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3rd Quarter Review & Outlook 2025

The Federal Reserve resumed its rate cutting cycle in September, cutting policy rates for the first time in nine months by 25 basis points (bps), citing rising downside risks to employment and diminishing risks to inflation. The market response was equity markets continuing to rally to new highs and high-yield credit spreads remaining near all-time tights, despite inflation remaining above target, lingering questions about tariff absorption, and a slowing labor market.

Consumer Credit *- The abrupt bankruptcy of Tricolor, and allegations of "pervasive fraud" of "extraordinary proportion" sharpens the focus on the subprime auto sector, generally; however, we do not believe the situation is emblematic of systemic credit risk within the subprime auto sector. We continue to stress the need for asset-level, credit-adjusted underwriting. In terms of the consumer credit profile, more broadly, while certain 90-day delinquency metrics are increasing and warrant attention, they often remain below pre-COVID levels (Exhibits 3 & 4). Furthermore, consumer leverage remains stable, with aggregate debt to equity hitting an all-time low in June (Exhibit 6), and debt as a percentage of disposable income remaining steady, and below its long-run average (Exhibit 7). While we would expect lower-income consumers to be more affected by a slowing economy, labor market weakness, and/or rising inflation, the asset appreciation they have experienced over the past five years should provide some relief in a downside scenario.*

Residential Mortgage Credit - *Homebuyers started to see signs of reprieve in the third quarter, as 30-year mortgage rates reached levels not seen since the beginning of 2023. Year-to-date, 30-year mortgage rates are down ~90 bps through September. While beneficial to the marginal buyer, homeowners remain "locked-in" with mortgages well below the prevailing rate (Exhibit 12). Generally, mortgage credit performance continues to remain stable, with delinquency and foreclosure metrics not exhibiting signs of stress. Persistently tight mortgage lending standards paired with solid mortgage credit fundamentals have kept the underlying credit performance stable.*

Commercial Real Estate & CMBS - *CMBS spreads remain wide relative to comparable unsecured corporate credit. A-rated SASB is trading approximately +50 bps wide of BB-rated unsecured corporate credit, compared to the pre-COVID average of roughly -115 bps (Exhibit 19). CMBS issuance has been robust this year, particularly SASB, with private-label CMBS reaching a post-GFC high (Exhibit 20). With growth, the SASB market continues to evolve and we are seeing a more diverse mix of profiles emerge. Historically of higher credit quality, we have begun to see a mix of riskier assets and capital structures. We believe that by targeting property-specific or deal-level exposures, we can increasingly apply our differentiated view on cash flow timing or capitalize where the market heavily discounts outcomes and undervalues expected asset recoveries relative to our position in the capital structure.*

Non-Dollar ABS & RMBS - *As European credits strengthened in the fourth quarter of last year, some sectors did not keep pace with the broader tightening, resulting in what we see as tactical opportunities in secondary and new origination, both on an absolute and relative basis. Basel III capital requirements continue to incentivize banks to remain active in the SRT market across collateral types.*

Collateralized Loan Obligations (CLOs) - *We continue to deliberately underweight CLOs to reduce both fundamental credit beta and mark-to-market risk in the portfolio. For some time, we have found the convexity profile of CLOs relatively less attractive than risk we can source elsewhere. In our view, leveraged loan prices have yet to fully reflect the risks posed by persistently high interest expense and a slowing economic backdrop for highly leveraged companies with floating-rate liabilities.*

September 30th, 2025

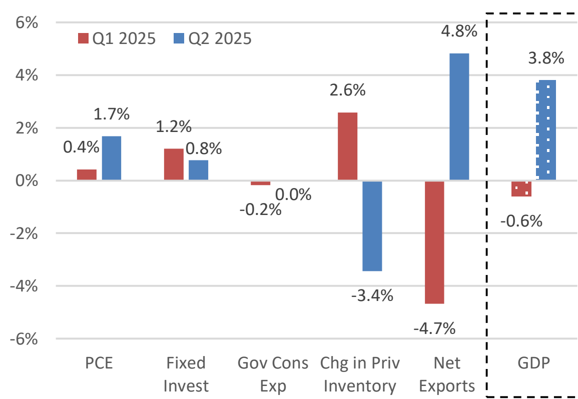
The 1WS Credit Income Fund (the "Fund") is a closed-end interval fund launched in March 2019. As of September 30th, 2025, the Fund has gross assets under management of approximately $1,008 million (approximately $750 million net assets). The Fund is a non-diversified, closed-end investment management 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

The Federal Reserve resumed its rate cutting cycle in September, cutting policy rates for the first time in nine months by 25 basis points (bps), citing rising downside risks to employment and diminishing risks to inflation. While the Federal Reserve's Summary of Economic Projections released in September signaled an additional 50 bps of policy rate cuts by the end of 2025, many Federal Reserve members expressed a cautious approach moving forward, highlighting a necessity to remain data dependent in making monetary policy decisions. With the government officially shutting down as of October 1st, it remains to be seen how this will ultimately affect the Fed's outlook and the economy at large. A prolonged shutdown may affect access to economic data, as well as drive unemployment higher, as the administration has signaled they intend to layoff government employees rather than furlough.

Second quarter GDP came in strong, rising by ~+3.8%. Although underneath the surface, it appears to be much more like a reversal of the previous first quarter, tariff uncertainty-driven decline, rather than an outright expansion (Exhibit 1). Tariff sensitive factors of GDP like change in private inventories and net exports saw massive swings in the first half of 2025, largely offsetting each other quarter-over-quarter (QoQ). In the first quarter, tariff fears stoked businesses to stockpile inventory. Although in the second quarter, as the tariff landscape became more clear, inventories dropped. Similarly, imports rose considerably in Q1, leading net exports to drop meaningfully; in Q2, they recovered in equal magnitude as trade negotiations began. This ultimately resulted in below trend 1H GDP growth in comparison to last year.

