1WS Credit Income Fund

299 Park Avenue, 25th Floor
New York, NY 10171
T (212) 957-2500
www.1wscapital.com

3rd Quarter Review & Outlook

September 2024

Looking forward, we expect the start of Fed rate policy normalization, albeit at a likely higher-than-expected neutral rate, should be supportive of the economy overall - particularly those sectors most impacted by higher, floating-rate financing costs. We believe that floating-rate corporate debt, commercial real estate, and even some consumer debt should all benefit. The level and pace of future rate moves will continue to be debated as inflation, geopolitical factors, and labor market data evolve. For now, at least, the pressure relief valve on funding costs has been opened.

The question for investors looking forward, in our opinion, is not whether the base case expectation of a soft landing will be realized but rather, whether investors are being adequately compensated for the risk. We believe current pricing in the equity and corporate credit sectors reflects a benign fundamental outlook with little compensation (risk premia) for future uncertainty.

While spreads within structured credit sectors have also narrowed; in our view, consumer ABS and commercial real estate, for example, are credit sectors with a disproportionate focus on fundamental uncertainty. This fundamental uncertainty, in our opinion, has resulted in elevated risk premia across a number of sectors, resulting in attractive investment opportunities. For instance, within the consumer ABS sector, benchmark BB-rated subprime auto spreads are currently trading ~+5 bps relative to the JPMorgan high-yield unsecured corporate bond index, which is more than +200 bps more than the 10-year average spread that prevailed prior to the start of the recent Fed tightening cycle (Exhibit 3).

Net Return Performance as of 09/30/24*	MTD	YTD	1 YR	3 YR (Ann.)	5 YR (Ann.)	ITD (3/4/19)
1WS Credit Income Fund (OWSCX) Class I shares	0.77%	8.70%	11.36%	6.42%	7.25%	49.85%
1WS Credit Income Fund (OWSAX) Class A-2 shares	0.68%	8.20%	10.66%	5.77%	6.55%	44.36%
Bloomberg Barclays U.S. Aggregate Bond Index[1]	1.34%	4.45%	11.57%	-1.39%	0.33%	9.46%
ICE BofAML U.S. High Yield Index[2]	1.63%	8.03%	15.66%	3.08%	4.55%	30.88%

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

Past performance is not indicative of future returns.

* *OWSCX returns are presented net of all fees and expenses, benchmark returns are gross. Please see pp. 10-12 for important risk disclosures and definitions.*
OWSAX returns prior to May 2021 reflect the performance of Class I shares, adjusted to reflect the distribution and shareholder servicing fees applicable to Class A2 shares. Class A2 shares are subject to an upfront sales load of up to 3%, which is not reflected in the returns shown above and, if applied, would lower such returns. Management Fee: under the Advisory Agreement will be calculated at an annual rate of 1.50% of the daily gross assets of the Fund. "Gross Assets" means the total assets of the Fund prior to deducting liabilities. Derivatives will be valued at market value for purposes of determining "Gross Assets" in the calculation of management fees. Because the Management Fee is based on the Fund's daily gross assets, the Fund's use of leverage, if any, will increase the Management Fee paid to the Adviser. For the initial year of the Fund, the Adviser voluntarily agreed to reduce the Management Fee to .75%. For the one-year period beginning on March 1, 2019, and continuing through the present, the Adviser has voluntarily agreed to reduce the Management Fee to 1.25% of the Fund's daily gross assets. The Adviser's board is under no obligation to continue the fee waiver but may continue to do so.

[1,2] *Please refer to the risk disclosures and definitions on pp. 10-12 for a description of the benchmark indices chosen and the risks associated with comparing 1WS Credit Income Fund returns to those of an index. Investors cannot invest directly in an index.*

Performance data quoted represents past performance, which is not a guarantee of future results. *Current performance may be lower or higher than the performance quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. You can obtain performance data current to the most recent month end by calling (833) 834-4923 or visiting www.1wscapital.com. Investors cannot invest directly in an index. All performance shown assumes reinvestment of dividends and capital gains distribution in percent value. Dividends are not guaranteed and will constitute a return of capital if dividend distributions exceed current-year earnings. Please refer to the Fund's most recent Section 19(a) notice for an estimate of the composition of the Fund's most recent distribution, available at www.1WSCapital.com.*

September 30th, 2024

The 1WS Credit Income Fund (the "Fund") is a closed-end interval fund launched in March 2019. As of September 30th, 2024, the Fund has gross assets under management of approximately $457 million (approximately $389 million net assets). The Fund is a non-diversified, closed-end investment management company with an investment objective seeking attractive risk-adjusted total returns through generating income and capital appreciation by investing primarily in a wide array of predominantly structured credit and securitized debt instruments.

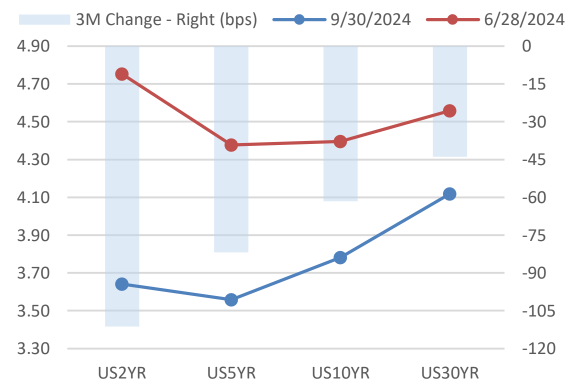
Overview

The Fed ended the market debate with respect to the timing of interest rate cuts by lowering the target funds rate at their September FOMC meeting and punctuating the move with a 50 bps rate cut, as opposed to 25 bps. While Treasury yields actually increased modestly following the September cut, for the third quarter as a whole, yields declined and the yield curve steepened (Exhibit 1).

While not yet declaring victory over inflation, in their statement and during the news conference following the rate move, Chairman Powell indicated that it was time to recalibrate their interest rate policy to something more balanced between their dual mandates of stable prices and stable unemployment. While highly anticipated, the market reaction suggests that investors were generally pleased with the rate move, with equities extending their rally into quarter-end and credit spreads generally tightening. For now, it would appear as if the soft landing narrative is gaining favor and continues to support risk assets across credit and equity markets. Looking forward, the start of what we believe could be a continued normalization of Fed policy rates should be supportive of the economy overall, particularly those sectors most impacted by higher, floating-rate financing costs - floating-rate corporate debt, commercial real estate, and even some consumer debt should all benefit. We expect that the level and pace of future rate moves will continue to be debated as inflation and labor market data evolves, however, for now at least the pressure relief valve on funding costs has been opened.

