

This Supplementary Prospectus ("**Supplementary Prospectus**") is supplemental to, forms part of and must be read in conjunction with, the prospectus published by Fair Oaks Income Limited (the "**Company**") on 26 March 2021 relating to the Placing Programme of 2021 Shares and/or C Shares (the "**Prospectus**") and comprises a supplementary prospectus for the purpose of Article 23 Regulation (EU) 2017/1129 and any regulatory or implementing technical standards and other delegated or implementing acts adopted under that regulation, in each case to the extent that they form part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal Agreement) Act 2018 (as may be amended from time to time, including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020) (the "**UK Prospectus Regulation**").

Unless otherwise defined herein, capitalised terms used in this Supplementary Prospectus have the meanings given to them in the Prospectus.

This Supplementary Prospectus has been approved by the United Kingdom Financial Conduct Authority ("**FCA**"), which is the competent authority for the purposes of the UK Prospectus Regulation. The FCA only approves this Supplementary Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such approval should not be considered as an endorsement of the Company that is the subject of this Supplementary Prospectus.

The Company and the Directors and GP Directors, whose names appear on page 8 of this Supplementary Prospectus, each accept responsibility for the information contained in this Supplementary Prospectus and the Prospectus. To the best of the knowledge and belief of the Company, the Directors and the GP Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplementary Prospectus and the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In accordance with Article 23(2) of the UK Prospectus Regulation, investors who have agreed to purchase or subscribe for securities before this Supplementary Prospectus is published have the right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplementary Prospectus was published, to withdraw their acceptances by sending a written notice of withdrawal (which must include the full name and address of the person or entity wishing to exercise such statutory withdrawal right and identify the transferable securities to which that statutory withdrawal right relates) by electronic mail to Numis_Project_Gamelan@numis.com.

The distribution of this Supplementary Prospectus and the Prospectus and/or the accompanying documents into a jurisdiction other than the United Kingdom may be restricted by law and therefore persons into whose possession this Supplementary Prospectus and the Prospectus and/or any accompanying documents comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdictions. In particular, subject to certain exceptions, this Supplementary Prospectus, the Prospectus and any accompanying documents should not be distributed, forwarded to or transmitted in or into any Restricted Jurisdiction ("**Restricted Jurisdiction**" being each of Australia, Canada, Japan, the Republic of South Africa and the United States).

Fair Oaks Income Limited

(Incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered number 58123 and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission)

Placing Programme of 2021 Shares and/or C Shares up to an aggregate issue value of US\$350 million

SUPPLEMENTARY PROSPECTUS

Numis Securities Limited and Liberum Capital Limited

Joint Bookrunners, Joint Brokers and Joint Financial Advisers

Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no one else in connection with the Placing Programme and will not regard any other person (whether or not a recipient of this Supplementary Prospectus or the Prospectus) as its client in relation to the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in connection with the Placing Programme or any other matter referred to in this Supplementary Prospectus or in the Prospectus.

Liberum Capital Limited ("**Liberum**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no one else in connection with the Placing Programme and will not regard any other person (whether or not a recipient of this Supplementary Prospectus or the Prospectus) as its client in relation to the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in connection with the Placing Programme or any other matter referred to in this Supplementary Prospectus or in the Prospectus.

Other than the responsibilities or liabilities, if any, which may be imposed on Numis or on Liberum by FSMA or any regulatory regime established thereunder, neither Numis nor Liberum accepts any responsibility whatsoever or make any representation or warranty, express or implied, in respect of the contents of this Supplementary Prospectus or the Prospectus, including its accuracy, completeness or verification, in respect of any other statement made or purported to be made by it, or on its behalf, in connection with the Company, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Numis (and its affiliates) and Liberum (and its affiliates) accordingly disclaim all and any liability, whether arising in tort, contract or otherwise, which it/they might otherwise be found to have in respect of this Supplementary Prospectus, the Prospectus or any such statement.

Recipients of this Supplementary Prospectus and the Prospectus acknowledge that: (i) they have not relied on the Company, Numis, Liberum or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this Supplementary Prospectus or the Prospectus or their investment decision; and (ii) they have relied only on the information contained in the Prospectus in conjunction with the information as supplemented in this Supplementary Prospectus and that no person has been authorised to give any information or make any representations other than those contained in this Supplementary Prospectus and in the Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Numis or Liberum.

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company, Master Fund II and Master Fund III set out in the Prospectus.

The Shares are intended to be suitable only for institutional, professional and knowledgeable investors (including those who are professionally advised), who understand, or who have been advised of, the potential risk of capital loss from an investment in the Shares and the limited liquidity both in the Shares and in the underlying investments of Master Fund II and Master Fund III, and for whom an investment in the Shares is part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved with such an investment.

The Shares have not been approved or disapproved by the SEC, any US state securities commission or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from the United States or by, or for the account or benefit of, US Persons (as such term is defined in Regulation S) except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended.

The Shares are being offered and sold either (i) outside the United States in offshore transactions within the meaning of and in accordance with the safe harbour from the registration requirements in Regulation S under the Securities Act or (ii) in the United States in private placement transactions not involving any public offering in reliance on the exemption from the registration requirements of Section 5 of the Securities Act provided by Section 4(2) under the Securities Act or another applicable exemption therefrom..

The Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be taken up, offered, sold, resold, transferred, delivered or distributed, directly or indirectly, within, into or from any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption. There will be no public offer in the United States or any other Restricted Jurisdiction.

Each of the Company, Master Fund II and Master Fund III is a Registered Closed-ended Collective Investment Scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Schemes Rules 2018 issued by the Guernsey Financial Services Commission (the "**Commission**"). This document has not been reviewed by the Commission and, in granting registration, the Commission has relied upon specific warranties provided by the Administrator. The Commission takes no responsibility for the financial soundness of the Company, Master Fund II or Master Fund III or for the correctness of any statements made or opinions expressed with regard to it.

The Directors and the GP Directors (as appropriate) have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the Directors and the GP Directors accept responsibility accordingly (as appropriate).

It should be remembered that the price of securities or limited partnership interests and the income from them can go down as well as up.

Without limitation, neither the contents of the Company's websites (or any other website) nor the content of any website accessible from hyperlinks on any of the Company's websites (or any other website) is incorporated into, or forms part of this document. Please note also that neither Master Fund II nor Master Fund III has a website.

Dated: 28 April 2021

Events arising since publication of the Prospectus

This Supplementary Prospectus is being published in relation to the Placing Programme. This Supplementary Prospectus is a regulatory requirement under the Prospectus Regulation Rules following the publication of the annual report and audited financial statements for the financial year ended 31 December 2020 by each of (i) the Company and (ii) Master Fund II. This Supplementary Prospectus has been approved for publication by the FCA.

A. Significant new factor

Annual report and audited financial statements for the financial year ended 31 December 2020

On 23 April 2021, the Company published its annual report and audited financial statements for the financial year ended 31 December 2020 (the "**2020 Company Annual Report**"). On 23 April 2021, Master Fund II released its annual report and audited financial statements for the financial year ended 31 December 2020 (the "**2020 Master Fund II Annual Report**", and together with the 2020 Company Annual Report, the "**2020 Annual Reports**"). By virtue of this Supplementary Prospectus, the 2020 Annual Reports are incorporated into, and form part of, the Prospectus.

The non-incorporated parts of the 2020 Annual Reports are either not relevant to investors or are covered elsewhere in the Prospectus.

Historical financial information incorporated by reference

Part A: The Company

Historical financial information relating to the Company on the matters referred to below is included in the 2020 Company Annual Report as set out in the table below and is expressly incorporated by reference into this Supplementary Prospectus and the Prospectus.

*Annual report and financial statements for the year
ended 31 December 2020 (audited)*

<i>Nature of information</i>	<i>Page No(s)</i>
Chairman's Statement	3 – 6
Investment Adviser's Report	7 – 13
Strategic Report	14 – 16
Directors' Report	19 – 23
Independent Auditors' Report	35 – 39
Statement of Comprehensive Income	40
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*Annual report and financial statements for the year
ended 31 December 2020 (audited)*

<i>Nature of information</i>	<i>Page No(s)</i>
Accounting policies	44 – 49
Notes to the financial statements	44 – 74

Part B: Master Fund II

The 2020 Master Fund II Annual Report is reproduced in full in Appendix 1 to this Supplementary Prospectus.

Selected financial information

Part A: The Company

The key audited figures that summarise the financial condition of the Company in respect of the year ended 31 December 2020, which have been extracted without material adjustment from the historical information referred to above, are set out in the following table. The information has been extracted without material adjustment from the 2020 Company Annual Report.

*As at or for the year ended
31 December 2020 (US\$) (audited)*

Non-current assets	293,083,595
Current assets	2,426,436
Creditors	540,685
Net Assets	294,969,346
Net Asset Value per 2017 Share	0.6306
Basic and diluted earnings per 2017 Share	(0.0583)
Total loss	(26,177,367)
Total comprehensive loss	(26,988,615)
Total operating expenses	(811,248)

Part B: Master Fund II

The key audited figures that summarise the financial condition of Master Fund II in respect of the year ended 31 December 2020, which have been extracted without material adjustment from the historical information referred to above, are set out in the following table. The information has been extracted without material adjustment from the 2020 Master Fund II Annual Report.

*As at or for the year ended
31 December 2020 (US\$) (audited)*

Non-current assets	406,822,379
Current assets	6,167,262
Creditors	12,792,351
Net Assets	400,197,290
Total partnership interests (net assets)	400,197,290
Total revenue	36,878,957
Total comprehensive income	25,375,408
Total operating expenses	(11,504,549)

Operating and financial review

Part A: The Company

The 2020 Company Annual Report included, on the pages specified in the table below: descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure; and changes in its financial condition for that year.

*Annual report and financial statements for the year
ended 31 December 2020 (audited)*

<i>Nature of information</i>	<i>Page No(s)</i>
Chairman's Statement	3 – 6
Investment Adviser's report	7 – 13
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Part B: Master Fund II

The 2020 Master Fund II Annual Report, reproduced in Appendix 1 to this Supplementary Prospectus, included, on the pages specified in the table below: descriptions of Master Fund II's financial condition (both in capital and revenue terms); details of the Master Fund II's investment activity and portfolio exposure; and changes in its financial condition during that period.

*Annual report and accounts for the year ended
31 December 2020 (audited)*

<i>Nature of information</i>	<i>Page No(s)</i>
Statement of General Partner's Responsibilities	15

Investment Adviser's report	2 – 14
Portfolio Statement (unaudited)	51 – 52

Related party transactions incorporated by reference

Part A: The Company

The related party transactions referred to in note 8 on pages 66 - 69 of the 2020 Company Annual Report are expressly incorporated by reference into this Supplementary Prospectus and the Prospectus.

Part B: Master Fund II

The related party transactions referred to in note 8 on pages 48 - 49 of the 2020 Master Fund II Annual Report are expressly incorporated by reference into this Supplementary Prospectus and the Prospectus.

No Significant change

Part A: The Company

As a result of the publication of the 2020 Company Annual Report, paragraph 3 of Part 5 (Part A: The Company) of the Prospectus is amended and restated as follows:

Save in respect of:

- a) The re-organisation proposals as announced during March and April 2021, the purpose of the reorganisation was to allow those Shareholders who wished to extend the life of their investment in the Company beyond the planned end date of Master Fund II, to be able to do so by having their 2017 Shares re-designated as 2021 Shares, with such 2021 Shares investing in a new master fund, FOMC III LP (the "Master Fund III"), which will have a planned end date of 12 June 2028 and an investment objective and policy substantially similar to that of Master Fund II. Shareholders who did not wish to extend the life of their investment to participate in Master Fund III were able to make an express election to have their existing 2017 Shares re-designated as Realisation Shares, which will continue to participate solely in Master Fund II.

The Company subsequently announced that 62,562,883 2017 Shares had been elected for re-designation as Realisation Shares, representing 13.4% of the 2017 Shares currently in issue and, 405,815,477 2017 Shares were re-designated as 2021 Shares, representing the balance of 86.6% of the 2017 Shares in issue (including 650,000 shares held in Treasury).

On 22 April 2021, 405,815,477 2021 Shares and 62,562,883 Realisation Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange,

there has been no significant change in the financial position of the Company since 31 December 2020, being the last date on which the Company has published financial information.

Part B: Master Fund II

As a result of the publication of the 2020 Master Fund II Annual Report, paragraph 3 of Part 5 (Part B: Master Fund II) of the Prospectus is amended and restated as follows:

There has been no significant change in the financial position of Master Fund II since 31 December 2020, being the last date on which Master Fund II has published financial information.

B. Supplements to the summary

As a result of the publication of the 2020 Annual Reports, the summary document which forms part of the Prospectus is hereby supplemented as follows:

b. What is the key financial information regarding the issuer?

The Company:

Table 2: Statement of comprehensive income for closed-ended funds

	<i>Audited annual report and accounts for the year ended 31 December 2020 (US\$,000)</i>
Net loss on investments at fair value through profit and loss	(26,086)
Other income and FX gains	(91)
Administrative and other expenses	(811)
Loss before tax	(26,988)
Taxation	-
Loss after tax	(26,988)
Loss per 2017 Share	(0.0583)

Table 3: Balance sheet for closed-ended funds

	<i>Audited annual report and accounts for the year ended 31 December 2020 (US\$,000)</i>
Non-current assets	
Investments at fair value through profit or loss	293,083
Current assets	
Cash and cash equivalents	2,398
Other receivables	29
Total assets	295,510
Current liabilities	
Other payables	541
Total net assets	294,969
Net asset value per 2017 Share	0.6306

Master Fund II:

Table 2: Statement of comprehensive income for closed-ended funds

	<i>Audited annual report and accounts for the year ended 31 December 2020 (US\$,000)</i>
Net gain on investments at fair value through profit and loss	9,620
Investment income	42,567
Other income and FX losses	(15,308)
Administrative and other expenses	(11,505)
Profit before tax	25,374
Taxation	-
Profit after tax	25,374

Table 3: Balance sheet for closed-ended funds

	<i>Audited annual report and accounts for the year ended 31 December 2020 (US\$,000)</i>
Non-current assets	
Investments at fair value through profit or loss	406,822
Current assets	
Cash and cash equivalents	5,242
Other receivables	925
Total assets	412,989
Current liabilities	
Other payables	12,792
Total net assets / total partnership interests	400,197

C. Additional information**Responsibility**

The Company, whose registered office address appears below, the Directors, whose names appear below, and the GP Directors, whose names appear below, accept responsibility for the information contained in this Supplementary Prospectus. To the best of the knowledge and belief of the Company, the Directors and the GP Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Supplementary Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors of the Company are:

Professor Claudio Albanese
Jonathan Bridel
Nigel Ward

The GP Directors are:

Miguel Arraya
Chris Waldron
Chris Hickling

The registered office of the Company is at:

Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR

Documents available for inspection

Copies of this Supplementary Prospectus and the 2020 Company Annual Report are available for inspection on the Company's website www.fairoaksincome.com. Until the closing of the Placing Programme, copies of this Supplementary Prospectus and the 2020 Annual Reports are also available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood LLP at 1 Finsbury Circus, London EC2M 7SH.

General

To the extent that there is any inconsistency between any statement in or incorporated by reference in this Supplementary Prospectus and any other statement in or incorporated by

reference in the Prospectus, the statements in or incorporated by reference in this Supplementary Prospectus will prevail.

Save as disclosed in this Supplementary Prospectus, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

28 April 2021

Appendix 1

Annual Report and Audited Financial Statements of Master Fund II for the financial year ended 31 December 2020

**FOIF II LP
(formerly FOMC II LP)**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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FOIF II LP (formerly FOMC II LP)

INVESTMENT ADVISER'S REPORT

Portfolio Review

As at 31 December 2020, FOIF II LP (formerly FOMC II LP) (the “Master Fund II” or “Partnership”) held 15 CLO equity positions and 29 CLO mezzanine investments offering exposure to 1,063 loan issuers¹ and 26 CLO managers. Control CLO equity positions represented 69.9% of the portfolio’s market value².

CLO investments subject to Environmental, Social and Corporate Governance (“ESG”) investment criteria represented 40% of all CLO equity investments in the portfolio³.

Figure 2.1 – Portfolio composition of Master Fund II⁴

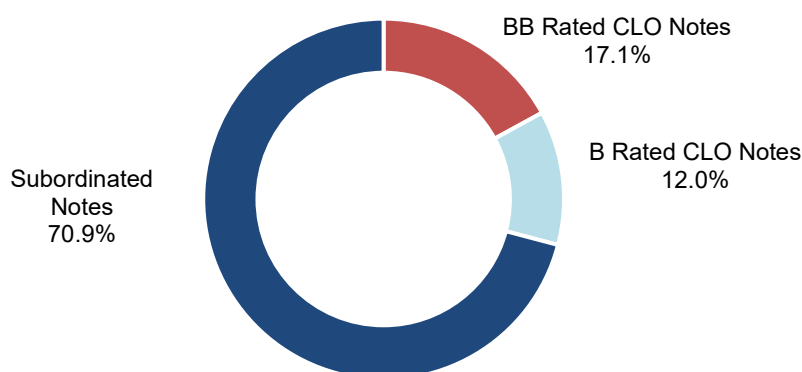
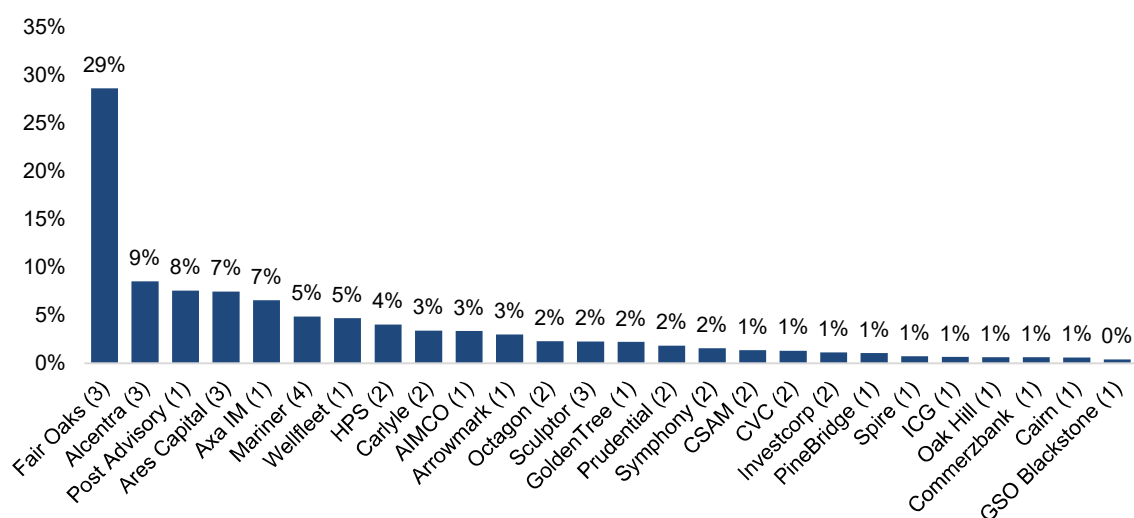


Figure 2.2 – CLO manager diversification of Master Fund II^{5,6}



¹ Based on the underlying loans in CLOs in which Master Fund II holds equity. Data as at 31 December 2020.