Exhibit 1:
Q2 GDP Gains Were Offsetting Q1 Deterioration
Large Swings in Tariff Sensitive Factors of GDP



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

Net Return Performance as of 9/30/25*	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	0.31%	6.89%	9.27%	10.38%	9.36%	7.78%	63.74%
1WS Credit Income Fund (OWSAX) Class A-2 shares	0.26%	6.37%	8.63%	9.70%	8.67%	7.06%	56.82%
Bloomberg U.S. Aggregate Bond Index[1]	1.09%	6.13%	2.88%	4.93%	-0.45%	1.82%	12.61%
ICE BofAML U.S. High Yield Index[2]	0.78%	7.06%	7.23%	10.97%	5.53%	5.28%	40.34%

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

Past performance is not indicative of future returns.

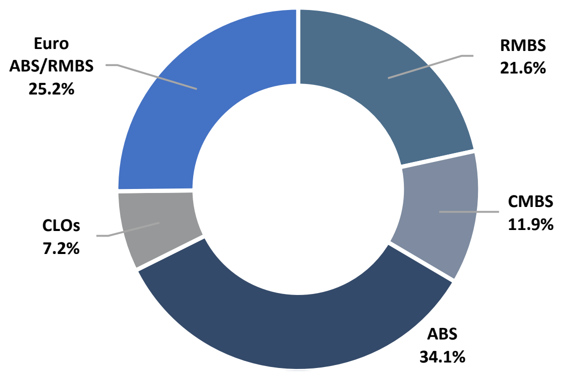
* *OWSCX returns are presented net of all fees and expenses, benchmark returns are gross. Please see pp. 10-12 for important risk disclosures and definitions. OWSAX returns prior to May 2021 reflect the performance of Class I shares, adjusted to reflect the distribution and shareholder servicing fees applicable to Class A2 shares. Class I shares are not subject to an upfront sales load. Gross Annual Expenses for Class I and Class A2 are 3.74% and 4.34%, respectively, which are based on the expenses shown in the Fund's most recent prospectus, dated February 28, 2025. Actual expenses may differ.*

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

[1,2] *Please refer to the risk disclosures and definitions on pp. 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)	2.09%
Collateralized Loan Obligations (CLOs)	0.57%
Commercial Mortgage-Backed Securities (CMBS)	0.70%
European ABS & RMBS	2.07%
Residential Mortgage-Backed Securities (RMBS)	0.94%
Other	0.85%
Interest Rate Hedges	-0.33%
Total	**6.89%**

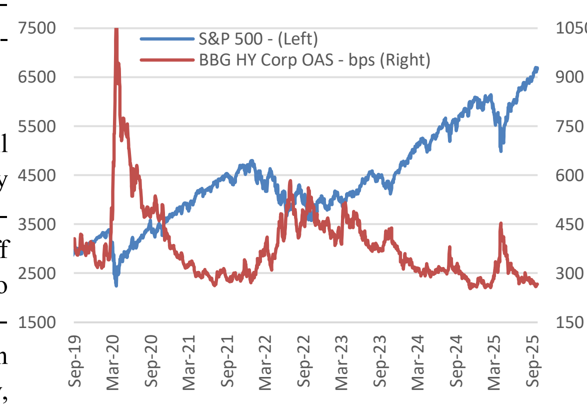
[1] The Portfolio composition as of 9/30/25 differs from the portfolio composition for any point prior to such date and is subject to change at any time.
[2] Net performance data reflects the deduction of all fees and expenses. Net return attribution represents portfolio PnL by sector divided by the 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.*

The labor market sits in a peculiar balance. Payrolls data continues to come in weak, with substantial revisions to last year, reducing total payrolls by ~911k for the twelve months prior to March 2025, according to U.S. Bureau of Labor Statistics—the largest revision in over twenty years. Moreover, June, July, and August of this year saw meaningful downward revisions, bringing average payroll growth over the three months to ~29k per month, which is below the break-even level needed to keep the unemployment rate steady, according to CNBC. At the same time job openings continue on a steady downward trend, as employers remain cautious about the economic outlook. That being said, unemployment remains historically low, though rising, at ~4.3%. The current "low-hire, low-fire" environment—where a lack of job openings is being conveniently matched by a shortage of job seekers—may, on the surface, signal a balanced labor market; nonetheless, the job market is starting to show signs of weakness and warrants monitoring.

Inflation, while lower, remains above the Federal Reserve's stated target level 2.0%. Moreover, there still remains uncertainty as to what effects tariffs may have on inflation. To date, businesses have largely absorbed the cost associated with tariffs, yet it not clear whether they will continue to do so for a prolonged period.

In many ways, the third quarter brought more questions than answers. Will corporations continue to absorb the costs associated with tariffs or will they eventually pass it on to the consumer, in turn driving up inflation and potentially affecting personal consumption? If they do continue to absorb the tariff costs, how does that affect their profitability and ultimately their ability to invest in new projects (i.e., drive economic growth) or their ability and willingness to retain employees? How does a prolonged government shutdown affect the Federal Reserve's ability to remain data dependent? In our view, risk assets appear to be pricing a sublime outcome, as equity markets continue to rally to new highs and high-yield credit spreads remain near all time tights (Exhibit 2).

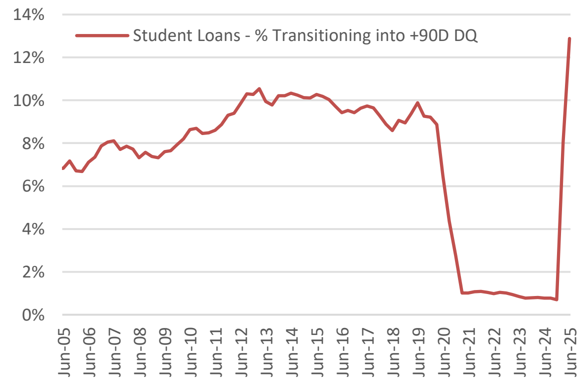
Exhibit 2:
Equities Rallied to New Highs, Spreads Near Tights
S&P 500 Price and Bloomberg HY Corp OAS