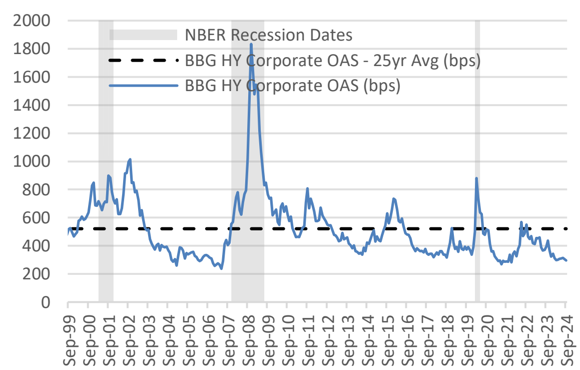
The question for investors looking forward, in our opinion, is not whether the base case expectation of a soft landing will be realized but rather, whether investors are being adequately compensated for the risks of there not being a soft landing. Broader equity benchmarks continue to set new record highs while corporate credit spreads remain at or near historic lows (Exhibit 2). We believe current pricing in the equity and corporate credit sectors reflects a benign fundamental outlook with little compensation (risk premia) for future uncertainty.

Exhibit 1:
Treasuries Rallied in Q3
U.S. Treasury Yield Curve



Sources: Bloomberg Finance L.P., OWS

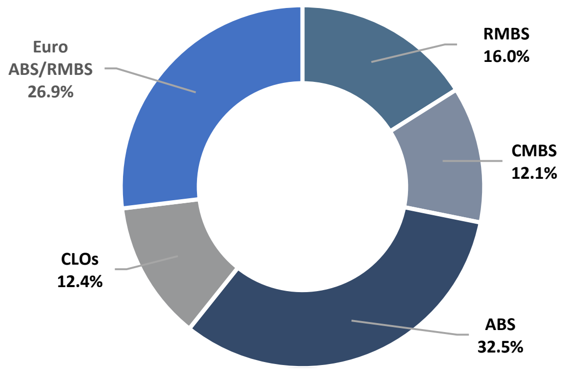
Exhibit 2:
Corporate Credit Spreads Near Historic Lows
Bloomberg High-Yield OAS



Sources: J.P. Morgan, OWS

While spreads within structured credit sectors have also narrowed, we remain encouraged by the investment opportunities we continue to see. This is particularly true within sectors of consumer ABS and commercial real estate, where we believe fundamental uncertainty remains elevated. This fundamental uncertainty, in our opinion, has resulted in elevated risk premia across a number of sectors, resulting in attractive investment opportunities for those with the requisite underwriting capabilities. Of course, where there is uncertainty there is risk, and rigorous due diligence is paramount. Our underwriting is grounded in bottom-up security-level analysis and stress testing in an attempt to assure adequate asset coverage and principal preservation under a range of potentially adverse future economic outcomes. We believe this enables us to identify and quantify a security's embedded risk profile while also allowing us to select the most attractive risk-adjusted return opportunities.

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

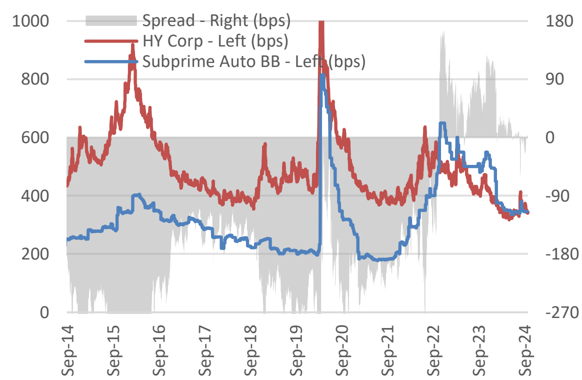


Asset Type	Net Return[2] Attribution YTD
Asset-Backed Securities (ABS)	2.34%
Collateralized Loan Obligations (CLOs)	0.83%
Commercial Mortgage-Backed Securities (CMBS)	1.17%
European ABS & RMBS	2.59%
Residential Mortgage-Backed Securities (RMBS)	1.44%
Other	0.30%
Interest Rate Hedges	0.03%
Total	**8.70%**

[1] *The Portfolio composition as of 9/30/24 differs from the portfolio composition for any point prior to such date and is subject to change at any time.*
[2] *Net performance data reflects the deduction of all fees and expenses. Net return attribution represents portfolio PnL by sector divided by the Fund's average net asset value for the period reduced by operating expenses and management fees allocated to the sectors based on the market value of the portfolio for the period. See pages 10-12 for important risk disclosures and definitions.*

In contrast to corporate credit spreads, we believe that many sectors within structured credit continue to trade at spread levels well off of their lows, and meaningfully wider on a relative basis when compared with historical corporate benchmarks. For instance, within the consumer ABS sector, benchmark BB-rated subprime auto spreads are currently trading ~+5 bps relative to the JPMorgan high-yield unsecured corporate bond index, which is more than +200 bps more than the 10-year average spread that prevailed prior to the start of the recent Fed tightening cycle (Exhibit 3). While these spreads represent benchmark, new issue pricing levels, there is significant dispersion within the broader sector based on individual security/collateral characteristics, which can drive even greater value and excess return potential, in our opinion.

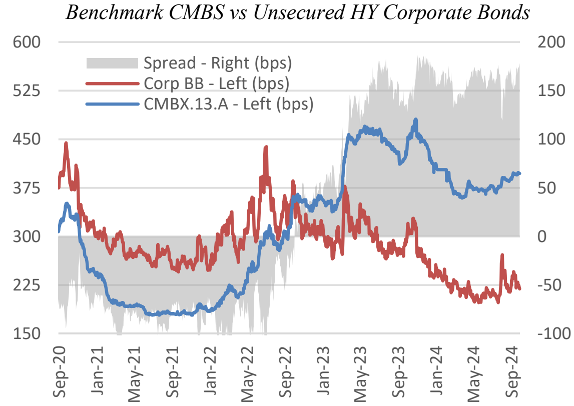
Exhibit 3:
Consumer ABS Remain Attractive
Benchmark Subprime Auto vs Unsecured HY Corporate Bonds



Sources: J.P. Morgan, OWS

Similarly, we believe risk premia remains elevated across the commercial real estate (CRE) sector. While increasing vacancies in the office sector garner the majority of headlines, the impact of higher interest rates, rising operating costs, and tighter lending standards continue to present challenges to the sector overall. As such, benchmark CMBS spreads remain meaningfully wider than historical levels, both on an outright basis and when compared with unsecured corporates (Exhibit 4). While there is significant dispersion within and across the CMBS market based on underlying property characteristics, we believe the general level of uncertainty surrounding CRE fundamentals has created elevated risk premia and attractive investment opportunities. Of course, having the ability to underwrite individual properties is critical to the valuation process. As important, in many cases, is having a thorough understanding of the cash flow implications of individual CMBS securitizations, particularly if a deal becomes distressed. These can have a material influence not only on the potential recovery of principal but also on the timing of principal recovery. In our opinion, excess return opportunities can be found in distressed situations when the timing of cash flow recoveries has a material influence over realized return.