² Percentage by market value of control CLO equity positions. Data as at 31 December 2020.

³ FOLF I, FOLF II and FOLF III, CLOs which include ESG investment restrictions represented, as of 31 December 2020, 40% of FOMC II's control CLO equity portfolio (US\$113.5 million out of a total of US\$281.2 million)

⁴ Breakdown by market value of the CLO investments held by the Master Fund II. Percentages may not add up to 100% because of rounding errors. Data as at 31 December 2020.

⁵ Based on market value of the CLO investments, as at 31 December 2020. Percentages may not add up to 100% because of rounding errors. The number of investments is shown in parentheses after each manager name.

⁶ Fair Oaks (3) – references to “Fair Oaks” is Fair Oaks Capital Limited, the investment adviser to the Master Fund II. See Note 8, page 48, for details of Related Party transactions relating to Fair Oaks CLOs.

FOIF II LP (formerly FOMC II LP)

INVESTMENT ADVISER'S REPORT, continued

Portfolio Review, continued

Portfolio composition of Master Fund II, continued

Figure 2.3 – Geographical (top five) and currency breakdown^{7,8}

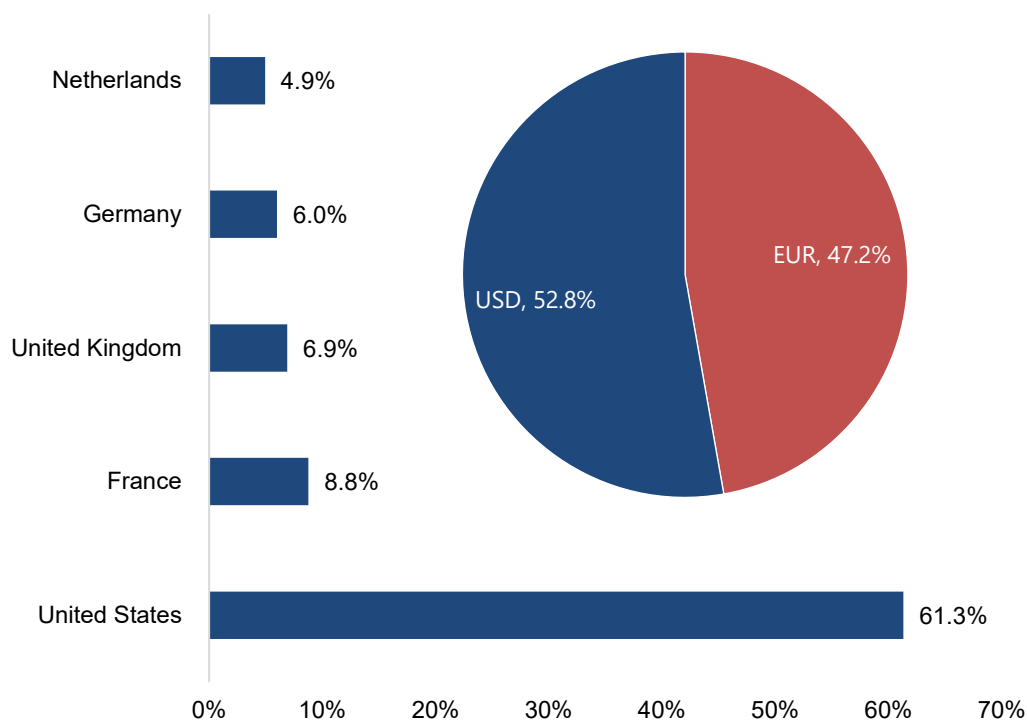
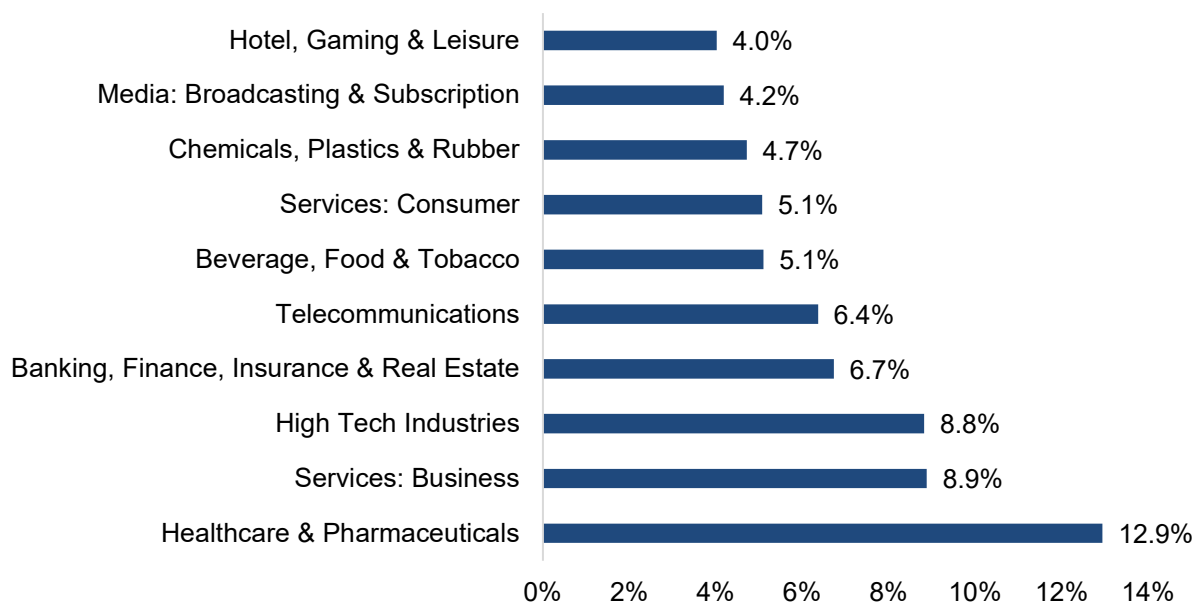


Figure 2.4 – Industry diversification by Moody's (top 10)⁷



⁷ Based on loan par value weighted by Master Fund II's proportional ownership of Income Notes. Source: Intex.

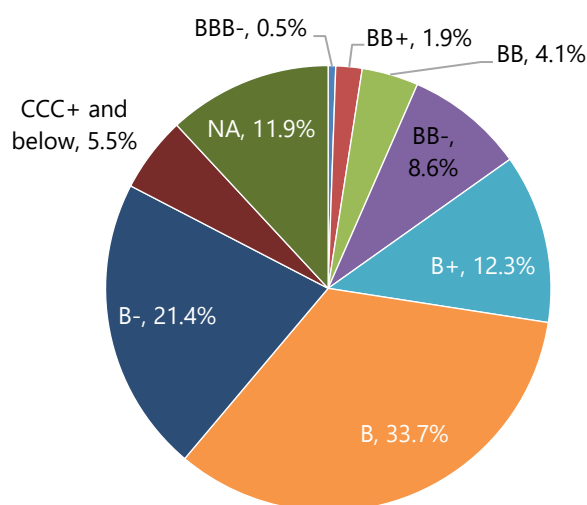
⁸ All references in these financial statements to "US\$", "USD", "US Dollar", "US cent", "cent", "c" or "¢" are to the lawful currency of the United States. All references in these financial statements to "Euro", "EUR", "€", or "€ cent" are to the lawful currency of the European Union.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

Portfolio Review, continued

Portfolio composition of Master Fund II, continued

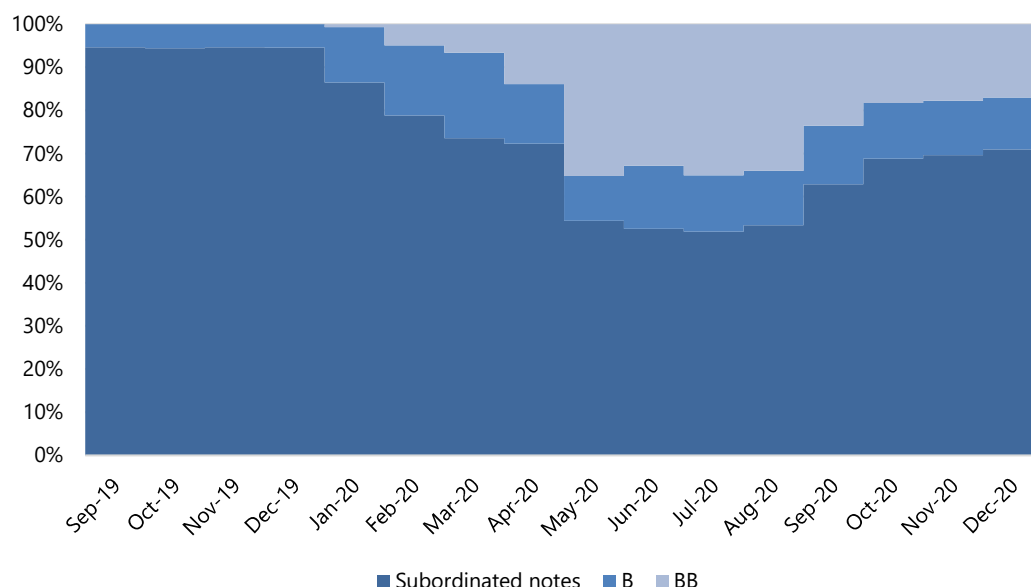
Figure 2.5 – Rating breakdown^{9,10}



Master Fund II took advantage of its flexible investment strategy in 2020 to ensure an effective asset allocation and continuing in early 2020 the de-risking that it had begun in late 2019, selling CLO subordinated notes and reinvesting proceeds in CLO rated notes.

As a result, at the end of February 2020, the portfolio had 79% exposure to CLO equity, down from 95% at the end of 2019. This exposure continued to fall as the fund favoured investments in CLO rated notes after March 2020. In the fourth quarter of 2020, Master Fund II started to take profits on the CLO mezzanine investments, increasing again its exposure to CLO equity.

Figure 2.6 – Historical rating breakdown (excl. cash)¹¹



⁹ Based on loan par value weighted by Master Fund II's proportional ownership of Income Notes. Source: Intex.

¹⁰ Based on S&P deal ratings. Due to rounding errors, the percentages may not sum to 100%.

¹¹ Fair Oaks' data on Original CLO ratings at month-end. NAV weighted, excluding cash. Source: Fair Oaks Income Fund monthly reports, RNS statements, trustee reports; as at 29 January 2021. Source: Intex.

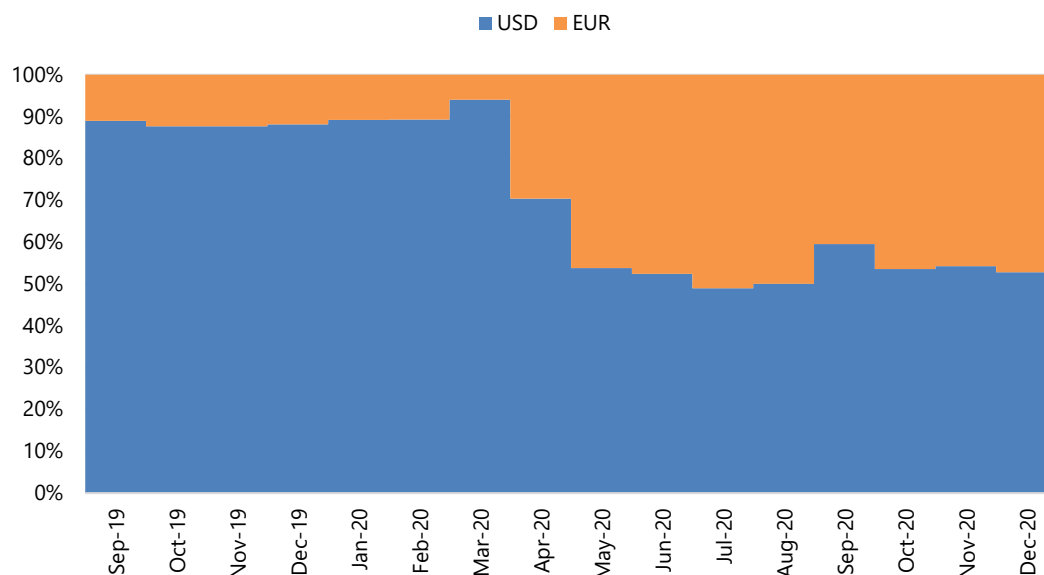
FOIF II LP (formerly FOMC II LP)

INVESTMENT ADVISER'S REPORT, continued

Portfolio Review, continued

The Master Fund II also increased its exposure to European CLO notes in 2020 based on the quality of the underlying portfolios, the higher overcollateralisation of European CLO debt and the benefit of Euribor floors. All the exposure to European assets was hedged back to USD.

Figure 2.7 – Currency breakdown (excl. cash)¹²



The active portfolio allocation allowed Master Fund II to benefit from the lower risk of CLO mezzanine notes while realising attractive returns. Beginning in March 2020, Master Fund II purchased over €110 million par worth of B/BB rated CLO mezzanine investments at an average price of 74.7 € cents (range of 47.2 € cents to 84.0 € cents). All CLO rated debt investments made their scheduled interest payments in 2020 and, since March 2020, 12 positions were totally or partially sold, generating non-annualised total returns ranging from 19% to 59%. Based on sale prices or 31 December 2020 valuations still in the portfolio, the mezzanine investments completed since March 2020 generated a gross IRR of 60%.

The focus on originating and controlling CLO subordinated note investments has paid dividends in the form of superior fundamental performance. Origination and control allowed Master Fund II to veto specific loans when the transactions were launched and to monitor and influence the CLOs over time. Lower fees in primary investments also allowed CLO managers to construct more conservative portfolios with no need to “stretch for yield”. As a result, Master Fund II has benefitted from underexposure to sectors such as retail or energy.

¹² Fair Oaks' data at month-end. NAV weighted, excluding cash. Source: Fair Oaks Income Fund monthly reports, RNS statements, trustee reports; as at 29 January 2021. Source: Intex.

FOIF II LP (formerly FOMC II LP)

INVESTMENT ADVISER'S REPORT, continued

Portfolio Review, continued

CLO equity prices have generally lagged other credit assets. The average price for CLO subordinated notes in Master Fund II's portfolio ended the year at 57.4 US cents compared to an average valuation of 67.7 US cents in December 2019¹³.

Figure 2.8 – FOIF II monthly valuation (USD CLO equity)¹³

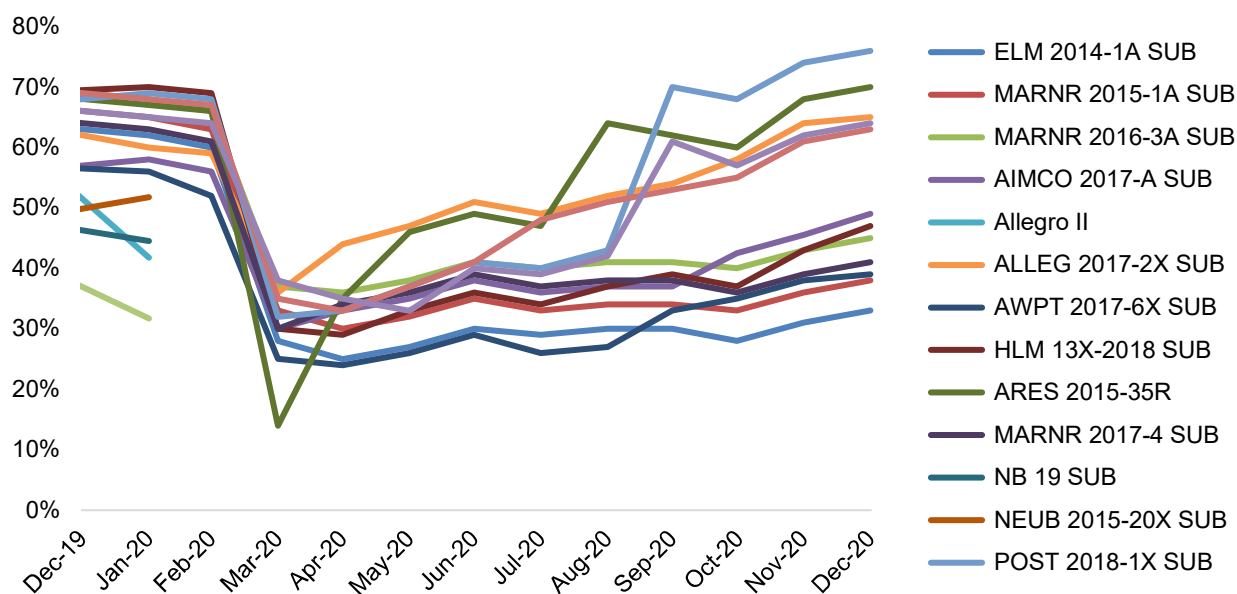
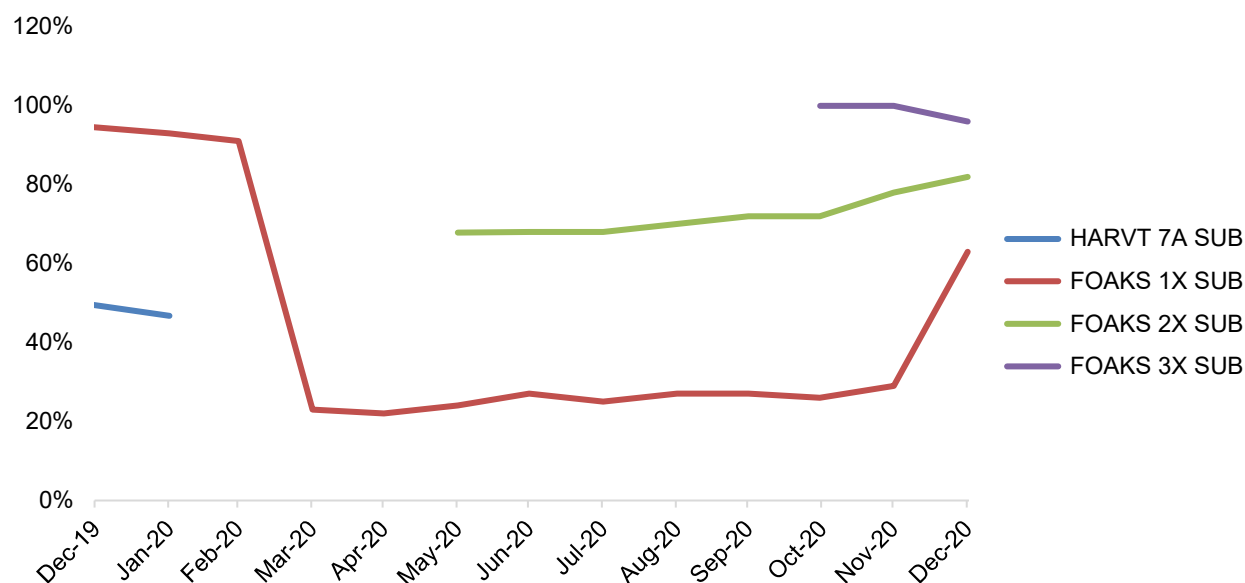


Figure 2.9 – FOIF II monthly valuation (EUR CLO equity)¹³



Given the low default rates in the portfolio, we do not believe that this valuation lag is due to fundamental performance or the portfolio's ability to generate cashflows, which were uninterrupted in 2020. In fact, distributions improved in the second half of 2020 compared to the period before the March 2020 market dislocation: the Master Fund II received US\$12.9 million worth of distributions in October 2020 from CLO equity investments present in Master Fund II's portfolio in October 2019, compared to US\$11.8 million in October 2019 (+9.1%) and received US\$12.8m in January 2021, up from US\$10.7m in January 2020. The key drivers of these improvements were higher CLO loan portfolio spreads, as managers reinvest available cash in higher yielding loans, and Libor floors which are now "in the money".

