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1WS Capital Advisors

2nd Quarter Review & Outlook 2025

If Q1 was characterized as coming in like a lamb and out like a lion, the reverse could be said for Q2. Investors brushed off the initial negative market reaction to reciprocal tariffs. Equity and credit valuations are now at similar levels to the start of the year. With corporate credit spreads at or near historic lows, we do not view this is an environment that will reward investors for levered beta trades to generic benchmark sectors over the intermediate term. The current environment seems to favor active security selection, risk management, and idiosyncratic sources of excess return to augment carry and yield. We believe structured credit, due to collateral diversification, seasoning, vintage, and structural characteristics, is uniquely positioned to offer relative value. In addition, there are a number of relevant dynamics that may present opportunity:

Consumer Credit - *The recently announced resumption of collections of defaulted student loans and wage garnishment going into effect later this summer adds a layer of uncertainty to the state of the consumer. Additionally, the Fair Isaac Corporation (FICO) recently announced that they will be releasing a credit score model in the fall that will for the first time, account for buy-now pay-later (BNPL) loans. The degree that these changes may impact consumer behavior and fundamentals warrant ongoing attention.*

Residential Mortgage Credit - *The distribution of new mortgage credit investments is shifting within the RMBS sector. Slowing mortgage sales and lower mortgage refinancing as a result of existing homeowners reluctance to give up the low effective mortgage rate on their existing mortgages - so called "lock-in effect" has reduced issuance of agency credit risk transfer securities (CRT). At the same time, significant home price appreciation (HPA) over the past several years is leading to an explosion of home equity loans (HELOANS) and home equity lines of credit (HELOCS) as a means for existing homeowners to tap into the significant buildup in home equity in recent years.*

Commercial Real Estate and CMBS - *There is little sector-level distress within the CMBS sector broadly, in our opinion, and the best relative value opportunities lie in identifying property specific exposures where we have a differentiated view on the timing of cash flows and/or where we believe the market is ultimately undervaluing the expected recovery value of the assets relative to our tranche-level exposure. This strategy often requires deep underwriting of distressed/defaulted properties that are in the process of liquidation.*

Non-Dollar ABS & RMBS - *The European Commission released proposals for amending regulations pertaining to asset securitizations. The proposal aims to revitalize the EU securitization market by creating a more welcoming regulatory environment for both investors and originators. For example, Morgan Stanley estimates that the implementation of the proposals could result in EU securitization markets growing by ~€250-€650 billion to ~€1.2 trillion by 2030.*

June 30th, 2025

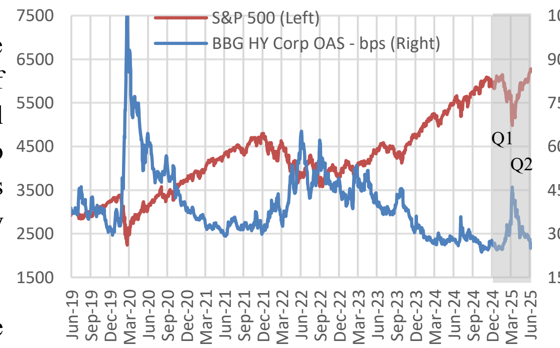
The 1WS Credit Income Fund (the "Fund") is a closed-end interval fund launched in March 2019. As of June 30th, 2025, the Fund has gross assets under management of approximately $864 million (approximately $651 million net assets). The Fund is a non-diversified, closed-end investment management company with an investment objective seeking attractive risk-adjusted total returns through generating income and capital appreciation by investing primarily in a wide array of predominantly structured credit and securitized debt instruments.

Overview

If the first quarter could be characterized as coming in like a lamb and out like a lion, the reverse could be said for the second quarter. Investors brushed off the initial negative market reaction to the higher than expected initial proposal for reciprocal tariffs. A return of risk-on sentiment led equity prices back to new market highs and corporate credit spreads back to near market lows (Exhibit 1). The spike in market volatility, which began in Q1, completely retraced back to levels seen at the beginning of the year (Exhibit 2).

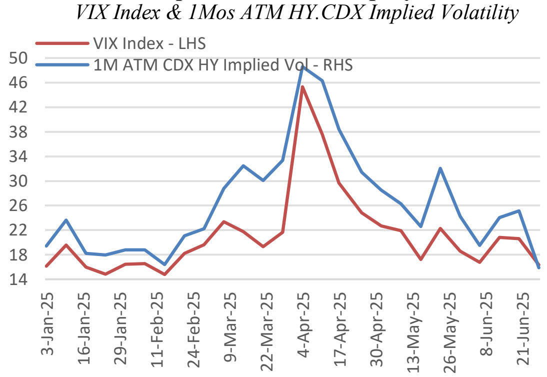
We now find ourselves back to equity and credit valuations similar to where we entered the year. As such, our macro risk positioning remains largely the same after taking advantage of wider spreads in April to increase market risk. We continue to target lower portfolio risk given our views on economic growth slowing and benchmark credit spreads back to being at or near all-time tights across many sectors. With credit spreads near historical lows, we feel the cost of being underinvested is relatively low and yet there remain significant risk factors that we believe could result in the re-emergence of fundamental uncertainty, market volatility, and increasing risk premia. Our focus remains on credit underwriting and the search for mispriced risk and idiosyncratic return drivers that can propel realized total returns beyond carry alone.

