

## Access to Institutional Alternative Credit

The Trust is designed to address demand by individual investors for institutional-caliber strategies in an innovative fund structure. The Trust seeks attractive total return with an emphasis on income generation across multiple stages of the credit cycle.<sup>1</sup>

### Portfolio of Floating-Rate Loans and CLOs

The Trust's investment portfolio is comprised largely of floating-rate credit instruments and other structured credit investments, which XA Investments and Octagon expect to perform well in a rising interest rate environment. The Trust's assets are managed opportunistically primarily within private below investment grade credit markets including:

- Senior secured floating-rate loans;
- Structured credit (CLO debt and CLO equity);
- Opportunistic credit (long/short credit investments and stressed credits).

### Benefits At-A-Glance

Investor and Advisor Goals	Why XFLT?
Income	Opportunity for higher levels of monthly income than traditional fixed income
Growth of principal	Total return objective
Diversification from stocks and bonds	Strategy focuses on asset classes that exhibit low historical correlations to stocks and bonds
Direct access to institutional alternatives	Octagon's institutional credit capabilities
Liquidity	Intra-day exchange-traded liquidity on NYSE
Transferability	Listed shares are transferable between accounts and firms
Tax Reporting	1099 tax form; no K-1s
Fees	Asset-based management fee, no performance fees
Risk management	Strategy limits interest-rate sensitivity

<sup>1</sup> There can be no assurance that the Trust will achieve its investment objective, and you could lose some or all of your investment.

<sup>2</sup> The Trust will terminate on or before December 31, 2029 (the "Termination Date"). However, the Board of Trustees may cause the Trust to conduct a tender offer to purchase 100% of the then outstanding Common Shares of the Trust at a price equal to the net asset value (NAV) per Common Share on the expiration date of the tender offer, as of a date within twelve months preceding the Termination Date (an "Eligible Tender Offer"). Following the completion of an Eligible Tender Offer, the Board of Trustees may eliminate the Termination Date upon the affirmative vote of a majority of the Board of Trustees and without a shareholder vote. The Termination Date may be extended (i) once for up to one year (i.e., up to December 31, 2030), and (ii) once for up to an additional six months (i.e., up to June 30, 2031), in each case upon the affirmative vote of a majority of the Board of Trustees and without a shareholder vote. The Trust's investment objective and policies are not designed to seek to return to investors their initial investment on the Termination Date or in an Eligible Tender Offer, and investors may receive more or less than their original investment upon termination or in an Eligible Tender Offer.

<sup>3</sup> The Trust is actively managed and does not track any index. S&P/LSTA U.S. Leveraged Loan 100 Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

<sup>4</sup> Distribution rates represent the latest declared regular distribution, annualized, relative to the market price and NAV as of quarter end.



#### Adviser

XA Investments LLC

#### Sub-adviser

Octagon Credit Investors, LLC

#### Inception date

September 27, 2017

#### Price ticker symbol

XFLT

#### NAV ticker symbol

XFLT

#### CUSIP

98400T106

As of 3/31/2018

#### Common shares outstanding

8,347,991 shares

#### Total managed assets

Approximately \$122 million

#### Term<sup>2</sup>

2029

#### Benchmark index<sup>3</sup>

S&P/LSTA U.S. Leveraged Loan 100 Index

#### Valuation frequency

Daily net asset value strike

#### Distribution frequency

Monthly

#### Distribution rate on market price

8.76%<sup>4</sup>

#### Tax reporting

Form 1099-Div

# The Octagon Advantage

Octagon is a leading institutional manager of below investment grade credit and an experienced manager of CLOs. As sub-adviser to XFLT, Octagon's industry leadership, structural knowledge and credit expertise are beneficial when evaluating senior secured floating rate loans and sourcing CLO investments for the Trust's portfolio.

## Octagon is a Proven CLO Manager

- **Fundamental Credit Expertise:** Octagon's singular focus on below investment grade credit combined with the experience and cohesiveness of the investment team, has enabled the firm to build a strong track record in the industry.
- **Structural Expertise:** No two CLOs are identical and differences in collateral or structure can produce dramatically different results. We believe Octagon's dual experience as CLO manager and investor deepens the firm's ability to evaluate the structure and the underlying credit while skillfully navigating challenging environments such as 2008–2009.
- **Portfolio Optimization:** Octagon seeks to enhance alpha generation by continuously searching for relative value opportunities in the credit markets. Octagon will dynamically manage the Trust's portfolio based on its evolving credit market outlook and the goal of achieving attractive, risk-adjusted returns.