Exhibit 4:
Elevated Risk Premia Within CMBS
Benchmark CMBS vs Unsecured HY Corporate Bonds



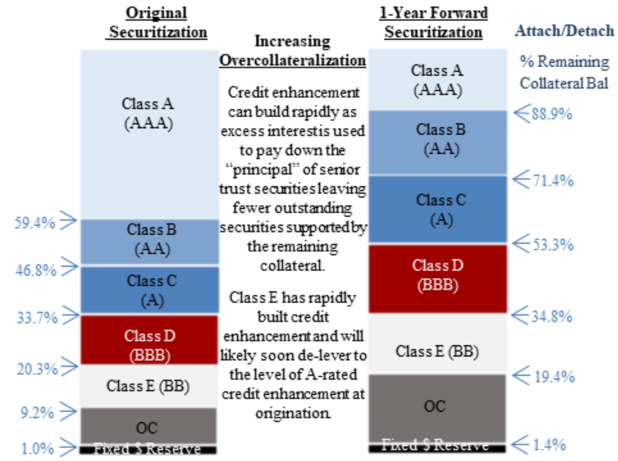
Sources: J.P. Morgan, OWS

In addition to outright spread and yield, we also believe that structured credit securities can offer attractive risk-adjusted return characteristics relative to traditional, non-amortizing fixed-maturity bonds like corporate or sovereign bonds. Within the securitized credit market, amortizing cash flows, the prioritization of principal payments within a securitization, excess interest and overcollateralization, as well as deal-specific performance triggers, all impact an individual security's risk profile. Importantly, an individual security's risk profile can change over time as collateral seasons and deal structures pay down. In many instances, as deals pay down, the risk profile of an individual security deleverages and it effectively becomes less risky (i.e. higher credit quality). This deleveraging can significantly enhance a security's expected holding period return relative to spread or yield alone, and protect against a widening of credit spreads generally.

To illustrate, let's examine a sample subprime auto securitization issued in 2023 (Exhibit 5). At origination, the class E bond (BB-rated) had 9.2% credit enhancement from a combination of 1% cash reserve and structural overcollateralization (OC). Roll forward 1-year and the credit enhancement of the class E bond had increased to 19.4%, more than doubling and fast approaching the credit enhancement of the class D (BBB-rated) security at origination. In this case, the credit enhancement grew from excess interest in the deal going to pay down the principal of the senior most (Class A) security, leaving fewer outstanding trust securities for the remaining collateral pool to support. The current benchmark spread difference between BB- and BBB-rated securities in the subprime auto sector is ~185 bps (Exhibit 6). As structured credit securities deleverage over time, an investor’s expected holding period return can be significantly enhanced by credit spread roll-down. When credit spreads are wide, the potential excess return from credit spread roll down is high. In the case of the subprime auto sector, moving from a BB - to BBB-rating is currently worth approximately +5% for a relatively short duration (~ 2.5 to 3.0 spread duration) security, in addition to the carry, for an attractive total return.

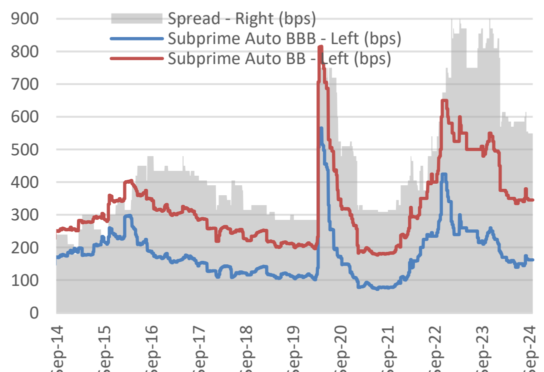
Alternatively, the benefits of credit deleveraging and credit spread roll-down within the structured credit sector can provide protection against future credit spread widening, in contrast to say, a portfolio of fixed-maturity corporate bonds. In our opinion, the challenge is identifying investment profiles and deal structures that will drive improving credit quality, deleveraging risk profiles over time.

Exhibit 5:
Sample Subprime Auto Structure
Rapid Building of Overcollateralization (OC) From Excess Interest



Sources: Bloomberg Finance L.P., Intex, OWS

Exhibit 6:
Credit Curves Remain Steep
BB-Rated vs BBB-Rated Spread Curve - Subprime Auto



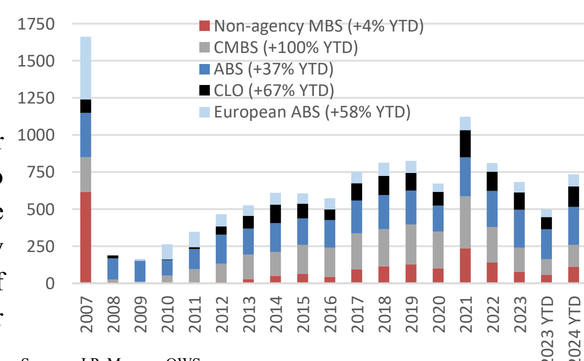
Sources: J.P. Morgan, OWS

While we are optimistic about the investment opportunities present in structured credit markets, we are cautious about potential macroeconomic factors that could lead to heightened volatility in credit and equity markets. Although we are not anticipating a widespread decline in credit fundamentals, we recognize that there remain significant risks associated with current economic conditions, inflation, and the geopolitical landscape. Geopolitical tensions such as the ongoing conflict in Ukraine and escalating issues in the Middle East are factors that we believe are not fully reflected in market pricing. Furthermore, the upcoming U.S. presidential election may introduce additional uncertainty into the macroeconomic landscape. Given that market risk premium in various credit and equity sectors are at historically low levels, we are not inclined to increase overall portfolio risk exposure. Instead, we believe that this environment favors specialized credit underwriters who emphasize security selection, risk management, and the pursuit of unique sources of returns.