Exhibit 1:
The Return of Risk-On Sentiment in Q2
S&P 500 Price and Bloomberg HY Corp OAS



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

Exhibit 2:
Corporate Credit & Equity Vol
VIX Index & 1Mos ATM HY.CDX Implied Volatility



Sources: Chicago Board Options Exchange, Standard & Poor's, J.P. Morgan, OWS

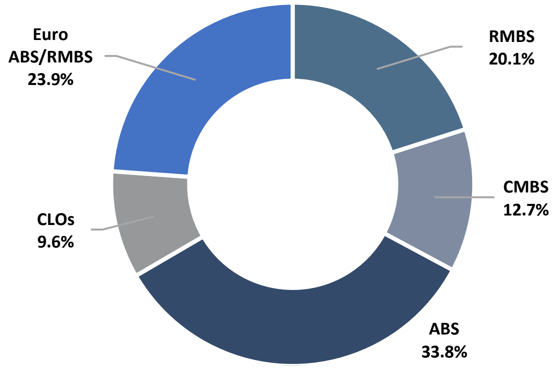
Net Return Performance as of 6/30/25*	MTD	YTD	1 YR	3 YR (Ann.)	5 YR (Ann.)	ITD (3/4/19, Ann.)	ITD (3/4/19)
1WS Credit Income Fund (OWSCX) Class I shares	1.13%	4.62%	9.52%	9.84%	10.05%	7.73%	60.27%
1WS Credit Income Fund (OWSAX) Class A-2 shares	1.06%	4.26%	8.86%	9.16%	9.35%	7.02%	53.71%
Bloomberg U.S. Aggregate Bond Index[1]	1.54%	4.02%	6.08%	2.55%	-0.73%	1.57%	10.37%
ICE BofAML U.S. High Yield Index[2]	1.86%	4.55%	10.24%	9.85%	6.01%	5.10%	37.05%

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

Past performance is not indicative of future returns.
* *OWSCX returns are presented net of all fees and expenses, benchmark returns are gross. Please see pp. 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	Net Return[2] Attribution YTD
Asset-Backed Securities (ABS)	1.77%
Collateralized Loan Obligations (CLOs)	0.22%
Commercial Mortgage-Backed Securities (CMBS)	0.47%
European ABS & RMBS	2.70%
Residential Mortgage-Backed Securities (RMBS)	0.78%
Other	-0.86%
Interest Rate Hedges	-0.46%
Total	**4.62%**

[1] *The Portfolio composition as of 6/30/25 differs from the portfolio composition for any point prior to such date and is subject to change at any time.*
[2] *Net performance data reflects the deduction of all fees and expenses. Net return attribution represents portfolio PnL by sector divided by the Fund's average net asset value for the period reduced by operating expenses and management fees allocated to the sectors based on the market value of the portfolio for the period.* *See pages 10-12 for important risk disclosures and definitions.*

We believe there remains significant uncertainty with respect to the level and impact of future tariffs. What economic effects will tariffs have on U.S. and global trade, economic growth, as well as inflation and consumer behavior? As we transition into the second half of the year, the U.S. and global business cycles may evolve as a result of potentially changing fiscal, monetary, trade, and regulatory policies, which in turn may influence consumer and business behavior, inflation, and market sentiment overall. In our view, geopolitical risks remain elevated globally and an escalation of events in the Middle East could threaten the decline in oil prices, which have been supportive of moderating inflation. While consumer and business fundamentals have remained supportive year-to-date, economic uncertainty has increased, in our opinion, and this increased uncertainty could translate into higher required risk premia for investors holding risky assets.

The current environment favors specialized credit underwriters, in our opinion. We are emphasizing security selection, risk management, and the pursuit of idiosyncratic sources of excess return to augment carry and yield. With credit spreads at or near historic lows, we do not believe this is an environment which will reward investors for levered beta trades to generic benchmark sectors over the intermediate term. We believe structured credit, due to the myriad of collateral types, seasoning, and structural characteristics is uniquely positioned. While benchmark credit spreads have largely retraced to pre-tariff levels, we believe many sectors within structured credit remain above historical narrows and largely above historical relationships relative to comparable corporate credit benchmarks. This can create opportunities for relative value trades in select situations where we believe these pricing differences will converge over time.

In addition, considerable fundamental uncertainty seems to remain within some sectors of structured credit, in particular commercial MBS and some consumer ABS. This uncertainty can add to higher overall risk premia within certain sectors, resulting in mispriced risk, and create attractive, idiosyncratic total return opportunities for the diligent credit underwriter. Within the commercial real estate sector (CRE), transaction volumes continue to increase indicating the re-emergence of new capital to the sector, and as capital market conditions improve, new origination CMBS volumes have increased. However, as new issuance improves, we expect that stress in more seasoned exposures will continue to mount. Many existing properties and sponsors continue to struggle under increasing maintenance costs, higher interest expense, higher vacancies, and lower valuations. Refinancing maturing loans continues to be a struggle for many sponsors. It is in these seasoned sectors where we believe the greatest opportunities are for leveraging our fundamental credit underwriting to uncover value. We believe that detailed property-level underwriting is essential to protecting capital and targeting tranche-level investment exposures. In addition to uncovering what we believe is mispriced risk, we search for opportunities that can offer upside return convexity as a result of greater asset coverage and/or quicker payouts relative to market pricing.

Within the ABS sector, aggregate consumer fundamentals have held up well with total debt-to-equity returning to historic lows. (Exhibit 3). However, as we have always stressed, investing within the consumer ABS sector is not about aggregate fundamentals; security-level performance can and does vary greatly based on the many diverse collateral and structural characteristics that differentiate individual securities. Origination year, underlying borrower characteristics, originator/issuer, as well as unique structural features all play an important role in security-level performance. While we believe that the vast majority of consumer ABS are supported by rigorous structural features, which can help protect against potential losses, we believe that detailed security-level underwriting is the biggest differentiator in uncovering value and flagging potential risks. Future fundamentals can be impacted by changes in the macro backdrop including the strength of the overall economy, the labor market in particular, personal wages, and inflation, among others. Stress testing expected returns to alternative and stressed fundamental outcomes is required, in our opinion.

