflation and depleted excess savings built up during COVID, many consumers are facing additional expenses in coming months with the expiration of the federal student loan moratorium that has been in place since the onset of the pandemic in March 2020.

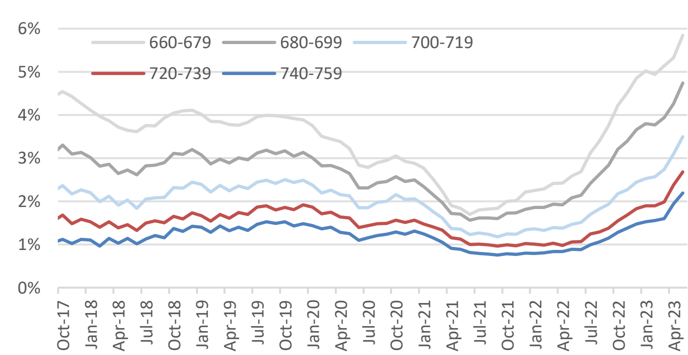
The recently enacted U.S. debt limit agreement passed in Congress ends the federal student loan moratorium, which effectively paused loan payments and set interest rate accruals to 0% for eligible federal student loans (approximately $1.6 trillion). After a pause of three and a half years, loan accruals will begin again in September with initial payments due in October. This will likely increase financial distress for some financially vulnerable borrowers. While we would expect delinquencies on federal student loans to quickly rise to pre-pandemic levels, it may also lead to an increase in delinquencies on certain non-student loan consum-

Exhibit 5:
Subprime Auto 30+ Delinquencies by FICO



Sources: DV01, OWS

Exhibit 6:
Unsecured Consumer 30+ Delinquencies by FICO



Sources: DV01, OWS

er debt. In a recent article, the Consumer Financial Protection Bureau (CFPB) analyzed approximately 32 million federal student loan borrowers whose loans will begin accruing again in September. They found that nearly 8% of these borrowers are currently delinquent on other payment obligations, up from approximately 6.5% prior to the student loan moratorium. In addition, their analysis found that median scheduled payments on other debt obligations, of these borrowers have increased by 24%. While it is unclear what impact the resumption of these student loan payments will have on broader consumer fundamentals, we believe that stress testing investment opportunities to more severe adverse scenarios is increasingly important.

While recognizing uncertainty in the outlook, we continue to believe that many of the risk-adjusted investment opportunities we currently see across structured credit and securitized products remain historically attractive. While the recent decline in volatility and improving risk appetite has led to lower risk premia in some sectors, we believe relative spreads in these markets, are closer to historical wides - and remain attractive, both outright and even more so, relative to their corporate credit benchmarks. Technical outflows driven by duration losses last year combined with divergent perceptions among investors regarding the fundamental outlook this year, in our opinion, and have caused large portfolio adjustments across "real money" portfolios. This has increased opportunities for us to leverage our infrastructure and underwriting capabilities to identify what we believe are mispriced investment opportunities across sectors. Our combined focus on underwriting asset price volatility, as well as asset fundamentals, we believe, gives us insight and an advantage in identifying the most attractive risk-adjusted return opportunities. It provides us with a framework to evaluate and compare alternative investments, both across sectors and up and down the capital structure. As such, we have been adding senior exposure (investment-grade IG) off of stressed assets at unusually attractive levels, in our opinion.

The potential, later in the cycle, for continued market dislocations, increasing distressed and special situations, and the re-emergence of more attractive private lending opportunities will only add to the attractive opportunity set that we believe has emerged within the structured credit markets in the U.S. and abroad. We are targeting an investment portfolio that combines short-dated credit exposure with returns driven by near-term fundamentals being better than expectations, with an ever-increasing portfolio of loss-remote, "cross over" longer-duration credits - both outright and hedged. We feel that over the intermediate-term, these should provide attractive total returns as spreads converge toward historical norms while minimizing directional risks.