Third Quarter Review

Market sentiment for an economic soft landing seemed to strengthen over the quarter, and the Fed joined other global central banks in beginning to normalize monetary policy rates. Absent the first few days of August, the third quarter could largely be characterized as a continuation of a relatively benign backdrop for credit and equity markets that has prevailed for much of the year, in our opinion. We realized positive net returns across each of our broad sector-level investment strategies in Q3.

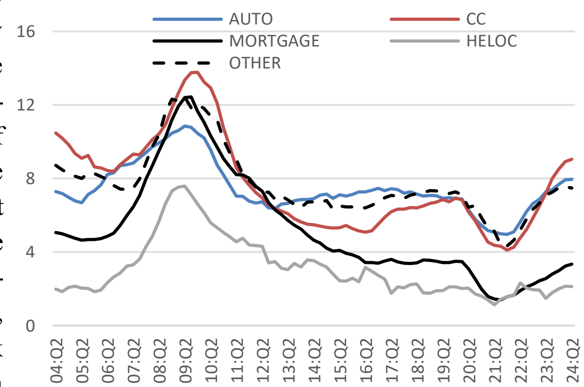
Exhibit 7:
Securitized Credit Gross Issuance Volume ($bn)
Gross Issuance & YTD % Change by Sector



Sources: J.P. Morgan, OWS

2024 YTD Securitized Credit Issuance - YTD gross issuance volumes are up meaningfully across securitized products versus the comparable period in 2023 (Exhibit 7). In aggregate, securitized credit gross issuance volumes are up roughly ~47% from the same period last year, and up ~8% in comparison to 2023 total issuance. New issue spreads have held up well throughout 2024 despite the increased issuance, as investor appetite remains healthy, in our opinion. According to J.P. Morgan, Fannie Mae has concluded issuing CRT for this year, ending their issuance calendar earlier than usual. J.P. Morgan expects the lack of CRT supply to be supportive of spreads as this will only further exacerbate an already constrained supply dynamic in the sector. In new issue CMBS securitizations, there has been a sharp reduction in office property concentration throughout this year's conduit and single-asset-single-borrower (SASB) programs. With continued uncertainty regarding the fundamental profile of many office properties, investor appetite has largely shied away from office exposure. In conduits, retail and multifamily have made up the largest concentration of CMBS issuance year-to-date. Meanwhile in SASB deals, industrial and hotel exposure made up the bulk of SASB issuance. Throughout ABS, there has been an increase in the issuance of esoteric ABS exposures. According to J.P. Morgan "other ABS" asset classes, including whole business and aircraft ABS, are set to record the highest annual issuance total in 2024. CLO issuance is heavily skewed towards refinance/reset activity rather than new issue. As CLO spreads tighten, the callability option becomes more attractive, as equity holders look to lock in lower funding costs. Within the European ABS sector, issuance is near a post-GFC record high.

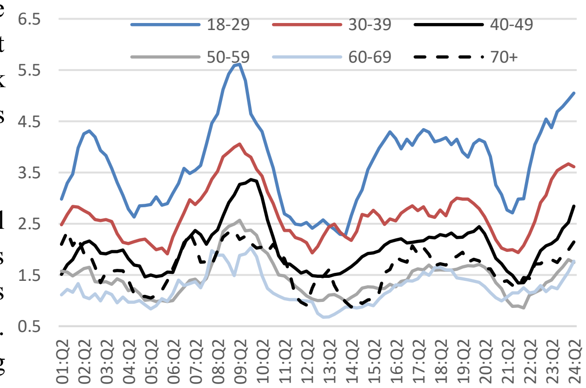
Exhibit 8:
Consumer Delinquencies by Loan Type
30+ Days Delinquent



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

Consumer ABS - Consumer fundamentals continue to be mixed across loan type and borrower characteristics. In aggregate, new delinquencies in the credit card and auto loan sectors continue to increase, however, the rate of change has slowed from the pace early following the pandemic (Exhibit 8). Mortgage and home equity lines of credit (HELOC) continue to track below levels prior to the pandemic, however in aggregate, delinquencies have increased off of their absolute lows.

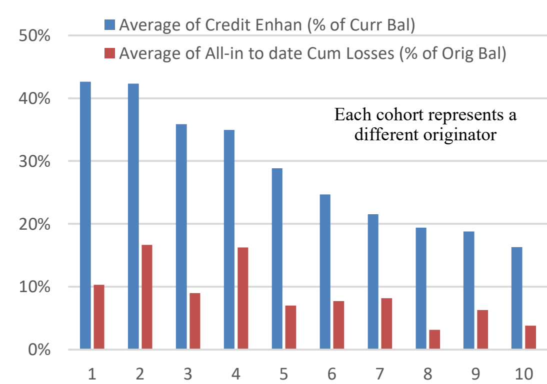
Exhibit 9:
Transition into Serious Delinquency (90+)
Auto Loans by Age (Percent Q2 2024)



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

There continues to be significant dispersion in the underlying fundamental performance across different borrower cohorts. For instance, delinquencies among younger borrowers continue to worsen relative to older borrowers (Exhibit 9). Similar dispersion can be seen across income and credit cohorts. This reinforces the need for security-level underwriting when evaluating investment opportunities within and across structured credit sectors. Structured credit securities are not homogeneous, even within narrowly defined subsectors of the market. The fundamental performance of seemingly similar securities can vary dramatically based on differences in underlying borrower characteristics, loan originator, excess interest, and deal structure.

Exhibit 10:
Credit Enhancement and Losses Vary Significantly
Subprime Auto BBB-Rated 1st Vintage of 2023 Originators



Sources: J.P. Morgan, OWS

For instance, in Exhibit 10 we highlight differences in the current credit enhancement (BBB-rated tranche at origination) and cumulative net losses (CNL) across 10 alternative subprime auto originators. In each case, the current deal statistics are for each originator's first securitization in 2023. There are significant differences in both the current credit enhancement and CNLs across each originator. At this point in the life of each securitization (~1.5 years), CNLs vary from as little as ~3% to almost 17%, while the current credit enhancement of the BBB tranche varies from as little as 16% to more than 42%. Other than the significant variation in CNLs and current credit support, very little can be gleaned from these statistics regarding the performance across each of these deals. At the time of securitization, each deal is structured with initial credit enhancement sized based on expected cumulative net losses (ECNL) for the collateral, taking into account underlying borrower characteristics, originator, excess interest, and other structural features. The investment objective is to identify deals that will perform better than expected, causing credit enhancement to grow and deals to deleverage, resulting in greater potential credit spread roll-down.

