XA INVESTMENTS

Octagon

XAI Octagon Credit Trust

Common Shares

The Trust. XAI Octagon Credit Trust (the "Trust") is a newly-organized, non-diversified, closed-end management investment company.

Investment Objectives. The Trust's primary investment objective is to generate high current income, with a secondary objective of capital appreciation. There can be no assurance that the Trust will achieve its investment objectives, and you could lose some or all of your investment.

Investment Strategy. The Trust will invest at least 80% of its Managed Assets (as defined in this prospectus) in collateralized loan obligation ("CLO") debt and subordinated (i.e., residual or equity) securities. A CLO generally is an entity that is formed to hold a portfolio consisting principally of loan obligations. The loan obligations within the CLO are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO's exposure to a single credit. The Trust expects to invest in CLO securities issued by CLOs that principally hold senior secured loans, diversified by industry and borrower.

While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities that are rated below investment grade. CLO subordinated notes (commonly referred to as CLO equity) are generally not rated. Below investment grade and unrated instruments are often referred to as "junk" bonds and are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal.

Offering. This Prospectus applies to the offering of common shares of beneficial interest, par value $0.01 ("Common Shares"), of the Trust. Common Shares will be offered during an initial offering period at the initial offering price of $10.00 per share. The initial offering period will terminate on the initial closing date (the "Initial Closing Date"), which is scheduled to occur on or about October 31, 2018, or such earlier or later date as the Trust's Board of Trustees (the "Board" or "Board of Trustees") may determine. The Trust will not commence investment operations until the Initial Closing Date. After the Initial Closing Date, Common Shares will be continuously offered on a daily basis at net asset value per share plus $0.04 per share (the "Continuous Offering Price"). The continuous offering of Common Shares may be discontinued at any time by the Board of Trustees. The Trust has registered under the Securities Act of 1933, as amended (the "Securities Act"), an aggregate of $ of Common Shares for sale under the registration statement to which this prospectus relates. ALPS Distributors, Inc. (the "Distributor") acts as the distributor of Common Shares on a best efforts basis, subject to various conditions. Common Shares may be offered through financial intermediaries that have entered into selling agreements with the Distributor.

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Investing in Common Shares involves certain risks. The Trust has no operating history. An investment in the Trust is subject to investment risk, including the possible loss of the entire principal amount that you invest. The Trust intends to utilize leverage, which is subject to numerous risks. No shareholder will have the right to require the Trust to redeem any Common Shares and Common Shares will have very limited liquidity prior to the occurrence of a Listing Event, as described in this Prospectus. See "Risks" beginning on page 35 of this prospectus. Certain of these risks are summarized in "Prospectus Summary—Special Risk Considerations" beginning on page 11 of this prospectus. You should carefully consider these risks together with all of the other information contained in this prospectus before making a decision to purchase Common Shares.

Neither the Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Sales Load(2)	Proceeds to Fund(3)
Per Share	$10.00	None	$10.00
Total(4)	$	None	$

(notes on following page)

(notes from cover page)

(1) Common Shares will be sold on the Initial Closing Date at the initial offering price of $10.00 per share. After the Initial Closing Date, Common Shares will be continuously offered on a daily basis at the Continuous Offering Price (which is equal to the then current net asset value per share plus $0.04 per share (the amount of offering expenses per Common Share to be incurred by the Trust)).

(2) No sales load will be charged in connection with the offering of Common Shares. XA Investments LLC ("XAI" or the "Adviser"), the Trust's investment adviser, and Octagon Credit Investors, LLC ("Octagon" or the "Sub-Adviser"), the Trust's sub-adviser, may pay additional compensation, out of their own assets and not as an additional charge to the Trust, to certain financial intermediaries in connection with the sale and/or distribution of Common Shares or the retention and/or servicing of Common Shareholder accounts. See the "Plan of Distributions—Payments to Financial Intermediaries" section for more detail.

(3) The Trust estimates that the organizational expenses and offering expenses of the Trust will equal approximately $429,500. Organizational expenses of the Trust will be paid by XAI and Octagon. Offering expenses of the Trust will be initially paid by XAI and Octagon and will be reimbursed by the Trust in an amount not to exceed $0.04 per Common Share sold in this offering. The Trust estimates that the offering expenses of the Trust will equal approximately $395,000. Assuming the Trust issues 5,000,000 Common Shares in the offering, the Trust will reimburse $200,000 of offering expenses and $195,000 of offering expenses will be borne by XAI and Octagon.

(4) The Trust has registered under the Securities Act of 1933, as amended (the "Securities Act"), an aggregate of $ of Common Shares for sale under the registration statement to which this prospectus relates.

(continued from cover page)

Prior to the occurrence of a Listing Event (as defined in this prospectus), Common Shares will not be listed for trading on any securities exchange. Common Shares will not be redeemable at a shareholder's option. Accordingly:

- **no secondary market for Common Shares is expected to exist prior to a Listing Event;**
- **your investment in Common Shares should be considered illiquid;**
- **you should not expect to be able to sell your Common Shares regardless of how the Trust performs and, as a result, you may be unable to reduce your exposure during any market downturn; and**
- **if you are able to sell your Common Shares, you may receive more or less than your original investment.**

You should consider that you may not have access to the money you invest until the occurrence of a Listing Event, and may never recover your entire initial investment in the Trust. The Trust is designed primarily for long-term investors who are prepared to hold Common Shares for an indeterminate time. An investment in Common Shares is appropriate only for investors who can tolerate a high degree of risk and do not require a liquid investment and is not suitable for investors who need access to the money they invest.

Adviser and Sub-Adviser. XAI serves as the investment adviser to the Trust and is responsible for overseeing the Trust's overall investment strategy and its implementation. Octagon serves as the investment sub-adviser of the Trust and is responsible for investing the Trust's assets. The Trust pays an investment advisory fee to the Adviser. As compensation for the services provided by the Sub-Adviser, (i) the Adviser will pay to the Sub-Adviser a sub-advisory fee out of the investment advisory fee received by the Adviser equal to a percentage of the investment advisory fee received by the Adviser, and (ii) the Trust will reimburse the Sub-Adviser for certain expenses incurred by the Sub-Adviser in connection with the provision of services to the Trust.

The Adviser has contractually agreed to waive the entire investment advisory fee until the earlier of (i) , 2019 (six months from the date of this Prospectus) or (ii) the occurrence of a Listing Event. The Sub-Adviser has contractually agreed to a corresponding waiver of the sub-advisory fee payable by the Adviser.

The Trust has also retained the Adviser to provide investor support services and secondary market services in connection with the ongoing operation of the Trust. The Trust pays a service fee to the Adviser in exchange for such services pursuant to a separate investor support and secondary market services agreement. The Adviser has contractually agreed to waive the entire investor support services and secondary market services fee until the occurrence of a Listing Event.

Distributions. Prior to the occurrence of a Listing Event, the Trust intends to distribute to the holders of Common Shares ("Common Shareholders") all of its net investment income and any net realized long-term capital gains through annual distributions. The Trust may, at the discretion of the Board of Trustees, make a special distribution to Common Shareholders representing all or a portion of the Trust's undistributed net investment income immediately prior to the completion of a Listing Event. The Trust may declare a portion of this special distribution in Common Shares instead of cash.

Following the occurrence of a Listing Event, the Trust currently intends to pay substantially all of its net investment income, if any, to Common Shareholders through monthly distributions and to distribute any net realized long-term capital gains to Common Shareholders at least annually. There is no assurance the Trust will pay regular monthly distributions or that it will do so at a particular rate. Distributions may be paid by the Trust from any permitted source and, from time to time, all or a portion of a distribution may be a return of capital. Distributions can only be made to Common Shareholders after paying any accrued dividends to holders of Preferred Shares (if any).

Leverage. The Trust currently anticipates utilizing leverage to seek to enhance income. The Trust may use leverage through (i) the issuance of preferred shares ("Preferred Shares"), (ii) the issuance of senior securities representing indebtedness, including through borrowing from financial institutions or issuance of debt securities, including notes or commercial paper (collectively, "Indebtedness") and/or (iii) reverse repurchase agreements, securities lending, short sales or derivatives, such as swaps, futures or forward contracts, that have the effect of leverage ("portfolio leverage"). While the Trust may utilize leverage to the maximum extent permitted by the Investment Company Act of 1940, as amended (the "1940 Act"), under current market conditions, the Trust initially expects to utilize leverage in an aggregate amount of approximately 35% of the Trust's Managed Assets (including the proceeds of leverage). Prior to the occurrence of a Listing Event, the Trust may use lower levels of leverage or may not use leverage. The use of leverage is a speculative technique that involves special risks. There can be no assurance that the Trust's leveraging strategy will be successful. See "Use of Leverage" and "Risks—Leverage Risk."

Listing Event. Following completion of this offering, the Trust intends to seek to conduct an offering through a firm commitment underwriting that would allow the Trust to meet the initial listing standards of a national securities exchange and to apply to list the Common Shares on an exchange upon the completion of that public offering (a "Listing Event"). In such an offering the offering price per share, less any underwriting commission or discount, will equal or exceed the Trust's net asset value per share determined within forty-eight hours, excluding Sundays and holidays, next preceding the pricing of the offering, unless otherwise approved by a majority of the Trust's Common Shareholders. However, the Trust's net asset value will be reduced immediately following such an offering of Common Shares due to the costs of such offering borne by the Trust. The Trust's ability to conduct a successful underwritten offering will be contingent upon, among other factors, (i) success in raising proceeds in this offering, (ii) market conditions generally, (iii) market perception of and outlook for closed-end fund offerings, and (iv) identifying a syndicate of underwriters to raise sufficient proceeds to meet applicable initial listing standards and provide the Trust with capital necessary for continued viability as a listed fund. There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering, the success of any such offering or the amount of proceeds that the Trust will raise in any such offering.

There can be no assurance that a secondary market will develop for Common Shares following a Listing Event. Because shares of listed closed-end management investment companies ("closed-end funds") frequently trade at a discount to net asset value, even if investors are able to sell their Common Shares following a Listing Event, they may receive more or less than their purchase price and the then current net asset value per share. This risk may be more pronounced in the period shortly following the Trust's listing. This risk is separate and distinct from the risk that the Trust's net asset value will decline. If the Common Shares are listed, whether an investor will realize gains or losses upon the sale of Common Shares will depend upon whether the market price of Common Shares at the time of sale is above or below the investor's purchase price for Common Shares. Because the market price of Common Shares would be determined by factors such as relative supply of and demand for Common Shares in the market, general market and economic conditions, and other factors beyond the control of the Trust, the Trust cannot predict whether Common Shares, if listed, will trade at, below or above net asset value or at, below or above a Common Shareholder's purchase price.

If the Trust has not completed a Listing Event within six months after the Initial Closing Date, the Trust intends to conduct quarterly tender offers for up to 5% of the Common Shares then outstanding in the sole discretion of the Board of Trustees in order to provide a limited degree of interim liquidity prior to the occurrence of a Listing Event. In a tender offer, the Trust will offer to repurchase outstanding Common Shares at the Trust's net asset value per share or a percentage of the Trust's net asset value per share on the expiration date of the tender offer. The Trust, however, is not obligated to conduct such tender offers and there may be periods during which no tender offer is made. If a tender offer is not made, Common Shareholders may not be able to sell their Common Shares as it is unlikely that a secondary market for Common Shares will develop prior to a Listing Event. The Trust does not intend to conduct tender offers after the occurrence of a Listing Event.

If the Trust has not completed a Listing Event prior to , 2020, the Trust will seek to conduct an Alternative Liquidity Event by , 2021, which may consist of (a) a merger or other reorganization transaction in which Common Shareholders receive cash and/or shares of a closed-end fund or other public company whose shares are listed on a national securities exchange (b) a tender offer to repurchase 100% of the Trust's outstanding Common Shares at a price equal to the then current net asset value per share, or (c) adoption of a plan of liquidation providing for the termination and liquidation of the Trust (collectively, an "Alternative Liquidity Event"). The Trust does not intend to conduct an Alternative Liquidity Event after the occurrence of a Listing Event.

The Trust's By-Laws provide that each person who becomes a beneficial owner of Common Shares prior to the listing of the Common Shares on a national securities exchange shall not, directly or indirectly, during the 60 day period beginning upon the listing of the Common Shares on a national securities exchange, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Common Shares acquired in this offering without the prior written consent of the Trust. Such provisions apply to all investors in this offering and will have the effect of delaying liquidity for Common Shares purchased in this offering by 60 days following a Listing Event. By purchasing Common Shares in this offering, each investor in this offering shall be deemed to have notice of and consented to the applicable provisions of the Trust's By-Laws. In addition, in connection with an underwritten offering, the underwriters may require certain investors in this offering to execute "lock-up" agreements, pursuant to which such investors will agree with the underwriters not to offer, pledge, sell, contract to sell or otherwise dispose of or agree to sell or otherwise dispose of, directly or indirectly or hedge any Common Shares for a specified period following the completion of the underwritten offering, without the prior written consent of the underwriters. The terms of any such lock-up agreement may be more restrictive and apply for a longer period of time than the restricted period set forth in the Trust's By-Laws.

See "Listing Event."

* * *

You should read this prospectus, which contains important information about the Trust that you should know before deciding whether to invest, and retain it for future reference. A Statement of Additional Information, dated , 2018, containing additional information about the Trust, has been filed with the SEC and is incorporated by reference in its entirety into this prospectus. You may request free copies of the Statement of Additional Information, the table of contents of which is on page 90 of this prospectus, annual and semi-annual reports to shareholders, when available, and other information about the Trust, and make shareholder inquiries, by calling (888) 903-3358 or by writing to XA Investments at 321 North Clark Street, Suite 2430, Chicago, Illinois 60654, or you may obtain a copy (and other information regarding the Trust) from the SEC's website (www.sec.gov). Free copies of the Trust's reports and its Statement of Additional Information will also be available from the Trust's website at www.xainvestments.com.

The Trust's common shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

This prospectus, and the statement of additional information ("SAI"), contain or incorporate by reference forward-looking statements, within the meaning of the federal securities laws, that involve risks and uncertainties. These statements describe the Trust's plans, strategies, and goals and the Trust's beliefs and assumptions concerning future economic and other conditions and the outlook for the Trust, based on currently available information. In this prospectus, words such as "anticipates," "believes," "expects," "objectives," "goals," "future," "intends," "seeks," "will," "may," "could," "should," and similar expressions, and the negative of such terms, are used in an effort to identify forward-looking statements, although some forward-looking statements may be expressed differently. By their nature, all forward looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by any forward looking statements. Although the Trust believes that the expectations expressed in these forward looking statements are reasonable, actual results could differ materially from those projected or assumed in these forward looking statements. The Trust's future financial condition and results of operations, as well as any forward looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the "Risks" section of this prospectus, which describes certain currently known risk factors that could cause actual results to differ materially from the Trust's expectations. The Trust urges you to review carefully that section for a more detailed discussion of the risks associated with an investment in the Trust's securities. All forward looking statements contained or incorporated by reference in this prospectus are made as of the date of this prospectus. The Trust does not intend, and undertakes no obligation, to update any forward looking statement. The Trust is not entitled to the safe harbor for forward-looking statements pursuant to Section 27A of the Securities Act.

You should rely only on the information contained or incorporated by reference in this prospectus. The Trust has not, and the Distributor has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Trust is not, and the Distributor is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date of this prospectus. The Trust's business, financial condition and results of operations may have changed since that date. The Trust will amend this prospectus if, during the period that this prospectus is required to be delivered, there are any subsequent material changes.

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Prospectus summary

This is only a summary of information contained elsewhere in this prospectus. Before investing in the Trust's Common Shares, you should carefully read the more detailed information contained in this prospectus, especially the information under the heading "Risks." You may also request a copy of the Trust's Statement of Additional Information, dated , 2018, which contains additional information about the Trust.

THE TRUST

XAI Octagon Credit Trust is a newly-organized, non-diversified, closed-end management investment company.

THE OFFERING

This Prospectus applies to the offering of Common Shares of the Trust. Common Shares will be offered during an initial offering period at the initial offering price of $10.00 per share. The initial offering period will terminate on the Initial Closing Date, which is scheduled to occur on or about October 31, 2018, or such earlier or later date as the Trust's Board of Trustees may determine. The Trust will not commence investment operations until the Initial Closing Date.

After the Initial Closing Date, Common Shares will be continuously offered on a daily basis at the Continuous Offering Price (which is equal to the then current net asset value per share plus $0.04 per share (the amount of offering expenses per Common Share to be incurred by the Trust)).

INVESTMENT OBJECTIVES

The Trust's primary investment objective is to generate high current income, with a secondary objective of capital appreciation. There can be no assurance that the Trust will achieve its investment objectives. The investment objectives of the Trust may be changed by the Board of Trustees of the Trust (the "Board" or "Board of Trustees") on 60 days' prior written notice to shareholders.

WHO MAY WANT TO INVEST

You should consider your financial situation and needs, other investments, investment goals, investment experience, time horizons, liquidity needs and risk tolerance before investing in the Trust. An investment in the Trust is not appropriate for all investors and the Trust is not intended to be a complete investment program. The Trust is designed as a long-term investment and not as a trading vehicle. The Trust may be an appropriate investment for income oriented investors seeking an alternative investment opportunity with the following features:

- distributions potentially greater than other credit strategies;
- investment primarily in floating rate instruments designed to mitigate duration risk (a measure of the price volatility of an instrument as a result of changes in market interest rates, based on the weighted average timing of the instrument's expected principal and interest payments);
- additional potential total return premiums often associated with less liquid investments;
- diversification with an alternative strategy demonstrating low-to-moderate correlation with U.S. fixed income and U.S. equity markets;
- institutional access to CLO debt and subordinated securities sourced by Octagon who is an active participant in the CLO marketplace; and
- the conveniences of a registered fund and 1099 tax reporting.

INVESTMENT STRATEGY

The Trust will invest at least 80% of its Managed Assets in CLO debt and subordinated (i.e., residual or equity) securities. A CLO generally is an entity that is formed to hold a portfolio consisting principally of loan obligations. The loan obligations within the CLO are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO's exposure to a single credit. The Trust expects to invest in CLO securities issued by CLOs that principally hold senior secured loans, diversified by industry and borrower.

The Trust may invest in CLO debt and subordinated (i.e., residual or equity) securities. While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities that are rated below investment grade. CLO subordinated notes are generally not rated. Below investment grade and unrated instruments are often referred to as "junk" bonds and are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal.

The Trust may invest without limitation in illiquid investments, including instruments that are unregistered, restricted, for which there is no readily available trading market or that are otherwise illiquid.

The Trust may invest up to 10% of its Managed Assets in other investment companies. The Trust may invest in mutual funds, closed-end funds and ETFs.

In addition to the Trust's investments in CLO securities, the Trust may invest up to 20% of its Managed Assets in loans, including senior secured loans ("Senior Loans"), second lien and subordinated secured loans and unsecured loans. The Trust may purchase loans on a direct assignment basis or may acquire participations in loans.

"Managed Assets" means the total assets of the Trust, including assets attributable to the Trust's use of leverage, minus the sum of its accrued liabilities (other than liabilities incurred for the purpose of creating leverage).

See "Investment Objectives and Policies—Investment Strategy" and "The Trust's Investments."

INVESTMENT PHILOSOPHY AND INVESTMENT PROCESS

At the heart of Octagon's investment philosophy is a deep understanding of fundamental credit analysis, enhanced by a process focused on maximizing risk adjusted returns. Octagon's investment philosophy combines relative value focus and active portfolio management. Over Octagon's 24 plus year history, Octagon believes that it has developed a proven, repeatable and scalable credit selection and investment process. Octagon's process for CLO investing is highly-involved and includes seven different steps:

- sourcing investment opportunities through longstanding relationships with banks and regular contact with dealers. Relationships with buy side and collateral managers offer additional insights;
- analyze historical CLO manager performance and investment style;
- detailed review of underlying collateral loan portfolio and evaluate loans assets at greatest risk;
- CLO structure and documentation review including coverage tests, call provisions and subordination levels;
- utilize technology to analyze relative value across the CLO capital structure and to conduct various scenario analysis;
- investment committee recommendation and approval of credits considered for investment; and
- continual monitoring which is a collaborative team effort to enhance decision making and risk management.

In seeking to outperform the broader CLO market, Octagon employs an investment process for the Trust's portfolio which involves both bottom-up fundamental credit analysis and the top-down CLO manager evaluation. Octagon's process benefits from the firm's history and experience in the CLO marketplace dating back to the first CLO issuances in the marketplace in the mid-1990s. Octagon has made a significant investment in technology and human capital with respect to fundamental credit analysis which happens both at the loan-level and the CLO-level. Unlike competitors that employ top-down CLO selection based on CLO collateral manager skill or reputation, Octagon is able to evaluate every single CLO holding from the bottom-up and assess the underlying collateral pool for credit worthiness and value. To enhance their bottom-up security level analysis, Octagon has built over time a proprietary database with credit analysis of most all of the corporate issuers in the broadly syndicated loan marketplace. Furthermore, for every credit that Octagon analyzes, the investment team assigns proprietary credit ratings, liquidity ratings, collateral quality ratings, and documentation ratings. The Octagon research method is robust, involving various key factors including the assessment of industry dynamics, competitive factors, performance history, deal sponsor, company management, cash flow estimates, liquidity, collateral values, quality, downside protection, capital structure, macroeconomic factors, technical supply and demand and potential political or regulatory influences. A limited amount of the portfolio may be committed, as a supplemental strategy, to certain short-term trading opportunities that seek near-term favorable price movements. These investments are sourced by traders and discussed with Octagon's portfolio managers and principals but are not subject to full investment committee review.

COLLATERALIZED LOAN OBLIGATIONS

A CLO generally is an entity that is formed to hold a portfolio consisting principally of loan obligations. The loan obligations within the CLO are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO's exposure to a single credit. A CLO issues various classes or "tranches" of securities. Each tranche has different payment characteristics and different credit ratings. These tranches are generally categorized as senior, mezzanine, or subordinated (i.e., residual or equity), according to their degree of risk.

The Trust may invest in CLO debt and subordinated (i.e., residual or equity) securities. The highest rated CLO debt tranches typically are rated "AAA" by Standard & Poor's Ratings Services ("S&P") and/or Fitch Ratings ("Fitch") or "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Lower rated CLO debt tranches may be rated "BB+" to "B-" by S&P and/or Fitch or "Ba1" to "B3" by Moody's, which are below investment grade. While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities rated below investment grade (that is rated "BB+" to "B-" by S&P and/or Fitch or "Ba1" to "B3" by Moody's). CLO subordinated notes are generally not rated. Depending on the Sub-Adviser's assessment of market conditions, the Trust's investment focus may vary from time to time between CLO debt securities and CLO subordinated notes.

The key feature of the CLO structure is the prioritization of the cash flows from a pool of securities among the several tranches of the CLO. As interest payments are received during a collection period, the CLO makes contractual interest payments to each tranche of debt based on its seniority at the end of such collection period. If there are funds remaining after each tranche of debt receives its contractual interest rate and the CLO meets or exceeds required collateral coverage levels (or other similar covenants), the remaining funds may be paid to the subordinated (i.e., residual or equity) tranche. The contractual provisions setting out this order of payments are set out in detail in the relevant CLO's indenture. These provisions are referred to as the "priority of payments" or the "waterfall" and determine the terms of payment of any other obligations that may be required to be paid ahead of payments of interest and principal on the securities issued by a CLO. In addition, for payments to be made to each tranche, after the most senior tranche of debt, there are various tests that must be complied with, which are different for each CLO.

The Trust expects to invest in CLO securities issued by CLOs that principally hold senior secured loans, diversified by industry and borrower. It is also possible that the underlying obligations of CLOs in which the Trust invests will include (i) second lien and/or subordinated loans, (ii) debt tranches of other CLOs, and (iii) equity securities incidental to investments in Senior Loans. The cash flows on the underlying obligations will primarily determine the payments to holders of CLO securities. Substantially all CLO debt securities have floating interest rates, although a small portion of CLOs may issue senior tranche securities that have fixed interest rates. CLO subordinated (i.e., residual or equity) securities have no set interest rate but rather participate in residual cash flows of the relevant CLO. The rated tranches of CLO securities are generally assigned credit ratings by one or more nationally recognized statistical rating organizations (whether or not such tranches are issued as part of a component of a composite instrument with one or more other instruments). The transaction documents relating to the issuance of CLO securities impose eligibility criteria on the assets of the CLO, restrict the ability of the CLO's investment manager to trade investments and impose certain portfolio-wide asset quality requirements.

CLO securities are generally limited recourse obligations of the CLO payable solely from the underlying assets of the CLO or the proceeds thereof. Consequently, holders of CLO securities must rely solely on distributions on the underlying assets or proceeds thereof for payment in respect thereof. The cash flows generated by the underlying obligations held in a CLO's portfolio will generally determine the interest payments on CLO securities. Payments to holders of tranched CLO securities are made in sequential order of priority.

Since a CLO's indenture requires that the maturity dates of a CLO's assets (typically five to eight years from the date of issuance of a senior secured loan) be shorter than the maturity date of the CLO's liabilities (typically 11 to 12 years from the date of issuance), CLOs generally do not face refinancing risk on the CLO debt.

CLO subordinated notes

The Trust will invest in CLO subordinated (i.e., residual or equity) notes, which are junior in priority of payment and are subject to certain payment restrictions generally set forth in an indenture governing the notes. In addition, CLO subordinated notes generally do not benefit from any creditors' rights or ability to exercise remedies under the indenture governing the notes. The subordinated notes are not guaranteed by another party. The subordinated tranche is typically unrated and typically represents approximately 8% to 11% of a CLO's capital structure. The subordinated tranche of a CLO represents the first loss position in the CLO, meaning that it is generally required to absorb the CLO's losses before any of the CLO's other tranches, yet it also has the lowest level of payment priority among the CLO's tranches. The subordinated tranche is typically the riskiest of CLO investments.

Potential benefits of CLO investing

CLOs represent an alternative source of income and may benefit from rising interest rates. CLOs have attractive current distributions and have performed well through multiple investment cycles with long-term historical default rates that are lower than similarly rated U.S. corporate credit instruments. Because CLOs invest mostly in floating rate loans, the structure of CLOs is designed to pass-through additional income to CLO investors in environments of rising short term interest rates. CLOs securities thereby offer the potential to mitigate income and duration risk compared with fixed rate investments, particularly those with intermediate and longer term maturities.

➤ *Income*: CLOs provide the opportunity to capitalize on excess returns in the loan market, creating potential for attractive income. CLO debt holders typically receive LIBOR plus a spread, which varies by debt tranche, while CLO equity holders benefit from attractive dividend payments and the potential for high total returns from the residual.

➤ *Floating Rates*: CLOs may mitigate duration risk relative to traditional fixed rate investments during periods of rising interest rates. As LIBOR increases, CLO debt typically increases its distributions. With CLO equity, LIBOR must increase above specified floor interest rates applicable to the loans in the underlying CLO collateral pool and then "the spread" paid to equity holders will increase as interest rates rise. In contrast, interest rates on traditional fixed rate investments are locked and the values of such fixed rate investments are adversely impacted by a rising rate environment.

➤ *CLO Management*: Since CLOs are actively managed, CLO investors may benefit from selecting managers with superior track records in terms of portfolio construction, surveillance and credit performance, and ongoing liability management to maximize distributions to the CLO equity holders.

➤ *Alpha or Excess Return*: CLO managers seek to generate "alpha" (or excess returns relative to a passive benchmark return) for CLO equity investors, relative to passive investments in senior secured loan funds or ETFs, by capitalizing on fluctuating markets and identifying new investment opportunities through the credit market cycle.

➤ *Structural Terms*: The CLO structure typically includes financing terms and credit enhancements that are designed to protect the holders of CLO debt securities. While past performance of CLOs is not indicative of future results, low historical default rates have demonstrated the overall credit strength of CLOs.

In comparison to maturity, duration is a measure of the price volatility of an instrument as a result of changes in market interest rates, based on the weighted average timing of the instrument's expected principal and interest payments. For example, if interest rates increase by 1%, the value of an instrument with a duration of five years would decrease by approximately 5%. Conversely, if interest rates decline by 1%, the value of an instrument with a duration of five years would increase by approximately 5%. The longer the duration, the more susceptible the instrument will be to changes in interest rates. Duration is expressed as a number of years but differs from maturity in that it considers an instrument's yield, coupon payments, principal payments and call features in addition to the amount of time until the instrument matures. As the value of an instrument changes over time, so will its duration.