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

Consumer Credit - It remains unclear exactly how the collection of student loan payments will affect the consumer at large—and importantly, those with exposure to debt instruments like unsecured consumer loans and credit cards, which may fall below student loans in the priority of payments. As we mentioned in our *"1WS Second Quarter Commentary" (available upon request)*, we have already observed a significant effect on credit scores as student loan delinquencies have begun to reappear on credit reports, with borrowers from all credit score segments experiencing delinquencies, according to data compiled by Liberty Street Economics. Additionally, there was much talk in the third quarter of how the Federal Reserve's Quarterly Report on Household Debt and Credit reported that student loan delinquencies reached all-time highs. It is true that one metric, specifically the newly delinquent balance of student loans transitioning into 90+ days delinquency, did reach a record high (Exhibit 3). According to the Federal Reserve, this metric captures "the new (seriously) delinquent balance, expressed as a percent of the previous quarter's balance that was not (seriously) delinquent". While a valid metric to capture transitions, and certainly one that warrants monitoring, it is also important to note that the same report showed that currently 10.2% of aggregate student loan debt was reported as 90+ days delinquent, which is still below pre-COVID levels (Exhibit 4).

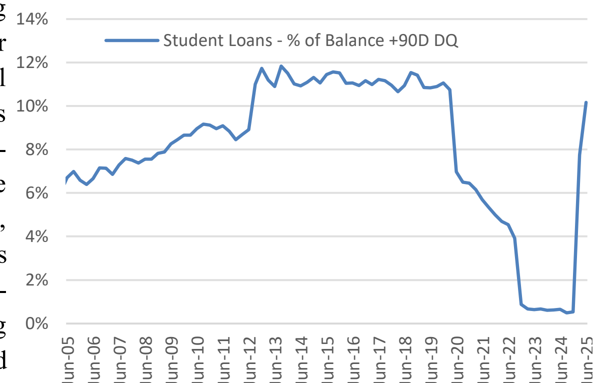
Exhibit 3:
Transition into 90+ Days Delinquent
Student Loans



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

In our *"1WS Second Quarter Commentary" (available upon request),* we highlighted that the Fair Isaac Corporation (FICO) announced that they will be collecting data on buy-now, pay-later (BNPL) loans and releasing credit scoring models in the fall of this year accounting for them. However, there have been some challenges in integrating BNPL loans into the traditional credit reporting framework, according to Chuck Bell, a Consumer Reports financial policy advocate. For now, Affirm is the only major BNPL provider currently reporting. Both Klarna and Afterpay have said they will continue to hold off on supplying data to credit bureaus until score calculations are changed.

Exhibit 4:
Percentage of Balance 90+ Days Delinquent
Student Loans



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

Towards the end of the third quarter, Tricolor Holdings, LLC, a privately-owned "buy-here, pay-here" used car dealership and subprime auto lender—and an active participant in the ABS securitization market—filed for Chapter 7 bankruptcy, following accusations of potential fraudulent activity including double pledging auto loan receivables to multiple warehouse lenders and/or securitizations. Tricolor now faces multiple fraud investigations from several agencies including the Justice Department and the SEC. In the wake of this news, Tricolor's subprime auto asset-backed securities (ABS) have experienced substantial price deterioration in the secondary market. Additionally, the bonds failed to receive payments in September, triggering an event of default, followed by Kroll Bond Rating Agency (KBRA) downgrading all of Tricolor's outstanding ABS bonds, including previously rated AAA tranches to CCC-rating or below. This can have the added effect of creating additional selling pressure, as some investors are limited to holding only investment-grade rated securities.

It is worth noting the findings and disentanglement of the situation is still ongoing, but the alleged fraudulent activity of the originator potentially including misreporting asset performance and double pledging collateral across their private warehouse facilities and public securitizations has been described in bankruptcy court as "pervasive fraud" of "extraordinary proportion". These issues appear to have gone unnoticed by trustees, custodians, backup servicer, rating agencies, auditors and other parties vested with ensuring the integrity of transactions. KBRA consistently assigned AAA-ratings to Tricolor's A-tranche—the highest rated tranche in their ABS securitizations—dating back to 2021, and had issued upgrades on a number of mezzanine bonds, with many having multiple occurrences of upgrades over the years. Historically, Moody's also rated Tricolor's securitizations and was more recently replaced by Standard and Poor's (S&P). Prior to defaulting, Tricolor had not experienced a single downgrade to any of their subprime auto ABS by any rating agency. Moreover, the securitizations exhibited what we believed to be robust initial credit enhancement, with structures that steadily deleveraged as the loan pools amortized.

While the abrupt bankruptcy of Tricolor was a shock to the market, we do not believe it is emblematic of broader credit risk within the subprime auto sector generally. We acknowledge a high degree of fundamental credit bifurcation within the broader consumer sector generally. Aggregate consumer fundamentals remain strong, while lower income families have been stretched by high inflation post-COVID, and are potentially disproportionally exposed to a slowing labor market. As a result, we continue to stress the need for credit underwriting at the security level. We do believe, however, that news of the Tricolor bankruptcy will be a headwind for the subprime auto sector over the short to intermediate term. For now we remain cautious as investors try and understand the degree of potential fraud and its implications for potential future losses. There is also likely to be increased focus on consumer fundamentals, particularly among non-prime borrowers as the economy evolves.