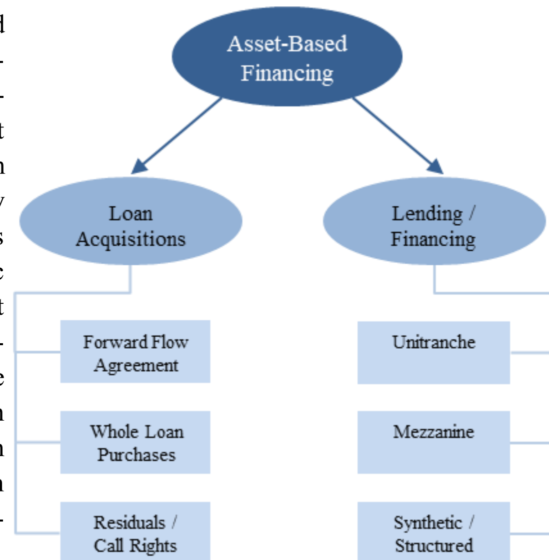
Exhibit 3:
Aggregate Consumer Leverage Remains Low
Total Debt-to-Equity Ratio

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

Several recent changes within the consumer finance sector are worth noting. Firstly, the U.S. Department of Education announced that they will resume collections on defaulted student loans, in May of 2025, which were paused during the COVID pandemic. We discuss this in greater detail in a later section, however, this will likely further stretch some borrowers' ability to pay on all of their debt and have a negative credit impact on student loan borrowers in default. The second change relates to consumers' use of buy-now, pay-later (BNPL) loans. In the past, data on these loans was not reported to credit bureaus and so its use did not affect consumers' credit scores. However, the Fair Isaac Corporation (FICO) recently announced that they will be collecting data on these loans and be releasing credit scoring models in the fall of this year accounting for them. Affirm began sharing consumer's loan data in April. While these may not have a significant impact on aggregate consumer fundamentals, they warrant attention going forward, particularly at the sector/security-level, in our view.

Direct lending and outright private loan purchases are an important investment option, for appropriate mandates, from our perspective. Private asset-based finance (ABF) transactions can take a multitude of forms, including; loan acquisitions through forward flow agreements, private direct whole loan purchases, and utilizing embedded call rights in residual positions. Furthermore, direct lending to loan originators or other asset owners, warehouse facilities—both unitranche and mezzanine, credit risk transfer structures, and other privately negotiated transactions (Exhibit 4). In addition, they can be diversified across the myriad of asset types making up the ABF markets. Similar to the public sector structured credit market, our private credit, direct lending, and asset purchases are largely collateralized by real assets. Direct lending, asset portfolio purchases, and other negotiated transactions permit us to seek to shape terms and investment structure to optimize allocation of risk and better align the counterparty's needs with ours. Having such control may provide us with the opportunity to tailor our exposures (i.e., specific collateral terms) when making an investment and the important ability to direct workout and resolution strategies, should a position fundamentally underperform.

Exhibit 4:
OWS Private ABF Strategies Take Multiple Forms
Diversification Across Asset Types, Backed by Real Assets



Source: OWS

We continue to be active across the private ABF markets in 2025 and foresee a growing pipeline of attractive investment opportunities in the future. We believe we are well positioned to take advantage of strong demand for loan acquisitions and lending/financing solutions and believe they will continue to lead to attractive investment opportunities across private ABF markets.

Second Quarter Review

Risk-off sentiment prevailed across credit markets at the start of the second quarter, with high-yield (HY) CDX spreads widening by as much as +118 basis points over the first seven trading days and the S&P 500 declining by as much as -13.00% in April. Uncertainty around the implications of Liberation Day tariffs for the global economy roiled markets; however, markets quickly brushed off the initial negative reaction. Ultimately, risk assets closed out the second quarter higher, with HY corporate spreads tighter by approximately -57 bps (Bloomberg HY Index) and the S&P 500 (including dividends) up by ~+10.94% (Exhibit 5). For the full year, HY credit spreads finished Q2, ~3 bps wider while the S&P 500 (including dividends) is higher by ~+6.20%.

Exhibit 5:

Q2 2025 Benchmark Credit Sector Return Performance - *Through June 30, 2025*

U.S. Treasury, Equity, and Corporate Credit Sector Benchmarks

Bloomberg U.S. Treasury *Index & Bellwethers*

	Yld	Chng	Total Rtn %
U.S. Trsy Index	4.03	-0.08	0.85%
2yr	3.72	-0.18	1.12%
5yr	3.79	-0.17	1.72%
10yr	4.23	0.02	1.04%
30yr	4.78	0.20	-2.08%

Bloomberg Corporate Credit *(Rating Buckets)*

	Sprd	Chng	Total Rtn %
Bloomberg Credit Indices			
Aaa	34	-7	0.84%
Aa	47	-7	1.33%
A	71	-9	1.80%
Baa	102	-13	1.95%
Ba	171	-48	3.44%
B	281	-65	3.62%
Caa	677	1	4.01%

Corporate Credit Benchmarks[1] *Bloomberg Cash Indices, Benchmark ETFs & Synthetic CDX*

	Sprd	Chng	Total Rtn %	Excess[2] Rtn %
BB US AGG Index	32	-3	1.21%	0.32%
BB US IG Index	83	-11	1.82%	1.03%
IBOXIG Index			1.98%	
CDX.IG	51	-10	0.65%	
BB US HY Index	290	-57	3.53%	2.12%
IBOXHY Index			3.68%	
CDX.HY	316	-58	3.41%	

Equity & Leveraged Loan Indices

	Prc	Chng	Total Rtn %
Equity Indices			
MSCI ACWI			11.69%
S&P 500 w/div			10.94%
iBoxx LevLoan Index			2.14%
Morningstar/LSTA LevLoan Indices			
Index	97.07	0.76	2.31%
BB	99.64	0.35	2.13%
B	97.87	0.66	2.46%

Sources: Standard & Poor's, Bloomberg Finance L.P., iBoxx, MSCI, Markit, J.P. Morgan, OWS

[1] Bloomberg (BB) U.S. Aggregate, U.S. Investment-Grade, and U.S. High-Yield credit indices and 5-year on-the-run IG & HY CDX