¹³ Fair Oaks' data as of 31 December 2020.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

Portfolio Review, continued

In terms of relative performance, even the investments in Master Fund II's lowest quartile in terms of performance outperformed the market median.

Figure 2.10 – Annualised Equity Distributions (over par)^{14,15}

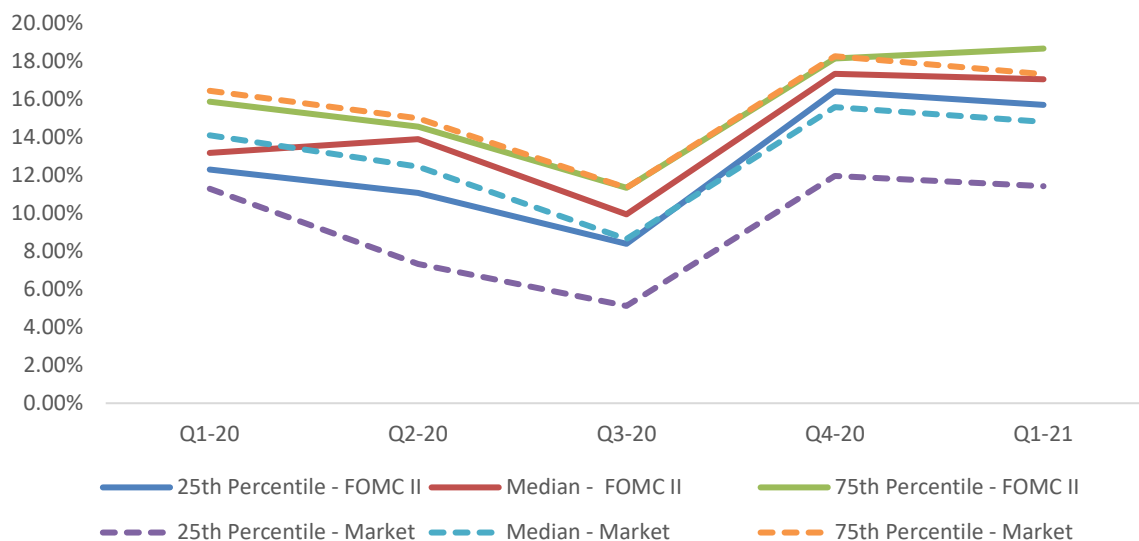
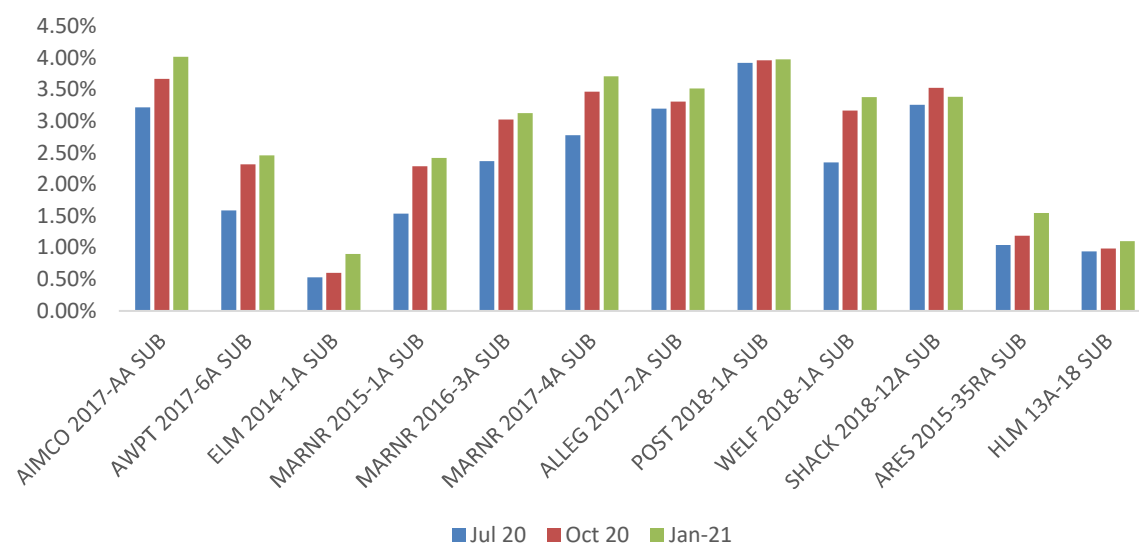


Figure 2.11 – Overcollateralization test headroom¹⁶



Looking at the sustainability of these cashflows, the overcollateralization (“OC”) test and OC test headroom which determined whether distributions may be temporarily diverted from the CLO Equity, have shown a continuous improvement since July, reducing the potential for any future cash-flow diversion.

European Loan Market Update

The European leveraged loan market suffered from the impact of COVID-19 and lockdowns, but recovered in the second half of 2020. The average bid price of the S&P European Leveraged Loan Index (“ELLI”) closed at 97.55 € cents on 31 December 2020 compared to 98.28 € cents on 31 December 2019 and an intra-year low of 78.92 € cents on 24 March 2020.

¹⁴ Source: Intex, Barclays.

¹⁵ Based on annualised quarterly distributions over par.

¹⁶ Source: S&P Global Intelligence. Data as at 31 December 2020.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

European Loan Market Update, continued

The continued recovery in the loan market was driven by expectations (and then the approval) of COVID-19 vaccines which signalled a potential end to the pandemic and expectations for a more normalised 2021.

Figure 2.12 – European loan default rate¹⁷

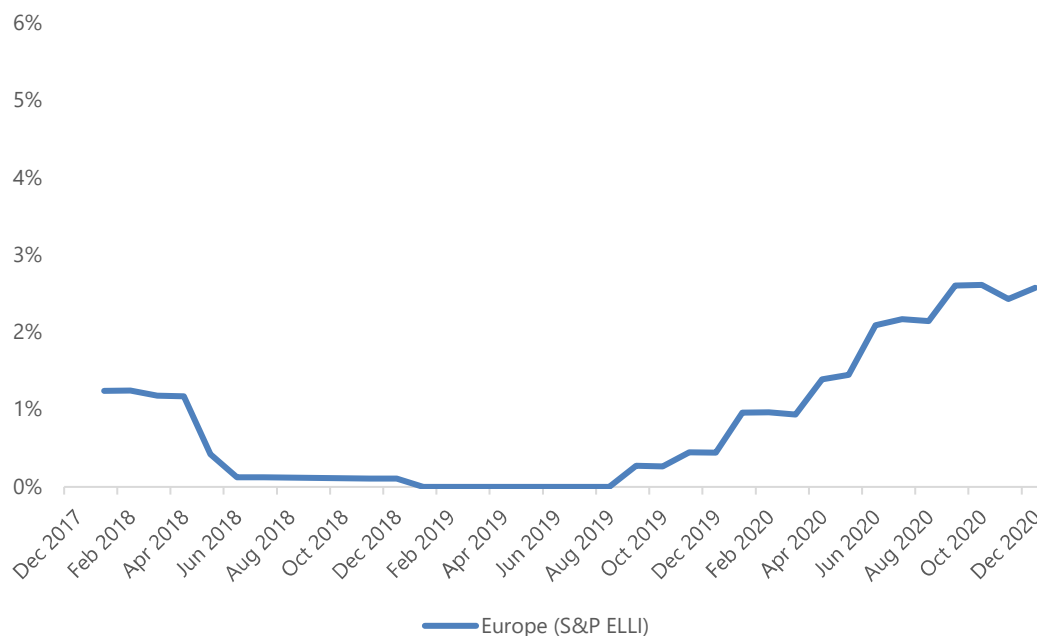
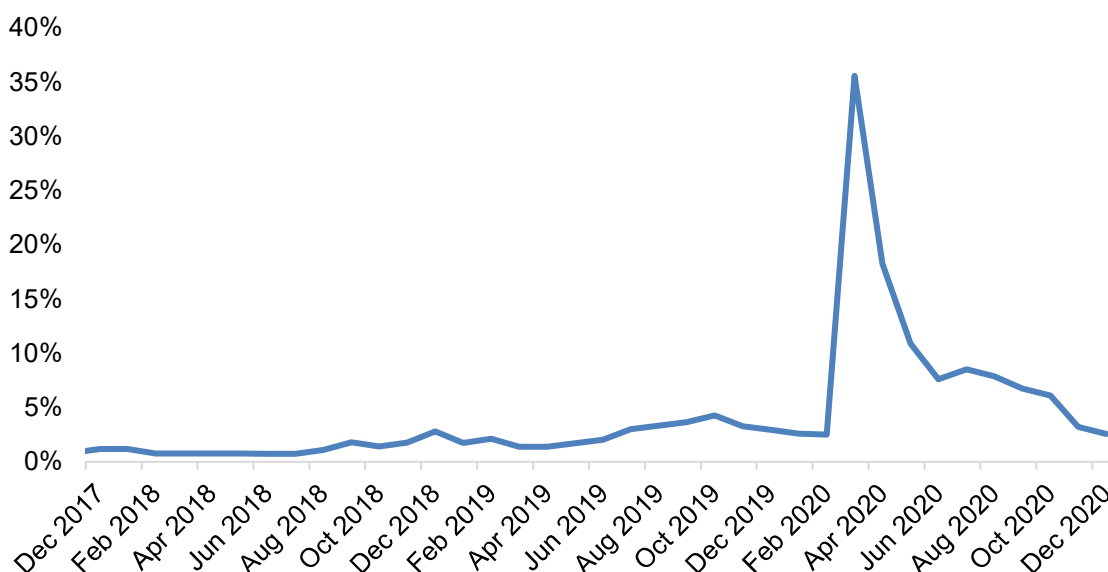


Figure 2.13 – European Leveraged Loan Index distress ratio^{18,19}



The trailing 12-month loan default rate increased to 2.6% in Europe (compared to 0.4% in December 2019). The market expects default rates to stabilise. The distressed ratio (loans trading below 80 € cents, a potential indicator of the direction of future defaults) decreased from 35.6% in March 2020 to 2.6% in December in Europe. Furthermore, financial sponsor “dry powder” combined with loose monetary conditions may curb defaults in 2021.

¹⁷ Source: S&P Global Intelligence. Data as at 31 December 2020.

¹⁸ Source: S&P Global Intelligence. Data as at 31 December 2020.

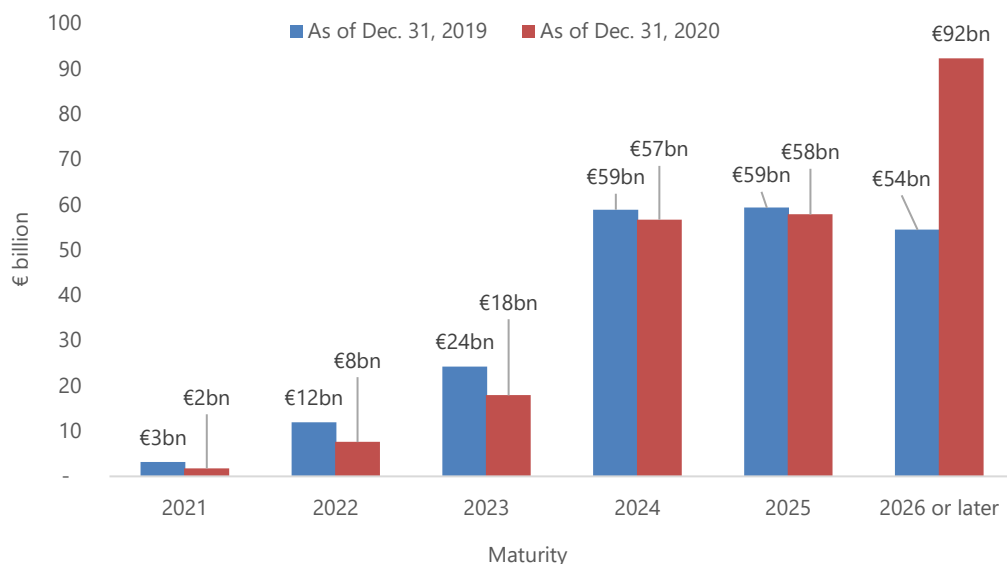
¹⁹ Distressed loans are loans trading below 80 € cents.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

European Loan Market Update, continued

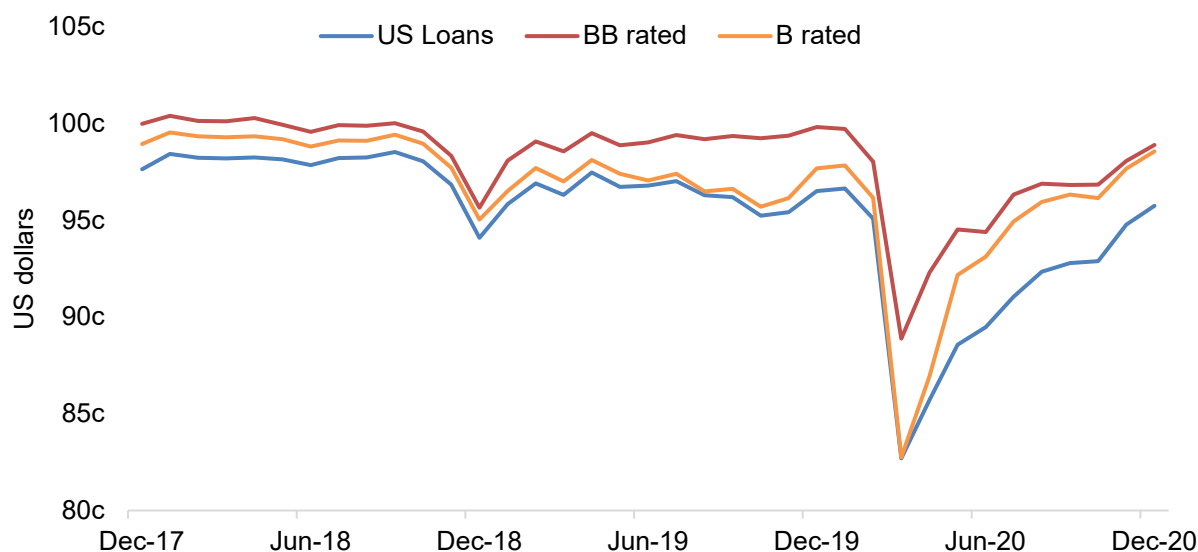
In Europe, the notional of EUR loans maturing in 2021-2023 has fallen from €39 billion as of 31 December 2019 to €28 billion as of 31 December 2020 (Figure 2.14)²⁰.

Figure 2.14 – Maturity wall of the EUR loan market of performing loans (EUR billion)²⁰



US Loan Market Update

Figure 2.15 - Average bid price of US leveraged loans, BB and B rated loans²¹



The US loan market also suffered significant volatility in 2020. The average bid price of the S&P US Leveraged Loan Index closed at 95.73 US cents on 31 December 2020 compared to 96.51 US cents on 31 December 2019 and an intra-year low of 76.48 US cents on 23 March 2020²².

The fourth quarter of 2020 also saw a continued deceleration in outflows from the leveraged loan asset class with outflows for loan funds totalling approximately US\$700 million and December seeing inflows of US\$453 million. Total 2020 outflows were US\$26.9 billion. This trend has continued in 2021, with net inflows of US\$4 billion in January.

²⁰ Source: S&P Global Intelligence. Data as at 31 December 2020.

²¹ Source: Credit Suisse Leveraged Loan index.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

US Loan Market Update, continued

The trailing 12-month loan default rate increased to 3.83% in December 2020 in the US (compared to 1.39% in December 2019). The distressed ratio (loans trading below 80 US cents, a potential indicator of the direction of future defaults) decreased from 56.8% in March 2020 to 2.2% in December in the US.