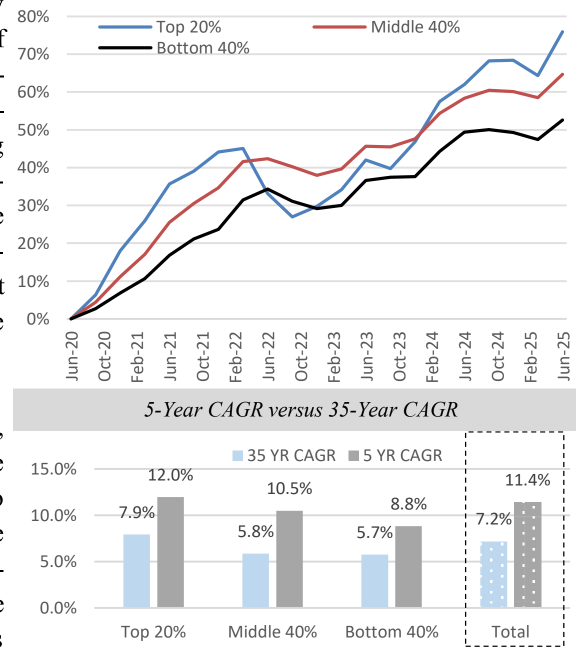
We continue to believe that in aggregate, consumer fundamentals remain healthy as consumers continue to benefit from solid wage gains—with year-over-year (YoY) change in average hourly earnings outpacing inflation over the past two years. Aggregate consumer balance sheets remain strong, buoyed by stock market gains and home price appreciation (HPA) over the last five years (Exhibit 5). Across all income cohorts, households' real estate and equity assets have appreciated by an annualized ~+11.4% over the past five years—versus a 35-year average of ~+7.2%. Even among the bottom 40% of households, their 5-year asset appreciation of ~+8.8% has outpaced their long-run average of ~+5.7%. Furthermore, consumer leverage remains stable, with aggregate debt to equity hitting an all-time low in June (Exhibit 6), and debt as a percentage of disposable income remaining steady, and below its long-run average (Exhibit 7). While we would expect lower-income consumers to be more affected by a slowing economy, labor market weakness, and/or rising inflation, we believe that the asset appreciation they have experienced over the past five years should provide some relief in a downside scenario.

Given the level of credit spreads generally and ongoing macro uncertainties, we remain cautious with respect to generic market risk exposure. We believe the current market environment benefits specialized credit underwriters who prioritize security selection, risk management, and the identification of unique sources of alpha. Shifts in the macro environment—including changes in economic conditions, the labor market, wages, and inflation—can all impact future performance. As such, we believe it is essential to stress test expected returns under various fundamental scenarios to ensure resilience.

Exhibit 5:

Consumer Equity Appreciation Has Been Robust

5-Year Cumulative Gains in Real Estate and Equity Assets

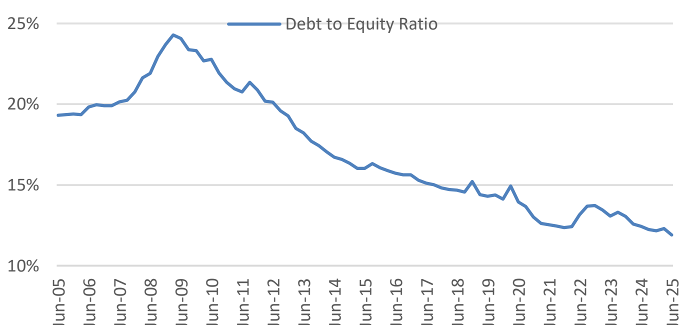


Sources: Federal Reserve, Bloomberg Finance L.P., OWS

Exhibit 6:

Consumer Leverage Remains Low

Total Debt to Equity

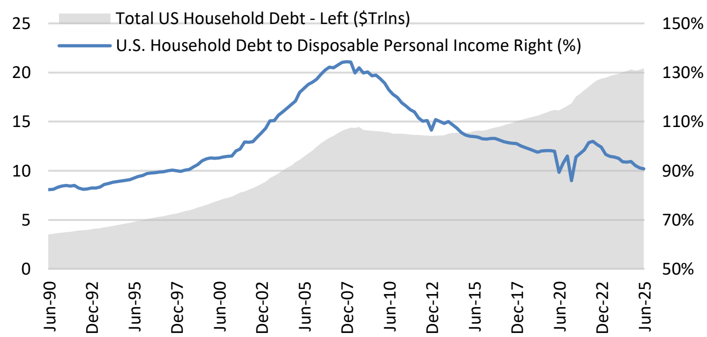


Sources: Federal Reserve, Bloomberg Finance L.P., OWS

Exhibit 7:

Debt as a Percentage of Disposable Income Remains Stable

U.S. Household Debt and as a Percent of Disposable Personal Income



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

Third Quarter Review

Over the third quarter, risk assets continued to perform well with equities reaching all-time highs and the riskiest of unsecured corporate credit spreads tightening (Exhibit 8). The S&P 500, including dividends, was up ~+8.12%, and benchmark CCC-rated unsecured corporate credit tightened by roughly -73 bps. Second quarter earnings continued to come in strong, with the S&P 500's quarterly YoY EPS growth coming in well above expectations. Despite the economic uncertainty that still remains, in our view, risk assets appear to be pricing a sublime outcome, buoyed by strong earnings growth and a supportive monetary policy outlook.

2025 YTD Securitized Credit Issuance - Year-to-date (YTD) gross issuance volumes are up by ~+13% year-over-year (YoY) across securitized credit products—excluding agency MBS—in comparison to 2024 YTD (Exhibit 9), according to J.P. Morgan. In RMBS, CRT issuance has declined by approximately -17% YoY, as the origination of new conventional 30-year fixed mortgages had moderated. Meanwhile, second lien products such as home equity lines of credit (HELOCs) and home equity loans (HELOANs) have seen considerable growth—experiencing a ~+84% increase in issuance versus 2024 YTD. As homeowners continue to access their built-up home equity, securitizations of these products continues to grow. In CMBS, conduit structures saw minimal YoY issuance growth, as single-asset single-borrower CMBS continues to be the preferred structure—with issu-

Exhibit 8:
Q3 2025 Benchmark Credit Sector Return Performance - *Through September 29, 2025*
U.S. Treasury, Equity, and Corporate Credit Sector Benchmarks

Bloomberg U.S. Treasury *Index & Bellwethers*

	Yld	Chng	Total Rtn %
U.S. Trsy			
Index	3.94	-0.09	1.51%
2yr	3.61	-0.11	1.03%
5yr	3.74	-0.05	1.18%
10yr	4.15	-0.08	1.84%
30yr	4.73	-0.06	2.10%

Bloomberg Corporate Credit *(Rating Buckets)*

	Sprd	Chng	Total Rtn %
Bloomberg Credit Indices			
Aaa	30	-4	2.64%
Aa	41	-6	2.37%
A	61	-10	2.52%
Baa	92	-10	2.71%
Ba	168	-3	2.31%
B	263	-18	2.28%
Caa	604	-73	4.37%