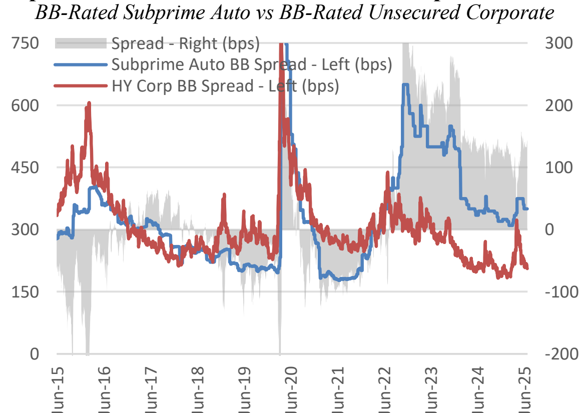
Generally speaking, we did not find there to be any structural weakness across credit markets during the weeks following Liberation Day, despite the increase in risk premia and volatility. According to Goldman Sachs, investors largely went into the period well positioned, having documented that net leverage across their prime book had moved sharply lower, to a 2-year low as of March 23rd, 2025. While cash assets were being priced lower, they outperformed the index and derivatives markets primarily related to hedging flows. There was no meaningful indication of forced sellers over the period, with the exception of some Treasury basis trades and strategies that were structurally long interest rates.

Consumer Credit - Our consumer ABS portfolio was our strongest performing sector strategy in the second quarter, with unsecured consumer debt and subprime auto exposures driving returns. While unsecured corporate credit tightened meaningfully from its post-Liberation Day wides, consumer ABS lagged. For example, since the end of March, BB-rated benchmark unsecured corporate credit tightened by approximately -48 basis points (bps) from its absolute wides, versus BB-rated benchmark subprime auto ABS remaining wider by ~+15 bps over the same period (Exhibit 6).

Exhibit 6:

Spreads Remain Wide vs Unsecured Corporate Credit

BB-Rated Subprime Auto vs BB-Rated Unsecured Corporate



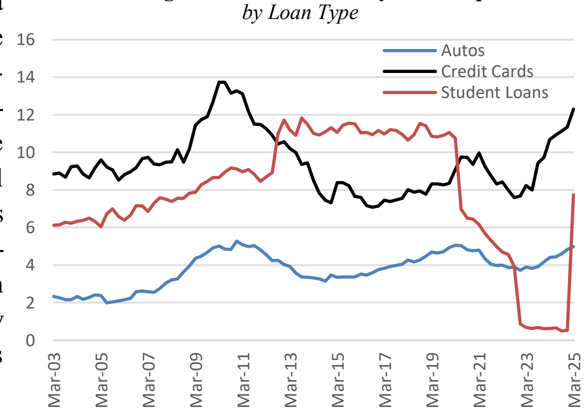
Sources: J.P. Morgan, OWS

On May 5th, The Department of Education resumed collections on defaulted student loans for the first time since March 13th, 2020. This coincided with delinquencies appearing on credit reports in the first quarter for the first time since 2020 as well, which showed the late stage (90+ day's) delinquency rate on student loans jumping to ~7.74% (Exhibit 7). While in absolute terms, this was approximately a fourteen-fold increase from the previous quarter, it is important to understand that the delinquency rate was artificially suppressed by a ~3.5-year government-mandated moratorium on student loan payments, where all federal student loans were considered current. This was followed by an additional 12-month "on-ramp" period, where interest began to accrue but reporting on delinquent loans to credit bureaus was waived, and defaulted loans were not being sent to collection agencies. Where the level of delinquencies will settle remains to be seen, though it is likely that the Federal Student Aid's (FSA) rollout of government assistance programs—like Income-Driven Repayment plans (IDR)—should help moderate the rate of change going forward, in our opinion. Further, the pre-COVID average of the 90+ day's delinquency rate on student loans was ~9.12%; therefore, a normalization to these levels would be expected, in our opinion.

Exhibit 7:

Percentage of Balance 90+ Day's Delinquent

by Loan Type



Sources: New York Consumer Credit Panel/Equifax, OWS

Our student loan exposures are largely privately-originated student loans, not government-originated. Borrowers backing our loan exposures did not qualify for the moratorium, and therefore were obligated to pay throughout the entirety of the COVID-era leniency period. Delinquency rates on private student loan ABS (SLABS) have historically been much lower than federal student loans. The pronounced rise in federal student loan delinquencies does not necessarily equate to higher delinquencies in private SLABS. According to Morgan Stanley, Sallie Mae, an originator of private student loans, stated (on their first quarter earnings call) that 85% of its borrowers that are delinquent on a federal student loan remain current on their Sallie Mae loan. Our private SLABS exposure have performed well throughout the five-year moratorium, and continue to do so, in our opinion.

The resumption of collections of defaulted student loans and wage garnishment going into effect later this summer adds a layer of uncertainty to the state of the consumer. We have already seen a meaningful impact on credit scores due to the resumption of student loan delinquencies reflecting on credit reports, with borrowers across all credit score cohorts falling into delinquency (Exhibit 8). According to data compiled by Liberty Street Economics, greater than ~40% of borrowers falling into delinquency have seen a drop in their credit score by at least -140 points on average, shifting many of them into subprime borrower status. For many of these borrowers, access to credit will now likely be less available and at higher rates.