From our example above, cumulative net losses on the #9 deal are only 6.3%, and yet, the credit enhancement of the D tranche has only grown from 18.5% at origination to 18.8% currently. Alternatively, cumulative losses on the #2 deal have been the highest of the cohort at 16.7%, and yet, the current credit support of the D tranche has grown from 32.2% at origination to 42.3% currently. The current credit support of the D tranche (BBB-rated) is more than the original credit support of the C tranche (A-rated), creating potential credit spread roll-down.

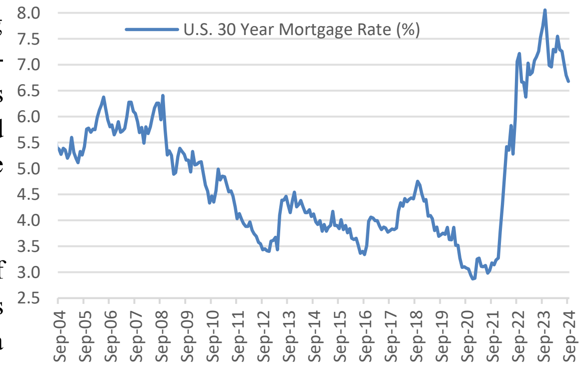
Residential Credit - Throughout the third quarter, our residential credit exposure was amongst the strongest performing asset sectors across our portfolios. Legacy subprime RMBS performed considerably well, continuing to be supported by strong home price appreciation growth, which has deleveraged the embedded credit risk within these securities, in our opinion. As asset prices rise, loan-to-value ratios drop, improving asset coverage and overall credit enhancement. This significant deleveraging would improve cash-flow recoveries in legacy pools with accumulated forbearance losses.

30-year mortgage rates have dropped 138 bps from their cycle peak of 8.06% in October of 2023, with 60 bps attributable to Q3 alone. Markets began pricing in the Fed rate cut throughout the quarter, as economic data and Fed signaling made it evidently clear, in our opinion, that benchmark interest rate cuts were imminent (Exhibit 11). In light of this, many mortgages, especially those originated over the past two years, began to be refinanceable. According to Morgan Stanley's Truly Refinanceable Index, ~61% of new production (i.e. 30-year residential mortgages with a weighted average loan age of 6-24 months) are now deemed "refinanceable" - versus ~16% for all outstanding mortgages (Exhibit 12). For the new production cohort, this is up considerably from 16% as of the end of Q2.

While the current drop in mortgage rates may benefit recent borrowers looking to refinance, it offers less benefit to the marginal buyer, where affordability remains constrained (Exhibit 13) and the supply of homes for sale remains low. Approximately 75% of outstanding mortgages remain effectively locked in with existing mortgage rates below 5%, according to Morgan Stanley. While declining interest rates will improve housing affordability, home supply is likely to remain constrained over the near term, which should continue to support home prices and provide an ongoing tailwind to residential credit fundamentals. While transition rates for mortgages into early and late-stage delinquency have increased off of their COVID lows, they remain below historically low levels, which existed pre-pandemic (Exhibit 14).

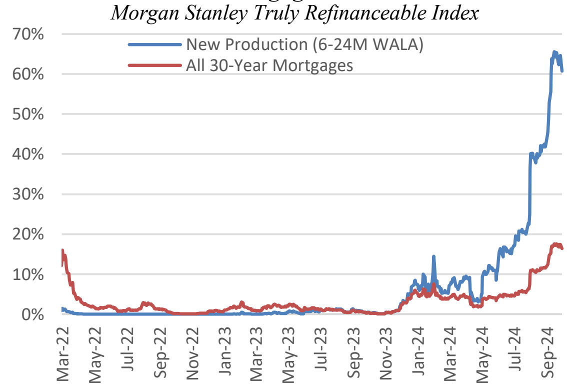
We continue to be active in the mortgage credit market, focusing primarily on agency credit risk transfer (CRT) securities, and, to a lesser degree, seasoned legacy mortgages and residential transitional loans (RTLs). Agency CRT securities have been among the best-performing sectors within structured credit recently, supported by strong mortgage credit fundamentals and limited supply, according to J.P. Morgan.

Exhibit 11:
30-Year Mortgage Rates Are Down Considerably
Freddie Mac U.S. 30-Year Fixed Mortgages Rates



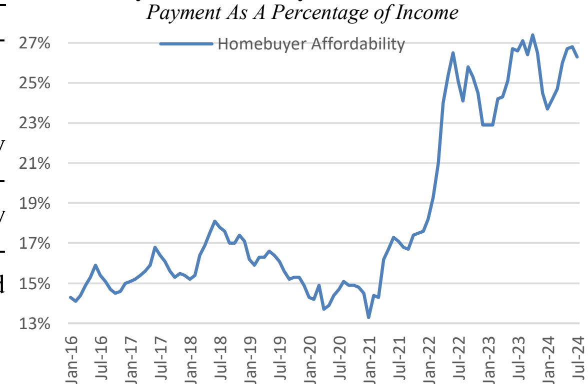
Sources: Freddie Mac, Bloomberg Finance L.P., OWS

Exhibit 12:
Recent Production Mortgages Are Now Refinanceable
Morgan Stanley Truly Refinanceable Index



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

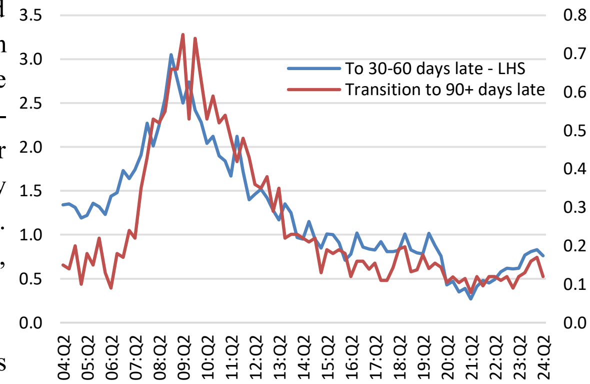
Exhibit 13:
Homebuyer Affordability Still Remains Stretched
Payment As A Percentage of Income



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

Mortgage credit supply is expected to be even more constrained for the remainder of the year, as Fannie Mae has concluded its 2024 issuance calendar earlier than usual. Within CRT, we remain constructive on high weighted average coupon (WAC) mezzanine bonds due to their appealing roll-down potential. We consider RTLs to be well-priced compared to other new issue RMBS credit sectors. As a newer product, with its first agency-rated securitization this year, they are offered at attractive discounts relative to similar securities, in our opinion. Attractive characteristics include their relatively short duration, strong credit fundamentals, and historically low default rates. We anticipate that as more issuers enter the market, with rated transactions, the current liquidity premium will decrease.