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

	Sprd	Chng	Total Rtn %	Excess[2] Rtn %
BB US AGG Index	28	-4	2.03%	0.48%
BB US IG Index	74	-9	2.60%	0.96%
IBOXIG Index			2.85%	
CDX.IG	52	1	0.30%	
BB US HY Index	267	-23	2.54%	1.27%
IBOXHY Index			2.27%	
CDX.HY	318	2	1.66%	

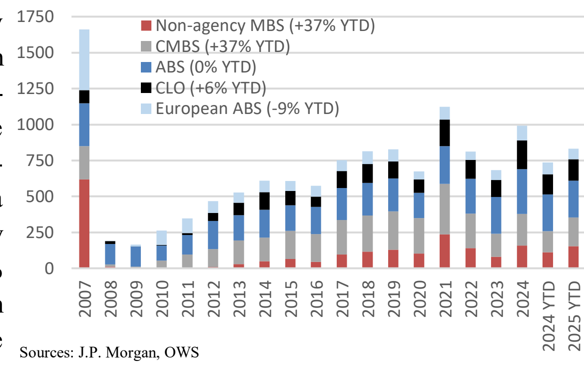
Equity & Leveraged Loan Indices

	Prc	Chng	Total Rtn %
Equity Indices			
MSCI ACWI			7.74%
S&P 500 w/div			8.12%
iBoxx LevLoan Index			1.54%
Morningstar/LSTA LevLoan Indices			
Index	97.06	-0.01	1.77%
BB	99.52	-0.12	1.59%
B	98.24	0.37	1.85%

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

ance growing by ~+45% this year. To date, CRE CLO issuance has grown considerably, and is now almost the same dollar amount as conduits—increasing by ~+230% YoY. Similarly to last year, CLO issuance is currently dominated by refinancing and reset transactions instead of new deals—with refi/resets making up greater than 60% of gross issuance. As CLO spreads narrow, the call option becomes more appealing, prompting equity holders to take advantage of lower funding costs. In ABS, YTD issuance remains flat, although the makeup of product type has shifted. Subprime auto ABS has seen a roughly -4% decline YoY, while unsecured consumer debt has increased by ~+67%. Credit card and student loan ABS also saw YoY increases, up ~+8% and ~+18%, respectively. European ABS issuance, while strong, declined from last year, which what was ultimately the highest level of gross issuance since 2011.

Exhibit 9:
Securitized Credit Gross Issuance Volume ($bln)
Gross Issuance & YTD % Change by Sector

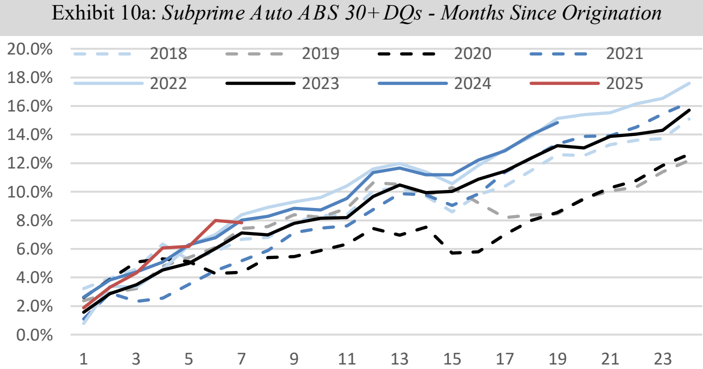


Sources: J.P. Morgan, OWS

Structured ABS & Asset-Based Financing Opportunities - In the third quarter, our consumer ABS portfolio contributed positively to our overall fund performance, but was negatively impacted by the Tricolor situation. As previously mentioned, the Tricolor situation is fluid, complicated, and far from resolved. In the meantime, we are pursuing all available paths to improve recovery potential. In general, while not overwhelming, the broader subprime auto market showed modest weakness in sympathy in September, with spreads widening as investors began to analyze bonds backed by subprime auto loans through a more critical lens.

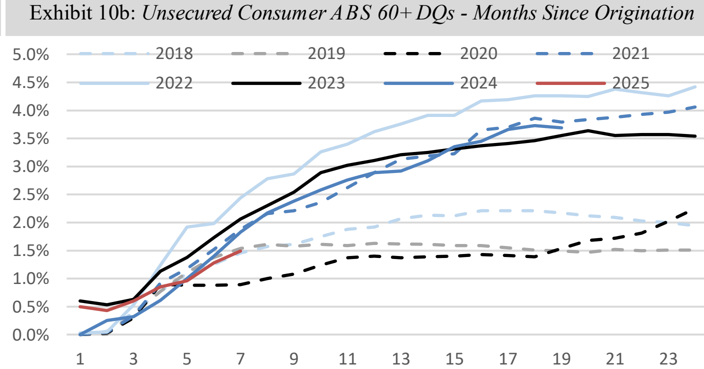
Exhibit 10:
2025 Subprime Auto Delinquencies Remain Elevated, While Unsecured Consumer Are Trending Better Than Recent Vintages

Exhibit 10a: *Subprime Auto ABS 30+ DQs - Months Since Origination*



Sources: J.P. Morgan, OWS

Exhibit 10b: *Unsecured Consumer ABS 60+ DQs - Months Since Origination*

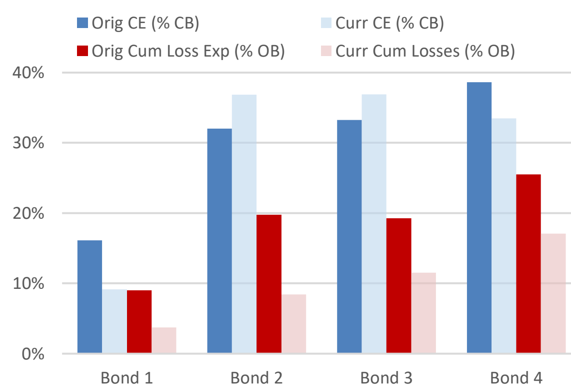


Sources: J.P. Morgan, OWS

Early readings on fundamental performance of the latest 2025-originated unsecured consumer debt ABS are showing that the latest vintages' delinquencies are trending better than other recent vintages that have exhibited deterioration, like the 2022-2024 cohorts (Exhibit 10). The same has not been true in subprime auto ABS. To date, early readings of aggregate 2025-originated subprime auto ABS delinquencies are indicating that this vintage is trending in-line with the 2022 vintages, which was the weakest performing of recent vintages. We have generally been finding opportunities in unsecured consumer debt ABS robust, and have been favoring adding exposure in the sector in the third quarter—and over 2025 more broadly—versus alternative ABS sectors. As we mentioned above, issuance within unsecured consumer debt ABS remains strong, providing opportunities to add new issue exposure. When investing in subprime auto ABS, we tend to favor originators that proactively tightened credit standards in light of deterioration seen in the subprime auto ABS market in 2022 and 2023, focusing on what we would expect to be cleaner loan pools.