Figure 2.16 - Projected default rate US loans ^{22,23,24}

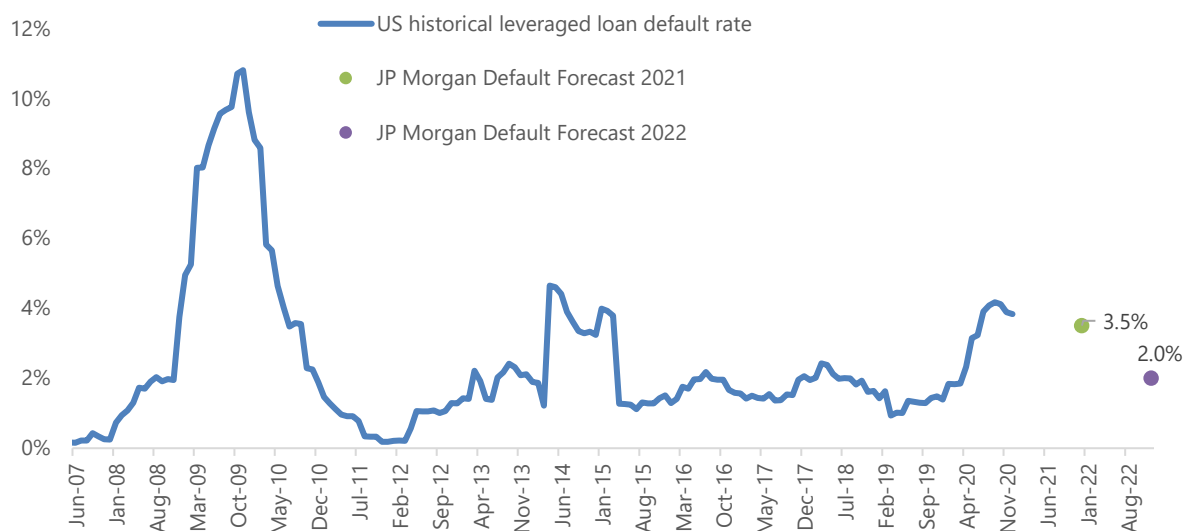
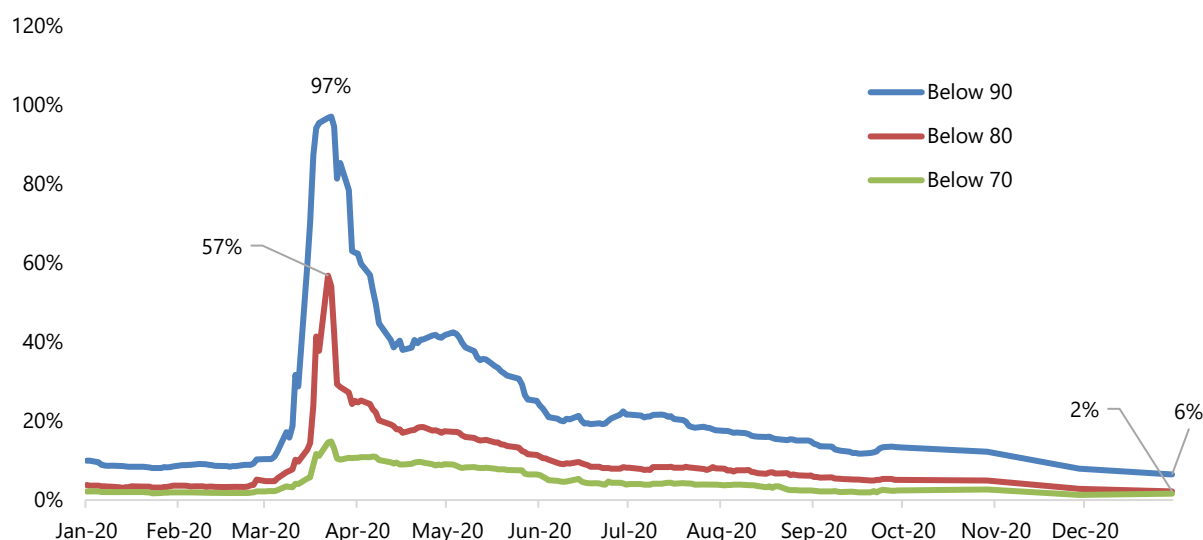


Figure 2.17 – US loan price distribution ²⁵



With US elections over, and a vaccine rollout underway, we see limited near term risks to the leveraged loan market, as we expect to see continued support from the Fed, coupled with a more accommodative fiscal environment.

This supportive macro environment, along with ample liquidity at most companies, should lead to a decrease in defaults in 2020 to 2-3%. JP Morgan, for example, is projecting a US bank loan default rate of 3.5% in 2021 and 2% in 2022.

²² Source: S&P Global Intelligence/ Data as at 31 December 2020 unless otherwise stated. Based on S&P/LSTA Leveraged Loan Index.

²³ Source: JP Morgan – Default Monitor – 01 October 2020.

²⁴ Source: JP Morgan – Credit Strategy Weekly Update – 20 November 2020.

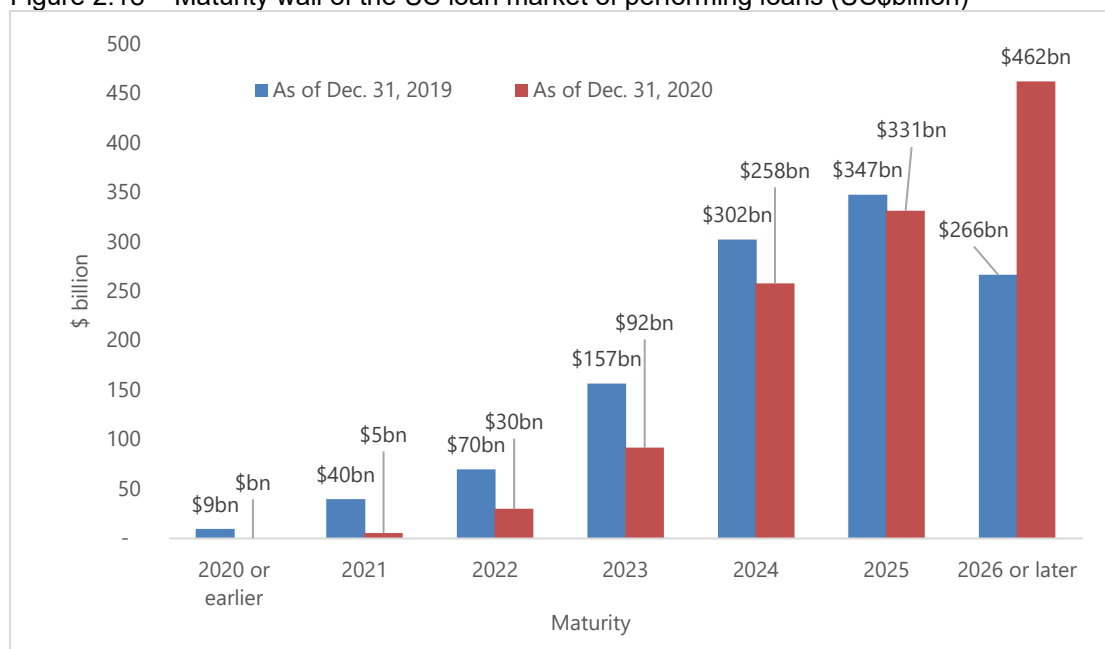
²⁵ Source: S&P Global Intelligence. Data as at 31 December 2020.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

US Loan Market Update, continued

The number of loans due to be repaid in the next few years is limited. The notional of US loans maturing in 2021-2023 has fallen from US\$267 billion as of 31 December 2019 to US\$127 billion as of 31 December 2020 (Figure 2.18)²⁶.

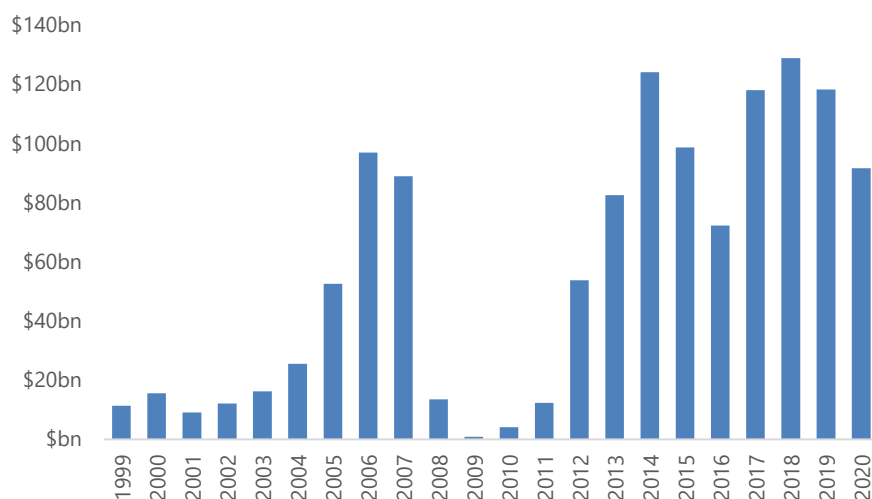
Figure 2.18 – Maturity wall of the US loan market of performing loans (US\$billions)²⁶



US CLO Market Update

New issuance in the US CLO market in 2020 was US\$88 billion, lagging previous years due to fewer new issues during COVID lockdowns²⁷. Forecast for CLO new issuance in 2021 are US\$90-100 billion and forecasts for refi/reset volume are in a very wide range of US\$40 billion to US\$140 billion²⁸.

Figure 2.19 – US CLO new issue volume²⁸



Total bids wanted in competition (“BWIC”) volumes ended the year at US\$65 billion for 2020 vs. US\$45 billion in 2019 and US\$35 billion in 2018²⁸. The significant increase demonstrates the CLO market’s ability to maintain liquidity even in dislocated markets.

²⁶ Source: S&P Global Intelligence. Data as at 31 December 2020.

²⁷ 2 Source: BAML CLO Weekly, 8 January 2021.

²⁸ Citi Velocity.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

US CLO Market Update, continued

We believe that investors' search for yield will fuel demand for CLO paper as we see the continued reach for high-yield and risk-on sentiment extending into 2021. While the Federal Reserve has committed to keeping short-term interest rates low for the next few years, in the last few months of 2020 higher longer-term rates resulted in demand flowing away from long-duration, fixed-rate credit assets to floating-rate alternatives such as bank loans and CLOs.

Figure 2.20 – USD AAA CLOs vs US AAA corporates (yield)²⁹



Primary CLO arbitrage in the US is attractive given current relative value between bank loan and CLO financing yields. (see Figure 2.21)³¹.

Figure 2.21 – USD AAA CLOs vs US bank loans (yield)³¹



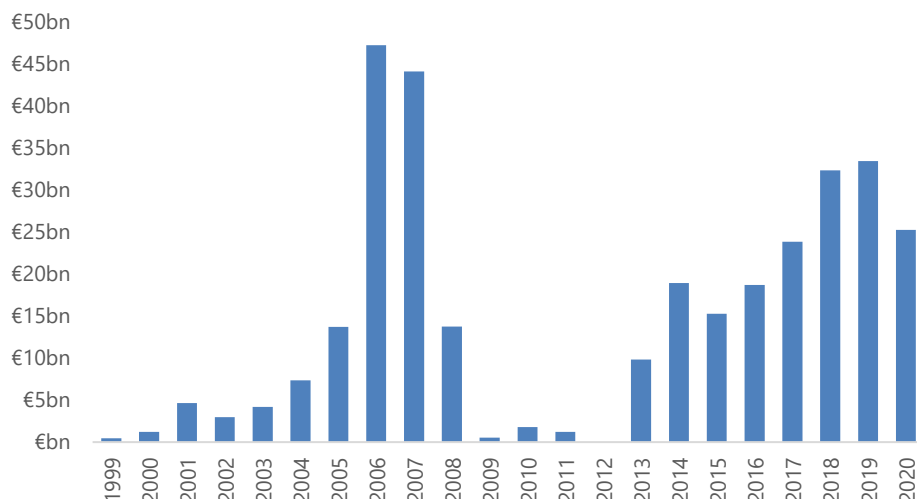
²⁹ Source: JP Morgan. Primary CLO running yield, AAA non-financial corporate index yield and bank loan yield to 3 year call.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

European CLO Market Update

In Europe, the primary CLO market saw €22.1 billion of new issuance in 2020, which was a 26% decline from 2019, and €0.9 billion of reset volume³². Forecasts for European CLO new issuance in 2021 are €25-30 billion³². The quarter one pipeline for EU CLOs includes 28 deals, equivalent to a €40 billion annualised run-rate.

Figure 2.22 – EUR CLO new issue volume³⁰



Demand for floating-rate assets in Europe is also supported by expectations of higher interest rates, making long-duration investments less attractive. In addition, the differential between the yield offered by longer duration corporate assets and the floating yield of AAA CLO notes ended 2020 offering significant relative value and potential for further tightening.

Figure 2.23 – EUR AAA CLOs vs EUR AAA corporates (yield)³¹



We believe that demand for rated EUR CLO notes and wide EUR bank loan spreads have the potential to support a compelling CLO equity arbitrage.

³⁰ S&P Global Intelligence. Data as at 31 December 2020.

³¹ Source: JP Morgan. Primary CLO running yield, AAA non-financial corporate index yield and bank loan yield to 3 year call.

FOIF II LP (formerly FOMC II LP) INVESTMENT ADVISER'S REPORT, continued

European CLO Market Update, continued

Figure 2.24 – EUR AAA CLOs vs EUR bank loans (yield) ³²



Europe saw the emergence of a number of new CLOs subject to ESG investment criteria. The inclusion of ESG language in CLOs is likely to become more prevalent and to develop from sector-based negative screening towards ESG scoring.

As discussed in the previous section, we have been at the forefront of these developments and, as of the end of December 2020, 40% of all CLO equity investments in the Master Fund II's portfolio included ESG investment restrictions. These restrictions exclude any underlying collateral debt obligation whose primary business activity is, amongst others, oil, gas or thermal coal extraction, upstream palm oil production, trade in weapons or firearms, hazardous chemicals, pesticides and wastes, ozone-depleting substances, endangered or protected wildlife or wildlife products, tobacco and predatory lending.

Outlook

We believe that the CLO market has the potential to benefit from an attractive arbitrage in 2021 as CLO liability spreads have normalized and are likely to benefit from demand driven by higher inflation expectations, lack of positive-yielding assets and risk of steeper yield curves and higher medium-term interest rates.

We expect accommodative monetary policy to continue to be supportive of CLO equity cash flows as loan portfolios continue to benefit from Libor floors.

The Master Fund II's investment period will end in June 2021. After this date, the Master Fund II will not be able to make any new investments and any principal receipts will be distributed to limited partners on or before the final maturity of Master Fund II on 21 June 2026.

Given the opportunities we see in the market, we believe that Master Fund II's investment strategy continues to be attractive.

Fair Oaks Capital Limited
23 April 2021

³² Source: JP Morgan. Primary CLO running yield, AAA non-financial corporate index yield and bank loan yield to 3 year call.

FOIF II LP (formerly FOMC II LP)

STATEMENT OF GENERAL PARTNER'S RESPONSIBILITIES

Fair Oaks Income Fund (GP) Limited (the "General Partner") is responsible for preparing the Financial Statements of FOIF II LP (formerly FOMC II LP) (the "Partnership") in accordance with applicable law and regulations and with the amended and restated Limited Partnership Agreements dated 9 March 2017, 12 March 2019 and 16 April 2020 (the "LPA"). On 23 March 2021, the Partnership changed its name from FOMC II LP to FOIF II LP.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors of Fair Oaks Income Fund (GP) Limited have accepted responsibility for the preparation of these non-statutory financial statements for the year ended 31 December 2020 (the "Financial Statements") which are intended by them to give a true and fair view of the state of affairs of the Partnership and of the profit or loss for that period. They have decided to prepare the non-statutory Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

In preparing these non-statutory Financial Statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the non-statutory Financial Statements;
- assessed the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of non-statutory Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

Chris Hickling
Director of the General Partner
23 April 2021

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF FOIF II LP (FORMERLY FOMC II LP)

Our opinion is unmodified

We have audited the financial statements of FOIF II LP (formerly FOMC II LP) (the "Partnership"), which comprise the statement of financial position as at 31 December 2020, the statements of comprehensive income, changes in partnership interests and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the financial position of the Partnership as at 31 December 2020, and of the Partnership's financial performance and cash flows for the year then ended; and
- have been prepared in accordance with the Amended and Restated Limited Partnership Agreement dated 16 April 2020.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and the terms of our engagement letter. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Partnership in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The General Partner has prepared the financial statements on the going concern basis as it does not intend to liquidate the Partnership or to cease its operations, and as they have concluded that the Partnership's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the general partner's conclusions, we considered the inherent risks to the Partnership's business model and analysed how those risks might affect the Partnership's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the general partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the general partner's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Partnership's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Partnership will continue in operation.

Fraud and breaches of laws and regulations – ability to detect Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Partnership's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF FOIF II LP (FORMERLY FOMC II LP), continued

Fraud and breaches of laws and regulations – ability to detect, continued

Identifying and responding to risks of material misstatement due to fraud, continued

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Partnership's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

The Partnership is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Partnership is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of litigation or impacts on the Partnership's ability to operate. We identified partnership law as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The general partner is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF FOIF II LP (FORMERLY FOMC II LP), continued

Respective responsibilities

General Partner's responsibilities

As explained more fully in their statement set out on page 15, the General Partner is responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Partnership's partners, as a body

This report is made solely to the Partnership's partners, as a body, in accordance with our terms of engagement as detailed in our letter of 1 December 2020. Our audit work has been undertaken so that we might state to the partners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the partners, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

23 April 2021

FOIF II LP (FORMERLY FOMC II LP)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

		1 January 2020 to 31 December 2020 US\$	1 January 2019 to 31 December 2019 US\$
	Note		
Revenue			
Net gains/(losses) on financial assets at fair value through profit or loss	6	9,620,189	(27,534,792)
Investment income	6	42,566,842	27,345,674
Net (losses)/gains on derivatives at fair value through profit or loss and foreign exchange		(15,710,829)	1,232,003
Other income		402,755	487,857
Total revenue		36,878,957	1,530,742
Expenses			
Priority profit share	8	2,836,901	2,444,670
Carried interest	8	7,986,923	-
Audit fees		110,311	88,544
Administration fees	8	139,157	81,965
Legal and professional fees		46,472	198,721
Custodian fees	8	93,341	65,431
General Partner expenses	8	207,011	116,583
Other expenses		84,433	87,536
Total expenses		11,504,549	3,083,450
Profit/(loss) and total comprehensive income/(loss) for the year		25,374,408	(1,552,708)

All items in the above statement are derived from continuing operations.

The accompanying notes on pages 23 to 50 form an integral part of the Financial Statements.

FOIF II LP (FORMERLY FOMC II LP)
STATEMENT OF CHANGES IN PARTNERSHIP INTERESTS
For the year ended 31 December 2020

	Note	Founder Partner US\$	Limited Partners US\$	Total US\$
At 1 January 2020		350	298,598,457	298,598,807
Contributions during the year	10	-	105,854,500	105,854,500
Total comprehensive income for the year		-	25,374,408	25,374,408
Income distributions declared during the year	4	-	(29,630,425)	(29,630,425)
At 31 December 2020		350	400,196,940	400,197,290

	Note	Founder Partner US\$	Limited Partners US\$	Total US\$
At 1 January 2019		350	367,005,255	367,005,605
Contributions during the year	10	-	9,782,000	9,782,000
Capital distribution declared during the year	4, 10	-	(46,125,095)	(46,125,095)
Total comprehensive loss for the year		-	(1,552,708)	(1,552,708)
Income distributions declared during the year	4	-	(30,510,995)	(30,510,995)
At 31 December 2019		350	298,598,457	298,598,807

The accompanying notes on pages 23 to 50 form an integral part of the Financial Statements.