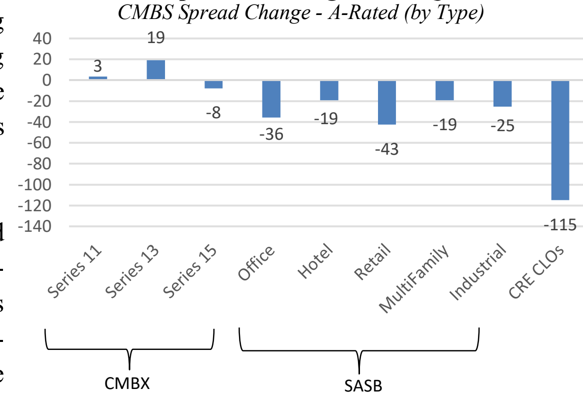
Exhibit 14:
Quarterly Mortgage Delinquency Transition Rates
Transition Rates Into Early (30-60) and Late (90+) Stage DQ



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

Commercial Real Estate Debt - Commercial mortgage-backed securities (CMBS) spreads largely tightened over the quarter, with the exception of some moderately seasoned conduit pools, as represented by Markit synthetic CMBX indices (Exhibit 15). CRE CLO spreads tightened meaningfully as market participants anticipated rate relief and potential future refinancing relief as a result of the September Fed rate cut and potential future easing cycle. While CMBS spreads have generally tightened, many remain wide relative to historical levels and relative to comparable unsecured corporates (Exhibit 16).

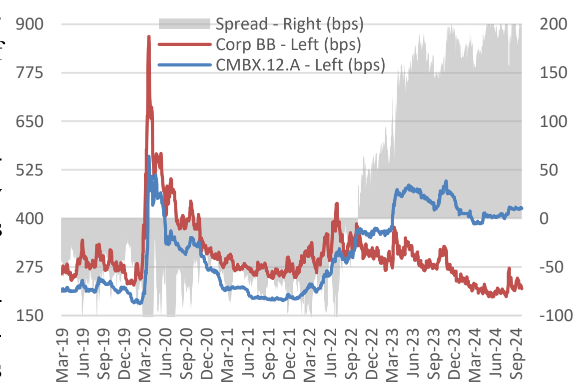
Exhibit 15:
CMBS Spread Have Tightened - *Q3 2024*
CMBS Spread Change - A-Rated (by Type)



Sources: J.P. Morgan, OWS

Uncertainty within the commercial real estate sector remains top of mind amongst most investors, with particular concern continuing to be concentrated in the office sector. The overall U.S. CMBS delinquency rate is 5.70% as of September, up +1.13% YoY, with office (8.36%) and retail (7.07%) seeing the highest levels by property type, according to Trepp. While office properties garner the most headlines pertaining to CRE stress, there is considerable dispersion within the office sector. According to Trepp, when analyzing bank office CRE loans in their database, they found that there was vast dispersion in “criticized” loans (i.e. loans that are shown to have deteriorated, but have not yet been classified as nonperforming). In San Francisco, so-called criticized office CRE loans accounted for more than 60%, of the total while in Phoenix, they were just shy of 20% (Exhibit 17).

Exhibit 16:
CMBS Spread Remain Near Wides vs Unsecured Corp
CMBX.12.A versus Corp BB



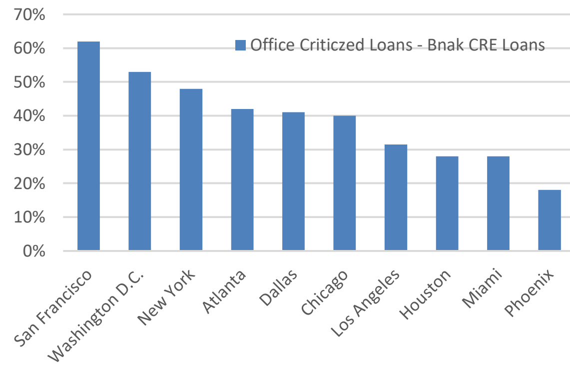
Sources: J.P. Morgan, OWS

Moreover, there is considerable variation in the performance between districts within individual cities. According to data sourced from Savills, New York City’s Financial District has seen a 4% drop in office asking rents from Q1 2018 to Q1 2024 whereas Plaza South (i.e. Park Ave. to 6th Ave. from 48th to 54th Street) has seen an average office rents appreciate by approximately 27% over the same period. They also found that prime buildings within NY City had seen 48MM sq. ft. of positive absorption versus non-prime buildings experiencing a negative absorption rate of 170MM sq. ft. from Q1 2020 to Q1 2024.

There are many factors to take into account when underwriting commercial real estate, which is why our investments in public market CMBS are largely focused on single-asset-single-borrower (SASB) securities. We have much more confidence in our ability to underwrite properties underlying SASB deals than we do underwriting large multi-property, mixed property type, conduit deals. In addition to being selective with respect to property type, location, and strength of sponsor, there are many other factors that need to be accounted for when estimating a property’s net operating cash flows.

Within the CMBS sector, we have been taking profits and selling down a number of our exposures within the hospitality sector. Many of these exposures we added post-COVID following significant distress in the sector as a result of the pandemic. Many hospitality properties were closed for extended periods of time as a result of COVID lockdowns and there was limited visibility into the timing and extent of future cash flow recoveries coming out of the pandemic. While selective concerning individual property exposures, we felt the sector as a whole was selling at what we believed were attractive discounts due to distress in the sector as a whole. With the cash flow on many hospitality properties having now recovered, credit spreads in the sector have outperformed and we are now selectively re-allocating capital to what we believe are more attractive investment opportunities within the sector as they arise. We remain cautious of non-investment grade risk, in highly leveraged assets, as rates remain elevated and underwriting cash flows remain challenged in the current environment. We expect to see continued opportunities arise as rating agencies adjust outlooks and more properties come to maturity, which we believe may lead to more ratings downgrades, adverse servicer behavior, further repricing, and in some instances, forced liquidations.