While it important to track aggregate fundamental performance data, it is critical to understand that it is not necessarily representative of how any individual security will perform over time. The range of fundamental performance across subprime auto originators of even a single vintage year is vast. For example, in Exhibit 11, we take a look at four BBB-rated D-tranches from four different securitizations. All four bonds were issued in 2024 and were the first issuance of that vintage for each respective issuer. When looking at the exhibit, one may assume that because Bond 1 has the lowest current cumulative losses amongst the cohort, that it is the de facto outperforming bond amongst the four. Moreover, when comparing Bond 2 to Bond 1, one may assume that because the former has higher current cumulative losses it is underperforming. Yet both have relatively similar cumulative losses as a percentage of what was the originally expected cumulative losses. Meanwhile, Bond 2 has deleveraged considerably, with its current credit enhancement well above the credit rating agency's initial expectation—a sign of outperformance. Each individual securitization is structured uniquely with differing initial credit enhancements, targets, triggers, and performance expectations, which are intricacies that are not obvious at an index level, yet are critical in evaluating the performance of a single security.

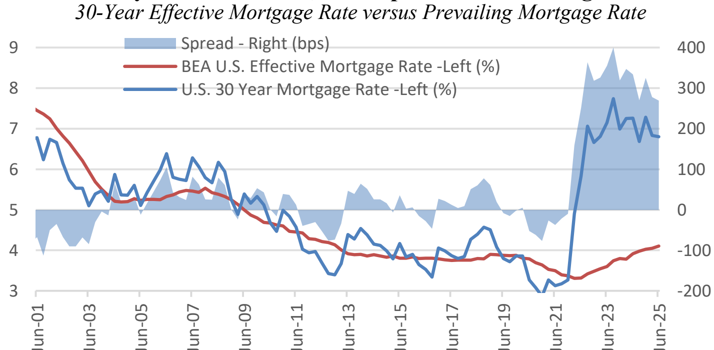
Exhibit 11:
Fundamental Performance Varies Across Originators
1st Issuance, 2024 Vintage, BBB-Rated Subprime Auto Bonds



Sources: J.P. Morgan, OWS
*CE is credit enhancement
*CB is current balance
*OB is original balance

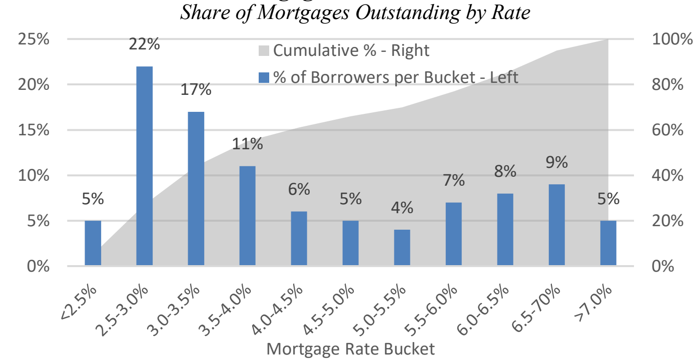
Residential Mortgage Credit - In the third quarter, homebuyers started to see signs of reprieve, as 30-year mortgage rates reached levels not seen since the beginning of 2023. To date, 30-year mortgage rates are down ~90 bps through September. While beneficial to the marginal buyer, homeowners remain "locked-in" with mortgages well below the prevailing rate (Exhibit 12). As of June, the effective 30-year mortgage rate was ~270 bps below the prevailing. If we take into consideration the additional roughly -45 bps of tightening we saw in the third quarter, that still leaves current homeowners with a ~225 bps cushion below the current rate—well above the long-run average of +40 bps. Moreover, approximately 60% of homeowners have a mortgage rate of 4.5% or lower—with ~44% of all homeowners' mortgages at a rate of 3.5% or lower (Exhibit 13). Although home prices remain at record highs, home price appreciation (HPA) appears to be moderating, with year-over-year (YoY) HPA at ~+1.68%, versus an average ~+3.27% in appreciation experienced over the last twenty years (Exhibit 14). Additionally, exist-

Exhibit 12:
Homebuyers "Locked-in", ~270 bps Below Prevailing Rates...
30-Year Effective Mortgage Rate versus Prevailing Mortgage Rate



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

Exhibit 13:
...With >40% of Mortgages "Locked-in" at 3.5% or Lower
Share of Mortgages Outstanding by Rate



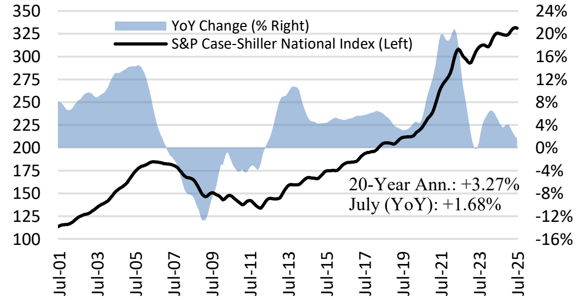
Sources: eMBS, Morgan Stanley Research, OWS ing home supply has witnessed meaningful improvements, with months supply of existing home sales reaching levels not seen since pre-COVID (Exhibit 15). Nevertheless, affordability continues to be strained (Exhibit 16).