Prices of instruments with longer durations tend to be more sensitive to interest rate changes than instrument with shorter durations. Longer-maturity investments generally have longer interest rate durations because the instrument's fixed rate is locked in for longer periods of time. Floating rate instruments, however, generally have shorter durations because their interest rates are not fixed but rather float up and down with the level of prevailing interest rates. The Trust intends to invest primarily in floating rate instruments, including CLO debt securities and CLO subordinated (i.e., residual or equity) securities, the income from which will vary based on income received from the underlying collateral and the payments made to the secured notes, both of which may be based on floating rates, which may mitigate risk associated with increases in prevailing short-term interest rates.

CLO securities are also subject to a number of risks as discussed under "Risks—CLO Risks."

LEVERAGE

The Trust currently anticipates utilizing leverage to seek to enhance income. The Trust may use leverage through (i) the issuance of Preferred Shares, (ii) the issuance of Indebtedness, including through borrowing from financial institutions or issuance of debt securities, including notes or commercial paper and/or (iii) portfolio leverage, in the form of reverse repurchase agreements, securities lending, short sales or derivatives, such as swaps, futures or forward contracts, that have the effect of leverage. While the Trust may utilize leverage to the maximum extent permitted by the 1940 Act, under current market conditions, the Trust initially expects to utilize leverage in an aggregate amount of approximately 35% of the Trust's Managed Assets (including the proceeds of leverage). Prior to the occurrence of a Listing Event, the Trust may use lower levels of leverage or may not use leverage.

Under the 1940 Act, the Trust may not issue Preferred Shares if, immediately after issuance, the Trust would have asset coverage (as defined in the 1940 Act) of less than 200% (i.e., for every dollar of Preferred Shares outstanding, the Trust is required to have at least two dollars of total assets, including the proceeds of leverage). Under the 1940 Act, the Trust may not incur Indebtedness if, immediately after incurring such Indebtedness, the Trust would have asset coverage (as defined in the 1940 Act) of less than 300% (i.e., for every dollar of Indebtedness outstanding, the Trust is required to have at least three dollars of total assets, including the proceeds of leverage).

The Adviser and the Sub-Adviser anticipate that the use of leverage may result in higher total return to Common Shareholders over time; however, there can be no assurance that such expectations will be realized or that a leveraging strategy will be successful in any particular time period. Use of leverage creates an opportunity for increased income but, at the same time, creates special risks. The use of leverage will cause the Trust's net asset value, market price and level of distributions to be more volatile than if leverage were not used. The costs associated with the issuance of leverage will be borne by the Trust, which will result in a reduction of net asset value of Common Shares and as a result such costs will be borne by Common Shareholders. The fee paid to the Adviser and Sub-Adviser will be calculated on the basis of the Trust's Managed Assets, including proceeds of leverage (including leverage through Preferred Shares, Indebtedness or reverse repurchase agreements), so the fees paid to the Adviser and Sub-Adviser will be higher when leverage is utilized. The Trust bears the portion of the base management fee attributable to assets purchased with the proceeds of leverage and therefore Common Shareholders effectively bear the entire management fee. There can be no assurance that a leveraging strategy will be utilized or, if utilized, will be successful. See "Risks—Leverage Risk."

TEMPORARY DEFENSIVE INVESTMENTS

During periods in which the Sub-Adviser believes that changes in economic, financial or political conditions make it advisable to maintain a temporary defensive posture (a "temporary defensive period"), or in order to keep the Trust's cash fully invested, including the period during which the net proceeds of the offering of Common Shares are being invested, the Trust may, without limitation, hold cash or invest its assets in short-term investments and repurchase agreements in respect of those instruments. See "The Trust's Investments—Temporary Defensive Investments."

NET ASSET VALUE

The net asset value of Common Shares is calculated by subtracting the Trust's total liabilities (including from Indebtedness) and the liquidation preference of any outstanding Preferred Shares from total assets (the market value of the securities the Trust holds plus cash and other assets). The per share net asset value of Common Shares is calculated by dividing the net asset value of the Trust by the number of Common Shares outstanding and rounding the result to the nearest full cent. For so long as the continuous offering is ongoing, the Trust calculates its net asset value as of the close of regular trading on the New York Stock Exchange (the "NYSE") on each day on which there is a regular trading session on the NYSE and at such other times as may be determined by the Board of Trustees from time to time. After the termination of the continuous offering, the Trust currently expects to calculate its net asset value as of the close of regular trading on the NYSE on the last business day of each month and at such other times as may be determined by the Board of Trustees from time to time.

In determining net asset value, portfolio instruments generally are valued using prices provided by independent pricing services or, if independent pricing services are unavailable, prices obtained from other sources, such as broker-dealer quotations. The Trust may invest without limitation in less liquid and illiquid investments, which may be more difficult to price. If a price cannot be obtained from a pricing service or other pre-approved source, or if the Adviser deems such price to be unreliable, or if a significant event occurs after the close of the local market but prior to the time at which the Trust's net asset value is calculated, a portfolio instrument will be valued at its fair value as determined in good faith by the Board of Trustees or persons acting at their direction. The Board of Trustees has adopted valuation procedures for the Trust and has delegated the day-to-day responsibility for fair value determinations to a valuation committee comprised of representatives from the Adviser, the Sub-Adviser and the Trust's administrator (the "Valuation Committee"). All fair value determinations made by the Valuation Committee are subject to review and ratification by the Board of Trustees. As a general principle, the fair value of a portfolio instrument is the amount that an owner might reasonably expect to receive upon the instrument's current sale. A range of factors and analysis may be considered when determining fair value, including relevant market data, interest rates, credit considerations and/or issuer specific news. In addition, the Valuation Committee may consider valuations provided by valuation firms retained to assist in the valuation of certain of the Trust's investments.

The Trust generally uses non-binding indicative bid prices provided by an independent pricing service or broker as the primary basis for determining the value of CLO debt and subordinated securities, which may be adjusted for pending distributions, as applicable, as of the applicable valuation date. These bid prices are non-binding, and may not be determinative of fair value. In valuing the Trust's investments in CLO debt and subordinated securities, in addition to non-binding indicative bid prices provided by an independent pricing service or broker, the Valuation Committee also may consider a variety of relevant factors, including recent trading prices for specific investments, recent purchases and sales known to the Trust in similar securities, other information known to the Trust relating to the securities, and discounted cash flows based on output from a third-party financial model, using projected future cash flows.

Fair valuation involves subjective judgments and it is possible that the fair value determined for a portfolio instrument may be materially different from the value that could be realized upon the sale of that instrument. Information that becomes known to the Trust or their respective agent after the Trust's net asset value has been calculated on a particular day will not be used to retroactively adjust the price of a security or the Trust's previously determined net asset value.

DISTRIBUTIONS

Prior to the occurrence of a Listing Event, the Trust intends to distribute substantially all of its net investment income and any net long-term capital gains to Common Shareholders at least annually. The Trust may, at the discretion of the Board of Trustees, make a special distribution to Common Shareholders representing all or a portion of the Trust's undistributed net investment income immediately prior to the completion of a Listing Event. The Trust may declare a portion of this special distribution in Common Shares instead of cash.

Following the occurrence of a Listing Event, the Trust currently intends to pay substantially all of its net investment income, if any, to Common Shareholders through monthly distributions and to distribute any net long-term capital gains to Common Shareholders at least annually. There is no assurance the Trust will pay regular monthly distributions or that it will do so at a particular rate. Distributions may be paid by the Trust from any permitted source and, from time to time, all or a portion of a distribution may be a return of capital. Because of the nature of the Trust's investments and changes in market conditions from time to time, the distributions paid by the Trust for any particular month may be more or less than the amount of net investment income from that monthly period. As a result, all or a portion of a distribution may be a return of capital, which is in effect a partial return of the amount a Common Shareholder invested in the Trust, up to the amount of the Common Shareholder's tax basis in their Common Shares, which would reduce such tax basis. Although a return of capital may not be taxable, the corresponding reduction in basis will result in an increased gain, or reduced loss, when a Common Shareholders sells or otherwise disposes of their Common Shares in the future. Shareholders who periodically receive the payment of a distribution consisting of a return of capital may be under the impression that they are receiving net income or profits when they are not. Shareholders should not assume that the source of a distribution from the Trust is net income or profit.

The Trust may declare a portion of a distribution in Common Shares instead of in cash. As long as at least 20% of such distribution is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, a Common Shareholder generally would be subject to tax on 100% of the fair market value of the distribution on the date the distribution is received by the Common Shareholder in the same manner as a cash distribution, even though some or most of the distribution was paid in Common Shares.

The Trust is subject to significant and variable differences between its accounting income under accounting principles generally accepted in the United States ("U.S. GAAP") and its taxable income particularly as it relates to investments in CLO subordinated notes. CLO subordinated notes are subject to complex tax rules and the calculation of taxable income attributed to a CLO subordinated note investment can be dramatically different from the calculation of income for financial reporting purposes under U.S. GAAP. Taxable income is based upon the distributable share of earnings as determined under tax regulations for each CLO subordinated note investment, which may be consistent with the cash flows generated by those investments (although significant differences are possible), while accounting income is currently based upon an effective yield calculation.

Distributions can only be made to Common Shareholders after paying any accrued dividends to holders of Preferred Shares (if any).

The Trust reserves the right to change its distribution policy and the basis for establishing the rate of distributions at any time and may do so without prior notice to Common Shareholders. See "Distributions."

If you hold your Common Shares in your own name or if you hold your Common Shares with a brokerage firm that participates in the Trust's Dividend Reinvestment Plan (the "Plan"), unless you elect to receive cash, all dividends and distributions that are declared by the Trust will be automatically reinvested in additional Common Shares of the Trust pursuant to the Plan. If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those applicable under the Plan. Consult your financial advisor for more information. For information regarding how to opt out of the Plan and for additional information regarding the Plan. See "Dividend Reinvestment Plan."

ADVISER

XA Investments LLC serves as the investment adviser to the Trust and is responsible for overseeing the Trust's overall investment strategy and its implementation.

XAI was founded by the principals of XMS Capital Partners, LLC in April 2016. The XAI leadership team believes that the investing public needs better access to a broader range of alternative investment strategies and managers. XAI sponsors registered investment companies designed to provide investors with access to institutional caliber alternative investments, by partnering with established alternative asset managers selected from among numerous alternative credit managers, hedge fund managers and private debt and equity firms to sub-advise XAI funds.

Pursuant to an investment advisory agreement between the Trust and the Adviser, the Trust will pay the Adviser an investment advisory fee.

The Adviser has contractually agreed to waive the entire investment advisory fee until the earlier of (i) , 2019 (six months from the date of this Prospectus) or (ii) the occurrence of a Listing Event.

SUB-ADVISER

Octagon Credit Investors, LLC serves as the investment sub-adviser of the Trust and is responsible for investing the Trust's assets. The Sub-Adviser's experienced team of investment professionals has worked together for many years and managed funds through multiple credit cycles over Octagon's more than 24 year history. The Sub-Adviser currently manages $19.7 billion in assets under management as of June 30, 2018 across twenty-four CLOs, seven commingled funds and fifteen separately managed accounts. The Sub-Adviser provides non-discretionary investment management services for one separately managed account and one sub-advised fund.

As compensation for the services provided by the Sub-Adviser, (i) the Adviser will pay to the Sub-Adviser a sub-advisory fee out of the investment advisory fee received by the Adviser equal to a percentage of the investment advisory fee received by the Adviser, and (ii) the Trust will reimburse the Sub-Adviser for certain expenses incurred by the Sub-Adviser in connection with the provision of services to the Trust.

The Sub-Adviser has contractually agreed to waive the entire sub-advisory fee payable by the Adviser until the earlier of (i) , 2019 (six months from the date of this Prospectus) or (ii) the occurrence of a Listing Event.

Lauren M. Basmadjian, Senior Portfolio Manager of Octagon, serves as lead portfolio manager of the Trust. Ms. Basmadjian is supported by a team of Octagon investment professionals in the day-to-day management of the Trust's portfolio, including the following portfolio managers from the Octagon Investment Committee: Andrew D. Gordon, Michael B. Nechamkin, Gretchen M. Lam and Lauren B. Law. See "Management of the Trust—Portfolio Management."

INVESTOR SUPPORT SERVICES AND SECONDARY MARKET SUPPORT

The Trust has retained the Adviser to provide investor support services and secondary market support services in connection with the ongoing operation of the Trust. Such services include providing ongoing contact with respect to the Trust with financial intermediaries, communicating with the closed-end fund analyst community regarding the Trust on a regular basis, and hosting and maintaining a website for the Trust. The Trust will pay the Adviser a service fee, payable monthly in arrears, in an annual amount equal to 0.20% of the Trust's average daily Managed Assets.

The Adviser has contractually agreed to waive the entire investor support services and secondary market support services fee until the occurrence of a Listing Event.

EXPENSES

The Trust pays all costs and expenses of its operations (in addition to the investment advisory fee and investor support services and secondary market support services fee paid to XAI).

Pursuant to the investment sub-advisory agreement among the Trust, the Adviser and the Sub-Adviser, the Trust will also reimburse the Sub-Adviser for the Trust's allocable share of documented portfolio management and trading software costs, research expenses (including modeling and analytic software costs and ratings monitoring service costs), diligence expenses and out-of-pocket travel costs incurred in connection with the management of the Trust's assets. For the avoidance of doubt, in no event shall expenses associated with the general overhead of the Sub-Adviser be reimbursed by the Trust.

The Trust estimates that the organizational expenses and offering expenses of the Trust will equal approximately $429,500. Organizational expenses of the Trust will be paid by XAI and Octagon. Offering expenses of the Trust will be initially paid by XAI and Octagon and will be reimbursed by the Trust in an amount not to exceed $0.04 per Common Share sold in this offering. The Trust estimates that the offering expenses of the Trust will equal approximately $395,000. Assuming the Trust issues 5,000,000 Common Shares in the offering, the Trust will reimburse $200,000 of offering expenses and $195,000 of offering expenses will be borne by XAI and Octagon. In no event will the aggregate amount reimbursed by the Trust to XAI and Octagon exceed the aggregate amount of actual offering expenses of the Trust incurred.

See "Management of the Trust—Trust Expenses."

TAX MATTERS

The Trust intends to elect to be a regulated investment company ("RIC") under subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). See "Tax Matters."

LISTING EVENT

Following completion of this offering, the Trust intends to seek to conduct an offering through a firm commitment underwriting that would allow the Trust to meet the initial listing standards of a national securities exchange and to apply to list the Common Shares on an exchange upon the completion of that public offering. In such an offering the offering price per share, less any underwriting commission or discount, will equal or exceed the Trust's net asset value per share determined within forty-eight hours, excluding Sundays and holidays, next preceding the pricing of the offering, unless otherwise approved by a majority of the Trust's Common Shareholders. However, the Trust's net asset value will be reduced immediately following such an offering of Common Shares due to the costs of such offering borne by the Trust. The Trust's ability to conduct a successful underwritten offering will be contingent upon, among other factors, (i) success in raising proceeds in this offering, (ii) market conditions generally, (iii) market perception of and outlook for closed-end fund offerings, and (iv) identifying a syndicate of underwriters to raise sufficient proceeds to meet applicable initial listing standards and provide the Trust with capital necessary for continued viability as a listed fund. There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering, the success of any such offering or the amount of proceeds that the Trust will raise in any such offering.

There can be no assurance that a secondary market will develop for Common Shares following a Listing Event. Because shares of listed closed-end funds frequently trade at a discount to net asset value, even if investors are able to sell their Common Shares following a Listing Event, they may receive more or less than their purchase price and the then current net asset value per Common Share. This risk may be more pronounced in the period shortly following the Trust's listing. This risk is separate and distinct from the risk that the Trust's net asset value will decline. If the Common Shares are listed, whether an investor will realize gains or losses upon the sale of Common Shares will depend upon whether the market price of Common Shares at the time of sale is above or below the investor's purchase price for Common Shares. Because the market price of Common Shares would be determined by factors such as relative supply of and demand for Common Shares in the market, general market and economic conditions, and other factors beyond the control of the Trust, the Trust cannot predict whether Common Shares, if listed, will trade at, below or above net asset value or at, below or above a Common Shareholder's purchase price. See "Risks—Listing Risk."

Tender offers

If the Trust has not completed a Listing Event within six months after the Initial Closing Date, the Trust intends to conduct quarterly tender offers for up to 5% of the Common Shares then outstanding in the sole discretion of the Board of Trustees in order to provide a limited degree of interim liquidity prior to the occurrence of a Listing Event. In a tender offer, the Trust will offer to repurchase outstanding Common Shares at the Trust's net asset value per share or a percentage of the Trust's net asset value per share on the expiration date of the tender offer. The Trust, however, is not obligated to conduct such tender offers and there may be periods during which no tender offer is made. For example, if adverse market conditions cause the Trust's investments to become illiquid or trade at depressed prices or if the Adviser believes that conducting a tender offer for 5% or less of the Common Shares then outstanding would impose an undue burden on Common Shareholders who do not tender compared to the benefits of giving Common Shareholders the opportunity to sell all or a portion of their Common Shares at net asset value, the Trust may choose not to conduct a tender offer or may choose to conduct a tender offer for less than 5% of the Common Shares then outstanding and there may be periods during which no tender offer is made. If a tender offer is not made, Common Shareholders may not be able to sell their Common Shares as it is unlikely that a secondary market for Common Shares will develop prior to a Listing Event. Common Shareholders have no right to require the Trust to redeem their Common Shares. The Trust does not intend to conduct tender offers after the occurrence of a Listing Event. See "Risks—Tender Offer Risks."

Alternative Liquidity Event

If the Trust has not completed a Listing Event prior to , 2020, the Trust will seek to conduct an Alternative Liquidity Event by , 2021, which may consist of (a) a merger or other reorganization transaction in which Common Shareholders receive cash and/or shares of a closed-end fund or other public company whose shares are listed on a national securities exchange, (b) a tender offer to repurchase 100% of the Trust's outstanding Common Shares at a price equal to the then current net asset value per share, or (c) adoption of a plan of liquidation providing for the termination and liquidation of the Trust. The determination as to how the Alternative Liquidity Event will be structured will be made in the sole discretion of the Board of Trustees based on market conditions at such time and all other factors deemed relevant by the Board of Trustees in consultation with the Adviser and the Sub-Adviser. Expenses associated with any Alternative Liquidity Event would be borne by Common Shareholders. The Trust does not intend to conduct an Alternative Liquidity Event after the occurrence of a Listing Event. See "Risks—Alternative Liquidity Event Risks."

Restricted period

The Trust's By-Laws provide that each person who becomes a beneficial owner of Common Shares prior to the listing of the Common Shares on a national securities exchange shall not, directly or indirectly, during the 60 day period beginning upon the listing of the Common Shares on a national securities exchange, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Common Shares acquired in this offering without the prior written consent of the Trust. Such provisions apply to all investors in this offering and will have the effect of delaying liquidity for Common Shares purchased in this offering by 60 days following a Listing Event. By purchasing Common Shares in this offering, each investor in this offering shall be deemed to have notice of and consented to the applicable provisions of the Trust's By-Laws. In addition, in connection with an underwritten offering, the underwriters may require certain investors in this offering to execute "lock-up" agreements, pursuant to which such investors will agree with the underwriters not to offer, pledge, sell, contract to sell or otherwise dispose of or agree to sell or otherwise dispose of, directly or indirectly or hedge any Common Shares for a specified period following the completion of the underwritten offering, without the prior written consent of the underwriters. The terms of any such lock-up agreement may be more restrictive and apply for a longer period of time than the restricted period set forth in the Trust's By-Laws.

SPECIAL RISK CONSIDERATIONS

Investment in the Trust involves special risk considerations, which are summarized below. The Trust is designed as a long-term investment and not as a trading vehicle. The Trust is not intended to be a complete investment program. The Trust's performance and the value of its investments will vary in response to changes in interest rates, inflation and other market factors. See "Risks" for a more complete discussion of the special risk considerations associated with an investment in the Trust.

No prior history

The Trust is a newly-organized, non-diversified, closed-end management investment company with no history of operations. As a result, prospective investors have no track record or operational history upon which to base their investment decision.

Liquidity risk

The Trust is designed for long-term investors and not as a trading vehicle. Prior to the occurrence of a Listing Event, an investment in Common Shares, unlike an investment in a listed closed-end fund, should be considered illiquid. Common Shares are appropriate only for investors who are seeking an investment in less liquid portfolio investments within an illiquid fund. An investment in Common Shares is not suitable for investors who need access to the money they invest. Unlike open-end funds (commonly known as mutual funds), which generally permit redemptions on a daily basis, Common Shares will not be redeemable at an investor's option.

Investment and market risk

An investment in Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the securities owned by the Trust. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of distributions. A prospective investor should invest in Common Shares only if the investor can sustain a complete loss in its investment.

Non-diversification risk

The Trust classified as "non-diversified" under the 1940 Act. As a result, the Trust can invest a greater portion of our assets in obligations of a single issuer than a "diversified" fund. The Trust may therefore be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. In particular, because the Trust's portfolio of investments may lack diversification among CLO securities and related investments, the Trust is susceptible to a risk of significant loss if one or more of these CLO securities and related investments experience a high level of defaults on the collateral that they hold.

CLO risk

CLOs often involve risks that are different from or more acute than risks associated with other types of credit instruments, including: (1) the possibility that distributions from collateral assets will not be adequate to make interest or other payments; (2) the quality of the collateral may decline in value or default; (3) investments in CLO junior debt and subordinated (i.e., residual or equity) securities will likely be subordinate in right of payment to other senior classes of CLO debt; and (4) the complex structure of a particular security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

Generally, there may be less information available to the Trust regarding the underlying investments held by CLOs than if the Trust had invested directly in credit securities of the underlying issuers. Trust shareholders will not know the details of the underlying investments of the CLOs in which the Trust invests. Due to their often complicated structures, various CLOs may be difficult to value and may constitute illiquid investments.

In addition, there can be no assurance that a liquid market will exist in any CLO when the Trust seeks to sell its interest therein. Moreover, the value of CLOs may decrease if the ratings agencies reviewing such securities revise their ratings criteria and, as a result, lower their original rating of a CLO in which the Trust has invested. Further, the complex structure of the security may produce unexpected investment results. Also, it is possible that the Trust's investment in a CLO will be subject to certain contractual limitations on transfer.

The Trust expects to invest in CLO securities issued by CLOs that principally hold Senior Loans As a result, as an investor in such CLOs, the Trust is subject to the risk of default on the Senior Loans by the borrowers. Recently, interest rates have been at or near historically low levels. Increases in interest rates may adversely impact the ability of borrowers to meet interest payment obligations on Senior Loans held by a CLO and increase the likelihood of default. Although a CLO's holdings are typically diversified by industry and borrower, an increase in interest rates coupled with a general economic downturn may result in an increase in defaults on Senior Loans across various sectors of the economy. See "Risks—Senior Loan Risk" for a discussion of risks related to Senior Loans.

The market value of CLO securities may be affected by, among other things, changes in the market value of the underlying assets held by the CLOs, changes in the distributions on the underlying assets, defaults and recoveries on the underlying assets, capital gains and losses on the underlying assets, prepayments on underlying assets and the availability, prices and interest rate of underlying assets. Therefore, changes in the market value of the Trust's CLO investments could be greater than the change in the market value of the underlying instruments. Increases in interest rates may adversely impact the ability of borrowers to meet interest payment obligations on underlying instruments held by a CLO, which may adversely impact the value of CLO securities held by the Trust.

The Trust may invest in CLO debt and subordinated (i.e., residual or equity) securities. While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities that are rated below investment grade. CLO subordinated notes are generally not rated. Below investment grade and unrated instruments are often referred to as "junk" bonds and are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal. See "Risks—Below Investment Grade Securities Risk."

Restructuring of Investments Held by CLOs. The manager of a CLO has broad authority to direct and supervise the investment and reinvestment of the investments held by the CLO, which may include the execution of amendments, waivers, modifications and other changes to the investment documentation in accordance with the collateral management agreement. During periods of economic uncertainty and recession, the incidence of amendments, waivers, modifications and restructurings of investments may increase. Such amendments, waivers, modifications and other restructurings will change the terms of the investments and in some cases may result in the CLO holding assets not meeting the CLO's criteria for investments. This could adversely impact the coverage tests under an indenture governing the notes issued by the CLO. If as a result of any such restructurings, the Sub-Adviser determines that continuing to hold instruments issued by such CLO is no longer in the best interest of the Trust, the Sub-Adviser may dispose of such CLO instruments. In certain instances, the Trust may be unable to dispose of such investments at advantageous prices and/or may be required to reinvest the proceeds of such disposition in lower-yielding investments.

CLO Management Risk. The activities of any CLO in which the Trust may invest will generally be directed by a collateral manager. In the Trust's capacity as holder of CLO securities, the Trust is generally not able to make decisions with respect to the management, disposition or other realization of any investment, or other decisions regarding the business and affairs, of that CLO. The Trust will be reliant upon the Sub-Adviser's ability to obtain and evaluate the terms of the CLOs in which the Trust invests, the terms of and creditworthiness of the borrowers with respect to the underlying assets held by those CLOs and information about the collateral managers of the CLOs.

CLO Interest Rate Risk. Although senior secured loans are generally floating rate instruments, the Trust's investments in senior secured loans through CLOs are sensitive to interest rate levels and volatility. Because CLOs generally issue debt on a floating rate basis, an increase in the London-Interbank Offered Rate ("LIBOR") will increase the financing costs of CLOs. Many of the senior secured loans held by these CLOs have LIBOR floors such that, when LIBOR is below the stated LIBOR floor, the stated LIBOR floor (rather than LIBOR itself) is used to determine the interest payable under the loans. Therefore, if LIBOR increases but stays below the average LIBOR floor rate of the senior secured loans held by a CLO, there would not be a corresponding increase in the investment income of such CLOs.

See "Risks—CLO Risks."

CLO subordinated notes risk

The Trust will invest in CLO subordinated (i.e., residual or equity) notes, which are junior in priority of payment and are subject to certain payment restrictions generally set forth in an indenture governing the notes. In addition, CLO subordinated notes generally do not benefit from any creditors' rights or ability to exercise remedies under the indenture governing the notes. The subordinated notes are not guaranteed by another party. Subordinated notes are subject to greater risk that the senior notes issued by the CLO. CLOs are typically highly levered, utilizing up to approximately ten times leverage, and therefore subordinated notes are subject to a higher risk of total loss. There can be no assurance that distributions on the assets held by the CLO will be sufficient to make any distributions or that the yield on the subordinated notes will meet the Trust's expectations.

CLOs generally may make payments on subordinated notes only to the extent permitted by the payment priority provisions of an indenture governing the notes issued by the CLO. CLO indentures generally provide that principal payments on subordinated notes may not be made on any payment date unless all amounts owing under secured notes are paid in full. In addition, if a CLO does not meet the asset coverage tests or the interest coverage test set forth in the indenture governing the notes issued by the CLO, cash would be diverted from the subordinated notes to first pay the secured notes in amounts sufficient to cause such tests to be satisfied.

The subordinated notes are unsecured and rank behind all of the secured creditors, known or unknown, of the issuer, including the holders of the secured notes it has issued. Relatively small numbers of defaults of instruments underlying CLOs in which the Trust holds subordinated notes may adversely impact the Trust's returns. The leveraged nature of subordinated notes is likely to magnify the adverse impact on the subordinated notes of changes in the market value of the investments held by the issuer, changes in the distributions on those investments, defaults and recoveries on those investments, capital gains and losses on those investments, prepayments on those investments and availability, prices and interest rates of those investments.

CLO subordinated notes do not have a fixed coupon and payments on CLO subordinated notes will be based on the income received from the underlying collateral and the payments made to the secured notes, both of which may be based on floating rates. While the payments on CLO subordinated notes will be variable, CLO subordinated notes may not offer the same level of protection against changes in interest rates as other floating rate instruments. An increase in interest rates would materially increase the financing costs of CLOs. Since underlying instruments held by a CLO may have LIBOR floors, there may not be corresponding increases in investment income to the CLO (if LIBOR increases but stays below the LIBOR floor rate of such instruments) resulting in smaller distribution payments on CLO subordinated notes.