Exhibit 8:
% of Student Loan Borrowers Newly Delinquent
*As of Q1 2025 - by Q4 2024 Credit Score**

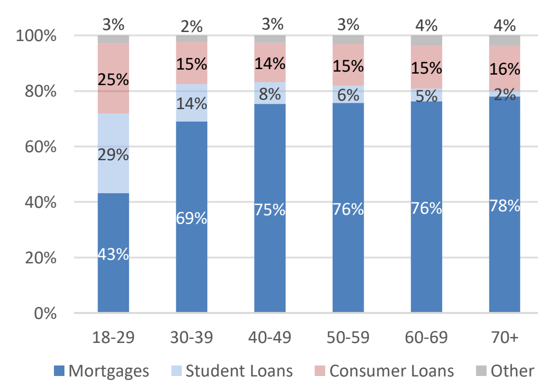
Credit Score Group *(As of Q4 2024)*	Count *(Millions)*	Share of Newly Dlq Population	Avg Credit Score Chg
Less than 620	3.2	56.6%	-74
620-719	2	35.9%	-140
Greater than 720	0.4	7.5%	-177

Sources: Liberty Street Economics, New York Consumer Credit Panel/Equifax, OWS
*Credit scores are Equifax Risk Score 3.0

Additionally, Fair Isaac Corporation (FICO) recently announced that they will be releasing a credit score model in the fall that will account for buy-now pay-later (BNPL) loans. It seems uncertain as to how these BNPL loans will be factored into FICO scores, and what effect they will ultimately have on consumers' credit profiles. Will each BNPL loan be deemed a separate loan? How will FICO account for having multiple BNPL loans outstanding at once? It is worth noting that in February, FICO, in collaboration with BNPL originator Affirm, released results of a study they conducted on the effects of BNPL loans on consumer credit scores. They simulated how BNPL loans would affect the FICO scores of Affirm borrowers had the origination of these loans been considered in their credit reports. According to the study, resulting data were largely credit-positive for Affirm borrowers, either lifting or having no effect on the majority of credit scores for borrowers who recently received five or more Affirm BNPL loans.

Both consumer loans and student loans tend to skew towards a younger borrower base (Exhibit 9), and therefore we expect there to be greater uncertainty as to how these aforementioned factors may affect the credit profile of these cohorts. As to how this all affects the priority of payments amongst the consumer debt stack, Morgan Stanley has found via their AlphaWise surveys that, while residential mortgages and auto loans likely fall higher in the priority of payments than student loans, it is less likely that instruments like unsecured consumer debt and buy-now-pay-later (BNPL) do.

Exhibit 9:
Consumer Debt by Type and Age Cohort
Percentage of Total Debt – Q1 2025

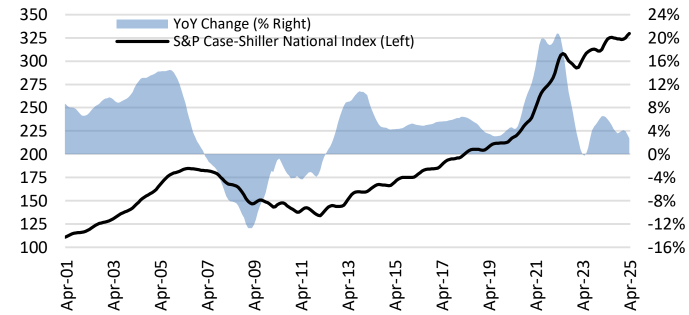


Sources: New York Consumer Credit Panel/Equifax, OWS

While aggregate consumer balance sheet remains strong, we believe it is essential to have a data-driven framework when underwriting consumer-backed investments. We believe our portfolio management, trading, surveillance and underwriting across consumer-related securities and markets provide us with a clear perspective to inform our investment strategies. While it is worthwhile to understand aggregate consumer fundamentals, it is not directly reflective of how any individual security will perform. When assessing individual securitizations, our focus is on the credit performance of the underlying borrowers of collateral pools, which are influenced by variables such as age, income, FICO scores, total debt, and debt distribution. In our view it is also important to evaluate the structural features unique to each securitization. These structural features can differ notably across transactions and collateral types, and as transactions season and amortize, the risk profiles of individual securities can change dramatically. The underlying credit and financial performance of originators and servicers is currently playing a significant factor in loan / bond performance and remains a primary concern in our underwriting.

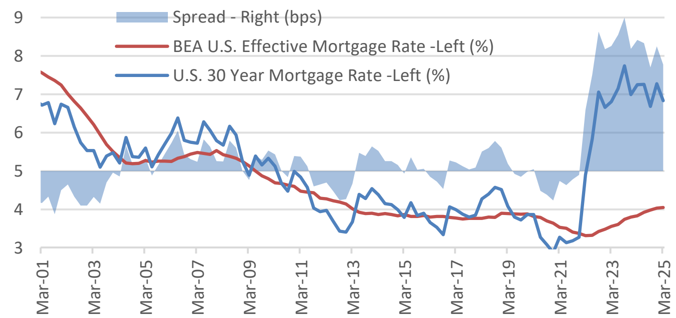
We have remained active within the consumer ABS sector in both public and private markets. Within our public securities portfolios, we continue to actively reposition our portfolios in order to take advantage of the rapid credit deleveraging that can take place in consumer ABS securitizations. Our focus is on underwriting collateral characteristics, issuers and individual deal structures in order to identify those securities that we believe will fundamentally outperform market expectations. As securities season and deleverage, we look to capture credit spread roll-down by selling and reinvesting in new opportunities. Our pipeline of private asset-based financing (ABF) transactions remains robust. We participated in what we believe is an attractive royalty finance investment backed by a world renowned music group's catalog. We also upsized a secured loan we entered into during the first quarter, which was backed by a retained portfolio of consumer assets with one of the largest fintech lenders in the country.