Exhibit 17:
Dispersion in Office Criticized Loans
Bank CRE Loans by MSA



Sources: Trepp, T-ALLR, OWS

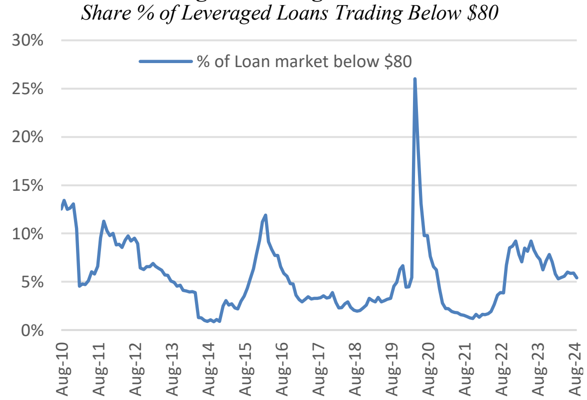
Non-Dollar ABS - Our non-dollar ABS/RMBS strategy was one of our top-performing sector strategies in the third quarter, as the European macro backdrop continues to improve. Many European economies are beginning to see growth strengthening in addition to rate cuts from the Bank of England and the European Central Bank. Despite strong new issue securitization volumes, investor demand has been strong and credit spreads have generally tightened, according to Morgan Stanley. Within the non-dollar ABS sector, we have been active in the unsecured consumer sector. Similar to the U.S., the variability in consumer fundamentals and differences across collateral types, originators, vintages, and regions highlight the need for detailed underwriting at the security level. Although the European region has, in our opinion, a weaker economic outlook than in the U.S., we do not perceive a widespread decline in fundamental performance within the European ABS sector, and the modest rise in delinquencies and defaults we have seen appears to be specific to particular countries, types of collateral, and originators.

Also, in the third quarter, we purchased two residuals (with call rights) off of two outstanding securitizations of Spanish re-performing mortgage loans (RPLs). We intend to call both deals in November (the first dual optional redemption date) and re-securitize the underlying loans into a new securitization. We expect to be able to monetize what we believe to be the inherent value in the two existing loan pools (improved collateral performance & lower LTV) by issuing a new securitization with a more efficient capital structure (cash out) and create an attractive residual with more efficient, match-funded term financing. In addition to what we believe is an attractively priced investment opportunity, we believe this transaction has positioned us well to execute more transactions in the future by allowing us to expand key relationships with leading banks and servicers within the Spanish mortgage market. We expect there to be a growing pipeline of European RPL mortgages in light of capital provisioning requirements introduced in Basel III, which make it unattractive for banks to hold such mortgages on their balance sheet.

Collateralized Loan Obligations (CLOs) - As we highlighted in our 1WS Second Quarter Commentary (available upon request) CLO issuance YTD has been robust, with issuance now skewed towards refinance/reset activity rather than new issue. As CLO spreads tighten, the callability option becomes more attractive, as equity holders look to lock in lower funding costs. According to J.P. Morgan, YTD refi/reset activity has made up ~58% (in comparison to the ~27% on average since 2013) of YTD issuance and expects total gross refi/reset issuance to come in near the 2021 record high. In Q3, August was the second highest refi/reset month of all time, according to J.P. Morgan.

Evidence of distress within the leveraged loan market has continued to decline, as seen by the share of loans trading at a dollar price of less than $80

Exhibit 18:
Distressed Pricing in Leveraged Loans Has Declined
Share % of Leveraged Loans Trading Below $80

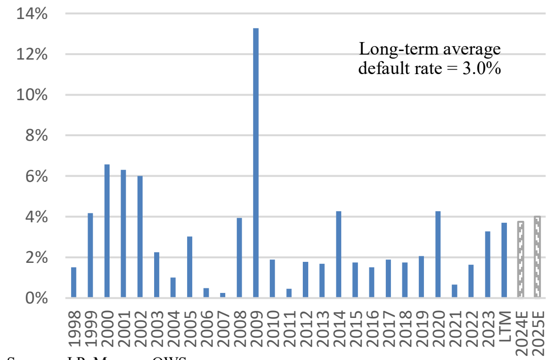


Sources: J.P. Morgan, OWS

(Exhibit 18). The percentage of leveraged loans trading below $80 peaked in December ‘22 at 9.23%, now down to 5.41% - a ~41% decrease.

We remain relatively cautious of exposure within the CLO sector. Despite market pricing reflecting minimal distress, defaults are now trending above their long-run average, and are expected to remain elevated throughout 2025, according to J.P. Morgan (Exhibit 19). We believe the market continues to underweight the fundamental deterioration and the potential tail risks of what an economic downturn, or even a slowing economy, would entail for the leveraged loan sector.

Exhibit 19:
Leveraged Loan Default Rates
Par-Weighted Default Rates (%) Incl. Distressed Exchanges



Sources: J.P. Morgan, OWS

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

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

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

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

RISK DISCLOSURES

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

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

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

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

The information provided is not intended to be a forecast of future events, a guarantee of future results or investment advice, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the portfolio manager disclaims any responsibility to update such views. The views expressed in this report reflect the current views of the portfolio manager as of September 30th, 2023.

There are limitations when comparing the 1WS Credit Income Fund to indices. Many open-end funds which track these indices offer daily liquidity, while closed-end interval funds offer liquidity on a periodic basis. Deteriorating general market conditions will reduce the value of stock securities. When interest rates rise, the value of bond securities tends to fall. Investing in lower-rated securities involves special risks in addition to the risks *associated with investments in investment grade securities, including a high degree of credit risk. Lower-rated securities may be regarded as predominately speculative with respect to the issuer's continuing ability to meet principal and interest payments. Analysis of the creditworthiness of issuers/issues of lower-rated securities may be more complex than for issuers/issues of higher quality debt securities. There is a risk that issuers will not make payments, resulting in losses to the Fund. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Assets and securities contained within indices are different than the assets and securities contained in the 1WS Credit Income Fund and will therefore have different risk and reward profiles. An investment cannot be made in an index, which is unmanaged and has returns that do not reflect any trading, management or other costs. Please see definitions for a description of the investment indexes selected.*

DEFINITIONS

Aaa Corporate: *The Bloomberg Aaa Corporate Index measures the Aaa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.*

Aa Corporate: *The Bloomberg Aa Corporate Index measures the Aa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.*

A Corporate: *The Bloomberg A Corporate Index measures the A-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.*

ABS: *Asset-Backed Securities are instruments secured by financial, physical, and/or intangible assets (e.g., receivables or pools of receivables), and investments in any assets/instruments underlying the foregoing structured/secured obligations.*

Baa Corporate: *The Bloomberg Baa Corporate Index measures the Baa-rated, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.*

Ba U.S. High Yield: *The Bloomberg Ba US High Yield Index measures the USD-denominated, Ba-rated, fixed-rate high-yield corporate bond market. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.*

B U.S. High Yield: *The Bloomberg B US High Yield Index measures the USD-denominated, B-rated, fixed-rate high-yield corporate bond market. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.*

Basis Points (bps): *A basis point is a common unit of measurement for interest rates and credit spreads and is equal to one hundredth of one percent.*

Bond Rating Scale:

Moody's	Standard & Poor's	Fitch	
Aaa	AAA	AAA	**Investment Grade**
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	**Non-Investment Grade**
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	
Caa	CCC	CCC	
Ca	CC	CC	
C	C	C	

A bond rating is a letter-based scoring scheme used to judge the quality and creditworthiness of a bond. The three largest private independent rating services are Moody's, Standard & Poor's and Fitch Ratings Inc. The letter-based grading scale for each of these rating agencies is highlighted to the left. The higher a bond's rating, the higher its credit quality. Bonds rated BBB or higher are considered investment grade. Bonds rated BB and below are considered non-investment grade.