Subordinated notes are illiquid investments and subject to extensive transfer restrictions, and no party is under any obligation to make a market for subordinated notes. At times, there may be no market for subordinated notes, and the Trust may not be able to sell or otherwise transfer subordinated notes at their fair value, or at all, in the event that it determines to sell them.

CLO Subordinated Notes Tax Risk. Investments in CLO subordinated notes may have complicated accounting and tax implications.

See "Risks—CLO Subordinated Notes Risk."

Below investment grade securities risk
The Trust intends to invest primarily in below investment grade or unrated instruments, which are commonly referred to as "junk" bonds. Investment in securities of below investment grade quality involves substantial risk of loss. Securities of below investment grade quality are considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default or decline in market value due to adverse economic and issuer-specific developments. Issuers of below investment grade securities are not perceived to be as strong financially as those with higher credit ratings. These issuers face ongoing uncertainties and exposure to adverse business, financial or economic conditions and are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments. Securities of below investment grade quality display increased price sensitivity to changing interest rates and to a deteriorating economic environment. The market values of certain below investment grade securities tend to reflect individual issuer developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates. The market values for securities of below investment grade quality tend to be more volatile and such securities tend to be less liquid than investment grade debt securities, which could result in the Trust being unable to sell such securities for an extended period of time, if at all. To the extent that a secondary market does exist for certain below investment grade securities, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Because of the substantial risks associated with investments in below investment grade securities, you could have an increased risk of losing money on your investment in Common Shares, both in the short-term and the long-term. To the extent that the Trust invests in below investment grade securities that are unrated, the Trust's ability to achieve its investment objectives will be more dependent on the Sub-Adviser's credit analysis than would be the case when the Trust invests in rated securities. See "Risks—Below Investment Grade Securities Risk."

Structured credit instruments risk
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. See "Risks—Structured Credit Investments Risk."

Senior Loan risk
Senior Loans are typically made to U.S. and, to a lesser extent, large non-U.S. corporations, partnerships, limited liability companies and other business entities ("Borrowers"), which are U.S. and, to a lesser extent, large non-U.S. corporations, partnerships, limited liability companies and other business entities, which operate in various industries and geographical regions. Senior Loans are generally of below investment grade credit quality and therefore are subject to greater risks than investment grade corporate obligations. Senior Loans rated below investment grade are sometimes referred to as "leveraged loans." The prices of these investments may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, U.S. and non-U.S. economic or political events, developments or trends in any particular industry, and the financial condition of certain Borrowers. Recently, interest rates have been at or near historically low levels. Increases in interest rates may adversely impact the ability of Borrowers to meet interest payment obligations and/or refinance their outstanding Senior Loans on attractive terms, which may adversely impact Borrowers and increase defaults on Senior Loans. The terms and covenants of Senior Loans may vary, and market expectations for such terms and covenants may change over time. More permissive covenants, with respect to the financial condition, operations and use of collateral by Borrowers, may provide Borrowers with additional flexibility, which may reduce the likelihood of default, but may also reduce the extent to which the holders of Senior Loans can recover in the event of a default. In the event of an economic downturn, recoveries upon default of Senior Loans may be less than in past market cycles. See "Risks—Senior Loan Risk."

Second lien loans risk
Second lien loans are secured by liens on the collateral securing the loan that are subordinated to the liens of at least one other class of obligations of the related obligor, and thus, the ability of the Trust to exercise

remedies after a second lien loan becomes a defaulted loan is subordinated to, and limited by, the rights of the senior creditors holding such other classes of obligations. In many circumstances, the Trust may be prevented from foreclosing on the collateral securing a second lien loan until the related senior loan is paid in full. See "Risks—Second Lien Loan Risks."

Unsecured loan risk
Unsecured loans do not benefit from any security interest in the assets of the Borrower. Liens on such Borrowers' assets, if any, will secure the applicable Borrower's obligations under its outstanding secured indebtedness and may secure certain future indebtedness that is permitted to be incurred by the Borrower under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before repayment of unsecured instruments held by the Trust. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy the Trust's unsecured obligations after payment in full of all secured loan obligations of the Borrower. If such proceeds were not sufficient to repay the Borrower's outstanding secured loan obligations, then the Trust's unsecured claims against the Borrower would rank equally with the unpaid portion of such secured creditors' claims against the Borrower's remaining assets, if any. As a result, the prices of unsecured loans may be more volatile than those of Senior Loans, second lien and other secured loans and other investments held by the Trust.

Loan participation and assignment risk
The Trust may purchase Senior Loans, second lien loans and unsecured loans on a direct assignment basis from a participant in the original syndicate of lenders or from subsequent assignees of such interests. The Trust may also purchase participations in Senior Loans, second lien loans and unsecured loans. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser's rights can be more restricted than those of the assigning institution, and, in any event, the Trust may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the Borrower. In purchasing participations, the Trust generally will have no right to enforce compliance by the Borrower with the terms of the loan agreement against the Borrower, and the Trust may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Trust will be exposed to the credit risk of both the Borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, the Trust may not be able to conduct the same due diligence on the Borrower with respect to a loan hat the Trust would otherwise conduct. In addition, as a holder of the participations, the Trust may not have voting rights or inspection rights that the Trust would otherwise have if it were investing directly in the loan, which may result in the Trust being exposed to greater credit or fraud risk with respect to the Borrower. Investments in bank loans may not be securities as defined within the Securities Act and therefore may not have the protections afforded by the federal securities laws.

Illiquid investments risk
The Trust expects to invest in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments that are subject to Rule 144A). There may be no trading market for these securities and instruments, and the Trust might only be able to liquidate these positions, if at all, at disadvantageous prices. See "Risks—Illiquid Investments Risk."

Leverage risk
The Trust currently anticipates utilizing leverage to seek to enhance income. There can be no assurance that the Adviser's and the Sub-Adviser's expectations will be realized or that a leveraging strategy will be successful in any particular time period. Use of leverage creates an opportunity for increased income but, at the same time, creates special risks. Leverage is a speculative technique that exposes the Trust to greater risk and increased costs than if it were not implemented.

The use of leverage by the Trust will cause the net asset value of Common Shares to fluctuate significantly in response to changes in interest rates and other economic indicators. As a result, the net asset value, market price and dividend rate of Common Shares is likely to be more volatile than those of a closed-end management investment company that is not exposed to leverage. The use of leverage may result in a greater decline in the net asset value and market price of Common Shares than if the Trust were not leveraged.

Leverage will increase operating costs, which may reduce total return. The Trust will have to pay dividends on its Preferred Shares or interest on its Indebtedness, which may reduce the Trust's return. This dividend or interest expense may be greater than the Trust's return on the underlying investment, which would negatively affect the performance of the Trust. Increases in dividends that the Trust must pay on its Preferred Shares or interest rates that the Trust must pay on its Indebtedness will increase the cost of leverage and may reduce the return to Common Shareholders. This risk may be greater in the current market environment because interest rates are near historically low levels.

To the extent the Trust issues Preferred Shares, the Trust will pay (and Common Shareholders will bear) any costs and expenses relating to the issuance and ongoing maintenance of such Preferred Shares. Preferred Shares would have a senior claim on the distribution of the Trust's assets over Common Shares. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Trust, the holders of any Preferred Shares will be entitled to receive a preferential liquidating distribution, which is expected to equal the purchase price per Preferred Share plus accrued and unpaid dividends, whether or not declared, before any distribution of assets is made to Common Shareholders. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Trust.

The Trust may be subject to asset coverage and portfolio composition requirements under the terms of a credit agreement or an indenture relating to certain types of Indebtedness or the terms of certain types of Preferred Shares. Certain Preferred Shares or Indebtedness issued by the Trust also may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for such Preferred Shares or Indebtedness. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act.

During the time in which the Trust is utilizing leverage, the amount of the fees paid to the Adviser, and thereby to the Sub-Adviser, for investment advisory services will be higher than if the Trust did not utilize leverage because the fees paid will be calculated based on the Trust's Managed Assets, including proceeds of leverage (including leverage through Preferred Shares, Indebtedness or reverse repurchase agreements). This may create a conflict of interest between the Adviser and the Sub-Adviser on the one hand and the Common Shareholders.

See "Risks—Leverage Risk."

Other investment companies risk

Investments in other investment companies present certain special considerations and risks not present in making direct investments in securities in which the Trust may invest. Investments in other investment companies involve operating expenses and fees that are in addition to the expenses and fees borne by the Trust. Such expenses and fees attributable to the Trust's investments in other investment companies are borne indirectly by Common Shareholders. Accordingly, investment in such entities involves expense and fee layering. See "Risks—Other Investment Companies Risk."

Exchange-traded fund risk

For ETFs tracking an index of securities, the cumulative percentage increase or decrease in the net asset value of the shares of an ETF may over time diverge significantly from the cumulative percentage increase or decrease in the relevant index due to the compounding effect experienced by an ETF which results from a number of factors, including, leverage (if applicable), daily rebalancing, fees, expenses and interest income, which in turn results in greater non-correlation between the return of an ETF and its corresponding index. See "Risks—Exchange-Traded Fund Risk."

Interest rate risk
Interest rate risk is the risk that credit securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of fixed income credit securities generally will fall. **These risks may be greater in the current market environment because interest rates are near historically low levels.** Prevailing interest rates may be adversely impacted by market and economic factors. If interest rates rise the markets may experience increased volatility, which may adversely affect the value and/or liquidity of certain of the Trust's investments. The prices of longer-term securities fluctuate more than prices of shorter-term securities as interest rates change. The Trust's use of leverage will tend to increase the interest rate risk to which its Common Shares are subject. The Trust invests primarily in variable and floating rate instruments, which generally are less sensitive to interest rate changes than fixed rate instruments, but generally will not increase in value if interest rates decline.

Prepayment risk
The assets underlying the CLO securities in which the Trust invests are subject to prepayment by the underlying borrowers. In addition, the CLO securities in which the Trust invests are subject to prepayment risk. If the Trust or a CLO collateral manager is unable to reinvest prepaid amounts in a new investment with an expected rate of return at least equal to that of the investment repaid, the Trust's investment performance may be adversely impacted. The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. The adverse effects of prepayments may impact the Trust's portfolio in several ways. During periods of declining interest rates, when the issuer of a security exercises its option to prepay principal earlier than scheduled, the Trust may be required to reinvest the proceeds of such prepayment in lower-yielding securities. Particular investments may experience outright losses, as in the case of an interest-only security in an environment of faster actual or anticipated prepayments. See "Risks—Prepayment Risk."

Inflation/deflation risk
Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of Common Shares and distributions can decline. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Trust's portfolio. See "Risks—Inflation/Deflation Risk."

Credit risk
Credit risk is the risk that an issuer of securities in which the Trust invests or an asset underlying a CLO in which the Trust invests will be unable to pay principal and interest when due, or that the value of the security will suffer because investors believe the issuer is less able to pay. See "Risks—Credit Risk."

Non-U.S. investments risk
The risk of loss associated with investments in securities of foreign issuers include currency exchange risks, expropriation, or limits on repatriating an investment, government intervention, confiscatory taxation, political, economic or social instability, illiquidity, less efficient markets, price volatility and market manipulation. See "Risks—Non-U.S. Securities Risk."

Listing risk
There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering that will result in a Listing Event. There can be no assurance that a secondary market will develop for Common Shares following a Listing Event. Because shares of listed closed-end funds frequently trade at a discount to net asset value, even if investors are able to sell their Common Shares, they may receive more or less than their purchase price and the then current net asset value per Common Share. This risk may be more pronounced in the period shortly following the Trust's listing. This risk is separate and distinct from the risk that the Trust's net asset value will decline. If the Common Shares are listed, whether an investor will realize gains or losses upon the sale of Common Shares will depend upon whether the market price of Common

Shares at the time of sale is above or below the investor's purchase price for Common Shares. Because the market price of Common Shares will be determined by factors such as net asset value, dividend and distribution levels (which are dependent, in part, on expenses), supply of and demand for Common Shares, stability of dividends or distributions, trading volume of Common Shares, general market and economic conditions and other factors beyond the control of the Trust, the Trust cannot predict whether Common Shares will trade at, below or above net asset value. Because investors in this offering will be subject to restrictions on sales of Common Shares following the listing pursuant to the Trust's By-Laws and any "lock up" agreements entered into with the Trust's underwriters, investors will be unable to sell their Common Shares for a period of time even if the market price and/or NAV of the Common Shares declines following the listing. See "Risks—Listing Risk."

Underwritten offering risk
In an underwritten offering prior to a Listing Event, the offering price per share, less any underwriting commission or discount, will equal or exceed the Trust's net asset value per share determined within forty-eight hours, excluding Sundays and holidays, next preceding the pricing of the offering, unless otherwise approved by a majority of the Trust's Common Shareholders. The voting power of current Common Shareholders will be diluted to the extent that current Common Shareholders do not purchase Common Shares in any future offerings of Common Shares or do not purchase sufficient Common Shares to maintain their percentage interest. If the Trust is unable to invest the proceeds of such offering as intended, the Trust's per Common Share earnings may decrease and the Trust may not participate in market advances to the same extent as if such proceeds were fully invested as planned. The Trust's net asset value will be reduced immediately following such an offering of Common Shares due to the costs of such offering borne by the Trust. Were the expenses of the offering to exceed the amount by which the offering price, less any underwriting commission or discount, exceeded the Trust's then current net asset value per Common Share, shareholders would experience a dilution of the aggregate net asset value per Common Share. This dilution will be experienced by all shareholders, irrespective of whether they purchase Common Shares in any such offering. As a condition of the offering, the underwriters may require certain Common Shareholders to enter into "lock-up" agreements. There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering, the success of any such offering or the amount of proceeds that the Trust will raise in any such offering. See "Risks—Underwritten Offering Risk."

Tender offer risk
If the Trust has not completed a Listing Event within six months after the Initial Closing Date, the Trust intends to conduct quarterly tender offers to provide a limited degree of interim liquidity prior to the occurrence of a Listing Event. The Trust currently anticipates limiting the number of Common Shares purchased in each quarterly tender offer to a maximum of approximately 5% of the Trust's then outstanding Common Shares, though the actual number of Common Shares that the Trust offers to repurchase may be less. The acquisition of Common Shares by the Trust will decrease the total assets of the Trust. Tender offers are, therefore, likely to increase the Trust's expense ratio, may result in untimely sales of portfolio securities by the Trust and/or limit the Trust's ability to participate in new investment opportunities. The Trust may be required to sell its more liquid, higher quality portfolio securities to purchase Common Shares that are tendered, which may increase risks for remaining Common Shareholders and increase Trust expenses. The Trust has no obligation to conduct tender offers for Common Shares at any time, and tender offers will only be made at such times, in such amounts and on such terms as may be determined by the Board of Trustees in its sole discretion. See "Risks—Tender Offers Risk."

Alternative Liquidity Event risk
The Trust's investment objectives and policies are not designed to seek to return to investors that purchase Common Shares in this offering their initial investment upon an Alternative Liquidity Event, and such investors may receive more or less than their original investment upon an Alternative Liquidity Event. The determination as to how the Alternative Liquidity Event will be structured will be made in the sole discretion of the Board of Trustees based on market conditions at such time and all other factors deemed relevant by the Board of Trustees in consultation with the Adviser and the Sub-Adviser. Expenses associated with any Alternative Liquidity Event would be borne by Common Shareholders.

There can be no assurance that an attractive counterparty will be identified for an Alternative Liquidity Event involving a reorganization transaction, or that such a transaction can be completed on attractive terms. Any reorganization transaction may be subject to approval of shareholders of the Trust and/or the counterparty to the transaction. The Trust will incur expenses in connection with an Alternative Liquidity Event involving a reorganization transaction, which will be borne by Common Shareholders.

If an Alternative Liquidity Event consists of a tender offer for 100% of the Trust's outstanding Common Shares, the disposition of portfolio investments by the Trust to fund the tender offer could cause market prices of such instruments, and hence the net asset value of Common Shares, to decline. In addition, disposition of portfolio investments will cause the Trust to incur increased brokerage and related transaction expenses. The Trust may receive proceeds from the disposition of portfolio investments that are less than the valuations of such investments by the Trust. The Trust's purchase of tendered Common Shares pursuant to a tender offer will have tax consequences for tendering shareholders and may have tax consequences for non-tendering shareholders. The purchase of Common Shares by the Trust pursuant to a tender offer will have the effect of increasing the proportionate interest in the Trust of non-tendering shareholders. All shareholders remaining after a tender offer will be subject to proportionately higher expenses due to the reduction in the Trust's total assets resulting from payment for the tendered Common Shares. Such reduction in the Trust's total assets may also result in less investment flexibility, reduced diversification and greater volatility for the Trust, and may have an adverse effect on the Trust's investment performance. There can be no assurance as to the continued viability of the Trust following completion of the tender offer.

Because the assets of the Trust will be liquidated in connection with a termination of the trust, the Trust will incur transaction costs in connection with dispositions of portfolio securities. The Trust may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Trust to lose money. In a liquidation, the Trust may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause fixed expenses to increase when expressed as a percentage of assets under management.

See "Risks—Alternative Liquidity Event Risks."

Valuation risk
Because the secondary markets for certain investments may be limited, they may be difficult to value. Generally, there is not a public market for the CLO securities in which the Trust invests. Where market quotations are not readily available or deemed unreliable, the Trust will value such securities in accordance with fair value procedures adopted by the Board of Trustees. Valuations of some or all of the Trust's investments may require input from the Sub-Adviser and third parties. Valuations requiring input from the Sub-Adviser or third parties may be based on subjective inputs of the Sub-Adviser or such third parties. Valuation of such securities may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases than for investments with a more active secondary market because there is less reliable objective data available. In some cases, valuation of certain investments may be based upon models, indicative quotes or estimates of value and not actual executed historical trades. Reasonable efforts will be made to base such inputs on observable market prices and inputs but there can be no assurances that such information will be readily available. A security that is fair valued may be valued at a price higher or lower than the value determined by other funds using their own fair valuation procedures. Prices obtained by the Trust upon the sale of such securities may not equal the value at which the Trust carried the investment on its books, which would adversely affect the net asset value of the Trust. The Trust may incur costs in connection with valuing its investments, including costs associated with the retention of valuation firms to value certain of the Trust's investments.

Additional risks
For additional risks relating to investments in the Trust, including "Management Risk," "Competition Risk," "Conflicts of Interest Risks," "Confidential Information Risk" "Tax Risk," "Portfolio Turnover Risk," "Reliance on Service Providers," "Technology Risk" "Recent Market Developments Risk," "Market Disruption and Geopolitical Risk," "UK Departure from EU Risk," "Eurozone Risk," "Legislation and Regulation Risk," "LIBOR Risk" and "Large Investors Risk" please see "Risks" beginning on page 35 of this prospectus.

ANTI-TAKEOVER PROVISIONS IN THE TRUST'S GOVERNING DOCUMENTS

The Trust's Certificate of Trust, Agreement and Declaration of Trust (the "Declaration of Trust") and By-Laws (collectively, the "Governing Documents") include provisions that could limit the ability of other entities or persons to acquire control of the Trust or convert the Trust to an open-end fund. See "Anti-Takeover Provisions in the Trust's Governing Documents" and "Risks—Anti-Takeover Provisions in the Trust's Governing Documents Risk."

CUSTODIAN, TRANSFER AGENT, AND ADMINISTRATOR

U.S. Bank N.A. ("U.S. Bank") serves as the custodian of the Trust's assets pursuant to a custody agreement. Under the custody agreement, the custodian is required to hold the Trust's assets in compliance with the 1940 Act. For its services, the custodian will receive a monthly fee based upon, among other things, the average value of the total assets of the Trust, plus certain charges for securities transactions.

DST Systems, Inc. ("DST Systems") serves as the Trust's dividend disbursing agent, agent under the Trust's Plan (the "Plan Agent"), transfer agent and registrar with respect to Common Shares of the Trust.

ALPS Fund Services Inc. ("ALPS Fund Services") serves as the administrator of the Trust. Pursuant to an administration, bookkeeping and pricing services agreement, the administrator provides certain administrative services to the Trust.

Summary of Trust expenses

This table describes the fees and expenses of the Trust that you will incur, directly or indirectly, if you buy and hold Common Shares. Because the Trust has no operating history, many of these expenses are estimates. The expenses shown in the table are based on estimated amounts for the Trust's first year of operations and assume that the Trust issues approximately 5,000,000 Common Shares. The Trust's actual expenses may vary from the estimated expenses shown in the table, and may increase as a percentage of net assets attributable to Common Shares if the Trust issues less than 5,000,000 Common Shares. See "Management of the Trust."

Common Shareholder Transaction Expenses	
Sales load paid by Common Shareholders (as a percentage of offering price)	None
Offering expenses borne by the Trust (as a percentage of offering price)	0.40%[1]
Dividend Reinvestment Plan fees[2]	None

	As a Percentage of Net Assets Attributable to Common Shares[10]
Annual Expenses	
Advisory fee[3][8]	3.00%
Fees on Preferred Shares[4]	3.50%
Other expenses	
Investor Support and Secondary Market Support Services Fee[5][9]	0.31%
Other[6][7]	2.35%
Total annual expenses[8][9]	9.16%

(1) Based on the initial offering price of $10.00 per Common Share. The Trust estimates that the organizational expenses and offering expenses of the Trust will equal approximately $429,500. Organizational expenses of the Trust will be paid by XAI and Octagon. Offering expenses of the Trust will be initially paid by XAI and Octagon and will be reimbursed by the Trust in an amount not to exceed $0.04 per Common Share sold in this offering. The Trust estimates that the offering expenses of the Trust will equal approximately $395,000 Assuming the Trust issues 5,000,000 Common Shares in the offering, the Trust will reimburse $200,000 of offering expenses and $195,000 of offering expenses will be borne by XAI and Octagon.

(2) Following a Listing Event, Common Shareholders will incur brokerage charges if they direct DST Systems, as Plan Agent for the Common Shareholders, to sell their Common Shares held in a dividend reinvestment account.

(3) The Trust will pay the Adviser an annual management fee, payable monthly in arrears, in an amount equal to 1.95% of the Trust's average daily Managed Assets. Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of leverage, which means that Common Shareholders effectively bear the entire management fee. The contractual management fee rate of 1.95% of the Trust's Managed Assets represents an effective management fee rate of 3.00% of net assets attributable to Common Shares, assuming leverage of 35% of the Trust's Managed Assets (including the proceeds of leverage). The Adviser will pay to the Sub-Adviser a sub-advisory fee out of the management fee received by the Adviser.

(4) "Fees on Preferred Shares" assumes an annual dividend rate of 6.375% on approximately $27 million of Preferred Shares, and includes amortization of offering costs.

(5) The Trust has retained the Adviser to provide investor support services and secondary market support services in connection with the ongoing operation of the Trust. The Trust will pay the Adviser a service fee, payable monthly in arrears, in an annual amount equal to 0.20% of the Trust's average daily Managed Assets. The investor support services and secondary market support services agreement will have an initial term of two years and will remain in effect from year to year thereafter if approved annually by the Board of Trustees.

(6) Expenses attributable to the Trust's investments, if any, in other investment companies, including closed-end funds and ETFs, are currently estimated not to exceed 0.01% of net assets attributable to Common Shares.

(7) The "Other expenses" shown in the table and related footnotes include operating expenses of the Trust and are based on estimated amounts for the Trust's first year of operations and may be greater or less than the estimates shown in the table and accompanying footnotes.

(8) The Adviser has contractually agreed to waive the entire advisory fee until the earlier of (i)   , 2019 (six months from the date of this Prospectus) or (ii) the occurrence of a Listing Event.

(9) XAI has contractually agreed to waive the entire investor support and secondary market support services fee until the occurrence of a Listing Event.

(10) The table presented in this footnote estimates what the Trust's annual expenses would be, stated as percentages of the Trust's net assets attributable to Common Shares, and assumes the Trust is the same size as the table above but, unlike the table above, assumes that the Trust does not utilize any form of leverage. In accordance with these assumptions, the Trust's expenses would be estimated as follows:

	Percentage of Net Assets Attributable to Common Shares (assumes no leverage is used)
Annual Expenses	
Base management fees(3)(8)	1.95%
Interest payments on borrowed funds(4)	None
Other expenses	
Investor Support and Secondary Market Support Services Fee(5)(9)	0.20%
Other(6)(7)	1.53%
Total annual expenses(8)(9)	3.68%

EXAMPLE

The following example illustrates the expenses (including estimated offering expenses of $4.00) that you would pay on a $1,000 investment in Common Shares, assuming (1) total annual expenses of 9.16% of net assets attributable to Common Shares* and (2) a 5% annual return. The example assumes that the estimated Total Annual Expenses set forth in the Annual Expenses table are accurate and that all dividends and distributions are reinvested at net asset value per Common Share. Actual expenses may be greater or less than those assumed. Moreover, the Trust's actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

1 Year	3 Years	5 Years	10 Years
$93	$261	$415	$747

The Example should not be considered a representation of future expenses or returns. Actual expenses may be higher or lower than those assumed. Moreover, the Trust's actual rate of return may be higher or lower than the hypothetical 5% return shown in the example.

(*) Based on the assumptions noted above but without the use of leverage, assuming (i) total annual expenses of 3.68% of net assets attributable to Common Shares and (ii) a 5% annual return, you would pay the following expenses on a $1,000 investment in Common Shares:

1 Year	3 Years	5 Years	10 Years
$41	$116	$193	$396

The Trust

XAI Octagon Credit Trust is a newly-organized, non-diversified, closed-end management investment company registered under the 1940 Act. The Trust was organized as a statutory trust on July 9, 2018, pursuant to a Certificate of Trust, and is governed by the laws of the State of Delaware. As a newly-organized entity, the Trust has no operating history. The Trust's principal office is located at 321 North Clark Street, Suite 2430, Chicago, Illinois 60654, and its telephone number is (888) 903-3358.

XA Investments LLC serves as the Trust's investment adviser and is responsible for the management of the Trust. Octagon Credit Investors, LLC serves as the Trust's investment sub-adviser and is responsible for the management of the Trust's portfolio of securities.

Use of proceeds

The Trust expects that following receipt of the net proceeds from the sale of Common Shares by the Trust, the Trust will invest such proceeds in accordance with the Trust's investment objectives and strategies and consistent with market conditions and the availability of suitable investments. The Trust expects to be able to invest the net proceeds within three months after the receipt of such proceeds. While the Trust expects to invest proceeds in accordance with its investment policies within three months, the Trust may initially invest a greater percentage of such proceeds in CLO debt securities and allocate to CLO subordinated notes over time, as a result of more limited liquidity in the market for CLO subordinated notes. Depending on the Sub-Adviser's assessment of market conditions, the Trust's investment focus may vary from time to time between CLO debt securities and CLO subordinated notes. However, the Trust may not achieve the Sub-Adviser's desired allocation to CLO subordinated notes until after the completion of a Listing Event.

Pending the full investment of the proceeds of the offering, it is anticipated that all or a portion of the proceeds will be invested in U.S. Government securities or high grade, short-term money market instruments, which have returns substantially lower than those the Trust anticipates earning once it has fully invested the proceeds of the offering in accordance with its investment objective.

Investment objectives and policies

INVESTMENT OBJECTIVES

The Trust's primary investment objective is to generate high current income, with a secondary objective of capital appreciation. There can be no assurance that the Trust will achieve its investment objectives. The investment objectives of the Trust may be changed by the Board of Trustees on 60 days' prior written notice to Common Shareholders.

INVESTMENT STRATEGY

The Trust will invest at least 80% of its Managed Assets in CLO debt and subordinated (i.e., residual or equity) securities. A CLO generally is an entity that is formed to hold a portfolio consisting principally of loan obligations. The loan obligations within the CLO are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO's exposure to a single credit. The Trust expects to invest in CLO securities issued by CLOs that principally hold senior secured loans, diversified by industry and borrower.

Below-investment grade investments

The Trust may invest in CLO debt and subordinated (i.e., residual or equity) securities. While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities that are rated below investment grade. CLO subordinated notes are generally not rated. Below investment grade and unrated instruments are often referred to as "junk" bonds and are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal.