Second Quarter Review

Stronger-than-expected labor and economic data during the first half of 2023 has set the backdrop for capital markets over the quarter. A reduction in the size of rate hikes in 2023 along with a pause in June have given investors some solace: We may be at or near the end of the Fed's rate hike cycle, increasing the likelihood of a so-called "soft landing". We believe this has reinforced a risk-on sentiment and has led to lower credit and equity volatility, generally tighter credit spreads, and strong equity returns in some sectors. Despite the pause, however, Chairman Powell noted in testimony following the June FOMC meeting that stronger-than-expected growth, still tight labor markets, and lingering inflation may necessitate further rate hikes in the future. Interest rates generally increased over the quarter, more than offsetting declines in Q1 following the regional banking crisis. While credit spreads generally tightened in many structured credit sectors in Q2, the tightening has generally lagged those in corporate credit, in our opinion. On a historical basis, overall spreads remain elevated driven in part by credit dispersion that exists across individual securities, requiring investors to have the capacity to analyze individual collateral portfolios and deal structures to capture the true excess return opportunities. Despite growing challenges faced in the commercial real estate sector, we realized positive 2nd quarter gains across each of our broad sector-level investment strategies, including CMBS.

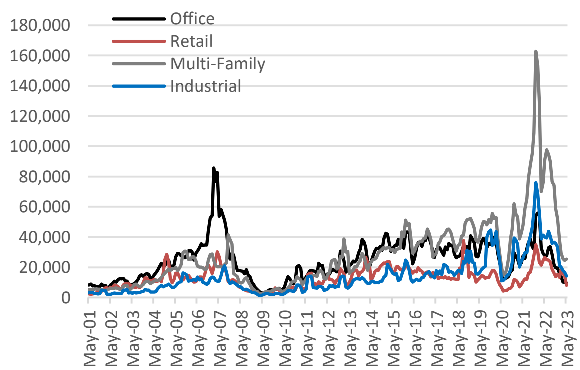
Commercial Real Estate Debt - Deteriorating fundamentals within sectors of the commercial real estate (CRE) market continue to garner daily headlines - in particular, the office sector still is struggling with vacancies, lower valuations, and higher costs associated with interest rates and operating expenses. 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. Although refinancing risk garners the bulk of headlines today in the office market, we have been focused on the performance of properties well ahead of maturity. In particular, underwriting office rent rolls (renewal expectancy) has become one of the most challenging aspects of real estate investing today. Forecast rent resets, (with the trend being lower net effective rents driven by longer free rent periods and base year expense resets) the capital required in the form of tenant improvements, and overall property enhancements necessary to attract or retain tenants, mean that more highly leveraged properties have been increasingly challenged due to their inability to source the capital necessary to compete and sustain (let alone grow) their cash flows. In many cases, we are seeing tenant incentives/costs approaching 40% of the rent forecast for the duration of lease terms. Until basis resets change incentive structures, these properties take on a "melting ice cube" profile, losing tenants as leases mature, placing them on a collision course with cracking 1.0x DSCR and presumed default. Understanding lease economics across markets, the nuances of the idiosyncratic physical asset, and the incentives and capacity of the incumbent equity and debt is paramount to investing successfully in the current office market. To a somewhat lesser degree, we see and search for similar dynamics in the retail and hospitality markets.

Notwithstanding clear pockets of concentrated weakness (e.g. San Francisco metro office), it is important to remember that real estate is not homogeneous, and regional and property-level economics and outlook vary widely across assets. Also, capital structures vary in quantity of leverage and, in turn, equity sponsors' investments potentially requiring protection. Over the past several years we have observed low rates driving aggressive financing structures, with increasing utilization of mezzanine debt and preferred equity to reduce equity contributions in acquisitions and to fund cash-outs, permitting sponsors to dramatically reduce their equity at risk.

More generally, inflation and evolving demand patterns across CRE has meant increased uncertainty concerning property-level cash flows and appropriate cap rates to apply. Compounding the issue are higher rates pressuring debt service coverage ratios (DSCRs), and bringing reduced loan sizing and a marked tightening in the availability of, and terms for financing. This dynamic has impacted several major suppliers of debt capital to the real estate market, including local/regional banks, public and private real estate investment trusts (REITs), fund managers, insurers (to a lesser extent), and the agency/non-agency capital markets. As a result, CRE transaction volumes are down markedly in 2023 across all sectors. According to Green Street, the annual volume of non-agency commercial mortgage securitizations is down roughly 68% in the first half of 2023 relative to the same period in 2022 (nearly 50% for agency and 90% for CRE CLOs) and is on pace to record the lowest full-year level in 12 years (Exhibit 7). All of this is weighing on property prices, with all property types seeing year-over-year declines (Exhibit 8).