FOIF II LP (FORMERLY FOMC II LP)
STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	31 December 2020 US\$	31 December 2019 US\$
Assets			
Cash and cash equivalents		5,241,842	16,107,356
Other receivables and prepayments	9	218,433	124,469
Distributions paid in advance	4	706,987	-
Financial assets at fair value through profit or loss	6	406,822,379	285,420,752
Total assets		412,989,641	301,652,577
Liabilities			
Trade and other payables	11	496,683	1,473,177
Distribution payable	4	-	1,168,089
Derivatives at fair value through profit or loss	5	4,308,745	412,504
Carried interest payable	8	7,986,923	-
Total liabilities		12,792,351	3,053,770
Net assets		400,197,290	298,598,807
Partnership interests represented by:			
Limited Partners		400,196,940	298,598,457
Founder Partner		350	350
Total partnership interests		400,197,290	298,598,807

The Financial Statements on pages 19 to 50 were approved and authorised for issue by the General Partner on 23 April 2021 and signed on its behalf by:

Chris Hickling
Director
For and on behalf of Fair Oaks Income Fund (GP) Limited

The accompanying notes on pages 23 to 50 form an integral part of the Financial Statements.

FOIF II LP (FORMERLY FOMC II LP)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		1 January 2020 to 31 December 2020 US\$	1 January 2019 to 31 December 2019 US\$
Cash flows (used in)/from operating activities			
Profit/(loss) for the year		25,374,408	(1,552,708)
Adjustments to reconcile profit/(loss) to net cash flows:			
Investment income	6	(42,566,842)	(27,345,674)
Net (gains)/losses on financial assets at fair value through profit or loss	6	(9,620,189)	27,534,792
Net losses/(gains) on derivatives at fair value through profit or loss and foreign exchange		15,710,829	(1,232,003)
		(11,101,794)	(2,595,593)
Increase in other receivables and prepayments		(252)	(3,162)
(Decrease)/increase in other payables		(976,495)	1,156,479
Increase in carried interest payable	8	7,986,923	-
Purchase of investments	6	(258,085,192)	(88,464,446)
Sale of investments	6	93,345,347	72,999,685
Capital distributions from Master Fund	6	39,606,889	46,647,531
Capital distributions from Cycad	6	1,901,014	-
Income distributions from Master Fund		1,139,993	10,170,352
Income distributions from Cycad		421,980	2,179,058
Coupon interest received	6	52,361,662	47,125,037
Payments on settlement of forward foreign exchange contracts		(13,101,551)	-
Proceeds from settlement of forward foreign exchange contracts		1,610,000	-
Net cash flow (used in)/from operating activities		(84,891,476)	89,214,941
Cash flows from/(used in) financing activities			
Proceeds from capital contributions	10	105,854,500	9,782,000
Income distributed		(31,505,501)	(42,251,537)
Capital distributed	10	-	(46,125,095)
Net cash flow from/(used in) financing activities		74,348,999	(78,594,632)
Net (decrease)/increase in cash and cash equivalents		(10,542,477)	10,620,309
Cash and cash equivalents at beginning of year		16,107,356	4,016,841
Effect of foreign exchange rate changes during the year		(323,037)	1,470,206
Cash and cash equivalents at end of year*		5,241,842	16,107,356

* Includes US\$nil (31 December 2019: US\$2,900,000) restricted cash. Refer to note 5 for further details.

The accompanying notes on pages 23 to 50 form an integral part of the Financial Statements.

FOIF II LP (FORMERLY FOMC II LP)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

FOIF II LP (formerly FOMC II LP) (the “Partnership”) was registered in Guernsey on 24 February 2017 under The Limited Partnerships (Guernsey) Law, 1995, as amended. The Partnership is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme and is subject to the Registered Collective Investment Scheme Rules 2015 and under the Protection of Investors (Bailiwick of Guernsey) Law, 1987. On 23 March 2021, the Partnership changed its name from FOMC II LP to FOIF II LP.

The Partnership is governed by the Third Amended and Restated Limited Partnership Agreements dated 16 April 2020 (the “LPA”) and is due to terminate on 21 June 2026. The Partnership shall continue until the later of (i) expiry of five years from the date the Commitment Period ends; and (ii) such date on which the Partnership ceases to hold any investment in a Collateralised Loan Obligations (“CLOs”) issuer which was made during the Commitment Period and for which the Partnership has acted as originator for risk retention purposes. On 15 May 2019, the General Partner exercised its discretion to extend the Commitment Period by one year to 12 June 2021 and the final closing date to 5 April 2021. The Partnership may be dissolved earlier, pursuant to conditions in the LPA.

The Partnership invests in US and European Collateralised Loan Obligations (“CLOs”) or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing to achieve the Partnership's investment objective of generating attractive risk-adjusted returns, principally through income distributions.

At 31 December 2020, the Partnership has an investment in FOIF LP (the “Master Fund”) and holds 66.20% (31 December 2019: 66.20%) of the commitment capital of the Master Fund. By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only an immaterial residual net asset balance remaining on the Master Fund's statement of financial position. The General Partner intends to dissolve the Master Fund, pursuant to the conditions in the Master Fund limited partnership agreement, by its stated termination date of 27 May 2021.

The General Partner has determined that the Partnership has all the elements of control as prescribed by IFRS 10 in relation to the Master Fund, as the Partnership is the majority limited partner in the Master Fund, is exposed and has rights to the returns of the Master Fund and has the ability either directly or through the Investment Adviser to affect the amount of its returns from the Master Fund.

The Partnership also has an investment in Cycad Investments LP (“Cycad”) and holds 14.96% (31 December 2019: 14.96%) of the commitment capital of Cycad at 31 December 2020. On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (the “Wollemi Fund”). On 23 March 2021, the Partnership transferred its investment in Cycad to the Wollemi Fund in exchange for limited partnership interests in the Wollemi Fund.

Fair Oaks Founder II LP, a Guernsey limited partnership, was established on 24 February 2017 to act as the Founder Partner of the Partnership.

With effect from 24 February 2017, Fair Oaks Income Fund (GP) Limited (the “General Partner”) was appointed as the General Partner to the Partnership and with effect from 9 March 2017, Fair Oaks Capital Ltd (the “Investment Adviser”) was appointed as the Investment Adviser to the Partnership.

The Partnership commenced trading on 5 April 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The Financial Statements, which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the IASB, interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and applicable law.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Basis of Preparation

The Partnership's Financial Statements have been prepared on a historical cost basis, except for financial assets and derivatives measured at fair value through profit or loss ("FVTPL").

The preparation of Financial Statements in conformity with IFRS requires the General Partner to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in Note 3. The principal accounting policies adopted are set out below.

The General Partner believes that the Annual Report and Financial Statements contains all of the information required to enable the Partners and potential investors to make an informed appraisal of the investment activities and profits and losses of the Partnership for the period to which it relates and does not omit any matter or development of significance.

The Partnership qualifies as an investment entity under the terms of IFRS 10 "Consolidated Financial Statements" and is therefore not permitted to prepare consolidated Financial Statements under IFRS.

New Accounting Standards and interpretations adopted in the reporting period

The following standards and interpretations have been applied in these Financial Statements:

- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for periods commencing on or after 1 January 2020) – The amendments in *Definition of Material (Amendments to IAS 1 and IAS 8)* clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards;
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for periods commencing on or after 1 January 2020) – The amendments in *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
- Amendments to References to Conceptual Framework in IFRS Standard (effective for periods commencing on or after 1 January 2020).

The adoption of these standards has not had a material impact on these Financial Statements of the Partnership.

New Accounting Standards and interpretations applicable to future reporting periods

At the date of approval of these Financial Statements, the following standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IAS 1 (amended), "Presentation of Financial Statements" (amendments regarding the classification of liabilities, effective for periods commencing on or after 1 January 2023).

In addition, the IASB has completed the following projects during the period:

- 'Annual Improvements to IFRS Standards 2018-2020', published in May 2020. This project has amended certain existing standards effective for accounting periods commencing on or after 1 January 2022.
- 'Replacement issues in the context of the IBOR reform', published in August 2020. This project has amended certain existing standards effective for accounting periods commencing on or after 1 January 2021.

The General Partner expects that the adoption of these amended standards in a future period will not have a material impact on the Financial Statements of the Partnership.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Investment Income

Investment income comprises interest income received and receivable on the Partnership's CLO investments.

Interest income on CLO investments is recognised using the effective interest rate method.

The effective interest rate is calculated using estimated cash flows, considering the expected life of the financial asset and future potential credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate and all other premiums or discounts.

Investment income is recognised in the Statement of Comprehensive Income.

Other Income

Other income comprises interest income received and receivable from cash and cash equivalents.

Net Gains/(Losses) on Financial Assets at Fair Value through Profit or Loss

Net gains/(losses) on financial assets at fair value through profit or loss includes all realised and unrealised fair value changes, foreign exchange gains/(losses), but excludes interest.

Net realised gains/(losses) from financial assets at fair value through profit or loss are calculated using the average cost method and recognised in the Statement of Comprehensive Income.

Net (Losses)/Gains on Derivatives at Fair Value through Profit or Loss and Foreign Exchange

Net (losses)/gains on derivatives at fair value through profit or loss and foreign exchange include changes in the fair value of forward currency contracts and foreign exchange differences other than on financial assets at fair value through profit or loss.

Net (losses)/gains on derivatives at fair value through profit or loss as foreign exchange are recognised in the Statement of Comprehensive Income.

Expenses

Expenses of the Partnership are charged through profit or loss in the Statement of Comprehensive Income on an accruals basis.

Cash and Cash Equivalents

Cash comprises current deposits with banks, including restricted cash. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Financial Assets and Liabilities

Classification

Financial assets and liabilities are classified into categories in accordance with IFRS 9.

On initial recognition, the Partnership classifies financial assets as measured at amortised cost or at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

All other financial assets of the Partnership are measured at FVTPL.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial Assets and Liabilities, continued

Classification, continued

In making an assessment of the objective of the business model in which a financial asset is held, the Partnership considers all of the relevant information about how the business is managed.

The Partnership has determined that it has two business models.

- *Held-to-collect business model:* this includes cash and cash equivalents, prepayments and distributions receivable. These financial assets are held to collect contractual cash flow.
- *Other business model:* this includes investments in CLOs and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

The Investment entities exception to consolidation ("Investment entities exception") in IFRS 10 'Consolidated Financial Statements' ("IFRS 10") requires subsidiaries of an investment entity to be accounted for at fair value through profit or loss in accordance with IFRS 9. Subsidiaries of the Partnership are therefore accounted for at fair value through profit or loss.

Financial assets at amortised cost:

Loans and receivables: cash and cash equivalents, prepayments and other receivables.

Financial liabilities – Classification, subsequent measurement and gains and losses

A non-derivative financial asset with fixed or determinable payments could be classified as a loan and receivable unless it was quoted in an active market or was an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at FVTPL:

Held for trading: derivative financial instruments.

Financial liabilities at amortised cost:

This includes trade and other payables.

Recognition and initial measurement

Financial assets and financial liabilities are measured initially at fair value, usually being the transaction price, including transaction costs for items that will subsequently be measured at amortised cost, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Subsequent measurement

After initial measurement, financial assets classified at fair value through profit or loss are measured at their fair values. Changes in fair value are recorded within "Net gains/(losses) on financial assets at fair value through profit or loss" and "Net (losses)/gains on derivatives at fair value through profit or loss and foreign exchange" in the Statement of Comprehensive Income.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Financial Assets and Liabilities, continued

Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Partnership has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the fair value of an instrument is measured using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Instruments quoted in an active market are valued at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the valuation techniques are used that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IFRS 9. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Investment in other entities

The Investment Entities exception requires that an investment entity that has determined that it is a parent under IFRS 10 shall not consolidate certain of its subsidiaries; instead it is required to measure its investment in these subsidiaries at fair value through profit or loss in accordance with IFRS 9.

In order for the Investment Entities exception to be relevant to the Partnership, it must first have determined that it is a parent entity, being an entity with control over another entity. IFRS 10's single control model states that an entity has control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

At 31 December 2020, the General Partner had determined that twelve CLOs (31 December 2019: seven) on a look through basis were subsidiaries. Details on how that conclusion was reached are set out in Note 7 – 'Interests in Other Entities'.

Therefore, as a parent, the Partnership had determined that it met the definition of an 'investment entity' under the Investment Entity Amendment as follows:

- (i) It had obtained funds from one or more Limited Partners for the purpose of providing those Limited Partners with investment management services;
- (ii) It had committed to its Limited Partners that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- (iii) It measured and evaluated the performance of substantially all of its investments on a fair value basis.

Based on the above, in accordance with the Investment Entity Amendment, the Partnership prepares individual financial statements only, with its investments in the subsidiaries measured at fair value through profit or loss.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Foreign Currency

Functional and presentation currency

The Financial Statements of the Partnership are presented in the currency of the primary economic environment in which the Partnership operates (the “functional currency”). The General Partner has considered the primary economic currency of the Partnership and considered the currency in which the original finance was raised, distributions made, and ultimately what currency would be returned if the Partnership was wound up. The General Partner has also considered the currency to which the investments are exposed. On balance, the General Partner believes US Dollar best represents the functional currency of the Partnership. Therefore, the books and records are maintained in US Dollar and for the purpose of the Financial Statements the results and financial position of the Partnership are presented in US Dollar, which has been selected as the presentation currency of the Partnership. All foreign exchange differences relating to monetary items, including cash, other than investments at fair value through profit or loss, are presented in ‘Net (losses)/gains on derivatives at fair value through profit or loss and foreign exchange’ in the Statement of Comprehensive Income.

Translation of foreign currencies

Foreign currency transactions are translated into the presentation currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the reporting date when fair value was determined.

Taxation

The Partnership is not subject to taxation and no provision for taxation has been made in the Financial Statements. Any taxation on income and capital is the responsibility of each individual Limited Partner. Any taxation of income received by the Partnership that has been deducted at source is allocated to individual Limited Partners in accordance with the LPA.

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of Financial Statements in accordance with IFRS requires the General Partner to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements and income and expenses during the period. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The principal estimates and judgements are as follows:

Judgements

Going Concern

The General Partner has assessed the financial position of the Partnership as at 31 December 2020 and the factors that may impact its performance, including the potential impact as a result of the COVID-19 pandemic, in the forthcoming year. The General Partner is aware that the economic disruption caused by Covid-19 means there is an increased chance that the Partnership’s CLOs investments, will experience higher loan defaults and CCC ratings, breach over-collateralisation tests and, as a result, withhold some quarterly distributions from some CLO noteholders. Furthermore, the General Partner is well aware of the risk of cash flow diversion so will not fully invest all available capital without leaving available liquidity for expenses. While all the Partnership’s investments continue to comply with their over-collateralisation tests and make cash distributions to the Partnership, the medium and long-term impacts of COVID-19 disruption on the fundamental performance of the Partnership’s investments and on their valuation will depend on the future development of the virus, the effectiveness of the vaccines and efficiency of the vaccine roll outs, restrictions on, and changes in, consumer behaviour and mitigating actions taken by governments. The Partnership’s also went through a portfolio de-risking process in the first half of 2020 (increasing the proportion of rated CLO investments at that time) and the Investment Adviser continues to carefully monitor the performance of the Partnership’s investments, working closely with the General Partner on current and emerging risks to the Partnership.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

3. USE OF JUDGEMENTS AND ESTIMATES, continued

Judgements, continued

Going Concern, continued

Following due consideration, the General Partner is of the opinion that it is appropriate to prepare these Financial Statements on a going concern basis as the Partnership has adequate financial resources to meet its liabilities as they fall due.

Investment in other entities

At 31 December 2020, the General Partner was satisfied that the Partnership met the definition of an investment entity, and had also concluded that twelve investments (31 December 2019: seven) on a look through basis met the definition of a subsidiary in accordance with IFRS 10, with the remaining CLOs on a look through basis in which the Partnership invests meeting the definition of structured entities in accordance with IFRS 12. These conclusions are further detailed in Note 7 – 'Interest in Other Entities'.

Estimates

Fair value

The Partnership records its investments both in the Master Fund and in Cycad at fair value, where the fair values are determined as the Partnership's share of the Net Asset Values ("NAV") of the investments. The Investment Adviser has reviewed the NAV of the investments and determined that no adjustments regarding liquidity discounts were required. The fair values of other financial assets at fair value through profit or loss are based on fair values provided by a third party independent pricing agent who uses a methodology that is a combination of matrix pricing as well as actual trade and market prices. The key inputs in arriving at the fair value prices of CLOs generally are probabilities of default ("PDs"), recovery rates, reinvestment rates and discount rates. Sensitivity analysis to fair values is provided in Note 6.

Financial assets for which market prices are available from a third party are valued monthly on the basis of such market prices. All of the Partnership's portfolio is valued on the basis of valuations received on a monthly basis from the independent pricing agent or other third parties (in the case of currency derivatives). The pricing agent may determine the valuation based on pricing models, which may or may not produce values that correspond to the prices that the Partnership could obtain if it sought to liquidate such positions. Such valuations generally involve subjective judgements on key model inputs, particularly default and recovery rates, and may not be uniform.

The Investment Adviser reviews the market prices received from the independent pricing agent for reasonableness.

4. DISTRIBUTIONS

Pursuant to clause 13 of the LPA, all income proceeds and capital proceeds of the Partnership (after payment of expenses and liabilities) are allocated to the Limited Partners in accordance with its respective interest and applied in the following manner:

- first to the General Partner, until it has been paid its Priority Profit Share;
- second, to repay the Outstanding Loan;
- third, to the Limited Partners until the Limited Partners have reached their Preferred Return Threshold (the threshold which is reached when a Limited Partner has received an internal rate of return of 7% on the Limited Partners outstanding capital commitment, excluding capital and interest proceeds received from the Master Fund); and
- fourth, 85% to the Limited Partners and 15% to the Founder Partner.

Income proceeds received by the Partnership are distributed in accordance with the above as soon as practicable after each quarter date in each year in respect of the quarters ended on such dates, or more frequently at the discretion of the General Partner, with the aim of distributing all net income each year.

Capital proceeds received from CLO investments, after the end of the investment period in June 2021, will be distributed in accordance with the above as soon as practicable after the relevant amounts have been received by the Partnership.