Buy-to-Let (BTL): *Buy-to-let mortgages are for landlords who want to buy property to rent it out.*

Caa U.S. High Yield: *The Bloomberg Caa US High Yield Index measures the USD-denominated, Caa-rated, fixed-rate high-yield corporate bond market. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.*

Capitalization Rate: *The capitalization rate (also known as cap rate) is used in the world of commercial real estate to indicate the rate of return that is expected to be generated on a real estate investment property.*

CLO: *Collateralized Loan Obligations are instruments that represent debt and equity tranches of collateralized loan obligations and collateralized debt obligations.*

CMBS: *Commercial Mortgage-Backed Securities are fixed income instruments that are secured by mortgage loans on commercial real property.*

CMBX: *CMBX indices are synthetic tradable indices referencing a basket of 25 commercial mortgage-backed securities (CMBS).*

Convexity: *Convexity is a measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields.*

Credit Enhancement: *Credit enhancement is a risk-reduction technique that provides protection, in the form of financial support, to cover losses under stressed scenarios.*

Credit Risk Transfer (CRT) Securities: *CRT securities effectively transfer a portion of the risk associated with credit losses within pools of residential mortgage loans to investors.*

Debt Service Ratio: *The household debt service ratio (DSR) is the ratio of total required household debt payments to total disposable income.*

Duration-Adjusted: *Duration-adjusted or excess return is a measure of pure credit performance for fixed-rate bonds by adjusting for movements in benchmark interest rates.*

Euro Auto Mezzanine (A-rated): *European Auto Mezzanine A-rated is representative of an A-rated mezzanine tranche of a Non-Dollar Asset-Backed Securities Index, specifically auto loans or leases.*

FICO: *The Fico Score is used by lenders to help make accurate, reliable, and fast credit risk decisions across the customer lifecycle.*

Financial Obligation Ratio: *The financial obligation ratio is the ratio of required household debt payments to total disposable income and includes rent payments on tenant-occupied property, auto lease payments, homeowners' insurance, and property tax payments*

Floating-Rate Loans: *A floating rate loan has an interest rate which changes periodically based on an underlying index plus a spread.*

Forbearance: *The temporary suspension of loan repayments due to demonstrated financial hardship on the part of the borrower.*

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

ICE BofAML US High Yield Master II TR Index: *The index tracks the performance of US dollar denominated below investment grade rated corporate debt publically issued in the US domestic market. Investors cannot invest directly in an index.*

Interest Rate Hedges: *Interest rate hedges include a variety of different products to help protect against interest rate risk. In principle, interest rate hedging products provide greater certainty over future loan repayments.*

Loan-to-Value (LTV): *Loan-to-value is a measure of the size of a loan relative to the value of an asset.*

Mezzanine Tranche: *A mezzanine tranche within a securitization lies in the middle of the capital structure, below the senior tranche and above the junior tranche (typically an unrated equity tranche).*

Non-Dollar ABS: *Non-Dollar Asset-Backed Securities are instruments secured by financial, physical, and/or intangible assets (e.g., receivables or pools of receivables), and investments in any assets/instruments underlying the foregoing structured/secured obligations outside of the U.S. Non-Dollar Asset-Backed Securities are denominated in currencies other than the U.S. Dollar.*

Non-Dollar RMBS: *Non-Dollar Residential Mortgage-Backed Securities are securities that may be secured by interests in a single residential mortgage loan or a pool of mortgage loans secured by residential property outside of the U.S. Non-Dollar Residential Mortgage-Backed Securities are denominated in currencies other than the U.S. Dollar.*

Non-Performing Loans (NPL): *Mortgage loans that are subject to late repayment (i.e., 90 days have passed without the borrower paying the agreed instalments) or are unlikely to be repaid by the borrower*

Non Qualified Mortgages (Non-QM): *A non-qualified mortgage — or non-QM — is a home loan that is not required to meet agency-standard documentation requirements as outlined by the Consumer Financial Protection Bureau (CFPB).*

Real Capital Analytics (RCA) Property Price Index: *The RCA Property Price Indices are transaction based indices that measure property prices at a national level.*

Re-performing Loans (RPL): *Mortgage loans that were once delinquent but has since returned to performing status.*

Residential Transitional Loans (RTL): *Mortgage loans, specifically real estate investment loans, that are usually short duration financing for investors pursuing construction, renovation, and other rehabilitation projects on a property.*

RMBS: *Residential Mortgage-Backed Securities are securities that may be secured by interests in a single residential mortgage loan or a pool of mortgage loans secured by residential property.*

Risk-Adjusted: *A risk-adjusted return is a calculation of the profit or potential profit from an investment that takes into account the degree of risk that must be accepted in order to achieve it. The risk is measured in comparison to that of a risk-free investment, usually U.S. Treasuries.*

Risk Premia: *Risk Premia is the investment return an asset is expected to yield in excess of the risk-free rate of return.*

SASB: *Single Asset Single Borrower (SASB) CMBS transactions involve the securitization of a single loan (SA) or collateralized by a group of assets all owned by the same borrower (SB).*

S&P CoreLogic Case-Shiller U.S. National Home Price Index: *The index tracks the value of single-family housing within the United States.*

Subprime Auto ABS: *Auto asset-backed securities (auto ABS) are structured finance securities that are collateralized by auto loans or leases, specifically subprime (poor credit standing) borrowers.*

Tranche: *Tranches are segments created from a pool of assets - usually debt instruments such as bonds or mortgages - that are divvied up by risk, time to maturity, or other characteristics in order to be marketable to different investors.*

OWS000261