## Risks

An investment in the Trust is subject to investment risk, including the possible loss of your entire investment. There can be no assurance that the Trust's objectives will be achieved. The Trust is a recently-organized, diversified, closed-end management investment company with a limited history of operations. As a result, investors have a limited track record and operational history on which to base their investment decision. Shares of closed-end funds frequently trade at a discount from their net asset value, which is a risk separate and distinct from the risk that the fund's net asset value could decrease as a result of its investment activities. The Trust invests primarily in below investment grade credit instruments, which are commonly referred to as "high yield" securities or "junk" bonds. Investments in below investment grade securities are considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and such issuers are not perceived as strong financially as those with higher credit ratings. Investments in below investment grade credit instruments involve substantial risk of loss. The Trust invests a significant portion of its assets in CLO debt and subordinated notes (commonly referred to as CLO "equity") which often involve risks that are different from or more acute than risks associated with other types of credit instruments. CLOs are a type of structured credit instrument. Holders of structured credit instruments bear risks of the underlying investments, index or reference obligation as well as risks associated with the issuer of the instrument, which is often a special purpose vehicle, and may also be subject to counterparty risk. Senior loans may not be fully secured by collateral, generally do not trade on exchanges, and are typically issued by unrated or below-investment grade companies, and therefore are subject to greater liquidity and credit risk. For more information on risks associated with the Trust, please see the Trust's web page at [xainvestments.com](http://xainvestments.com).



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- \$19.0 billion of assets under management as of March 31, 2018
- 24-year track record of managing institutional client credit portfolios
- Top 5 U.S. CLO issuer<sup>1</sup>
- Best CLO Manager — USA, 2015 Wealth & Finance International Alternative Investment Award<sup>2</sup>

<sup>1</sup> Creditflux, ranked #3 by issuance volume in first quarter of 2018.

<sup>2</sup> 2015 Wealth & Finance International Alternative Investment Awards Winner, Best CLO Manager — USA: Award methodology based on nominations by the Wealth & Finance International readership via a voting form distributed to the Wealth and Finance database subscribers (over 80,000 HNWI, Investors, etc.) and to Alternative Investment contacts (370,000 globally). Wealth and Finance International's Award Committee then conducted its own in-house research and analyzed manager performance in order to determine Award winners.

This award is no guarantee of future investment success and does not ensure that an investor in the Trust will experience the same or a higher level of performance or results. The award should not be construed as an endorsement of Octagon by any investor nor is it representative of any one investor's evaluation or all investors' experience. Please refer to Wealth & Finance International's website for additional information. Unless otherwise described below, CLO performance is measured in terms of liquidation IRR, or the internal rate of return that equity investors would receive if their CLO had been liquidated on December 31 of the applicable year and all assets sold at market value. This methodology takes into account equity distributions and the net asset value of the portfolio, and rewards managers that have delivered the best returns to equity while giving a cushion to debt investors.

## Annual Expense Ratio

Annual Expenses	As a percentage of net assets attributable to common shares <sup>3</sup>	As a percentage of managed assets
Management fees	2.47%	1.69%
Interest on borrowed funds	1.37%	0.94%
Other expenses		
Investor support and secondary market support services fee	0.29%	0.20%
Other	1.14%	0.78%
Total annual expense	5.27%	3.61%
Fee waiver <sup>4</sup>	-0.70%	-0.48%
Total annual expense after fee waiver	4.57%	3.13%

Expenses shown in the table are based on actual expenses of the Trust for the six months ended March 31, 2018, annualized, and the Trust's average managed assets and average net assets for the six months ended March 31, 2018. Common shareholders bear the expenses of the Trust, including the management fee, which is calculated on the basis of the Trust's Managed Assets, including proceeds from leverage, and the cost of leverage, as shown in the column "As a Percentage of Net Assets Attributable to Common Shares" above. As of March 31, 2018, the Trust had outstanding leverage equal to 32.30% of the Trust's Managed Assets. See the Trust's Annual Report for full information on expenses.

<sup>3</sup> Common shareholders will pay the expenses set forth in this column.

<sup>4</sup> Contractual waiver is in effect through September 27, 2019.

To learn more about distinctive, demand-driven alternatives, visit [XAInvestments.com](http://XAInvestments.com)