Exhibit 10:
As Home Prices Continue to Increase...
U.S. National Home Prices



Sources: S&P / Case-Shiller, Bloomberg Finance L.P., OWS
U.S. home price index tracks the value of single-family housing in the US, NSA

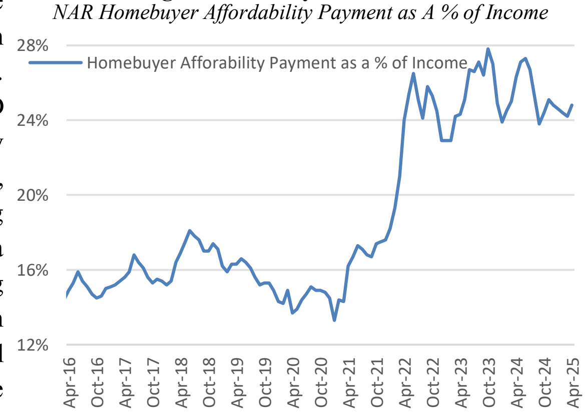
Exhibit 11:
... And Mortgages Rates Remain Elevated...
Prevailing Rates Well Above Effective Rates



Sources: Bankrate.com, Bureau of Economic Analysis, Bloomberg Finance L.P., OWS

Residential Mortgage Credit - Home price appreciation continues to rise, albeit at a more moderate pace relative to the recent past. For instance, the Case-Shiller national home price index is up +2.72% over the past year, down sharply from the large annual gains experienced directly following COVID. However, cumulative home price appreciation, since pre-COVID (12/31/2019), is up more than 55% (Exhibit 10). This combined with sharply higher mortgage rates (Exhibit 11), as a result of the Fed's rate hiking cycle, means that housing affordability remains constrained (Exhibit 12). According to the National Association of Realtors, the average monthly payment for a new mortgage, based on median home prices, median income and prevailing mortgage rates, currently accounts for approximately 25% of the median homebuyers income—versus ~ 16% during the five years prior to the Federal Reserve's most recent rate hiking cycle. While these remain headwinds for the marginal new home buyer, the sharp increase in home prices over the past several years is supportive of residential credit fundamentals on moderately seasoned and seasoned existing loans.

Exhibit 12:
.... Housing Affordability Remains Constrained
NAR Homebuyer Affordability Payment as A % of Income



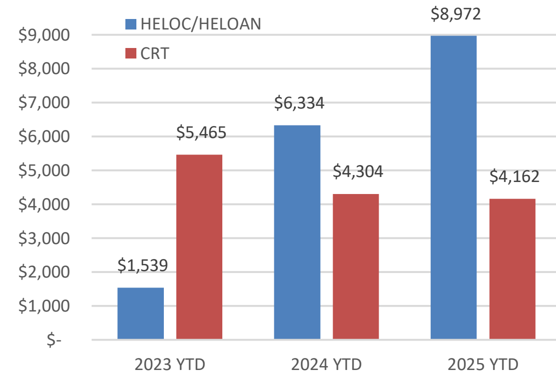
Sources: National Association of Realtors, Bloomberg Finance L.P., OWS

Another impact of rising mortgage rates has been slowing mortgage sales and lower mortgage refinancing as existing homeowners are reluctant to give up the low effective mortgage rate they currently have—so called "lock-in effect". For instance, according to the Bureau of Economic Analysis, the average effective mortgage rate on existing mortgages is currently 4.05%, approximately 280 bps below the prevailing new mortgage rate (Exhibit 11). As this basis persists, existing homeowners continue to seek alternative options of tapping the considerable home equity they've built-up in their homes in recent years.

According to ICE Mortgage Technology, existing mortgage holders have roughly ~$11.5 trillion in accessible home equity, which they estimate to be an average of ~$212K per homeowner. Moreover, they found that in the first quarter, nearly ~$25 billion in equity was withdrawn from homes via home equity lines of credit (HELOC), up ~+22% year-over-year (YoY). This has resulted in a growing pipeline of securitizations backed by home equity lines of credit (HELOCS) and home equity loans (HELOANS) (Exhibit 13). According to J.P. Morgan, there has been roughly $9 billion in home equity deal issuance year-to-date (YTD), which is up almost +600% over the comparable period in 2023. In total, J.P. Morgan is forecasting $20 billion in issuance by the end of 2025.

As we mentioned in our *"2025 Credit Outlook" (available upon request),* we believe alternatives to traditional mortgage refinancing as a means for borrowers to extract home equity will continue to be a significant investment opportunity over the intermediate term. We remain active within the residential transitional loans (RTLs) sector. We have written previously about how the relative newness of RTL securitizations and the lack of agency-rated deals in the past had caused the securities to trade at a discount relative to comparable residential-backed credits. As rated securitizations in the sector have become more common, a clear spread bifurcation between rated and unrated deals has emerged—with rated deals trading tight relative to their unrated counterparts, according to Morgan Stanley. In the credit risk transfer (CRT) sector, spreads have rallied meaningfully and the pipeline of new issue CRT has declined as the origination of new conventional 30-year fixed mortgages has moderated (Exhibit 13). As a result, we believe we are finding more attractive risk-adjusted return opportunities in alternative residential securities/sectors.

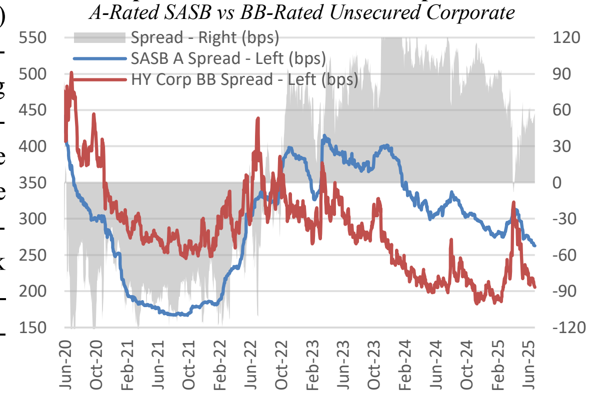
Exhibit 13:
Residential Mortgaged-Backed Securities Issuance
HELOC/HELOAN & CRT YTD Issuance- $Millions



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

Commercial Real Estate and CMBS - Our commercial real estate (CRE) exposures were amongst our strongest performing sector strategies in the second quarter, with both our public market exposures and private CRE financing strategies exhibiting strong relative performance, in our opinion. In public markets, our off-the-run single-asset single-borrower (SASB) mezzanine office exposures continued to be among our best performing subsectors. While CMBS spreads tightened outright in the second quarter, they remain wide relative unsecured corporate credit (Exhibit 14). As of the end of June, benchmark single A-rated SASB spreads were ~+57 basis points (bps) wider than BB-rated benchmark unsecured corporate credit—compared to a pre-COVID average of approximately -115 bps.