Rating agencies, such as Moody's, S&P or Fitch, are private services that provide ratings of the credit quality of debt obligations. Ratings assigned by a rating agency are not absolute standards of credit quality but represent the opinion of the rating agency as to the quality of the obligation. Rating agencies may fail to make timely changes in credit ratings and an issuer's current financial condition may be better or worse than a rating indicates. To the extent that the issuer of a security pays a rating agency for the analysis of its security, an inherent conflict of interest may exist that could affect the reliability of the rating. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk or liquidity of such obligations.

To the extent that the Trust invests in unrated lower grade securities, the Trust's ability to achieve its investment objectives will be more dependent on the Sub-Adviser's credit analysis than would be the case when the Trust invests in rated securities.

Please refer to Appendix A to the SAI for more information regarding Moody's, S&P's and Fitch's ratings.

Loans

In addition to the Trust's investments in CLO securities, the Trust may invest up to 20% of its Managed Assets in loans, including Senior Loans, second lien and subordinated secured loans and unsecured loans. The Trust may purchase loans on a direct assignment basis or may acquire participations in loans.

Illiquid investments

The Trust may invest without limitation in illiquid investments, including instruments that are unregistered, restricted, for which there is no readily available trading market or that are otherwise illiquid.

Other investment companies

The Trust may invest up to 10% of its Managed Assets in other investment companies. The Trust may invest in mutual funds, closed-end funds and ETFs. The Trust typically invests in other investment companies that invest in asset classes in which the Trust may invest directly in order to obtain indirect exposure to such asset classes.

INVESTMENT PHILOSOPHY AND PROCESS

At the heart of Octagon's investment philosophy is a deep understanding of fundamental credit analysis, enhanced by a process focused on maximizing risk adjusted returns. Octagon's investment philosophy combines relative value focus and active portfolio management. Over Octagon's 24 plus year history, Octagon believes that it has developed a proven, repeatable and scalable credit selection and investment process. Octagon's process for CLO investing is highly-involved and includes seven different steps:

- sourcing investment opportunities through longstanding relationships with banks and regular contact with dealers. Relationships with buy side and collateral managers offer additional insights;
- analyze historical CLO manager performance and investment style;
- detailed review of underlying collateral loan portfolio and evaluate loans assets at greatest risk;
- CLO structure and documentation review including coverage tests, call provisions and subordination levels;
- utilize technology to analyze relative value across the CLO capital structure and to conduct various scenario analysis;

- ➤ investment committee recommendation and approval of credits considered for investment; and
- ➤ continual monitoring which is a collaborative team effort to enhance decision making and risk management.

In seeking to outperform the broader CLO market, Octagon employs an investment process for the Trust's portfolio which involves both bottom-up fundamental credit analysis and the top-down CLO manager evaluation. Octagon's process benefits from the firm's history and experience in the CLO marketplace dating back to the first CLO issuances in the marketplace in the mid-1990s. Octagon has made a significant investment in technology and human capital with respect to fundamental credit analysis which happens both at the loan-level and the CLO-level. Unlike competitors that employ top-down CLO selection based on CLO collateral manager skill or reputation, Octagon is able to evaluate every single CLO holding from the bottom-up and assess the underlying collateral pool for credit worthiness and value. To enhance their bottom-up security level analysis, Octagon has built over time a proprietary database with credit analysis of most all of the corporate issuers in the broadly syndicated loan marketplace. Furthermore, for every credit that Octagon analyzes, the investment team assigns proprietary credit ratings, liquidity ratings, collateral quality ratings, and documentation ratings. The Octagon research method is robust, involving various key factors including the assessment of industry dynamics, competitive factors, performance history, deal sponsor, company management, cash flow estimates, liquidity, collateral values, quality, downside protection, capital structure, macroeconomic factors, technical supply and demand and potential political or regulatory influences.

Investment process

Octagon employs a disciplined asset selection process based on fundamental credit analysis and collaborative investment team input to identify attractive relative value opportunities, while seeking to minimize downside risk and produce returns that outperform industry benchmarks. In evaluating potential investments, Octagon assesses industry dynamics and competitive environments, performance history and prospects, investment sponsors and management, projected cash flow generation, quality and value of underlying collateral, downside protection and relative value opportunities within an issuer's capital structure.

Octagon seeks to identify investment opportunities in both the primary and secondary leveraged credit markets through rigorous industry and company analysis guided by information from issuers, underwriters, agents, and sales and trading desks. Identified investment opportunities are initially screened with a focus on the applicable industry. Octagon utilizes industry expertise, discussions with company management, independent research, relative value data, and input from Octagon investment professionals to efficiently extract information that facilitates credit judgments and recommendations. Octagon considers the business' competitive position, its ability to generate cash flow, the character of its sponsor and management team, the resilience of the capital structure and the asset's positioning within it, structural and covenant protection, and the value of collateral in the context of the risk premium offered, as well as macroeconomic backdrop, technical supply and demand, liquidity, industry dynamics, and political and regulatory influences.

With respect to existing portfolio positions, Octagon's analysis is centered on any changes to the underlying credit or industry that would impact the risk/return attributes of the position, which may lead to a decision to sell an existing position.

A limited amount of the portfolio may be committed, as a supplemental strategy, to certain short-term trading opportunities that seek near-term favorable price movements. These investments are sourced by traders and discussed with Octagon's portfolio managers and principals but are not subject to full investment committee review.

Risk management

Octagon will dynamically manage the Trust's portfolio based on its evolving credit market outlook in an effort to produce attractive risk-adjusted returns. The Octagon team meets several times each year to monitor portfolios using its robust review process and striving to manage risk via its proprietary internal credit rating and portfolio weighting system. The investment team has a set risk monitoring process which involves the following:

- ***Relative Value Meetings*** to examine new market trends and discuss technical dynamics with a focus on recent price changes and price target revisions. At these meetings Octagon investment professionals discuss seeking the best loan and bond relative value and return ideas.
- ***Loan & Bond Assets Meetings*** to discuss new leveraged loan and high yield bond issues and trading opportunities.
- ***Team Network Exchange*** for daily real-time updates with mobile access to address earnings, news, trading levels, buy/sell recommendations and watch lists.
- ***Full and Mini Portfolio Reviews*** to conduct credit review of all assets (full review) or lower-rated assets (mini review) in a single investment professional's portfolio with a focus on action-oriented recommendations. The objective of these reviews is to affirm or change internal credit ratings and collateral grades.
- ***Watch List Reviews and Meetings*** to examine and discuss credits on watch list.
- ***Strategic Reviews*** to discuss credit cycle fundamentals and analyze macro factors including GDP, interest rate and default projections. Strategic reviews are designed to determine and forecast shifts in the economic cycle, evaluate the impact of the latest economic and market data and to determine tactical and strategic allocations.

The Trust's investments

The Trust's investment portfolio may consist of investments in the following types of securities. There is no guarantee the Trust will buy all of the types of securities or use all of the investment techniques that are described herein.

COLLATERALIZED LOAN OBLIGATIONS

A CLO generally is an entity that is formed to hold a portfolio consisting principally of loan obligations. The loan obligations within the CLO are limited to loans which meet established credit criteria and are subject to concentration limitations in order to limit a CLO's exposure to a single credit. A CLO issues various classes or "tranches" of securities. Each tranche has different payment characteristics and different credit ratings. These tranches are generally categorized as senior, mezzanine, or subordinated (i.e., residual or equity), according to their degree of risk.

The Trust may invest in CLO debt and subordinated (i.e., residual or equity) securities. The highest rated CLO debt tranches typically are rated "AAA" by S&P and/or Fitch or "Aaa" by Moody's. Lower rated CLO debt tranches may be rated "BB+" to "B-" by S&P and/or Fitch or "Ba1" to "B3" by Moody's, which are below investment grade. While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities rated below investment grade (that is rated "BB+" to "B-" by S&P and/or Fitch or "Ba1" to "B3" by Moody's). CLO subordinated notes are generally not rated. Depending on the Sub-Adviser's assessment of market conditions, the Trust's investment focus may vary from time to time between CLO debt securities and CLO subordinated notes.

The key feature of the CLO structure is the prioritization of the cash flows from a pool of securities among the several tranches of the CLO. As interest payments are received during a collection period, the CLO makes contractual interest payments to each tranche of debt based on its seniority at the end of such collection period. If there are funds remaining after each tranche of debt receives its contractual interest rate and the CLO meets or exceeds required collateral coverage levels (or other similar covenants), the remaining funds may be paid to the subordinated (or residual) tranche (often referred to as the "equity" tranche). The contractual provisions setting out this order of payments are set out in detail in the relevant CLO's indenture. These provisions are referred to as the "priority of payments" or the "waterfall" and determine the terms of payment of any other obligations that may be required to be paid ahead of payments of interest and principal on the securities issued by a CLO.

In addition, for payments to be made to each tranche, after the most senior tranche of debt, there are various tests that must be complied with, which are different for each CLO. CLOs contain a variety of features that are designed to enhance the credit protection of CLO debt investors, including overcollateralization tests and interest coverage tests. Overcollateralization tests (measured as par value of the CLO's assets to the CLO's liabilities, subject to certain adjustments) are intended to ensure the principal value of a CLO's underlying bank loan pool exceeds the total principal value of the debt tranches issued by the CLO. Interest coverage tests are intended to ensure that cash flows generated by a CLO's underlying bank loan pool are sufficient to make interest payments on the CLO's debt tranches. If a CLO is failing an overcollateralization test or interest coverage test, excess cash flow that would otherwise be available for distribution to the CLO subordinated notes (and potentially other debt tranche investors) is instead used first to prepay CLO debt investors in order of seniority until such time as the test is passing. If the test is not or cannot be cured, the CLO subordinated note investors (and potentially other debt tranche investors) may experience a partial or total loss of their investment. Some CLOs also have interest diversion tests, which also act to ensure that CLOs maintain adequate overcollateralization. If a CLO is failing an interest diversion test, excess interest cash flow that would otherwise be available for distribution to the CLO subordinated notes is instead used first to acquire additional bank loans that become part of the CLO's underlying collateral pool until the test is satisfied. Such diversion of cash flow would lead to payments to the CLO subordinated note investors being delayed and/or reduced. Cash flow CLOs typically do not have mark-to-market triggers (which are tests based on the current market value of the CLO's underlying collateral) and, with limited exceptions, CLO tests are calculated using the par value of collateral, not the market value or purchase price of collateral. As a result, a decrease in the market price of a CLO's performing portfolio does not generally result in a requirement for the CLO collateral manager to sell assets or for CLO subordinated note investors to contribute additional capital.

The Trust expects to invest in CLO securities issued by CLOs that principally hold Senior Loans, diversified by industry and borrower. While the vast majority of the portfolio of most CLOs consists of Senior Loans, many CLOs enable the CLO collateral manager to invest a portion (typically, up to 10%) of the CLO portfolio in assets that are not Senior Loans. Therefore, it is also possible that the underlying obligations of CLOs in which the Trust invests will include (i) second lien and/or subordinated loans, (ii) debt tranches of other CLOs, and (iii) equity securities incidental to investments in Senior Loans, second lien loans and/or subordinated loans. Most CLOs are revolving structures that generally allow for reinvestment over a specific period of time (in many cases up to five years). Specifically, a CLO's collateral manager normally has broad latitude—within a specified set of asset eligibility and diversity criteria—to manage and modify a CLO's portfolio over time. The Sub-Adviser believes that skilled CLO collateral managers can add significant value through a combination of (1) their credit expertise and (2) a strong understanding of how to manage effectively within the rules-based structure of a CLO and optimize returns to CLO subordinated notes.

The cash flows on the underlying obligations will primarily determine the payments to holders of CLO securities. Substantially all CLO debt securities have floating interest rates, although a small portion of CLOs may issue senior tranche securities that have fixed interest rates. CLO subordinated (i.e., residual or equity) securities have no set interest rate but rather participate in residual cash flows of the relevant CLO. The rated tranches of CLO securities are generally assigned credit ratings by one or more nationally recognized statistical rating organizations (whether or not such tranches are issued as part of a component of a composite instrument with one or more other instruments). The transaction documents relating to the issuance of CLO securities impose eligibility criteria on the assets of the CLO, restrict the ability of the CLO's investment manager to trade investments and impose certain portfolio-wide asset quality requirements.

CLO securities are generally limited recourse obligations of the CLO payable solely from the underlying assets of the CLO or the proceeds thereof. Consequently, holders of CLO securities must rely solely on distributions on the underlying assets or proceeds thereof for payment in respect thereof. The cash flows generated by the underlying obligations held in a CLO's portfolio will generally determine the interest payments on CLO securities. Payments to holders of tranched CLO securities are made in sequential order of priority.

Since a CLO's indenture requires that the maturity dates of a CLO's assets (typically five to eight years from the date of issuance of a senior secured loan) be shorter than the maturity date of the CLO's liabilities (typically 11 to 12 years from the date of issuance), CLOs generally do not face refinancing risk on the CLO debt.

After the CLO's reinvestment period has ended, in accordance with the CLO's principal waterfall, cash generated from principal payments or other proceeds are generally distributed to repay CLO debt investors in order of seniority. That is, the highest rated tranche of CLO debt securities is repaid first, the next highest rated tranche of CLO debt securities second and so on, with any remaining principal being distributed to the CLO subordinated notes. In certain instances, principal may be reinvested after the end of the reinvestment period.

The Trust may invest in the primary CLO market (i.e., acquiring securities at the inception of a CLO) and in the secondary CLO market (i.e., acquiring existing CLO securities).

CLO subordinated notes

The Trust will invest in CLO subordinated (i.e., residual or equity) notes, which are junior in priority of payment and are subject to certain payment restrictions generally set forth in an indenture governing the notes. In addition, CLO subordinated notes generally do not benefit from any creditors' rights or ability to exercise remedies under the indenture governing the notes. The subordinated notes are not guaranteed by another party. The subordinated tranche is typically unrated and typically represents approximately 8% to 11% of a CLO's capital structure. The subordinated tranche of a CLO represents the first loss position in the CLO, meaning that it is generally required to absorb the CLO's losses before any of the CLO's other tranches, yet it also has the lowest level of payment priority among the CLO's tranches. The subordinated tranche is typically the riskiest of CLO investments.

SENIOR LOANS

The Trust obtains exposure to underlying Senior Loans through its investments in CLOs, but may obtain such exposure directly or indirectly through other means from time to time.

Senior Loans are typically made to Borrowers which operate in various industries and geographical regions. Senior Loans rated below investment grade are sometimes referred to as "leveraged loans."

Senior Loans generally hold the most senior position in the capital structure of a Borrower, are typically secured with specific collateral and have a claim on the assets and/or stock of the Borrower that is senior to that held by unsecured creditors, subordinated debt holders and holders of equity of the Borrower. Typically, in order to borrow money pursuant to a Senior Loan, a Borrower will, for the term of the Senior Loan, pledge collateral (subject to typical exceptions), including but not limited to (i) working capital assets, such as accounts receivable and inventory; (ii) tangible fixed assets, such as real property, buildings and equipment; (iii) intangible assets, such as trademarks and patent rights; and (iv) security interests in shares of stock of subsidiaries or affiliates. In the case of Senior Loans made to non-public companies, the company's shareholders or owners may provide collateral in the form of secured guarantees and/or security interests in assets that they own. In many instances, a Senior Loan may be secured only by stock in the Borrower or its subsidiaries. Collateral may consist of assets that may not be readily liquidated, and there is no assurance that the liquidation of such assets would satisfy fully a Borrower's obligations under a Senior Loan.

A Borrower must comply with various covenants contained in a loan agreement or note purchase agreement between the Borrower and the holders of the Senior Loan (the "Loan Agreement"). In a typical Senior Loan, an administrative agent (the "Agent") administers the terms of the Loan Agreement. In such cases, the Agent is normally responsible for the collection of principal and interest payments from the Borrower and the apportionment of these payments to the credit of all institutions that are parties to the Loan Agreement. The Trust will generally rely upon the Agent or an intermediate participant to receive and forward to the Trust its portion of the principal and interest payments on the Senior Loan. Additionally, the Trust normally will rely on the Agent and the other loan investors to use appropriate credit remedies against the Borrower. The Agent is typically responsible for monitoring compliance with covenants contained in the Loan Agreement based upon reports prepared by the Borrower. The Agent may monitor the value of the collateral and, if the value of the collateral declines, may accelerate the Senior Loan, may give the Borrower an opportunity to provide additional collateral or may seek other protection for the benefit of the participants in the Senior Loan. The Agent is compensated by the Borrower for providing these services under a Loan Agreement, and such compensation may include special fees paid upon structuring and funding the Senior Loan and other fees paid on a continuing basis.

Senior Loans typically have rates of interest that are determined daily, monthly, quarterly or semi-annually by reference to a base lending rate, plus a premium or credit spread. As a result, as short-term interest rates increase, interest payable to the Trust from its investments in Senior Loans should increase, and as short-term interest rates decrease, interest payable to the Trust from its investments in Senior Loans should decrease. These base lending rates are primarily the London Interbank Offered Rate (LIBOR) and secondarily the prime rate offered by one or more major U.S. banks and the certificate of deposit rate or other base lending rates used by commercial lenders.

There may be less readily available information about most Senior Loans and the Borrowers thereunder than is the case for many other types of securities, including securities issued in transactions registered under the Securities Act or the Securities Exchange Act of 1934 (the "Exchange Act"), and Borrowers subject to the periodic reporting requirements of Section 13 of the Exchange Act. Senior Loans may be issued by companies that are not subject to SEC reporting requirements and these companies, therefore, do not file reports with the SEC that must comply with SEC form requirements and, in addition, are subject to a less stringent liability disclosure regime than companies subject to SEC reporting requirements. As a result, the Sub-Adviser will rely primarily on its own evaluation of a Borrower's credit quality rather than on any available independent sources. Therefore, when investing in Senior Loans the Trust will be particularly dependent on the credit analysis of the Sub-Adviser.

No active trading market may exist for some Senior Loans, and some loans may be subject to restrictions on resale. Any secondary market for Senior Loans may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods, which may impair the ability of a seller to realize full value and thus cause a material decline in the net asset value of Common Shares. In addition, the Trust may not be able to readily dispose of its Senior Loans at prices that approximate those at which the Trust could sell such loans if they were more widely traded and, as a result of such illiquidity, the Trust may have to sell other investments or engage in borrowing transactions if necessary to raise cash to meet its obligations. A limited supply or relative illiquidity of Senior Loans may adversely affect the Trust's ability to achieve its investment objectives.

The Trust may purchase and retain in its portfolio Senior Loans where the Borrower has experienced, or may be perceived to be likely to experience, credit problems, including involvement in or recent emergence from bankruptcy court proceedings or other forms of debt restructuring. Such investments may provide opportunities for enhanced income as well as capital appreciation, although they also will be subject to greater risk of loss. At times, in connection with the restructuring of a Senior Loan either outside of bankruptcy court or in the context of bankruptcy court proceedings, the Trust may determine or be required to accept equity securities or junior credit securities in exchange for all or a portion of a Senior Loan.

In the process of buying, selling and holding Senior Loans, the Trust may receive and/or pay certain fees. These fees are in addition to interest payments received and may include facility fees, commitment fees, amendment fees, commissions and prepayment penalty fees. On an ongoing basis, the Trust may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a Senior Loan. In certain circumstances, the Trust may receive a prepayment penalty fee upon the prepayment of a Senior Loan by a Borrower. Other fees received by the Trust may include covenant waiver fees, covenant modification fees or other amendment fees.

Direct assignments
The Trust generally will seek to purchase Senior Loans on a direct assignment basis. If the Trust purchases a Senior Loan on direct assignment, it typically succeeds to all the rights and obligations under the Loan Agreement of the assigning lender and becomes a lender under the Loan Agreement with the same rights and obligations as the assigning lender. Investments in Senior Loans on a direct assignment basis may involve additional risks to the Trust. For example, if such loan is foreclosed, the Trust could become part owner of any collateral, and would bear the costs and liabilities associated with owning and disposing of the collateral.

Loan participations
The Trust may also acquire in participations in Senior Loans. The participation by the Trust in a lender's portion of a Senior Loan typically will result in the Trust's having a contractual relationship only with such lender, not with the Borrower. As a result, the Trust may have the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the participation and only upon receipt by such lender of payments from the Borrower. Such indebtedness may be secured or unsecured. In connection with purchasing participations, the Trust generally will have no right to enforce compliance by the Borrower with the terms of the Loan Agreement, nor any rights with respect to any funds acquired by other investors through set-off against the Borrower and the Trust may not directly benefit from the collateral supporting the Senior Loan in which it has purchased the participation. In the event of the insolvency of the entity selling a participation, the Trust may be treated as a general creditor of such entity. The selling entity and other persons interpositioned between such entity and the Trust with respect to such participations will likely conduct their principal business activities in the banking, finance and financial services industries. Persons engaged in these industries may be more susceptible to, among other things, fluctuations in interest rates, changes in the Federal Reserve Open Market Committee's monetary policy, governmental regulations concerning these industries and concerning capital raising activities generally and fluctuations in the financial markets generally.

SECOND LIEN AND SUBORDINATED LOANS

The Trust may also invest in second lien and subordinated secured loans. Second lien and subordinated secured loans generally have similar characteristics as Senior Loans except that such loans are subordinated in payment and/or lower in lien priority to first lien holders. The Trust may purchase interests in second lien and subordinated secured loans through assignments or participations.

UNSECURED LOANS

Unsecured loans generally have lower priority in right of payment compared to holders of secured debt of the Borrower. Unsecured loans are not secured by a security interest or lien to or on specified collateral securing the Borrower's obligation under the loan. Unsecured loans by their terms may be or may become subordinate in right of payment to other obligations of the borrower, including Senior Loans, second lien loans and subordinated secured loans. Unsecured loans may have fixed or floating rate interest payments. Because unsecured loans are subordinate to the secured debt of the borrower, they present a greater degree of investment risk but often pay interest at higher rates reflecting this additional risk. Such investments generally are of below investment grade quality. Other than their subordinated and unsecured status, such investments have many characteristics and risks similar to Senior Loans, second lien loans and subordinated secured loans discussed above. The Trust may purchase interests in unsecured loans through assignments or participations.

OTHER INVESTMENT COMPANIES

As an alternative to holding investments directly, the Trust may also obtain investment exposure to securities in which it may invest directly by investing in other investment companies. The Trust may invest in mutual funds, closed-end funds and ETFs. Under the 1940 Act, the Trust generally may invest only up to 10% of its total assets in the aggregate in shares of other investment companies and only up to 5% of its total assets in any one investment company, provided the investment does not represent more than 3% of the voting stock of the acquired investment company at the time such shares are purchased. However, pursuant to certain exemptions set forth in the 1940 Act and/or in accordance with the terms of exemptive relief obtained by certain other investment companies in which the Trust may seek to invest, the Trust may invest in excess of this limitation provided that certain conditions are met.

Investments in other investment companies involve operating expenses and fees at the other investment company level that are in addition to the expenses and fees borne by the Trust and are borne indirectly by Common Shareholders.

UNFUNDED COMMITMENTS

From time to time, the Trust's investments may involve unfunded commitments, which are contractual obligations of the Trust to make loans up to a specified amount at future dates. Certain of the loan participations or assignments acquired by the Trust may involve unfunded commitments of the lenders or revolving credit facilities under which a Borrower may from time to time borrow and repay amounts up to the maximum amount of the facility. In such cases, the Trust would have an obligation to provide its portion of such additional borrowings when drawn upon in the future, upon the terms specified in the loan documentation. Such an obligation may have the effect of requiring the Trust to increase its investment in a company at a time when it might not be desirable to do so (including at a time when the company's financial condition makes it unlikely that such amounts will be repaid).

TEMPORARY DEFENSIVE INVESTMENTS

During periods in which the Sub-Adviser believes that changes in economic, financial or political conditions make it advisable to maintain a temporary defensive posture, or in order to keep the Trust's cash fully invested, including the period during which the net proceeds of the offering of Common Shares are being invested, the Trust may, without limitation, hold cash or invest its assets in in short-term investments, including high quality, short-term securities or may invest in short-, intermediate-, or long-term U.S. Treasury bonds and repurchase agreements in respect of those instruments. Short-term investments in which the Trust may invest including obligations of the U.S. Government, its agencies or instrumentalities; commercial paper; and certificates of deposit and bankers' acceptances. During a temporary defensive period, the Trust may also invest in shares of money market mutual funds. Money market mutual funds are investment companies. As a shareholder in a mutual fund, the Trust will bear its ratable share of its expenses, including management fees. There can be no assurance that such strategies will be successful. The Trust may not achieve its investment objectives during a temporary defensive period or be able to sustain its historical distribution levels.

PORTFOLIO TURNOVER

The Trust will buy and sell securities to seek to accomplish its investment objectives. Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Trust. Portfolio turnover generally involves some expense to the Trust, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestment in other securities. Higher portfolio turnover may decrease the after-tax return to individual investors in the Trust to the extent it results in an increase in the short-term capital gains portion of distributions to shareholders. Because the Trust is newly organized, there are no portfolio turnover rates to report from prior fiscal years.

INVESTMENT RESTRICTIONS

The Trust has adopted certain other investment limitations designed to limit investment risk. These limitations are fundamental and may not be changed without the approval of the holders of a majority of the outstanding Common Shares, as defined in the 1940 Act (and Preferred Shares, if any, voting together as a single class), which is defined by the 1940 Act as the lesser of (i) 67% or more of the Trust's voting securities present at a meeting, if the holders of more than 50% of the Trust's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Trust's outstanding voting securities, or such higher voting standard as set forth herein. See "Investment Restrictions" in the SAI for a complete list of the fundamental investment policies of the Trust.

Use of leverage

The Trust currently anticipates utilizing leverage to seek to enhance income. The Trust may use leverage through (i) the issuance of Preferred Shares, (ii) Indebtedness, including through borrowing from financial institutions or issuance of debt securities, including notes or commercial paper, and/or (iii) portfolio leverage in the form of reverse repurchase agreements, securities lending, short sales or derivatives, such as swaps, futures or forward contracts, that have the effect of leverage. While the Trust may utilize leverage to the maximum extent permitted by the 1940 Act, under current market conditions, the Trust initially expects to utilize leverage in an aggregate amount of approximately 35% of the Trust's Managed Assets (including the proceeds of leverage). Prior to the occurrence of a Listing Event, the Trust may use lower levels of leverage or may not use leverage.

The Adviser and the Sub-Adviser anticipate that the use of leverage may result in higher total return to Common Shareholders over time; however, there can be no assurance that such expectations will be realized or that a leveraging strategy will be successful in any particular time period. Use of leverage creates an opportunity for increased income but, at the same time, creates special risks. The use of leverage will cause the Trust's net asset value, market price and level of distributions to be more volatile than if leverage were not used. The costs associated with the issuance of leverage will be borne by the Trust, which will result in a reduction of net asset value of Common Shares and as a result such costs will be borne by Common Shareholders. The fees paid to the Adviser, and thereby to the Sub-Adviser, will be calculated on the basis of the Trust's Managed Assets, including proceeds of leverage (including leverage through Preferred Shares, Indebtedness or reverse repurchase agreements), so the fees paid to the Adviser and Sub-Adviser will be higher when leverage is utilized. Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of leverage, which means that Common Shareholders effectively bear the entire management fee. There can be no assurance that a leveraging strategy will be utilized or, if utilized, will be successful.

PREFERRED SHARES

Under the 1940 Act, the Trust may not issue Preferred Shares if, immediately after issuance, the Trust would have asset coverage (as defined in the 1940 Act) of less than 200% (i.e., for every dollar of Preferred Shares outstanding, the Trust is required to have at least two dollars of total assets, including the proceeds of leverage). The Trust would not be permitted to declare any distribution (unless payable in stock) on its capital stock or purchase its capital stock unless, at the time of such declaration or purchase, the Trust has an asset coverage of at least 200% after deducting the amount of such distribution or purchase price, as applicable.

If the Trust has Preferred Shares outstanding, two of the Trust's trustees will be elected by the holders of Preferred Shares voting separately as a class. The remaining trustees of the Trust will be elected by Common Shareholders and preferred shareholders voting together as a single class. In the event dividends on the preferred shares are unpaid in an amount equal to two full years' dividends on such securities, holders of Preferred Shares would be entitled to elect a majority of the directors of the Trust (subject to any prior rights, if any, of the holders of any other class of senior securities outstanding) and continue to be so represented until all dividends in arrears shall have been paid or otherwise provided for. Additionally, the holders of Preferred Shares would have separate voting rights for certain matters pursuant to the 1940 Act and the terms of the Preferred Shares.