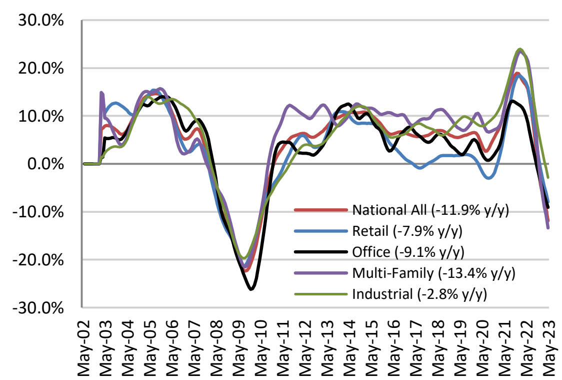
Given the backdrop of severe fundamental challenges within CRE CMBS, spreads continued to widen in the single-asset single-borrower (SASB) office and retail sectors, as well as in pooled conduit structures over the quarter. Other SASB property types saw relatively improved demand and somewhat recovered spreads following the widening seen in Q1 (Exhibit 9). This weakness has made CMBS (and CRE more broadly) a significant underperformer within securitized products and markets more broadly YTD. It is worth remembering that we invest in commercial real estate debt (not equity), which tends to offer significant credit enhancement with mitigated risk to a first-order reduction of commercial real estate property valuations. Our approach to commercial real estate investments in both the public/CMBS market as well as our private/CRE lending business is generally as an individual property underwriter, focused also on disciplined loan structures, and as a result, we have minimized our CMBS pooled conduit exposure for years. We have been tactical in choosing our exposures. Property type, specific property, geography, strength and capability of the sponsor, and updated underwriting metrics are all critical to our underwriting and investment process. Since the 4th quarter of last year, we have been seeing greater selling of CMBS across the capital structure from money managers looking to

Exhibit 7:
Commercial Real Estate Transaction Volumes
Transaction Volumes Are on Pace for Lowest Level in 12 Years



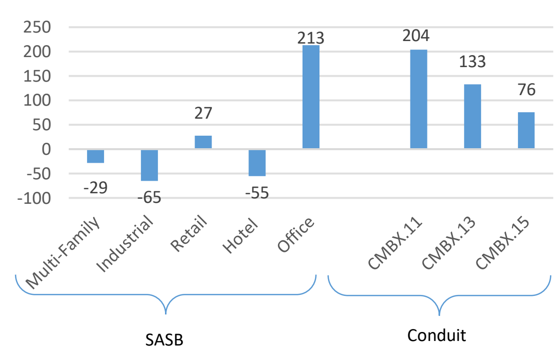
Sources: J.P. Morgan, OWS

Exhibit 8:
CRE Property Prices Have Declined
Year-Over-Year Change (by Property Type)



Sources: Real Capital Analytics, Bloomberg, OWS

Exhibit 9:
Repricing Across CMBS Sectors Continues
Q2 '23 Spread Change - CMBS BBB-Rated Tranches (by Security Type)

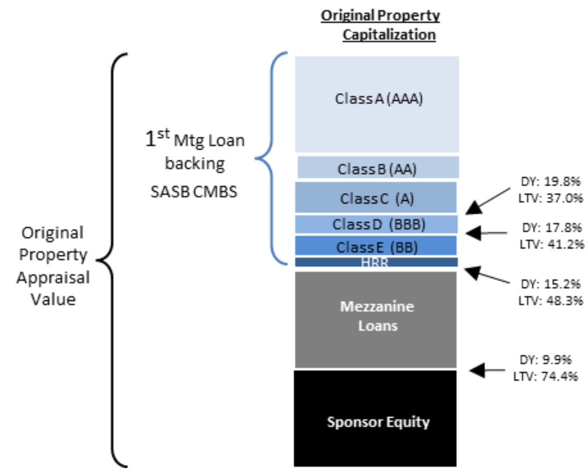


Sources: J.P. Morgan, OWS
See definitions on p. 11

reduce exposure to the sector generally. This has manifested in a marked increase in selling higher in the capital structure (generally investment-grade exposures) which satisfies a desire to reduce aggregate exposure to the sector generally while delaying recognizing losses in lower-rated tranches. In our opinion, the current market environment is offering attractive risk-adjusted return opportunities for investors positioned to deploy capital and able to underwrite property-specific collateral exposures and structures. As a result, we have added to our investment grade CMBS exposures at what we believe will prove outsized total returns over time.