Exhibit 14:
CMBS Spreads Remain Wide vs Corporate Credit
A-Rated SASB vs BB-Rated Unsecured Corporate



Sources: J.P. Morgan, OWS

As we mentioned in our *"1WS First Quarter Commentary" (available upon request)* demand for new issue Class A office SASB has been robust. This demand has trickled into off-the-run SASB as well, driving spreads tighter throughout the quarter. There is little sector-level stress within the CMBS sector broadly, in our opinion, and the best relative value opportunities lie in identifying property specific/deal-level exposures where we have a differentiated view on the timing of cash flows and/or where we believe the market is ultimately undervaluing the expected recovery value of the assets relative to our tranche-level exposure. This strategy often involves deep underwriting of distressed/defaulted properties that are in the process of liquidation. We are finding what we believe are attractive opportunities across multiple property types including office, retail, hospitality, and multi-family.

Away from distressed situations, during the second quarter we purchased several mezzanine tranches off of a 2024-originated SASB deal backed by a Class-A hospitality property in Orlando, Florida. We believe the property is backed by a strong sponsor and well positioned for strong revenue generation. Demand generators include its attachment to the second busiest convention center in the country, as well as its close proximity to Universal's, newly opened (May 2025), Epic Universe amusement park. We believe we were able to acquire these securities at an attractive discount to where more generic, less attractively positioned hospitality exposures are currently priced.

Non-Dollar ABS & RMBS - On June 17th, the European Commission released proposals for amending regulations pertaining to asset securitization and the Simple Transparent Standardized (STS) framework, and capital requirements for credit institutions, as well as draft amendments on liquidity coverage ratios (LCR) regulation. The proposal aims to revitalize the EU securitization market by creating a more welcoming regulatory environment for both investors and originators. The proposal includes a new classification of securitizations as "resilient", which, the proposal defines as "senior positions in securitizations which satisfy a set of eligibility criteria that ensure low agency and model risk and a robust loss absorbing capacity for the senior positions". According to Morgan Stanley, some of the regulatory amendments include lowering risk weights (RWs) assigned to securitized assets, adjusting to the p-factor—a form of capital charge that is a factor in the calculation of risk-weighted assets

(RWAs), and reducing the due diligence requirements for EU-based issuers and reporting requirements. The draft amendments propose adjustments to the eligibility criteria for a securitization's consideration in liquidity coverage ratios (LCR), which would ultimately result in a wider variety of STS-certified transactions being eligible. According to Morgan Stanley, several of the relevant proposed changes include opening rating eligibility to AAA to A-rated bonds (previously only AAA), haircut adjustments, removing the WAL limit of five years, and allowing a greater variety of ABS loans to be classified as high-quality liquid assets (HQLA). Ultimately, we expect that securitizations that are both STS and resilient will benefit the most from these proposals (Exhibit 15). The final implementation is to be seen as the proposals will have to go through a review process by European Commission, European Parliament, and European Council. Morgan Stanley estimates that the implementation of the proposals could result in EU securitization markets growing by ~€250-€650 billion to ~€1.2 trillion by 2030.

Exhibit 15:
European Commission's Risk Weight Proposals
RW Proposals Benefits Are Greater For STS Resilient Bonds

Risk Weight Floors			
	Proposed		Current
Resilient	**Originator/ Sponsor**	**Investor**	**All**
STS	5%	5%	10%
Non-STS	10%	12%	15%
Other	**Originator/ Sponsor**	**Investor**	**All**
STS	7%	7%	10%
Non-STS	12%	12%	15%

Sources: European Commission Proposals, Morgan Stanley Research, OWS

We remained active in the non-dollar consumer-backed ABS and residential RMBS sectors during the second quarter. In consumer ABS, we added a number of new exposures to unsecured consumer and auto ABS. Similar to our U.S. ABS strategy, we are constantly repositioning our portfolio by selling de-leveraged positions and re-investing in newer positions, which we believe have more attractive risk-adjusted return potential.

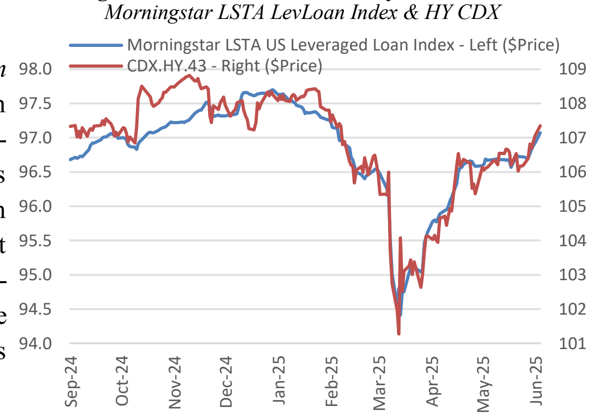
We also purchased mezzanine exposures backed by small and medium-sized enterprises (SMEs). SMEs are typically loans originated to businesses for the purpose of providing working capital for business needs, such as operations, growth, and development. In the past we have been less active in this sector due to greater challenges underwriting the collateral pool of these originations. There were several factors that attracted us to this specific securitization. Firstly, the collateral pool was very granular (significant diversification), which we believe reduced any single name exposure within the pool. Secondly, the timing of the deal coincided with the market turmoil following the U.S. Liberation day tariff announcements. While the originator was able to attract interest in the senior tranche, they were struggling to find demand for the mezzanine exposures. We were able to take advantage of the market turmoil and effectively negotiate pricing, which enabled the originator to clear the deal. We believe our ability to step in and privately negotiate pricing at a time of market distress enabled us to acquire larger size, and at an attractive discount to generic market pricing.