FOIF II LP (FORMERLY FOMC II LP)

NOTES TO THE FINANCIAL STATEMENTS, continued

For the year ended 31 December 2020

4. DISTRIBUTIONS, continued

Fair Oaks Founder II LP, a Guernsey limited partnership, has been established to act as the Founder Partner of the Partnership and is entitled to receive carried interest in accordance with the LPA, as outlined above. As at 31 December 2020, US\$7,986,923 (31 December 2019: US\$nil) carried interest had been accrued by the Partnership for the benefit of the Founder Partner.

During the year ended 31 December 2020, the Partnership declared income distributions totalling US\$29,630,425 (31 December 2019: US\$30,510,995) to the Limited Partners, of which US\$nil (31 December 2019: US\$1,168,089 outstanding) remained outstanding as at 31 December 2020. At 31 December 2020, US\$706,987 of income distributions were prepaid for 2021.

During the year ended 31 December 2020, the Partnership declared capital distributions totalling US\$nil (31 December 2019: US\$46,125,095) to the Limited Partners, of which US\$nil (31 December 2019: US\$nil) remained outstanding as at 31 December 2020.

5. FINANCIAL RISK MANAGEMENT

The General Partner has overall responsibility for the establishment and oversight of the Partnership's risk management framework. The Partnership's risk management policies are established to identify and analyse the risks faced by the Partnership, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Partnership's activities. Below is a non-exhaustive summary of the risks that the Partnership is exposed to as a result of its use of financial assets:

Market Risk

Market risk is the risk of changes in market prices, resulting from movements in foreign exchange rates, interest rates and equity prices, affecting the Partnership's income and/or the value of its holdings in financial assets.

The Partnership's exposure to market risk comes mainly from movements in the value of its investments. Changes in credit spreads may further affect the Partnership's net equity or net income directly through their impact on unrealised gains or losses on investments within the portfolio and therefore the Partnership's ability to make gains on such investments, or indirectly through their impact on the Partnership's ability to borrow and access capital (and its cost of capital).

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The strategy for the management of market risk is driven by its investment objective to generate attractive, risk-adjusted returns, principally through income distributions by seeking exposure to US and European CLOs or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing. Market risk is managed on a daily basis by the General Partner in accordance with policies and procedures in place.

The General Partner seeks to mitigate market risk in the Partnership generally by not making investments that would cause it to have exposure to a single corporate issuer exceeding 5% of the aggregate gross assets at the time of investment. Special Purpose Vehicles such as CLOs are not considered corporate issuers. The Partnership's market positions are monitored on a quarterly basis by the General Partner.

Derivatives are used to manage exposure to foreign currency risks and may also be used from time to time to manage interest rate risks. The instruments used during the year were forward foreign exchange contracts. The Partnership does not apply hedge accounting.

Interest Rate Risk

The Partnership is exposed to interest rate risk through investments held by the Master Fund and Cycad, on a look-through basis to the underlying assets in the CLOs.

The Partnership invests directly into CLOs and also indirectly through its investment in the Master Fund and Cycad. The Master Fund and Cycad invest in CLOs. The majority of the Partnership's financial assets comprise investments held indirectly through the Master Fund, which invests in income notes: Equity Subordinated and Mezzanine tranches of cash flow CLOs. The Partnership's exposure to interest rate risk is significantly mitigated by the fact that the majority of the underlying loans in each CLO bear interest at floating LIBOR-based rates.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued
Market Risk, continued

Interest Rate Risk, continued

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates; however, the underlying cash positions will not be affected.

As at 31 December 2020, the interest rate profile of the portfolio held directly by the Partnership and on a look through basis to the underlying Limited Partnerships was as follows:

	31 December 2020			
	Directly held	Master Fund*	Cycad	Total
	US\$	US\$	US\$	US\$
Investments with exposure to a floating interest rate	399,287,677	8,563	7,526,139	406,822,379
Financial assets at fair value through profit or loss	399,287,677	8,563	7,526,139	406,822,379

* By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only the above residual net asset balance remaining on the Master Fund's statement of financial position.

As at 31 December 2019, the interest rate profile of the portfolio held directly by the Partnership and on a look through basis to the underlying Limited Partnerships was as follows:

	31 December 2019			
	Directly held	Master Fund	Cycad	Total
	US\$	US\$	US\$	US\$
Investments with exposure to a floating interest rate	228,694,198	44,045,876	12,680,677	285,420,752
Financial assets at fair value through profit or loss	228,694,198	44,045,876	12,680,677	285,420,752

The following table shows the General Partner's best estimate of the sensitivity of the portfolio to stressed changes in interest rates, with all other variables held constant. The table assumes parallel shifts in the respective forward yield curves.

31 December 2020		31 December 2019	
Possible	Effect on net	Possible	Effect on net
reasonable	assets and	reasonable	assets and
change in rate	profit or loss	change in rate	profit or loss
	US\$		US\$
-1%	1,486,711	-1%	(3,221,616)
1%	(1,952,609)	1%	2,962,967

At 31 December 2020, the US CLOs in which the Partnership holds equity, have liabilities with US Dollar Libor floors at zero and loan assets with Libor floors of up to 1%. With US Dollar Libor at circa 0.25%, if Libor goes down, the interest on the liabilities drops by more than the interest on the interest floored loans, producing more residual cash flow for equity. If Libor goes up, the interest on the liabilities goes up by more than the interest on the floored loans, reducing cashflow to equity. This is reflected in the "effect on net asset and profit or loss" in the table above at 31 December 2020.

At 31 December 2019, when USD Libor was over 1.5%, the interest floors did not have any impact, asset and liability interest rates moved together, so CLO equity cash flows went up with higher interest rates and down with lower interest rates. This is reflected in the "effect on net asset and profit or loss" in the table above at 31 December 2019.

Currency risk

Investments acquired are denominated in US Dollar and Euro. The value of assets therefore may be affected, favourably or unfavourably, by fluctuations in currency rates which, if unhedged, could have the potential to have a significant effect on returns. To reduce the impact on the Partnership of currency fluctuations and the volatility of returns which may result from currency exposure, the General Partner hedges the currency exposure of the assets of the Partnership.

The Partnership may bear a level of currency risk that could otherwise be hedged where the Investment Adviser considers that bearing such risks is advisable or is in the best interest of the Partnership considering the liquidity risk that is attached to any derivative contracts that could be used (e.g. margin calls on those contracts).

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued
Market Risk, continued

Currency risk, continued

By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only an immaterial residual net asset balance remaining on the Master Fund's statement of financial position. As a result, at 31 December 2020, the Master Fund is not included in the look-through information within this note. The Master Fund is, however, included in the comparative information within this note.

As at 31 December 2020, the total net foreign currency exposure on a look through basis was as follows:

	31 December 2020		
	Partnership	Cycad*	Total
	US\$	US\$	US\$
EUR exposure			
Financial assets at fair value through profit or loss	189,594,296	-	189,594,296
Derivatives at fair value through profit or loss	(170,035,145)	-	(170,035,145)
Other payables	(104,587)	-	(104,587)
Net EUR exposure	19,454,564	-	19,454,564

	31 December 2020		
	Partnership	Cycad*	Total
	US\$	US\$	US\$
GBP exposure			
Other payables	(48,331)	(7,982)	(56,313)
Net GBP exposure	(48,331)	(7,982)	(56,313)
NET EXPOSURE	19,406,233	(7,982)	19,398,251

*Based on the Partnership's proportionate percentage share exposure of Cycad at 14.96%.

	31 December 2019			
	Partnership	Master Fund*	Cycad*	Total
	US\$	US\$	US\$	US\$
EUR Exposure				
Financial assets at fair value through profit or loss	42,739,623	2,354,156	-	45,093,779
Derivatives at fair value through profit or loss	(42,778,704)	(2,235,750)	-	(45,014,454)
Other payables	(85,540)	(32,257)	-	(117,797)
Net EUR Exposure	(124,621)	86,149	-	(38,472)

	31 December 2019			
	Partnership	Master Fund*	Cycad*	Total
	US\$	US\$	US\$	US\$
GBP Exposure				
Other payables	(36,822)	(4,557)	(10,089)	(51,468)
Net GBP Exposure	(36,822)	(4,557)	(10,089)	(51,468)
NET EXPOSURE	(161,443)	81,592	(10,089)	(89,940)

*Based on the Partnership's proportionate percentage share exposure of the Master Fund at 66.20% and Cycad at 14.96%.

As at 31 December 2020, the following forward foreign exchange contracts were in place:

Maturity Date	Contract amount		Buy	Sell	Unrealised loss
					US\$
21 January 2021	EUR50,000,000	US\$58,980,000	US Dollar	Euro	(2,151,428)
18 February 2021	EUR45,000,000	US\$53,370,000	US Dollar	Euro	(1,682,665)
9 March 2021	EUR44,000,000	US\$53,376,400	US Dollar	Euro	(474,652)
					(4,308,745)

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued
Market Risk, continued

Currency risk, continued

As at 31 December 2019, the following forward foreign exchange contract was in place:

Maturity Date	Contract amount		Buy	Sell	Unrealised loss US\$
10 March 2020	EUR38,000,000	US\$42,366,200	US Dollar	Euro	(412,504)
					(412,504)

	Possible change in exchange rate	31 December 2020 net exposure US\$	31 December 2020 effect on net assets and profit or loss (if unhedged) US\$
EUR/US Dollar	+/- 15%	19,454,564	-/+ 2,918,185
GBP/US Dollar	+/- 20%	(56,313)	-/+ 11,263

	Possible change in exchange rate	31 December 2019 net exposure US\$	31 December 2019 effect on net assets and profit or loss (if unhedged) US\$
EUR/US Dollar	+/- 10%	(38,472)	-/+ 3,847
GBP/US Dollar	+/- 15%	(51,468)	-/+ 7,720

The sensitivity rate of 15% (31 December 2019: 10%) is regarded as reasonable due to the recent volatility of US Dollar against Euro.

The sensitivity rate of 20% (31 December 2019: 15%) is regarded as reasonable due to the recent volatility of US Dollar against Pound Sterling.

The following table highlights the split of currencies based on par value of loans in the portfolio:

Currency	31 December 2020 %	31 December 2019 %
US Dollar	53.4	85.0
Euro	46.6	15.0
Total	100.0	100.0

Other price risks

The risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial asset or its issuer, or factors affecting all similar financial assets traded in the market. The General Partner does not believe that the returns on investments are correlated to any specific index or other price variable.

If the value of the Partnership's investments increased or decreased by +/- 50% (31 December 2019: 10%) at the year end, the impact on the NAV would be +/- US\$203,411,190 (31 December 2019: US\$28,542,075). At 31 December 2020, the sensitivity rate of 50% (31 December 2019: 10%) is regarded as reasonable due to the actual market price volatility experienced as a result of the economic impact of the Covid-19 pandemic on the Partnership's investments during the year.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued
Market Risk, continued

Credit and Counterparty Risk

Credit risk is the risk that a counterparty to a financial asset will fail to discharge an obligation or commitment that it has entered into, resulting in a financial loss. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes, all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk) are aggregated.

Credit risk is managed by dealing only with counterparties that meet the credit standards set out in the Partnership's prospectus, and by taking collateral.

The table below analyses the Partnership's maximum exposure to credit risk for the components of the Statement of Financial Position.

	31 December 2020	31 December 2019
	US\$	US\$
Cash and cash equivalents	5,241,842	16,107,356
Other receivables (excluding prepayments)	213,674	124,469
Financial assets at fair value through profit or loss	406,822,379	285,420,752
	412,277,895	301,652,577

The cash and substantially all of the assets of the Partnership are held by BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") and forward foreign currency contracts are placed with The Royal Bank of Scotland International Limited ("RBSI"). Bankruptcy or insolvency of the Custodian and RBSI may cause the Partnership's rights with respect to securities held by the Custodian and RBSI to be delayed or limited. This risk is managed by monitoring the credit quality and financial positions of the Custodian. The long-term rating of the Custodian as at 31 December 2020 was Aa3 as rated by Moody's (31 December 2019: Aa3) and AA- by Standard & Poor's (31 December 2019: A+). The long-term rating of RBSI as at 31 December 2020 was A3 (31 December 2019: Baa2) as rated by Moody's and A- (31 December 2019: A-) by Standard & Poor's.

Credit risk is monitored on a quarterly basis by the General Partner and the Investment Adviser. If the credit risk is not in accordance with the investment policy or guidelines of the Partnership, then the General Partner and Investment Adviser are obliged to rebalance the portfolio when determined to ensure that the portfolio is in compliance with the stated investment parameters.

The Partnership's exposure to the credit risk of all of the directly held underlying CLO investments and its investments into the Master Fund and Cycad based on the country of registration (not necessarily asset class exposure) is as follows:

	31 December 2020			
	Partnership	Master Fund*	Cycad	Total
	US\$	US\$	US\$	US\$
United States of America	209,693,381	-	7,526,139	217,219,520
Europe	189,594,296	-	-	189,594,296
Guernsey	-	8,563	-	8,563
Total	399,287,677	8,563	7,526,139	406,822,379

* By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only the above residual net asset balance remaining on the Master Fund's statement of financial position.

	31 December 2019			
	Partnership	Master Fund	Cycad	Total
	US\$	US\$	US\$	US\$
United States of America	185,954,576	-	12,680,677	198,635,253
Europe	42,739,623	-	-	42,739,623
Guernsey	-	44,045,876	-	44,045,876
Total	228,694,199	44,045,876	12,680,677	285,420,752

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued

Credit and Counterparty Risk, continued

The underlying CLO investments geographical breakdown is as follows:

	31 December 2020**	31 December 2019
Country*	%	%
United States of America	61.3	83.8
France	8.8	2.6
United Kingdom	6.9	3.1
Germany	6.0	1.8
Netherlands	4.9	1.8
Spain	2.8	0.5
Canada	1.6	2.3
Switzerland	1.4	0.3
Italy	1.3	0.3
Luxembourg	1.2	2.0
Other	3.8	1.5
Total	100.0	100.0

Source: CLO trustee reports. Based on the Partnership's exposure and weighted by CLO size and Partnership's equity ownership percentage.

*Shows the Partnership's exposure in the underlying CLO investments includes its exposure through its investments in Cycad (31 December 2019: the Master Fund also).

** By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only an immaterial residual net asset balance remaining on the Master Fund's statement of financial position. As a result, at 31 December 2020, the Master Fund is not included all the look-through information within this note.

The table below summarises the Partnership's portfolio concentrations on a look through basis:

	Maximum portfolio holdings of a single asset % of total portfolio*	Average portfolio holdings % of total portfolio*
31 December 2020	11.58%	1.92%
31 December 2019	10.32%	3.70%

*Shows the Partnership's exposure in the underlying CLO investments includes its exposure through its investments in the Master Fund and Cycad.

The table below summarises the portfolio by asset class of the portfolio:

	31 December 2020	31 December 2019
By Asset Class	US\$	US\$
Equity Subordinated CLO notes	273,986,328	223,660,448
Mezzanine CLO notes	125,301,349	5,033,751
Limited Partnerships	7,534,702	56,726,553
	406,822,379	285,420,752

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued

Credit and Counterparty Risk, continued

The underlying on a look through basis CLO investments rating breakdown is as follows:

	31 December 2020**	31 December 2019
Rating*	%	%
B	33.7	35.9
B-	21.4	17.4
B+	12.3	16.0
BB-	8.6	9.3
BB	4.1	5.5
CCC+	3.7	1.7
BB+	1.9	2.6
CCC	1.3	0.4
BBB-	0.5	0.5
CCC-	0.2	0.2
D	0.2	0.2
BBB	0.0	0.1
CC	0.0	0.0
NA	12.1	10.2
Total	100.0	100.0

*Shows the Partnership's exposure in the underlying CLO investments includes its exposure through its investments in Cycad (31 December 2019: the Master Fund also). Source: CLO trustee reports. Based on the Partnership's exposure and weighted by CLO size and Partnership's equity ownership percentage.

** By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only an immaterial residual net asset balance remaining on the Master Fund's statement of financial position. As a result, at 31 December 2020, the Master Fund is not included all the look-through information within this note.

The Partnership's activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, settlement risk is mitigated by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes.

Liquidity Risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The General Partner's approach to managing the liquidity of the Partnership is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including distributions due, without incurring unacceptable losses or risking damage to the Partnership's reputation.

The Partnership's financial assets include CLO investments, which may be illiquid.

Liquidity risk is managed on a daily basis by the General Partner in accordance with the policies and procedures in place. The General Partner, the Administrator and Investment Adviser monitor and forecast the Partnership's cash balances, expenses and income from investments on a regular basis and specifically before approving any distribution to Limited Partners.

At 31 December 2020, US\$nil (31 December 2019: US\$2,900,000) of the Partnership's cash was held in a restricted account. In the prior year, the Partnership held restricted cash at RBSI which was used as collateral against potential losses on forward foreign exchange contracts.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued

Liquidity Risk, continued

31 December 2020	Less than 3 months US\$	3 – 6 months US\$	6 – 12 months US\$	1 – 2 years US\$	2 – 3 years US\$	3 – 4 years US\$	5 – 6 years US\$	Total US\$
Financial assets								
Financial assets at fair value through profit or loss	8,563	-	2,904,249	128,526,095	60,137,693	205,745,411	9,500,368	406,822,379
Other receivables and prepayments	218,433	-	-	-	-	-	-	218,433
Distributions paid in advance	706,987	-	-	-	-	-	-	706,987
Cash and cash equivalents	5,241,842	-	-	-	-	-	-	5,241,842
Total financial assets	6,175,825	-	2,904,249	128,526,095	60,137,693	205,745,411	9,500,368	412,989,641
Financial liabilities								
Other payables	(392,095)	(104,588)	-	-	-	-	-	(496,683)
Derivatives at fair value through profit or loss	(4,308,745)	-	-	-	-	-	-	(4,308,745)
Carried interest payable	-	-	-	-	-	-	(7,986,923)	(7,986,923)
Total financial liabilities	(4,700,840)	(104,588)	-	-	-	-	(7,986,923)	(12,792,351)
Liquidity gap	1,474,985	(104,588)	2,904,249	128,526,095	60,137,693	205,745,411	1,513,445	400,197,290
Total cumulative liquidity gap	1,474,985	1,370,397	4,274,646	132,800,741	192,938,434	398,683,845	400,197,290	
31 December 2019	Less than 3 months US\$	3 – 6 months US\$	6 – 12 months US\$	1 – 2 years US\$	2 – 3 years US\$	5 – 6 years US\$		Total US\$
Financial assets								
Financial assets at fair value through profit or loss	-	8,988,105	16,997,871	29,039,013	97,330,987	133,064,776		285,420,752
Other receivables and prepayments	124,469	-	-	-	-	-		124,469
Cash and cash equivalents	16,107,356	-	-	-	-	-		16,107,356
Total financial assets	16,231,825	8,988,105	16,997,871	29,039,013	97,330,987	133,064,776		301,652,577
Financial liabilities								
Other payables	(1,387,638)	(85,539)	-	-	-	-		(1,473,177)
Derivatives at fair value through profit or loss	(412,504)	-	-	-	-	-		(412,504)
Distribution payable	(1,168,089)	-	-	-	-	-		(1,168,089)
Total financial liabilities	(2,968,231)	(85,539)	-	-	-	-		(3,053,770)
Liquidity gap	13,263,594	8,902,566	16,997,871	29,039,013	97,330,987	133,064,776		298,598,807
Total cumulative liquidity gap	13,263,594	22,166,160	39,164,031	68,203,044	165,534,031	298,598,807		

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

5. FINANCIAL RISK MANAGEMENT, continued

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Partnership's activities relating to financial assets, either internally or on the part of service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

Operational risk is managed so as to balance the limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the General Partner. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers.