More granularly, we continue to focus on single-asset single-borrower (SASB) portfolios, primarily floating rate, generally one- to three-year remaining to max maturity exposures, trading at what we believe to be attractive discounts/expected returns. Given discount-dollar prices as a result of recent spread widening, these opportunities offer potentially attractive convexity characteristics without having to take on the market risk inherent in longer-spread duration securities. Their floating-rate coupons limit market risk to further extension, while discount-dollar prices offer attractive upside return potential in an early repayment. Along the way, we believe we'll earn attractive carry. We added a number of these exposures during the second quarter, including a large block of investment-grade tranches backed by a marque destination resort with 2 years left to final maturity. Recently released financials show a 30% increase in net cash flow (NCF) relative to original loan underwriting, which offers substantial offset to rising cap rates and we believe, makes refinancing viable even at higher interest rates. The 1st mortgage backing the SASB deal has a current debt yield of 15.2% and a loan-to-value (LTV) of 48.3%, based on the original valuation (Exhibit 10). Having invested in the A– and BBB tranches, the debt yield, and LTV through the lowest-rated tranche we purchased (BBB rated) are 17.8% and 41.2%. We believe this, and other similar opportunities within CMBS, offer significant asset coverage at attractive discounts to other credit sectors.

Exhibit 10:
Resort Property Capitalization
SASB CMBS is Collateralized by the 1st Mortgage Loan



Sources: Bloomberg, OWS

Also, during the second quarter, we began buying AAA-rated tranches off of deals backed by office properties, trading at what we believe are attractive levels. Our strategy is to identify distressed multi-property, cross-collateralized SASB deals that are approaching or have already passed initial or final maturity. Given concerns regarding office fundamentals, we are buying the most senior exposure at what we think are still very low pro forma LTVs. In our opinion, the risk to the AAA-rated tranche is not principal risk due to a lack of collateral coverage, even under the most draconian valuation scenarios, rather, we view it as extension risk and the timing of cash flow receipts. Our focus is on multi-property deals because not all properties will be deeply distressed and some will sell much quicker and at higher valuations than others. In sequential pay CMBS structures, the AAA securities will be paid first from liquidation proceeds. Even in challenging office markets, we believe these portfolios of properties will provide for significant early repayment and total return upside on discount, high-credit quality securities from some level of property sales within the portfolio. Therefore, we believe there will be a high likelihood that some, if not all, of our principal may be repaid earlier than what is generally being priced into the market due to the distressed nature of the office-backed CMBS market and, in particular, transactions holding distressed/delinquent underlying office loans. We believe the related securities are trading at excessive discounts, even assuming our liquidation thesis is delayed and repayment extends as many as five years in many cases.

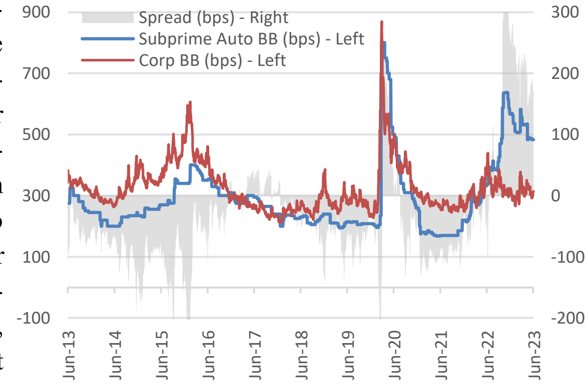
Consumer Credit - Within the consumer ABS sector, we continue to look for well-structured securities that we believe are comfortably over-collateralized and well-protected against credit losses, even under severe adverse fundamental collateral loss assumptions. We recognize that underwritten credit and asset quality dropped materially in late 2021 and 2022, as lenders in many sectors took advantage of COVID stimulus-driven outperforming consumer fundamentals (producing credit score inflation) and asset price appreciation, lending to inherently much weaker consumer profiles. There is always significant variation in loan performance across alternative originators and vintages; however, the collective underperformance of these particular cohorts (and more specifically the sub 700 FICO ranges) has been noteworthy.