In addition, as a condition to obtaining ratings on the Preferred Shares, the terms of the Preferred Shares would be expected to include asset coverage maintenance provisions that would require the redemption of Preferred Shares in the event of non-compliance by the Trust and might also prohibit dividends and other distributions on Common Shares in such circumstances. In order to meet such redemption requirements, the Trust might have to liquidate portfolio securities. These liquidations and redemptions would cause the Trust to incur related transaction costs and could result in capital losses. Prohibitions on dividends and other distributions could impair the Trust's ability to qualify as a RIC under the Code.

If the Trust issues Preferred Shares, it may be subject to certain restrictions imposed by guidelines of one or more ratings agencies that may issue ratings for Preferred Shares issued by the Trust. These guidelines would be expected to impose asset coverage or portfolio composition requirements that would be more stringent than those imposed on the Trust by the 1940 Act. It is not anticipated that these covenants or guidelines would impede the Sub-Adviser from managing the Trust's portfolio in accordance with its investment objectives and policies.

INDEBTEDNESS

Under the 1940 Act the Trust may not incur Indebtedness if, immediately after incurring such Indebtedness, the Trust would have asset coverage (as defined in the 1940 Act) of less than 300% (i.e., for every dollar of Indebtedness outstanding, the Trust is required to have at least three dollars of total assets, including the proceeds of leverage). In addition, the Trust generally is not permitted to declare any cash dividend or other distribution on its common shares unless, at the time of such declaration and after deducting the amount of such dividend or other distribution, the Trust maintains asset coverage of 300%. However, the foregoing restriction does not apply with respect to certain types of Indebtedness of the Trust, including a line of credit or other privately arranged borrowings from a financial institution.

Pursuant to the Trust's Indebtedness, lenders would have the right to receive interest on and repayment of principal of any such Indebtedness, which right will be senior to those of Common Shareholders. The terms of any such Indebtedness may require the Trust to pay a fee to maintain a line of credit, such as a commitment fee, or to maintain minimum average balances with a lender. Any such requirements would increase the cost of such Indebtedness over the stated interest rate. If the Trust utilizes Indebtedness, the Common Shareholders will indirectly bear the offering costs of the issuance of any Indebtedness.

The 1940 Act grants to the lenders, under certain circumstances, certain voting rights in the event of default in the payment of interest on or repayment of principal. Failure to maintain certain asset coverage requirements could result in an event of default and entitle the debt holders to elect a majority of the Board of Trustees.

Notes

The Trust may issue notes or other debt securities. As a condition to obtaining financing or obtaining ratings on the notes or other debt securities, the terms of any notes or other debt securities issued would be expected to include asset coverage maintenance provisions that would require the redemption of the notes or other debt securities in the event of non-compliance by the Trust and might also prohibit dividends and other distributions on Common Shares in such circumstances. In order to meet such redemption requirements, the Trust might have to liquidate portfolio securities. These liquidations and redemptions, or reductions in Indebtedness, would cause the Trust to incur related transaction costs and could result in capital losses. Prohibitions on dividends and other distributions could impair the Trust's ability to qualify as a RIC under the Code.

If the Trust issues notes or other debt securities, it may be subject to certain restrictions imposed by guidelines of one or more ratings agencies that may issue ratings for the notes or may be subject to covenants or other restrictions imposed by its lenders. These guidelines would be expected to impose asset coverage or portfolio composition requirements that would be more stringent than those imposed on the Trust by the 1940 Act. It is not anticipated that these covenants or guidelines would impede the Sub-Adviser from managing the Trust portfolio in accordance with its investment objectives and policies.

Credit facility

The Trust may enter into a credit facility. Under the terms of a credit facility, the Trust may be required to prepay outstanding amounts or incur a penalty rate of interest upon the occurrence of certain events of default. The Trust expects that a credit facility would contain customary covenants that, among other things, likely would limit the Trust's ability to pay distributions in certain circumstances, incur additional debt, change its fundamental investment policies and engage in certain transactions, including mergers and consolidations, and require asset coverage ratios in addition to those required by the 1940 Act. The Trust may be required to pledge some or all of its assets and to maintain a portion of its assets in cash or high-grade securities as a reserve against interest or principal payments and expenses. The Trust expects that any credit facility would have customary covenant, negative covenant and default provisions. There can be no assurance that the Trust will enter into an agreement for a credit facility, or, if it does, that the Trust would receive terms and conditions representative of the foregoing, or that additional material terms will not apply. In addition, if entered into, the credit facility may in the future be replaced or refinanced by one or more credit facilities having substantially different terms or by the issuance of preferred shares or debt securities.

If the Trust were to issue notes or other debt securities as well as utilize a credit facility, such notes would have an equal security interest, if any, with and rank *pari passu*, or equally in right of payment, with any borrowings under the credit facility.

REVERSE REPURCHASE AGREEMENTS

In reverse repurchase agreement transactions, the Trust sells portfolio securities to financial institutions such as banks and broker-dealers and agrees to repurchase them at a particular date and price. The Trust may utilize reverse repurchase agreements when it is anticipated that the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction. Proceeds of the sale will be invested in additional instruments for the Trust, and the income from these investments will generate income for the Trust. If such income does not exceed the income, capital appreciation and gain or loss that would have been realized on the securities sold as part of the reverse repurchase transaction, the use of this technique will diminish the investment performance of the Trust compared with what the performance would have been without the use of reverse repurchase transactions.

With respect to any reverse repurchase agreement, the Trust's Managed Assets shall include any proceeds from the sale of an asset of the Trust to a counterparty in such a transaction, in addition to the value of the underlying asset as of the relevant measuring date, and shall not be reduced by any liabilities or obligations attributable to leverage obtained through such reverse repurchase agreement.

With respect to leverage incurred through investments in reverse repurchase agreements and economically similar transactions, the Trust intends to earmark or segregate cash or liquid securities in accordance with applicable interpretations of the staff of the SEC. As a result of such segregation, the Trust's obligations under such transactions will not be considered senior securities representing indebtedness for purposes of the 1940 Act and the Trust's use of leverage through reverse repurchase agreements and economically similar transactions will not be limited by the 1940 Act.

EFFECTS OF LEVERAGE

Assuming Preferred Shares representing approximately 35% of the Trust's Managed Assets, at an annual dividend rate of 6.375%, the income generated by the Trust's portfolio (net of non-leverage expenses) must exceed 2.23% in order to cover such dividend payments. Of course, these numbers are merely estimates, used for illustration. Actual interest rates may vary frequently and may be significantly higher or lower than the rate assumed above.

The following table is furnished in response to requirements of the SEC. It is designed to illustrate the effect of leverage on Common Share total return, assuming investment portfolio total returns (comprised of income and changes in the value of securities held in the Trust's portfolio) of -10%, -5%, 0%, 5% and 10%. The table further reflects the use of Preferred Shares representing approximately 35% of the Trust's Managed Assets, net of expenses, and the Trust's currently projected annual dividend rate on such Preferred Shares of 6.375%. These assumed investment portfolio returns are hypothetical figures and are not necessarily indicative of the investment portfolio returns experienced or expected to be experienced by the Trust, and therefore the Trust. See "Risks."

Assumed Portfolio Total Return (Net of Expenses)	-10%	-5%	0%	5%	10%
Common Share Total Return	-18.82%	-11.13%	-3.43%	4.26%	11.95%

Common Share Total Return is composed of two elements: the distributions paid by the Trust (the amount of which is largely determined by the net investment income of the Trust after paying interest and other expenses on its leverage) and gains or losses on the value of the securities the Trust owns. As required by SEC rules, the table above assumes that the Trust is more likely to suffer capital losses than to enjoy capital appreciation. For example, to assume a total return of 0% the Trust must assume that the interest received on the Trust's portfolio investments is entirely offset by losses in the value of those investments.

Risks

Investors should consider the following risk factors and special considerations associated with investing in the Trust. An investment in the Trust is subject to investment risk, including the possible loss of your entire investment.

NO PRIOR HISTORY

The Trust is a newly-organized, non-diversified, closed-end management investment company with no history of operations. As a result, prospective investors have no track record or operational history upon which to base their investment decision.

LIQUIDITY RISK

The Trust is designed for long-term investors and not as a trading vehicle. Prior to the occurrence of a Listing Event, an investment in Common Shares, unlike an investment in a listed closed-end fund, should be considered illiquid. Common Shares are appropriate only for investors who are seeking an investment in less liquid portfolio investments within an illiquid fund. An investment in Common Shares is not suitable for investors who need access to the money they invest. Unlike open-end funds (commonly known as mutual funds), which generally permit redemptions on a daily basis, Common Shares will not be redeemable at an investor's option.

INVESTMENT AND MARKET RISK

An investment in Common Shares is subject to investment risk, including the possible loss of the entire principal amount that you invest. Your investment in Common Shares represents an indirect investment in the securities owned by the Trust. Your Common Shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of distributions. A prospective investor should invest in Common Shares only if the investor can sustain a complete loss in its investment.

NON-DIVERSIFICATION RISK

The Trust classified as "non-diversified" under the 1940 Act. As a result, the Trust can invest a greater portion of our assets in obligations of a single issuer than a "diversified" fund. The Trust may therefore be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence. In particular, because the Trust's portfolio of investments may lack diversification among CLO securities and related investments, the Trust is susceptible to a risk of significant loss if one or more of these CLO securities and related investments experience a high level of defaults on the collateral that they hold.

CLO RISK

CLOs often involve risks that are different from or more acute than risks associated with other types of credit instruments, including: (1) the possibility that distributions from collateral assets will not be adequate to make interest or other payments; (2) the quality of the collateral may decline in value or default; (3) investments in CLO junior debt tranches and CLO subordinated notes will likely be subordinate in right of payment to other senior classes of CLO debt; and (4) the complex structure of a particular security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results.

There may be less information available to the Trust regarding the underlying investments held by CLOs than if the Trust had invested directly in credit securities of the underlying issuers. Trust shareholders will not know the details of the underlying investments of the CLOs in which the Trust invests. Due to their often complicated structures, various CLOs may be difficult to value and may constitute illiquid investments. In addition, there can be no assurance that a liquid market will exist in any CLO when the Trust seeks to sell its interest therein. Moreover, the value of CLOs may decrease if the ratings agencies reviewing such securities revise their ratings criteria and, as a result, lower their original rating of a CLO in which the Trust has invested. Further, the complex structure of the security may produce unexpected investment results. Also, it is possible that the Trust's investment in a CLO will be subject to certain contractual limitations on transfer.

The market value of CLO securities may be affected by, among other things, changes in the market value of the underlying assets held by the CLOs, changes in the distributions on the underlying assets, defaults and recoveries on the underlying assets, capital gains and losses on the underlying assets, prepayments on underlying assets and the availability, prices and interest rate of underlying assets. Therefore, changes in the market value of the Trust's CLO investments could be greater than the change in the market value of the underlying instruments.

The Trust expects to invest in CLO securities issued by CLOs that principally hold Senior Loans As a result, as an investor in such CLOs, the Trust is subject to the risk of default on the Senior Loans by the Borrowers. Recently, interest rates have been at or near historically low levels. Increases in interest rates may adversely impact the ability of Borrowers to meet interest payment obligations on Senior Loans held by a CLO and increase the likelihood of default. Although a CLO's holdings are typically diversified by industry and borrower, an increase in interest rates coupled with a general economic downturn may result in an increase in defaults on Senior Loans across various sectors of the economy. See "Risks—Senior Loan Risk" for a discussion of risks related to Senior Loans.

CLOs in which the Trust invests in may hold underlying instruments that are concentrated in a limited number of industries or borrowers. A downturn in any particular industry or borrower in which a CLO is heavily invested may subject that vehicle, and in turn the Trust, to a risk of significant loss and could significantly impact the aggregate returns realized by the Trust.

Investments in primary issuances of CLO securities may involve certain additional risks. Between the pricing date and the effective date of a CLO, the CLO collateral manager will generally expect to purchase additional collateral obligations for the CLO. During this period, the price and availability of these collateral obligations may be adversely affected by a number of market factors, including price volatility and availability of investments suitable for the CLO, which could hamper the ability of the collateral manager to acquire a portfolio of collateral obligations that will satisfy specified concentration limitations and allow the CLO to reach the target initial par amount of collateral prior to the effective date. An inability or delay in reaching the target initial par amount of collateral may adversely affect the timing and amount of interest or principal payments received by the holders of the CLO debt securities and distributions on the CLO subordinated notes and could result in early redemptions which may cause CLO debt and subordinated note investors to receive less than face value of their investment.

The failure by a CLO to satisfy financial covenants, including with respect to adequate collateralization and/or interest coverage tests, could lead to a reduction in its payments to securityholders, including the Trust. In the event that a CLO fails certain tests, holders of CLO senior debt may be entitled to additional payments that would, in turn, reduce the payments that holders of junior debt and subordinated securities would otherwise be entitled to receive.

In recent years there has been a marked increase in the number of, and flow of capital into, investment vehicles established to pursue investments in CLO securities whereas the size of this market is relatively limited. Such increase may result in greater competition for investment opportunities, which may result in an increase in the price of such investments relative to the risk taken on by holders of such investments. In addition, the volume of new CLO issuances varies over time as a result of a variety of factors including new regulations, changes in interest rates, and other market forces. Such competition may also result under certain circumstances in increased price volatility or decreased liquidity with respect to certain positions.

The Trust may invest in CLO debt and subordinated (i.e., residual or equity) securities. While the Trust may invest in CLO debt securities having any rating, the Trust currently intends to focus its investments in CLO debt securities that are rated below investment grade. CLO subordinated notes are generally not rated. Below investment grade and unrated instruments are often referred to as "junk" bonds and are regarded as having predominantly speculative characteristics with respect to capacity to pay interest and to repay principal. See "Risks—Below Investment Grade Securities Risk."

Restructuring of investments held by CLOs

The manager of a CLO has broad authority to direct and supervise the investment and reinvestment of the investments held by the CLO, which may include the execution of amendments, waivers, modifications and other changes to the investment documentation in accordance with the collateral management agreement. During periods of economic uncertainty and recession, the incidence of amendments, waivers, modifications and restructurings of investments may increase. Such amendments, waivers, modifications and other restructurings will change the terms of the investments and in some cases may result in the CLO holding assets not meeting the CLO's criteria for investments. This could adversely impact the coverage tests under an indenture governing the notes issued by the CLO. Any amendment, waiver, modification or other restructuring that reduces the CLO's compliance with certain financial tests will make it more likely that the CLO will need to utilize cash to pay down the unpaid principal amount of secured notes to cure any breach in such test instead of making payments on subordinated notes. Any such use of cash would reduce distributions available and delay the timing of payments to the Trust.

The Trust cannot be certain that any particular restructuring strategy pursued by the CLO manager will maximize the value of or recovery on any investment. Any restructuring can fundamentally alter the nature of the related investment, and restructurings are not subject to the same underwriting standards that are employed in connection with the origination or acquisition of investments. Any restructuring could alter, reduce or delay the payment of interest or principal on any investment, which could delay the timing and reduce the amount of payments made to the Trust. Restructurings of investments might also result in extensions of the term thereof, which could delay the timing of payments made to the Trust.

If as a result of any such restructurings, the Sub-Adviser determines that continuing to hold instruments issued by such CLO is no longer in the best interest of the Trust, the Sub-Adviser may dispose of such CLO instruments. In certain instances, the Trust may be unable to dispose of such investments at advantageous prices and/or may be required to reinvest the proceeds of such disposition in lower-yielding investments.

CLO management risk

The activities of any CLO in which the Trust may invest will generally be directed by a collateral manager. In the Trust's capacity as holder of CLO securities, the Trust is generally not able to make decisions with respect to the management, disposition or other realization of any investment, or other decisions regarding the business and affairs, of that CLO. Consequently, the success of any CLOs in which the Trust invests will depend, in large part, on the financial and managerial expertise of the collateral manager's investment professionals. Subject to certain exceptions, any change in the investment professionals of the collateral manager will not present grounds for termination of the collateral management agreement. In addition, such investment professionals may not devote all of their professional time to the affairs of the CLOs in which the Trust invests. There can be no assurance that for any CLO, in the event that underlying instruments are prepaid, the collateral manager will be able to reinvest such proceeds in new instruments with equivalent investment returns. If the collateral manager cannot reinvest in new instruments with equivalent investment returns, the interest proceeds available to pay interest on the CLO securities may be adversely affected.

The transaction documents relating to the issuance of CLO securities may impose eligibility criteria on the assets of the CLO, restrict the ability of the CLO's investment manager to trade investments and impose certain portfolio-wide asset quality requirements. These criteria, restrictions and requirements may limit the ability of the CLO's investment manager to maximize returns on the CLO securities. In addition, other parties involved in CLOs, such as third-party credit enhancers and investors in the rated tranches, may impose requirements that have an adverse effect on the returns of the various tranches of CLO securities. Furthermore, CLO securities issuance transaction documents generally contain provisions that, in the event that certain tests are not met (generally interest coverage and over-collateralization tests at varying levels in the capital structure), proceeds that would otherwise be distributed to holders of a junior tranche must be diverted to pay down the senior tranches until such tests are satisfied. Failure (or increased likelihood of failure) of a CLO to make timely payments on a particular tranche will have an adverse effect on the liquidity and market value of such tranche.

The CLOs in which the Trust invests are generally not registered as investment companies under the 1940 Act. As investors in these CLOs, the Trust is not afforded the protections that shareholders in an investment company registered under the 1940 Act would have.

The terms of CLOs set forth in their applicable transaction documents, including with respect to collateralization and/or interest coverage tests and asset eligibility criteria, may vary from CLO to CLO. Similarly the terms of the Senior Loans that constitute the underlying assets held by CLOs may vary. The Senior Loan and/or CLO market and loan market may evolve in ways that result in typical terms being less protective for the holders of CLO securities. As a result, the Trust will be reliant upon the Sub-Adviser's ability to obtain and evaluate the terms of the CLOs in which the Trust invests, the terms of and creditworthiness of the borrowers with respect to the underlying assets held by those CLOs and information about the collateral managers of the CLOs.

CLO interest rate risk

Although senior secured loans are generally floating rate instruments, the Trust's investments in senior secured loans through CLOs are sensitive to interest rate levels and volatility. Although CLOs are generally structured to mitigate the risk of interest rate mismatch, there may be some difference between the timing of interest rate resets on the assets and liabilities of a CLO. Such a mismatch in timing could have a negative effect on the amount of funds distributed to CLO subordinated notes. In addition, CLOs may not be able to enter into hedge agreements, even if it may otherwise be in the best interests of the CLO to hedge such interest rate risk. Furthermore, in the event of a significant rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses.

Because CLOs generally issue debt on a floating rate basis, an increase in LIBOR will increase the financing costs of CLOs. Many of the senior secured loans held by these CLOs have LIBOR floors such that, when LIBOR is below the stated LIBOR floor, the stated LIBOR floor (rather than LIBOR itself) is used to determine the interest payable under the loans. Therefore, if LIBOR increases but stays below the average LIBOR floor rate of the senior secured loans held by a CLO, there would not be a corresponding increase in the investment income of such CLOs. The combination of increased financing costs without a corresponding increase in investment income in such a scenario would result in smaller distributions to holders of the CLO subordinated notes.

Many underlying corporate borrowers can elect to pay interest based on 1-month LIBOR, 3-month LIBOR and/or other rates in respect of the loans held by CLOs in which we are invested, in each case plus an applicable spread, whereas CLOs generally pay interest to holders of the CLO's debt tranches based on 3-month LIBOR plus a spread. The 3-month LIBOR currently exceeds the 1-month LIBOR by a significant amount, which may result in many underlying corporate borrowers electing to pay interest based on 1-month LIBOR. This mismatch in the rate at which CLOs earn interest and the rate at which they pay interest on their debt tranches negatively impacts the cash flows on a CLO's subordinated note tranche. Unless spreads are adjusted to account for such increases, these negative impacts may worsen to the extent the amount by which the 3-month LIBOR exceeds the 1-month LIBOR increases.

CLO SUBORDINATED NOTES RISK

The Trust will invest in CLO subordinated (i.e., residual or equity) notes, which are junior in priority of payment and are subject to certain payment restrictions generally set forth in an indenture governing the notes. In addition, CLO subordinated notes generally do not benefit from any creditors' rights or ability to exercise remedies under the indenture governing the notes. The subordinated notes are not guaranteed by another party. Subordinated notes are subject to greater risk that the senior notes issued by the CLO. CLOs are typically highly levered, utilizing up to approximately 10 times leverage, and therefore subordinated notes are subject to a higher risk of total loss. There can be no assurance that distributions on the assets held by the CLO will be sufficient to make any distributions or that the yield on the subordinated notes will meet the Trust's expectations.

CLOs typically have no significant assets other than their underlying instruments. Accordingly, payments on CLO investments are and will be payable solely from the cash flows from such instruments, net of all management fees and other expenses. CLOs generally may make payments on subordinated notes only to the extent permitted by the payment priority provisions of an indenture governing the notes issued by the CLO. CLO indentures generally provide that principal payments on subordinated notes may not be made on any payment date unless all amounts owing under secured notes are paid in full. In addition, if a CLO does not meet the asset coverage tests or the interest coverage test set forth in the indenture governing the notes issued by the CLO, cash would be diverted from the subordinated notes to first pay the secured notes in amounts sufficient to cause such tests to be satisfied.

The subordinated notes are unsecured and rank behind all of the secured creditors, known or unknown, of the issuer, including the holders of the secured notes it has issued. Consequently, to the extent that the value of the issuer's portfolio of loan investments has been reduced as a result of conditions in the credit markets, defaulted loans, capital gains and losses on the underlying assets, prepayment or changes in interest rates, the value of the subordinated notes realized at their redemption could be reduced. Accordingly, the subordinated notes may not be paid in full and may be subject to up to 100% loss. As a result, relatively small numbers of defaults of instruments underlying CLOs in which the Trust holds subordinated notes may adversely impact the Trust's returns.

The market value of subordinated notes may be significantly affected by a variety of factors, including changes in the market value of the investments held by the issuer, changes in distributions on the investments held by the issuer, defaults and recoveries on those investments, capital gains and losses on those investments, prepayments on those investments and other risks associated with those investments. The leveraged nature of subordinated notes are likely to magnify the adverse impact on the subordinated notes of changes in the market value of the investments held by the issuer, changes in the distributions on those investments, defaults and recoveries on those investments, capital gains and losses on those investments, prepayments on those investments and availability, prices and interest rates of those investments. The Trust must be prepared to hold subordinated notes for an indefinite period of time or until their stated maturity.

CLO subordinated notes do not have a fixed coupon and payments on CLO subordinated notes will be based on the income received from the underlying collateral and the payments made to the secured notes, both of which may be based on floating rates. While the payments on CLO subordinated notes will be variable, CLO subordinated notes may not offer the same level of protection against changes in interest rates as other floating rate instruments. An increase in interest rates would materially increase the financing costs of CLOs. Since underlying instruments held by a CLO may have LIBOR floors, there may not be corresponding increases in investment income to the CLO (if LIBOR increases but stays below the LIBOR floor rate of such instruments) resulting in smaller distribution payments on CLO subordinated notes.

Subordinated notes are illiquid investments and subject to extensive transfer restrictions, and no party is under any obligation to make a market for subordinated notes. At times, there may be no market for subordinated notes, and the Trust may not be able to sell or otherwise transfer subordinated notes at their fair value, or at all, in the event that it determines to sell them. Since 2007, subordinated notes issued in securitization transactions generally have experienced historically high volatility and significant fluctuations in market value. Additionally, some potential buyers of such notes may view securitization products as an inappropriate investment, thereby reducing the number of potential buyers and/or potentially affecting liquidity in the secondary market.

Subordinated notes are subject to certain transfer restrictions and can only be transferred to certain specified transferees. The issuer may, in the future, impose additional transfer restrictions to comply with changes in applicable law. Restrictions on the transfer of subordinated notes may further limit their liquidity.

CLO subordinated notes tax risk

Investments in CLO subordinated notes involve complex accounting and tax considerations.

Investments in CLO subordinated notes may have complicated accounting and tax implications, and may be treated as investments in equity for U.S. federal income tax purposes. Investments in CLO subordinated notes generate cash flow throughout the year. The Trust reports earnings from CLO subordinated notes in accordance with U.S. GAAP based upon a calculation of effective yield. The Trust's current taxable earnings on its investments in CLO subordinated notes, however, will generally not be determinable until after each individual CLO's fiscal year. The tax treatment of these investments may result in higher distributable earnings in the early years and a capital loss at maturity. For reporting purposes, the totality of cash flows are reflected in a constant yield to maturity.

The Trust's investments in CLO subordinated notes may be subject to special anti-deferral provisions that could result in the Trust incurring tax or recognizing income prior to receiving cash distributions related to such income.

The CLOs in which the Trust invests may constitute "passive foreign investment companies," or "PFICs." The Trust may be subject to federal income tax on a portion of any "excess distribution" or gain from the disposition of an interest in a PFIC (including subordinated notes and certain debt in CLOs that are PFICs) that is treated as equity for U.S. federal income tax purposes even if the Trust distributes such income to its shareholders as a taxable dividend. Certain elections may be available to mitigate or eliminate such tax on excess distributions. Such elections (if available) will generally require the Trust to recognize its share of the PFIC's income for each tax year regardless of whether the Trust receives any distributions from such PFIC. The Trust must nonetheless distribute such income to maintain its status as a RIC. Furthermore, proposed United States Treasury regulations provide that certain income the Trust derives from a PFIC for which the

Trust has made a qualifying electing fund, or "QEF," election under the Code would generally constitute qualifying income for purposes of determining the Trust's ability to be subject to tax as a RIC only to the extent the PFIC makes distributions of that income to the Trust. As such, the Trust may be restricted in its ability to make QEF elections with respect to its holdings in issuers that could be treated as PFICs in order to ensure the Trust's continued qualification as a RIC and/or maximize after-tax return from these investments.

If the Trust holds 10% or more of the interests treated as equity for U.S. federal income tax purposes in a foreign corporation that is treated as a controlled foreign corporation, or "CFC" (including subordinated note tranche investments and certain debt tranche investments in a CLO treated as a CFC), the Trust may be treated as receiving a deemed distribution (taxable as ordinary income) each tax year from such foreign corporation in an amount equal to the Trust's pro rata share of the corporation's income for the tax year (including both ordinary earnings and capital gains). In general, a foreign corporation will be classified as a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (directly, indirectly or by attribution) by U.S. stockholders. A U.S. stockholder, for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power or value of all classes of shares of a corporation. If the Trust is required to include deemed distributions from a CFC in its income, the Trust will be required to distribute such income to maintain RIC status regardless of whether or not the CFC makes an actual distribution during the tax year. Furthermore, proposed United States Treasury regulations provide that certain income the Trust derives from a CFC would generally constitute qualifying income for purposes of determining the Trust's ability to be subject to tax as a RIC only to the extent the CFC makes distributions of that income to the Trust. As such, the Trust may limit or manage its holdings in issuers that could be treated as CFCs to ensure the Trust's continued qualification as a RIC and/or maximize after-tax return from these investments.

The Trust may have to sell some of its investments at disadvantageous times and/or prices, raise additional debt or equity capital or forgo new investment opportunities if the Trust is required to include amounts from CLO securities in income prior to receiving the cash distributions representing such income. The Trust may fail to qualify for RIC tax treatment and thus become subject to corporate-level income tax if the Trust is not able to obtain cash from other sources.

A CLO in which the Trust invests may be subject to withholding requirements that could materially and adversely affect the Trust's operating results and cash flows if such CLO fails to comply with certain U.S. tax disclosure requirements.

Legislation commonly referred to as "FATCA," the Foreign Account Tax Compliance Act, imposes a withholding tax of 30% on payments of U.S. source interest and dividends, or gross proceeds from the disposition of an instrument that produces U.S. source interest or dividends paid after December 31, 2018, to certain non-U.S. entities, including certain non-U.S. financial institutions and investment funds, unless such non-U.S. entity complies with certain reporting requirements regarding its United States account holders and its United States owners. Most CLOs in which we invest will be treated as non-U.S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30% withholding. If a CLO in which the Trust invests fails to properly comply with these reporting requirements, it could reduce the amounts available to junior debt and subordinated securities of the CLO, which could materially and adversely affect our operating results and cash flows.