The General Partner's assessment of the adequacy of the controls and processes in place at the service providers with respect to operational risk is carried out via regular discussions with the service providers and a review of the service providers' Service Organisation Controls ("SOC") 1 reports on internal controls, if available.

Substantially all of the assets of the Partnership are held by BNP Paribas Securities Services S.C.A., Guernsey Branch in its capacity as the Custodian. The bankruptcy or insolvency of the Custodian may cause the Partnership's rights with respect to the securities held by the Custodian to be limited. The General Partner and Investment Adviser monitor the credit ratings and capital adequacy of the Custodian on a quarterly basis, and review the findings documented in the SOC 1 report on the internal controls annually.

Capital Management

The General Partner's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Partnership. The Partnership's capital is represented by the drawn down commitments of its Limited Partners. Capital is managed in accordance with the investment strategy, which focuses on direct and indirect investments in, and exposures to, a variety of assets selected for the purpose of generating cash flows for the Partnership.

Concentration Risk

The Partnership has diversified its exposure to industry sectors. At 31 December 2020, the top 10 are as follows:

Industry	31 December 2020**	31 December 2019*
	%	%
Health care & Pharmaceuticals	12.9	12.5
Services: Business	8.9	9.1
High Tech Industries	8.8	8.8
Bank, Finance, Insurance & Real Estate	6.7	6.9
Telecommunications	6.4	7.2
Services: Consumer	5.1	3.6
Beverage, Food & Tobacco	5.1	3.5
Chemical, Plastics & Rubber	4.7	4.3
Media: Broadcasting & Subscription	4.2	5.1
Hotel, Gaming & Leisure	4.0	5.7
	66.8	66.7

*Shows the Partnership's exposure in the underlying CLO investments includes its exposure through its investments in the Master Fund and Cycad.

Source: CLO trustee reports. Based on the Partnership's exposure and weighted by CLO size and Partnership's equity ownership percentage

** By 31 December 2020, the Master Fund had distributed the majority of its remaining assets to its limited partners, including the Partnership, with only an immaterial residual net asset balance remaining on the Master Fund's statement of financial position. As a result, at 31 December 2020, the Master Fund is not included all the look-through information within this note.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table presents the movement in financial assets at fair value through profit or loss:

	31 December 2020 US\$	31 December 2019 US\$
Cost at the start of the year	380,939,941	433,599,680
Purchases during the year	258,085,192	88,464,446
Sales during the year	(93,345,347)	(72,999,685)
Realised losses on sales during the year	(1,579,755)	(1,697,606)
Capital distributions from Master Fund during the year	(39,606,889)	(46,647,531)
Capital distributions from Cycad during the year	(1,901,014)	-
Investment income	42,566,842	27,345,674
Coupon interest received	(52,361,662)	(47,125,037)
Amortised cost of investments at the end of the year	492,797,308	380,939,941
Net unrealised losses on investments at the end of the year	(85,974,929)	(95,519,189)
Financial assets at fair value through profit or loss at the end of the year	406,822,379	285,420,752
Realised losses on sales during the year	(1,579,755)	(1,697,606)
Movement in net unrealised losses on investments during the year	9,544,260	(32,052,106)
Income distributions from Master Fund during the year	1,353,317	4,935,700
Income distributions from Cycad during the year	302,367	1,279,220
Net gains/(losses) on financial assets at fair value through profit or loss during the year	9,620,189	(27,534,792)

The following table provides a reconciliation of the financial assets at fair value through profit or loss held directly by the Partnership and on a look through basis to the underlying Limited Partnerships:

	31 December 2020 US\$	31 December 2019 US\$
The Partnership's direct financial assets at fair value through profit or loss	399,287,677	228,694,198
Master Fund's financial assets at fair value through profit or loss	8,563	50,583,862
Cycad's financial assets at fair value through profit or loss	7,346,893	12,745,322
Total Financial Assets at fair value through profit or loss on a look through basis	406,643,133	292,023,382
Master Fund's other net liabilities	-	(6,537,986)
Cycad's other net assets/(liabilities)	179,246	(64,644)
The Partnership's Financial Assets at Fair Value through profit or loss	406,822,379	285,420,752

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are set as follows:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

For CLOs that have been categorised as Level 2, fair value has been determined using independent broker quotes based on observable inputs. If it cannot be verified that the valuation is based significantly on observable inputs, then the investments would fall into Level 3.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be that market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The subordinated CLOs and fee notes are classified as Level 3 investments as they are bespoke instruments with significant unobservable inputs which generally involve a number of valuation assumptions, many of which are based on subjective judgements. Key model inputs include (but are not limited to): asset spreads; expected defaults; expected recovery rates; and the price of uncertainty or liquidity through the interest rate at which expected cash flows are discounted. These inputs are derived by reference to a variety of market sources. The method of valuation depends on the nature of the asset.

The following table analyses within the fair value hierarchy, the Partnership's financial assets (by class, excluding cash and cash equivalents, other receivables and prepayments, carried interest payable, distribution payable and other payables) measured at fair value:

	31 December 2020			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss	-	75,991,884	330,830,495	406,822,379
Derivatives at fair value through profit or loss	-	(4,308,745)	-	(4,308,745)
Total	-	71,683,139	330,830,495	402,513,634

	31 December 2019			
	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss	-	5,033,751	280,387,001	285,420,752
Derivatives at fair value through profit or loss	-	(412,504)	-	(412,504)
Total	-	4,621,247	280,387,001	285,008,248

The following table presents the movement in Level 3 financial assets:

	31 December 2020 US\$	31 December 2019 US\$
Opening Balance	280,387,001	364,995,965
Purchases during the year	167,115,827	88,464,446
Sales during the year	(42,334,212)	(72,999,685)
Realised losses on sales during the year	(15,715,643)	(1,697,606)
Capital distributions from the Master Fund during the year	(39,606,889)	(46,647,531)
Capital distributions from Cycad during the year	(1,901,014)	-
Investment income	32,389,156	26,723,937
Coupon interest received	(48,591,530)	(46,532,885)
Net unrealised losses on financial assets held at fair value through profit or loss	(5,754,936)	(31,919,640)
Transfers from level 2 to level 3	4,842,735	-
Closing Balance	330,830,495	280,387,001

Unrealised losses on financial assets held at fair value through profit or loss at the end of the year	(100,632,683)	(94,877,747)
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FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

Transfers between Level 1, 2 and 3

Investments with the fair value of US\$4,842,735, have been transferred from level 2 to level 3 during the year ended 31 December 2020 (31 December 2019: nil). These transfers have occurred as there was deemed to be a reasonable shift in the unobservable market parameters (discount rate and discount margin) incorporated into the fair value pricing of these CLOs. Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred.

The following table summarises the valuation methodologies used for the Company's investments in Limited Partnerships categorised in Level 3 as at 31 December 2020:

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Sensitivity to changes in significant unobservable inputs
Master Fund	8,563	NAV	Zero % discount	50% increase/decrease will have a fair value impact of +/- US\$4,281
Cycad	7,526,139	NAV	Zero % discount	50% increase/decrease will have a fair value impact of +/- US\$3,763,070
	7,534,702			

The Partnership has engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the General Partner's opinion, the valuation methodologies used by the independent third party to value the Partnership's investments categorised in Level 3 as at 31 December 2020:

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<u>Income Note CLOs</u>					
United States of America	209,693,381	Prices provided by a third party agent	US\$0.3900 - US\$0.9958	US\$0.6338	50% increase/decrease will have a fair value impact of +/- US\$104,846,690
Europe	109,726,652	Prices provided by a third party agent	€0.6300 - €0.9600	€0.8162	50% increase/decrease will have a fair value impact of +/- US\$54,863,326
<u>Sub fee Note CLOs</u>					
Europe	3,875,760	Prices provided by a third party agent	€1.2500 - €2.7700	€1.6114	50% increase/decrease will have a fair value impact of +/- US\$1,937,880
	323,295,793				

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

The following table summarises the valuation methodologies used for the Company's investments in Limited Partnerships categorised in Level 3 as at 31 December 2019:

Security	Fair Value US\$	Valuation methodology	Unobservable inputs	Sensitivity to changes in significant unobservable inputs
Master Fund	44,045,876	NAV	Zero % discount	10% increase/decrease will have a fair value impact of +/- US\$4,404,588
Cycad	12,680,677	NAV	Zero % discount	10% increase/decrease will have a fair value impact of +/- US\$1,268,068
	56,726,553			

The Partnership has engaged an independent third party to provide valuations for its CLO investments. The following table summarises, in the General Partner's opinion, the valuation methodologies used by the independent third party to value the Partnership's investments categorised in Level 3 as at 31 December 2019:

Asset Class	Fair Value US\$	Unobservable inputs	Ranges	Average	Sensitivity to changes in significant unobservable inputs
<u>Income Note CLOs</u>					
United States of America	180,920,825	Prices provided by a third party agent	US\$0.4800 - US\$0.7000	US\$0.6466	10% increase/decrease will have a fair value impact of +/- US\$18,092,083
Europe	42,739,623	Prices provided by a third party agent	€0.0001 - €1.4500	€0.9565	10% increase/decrease will have a fair value impact of +/- US\$4,273,962
	223,660,448				

7. INTERESTS IN OTHER ENTITIES

Interest in unconsolidated structured entities

IFRS 12 defines a structured entity as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual agreements. A structured entity often has some of the following features or attributes:

- (a) restricted activities;
- (b) a narrow and well defined objective;
- (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and
- (d) financing in the form of multiple contractually linked instruments that create concentrations of credit or other risks.

Involvement with unconsolidated structured entities

The General Partner has concluded that the CLOs in which it invests directly and indirectly on a look through basis, but which it does not consolidate, meet the definition of structured entities because:

- The voting rights in the CLOs are not the dominant rights in deciding who controls them, as they relate to administrative tasks only;
- The CLOs' activities are restricted by its Prospectus; and
- The CLOs have narrow and well-defined objectives to provide investment opportunities to investors.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

7. INTERESTS IN OTHER ENTITIES, continued

Interest in unconsolidated structured entities, continued

Subsidiary undertakings

At 31 December 2020, the Partnership had twelve (31 December 2019: seven) subsidiary on a look through basis undertakings as defined under IFRS 10. To meet the definition of a subsidiary under the single control model of IFRS 10, the investor has to control the investee. Control involves power, exposure to variability of returns and a linkage between the two:

- (i) The investor has existing rights that give it the ability to direct the relevant activities that significantly affect the investee's returns;
- (ii) The investor has exposure or rights to variable returns from its involvement with the investee; and
- (iii) The investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the case of AIMCO 2017-AX Limited, Elevation CLO Limited, Allegro CLO II Limited, ARES CLO 2015-35X Limited, HLM CLO 13X-18 Limited, Mariner CLO 2017-4X Limited, Post CLO 2018-1X Limited, Shackleton 2015-VIII CLO Limited, Wellfleet CLO 2018-1X Limited, FOAKS 1X Limited, FOAKS 2X Limited and FOAKS 3X Limited (the "entities") (31 December 2019: also includes Neuberger Berman CLO XIX Ltd and Neuberger Berman CLO XX Ltd), the relevant activities of each are the investment decisions which are made by its collateral managers. Power over the entities' relevant activities is attributed to the Partnership through a call option it has, as the holder of the majority of the preference shares of each of these entities. The impact of these call options is that it gives the Partnership the ability to direct or stop the early termination of each of the subsidiary deals, and hence, decision making power on the life of the deals, and therefore the ability to control the variability of returns.

To determine control, there had to be linkage between power and the exposure to the risks and rewards. The main linkage noted is from the call options which would allow the Partnership to control the contractual payments of returns, and it is therefore an indication of linkage between power and variability in returns.

The Partnership is also considered to have contingent power over the twelve (31 December 2019: seven) entities, due to the fact that it could remove the collateral managers of AIMCO 2017-AX Limited, Elevation CLO Limited, Allegro CLO II Limited, ARES CLO 2015-35X Limited, HLM CLO 13X-18 Limited, Mariner CLO 2017-4X Limited, Post CLO 2018-1X Limited, Shackleton 2015-VIII CLO Limited, Wellfleet CLO 2018-1X Limited, FOAKS 1X Limited, FOAKS 2X Limited and FOAKS 3X Limited (31 December 2019: also includes Neuberger Berman CLO XIX Ltd, Neuberger Berman CLO XX Ltd) in certain contingent circumstances as the Partnership is the majority shareholder in the most sub-ordinated tranche of the CLO. It can therefore be considered that the Partnership has contingent power which may impact the variability of returns in the future.

The General Partner has determined that the Partnership has all the elements of control as prescribed by IFRS 10 in relation to the Master Fund, as the Partnership is the majority limited partner in the Master Fund, is exposed and has rights to the returns of the Master Fund and has the ability either directly or through the Investment Adviser to affect the amount of its returns from the Master Fund.

Investment entity status

To adopt the amendment to IFRS 10 and to be exempt from preparing consolidated Financial Statements, the Partnership must meet the definition of an investment entity. The General Partner is satisfied that it meets the required criteria of an investment entity.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

7. INTERESTS IN OTHER ENTITIES, continued

Interest in unconsolidated structured entities, continued

Below is a summary of the Partnership's holdings in non-subsidary unconsolidated structured entities ("SEs") on a look through basis, the Master Fund and Cycad, as at 31 December 2020:

Structured Entity ("SE")	Line position in Statement of Financial Position	Nature	No. of investments	Range of the size of SEs Notional US\$	Average notional of SEs US\$	Fair Value US\$	% of total Financial Assets at FVTPL	Maximum exposure to losses US\$	Income US\$	Type of Income	Other
<u>Mezzanine Note CLOs</u>											
<i>North America</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - USD	11	2,000,000 – 10,000,000	4,985,227	49,309,831	12.13%	49,309,831	4,757,774	Interest income	Non-recourse*
<i>Europe</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - EUR	19	356,000 – 10,000,000	3,486,842	75,991,518	18.69%	75,991,518	7,214,672	Interest income	Non-recourse*
Total Mezzanine Note CLOs	Financial assets at fair value through profit or loss		30	356,000 – 10,000,000	4,036,250	125,301,349	30.82%	125,301,349	11,972,445		Non-recourse*
<u>Equity Income Note CLOs</u>											
<i>North America</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - USD	4	6,168,008 – 6,537,520	6,343,289	7,355,456	1.81%	7,355,456	279,154	Residual Interest income	Non-recourse*
Total Income Note CLOs	Financial assets at fair value through profit or loss		4	6,168,008 – 6,537,520	6,343,289	7,355,456	1.81%	7,355,456	279,154		Non-recourse*
Total			34			132,656,805	32.63%	132,656,805	12,251,599		

The Partnership has a percentage range of between 0.09% and 2.28% notional holding out of the entire outstanding notional balances of the non-subsidary unconsolidated structured entities as at 31 December 2020.

During the year ended 31 December 2020, the Partnership did not provide financial support to the non-subsidary unconsolidated structured entities and has no intention of providing financial support or other support.

* The investments are non-recourse securities with no contingent liabilities, where the Partnership's maximum loss is capped at the current carrying value.

** The Partnership's total fair value holding in non-subsidary unconsolidated structured entities (above), plus the total fair value holding of its unconsolidated structured entities subsidiaries on page 46 agrees to the financial assets at fair value through profit or loss on a look through basis on page 39, where a reconciliation to the financial assets at fair value through profit or loss in the Statement of Financial Position is shown.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

7. INTERESTS IN OTHER ENTITIES, continued

Interest in unconsolidated structured entities, continued

Below is a summary of the Partnership's holdings in non-subsidiary unconsolidated structured entities ("SEs") on a look through basis, the Master Fund and Cycad, as at 31 December 2019:

Structured Entity ("SE")	Line position in Statement of Financial Position	Nature	No. of investments	Range of the size of SEs Notional US\$	Average notional of SEs US\$	Fair Value US\$	% of total Financial Assets at FVTPL	Maximum exposure to losses US\$	Income US\$	Type of Income	Other
<u>Mezzanine Note CLOs</u>											
<i>North America</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - USD	3	2,846,600 - 8,606,000	5,730,033	15,277,631	5.23%	15,277,631	1,118,517	Interest income	Non-recourse*
Total Mezzanine Note CLOs	Financial assets at fair value through profit or loss		3	2,846,600 - 8,606,000	5,730,033	15,277,631	5.23%	15,277,631	1,118,517		Non-recourse*
<u>Income Note CLOs</u>											
<i>North America</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - USD	12	3,787,500 – 39,875,000	19,931,714	142,672,727	48.86%	142,672,727	20,587,297	Residual Interest income	Non-recourse*
<i>Europe</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - EUR	5	857,143 – 28,000,000	8,779,069	45,093,780	15.44%	45,093,780	1,273,036	Residual interest income	Non-recourse*
Total Income Note CLOs	Financial assets at fair value through profit or loss		17	857,143 – 39,875,000	28,710,783	187,766,507	64.30%	187,766,507	21,860,333		Non-recourse*
Total			20			203,044,138**	69.53%	203,044,138	22,978,850		

The Partnership has a percentage range of between 0.26% and 9.82% notional holding out of the entire outstanding notional balances of the non-subsidiary unconsolidated structured entities as at 31 December 2019.

During the year ended 31 December 2019, the Partnership did not provide financial support to the non-subsidiary unconsolidated structured entities and has no intention of providing financial support or other support.