Similar to the theme in CMBS, we have largely remained tactically biased to the upper end of the range of credit profiles within our investing universe. We have been cautious, focused on the quality of underwriting and the composition of loan portfolios given the weak 2021/2022 results. That said, we have seen improvement in newer 2023 vintage product underwriting metrics, pricing, and volumes, and remain positioned to add lower attachment points and/or more leveraged exposures, including whole loans and residuals as our confidence in collateral integrity and valuations improves. As generally the case in markets today, we believe fundamental credit dispersion will likely continue to increase. The capacity to underwrite individual securities and to stress-test for adverse fundamental outcomes is increasingly important as the economic outlook remains uncertain and idiosyncratic risk increases. In general, however, we believe that consumer ABS have robust structural features/credit support and that many consumer ABS currently look attractive outright and, in particular, relative to where corporate risk is trading today (Exhibit 11). In addition, credit curves remain steep (Exhibit 12) and can, as deals deleverage, provide significant credit spread roll-down and upside return potential relative to spread and yield alone. For example, many consumer ABS can rapidly build over-collateralization (de-leverage) from excess interest in the securitization (Exhibit 13).

Non-Dollar ABS - We continue to find what we believe are attractive investment opportunities outside the U.S. in our non-dollar ABS and RMBS strategy. While we believe securitized assets 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. As in the U.S., central banks in Europe and the U.K. are raising monetary policy rates in an attempt to slow demand and to contain inflationary pressures. We believe that security selection and refined underwriting assumptions are critical to uncovering value and managing risk.

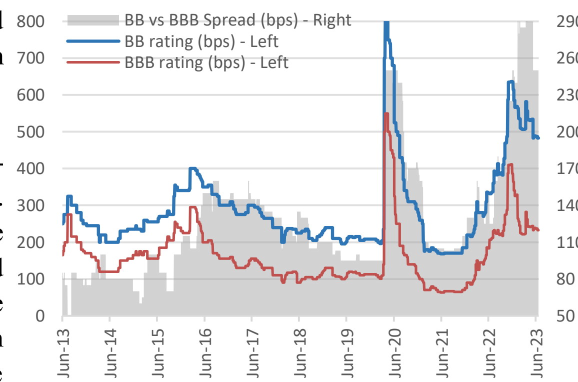
During the quarter we were able to purchase several securities from legacy (pre-global financial crisis (GFC)) U.K. RMBS. We were able to source the bonds from a portfolio manager who appears to be liquidating their portfolio, in our opinion, and we believe we were able to purchase the securities at advantageous levels versus unseasoned newer-vintage securitizations. In addition to being very seasoned, with low LTV collateral, what we feel makes these securities more attractive are large, non-amortizing reserve funds within each securitization. The reserve funds did not amortize down with the deal structure because cumulative loss triggers hit early in the deal's life. We were able to purchase these discount securities at similar spread levels as post-GFC deals, assuming full extension. However, these securities offer significant upside return potential should the deals get called at the optional 10% clean-up call date. The call rights are not owned by the residual holder, who may have an incentive not to call the deal because of a low implied financing rate on the securitization. For the third-party rights holder, however, these large reserve funds effectively lower the strike price of the loan pool, and we believe there exists a high probability of these deals being called.

Exhibit 11:
Consumer ABS Look Cheap To Corporates
Benchmark Subprime Auto vs Unsecured Corp (BB-Rated)



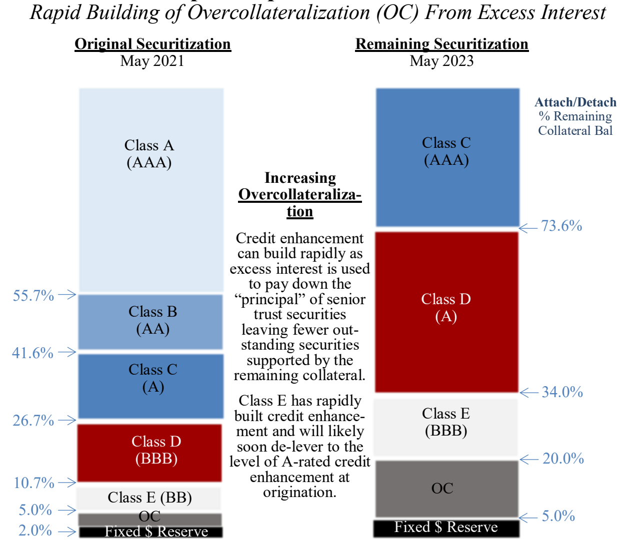
Sources: J.P. Morgan, Bloomberg, OWS

Exhibit 12:
ABS Credit Curves Remain Steep
Benchmark Subprime Auto (BB vs BBB Rated)