Generally, mortgage credit performance continue to remain stable, with delinquency and foreclosure metrics not exhibiting the signs of stress witnessed in other segments of consumer debt instruments. While delinquencies are off their absolute lows, they still remain well below pre-COVID averages (Exhibit 17). This is true across all age cohorts, with even the youngest cohorts (18-29 years of age)—who have historically exhibited the weakest performance, especially during times of distress—experiencing transitions into serious delinquency roughly 60% the below pre-COVID average transition rate for their age cohort. Moreover, foreclosures and bankruptcies remain low, with the number of consumer with new foreclosures at the end of the second quarter at ~25% of the pre -COVID average (Exhibit 18). Persistently tight mortgage lending standards paired with solid mortgage credit fundamentals have kept the underlying credit performance stable, while other consumer sectors have shown signs of weakness.

Over the third quarter, we continued to identify opportunities in the securitized residential credit market. We continue to add exposure in securities backed by residential transitional loans (RTLs) and home equity lines of credit/loans (HELOC/HELOANS). As we have previously noted, we believe that alternative methods for borrowers to access home equity—rather than traditional mortgage refinancing—will remain a substantial investment opportunity over the intermediate term, given that elevated home prices and persistently high mortgage rates are encouraging homeowners to stay in their homes longer. Additionally, we remain focused on opportunities in the seasoned residential sector, where historical HPA has reduced underlying credit risk. Many seasoned loans and securitizations have already experienced significant credit risk deleveraging, as higher asset values have lowered loan-to-value ratios, strengthened asset coverage, and improved overall credit quality. This deleveraging is expected to enhance cash flow recoveries in legacy pools that have accumulated forbearance losses.

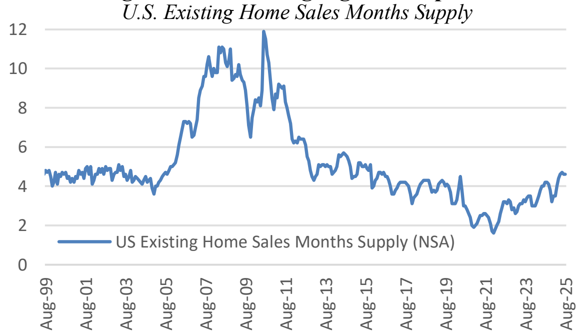
Commercial Real Estate & CMBS - CMBS spreads remain wide relative to comparable unsecured corporate credit. A-rated single-asset single-borrower (SASB) is trading approximately +50 bps wide of BB-rated unsecured corporate credit, compared to the pre-COVID average of roughly -115 bps (Exhibit

Exhibit 14:
Home Prices Supportive of Mortgage Fundamentals
S&P Case-Shiller U.S. National Home Price Index



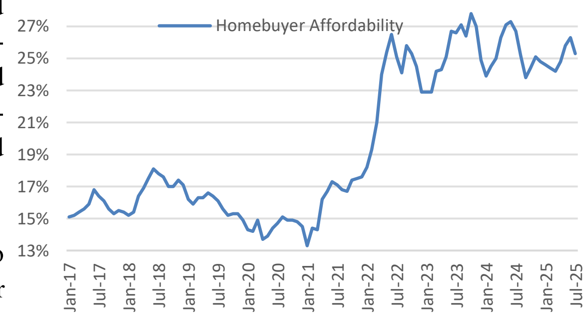
Sources: S&P / Case-Shiller, Bloomberg Finance L.P., OWS
U.S. home price index tracks the value of single-family housing in the U.S., NSA

Exhibit 15:
Housing Stock is Showing Signs of Improvement
U.S. Existing Home Sales Months Supply



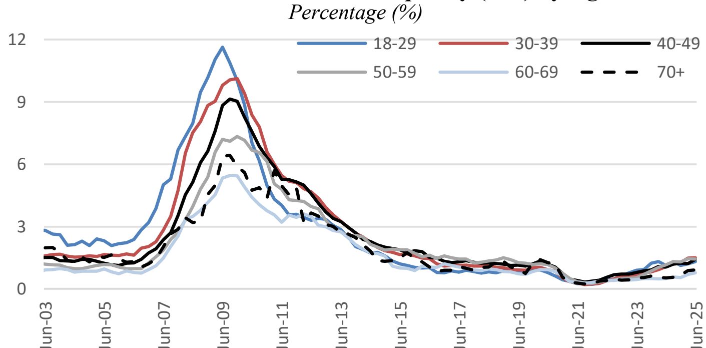
Sources: National Association of Realtors, Bloomberg Finance L.P., OWS

Exhibit 16:
Housing Affordability is Persistently Strained
Mortgage Payment as a Percentage of Income



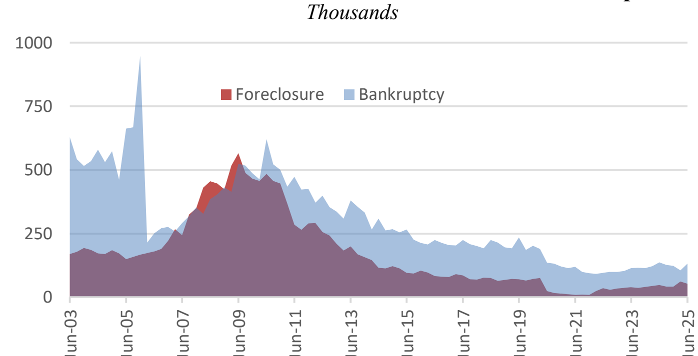
Sources: National Association of Realtors, Bloomberg Finance L.P., OWS

Exhibit 17:
Transition into Serious Delinquency (90+) by Age
Percentage (%)



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

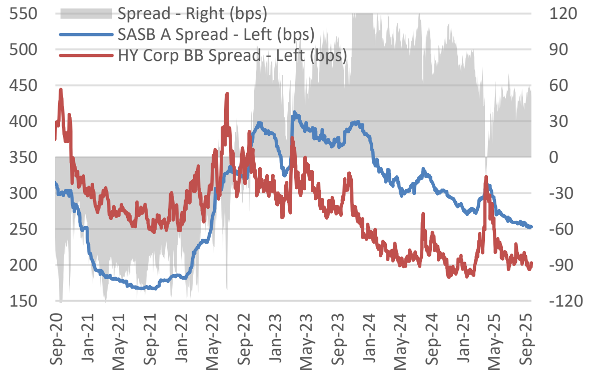
Exhibit 18:
Number of Consumers with New Foreclosures and Bankruptcies
Thousands