BELOW INVESTMENT GRADE SECURITIES RISK

The Trust intends to invest primarily in below investment grade or unrated instruments, which are commonly referred to as "high-yield" securities or "junk" bonds. Investment in securities of below investment grade quality involves substantial risk of loss. Securities of below investment grade quality are considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal when due and therefore involve a greater risk of default or decline in market value due to adverse economic and issuer-specific developments. Issuers of below investment grade securities are not perceived to be as strong financially as those with higher credit ratings. These issuers face ongoing uncertainties and exposure to adverse business, financial or economic conditions and are more vulnerable to financial setbacks and recession than more creditworthy issuers, which may impair their ability to make interest and principal payments. Securities of below investment grade quality display increased price sensitivity to changing interest rates and to a deteriorating economic environment. The market values of certain below investment grade securities tend to reflect individual issuer developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates. The market values for securities of below investment grade quality tend to be more volatile and such securities tend to be less liquid than investment grade debt securities, which could result in the Trust being unable to sell such securities for an extended period of time, if at all. The market for high-yield securities has historically been subject to disruptions that have caused substantial volatility in the prices of such securities. Consolidation in the financial services industry has resulted in there being fewer market makers for high-yield securities, which may result in further risk of illiquidity and volatility with respect to high-yield securities, and this trend may continue in the future. To the extent that a secondary market does exist for certain below investment grade securities, the market for them may be subject to irregular trading activity, wide bid/ask spreads and extended trade settlement periods. Because of the substantial risks associated with investments in below investment grade securities, you could have an increased risk of losing money on your investment in Common Shares, both in the short-term and the long-term.

The ratings of Moody's, S&P, Fitch and other nationally recognized statistical rating organizations ("NRSRO") represent their opinions as to the quality of the obligations which they undertake to rate. Ratings are relative and subjective and, although ratings may be useful in evaluating the safety of interest and principal payments, they do not evaluate the market value risk of such obligations. To the extent that the Trust invests in securities that have not been rated by an NRSRO, the Trust's ability to achieve its investment objectives will be more dependent on the Sub-Adviser's credit analysis than would be the case when the Trust invests in rated securities.

The Trust may invest in securities rated in the lower rating categories (rated Caa1/CCC+ or below, or unrated but judged to be of comparable quality by the Sub-Adviser). For these securities, the risks associated with below investment grade instruments are more pronounced. Investments in the securities of financially distressed issuers involve substantial risks. See "Risks—Stressed and Distressed Investments Risk."

STRUCTURED CREDIT INSTRUMENTS RISK

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. As an investor in structured credit instruments, the Trust typically will have the right to receive payments only from the issuer of the structured credit instrument, and generally would not have direct rights against the issuer of or entity that sold the underlying assets. While certain structured credit instruments enable the Trust to obtain exposure to a pool of credit instruments without the brokerage and other expenses associated with directly holding the same instruments, investors in structured credit instruments generally pay their share of the administrative and other expenses of the issuer of the instrument. The prices of indices and instruments underlying structured credit instruments, and, therefore, the prices of structured credit instruments, will be influenced by, and will rise and fall in response to, the same types of political and economic events that affect issuers of securities and capital markets generally. If the issuer of a structured credit instrument uses shorter term financing to purchase longer term instruments, the issuer may be forced to sell its instruments at below market prices if it experiences difficulty in obtaining short-term financing, which may adversely affect the value of the structured credit instruments owned by the Trust. Certain structured credit instruments may be thinly traded or have a limited trading market.

The Trust may invest in structured credit instruments collateralized by low grade or defaulted loans or securities. Investments in such structured credit instruments are subject to the risks associated with below investment grade securities. Such securities are characterized by high risk.

The Trust may invest in senior classes and subordinated classes, including residual or equity interests, issued by structured credit vehicles. The payment of cash flows from the underlying assets to senior classes take precedence over those of subordinated classes, and therefore subordinated classes are subject to greater risk. Furthermore, the leveraged nature of each subordinated class may magnify the adverse impact on such class of changes in the value of the assets, changes in the distributions on the assets, defaults and recoveries on the assets, capital gains and losses on the assets, prepayment on the assets and availability, price and interest rates of the assets.

SENIOR LOAN RISK

Senior Loans are generally of below investment grade credit quality and therefore are subject to greater risks than investment grade corporate obligations. The prices of these investments may be volatile and will generally fluctuate due to a variety of factors that are inherently difficult to predict, including, but not limited to, changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, U.S. and non-U.S. economic or political events, developments or trends in any particular industry, and the financial condition of certain Borrowers. Additionally, Senior Loans have significant liquidity and market value risks since they are not traded in organized exchange markets but are traded by banks and other institutional counterparties. Furthermore, because such loans are privately syndicated and the applicable loan agreements are privately negotiated and customized, such loans are not purchased or sold as easily as publicly listed securities.

While such loans are generally intended to be secured by collateral, losses could result from default and foreclosure. Therefore, the value of the underlying collateral, the creditworthiness of the Borrower and the priority of the lien are each of great importance. The Adviser and the Sub-Adviser cannot guarantee the adequacy of the protection of the Trust's interests. If the terms of a Senior Loan do not require the Borrower to pledge additional collateral in the event of a decline in the value of the already pledged collateral, the Trust will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the Borrower's obligations under the Senior Loans. Furthermore, the Adviser and the Sub-Adviser cannot assure investors that claims may not be asserted that might interfere with enforcement of the Trust's rights. In the event of a foreclosure, the Trust may assume direct ownership of the underlying collateral. The liquidation proceeds upon sale of collateral may not satisfy the entire outstanding balance of principal and interest on the loan, resulting in a loss. Any costs or delays involved in the effectuation of a foreclosure of the loan or a liquidation of the underlying property will further reduce the proceeds and thus increase the loss. To the extent that a Senior Loan is collateralized by stock in the Borrower or its subsidiaries, such stock may lose all of its value in the event of the bankruptcy of the Borrower. Such Senior Loans involve a greater risk of loss.

Recently, interest rates have been at or near historically low levels. Increases in interest rates may adversely impact the ability of Borrowers to meet interest payment obligations and/or refinance their outstanding Senior Loans on attractive terms, which may adversely impact Borrowers and increase defaults on Senior Loans. The terms and covenants of Senior Loans may vary, and market expectations for such terms and covenants may change over time. More permissive covenants, with respect to the financial condition, operations and use of collateral by Borrowers, may provide Borrowers with additional flexibility, which may reduce the likelihood of default, but may also reduce the extent to which the holders of Senior Loans can recover in the event of a default. In the event of an economic downturn, recoveries upon default of Senior Loans may be less than in past market cycles.

Senior Loans are subject to legislative risk. If legislation or state or federal regulations impose additional requirements or restrictions on the ability of financial institutions to make loans, the availability of Senior Loans for investment by the Trust may be adversely affected. In addition, such requirements or restrictions could reduce or eliminate sources of financing for certain Borrowers. This would increase the risk of default. If legislation or federal or state regulations require financial institutions to increase their capital requirements this may cause financial institutions to dispose of Senior Loans that are considered highly levered transactions. Such sales could result in prices that, in the opinion of the Adviser and the Sub-Adviser, do not represent fair value.

If the Trust attempts to sell a Senior Loan at a time when a financial institution is engaging in such a sale, the price the Trust could receive for the Senior Loan may be adversely affected.

SECOND LIEN LOANS RISK

Second lien loans are secured by liens on the collateral securing the loan that are subordinated to the liens of at least one other class of obligations of the related obligor, and thus, the ability of the Trust to exercise remedies after a second lien loan becomes a defaulted loan is subordinated to, and limited by, the rights of the senior creditors holding such other classes of obligations. In many circumstances, the Trust may be prevented from foreclosing on the collateral securing a second lien loan until the related senior loan is paid in full. Moreover, any amounts that might be realized as a result of collection efforts or in connection with a bankruptcy or insolvency proceeding involving a second lien loan must generally be turned over to the senior secured lender until the senior secured lender has realized the full value of its own claims. In addition, certain of the second lien loans may contain provisions requiring the Trust's interest in the collateral to be released in certain circumstances. These lien and payment obligation subordination provisions may materially and adversely affect the ability of the Trust to realize value from second lien loans.

UNSECURED LOAN RISK

Unsecured loans do not benefit from any security interest in the assets of the Borrower. Liens on such Borrowers' assets, if any, will secure the applicable Borrower's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the Borrower under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before repayment of unsecured instruments held by the Trust. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy the Trust's unsecured obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then the Trust's unsecured claims would rank equally with the unpaid portion of such secured creditors' claims against the borrower's remaining assets, if any.

LOAN PARTICIPATION AND ASSIGNMENT RISK

The Trust may purchase Senior Loans, second lien loans and unsecured loans on a direct assignment basis from a participant in the original syndicate of lenders or from subsequent assignees of such interests. The Trust may also purchase participations in Senior Loans, second lien loans and unsecured loans. The purchaser of an assignment typically succeeds to all the rights and obligations of the assigning institution and becomes a lender under the credit agreement with respect to the debt obligation; however, the purchaser's rights can be more restricted than those of the assigning institution, and, in any event, the Trust may not be able to unilaterally enforce all rights and remedies under the loan and with regard to any associated collateral. A participation typically results in a contractual relationship only with the institution participating out the interest, not with the Borrower. In purchasing participations, the Trust generally will have no right to enforce compliance by the Borrower with the terms of the loan agreement against the Borrower, and the Trust may not directly benefit from the collateral supporting the debt obligation in which it has purchased the participation. As a result, the Trust will be exposed to the credit risk of both the Borrower and the institution selling the participation. Further, in purchasing participations in lending syndicates, the Trust may not be able to conduct the same due diligence on the Borrower with respect to a loan hat the Trust would otherwise conduct. In addition, as a holder of the participations, the Trust may not have voting rights or inspection rights that the Trust would otherwise have if it were investing directly in the loan, which may result in the Trust being exposed to greater credit or fraud risk with respect to the Borrower. Investments in bank loans may not be securities as defined within the Securities Act and therefore may not have the protections afforded by the federal securities laws.

ILLIQUID INVESTMENTS RISK

The Trust expects to invest in restricted, as well as thinly traded, instruments and securities (including privately placed securities and instruments that are subject to Rule 144A). There may be no trading market for these securities and instruments, and the Trust might only be able to liquidate these positions, if at all, at disadvantageous prices. As a result, the Trust may be required to hold such securities despite adverse price movements. Privately issued securities have additional risk considerations than investments in comparable public investments. Whenever the Trust invests in companies that do not publicly report financial and other material information, it assumes a greater degree of investment risk and reliance upon the Sub-Adviser's ability to obtain and evaluate applicable information concerning such companies' creditworthiness and other investment considerations.

Certain stressed and distressed investments, for various reasons, may not be capable of an advantageous disposition prior to the date the Trust is to be dissolved. The Trust may be required to sell, distribute in kind or otherwise dispose of investments at a disadvantageous time as a result of any such dissolution.

LEVERAGE RISK

The Trust currently anticipates utilizing leverage to seek to enhance income. There can be no assurance that the Adviser's and the Sub-Adviser's expectations will be realized or that a leveraging strategy will be successful in any particular time period. Use of leverage creates an opportunity for increased income but, at the same time, creates special risks. Leverage is a speculative technique that exposes the Trust to greater risk and increased costs than if it were not implemented. There can be no assurance that a leveraging strategy will be utilized or will be successful.

The use of leverage by the Trust will cause the net asset value of Common Shares to fluctuate significantly in response to changes in interest rates and other economic indicators. As a result, the net asset value, market price and dividend rate of Common Shares is likely to be more volatile than those of a closed-end management investment company that is not exposed to leverage. The use of leverage may result in a greater decline in the net asset value and market price of Common Shares than if the Trust were not leveraged.

Leverage will increase operating costs, which may reduce total return. The Trust will have to pay dividends on its Preferred Shares or interest on its Indebtedness, which may reduce the Trust's return. This dividend or interest expense may be greater than the Trust's return on the underlying investment, which would negatively affect the performance of the Trust. Increases in dividends that the Trust must pay on its Preferred Shares or interest rates that the Trust must pay on its Indebtedness will increase the cost of leverage and may reduce the return to Common Shareholders. This risk may be greater in the current market environment because interest rates are near historically low levels.

To the extent the Trust issues Preferred Shares, the Trust will pay (and Common Shareholders will bear) any costs and expenses relating to the issuance and ongoing maintenance of such Preferred Shares. Preferred Shares would have a senior claim on the distribution of the Trust's assets over Common Shares. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Trust, the holders of any Preferred Shares will be entitled to receive a preferential liquidating distribution, which is expected to equal the purchase price per Preferred Share plus accrued and unpaid dividends, whether or not declared, before any distribution of assets is made to Common Shareholders. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of Preferred Shares will not be entitled to any further participation in any distribution of assets by the Trust.

The Trust may be subject to asset coverage and portfolio composition requirements under the terms of a credit agreement or an indenture relating to certain types of Indebtedness or the terms of certain types of Preferred Shares. Certain Preferred Shares or Indebtedness issued by the Trust also may be subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for such Preferred Shares or Indebtedness. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act.

Reverse repurchase agreements involve the risks that the interest income earned on the investment of the proceeds will be less than the interest expense and expenses associated with the repurchase agreement, that the market value of the securities sold by the Trust may decline below the price at which the Trust is obligated to repurchase such securities and that the securities may not be returned to the Trust. There is no assurance that reverse repurchase agreements can be successfully employed. In connection with reverse repurchase agreements, the Trust will also be subject to counterparty risk with respect to the purchaser of the securities. If the broker/dealer to whom the Trust sells securities becomes insolvent, the Trust's right to purchase or repurchase securities may be restricted.

The Trust may have leverage outstanding during a shorter-term period during which such leverage may not be beneficial if the Trust believes that the long-term benefits of such leverage would outweigh the costs and portfolio disruptions associated with redeeming and reissuing such leverage. However, there can be no assurance that the Trust's judgment in weighing such costs and benefits will be correct.

During the time in which the Trust is utilizing leverage, the amount of the fees paid to the Adviser, and thereby to the Sub-Adviser, for investment advisory services will be higher than if the Trust did not utilize leverage because the fees paid will be calculated based on the Trust's Managed Assets, including proceeds of leverage (including leverage through Preferred Shares, Indebtedness or reverse repurchase agreements). This may create a conflict of interest between the Adviser and the Sub-Adviser on the one hand and the Common Shareholders, as holders of Preferred Shares, Indebtedness or other forms of leverage do not bear the management fee. Rather, Common Shareholders bear the portion of the base management fee attributable to assets purchased with the proceeds of leverage, which means that Common Shareholders effectively bear the entire management fee. There can be no assurance that a leveraging strategy will be utilized or, if utilized, will be successful.

In addition, the Trust may engage in certain derivatives transactions that have economic characteristics similar to leverage. To the extent the terms of any such transaction obligate the Trust to make payments, the Trust intends to earmark or segregate cash or liquid securities in an amount at least equal to the current value of the amount then payable by the Trust under the terms of such transactions or otherwise cover such transactions in accordance with applicable interpretations of the staff of the SEC. To the extent the terms of any such transaction obligate the Trust to deliver particular securities to extinguish the Trust's obligations under such transactions, the Trust may "cover" its obligations under such transaction by either (i) owning the securities or collateral underlying such transactions or (ii) having an absolute and immediate right to acquire such securities or collateral without additional cash consideration

OTHER INVESTMENT COMPANIES RISK

Investments in other investment companies present certain special considerations and risks not present in making direct investments in securities in which the Trust may invest. Investments in other investment companies involve operating expenses and fees that are in addition to the expenses and fees borne by the Trust. Such expenses and fees attributable to the Trust's investments in other investment companies are borne indirectly by Common Shareholders. Accordingly, investment in such entities involves expense and fee layering. Investments in other investment companies may expose the Trust to an additional layer of financial leverage. To the extent management fees of other investment companies are based on total gross assets, it may create an incentive for such entities' managers to employ financial leverage, thereby adding additional expense and increasing volatility and risk. Investments in other investment companies also expose the Trust to additional management risk; the success of the Trust's investments in other investment companies will depend in large part on the investment skills and implementation abilities of the advisers or managers of such entities. Decisions made by the advisers or managers of such entities may cause the Trust to incur losses or to miss profit opportunities. To the extent the Trust invests in ETFs or other investment companies that seek to track a specified index, such investments will be subject to tracking error risk.

EXCHANGE-TRADED FUND RISK

For ETFs tracking an index of securities, the cumulative percentage increase or decrease in the net asset value of the shares of an ETF may over time diverge significantly from the cumulative percentage increase or decrease in the relevant index due to the compounding effect experienced by an ETF which results from a number of factors, including, leverage (if applicable), daily rebalancing, fees, expenses and interest income, which in turn results in greater non-correlation between the return of an ETF and its corresponding index. Moreover, because an ETF's portfolio turnover rate may be very high due to daily rebalancing, holding both long and short futures contracts, leverage (if applicable) and and/or market volatility, such ETF will incur additional brokerage costs, operating costs and may generate increased taxable capital gains, which, in turn, would adversely affect the value of the shares of such ETF. In addition, fixed-income ETFs that track an index often require some type of sampling or optimization because they are typically market benchmarks but not tradable portfolios. Such ETFs often include many more securities than equity ETFs, and the securities included are often less liquid, resulting in fewer opportunities and greater costs to replicate the relevant index. Many instruments in fixed-income indices are illiquid or hard to obtain, as many investors may buy them at issuance and hold them to maturity.

INTEREST RATE RISK

Interest rate risk is the risk that credit securities will decline in value because of changes in market interest rates. When market interest rates rise, the market value of fixed income credit securities generally will fall. **These risks may be greater in the current market environment because interest rates are near historically low levels.** Prevailing interest rates may be adversely impacted by market and economic factors. If interest rates rise the markets may experience increased volatility, which may adversely affect the value and/or liquidity of certain of the Trust's investments. The prices of longer-term securities fluctuate more than prices of shorter-term securities as interest rates change. The Trust's use of leverage will tend to increase the interest rate risk to which its Common Shares are subject. The Trust invests primarily in variable and floating rate instruments, which generally are less sensitive to interest rate changes than fixed rate instruments, but generally will not increase in value if interest rates decline.

PREPAYMENT RISK

The assets underlying the CLO securities in which the Trust invests are subject to prepayment by the underlying borrowers. In addition, the CLO securities in which the Trust invests are subject to prepayment risk. If the Trust or a CLO collateral manager is unable to reinvest prepaid amounts in a new investment with an expected rate of return at least equal to that of the investment repaid, the Trust's investment performance may be adversely impacted.

The frequency at which prepayments (including voluntary prepayments by the obligors and accelerations due to defaults) occur on bonds and loans will be affected by a variety of factors including the prevailing level of interest rates and spreads as well as economic, demographic, tax, social, legal and other factors. Generally, obligors tend to prepay their fixed rate obligations when prevailing interest rates fall below the coupon rates on their obligations. Similarly, floating rate issuers and borrowers tend to prepay their obligations when spreads narrow.

In general, "premium" securities (securities whose market values exceed their principal or par amounts) are adversely affected by faster than anticipated prepayments, and "discount" securities (securities whose principal or par amounts exceed their market values) are adversely affected by slower than anticipated prepayments. Since many fixed rate obligations will be discount securities when interest rates and/or spreads are high, and will be premium securities when interest rates and/or spreads are low, such securities and asset-backed securities may be adversely affected by changes in prepayments in any interest rate environment.

The adverse effects of prepayments may impact the Trust's portfolio in several ways. During periods of declining interest rates, when the issuer of a security exercises its option to prepay principal earlier than scheduled, the Trust may be required to reinvest the proceeds of such prepayment in lower-yielding securities. Particular investments may experience outright losses, as in the case of an interest-only security in an environment of faster actual or anticipated prepayments.

INFLATION/DEFLATION RISK

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of Common Shares and distributions can decline. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with the Trust's use of leverage would likely increase, which would tend to further reduce returns to Common Shareholders. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Trust's portfolio.

CREDIT RISK

Credit risk is the risk that an issuer of securities in which the Trust invests or an asset underlying a CLO in which the Trust invests will be unable to pay principal and interest when due, or that the value of the security will suffer because investors believe the issuer is less able to pay. This is broadly gauged by the credit ratings of the securities in which the Trust invests. However, ratings are only the opinions of the agencies issuing them, may change less quickly than relevant circumstances and are not absolute guarantees of the quality of the securities. Furthermore, the Trust's investments may not be rated by any rating agency or may be below investment grade. The Trust will be more dependent upon the judgment of the Sub-Adviser as to the credit quality of such unrated securities. A default, downgrade or credit impairment of any of its investments could result in a significant or even total loss of the investment.

NON-U.S. INVESTMENTS RISK

Issuers of foreign securities are not subject to United States reporting and accounting requirements. Foreign reporting requirements may result in less information being available or in a lack of uniformity in the manner in which information is presented. The risk of loss associated with investments in securities of foreign issuers, particularly in less developed markets, include currency exchange risks, expropriation, or limits on repatriating an investment, government intervention, confiscatory taxation, political, economic or social instability, illiquidity, less efficient markets, price volatility and market manipulation.

Some foreign securities may be subject to brokerage or stock transfer taxes levied by foreign governments, which would have the effect of increasing the cost of investment and which may reduce the realized gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent or different regulations than would be the case for U.S. issuers and therefore potentially carry greater risk. Custodial expenses for a portfolio of non-U.S. securities generally are higher than for a portfolio of U.S. securities. In addition, dividend and interest payments from, and capital gains in respect of, certain foreign securities may be subject to foreign taxes that may or may not be reclaimable.

In addition, costs associated with transactions in non-U.S. markets (including brokerage, execution, clearing and custodial costs) may be substantially higher than costs associated with transactions in U.S. markets. Such non-U.S. transactions may also involve additional costs for the purchase or sale of currencies in which the Trust's assets are denominated in order to settle such transactions. Furthermore, clearing and registration procedures may be under-developed enhancing the risks of error, fraud, or default.

Many of the laws that govern foreign investment, securities transactions and other contractual relationships in non-U.S. securities markets are different than or not as fully developed as those in the United States. As a result, the Trust may be subject to a number of risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of U.S. markets, and lack of enforcement of existing regulations. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Trust and its operations. In addition, the income and gains of the Trust may be subject to withholding taxes imposed by foreign governments for which investors may not receive a full foreign tax credit. Furthermore, it may be more difficult to obtain and enforce a judgment in a court outside of the United States than to enforce one in the United States.

LISTING RISK

There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering that will result in a Listing Event. There can be no assurance that a secondary market will develop for Common Shares following a Listing Event. Because shares of listed closed-end funds frequently trade at a discount to net asset value, even if investors are able to sell their Common Shares, they may receive more or less than their purchase price and the then current net asset value per Common Share. This risk may be more pronounced in the period shortly following the Trust's listing. This risk is separate and distinct from the risk that the Trust's net asset value will decline. If the Common Shares are listed, whether an investor will realize gains or losses upon the sale of Common Shares will depend upon whether the market price of Common Shares at the time of sale is above or below the investor's purchase price for Common Shares. Because the market price of Common Shares will be determined by factors such as net asset value, dividend and distribution levels (which are dependent, in part, on expenses), supply of and demand for Common Shares, stability of dividends or distributions, trading volume of Common Shares, general market and economic conditions and other factors beyond the control of the Trust, the Trust cannot predict whether Common Shares will trade at, below or above net asset value. Because investors in this offering will be subject to restrictions on sales of Common Shares following the listing pursuant to the Trust's By-Laws and any "lock up" agreements entered into with the Trust's underwriters, investors will be unable to sell their Common Shares for a period of time even if the market price and/or NAV of the Common Shares declines following the listing.

UNDERWRITTEN OFFERING RISK

In an underwritten offering prior to a Listing Event, the offering price per share, less any underwriting commission or discount, will equal or exceed the Trust's net asset value per share determined within forty-eight hours, excluding Sundays and holidays, next preceding the pricing of the offering, unless otherwise approved by a majority of the Trust's Common Shareholders. The voting power of current Common Shareholders will be diluted to the extent that current Common Shareholders do not purchase Common Shares in any future offerings of Common Shares or do not purchase sufficient Common Shares to maintain their percentage interest. If the Trust is unable to invest the proceeds of such offering as intended, the Trust's per Common Share earnings may decrease and the Trust may not participate in market advances to the same extent as if such proceeds were fully invested as planned. The Trust's net asset value will be reduced immediately following such an offering of Common Shares due to the costs of such offering borne by the Trust. Were the expenses of the offering to exceed the amount by which the offering price, less any underwriting commission or discount, exceeded the Trust's then current net asset value per Common Share, shareholders would experience a dilution of the aggregate net asset value per Common Share. This dilution will be experienced by all shareholders, irrespective of whether they purchase Common Shares in any such offering. As a condition of the offering, the underwriters may require certain Common Shareholders to enter into "lock-up" agreements pursuant to which such shareholders will agree to not offer, pledge, sell, contract to sell or otherwise dispose of or agree to sell or otherwise dispose of, directly or indirectly or hedge any Common Shares or any securities convertible into or exchangeable for Common Shares for a specified period of time (typically 180 days from the pricing of the offering) The underwriters in any such offering may request that the Trust adopt certain non-fundamental investment policies and parameters or certain other changes to the Trust. Any such parameters may place additional constrains on the Sub-Adviser's flexibility to manage the portfolio and may make it more difficult for the Trust to achieve its investment objectives.

There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering, the success of any such offering or the amount of proceeds that the Trust will raise in any such offering. If the Trust is unable to complete an underwritten offering, the Trust will conduct an Alternative Liquidity Event. See "Risks—Alternative Liquidity Event Risk."

TENDER OFFER RISK

If the Trust has not completed a Listing Event within six months after the Initial Closing Date, the Trust intends to conduct quarterly tender offers to provide a limited degree of interim liquidity prior to the occurrence of a Listing Event. The Trust currently anticipates limiting the number of Common Shares purchased in each quarterly tender offer to a maximum of approximately 5% of the Trust's then outstanding Common Shares, though the actual number of Common Shares that the Trust offers to repurchase may be less.

If a tender offer is oversubscribed by Common Shareholders, the Trust will repurchase only a pro rata portion of the Common Shares tendered by each Common Shareholder. To the extent Common Shareholders have the ability to sell their Common Shares to the Trust pursuant to a tender offer, the price at which a Common Shareholder may sell Common Shares, which will be net asset value per Common Share most recently determined prior to the last day of the offer, may be lower than the price that such Common Shareholder paid for Common Shares in this offering.

The Trust has no obligation to conduct tender offers for Common Shares at any time, and tender offers will only be made at such times, in such amounts and on such terms as may be determined by the Board of Trustees in its sole discretion. In any given quarter, the Adviser may not recommend, and the Board of Trustees may not approve, a tender offer, in which case no share repurchases will occur in such quarter. If a tender offer is not made, Common Shareholders may not be able to sell their Common Shares. Any Common Share repurchase program may be delayed or discontinued at any time.

In the event a Common Shareholder chooses to participate in a tender offer, the Common Shareholder will be required to provide the Trust with notice of intent to participate prior to knowing what the repurchase price will be on the repurchase date. Although the Common Shareholder may have the ability to withdraw a tender prior to the expiration date of the offer, to the extent the Common Shareholder seeks to sell Common Shares to the Trust as part of a tender offer, the Common Shareholder will be required to do so without knowledge of what the repurchase price of the Common Shares will be on the expiration date. It is possible that general economic and market conditions could cause a decline in the net asset value per Common Share prior to the expiration date.

The acquisition of Common Shares by the Trust will decrease the total assets of the Trust. Tender offers are, therefore, likely to increase the Trust's expense ratio, may result in untimely sales of portfolio securities by the Trust and/or limit the Trust's ability to participate in new investment opportunities. To the extent the Trust maintains a cash position to satisfy repurchases of Common Shares, the Trust would not be fully invested, which may reduce the Trust's investment performance.