Sources: J.P. Morgan, Bloomberg, OWS

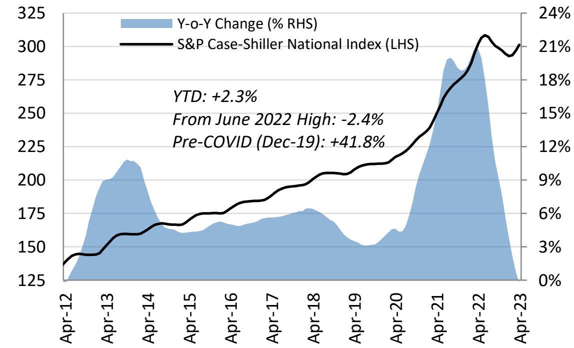
Exhibit 13:
Sample Subprime Auto Structure
Rapid Building of Overcollateralization (OC) From Excess Interest



Sources: Bloomberg, OWS

Residential Credit - After declining for seven consecutive months following the peak in June of 2022, U.S. national home prices are again on the rise, increasing for the last three consecutive months (Exhibit 14); this has helped diminish the worst of fears relating to potential home price declines due to declining affordability. Also, it has helped to support the fundamental credit outlook for residential mortgage-backed securities (RMBS). The cumulative gain in home prices since the onset of the pandemic is now 41.8%, which we consider to be quite substantial and supportive of seasoned residential credit fundamentals.

Exhibit 14:
U.S. National Home Prices
Home Prices Are Rising Again - Through April 2023

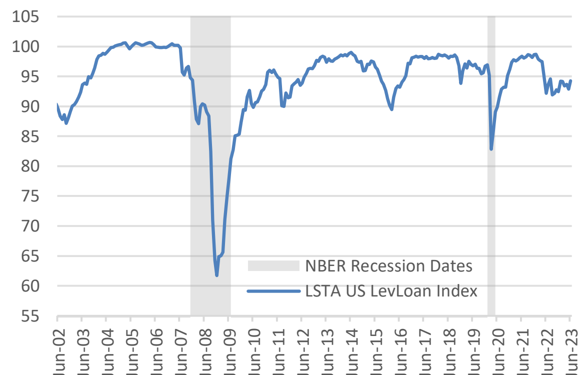


Sources: S&P/Case Shiller, Bloomberg, OWS

We have been tactically investing in credit risk transfer (CRT) securities since the second half of 2022, after the sector repriced significantly wider on concerns over home prices and extension risk as a result of the rapidly rising interest rate environment. The repricing in 2022 significantly improved the convexity and risk profile of these securities, making them much more attractive to us on a risk-adjusted basis. We continue to be active in the sector, generally favoring more seasoned exposures that have built up credit enhancement through home price appreciation (HPA), as well as securities higher in the capital structure (as opposed to first-loss exposures). During the second quarter, the sector benefitted from the rebound in home prices and positive technicals as a result of declining supply. New issue supply is much lower than over the past several years, as much wider spreads make market execution much less attractive for government-sponsored entities (GSEs). In addition, the GSEs have been buying back existing securities in the market through tender offers. The GSEs have been tendering for seasoned bonds that no longer offer capital relief after significant deleveraging and HPA.

Collateralized Loan Obligations (CLOs) - CLOs moderately outperformed unsecured corporate bonds over the quarter as rising interest rates generally skewed investor demand in favor of floating rate coupons on leveraged loans and CLOs, in our opinion. Despite historically attractive yields in the CLO sector, accounting for potential price volatility of the sector (Exhibit 15), we continue to be cautious regarding aggregate CLO exposure in light of increasing fundamental uncertainty. Rising debt burdens as a result of higher interest rates and floating-rate debt, continued inflationary pressures, potentially slower economic growth, and tighter liquidity in capital markets are a few of the macro headwinds we consider to be facing the sector. While leveraged loan defaults remain low in a historical context, we believe risks are skewed to the upside. Should the fundamental backdrop worsen, we believe that concern over rating downgrades, rising defaults, and uncertain recovery rates will add to higher required returns. That said, with growing dispersion across managers, vintages, and underlying portfolios, we have been trading more actively within the CLO sector as well as relative-to-synthetic-corporate bond CDX. We believe this has been accretive to the return performance of our overall CLO investment strategy during the quarter.

Exhibit 15:
Historical Leveraged Loan Price Volatility
Morningstar LSTA U.S. Leveraged Loan Index (Price)



Sources: Morningstar, Bloomberg, National Bureau of Economic Research (NBER), 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.** ***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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