* The investments are non-recourse securities with no contingent liabilities, where the Partnership's maximum loss is capped at the current carrying value.

** The Partnership's total fair value holding in non-subsidiary unconsolidated structured entities (above), plus the total fair value holding of its unconsolidated structured entities subsidiaries on page 47 agrees to the financial assets at fair value through profit or loss on a look through basis on page 39, where a reconciliation to the financial assets at fair value through profit or loss in the Statement of Financial Position is shown.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

7. INTERESTS IN OTHER ENTITIES, continued
Interest in unconsolidated structured entities, continued

Summary of the Partnership's holdings in unconsolidated subsidiaries on a look through basis, the Master Fund and Cycad, as at 31 December 2020:

Structured Entity ("SE")	Line position in Statement of Financial Position	Nature	No of investments	Range of the size of SEs Notional US\$	Average notional of SEs US\$	Fair Value US\$	% of total Financial Assets at FVTPL	Maximum exposure to losses US\$	Income US\$	Type of Income	Other
<u>Income Note CLOs</u>											
<i>North America</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - USD	9	25,950,000 – 39,875,000	30,666,944	160,383,550	39.42%	160,383,550	19,026,116	Residual interest income	Non recourse*
<i>Europe</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub-Investment Grade Secured Loans - EUR	9	235,658 – 47,000,000	12,744,216	113,602,778	27.95%	113,602,778	9,111,735	Residual interest income	Non recourse*
Total Income Note CLOs	Financial assets at fair value through profit or loss		18	235,658 – 47,000,000	30,666,944	273,986,328	67.37%	273,986,328	28,137,851		Non recourse*
Total			18			273,986,328	67.37%	273,986,328	28,137,851		

The Partnership has a percentage range of between 0.08% and 17.74% notional holding out of the entire outstanding notional balances of the subsidiaries AIMCO 2017-AX Limited, Elevation CLO Limited, Allegro CLO II Limited, ARES CLO 2015-35X Limited, HLM CLO 13X-18 Limited, Mariner CLO 2017-4X Limited, Post CLO 2018-1X Limited, Shackleton 2015-VIII CLO Limited, Wellfleet CLO 2018-1X Limited, FOAKS 1X Limited, FOAKS 2X Limited and FOAKS 3X Limited as at 31 December 2020.

The Master Fund sold two subsidiary investments, Neuberger Berman CLO XIX Ltd and Neuberger Berman CLO XX Ltd, during the year ended 31 December 2020. There were no other purchases or sales of investments in subsidiaries during the year.

For the financial year ended 31 December 2020, the Partnership did not provide financial support to its unconsolidated structured entity subsidiaries and has no intention of providing financial or other support.

* The investments are non recourse securities with no contingent liabilities, where the Partnership's maximum loss is capped at the current carrying value.

** The Partnership's total fair value holding in non-subsidiary unconsolidated structured entities (above), plus the total fair value holding of its unconsolidated structured entities subsidiaries on page 44 agrees to the financial assets at fair value through profit or loss on a look through basis on page 39, where a reconciliation to the financial assets at fair value through profit or loss in the Statement of Financial Position is shown.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

7. INTERESTS IN OTHER ENTITIES, continued
Interest in unconsolidated structured entities, continued

Summary of the Partnership's holdings in unconsolidated subsidiaries on a look through basis, the Master Fund and Cycad, as at 31 December 2019:

Structured Entity ("SE")	Line position in Statement of Financial Position	Nature	No of investments	Range of the size of SEs Notional US\$	Average notional of SEs US\$	Fair Value US\$	% of total Financial Assets at FVTPL	Maximum exposure to losses US\$	Income US\$	Type of Income	Other
<u>Income Note CLOs</u>											
<i>North America</i>	Financial assets at fair value through profit or loss	Broadly Syndicated sub- Investment Grade Secured Loans - USD	9	13,769,600 – 30,050,000	23,368,796	88,979,244	30.47%	88,979,244	7,698,121	Residual interest income	Non recourse*
Total Income Note CLOs	Financial assets at fair value through profit or loss		9	13,769,600 – 30,050,000	23,368,796	88,979,244	30.47%	88,979,244	7,698,121		Non recourse*
Total			9			88,979,244**	30.47%	88,979,244	7,698,121		

The Partnership has a percentage range of between 3.44% and 6.77% notional holding out of the entire outstanding notional balances of the subsidiaries AIMCO 2017-AX Limited, Elevation CLO Limited, Mariner CLO 2017 IIIX Limited, Allegro CLO II Limited, Neuberger Berman CLO XIX Ltd, Neuberger Berman CLO XX Ltd, Shackleton 2015-VIII CLO Limited as at 31 December 2019.

The Master Fund sold two subsidiary investments, AIMCO CLO Series 2015-A Limited and TICP CLO IV Limited, during the year ended 31 December 2019. There were no other purchases or sales of investments in subsidiaries during the year.

For the financial year ended 31 December 2019, the Partnership did not provide financial support to its unconsolidated structured entity subsidiaries and has no intention of providing financial or other support.

* The investments are non recourse securities with no contingent liabilities, where the Partnership's maximum loss is capped at the current carrying value.

** The Partnership's total fair value holding in non-subsidiary unconsolidated structured entities (above), plus the total fair value holding of its unconsolidated structured entities subsidiaries on page 45 agrees to the financial assets at fair value through profit or loss on a look through basis on page 39, where a reconciliation to the financial assets at fair value through profit or loss in the Statement of Financial Position is shown.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

8. RELATED PARTIES AND OTHER MATERIAL CONTRACTS

Transactions with key management personnel

General Partner

The General Partner of the Partnership is entitled to receive a Priority Profit Share from the Partnership of 1.5% per annum of the NAV, subject to the rebates for certain Limited Partners as detailed below, calculated and payable on the last business day of each month. The Priority Profit Share (after rebates) paid during the year amounted to US\$2,836,901 (31 December 2019: US\$2,444,670) of which US\$283,679 (31 December 2019: US\$185,809) was included in other payables at 31 December 2020. During the year, the Partnership paid expenses of US\$207,011 (31 December 2019: US\$116,583) on behalf of the General Partner.

The General Partner may make rebate arrangements with any Limited Partner. In particular, any Limited Partner that makes a commitment of US\$150 million or more shall be entitled to a rebate of part of its share of the Priority Profit Share such that it will pay a reduced Priority Profit Share of 1% per annum of the Partnership NAV.

At 31 December 2020, one Limited Partner had committed capital of over US\$150 million and received a rebate of US\$1,021,591 (31 December 2019: US\$1,220,734) of its Priority Profit Share.

The Partnership also pays the Founder Partner a carried interest equal to 15% of cash available to be distributed (after payment of expenses and management fees) after Limited Partners have received a Preferred Return. The Preferred Return is when a Limited Partner has received an internal rate of return of 7% on its outstanding loan, pursuant to the terms of the LPA. The calculation of the Preferred Return threshold will be based solely on distributions and not on NAV calculations so the Partnership will not pay any carried interest until its investors have realised the amounts drawn down for investments and their Preferred Returns. As at 31 December 2020, US\$7,986,923 (31 December 2019: US\$nil) carried interest had been accrued for the benefit of the Founder Partner.

Fair Oaks CLOs

At 31 December 2020, the Partnership had investments in FOAKS 1X CLO, FOAKS 2X CLO and FOAKS 1X CLO (the "Fair Oaks CLOs") valued at €22,417,985, €48,412,123 and €42,772,670 (31 December 2019: FOAKS 1X CLO at €28,122,957 and Fair Oaks Loan Funding II at €10,000,000) respectively. The Investment Adviser to the Company also acts as collateral manager to the Fair Oaks CLOs. In addition, the Partnership acts as the risk retention holder for the Fair Oaks CLOs. As risk retention holder, the Partnership is required to retain, on an ongoing basis, a material net economic interest in the Fair Oaks CLOs of not less than 5%.

Other Material Contracts

Administrator

With effect from 9 March 2017, Praxis Fund Services Limited (the "Administrator") was appointed as the administrator. The Administrator shall be entitled to receive a time based fee quarterly in arrears for all Company Secretarial services. The Administrator is also entitled to a fee of 0.03% of the NAV of the Partnership per annum, subject to a minimum annual fee of US\$69,454 (31 December 2019: US\$67,760), payable quarterly in arrears for Administration and Accounting services. The overall charge for the above-mentioned fees for the Partnership and the amounts due are disclosed below for information purposes.

Custodian

With effect from 9 March 2017, BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Custodian") was appointed as the custodian of the Partnership.

The Custodian is entitled to receive aggregate fees of up to 0.03% per annum of the NAV of the Partnership for the provision of trustee and custodial services to the Partnership, subject to a minimum annual fee of US\$30,000 (31 December 2019: US\$30,000).

The overall charge for the above-mentioned fees and the amounts due as at the end of the year are as follows:

	31 December 2020	31 December 2019
	US\$	US\$
CHARGE FOR THE YEAR		
Priority profit share	2,836,901	2,444,670
Carried interest	7,986,923	-
Administration fees	139,157	81,965
Custodian fees	93,341	65,431
General Partner expenses	207,011	116,583

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

8. RELATED PARTIES AND OTHER MATERIAL CONTRACTS, continued

	31 December 2020	31 December 2019
	US\$	US\$
OUTSTANDING FEES		
Priority profit share	283,679	185,809
Carried interest	7,986,923	-
Administration fees	10,401	12,471
Custodian fees	25,888	10,447
General Partner expenses	50,180	38,918

9. OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2020	31 December 2019
	US\$	US\$
Income distribution receivable from Master Fund	213,324	-
Income distribution receivable from Cycad	-	119,612
Prepaid annual fees	4,759	4,507
Founder Partner committed capital receivable	350	350
	218,433	124,469

10. CONTRIBUTED CAPITAL

Limited Partners

Each partner shall contribute the amount of its Capital Contribution on its admission as a Partner as specified by the General Partner, being 0.001% of its Commitment.

No interest shall be paid or payable on any Capital Contribution or on any amount whether of net income or capital gain allocated to any Limited Partner but not yet distributed to it.

31 December 2020:	Contributed Capital US\$	Loan Capital US\$	Total US\$
Opening Balance	4,388	392,773,474	392,777,862
Net contributions during the year	1,058	105,853,442	105,854,500
Closing balance	5,446	498,626,916	498,632,362

31 December 2019:	Contributed Capital US\$	Loan Capital US\$	Total US\$
Opening Balance	4,291	429,116,666	429,120,957
Net contributions during the year	97	9,781,903	9,782,000
Net distributions during the year	-	(46,125,095)	(46,125,095)
Closing balance	4,388	392,773,474	392,777,862

As at 31 December 2020, there was US\$19,364,171 of undrawn commitments (31 December 2019: US\$42,664,150). Loan Commitments shall be advanced in such tranches and on such dates as shall be determined by the General Partner and specified in a Drawdown Notice given by the General Partner to the Investors not less than 10 business days prior to the date so specified.

The Founder Partner

The Founder Partner has committed to contribute US\$350 of capital to the Partnership, of which US\$350 remained outstanding at 31 December 2020 (31 December 2019: US\$350 outstanding). On the final closing date (5 April 2021) the Founder Partner is required to increase or be repaid part of its Capital Contribution so that from and after the final closing date, the aggregate amount of the Capital Contribution subscribed by it equals 15% of the total Capital Contributions subscribed or committed to be subscribed to the Partnership at the final closing date.

FOIF II LP (FORMERLY FOMC II LP)
NOTES TO THE FINANCIAL STATEMENTS, continued
For the year ended 31 December 2020

11. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
	US\$	US\$
Income distribution prepaid from Master Fund	-	1,139,993
Priority profit share payable (Note 8)	283,679	185,809
Administration fees payable (Note 8)	10,401	12,471
Audit fees payable	104,587	85,539
Custodian fee payable (Note 8)	25,888	10,447
General Partner expenses payable	50,180	38,918
Other payables	21,948	-
	496,683	1,473,177

12. SUBSEQUENT EVENTS

On 9 March 2021, a new Guernsey limited partnership was established called Wollemi Investments I LP (the "Wollemi Fund"). On 23 March 2021, the Partnership transferred its investment in Cycad to the Wollemi Fund in exchange for limited partnership interests in the Wollemi Fund.

On 23 March 2021, the Partnership changed its name from FOMC II LP to FOIF II LP.

On 25 March 2021, Morgan Stanley & Co. International was engaged as arranger for the "reset" of Fair Oaks Loan Funding I D.A.C., of which the Partnership holds the subordinated notes (FOAKS 1X SUB). It is expected that after the reset the investment will extend its reinvestment period to 2025 and benefit from a lower weighted average cost of funding. As part of the reset transaction, the Wollemi Fund will acquire the subordinated notes held by the Partnership as "Retention Notes" for the purposes of acting as retention holder and originator for the purpose of the reset transaction. The Wollemi Fund will acquire the subordinated notes from the Partnership in exchange for limited partnership interest in the Wollemi Fund.

There were no other significant events since year end which would require revision of the figures or disclosures in the Financial Statements.

FOIF II LP (FORMERLY FOMC II LP)

PORTFOLIO STATEMENT (unaudited)

As at 31 December 2020

CLO Equity Income Notes

Security	Instrument	Par Value ³³	Valuation
AIMCO 2017-A SUB*	Subordinated Notes	US\$27,080,000	49.00%
ALLEG 2017-2X SUB*	Subordinated Notes	US\$39,875,000	65.00%
ARES 2015-35R*	Subordinated Notes	US\$26,000,000	70.00%
AWPT 2015-4 SFN	Subordinated Fee Notes	US\$12,809,514	0.00%
AWPT 2017-6X SUB*	Subordinated Notes	US\$30,050,000	39.00%
ELM 2014-1A SUB	Subordinated Notes	US\$6,324,243	33.00%
FOAKS 1X M*	Subordinated Fee Notes	€1,000,000	0.01%
FOAKS 1X SUB*	Subordinated Notes	€28,000,000	63.00%
FOAKS 1X Z	Subordinated Fee Notes	€253,658	277.00%
FOAKS 2X M*	Subordinated Fee Notes	€1,000,000	0.01%
FOAKS 2X SUB*	Subordinated Notes	€47,000,000	82.00%
FOAKS 2X Z	Subordinated Fee Notes	€857,143	125.00%
FOAKS 3X M*	Subordinated Fee Notes	€1,000,000	0.01%
FOAKS 3X SUB*	Subordinated Notes	€35,000,000	96.00%
FOAKS 3X Z	Subordinated Fee Notes	€857,143	163.00%
HLM 13X-2018 SUB*	Subordinated Notes	US\$25,950,000	47.00%
MARNR 2015-1A SUB	Subordinated Notes	US\$6,537,420	38.00%
MARNR 2016-3A SUB	Subordinated Notes	US\$6,167,914	45.00%
MARNR 2017-4 SUB*	Subordinated Notes	US\$28,890,000	41.00%
POST 2018-1X SUB*	Subordinated Notes	US\$39,282,500	76.00%
SHACK 2018-12 SUB*	Subordinated Notes	US\$30,000,000	63.00%
WELF 2018-1X SUB*	Subordinated Notes	US\$28,875,000	64.00%

CLO Mezzanine

Security	Instrument	Par Value ³⁵	Valuation
ACLO 2X ER	Class E Notes	€2,350,000	100.00%
APID 2018-18A F	Class F Notes	US\$4,000,000	84.83%
ARESE 2013-6X ER	Class E Notes	€4,400,000	100.16%
ARESE 9X E	Class E Notes	€5,100,000	96.10%
BOPHO 4X E	Class E Notes	€2,000,000	97.80%
CADOG 6A ER	Class E Notes	€2,000,000	98.30%
CEDF 2014-4A ER	Class E Notes	US\$2,000,000	98.32%
CGMSE 2017-1X E	Class E Notes	€2,000,000	90.36%
CGMSE 2018-1X D	Class D Notes	€10,000,000	93.41%
CORDA 10X E	Class E Notes	€2,000,000	97.73%
CRNCL 2018-9X E	Class E Notes	€2,000,000	94.76%
DRSLF 2017-49A F	Class F Notes	US\$4,600,000	88.15%
DRSLF 2017-53A F	Class F Notes	US\$5,000,000	87.49%
EGLXY 2018-6X F	Class F Notes	€4,250,000	77.24%
GLM 2019-5A E	Class E Notes	US\$10,000,000	93.99%
HARVT 11X FR	Class F Notes	€2,500,000	82.27%
HARVT 7X FR	Class F Notes	€1,750,000	84.69%
HLM 13X-2018 F	Class F Notes	US\$5,737,500	82.72%
JPARK 2016-1A ER	Class E Notes	US\$2,000,000	88.18%
JUBIL 2016-17X ER	Class E Notes	€4,001,000	97.62%
JUBIL 2017-19X E	Class E Notes	€9,000,000	95.31%
MDPK 2016-20A FR	Class F Notes	US\$4,000,000	85.60%

* Subsidiary undertaking as defined under IFRS 10.

³³ The Partnership's holdings include investments held indirectly via Master Fund II's 14.96% interest in Cycad Investments LP.

FOIF II LP (FORMERLY FOMC II LP)
PORTFOLIO STATEMENT (unaudited), continued
As at 31 December 2020

CLO Mezzanine, continued

Security	Instrument	Par Value³⁴	Valuation
OCT39 2018-3A E	Class F Notes	US\$3,000,000	96.49%
OCT39 2018-3A F	Class E Notes	US\$9,000,000	89.27%
OHECP 2015-4X FR	Class E Notes	€2,539,000	75.64%
OZLME 2X F	Class E Notes	€6,210,000	183.10%
OZLME 3X E	Class E Notes	€2,000,000	96.18%
SPAUL 5X ER	Class E Notes	€2,150,000	98.23%
SYMP 2018-19A F	Class F Notes	US\$5,500,000	81.02%

³⁴ The Partnership's holdings include investments held indirectly via Master Fund II's 14.96% interest in Cycad Investments LP.
FOIF II LP (FORMERLY FOMC II LP) ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOIF II LP (FORMERLY FOMC II LP)

MANAGEMENT AND ADMINISTRATION

Directors of the General Partner

Christopher Waldron (Independent non-executive Chairman)

Miguel Arraya (Independent non-executive Director)

Chris Hickling (Independent non-executive Director) (appointed 22 July 2019)

Miguel Ramos Fuentenebro (Non-independent non-executive Director) (resigned 22 July 2019)

Registered Office and Business Address

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Administrator and Secretary

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General Partner

Fair Oaks Income Fund (GP) Limited

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Independent Auditor

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