The Trust may need to sell portfolio investments to fund tender offers. The Trust may be required to sell its more liquid, higher quality portfolio securities to purchase Common Shares that are tendered, which may increase risks for remaining Common Shareholders and increase Trust expenses. In addition, consummating a tender offer may require the Trust to liquidate portfolio securities, and realize gains or losses, at a time when the Sub-Adviser would otherwise consider it disadvantageous to do so. Subject to the Trust's investment restriction with respect to borrowings, the Trust may borrow money to finance the repurchase of shares pursuant to any tender offers. There can be no assurance that the Trust will be able to obtain such financing if it attempts to do so. Furthermore, to the extent the Trust borrows to finance the making of tender offers, interest on such borrowings reduces the Trust's net investment income.

ALTERNATIVE LIQUIDITY EVENT RISK

The Trust's investment objectives and policies are not designed to seek to return to investors that purchase Common Shares in this offering their initial investment upon an Alternative Liquidity Event, and such investors may receive more or less than their original investment upon an Alternative Liquidity Event. The determination as to how the Alternative Liquidity Event will be structured will be made in the sole discretion of the Board of Trustees based on market conditions at such time and all other factors deemed relevant by the Board of Trustees in consultation with the Adviser and the Sub-Adviser. Expenses associated with any Alternative Liquidity Event would be borne by Common Shareholders.

There are significant uncertainties associated with an Alternative Liquidity Event in the form of a merger or other reorganization transaction in which Common Shareholders receive cash and/or shares of a closed-end fund or other public company whose shares are listed on a national securities exchange. Even if the Board desires to pursue such a transaction, there can be no assurance that a merger candidate can be identified or that terms of such a transaction favorable to Common Shareholders can be negotiated. Common Shareholders will experience a reduction in percentage ownership and voting power in the combined entity as a result of such a transaction. The combined entity may be unable to realize the benefits anticipated by any such transaction or it may take longer than anticipated to achieve such benefits. Any such transaction may be subject to significant conditions, including affirmative votes by Common Shareholders and shareholders of the other entity, as well as other third party consents. The Trust may incur significant expenses in connection with any such transaction, which may not be recovered if the transaction is not completed. As a result, any termination of such transaction may negatively impact the Trust. Shares of the combined entity received by Common Shareholders may have different rights associated with them than the Common Shares. If the combined entity is a listed closed-end fund or other listed company the market price of the shares of the combined entity after the completion of any such transaction may be affected by factors different from those affecting Common Shares and such shares may trade at prices lower than their net asset value.

If an Alternative Liquidity Event consists of a tender offer for 100% of the Trust's outstanding Common Shares, the Trust anticipates that funds to pay the aggregate purchase price of Common Shares accepted for purchase pursuant to the tender offer will be first derived from any cash on hand and then from the proceeds from the sale of portfolio investments held by the Trust. In addition, the Trust may be required to dispose of portfolio investments in connection with any reduction in the Trust's outstanding leverage necessary in order to maintain the Trust's desired leverage ratios following a tender offer. The disposition of portfolio investments by the Trust could cause market prices of such instruments, and hence the net asset value of Common Shares, to decline. In addition, disposition of portfolio investments will cause the Trust to incur increased brokerage and related transaction expenses. The Trust may receive proceeds from the disposition of portfolio investments that are less than the valuations of such investments by the Trust. It is likely that during the pendency of a tender offer, and possibly for a time thereafter, the Trust will hold a greater than normal percentage of its total assets in cash and cash equivalents, which may impede the Trust's ability to achieve its investment objectives and decrease returns to shareholders. If the Trust's tax basis for the investments sold is less than the sale proceeds, the Trust will recognize capital gains, which the Trust will be required to distribute to shareholders. In addition, the Trust's purchase of tendered Common Shares pursuant to a tender offer will have tax consequences for tendering shareholders and may have tax consequences for non-tendering shareholders. The purchase of Common Shares by the Trust pursuant to a tender offer will have the effect of increasing the proportionate interest in the Trust of non-tendering shareholders. All shareholders remaining after a tender offer will be subject to proportionately higher expenses due to the reduction in the Trust's total assets resulting from payment for the tendered Common Shares. Such reduction in the Trust's total assets may also result in less investment flexibility, reduced diversification and greater volatility for the Trust, and may have an adverse effect on the Trust's investment performance. There can be no assurance as to the continued viability of the Trust following completion of the tender offer. If shares tendered exceed a threshold established by the Board at which the continued operation of the Trust would not be expected to be viable, the tender offer would be terminated, no Common Shares will be repurchased pursuant to the tender offer and the Trust will terminate.

If the Trust elects to pursue an Alternative Liquidity Event through the sale of all or substantially all of their assets followed by a distribution of proceeds to Common Shareholders in liquidation of the Trust, the Trust will incur transaction costs in connection with dispositions of portfolio securities. The Trust may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the Trust to lose money. In particular, the Trust's portfolio may still have significant remaining average maturity and duration, and large exposures to below investment grade securities and losses due to portfolio liquidation may be significant. In advance of a liquidation, rather than reinvesting the proceeds of matured, called or sold securities, the Trust may invest such proceeds in short-term or other lower yielding securities or hold the proceeds in cash, which may adversely affect its performance.

In a liquidation, the Trust may distribute the proceeds in one or more liquidating distributions prior to the final liquidation, which may cause fixed expenses to increase when expressed as a percentage of assets under management. Upon a termination, it is anticipated that the Trust will have distributed substantially all of its net assets to shareholders, although securities for which no market exists or securities trading at depressed prices, if any, may be placed in a liquidating trust. Common Shareholders will bear the costs associated with establishing and maintaining a liquidating trust, if necessary. Securities placed in a liquidating trust may be held for an indefinite period of time until they can be sold or pay out all of their cash flows. The Trust cannot predict the amount, if any, of securities that will be required to be placed in a liquidating trust.

MANAGEMENT RISK

The Trust is subject to management risk because the Trust has an actively managed portfolio. The Adviser and Sub-Adviser will apply investment techniques and risk analysis in making investment decisions for the Trust, but there can be no guarantee that these will produce the desired results.

VALUATION RISK

Because the secondary markets for certain investments may be limited, they may be difficult to value. Generally, there is not a public market for the CLO securities in which the Trust invests. Where market quotations are not readily available or deemed unreliable, the Trust will value such securities in accordance with fair value procedures adopted by the Board of Trustees. Valuations of some or all of the Trust's investments may require input from the Sub-Adviser and third parties. Valuations requiring input from the Sub-Adviser or third parties may be based on subjective inputs of the Sub-Adviser or such third parties. Valuation of such securities may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases than for investments with a more active secondary market because there is less reliable objective data available. In some cases, valuation of certain investments may be based upon models, indicative quotes or estimates of value and not actual executed historical trades. Reasonable efforts will be made to base such inputs on observable market prices and inputs but there can be no assurances that such information will be readily available. The Trust generally uses non-binding indicative bid prices provided by an independent pricing service or broker as the primary basis for determining the value of CLO debt and subordinated securities, which may be adjusted for pending distributions, as applicable, as of the applicable valuation date. These bid prices are non-binding, and may not be determinative of fair value. In valuing the Trust's investments in CLO debt and subordinated securities, in addition to non-binding indicative bid prices provided by an independent pricing service or broker, the Valuation Committee also may consider a variety of relevant factors, including recent trading prices for specific investments, recent purchases and sales known to the Trust in similar securities, other information known to the Trust relating to the securities, and discounted cash flows based on output from a third-party financial model, using projected future cash flows. A security that is fair valued may be valued at a price higher or lower than the value determined by other funds using their own fair valuation procedures. Prices obtained by the Trust upon the sale of such securities may not equal the value at which the Trust carried the investment on its books, which would adversely affect the net asset value of the Trust. The Trust may incur costs in connection with valuing its investments, including costs associated with the retention of valuation firms to value certain of the Trust's investments.

COMPETITION RISK

Since an inherent part of the Sub-Adviser's strategy will be to identify securities that provide for attractive risk adjusted yield, competitive investment activity by other firms may reduce the Trust's opportunity for profit by reducing mispricings in the market as well as the margins available on such mispricings as can still be identified.

CONFLICTS OF INTEREST RISKS

Various potential and actual conflicts of interest may arise from the overall investment activity of the Trust, the Sub-Adviser and its affiliates. Certain inherent conflicts of interest may arise from the fact that the Sub-Adviser and its affiliates may in the future carry on substantial investment activities for other client accounts, including discretionary accounts and other investment vehicles (collectively, the “Other Accounts”).

Some of the Other Accounts may invest in the same or different securities as the Trust, compete with the Trust for the same investment opportunities (which may be limited) and/or engage in transactions or other activities or pursue investment strategies which are inconsistent with those effected for the Trust or which are contrary to or conflict with the interests of the Trust.

The Sub-Adviser and its affiliates may give advice to or effect transactions on behalf of Other Accounts that are inconsistent with or contrary to advice given or transactions effected on behalf of the Trust.

The Sub-Adviser or its affiliates could manage one or more Other Accounts that may invest in different levels of the capital structure of a portfolio company, the debt or equity of which is held by the Trust. If a common portfolio company were to experience financial difficulty, the interests of the Trust could be different from the interest in such portfolio company held by one or more Other Accounts. To the extent that such a conflict arises, the Sub-Adviser and its affiliates will seek to resolve such conflicts on a case-by-case basis in the best interest of Trust and such Other Accounts, and in accordance with the restrictions of the 1940 Act.

Allocation of investment opportunities

The Sub-Adviser and its affiliates are not obligated to allocate all investment opportunities that may be appropriate for the Trust to the Trust. Allocation of investment opportunities among the Trust and the Other Accounts will be subject to the Sub-Adviser’s allocation procedures which generally provide that investments will be allocated on a fair and equitable basis over time (but not necessarily on a pro rata basis), having regard to such matters as available capital, relative exposure to market trends, risk tolerance, expected duration of the Trust or the investments, the investment programs and portfolio positions of the Trust and the affiliated entities for which participation is appropriate, guidelines, concentration limits and other limitations established by the respective entities, and applicable tax and regulatory considerations.

Allocation of personnel

Such Other Accounts may be managed by current employees of the Sub-Adviser or by new portfolio managers hired by the Sub-Adviser and may follow a similar investment strategy as that employed by the Trust. The Sub-Adviser may have an incentive to retain such portfolio managers to manage the assets of such Other Accounts rather than or in addition to managing the assets of the Trust. Although the officers and employees of the Sub-Adviser will devote as much time to the Trust as the Sub-Adviser deems appropriate, the officers and employees, if any, may have conflicts in allocating their time and services among the Trust and other accounts now or hereafter advised by the Sub-Adviser and/or its affiliates.

Lack of information barriers

Situations may occur where the Trust may be deemed to have possession of material non-public information, including material non-public information concerning specific companies, as a result of other activities by the Sub-Adviser, including on behalf of other clients. Under applicable securities laws, this may limit the Sub-Adviser’s ability to buy or sell securities issued by such companies and the Trust may be unable to engage in certain transactions they would otherwise find attractive, or may be able to engage in such transactions only during limited periods of time. Due to these restrictions, the Trust may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold. Similarly, the Sub-Adviser may decline to receive material nonpublic information in order to avoid trading restrictions with regard to any Other Account, even though access to such information may have been advantageous to the Trust. Clients and investors may be adversely affected by such restrictions.

While the Sub-Adviser has procedures in place to manage the risk associated with insider trading, the management of material non-public information could fail and result in the Sub-Adviser or one of its investment professionals, buying and selling a security while, at least constructively, in possession of material non-public information. Inadvertent trading on material non-public information could have adverse effects on the Sub-Adviser's reputation, or result in the imposition of regulatory or financial sanctions, and as a consequence, negatively impact the Sub-Adviser's ability to perform its investment management services on behalf of regulations, or decide that it is advisable to establish information barriers in the future, which may affect how they provides advice.

Restrictions on transactions with affiliates

The 1940 Act limits the Trust's ability to enter into certain transactions with certain of its affiliates. As a result of these restrictions, the Trust may be prohibited from buying or selling any security directly from or to any portfolio company of a registered investment company or other pooled investment vehicle managed by the Sub-Adviser or any of its affiliates. The 1940 Act also prohibits certain "joint" transactions with certain of the Trust's affiliates, which could include investments in the same portfolio company (whether at the same or different times). The analysis of whether a particular transaction constitutes a joint transaction requires a review of the relevant facts and circumstances then existing. These limitations may limit the scope of investment opportunities that would otherwise be available to the Trust. For example, these limitations may limit the extent to which the Trust may invest in CLOs for which the Sub-Adviser or its affiliates act as CLO manager, even if such CLOs were otherwise attractive investments for the Trust. The Trust will not purchase securities of Octagon managed CLOs in the primary issuance of such securities. However, in certain instances the Trust may, in accordance with policies adopted by Octagon, purchase securities of Octagon managed CLOs in secondary market transactions. Octagon will receive a fee as manager of the CLO in addition to the sub-advisory fee it receives in connection with the Trust.

CONFIDENTIAL INFORMATION RISK

The Trust frequently may possess material non-public information about an issuer as a result of its ownership of a credit instrument of an issuer. Because of prohibitions on trading in securities while in possession of material non-public information, the Trust might be unable to enter into a transaction in a security of the issuer when it would otherwise be advantageous to do so.

TAX RISK

The Trust intends to elect to be treated and to qualify each year as a RIC under the Code. As a RIC, the Trust generally would not be subject to U.S. federal income tax to the extent that it distributes its investment company taxable income and net capital gains. To qualify for the special tax treatment available to RICs, the Trust must comply with certain income, distribution, and diversification requirements. If the Trust failed to meet any of these requirements, subject to the opportunity to cure such failures under applicable provisions of the Code, the Trust would be subject to U.S. federal income tax at regular corporate rates on its taxable income, including its net capital gain, even if such income were distributed to shareholders. All distributions by the Trust from earnings and profits, including distributions of net capital gain (if any), would be taxable to shareholders as dividends.

Certain of the Trust's investments will cause the Trust to take into account taxable income in a taxable year in excess of the cash generated on those investments during that year. In particular, the Trust expects to invest in loans and other debt obligations that will be treated as having "market discount" and/or original issue discount ("OID") for U.S. federal income tax purposes. Because the Trust may be allocated taxable income in respect of these investments before, or without receiving, cash representing such income, the Trust may have difficulty satisfying the annual distribution requirements applicable to RICs and avoiding Trust-level U.S. federal income and/or excise taxes. Accordingly, the Trust may be required to sell assets, including at potentially disadvantageous times or prices, raise additional debt or equity capital or reduce new investments, to obtain the cash needed to make these income distributions. If the Trust liquidates assets to raise cash, the Trust may realize gain or loss on such liquidations. In the event the Trust realizes net capital gains from such liquidation transactions, the Trust and, ultimately, its Common Shareholders, may receive larger capital gain distributions than it or they would in the absence of such transactions.

PORTFOLIO TURNOVER RISK

Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Trust. High portfolio turnover may result in increased transaction costs to the Trust, including brokerage commissions, dealer mark-ups and other transaction costs on the sale of securities and on reinvestment in other securities. The sale of portfolio securities may result in the realization and/or distribution to shareholders of higher capital gains or losses as compared to a fund with less active trading policies. These effects of higher than normal portfolio turnover may adversely affect Trust performance.

RELIANCE ON SERVICE PROVIDERS

The Trust must rely upon the performance of service providers to perform certain functions, which may include functions that are integral to the operations and financial performance of the Trust. Fees and expenses of these service providers are borne by the Trust, and therefore indirectly by Common Shareholders. Failure by any service provider to carry out its obligations to the Trust in accordance with the terms of its appointment, to exercise due care and skill, or to perform its obligations to the Trust at all as a result of insolvency, bankruptcy or other causes could have a material adverse effect on the Trust's performance and ability to achieve its investment objectives. The termination of the Trust's relationship with any service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Trust and could have a material adverse effect on the Trust's performance and ability to achieve its investment objectives.

TECHNOLOGY RISK

Markets and market participants are increasingly reliant upon both publicly available and proprietary information data systems. Data imprecision, software or other technology malfunctions, programming inaccuracies, unauthorized use or access, and similar circumstances may impair the performance of these systems and may have an adverse impact upon a single issuer, a group of issuers, or the market at large. As the use of internet technology has become more prevalent, the Trust and their respective service providers have become more susceptible to potential operational risks through breaches in cyber security (generally, intentional and unintentional events that may cause the Trust, or a service provider to lose proprietary information, suffer data corruption or lose operational capacity). There can be no guarantee that any risk management systems established by the Trust, their service providers, or issuers of the securities in which the Trust invests that are intended to reduce cyber security risks will succeed. The Trust cannot control such systems put in place by service providers or other third parties whose operations may affect the Trust and Common Shareholders.

RECENT MARKET DEVELOPMENTS RISK

Periods of market volatility remain, and may continue to occur in the future, in response to various political, social and economic events both within and outside of the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions may adversely affect the Trust, including by making valuation of some of the Trust's securities uncertain and/or result in sudden and significant valuation increases or declines in the Trust's holdings. If there is a significant decline in the value of the Trust's portfolio, this may impact the asset coverage levels for the Trust's outstanding leverage.

Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery, the financial condition of financial institutions and the Trust's business, financial condition and results of operation. Market and economic disruptions have affected, and may in the future affect, consumer confidence levels and spending, personal bankruptcy rates, levels of incurrence and default on consumer debt and home prices, among other factors. To the extent uncertainty regarding the U.S. or global economy negatively impacts consumer confidence and consumer credit factors, the Trust's business, financial condition and results of operations could be significantly and adversely affected. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or unfavorable economic conditions could impair the Trust's ability to achieve its investment objective.

MARKET DISRUPTION AND GEOPOLITICAL RISK

The occurrence of events similar to those in recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria, Russia, Ukraine and the Middle East, ongoing epidemics of infectious diseases in certain parts of the world, terrorist attacks in the U.S. and around the world, social and political discord, debt crises (such as the Greek crisis), sovereign debt downgrades, increasingly strained relations between the United States and a number of foreign countries, including traditional allies, such as certain European countries, and historical adversaries, such as North Korea, Iran, China and Russia, and the international community generally, new and continued political unrest in various countries, such as Venezuela, the exit or potential exit of one or more countries from the EU or the EMU, and changes in international trade policies and tariffs and other similar events among others, may result in market volatility, may have long-term effects on the U.S. and worldwide financial markets, and may cause further economic uncertainties in the U.S. and worldwide. The occurrence of any of these above events could have a significant adverse impact on the value and risk profile of the Trust's portfolio. The Trust does not know how long the securities markets may be affected by similar events and cannot predict the effects of similar events in the future on the U.S. economy and securities markets. There can be no assurances that similar events and other market disruptions will not have other material and adverse implications.

UK DEPARTURE FROM EU RISK

On Thursday June 23, 2016, voters in the United Kingdom referendum (the "Referendum") on the question of whether to remain or leave the European Union (the "EU") voted in a majority in favor of leaving the EU, which is expected to occur on March 29, 2019. This historic event is widely expected to have consequences that are both profound and uncertain for the economic and political future of the United Kingdom and the EU, and those consequences include significant legal and business uncertainties pertaining to an investment in the Trust. The full scope and nature of the consequences of the United Kingdom's withdrawal from the EU are not at this time known and are unlikely to be known for a significant period of time. Negotiations regarding the terms of withdrawal and the post-withdrawal relationship between the United Kingdom and EU remain ongoing. However, this process has led to significant uncertainty in the business, legal and political environment.

Risks associated with the United Kingdom's withdrawal from the EU include short and long-term market volatility and currency volatility (including volatility of the value of the British pound sterling relative to the United States dollar and other currencies and volatility in global currency markets generally), macroeconomic risk to the UK and European economies, impetus for further disintegration of the EU and related political stresses (including those related to sentiment against cross border capital movements and activities of investors like the Trust), prejudice to financial services businesses that are conducting business in the EU and which are based in the UK, legal uncertainty regarding achievement of compliance with applicable financial and commercial laws and regulations, and the unavailability of timely information as to expected legal, tax and other regimes.

EUROZONE RISK

The result of the Referendum and continuing uncertainty as to the status of the Euro and the European Monetary Union (the "EMU") has created significant volatility in currency and financial markets generally. Investing in Euro-denominated securities entails risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the disparate European economies. In addition, it is possible that the Euro could be abandoned in the future by additional countries that have adopted its use. The effects of the collapse of the Euro, or of the exit of more countries from the EMU, on the United States and global economy and securities markets could have a significant adverse impact on the value and risk profile of the Trust's investments.

LEGISLATION AND REGULATION RISK

At any time after the date of this prospectus, legislation may be enacted that could negatively affect the companies in which the Trust invests. Changing approaches to regulation may also have a negative impact companies in which the Trust invests. In addition, legislation or regulation may change the way in which the Trust is regulated. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on the Trust or will not impair the ability of the Trust to achieve its investment objectives.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was signed into law in July 2010, has resulted in significant revisions to the U.S. financial regulatory framework. The Dodd-Frank Act covers a broad range of topics, including, among many others: a reorganization of federal financial regulators; the creation of a process designed to ensure financial system stability and the resolution of potentially insolvent financial firms; the enactment of new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and regulation of managers of private funds; the regulation of rating agencies; and the enactment of new federal requirements for residential mortgage loans. The regulation of various types of derivative instruments pursuant to the Dodd-Frank Act may adversely affect the Trust or its counterparties.

The staff of the SEC has, in correspondence with registered management investment companies, raised questions about the level of, and special risks associated with, investments in CLO securities. While it is not possible to predict what conclusions, if any, the staff may reach in these areas, or what recommendations, if any, the staff might make to the SEC, the imposition of limitations on investments by registered management investment companies in CLO securities could adversely impact the Trust's ability to implement our investment strategy and/or the Trust's ability to raise capital through public offerings, or could cause the Trust to take certain actions that may result in an adverse impact on the Trust's financial condition and results of operations.

Section 619 of the Dodd-Frank Act, commonly referred to as the "Volcker Rule," generally prohibits, subject to certain exemptions, covered banking entities from engaging in proprietary trading or sponsoring, or acquiring or retaining an ownership interest in covered funds (which has been broadly defined in a way which could include many CLOs). On May 30, 2018, the Federal Reserve Board published and sought comments on a proposed rule to simplify and tailor compliance requirements relating to the Volcker Rule.

Given the limitations on banking entities investing in CLOs that are covered funds, the Volcker Rule may adversely affect the market value or liquidity of CLOs. Although the Volcker Rule and the implementing rules exempt "loan securitizations" from the definition of covered fund, not all CLOs may qualify for this exemption. Accordingly, in an effort to qualify for the "loan securitization" exemption, many current CLOs have amended their transaction documents to restrict the ability of the issuer to acquire bonds and certain other securities and future CLOs may contain similar restrictions.

In October 2014, six federal agencies adopted joint final rules implementing certain credit risk retention requirements contemplated in Section 941 of the Dodd-Frank Act (the "Risk Retention Rules"). A recent court ruling has vacated the application of Risk Retention Rules to collateral managers of certain CLOs. As a result, it is possible that some collateral managers of such CLOs will decide to dispose of the interests they had retained in accordance with the Risk Retention Rules, or decide to take other action with respect to such interests that was not otherwise permitted by the Risk Retention Rules. In light of the outcome of the litigation described above, proposed legislation designed to modify the Risk Retention Rules, (iii) reports from the Department of the Treasury recommending potential modifications to the Risk Retention Rules and (iv) possible future interpretations by governmental authorities with respect to the Risk Retention Rules, the ultimate impact of the Risk Retention Rules on market generally remains uncertain.

In the European Union, there has also been an increase in political and regulatory scrutiny of the securitization industry. This has resulted in a number of measures for increased regulation which are currently at various stages of implementation. CLOs issued in Europe are generally structured in compliance with the applicable EU securitization retention requirements. Such requirements may reduce the issuance of new CLOs and reduce the liquidity provided by CLOs to the leveraged loan market generally. Reduced liquidity in the loan market could reduce investment opportunities for collateral managers, which could negatively affect the return of the Trust's investments. Any reduction in the volume and liquidity provided by CLOs to the leveraged loan market could also reduce opportunities to redeem or refinance the securities comprising a CLO in an optional redemption or refinancing and could negatively affect the ability of obligors to refinance of their collateral obligations.

The current presidential administration has called for, and in certain instances has begun to implement, significant changes to U.S. fiscal, tax, trade, healthcare, immigration, foreign, and government regulatory policy. In this regard, there is significant uncertainty with respect to legislation, regulation and government policy at the federal level, as well as the state and local levels. Recent events have created a climate of heightened uncertainty and introduced new and difficult-to-quantify macroeconomic and political risks with potentially far-reaching implications. There has been a corresponding meaningful increase in the uncertainty surrounding interest rates, inflation, foreign exchange rates, trade volumes and fiscal and monetary policy. To the extent the U.S. Congress or the current presidential administration implements changes to U.S. policy, those changes may impact, among other things, the U.S. and global economy, international trade and relations, unemployment, immigration, corporate taxes, healthcare, the U.S. regulatory environment, inflation and other areas. Some particular areas identified as subject to potential change, amendment or repeal include the Dodd-Frank Act, including the Volcker Rule and various swaps and derivatives regulations, credit risk retention requirements and the authorities of the Federal Reserve, the Financial Stability Oversight Council and the SEC and withdrawal from, or attempt to renegotiate, various trade agreements or the taking of other actions that would change current trade policies of the United States. The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017. The long-term impacts of this legislation on issuers in which the Trust may invest and the economy and securities markets of the United States is not yet certain. Although the Trust cannot predict the impact, if any, of these changes to the Trust's business, they could adversely affect the Trust's business, financial condition, operating results and cash flows. Until the Trust knows what policy changes are made and how those changes impact the Trust's business and the business of the Trust's competitors over the long-term, the Trust will not know if, overall, the Trust will benefit from them or be negatively affected by them.

The Adviser and the Sub-Adviser cannot predict the effects of these regulations on the Trust's portfolio. The Adviser and the Sub-Adviser intend to monitor developments and seek to manage the Trust's portfolio in a manner consistent with achieving the Trust's investment objectives, but there can be no assurance that they will be successful in doing so.

LIBOR RISK

Instruments in which the Trust invests may pay interest at floating rates based on LIBOR or may be subject to interest caps or floors based on LIBOR. The Trust and issuers of instruments in which the Trust investments may also obtain financing at floating rates based on LIBOR. Derivative instruments utilized by the Trust and/or issuers of instruments in which the Trust may invest may also reference LIBOR. Regulators and law-enforcement agencies from a number of governments, including entities in the United States, Japan, Canada and the United Kingdom, have conducted or are conducting civil and criminal investigations into whether the banks that contribute to the British Bankers' Association, or the "BBA," in connection with the calculation of daily LIBOR may have been manipulating or attempting to manipulate LIBOR. Several financial institutions have reached settlements with the Commodity Futures Trading Commission ("CFTC"), the U.S. Department of Justice Fraud Section and the United Kingdom Financial Conduct Authority in connection with investigations by such authorities into submissions made by such financial institutions to the bodies that set LIBOR and other interbank offered rates. Additional investigations remain ongoing with respect to other major banks. There can be no assurance that there will not be additional admissions or findings of rate-setting manipulation or that manipulations of LIBOR or other similar interbank offered rates will not be shown to have occurred. ICE Benchmark Administration Limited assumed the role of LIBOR administrator from the BBA on February 1, 2014. Any new administrator of LIBOR may make methodological changes to the way in which LIBOR is calculated or may alter, discontinue or suspend calculation or dissemination of LIBOR. Additional findings of manipulation may decrease the confidence of the market in LIBOR and lead market participants to look for alternative, non-LIBOR based types of financing, such as fixed rate loans or bonds or floating rate loans based on non-LIBOR indices.