In RMBS, we continue to favor bonds backed by re-performing/non-performing loans (RPL/NPL). In our opinion, RPL/NPLs continue to trade wide relative to comparable performing European RMBS. We also remain active within our whole loan acquisition strategy, whether it be through outright purchases of loan pools or acquiring residuals with call rights.

Collateralized Loan Obligations (CLOs) - Following Liberation Day, leveraged loan prices deteriorated—in sync with HY CDX. Over the course of May and June though, as markets brushed off the initial negative reaction to Liberation Day tariffs, corporate debt exposures rebounded, with prices ultimately finishing June higher than where they were at the end of March (Exhibit 16).

As we mentioned in our *"1WS First Quarter Commentary" (available upon request),* we had been deliberately underweight CLOs to start the year in an effort to reduce fundamental credit beta and mark-to-market risk in the portfolio. We have held the view for some time that the convexity profile of CLOs was less appealing in comparison to comparable investment opportunities in other sector strategies we invest. In our opinion, leveraged loan prices have not fully reflected the risks that still-high interest expenses and a declining economic growth backdrop implies for leveraged companies' with floating-rate liabilities. While the year-over-year (YoY) growth in interest expense has moderated, it remains elevated on an absolute basis.

Exhibit 16:
Leveraged Loan Prices Moved In Sync With HY CDX
Morningstar LSTA LevLoan Index & HY CDX



Sources: Bloomberg Finance L.P., Morningstar, LSTA, Markit, 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 June 30th, 2025.

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	Investment Grade
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-Investment Grade
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
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).*
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.*
EURO STOXX 50: *The index covers 50 of the leading blue-chip stocks from 11 Eurozone countries.*
FICO: *The Fico Score is used by lenders to help make accurate, reliable, and fast credit risk decisions across the customer lifecycle.*
Financial Obligation Ratio: *The financial obligation ratio is the ratio of required household debt payments to total disposable income and includes rent payments on tenant-occupied property, auto lease payments, homeowners' insurance, and property tax payments*
Floating-Rate Loans: *A floating rate loan has an interest rate which changes periodically based on an underlying index plus a spread.*
Forbearance: *The temporary suspension of loan repayments due to demonstrated financial hardship on the part of the borrower.*
Home Equity Line of Credit / Loan (HELOC / HELOAN): *A loan that allows a homeowner to borrow against the equity in their home. A HELOC is a revolving line of credit with a defined draw period, whereas a HELOAN is a loan received upfront in its entire amount.*
ICE 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: *An equally weighted index comprised of 75 credit default swaps on the most liquid non-investment grade European corporates.*
iTraxx Main: *An equally weighted index comprised of 125 credit default swaps on investment grade European corporates.*
Loan-to-Value (LTV): *Loan-to-value is a measure of the size of a loan relative to the value of an asset.*
Mezzanine Tranche: *A mezzanine tranche within a securitization lies in the middle of the capital structure, below the senior tranche and above the junior tranche (typically an unrated equity tranche).*
Morningstar LSTA US Leveraged Loan Index: *A market value weighted index designed to measure the performance of the US leveraged loan market that tracks the performance of more than 1,400 USD denominated loans.*
Nasdaq-100 Index: *A modified capitalization-weighted index of the 100 largest and most active non-financial equities listed on the NASDAQ.*
Non-Dollar ABS: *Non-Dollar Asset-Backed Securities are instruments secured by financial, physical, and/or intangible assets (e.g., receivables or pools of receivables), and investments in any assets/instruments underlying the foregoing structured/secured obligations outside of the U.S. Non-Dollar Asset-Backed Securities are denominated in currencies other than the U.S. Dollar.*
Non-Dollar RMBS: *Non-Dollar Residential Mortgage-Backed Securities are securities that may be secured by interests in a single residential mortgage loan or a pool of mortgage loans secured by residential property outside of the U.S. Non-Dollar Residential Mortgage-Backed Securities are denominated in currencies other than the U.S. Dollar.*
Non-Performing Loans (NPL): *Mortgage loans that are subject to late repayment (i.e., 90 days have passed without the borrower paying the agreed instalments) or are unlikely to be repaid by the borrower.*
Non Qualified Mortgages (Non-QM): *A non-qualified mortgage — or non-QM — is a home loan that is not required to meet agency-standard documentation requirements as outlined by the Consumer Financial Protection Bureau (CFPB).*
Real Capital Analytics (RCA) Property Price Index: *The RCA Property Price Indices are transaction based indices that measure property prices at a national level.*
Re-performing Loans (RPL): *Mortgage loans that were once delinquent but has since returned to performing status.*
Residential Transitional Loans (RTL): *Mortgage loans, specifically real estate investment loans, that are usually short duration financing for investors pursuing construction, renovation, and other rehabilitation projects on a property.*
RMBS: *Residential Mortgage-Backed Securities are securities that may be secured by interests in a single residential mortgage loan or a pool of mortgage loans secured by residential property.*
Risk-Adjusted: *A risk-adjusted return is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it. The risk is measured in comparison to that of a risk-free investment, usually U.S. Treasuries.*
Risk Premia: *Risk Premia is the investment return an asset is expected to yield in excess of the risk-free rate of return.*
SASB: *Single Asset Single Borrower (SASB) CMBS transactions involve the securitization of a single loan (SA) or collateralized by a group of assets all owned by the same borrower (SB).*
S&P 500 Index: *An index that includes 500 leading companies and covers approximately 80% of available market capitalization.*
S&P CoreLogic Case-Shiller U.S. National Home Price Index: *The index tracks the value of single-family housing within the United States.*
Subprime Auto ABS: *Auto asset-backed securities (auto ABS) are structured finance securities that are collateralized by auto loans or leases, specifically subprime (poor credit standing) borrowers.*
Tranche: *Tranches are segments created from a pool of assets - usually debt instruments such as bonds or mortgages - that are divvied up by risk, time to maturity, or other characteristics in order to be marketable to different investors.*

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