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

19). Our commercial mortgage-backed securities portfolio was one of our strongest performing sector strategies in the third quarter. Our conduit portfolio, while smaller in comparison to our SASB portfolio, performed well in the third quarter. A high conviction position we had in a 2015 vintage conduit CMBS. which we had exposure to throughout the capital stack, saw considerable gains following substantial repayments among underlying loans during the third quarter. As a result of the loan repayments, the securitization rapidly deleveraged—having ended the second quarter at a deal factor of 0.54, now at 0.16. Additionally, in our SASB portfolio, we continued to see strong performance among mezzanine office exposures in the third quarter.

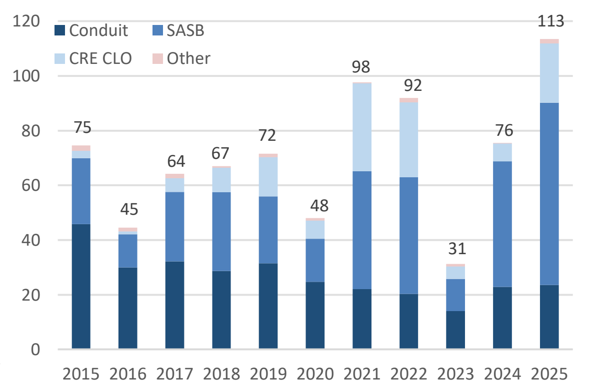
Exhibit 19:
CMBS Spreads Remain Wide vs Corporate Credit
A-Rated SASB vs BB-Rated Unsecured Corporate



Sources: J.P. Morgan, OWS

As we mentioned above, CMBS issuance has been robust this year, with private-label CMBS reaching a post-GFC high, according to data compiled by J.P. Morgan (Exhibit 20). A combination of markets becoming more receptive to commercial real estate exposure again this year as performance trends have become more identifiable and valuation less uncertain and spreads tightening from absolute wides has helped support record issuance. We continued to identify what we believe to be attractive opportunities in both the new issue and secondary CMBS markets, including adding exposure in SASB across property types.

Exhibit 20:
CMBS Issuance Remains Strong, Driven by SASB
Private Labe CMBS Issuance



Sources: J.P. Morgan, OWS

Although active in new issue, we believe the most compelling relative value lies in seasoned CMBS transactions. We believe that by targeting property-specific and capital structure specific exposures, we seek to apply our differentiated view on cash flow timing or capitalize where the market undervalues outcomes to asset performance or recoveries relative to our position in the capital structure. This strategy often involves in-depth underwriting of stressed, or defaulted properties. Currently, we are identifying such opportunities across property types, including office, retail, hospitality, and multifamily.

Non-Dollar ABS & RMBS - Our non-dollar ABS and RMBS strategies performed well over the third quarter, with exposure in our RMBS strategy outperforming ABS. As we previously mentioned, we have been active in the RPL/NPL sector this year, where we find the opportunity set continues to be attractive compared to similar investments in the performing Euro RMBS market. As European credits strengthened in the fourth quarter of last year, the RPL/NPL sector did not keep pace with the broader tightening, resulting in what we see as appealing opportunities both on an absolute and relative basis.

Last quarter, we mentioned that we purchased mezzanine exposures backed by small and medium-sized enterprises (SMEs). The timing of the transaction coincided with market volatility following the U.S. Liberation Day tariff announcements, affecting demand for the mezzanine exposures. We were able to capitalize on the market dislocation and negotiate favorable pricing, which allowed the originator to successfully place the deal in a challenging market, albeit at a cost. Our ability to step in and negotiate privately during a period of market stress enabled us to acquire a larger allocation at a significant discount to prevailing market levels. Of the various mezzanine tranches we purchased, we began to sell some of the most senior of our position (currently BBB+-rated exposure), as it experienced considerable mark-to-market gains in the third quarter, and is now trading above par.

Collateralized Loan Obligations (CLOs) - We continue to deliberately underweight CLOs to reduce both fundamental credit beta and mark-to-market risk in the portfolio. For some time, we have found the convexity profile of CLOs less attractive relative to other sectors where we invest. In our view, leveraged loan prices have yet to fully reflect the risks posed by persistently high interest expenses and a slowing economic backdrop for companies with floating-rate liabilities. Although the year-over-year growth in interest expense has moderated, it remains elevated on an absolute basis. As a result, we continue to take a more tactical approach to CLO positioning, seeking relative value opportunities within the sector and across the broader corporate credit landscape.

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

Prior to investing, Investors should carefully consider the investment objectives, risks, charges and expenses of the 1WS Credit Income Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by calling (833) 834-4923 or visiting **[www.1wscapital.com.](http://www.1wscapital.com)** ***The prospectus should be read carefully before investing.***

1WS Credit Income Fund is distributed by ALPS Distributors, Inc. ALPS Distributors, Inc. is not affiliated with 1WS Capital Advisors, LLC or One William Street Capital Management, L.P.

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

RISK DISCLOSURES

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

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

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

There can be no assurance that the Fund will achieve its investment objective. Many of the Fund's investments may be considered speculative and subject to increased risk. Neither One William Street Capital Management, LP nor 1WS Capital Advisors, LLC has managed a 1940-Act registered product prior to managing the fund. Investing in the Fund involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The ability of the Fund to achieve its investment objective depends, in part, on the ability of the Adviser to allocate effectively the assets of the Fund among the various securities and investments in which the Fund invests. There can be no assurance that the actual allocations or investment selections will be effective in achieving the Fund's investment objective or delivering positive returns.

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the portfolio manager disclaims any responsibility to update such views. The views expressed in this report reflect the current views of the portfolio manager as of September 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	
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Investment
A2	A	A	Grade
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-
B2	B	B	Investment
B3	B-	B-	Grade
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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