Recently, regulators in the United Kingdom have called for the LIBOR to be abandoned by the end of 2021. In addition, the Federal Reserve Board has determined that the Federal Reserve Bank of New York will begin publishing three proposed reference rates as alternatives to LIBOR. Abandonment of or modifications to LIBOR could have adverse impacts on newly issued financial instruments and existing financial instruments which reference LIBOR. CLOs generally contemplate a scenario where LIBOR is no longer available by requiring the CLO administrator to calculate a replacement rate primarily through dealer polling on the applicable measurement date. However, there is uncertainty regarding the effectiveness of the dealer polling processes, including the willingness of banks to provide such quotations. Recently, some CLOs have included, or have been amended to include, language permitting the CLO investment manager to implement a market replacement rate upon the occurrence of certain material disruption events. However, not all CLOs may adopt such provisions, nor can there be any assurance the CLO investment managers will undertake the suggested amendments when able. In addition, the effect of a phase out of LIBOR on U.S. senior secured loans, the underlying assets of the CLOs in which we invest, is currently unclear. While some instruments may contemplate a scenario where LIBOR is no longer available by providing for an alternative rate setting methodology, not all instruments may have such provisions and there are significant uncertainty regarding the effectiveness of any such alternative methodologies. To the extent that any replacement rate utilized for Senior Loans differs from that utilized for a CLO that holds those loans, the CLO would experience an interest rate mismatch between its assets and liabilities. Abandonment of or modifications to LIBOR could lead to significant short-term and long-term uncertainty and market instability. It remains uncertain how such changes would be implemented and the effects such changes would have on the Trust, issuers of instruments in which the Trust invests and financial markets generally.

LARGE INVESTOR RISK

Ownership of Common Shares of the Trust may be concentrated among certain institutional investors who purchase Common Shares in this offering. The purchase of Common Shares by one or more institutional investors could, depending on the size of such ownership, result in such investors being a position to exercise significant influence on matters put to a vote of shareholders. Dispositions of Common Shares by large investors could adversely impact the market price and premium or discount to net asset value at which Common Shares trade. In certain circumstances, dispositions of Common Shares by large investors could potentially limit the Trust's use of any capital loss carryforwards and certain other losses to offset future realized capital gains (if any).

ANTI-TAKEOVER PROVISIONS IN THE TRUST'S GOVERNING DOCUMENTS RISK

The Trust's Governing Documents include provisions that could limit the ability of other entities or persons to acquire control of the Trust or convert the Trust to open-end status. These provisions could have the effect of depriving Common Shareholders of opportunities to sell their Common Shares at a premium over the then current market price of Common Shares. See "Certain Provisions in the Trust's Governing Documents."

Management of the Trust

TRUSTEES AND OFFICERS

The Board of Trustees is broadly responsible for the management of the Trust, including general supervision of the duties performed by the Adviser and Sub-Adviser. The names and business addresses of the Trustees and officers of the Trust and their principal occupations and other affiliations during the past five years are set forth under "Management of the Trust" in the SAI.

ADVISER

XA Investments LLC acts as investment adviser to the Trust and is responsible for overseeing the Trust's overall investment strategy and its implementation, including the use of leverage by the Trust. XAI is an investment adviser registered under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). XAI is a Delaware limited liability company, with its principal offices located at 321 North Clark Street, Suite 2430, Chicago, Illinois 60654. As of June 30, 2018, the Adviser managed approximately $119 million in assets.

XAI is controlled by Theodore J. Brombach, Co-Chief Executive Officer of the Adviser and a founding partner of XMS Capital Partners, LLC, and John "Yogi" Spence, Co-Chief Executive Officer of XAI and a founding partner of XMS Capital Partners, LLC. XAI was founded by the principals of XMS Capital Partners, LLC in April 2016. The XAI leadership team believes that the investing public needs better access to a broader range of alternative investment strategies and managers. XAI sponsors registered investment companies designed to provide investors with access to institutional caliber alternative investments, by partnering with established alternative asset managers selected from among numerous alternative credit managers, hedge fund managers and private debt and equity firms to sub-advise XAI funds.

XAI will be responsible for the management of the Trust, will furnish offices, necessary facilities and equipment on behalf of the Trust, will oversee the activities of the Sub-Adviser, will provide personnel, including certain officers required for the Trust's administrative management, and will pay the compensation of all officers and Trustees of the Trust who are its affiliates.

SUB-ADVISER

Octagon Credit Investors, LLC acts as investment sub-adviser to the Trust and is responsible for investing the Trust's assets. The Sub-Adviser is an investment adviser registered under the Advisers Act. The Sub-Adviser is a Delaware limited liability company, with its principal offices located at 250 Park Avenue, 15th Floor, New York, NY 10177. The Sub-Adviser is majority-owned by Conning & Company, which is an indirect subsidiary of Cathay Financial Holding Co., Ltd., a Taiwan-based company.

The Sub-Adviser's experienced team of investment professionals has worked together for many years and managed funds through multiple credit cycles over Octagon's more than 24 year history. The Sub-Adviser currently manages $19.7 billion in assets under management as of June 30, 2018 across twenty-four CLOs, seven commingled funds and fifteen separately managed accounts. The Sub-Adviser provides non-discretionary investment management services for one separately managed account and one sub-advised fund.

The Sub-Adviser, under the direction and supervision of the Board of Trustees and the Adviser, will be responsible for the management of the Trust's investment portfolio and will provide certain facilities and personnel related to such management.

Octagon Investment Committee

The Sub-Adviser's investment process is led by an experienced Investment Committee made up of the following investment professionals:

- ➤ Andrew D. Gordon, Chief Executive Officer & Co-Chief Investment Officer of the Sub-Adviser
- ➤ Michael B. Nechamkin, Co-Chief Investment Officer & Senior Portfolio Manager of the Sub-Adviser
- ➤ Lauren M. Basmadjian, Senior Portfolio Manager of the Sub-Adviser
- ➤ Gretchen M. Lam, CFA, Senior Portfolio Manager of the Sub-Adviser
- ➤ Lauren B. Law, CFA, Portfolio Manager of the Sub-Adviser
- ➤ Matthew Lee, CFA, Head of Research of the Sub-Adviser

For additional information regarding the members of the Investment Committee who serve as portfolio managers of the Trust, See "Management of the Trust—Portfolio Management."

INVESTMENT ADVISORY AGREEMENT AND SUB-ADVISORY AGREEMENT

Investment advisory agreement

Pursuant to an investment advisory agreement between the Trust and the Adviser, the Trust will pay the Adviser an investment advisory fee calculated and payable monthly in arrears and equals an annual rate of 1.95% of the Trust's average daily Managed Assets.

Sub-advisory agreement

Pursuant to an investment sub-advisory agreement among the Trust, the Adviser and the Sub-Adviser, as compensation for the services provided by the Sub-Adviser (i) the Adviser will pay to the Sub-Adviser a sub-advisory fee, calculated and payable monthly in arrears, in an annual amount equal to a specified percentage of the investment advisory fee payable by the Trust to the Adviser (before giving effect to any fees waived or expenses reimbursed by the Adviser, except as otherwise agreed by the Sub-Adviser from time to time), and (ii) the Trust will also reimburse the Sub-Adviser for the Trust's allocable share of documented portfolio management and trading software costs, research expenses (including modeling and analytic software costs and ratings monitoring service costs), diligence expenses and out-of-pocket travel costs incurred in connection with the management of the Trust's assets.

The specified percentage is equal to the blended percentage computed by applying the following percentages to the aggregate average daily Managed Assets of all registered investment companies in the XAI fund complex for which the Sub-Adviser (or an affiliate of the Sub-Adviser) serves as investment sub-adviser, including the Trust ("Eligible Funds"):

Aggregate Eligible Funds Average Daily Managed Assets	Percentage of Advisory Fee
First $500 million	60%
Over $500 million	50%

There are currently two Eligible Funds (including the Trust) in the XAI fund complex. The existing Eligible Fund has Managed Assets of approximately $120 million. Assuming Managed Assets of the Trust of $50 million following the completion of the offering, the sub-advisory fee would equal 60% of the advisory fee payable to the Adviser.

Fee Waiver

The Adviser has contractually agreed to waive the entire advisory fee until the earlier of (i)   , 2019 (six months from the date of this Prospectus) or (ii) the occurrence of a Listing Event.

The Sub-Adviser has contractually agreed to a corresponding waiver of the sub-advisory fee payable by the Adviser until the earlier of (i)   , 2019 (six months from the date of this Prospectus) or (ii) the occurrence of a Listing Event.

Board considerations

The investment advisory agreement and the investment sub-advisory agreement of the Trust were approved by the Board of Trustees on August 15, 2018. A discussion regarding the basis for such approval by the Board of Trustees will be available in the Trust's initial semi-annual report to shareholders for the period ending March 31, 2019.

CONFLICTS OF INTEREST

During the time in which the Trust is utilizing leverage, the amount of the management fees paid to the Adviser and Sub-Adviser for investment advisory services will be higher than if the Trust did not utilize leverage because the fees paid will be calculated based on the Trust's Managed Assets, including proceeds of leverage (including leverage through Preferred Shares, Indebtedness or reverse repurchase agreements). This may create a conflict of interest between the Adviser and the Sub-Adviser, on the one hand, and the Common Shareholders, on the other hand, as holders of Preferred Shares, Indebtedness or other forms of leverage do not bear the management fee. Rather, Common Shareholders bear the portion of the base management fee attributable to the assets purchased with the proceeds of leverage, which means that Common Shareholders effectively bear the entire management fee.

PORTFOLIO MANAGEMENT

Lauren M. Basmadjian, Senior Portfolio Manager of Octagon, serves as lead portfolio manager of the Trust. Ms. Basmadjian is supported by a team of Octagon investment professionals in the day-to-day management of the Trust's portfolio, including the following portfolio managers from the Octagon Investment Committee: Andrew D. Gordon, Michael B. Nechamkin, Gretchen M. Lam and Lauren B. Law.

Lauren M. Basmadjian, *Senior Portfolio Manager of the Sub-Adviser*

Ms. Basmadjian joined Octagon in 2001. She is a member of Octagon's Investment Committee and serves as the Portfolio Manager of 11 CLOs, 1 Separately Managed Account, and 3 Commingled Funds. Prior to becoming a Portfolio Manager, Ms. Basmadjian managed Octagon's workout efforts and also oversaw the leisure & entertainment, retail, consumer products, business services, food & beverage and technology industries. Prior to joining Octagon, Ms. Basmadjian worked in the Acquisition Finance Group at Chase Securities, Inc. She graduated Cum Laude from the Stern School of Business at New York University with a B.S. in Finance and Economics.

Andrew D. Gordon, *Chief Executive Officer & Co-Chief Investment Officer of the Sub-Adviser*

Mr. Gordon co-founded Octagon in 1994 and subsequently managed numerous Octagon funds before assuming his current position. He possesses over 30 years of experience in the below-investment grade leveraged loan and high yield bond asset classes, in both sell-side and buy-side capacities. Prior to co-founding Octagon, Mr. Gordon was a Managing Director at Chemical Securities, Inc., where he focused primarily on the oil and gas industries. Mr. Gordon advised on and arranged below-investment grade loans for corporate clients, while also undertaking special projects in M&A advisory and distressed credit situations. Prior to Chemical, Mr. Gordon served as Vice President in the Acquisition Finance Division of Manufacturers Hanover Trust Company. In this capacity, he structured, syndicated and managed leveraged buyout transactions. From 2010 to 2015, Mr. Gordon served on the Board of Directors of the Loan Syndications and Trading Association, Inc. ("LSTA") and on the LSTA's Executive Committee. He graduated Cum Laude with an A.B. in Economics from Duke University. Mr. Gordon holds FINRA Series 7 & 63 Registrations.

Michael B. Nechamkin, *Co-Chief Investment Officer & Senior Portfolio Manager of the Sub-Adviser*

Mr. Nechamkin is a member of Octagon's Investment Committee and serves as the Senior Portfolio Manager of 3 CLOs, 3 Separately Managed Accounts, and 4 Commingled Funds. Prior to joining Octagon as Portfolio Manager in 1999, Mr. Nechamkin was a Vice President in the High Yield Research Group at Bankers Trust. Prior to that, he served as a Convertible Securities Analyst at Mabon Securities and a Financial Consultant at Merrill Lynch. He holds a Bachelor's degree and a Masters of Talmudic Law, and an M.B.A. from the University of Baltimore.

Gretchen M. Lam, CFA, *Senior Portfolio Manager of the Sub-Adviser*

Ms. Lam is a member of Octagon's Investment Committee and serves as the Portfolio Manager of 6 CLOs, 7 Separately Managed Accounts, and 1 Commingled Fund. Ms. Lam serves as the PM for the Firm's Structured Credit (CLO Debt & Equity) Investment Strategies. Prior to becoming a Portfolio Manager, Ms. Lam oversaw Octagon's investments in the software, business services, finance & insurance, paper & packaging, gaming & lodging, homebuilding and real estate industries. She was also responsible for the structured credit exposure held in Octagon's CLOs. Prior to joining Octagon in 1999, Ms. Lam attended Babson College where she graduated Summa Cum Laude with a B.S. in Investments. She received her CFA Charter in 2006.

Lauren B. Law, CFA, *Portfolio Manager of the Sub-Adviser*

Ms. Law is a member of Octagon's Investment Committee and serves as the Portfolio Manager of 4 CLOs and 5 Separately Managed Accounts. Ms. Law joined Octagon in 2004. In addition, she helps oversee the Firm's CLO debt and equity investments. Prior to becoming a Portfolio Manager, Ms. Law was an Investment Team Principal whose coverage areas included healthcare, industrials, financials, business services, and the firm's CLO debt and equity investments. She holds a Bachelor of Science from Babson College, where she graduated Magna Cum Laude. She received her CFA Charter in 2009.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities of the Trust.

INVESTOR SUPPORT SERVICES AND SECONDARY MARKET SUPPORT SERVICES

The Trust has retained the Adviser to provide investor support services and secondary market support services in connection with the ongoing operation of the Trust. Such services include responding to questions about the Trust from financial intermediaries; assisting in drafting and editing mailings to financial intermediaries; distributing mailings to financial intermediaries; scheduling, organizing and preparing conference calls, meetings and other communications with financial intermediaries; communicating with the closed-end fund analyst community regarding the Trust on a periodic basis; assisting in producing communications targeted to current Trust shareholders and the investment community generally (excluding marketing materials targeted to prospective investors or prepared for use in an offering of Common Shares); assisting in the formatting, development and maintenance of the Trust's website; assisting with administrative matters (including in connection with the preparation of press releases, shareholder reports and regulatory filings) with respect to the Trust. In exchange for such services, the Trust will pay the Adviser a service fee, payable monthly in arrears, in an annual amount equal to 0.20% of the Trust's average daily Managed Assets. The Adviser has contractually agreed to waive the entire investor support services and secondary market services fee until the occurrence of a Listing Event.

EXPENSES

The Trust pays all costs and expenses of its operations (in addition to the investment advisory fee and investor support services and secondary market support services fee paid to XAI), including (a) compensation of its trustees (other than those affiliated with the Adviser), (b) custodian fees, (c) transfer agency and dividend disbursing agent fees, (d) administration fees, (e) fund accounting agent fees, (f) legal fees, (g) expenses of its independent registered public accounting firm, (h) expenses of pricing services or valuation agents, (i) expenses of repurchasing Common Shares, (j) expenses of preparing, printing and distributing shareholder reports, notices, proxy statements and reports to governmental agencies and holding meetings of shareholders of the Trust, (k) listing fees following the occurrence of a listing event, if any, (l) taxes, if any, (m) expenses incurred directly or indirectly as a result of an investment in a portfolio investment (including, without limitation, acquired fund fees and expenses), (n) expenses associated with the acquisition or disposition of portfolio investments (including, without limitation, brokerage commissions and other trading or transaction expenses) and expenses with respect to any litigations, arbitration or other legal proceedings with respect to portfolio investments and any workout, restructuring, recapitalization, amendment, waiver or consent of or with respect to portfolio investments and the protection or enforcement of the Trust's rights thereunder, (o) leverage expenses (including, without limitation, costs associated with the issuance or incurrence of leverage, commitment fees, interest expense or dividends on Preferred Shares), (p) dividends on short sales, if any, (q) securities lending costs, if any, (r) expenses incurred in connection with issuances and sales of shares of the Trust (including, without limitation, fees, commissions and offering costs) and (s) any extraordinary expenses not incurred in the ordinary course of the Trust's business (including, without limitation, expenses related to litigation, derivative actions, demands related to litigation, regulatory or other government investigations and proceeding or expenses related to reorganization, restructuring, redomiciling or merger of the Trust or the acquisition of all or substantially all of the assets of another fund).

Pursuant to the investment sub-advisory agreement among the Trust, the Adviser and the Sub-Adviser, the Trust will reimburse the Sub-Adviser for certain expenses incurred by the Sub-Adviser in connection with the provision of services to the Trust. See "Management of the Trust—Investment Advisory Agreement and Sub-Advisory Agreement—Sub-Advisory Agreement." For the avoidance of doubt, in no event shall expenses associated with the general overhead of the Sub-Adviser be reimbursed by the Trust.

Organizational expenses and offering costs

The Trust estimates that the organizational expenses and offering expenses of the Trust will equal approximately $429,500. Organizational expenses of the Trust will be paid by XAI and Octagon. Offering expenses of the Trust will be initially paid by XAI and Octagon and will be reimbursed by the Trust in an amount not to exceed $0.04 per Common Share sold in this offering. The Trust estimates that the offering expenses of the Trust will equal approximately $395,000. Assuming the Trust issues 5,000,000 Common Shares in the offering, the Trust will reimburse $200,000 of offering expenses and $195,000 of offering expenses will be borne by XAI and Octagon. In no event will the aggregate amount reimbursed by the Trust to XAI and Octagon exceed the aggregate amount of actual offering expenses of the Trust incurred.

CONTROL PERSONS

Prior to the public offering of Common Shares, the Adviser purchased Common Shares from the Trust in an amount satisfying the net worth requirements of Section 14(a) of the 1940 Act. As of the date of this prospectus, the Adviser owned 100% of the outstanding Common Shares. The Adviser may be deemed to control the Trust until such time as it owns less than 25% of the outstanding Common Shares, which is expected to occur as of the completion of the offering of Common Shares.

Net asset value

The net asset value of Common Shares of the Trust is calculated by subtracting the Trust's total liabilities (including from Indebtedness) and the liquidation preference of any outstanding Preferred Shares from total assets (the market value of the securities the Trust holds plus cash and other assets). The per share net asset value of Common Shares is calculated by dividing the net asset value of the Trust by the number of Common Shares outstanding and rounding the result to the nearest full cent. For so long as the continuous offering is ongoing, the Trust calculates its net asset value as of the close of regular trading on the NYSE on each day on which there is a regular trading session on the NYSE and at such other times as may be determined by the Board of Trustees from time to time. After the termination of the continuous offering, the Trust currently expects to calculate its net asset value as of the close of regular trading on the NYSE on the last business day of each month and at such other times as may be determined by the Board of Trustees from time to time.

The Trust values debt securities at the last available bid price for such securities or, if such prices are not available, at prices for securities of comparable maturity, quality, and type. The Trust values exchange-traded options and other exchange-traded derivative contracts at the midpoint of the best bid and asked prices at the close on those exchanges on which they are traded.

The Trust values equity securities at the last reported sale price on the principal exchange or in the principal off-exchange market in which such securities are traded, as of the close of regular trading on the NYSE on the day the securities are being valued or, if there are no sales, at the mean between the last available bid and asked prices on that day. Securities traded primarily on the Nasdaq Stock Market ("Nasdaq") are normally valued by the Trust at the Nasdaq Official Closing Price ("NOCP") provided by Nasdaq each business day. The NOCP is the most recently reported price as of 4:00 p.m., Eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, Nasdaq will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes.

Generally, trading in many foreign securities will be substantially completed each day at various times prior to the close of the NYSE. The values of these securities used in determining the net asset value generally will be computed as of such times. Occasionally, events affecting the value of foreign securities may occur between such times and the close of the NYSE which will not be reflected in the computation of net asset value unless it is determined that such events would materially affect the net asset value, in which case adjustments would be made and reflected in such computation pursuant to the fair valuation procedures described herein. Such adjustments may be based upon factors such as developments in non-U.S. markets, the performance of U.S. securities markets and the performance of instruments trading in U.S. markets that represent non-U.S. securities.

Short-term securities with remaining maturities of less than 60 days may be valued at amortized cost, to the extent that amortized cost is determined to approximate fair value.

The Trust values derivatives transactions in accordance with valuation guidelines adopted by the Board of Trustees. Accrued payments to the Trust under such transactions will be assets of the Trust and accrued payments by the Trust will be liabilities of the Trust.

The Trust may utilize independent pricing services or, if independent pricing services are unavailable, bid quotations provided by dealers to value certain of its securities and other instruments at their market value. The Trust may use independent pricing services to value certain securities held by the Trust at their market value. The Trust periodically verifies valuations provided by independent pricing services.

If independent pricing services or dealer quotations are not available for a given security, such security will be valued in accordance with valuation guidelines adopted by the Board of Trustees that the Board of Trustees believes are designed to accurately reflect the fair value of securities valued in accordance with such guidelines.

The Board of Trustees has delegated the day-to-day responsibility for fair value determinations to a valuation committee comprised of representatives from the Adviser, the Sub-Adviser and the Trust's administrator. All fair value determinations made by the Valuation Committee are subject to review and ratification by the Board of Trustees. As a general principle, the fair value of a portfolio instrument is the amount that an owner might reasonably expect to receive upon the instrument's current sale. A range of factors and analysis may be considered when determining fair value, including relevant market data, interest rates, credit considerations and/or issuer specific news. For certain securities, fair valuations may include input from the Sub-Adviser utilizing a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity, rating, indications of value from security dealers, evaluations of anticipated cash flows or collateral, spread over U.S. Treasury obligations, and other information and analysis. In addition, the Valuation Committee may consider valuations provided by valuation firms retained to assist in the valuation of certain of the Trust's investments. Fair valuation involves subjective judgments. While the Trust's use of fair valuation is intended to result in calculation of net asset value that fairly reflects values of the Trust's portfolio securities as of the time of pricing, the Trust cannot guarantee that any fair valuation will, in fact, approximate the amount the Trust would actually realize upon the sale of the securities in question. It is possible that the fair value determined for a portfolio instrument may be materially different from the value that could be realized upon the sale of that instrument.

The Trust generally uses non-binding indicative bid prices provided by an independent pricing service or broker as the primary basis for determining the value of CLO debt and subordinated securities, which may be adjusted for pending equity distributions as of the applicable valuation date. These bid prices are non-binding, and may not be determinative of fair value. In valuing the Trust's investments in CLO debt and subordinated securities, in addition to non-binding indicative bid prices provided by an independent pricing service or broker, the Valuation Committee also may consider a variety of relevant factors, including recent trading prices for specific investments, recent purchases and sales known to the Trust in similar securities, other information known to the Trust relating to the securities, and discounted cash flows based on output from a third-party financial model, using projected future cash flows.

Information that becomes known after the Trust's net asset value has been calculated on a particular day will not be used to retroactively adjust the price of a security or the Trust's previously determined net asset value.

Distributions

Prior to the occurrence of a Listing Event, the Trust intends to distribute substantially all of its net investment income and any net long-term capital gains to Common Shareholders at least annually. The Trust may, at the discretion of the Board of Trustees, make a special distribution to Common Shareholders representing all or a portion of the Trust's undistributed net investment income immediately prior to the completion of a Listing Event. The Trust may declare a portion of this special distribution in Common Shares instead of cash.

Following the occurrence of a Listing Event, the Trust currently intends to pay substantially all of its net investment income, if any, to Common Shareholders through monthly distributions and to distribute any net long-term capital gains to Common Shareholders at least annually. There is no assurance the Trust will pay regular monthly distributions or that it will do so at a particular rate. Distributions may be paid by the Trust from any permitted source and, from time to time, all or a portion of a distribution may be a return of capital.

To permit the Trust to maintain more stable monthly distributions, the Trust may initially distribute less than the entire amount of the net investment income earned in a particular period. The undistributed net investment income may be available to supplement future distributions. As a result, the distributions paid by the Trust for any particular period may be more or less than the amount of net investment income actually earned by the Trust during the period, and the Trust may have to sell a portion of its investment portfolio to make a distribution at a time when independent investment judgment might not dictate such action. Undistributed net investment income is included in the Common Shares' net asset value, and, correspondingly, distributions from net investment income will reduce the Common Shares' net asset value.

Pursuant to the requirements of the 1940 Act, in the event the Trust makes distributions from sources other than income, a notice will be provided in connection with each monthly distribution with respect to the estimated source of the distribution made. Such notices will describe the portion, if any, of the monthly dividend which, in the Trust's good faith judgment, constitutes long-term capital gain, short-term capital gain, investment company taxable income or a return of capital. The actual character of such dividend distributions for U.S. federal income tax purposes, however, will only be determined finally by the Trust at the close of its fiscal year, based on the Trust's full year performance and its actual net investment company taxable income and net capital gains for the year, which may result in a recharacterization of amounts distributed during such fiscal year from the characterization in the monthly estimates.

If the Trust's total distributions in any year exceed the amount of its investment company taxable income and net capital gain for the year, any such excess would generally be characterized as a return of capital for U.S. federal income tax purposes, to the extent such amounts exceed the Trust's current and accumulated earnings and profits. The amount by which the Trust's total distributions exceed investment company taxable income and net capital gain would generally be treated as a return of capital up to the amount of the Common Shareholder's tax basis in their Common Shares, which would reduce such tax basis, with any amounts exceeding such basis treated as a gain from the sale of their Common Shares. Although a return of capital may not be taxable, the corresponding reduction in basis will result in an increased gain, or reduced loss, when a Common Shareholders sells or otherwise disposes of their Common Shares in the future. A return of capital distribution is in effect a partial return of the amount a Common Shareholder invested in the Trust. Because of the manner in which the Trust will account for certain income received from its investments, a greater portion of the Trust's distributions in its initial year of operation may be characterized as return of capital. Shareholders who periodically receive the payment of a distribution consisting of a return of capital may be under the impression that they are receiving net income or profits when they are not. Shareholders should not assume that the source of a distribution from the Trust is net income or profit.

The Trust may declare a portion of a distribution in Common Shares instead of in cash. As long as at least 20% of such distribution is paid in cash and certain requirements are met, the entire distribution will be treated as a dividend for U.S. federal income tax purposes. As a result, a Common Shareholder generally would be subject to tax on 100% of the fair market value of the distribution on the date the distribution is received by the Common Shareholder in the same manner as a cash distribution, even though some or most of the distribution was paid in Common Shares.

The Trust is subject to significant and variable differences between its accounting income under U.S. GAAP and its taxable income particularly as it relates to investments in CLO subordinated notes. CLO subordinated notes are subject to complex tax rules and the calculation of taxable income attributed to a CLO subordinated note investment can be dramatically different from the calculation of income for financial reporting purposes under U.S. GAAP. Taxable income is based upon the distributable share of earnings as determined under tax regulations for each CLO subordinated note investment, which may be consistent with the cash flows generated by those investments (although significant differences are possible), while accounting income is currently based upon an effective yield calculation.

Distributions can only be made to Common Shareholders after paying any accrued dividends to holders of Preferred Shares (if any).

The Trust reserves the right to change its distribution policy and the basis for establishing the rate of distributions at any time and may do so without prior notice to Common Shareholders.

Dividend reinvestment plan

Under the Trust's Dividend Reinvestment Plan, a Common Shareholder whose Common Shares are registered in his or her own name will have all distributions reinvested automatically by DST Systems, the Plan Agent, unless the Common Shareholder elects to receive cash.

Distributions with respect to Common Shares registered in the name of a broker-dealer or other nominee (that is, in "street name") will be reinvested in additional Common Shares under the Plan, unless the broker or nominee does not participate in the Plan or the Common Shareholder elects to receive distributions in cash. Investors who own Common Shares registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to investors who do not participate in the Plan will be paid by check mailed directly to the record holder by DST Systems, as dividend disbursing agent. A participant in the Plan who wishes to opt out of the Plan and elect to receive distributions in cash should contact DST Systems in writing at the address specified below or by calling the telephone number specified below.

Prior to a Listing Event, distributions will be reinvested in newly issued common shares Common Shares at the net asset value determined on the reinvestment date.

Following a Listing Event, whenever the market price of Common Shares is equal to or exceeds net asset value at the time Common Shares are valued for purposes of determining the number of Common Shares equivalent to the cash dividend or capital gains distribution, participants in the Plan are issued new Common Shares from the Trust, valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then-current market price of Common Shares. The valuation date is the dividend or distribution payment date or, if that date is not a NYSE trading day, the next preceding trading day. If the net asset value of Common Shares at the time of valuation exceeds the market price of Common Shares, the Plan Agent will buy Common Shares for the Plan in the open market, on the national securities exchange on which Common Shares are listed and traded or elsewhere, for the participants' accounts, except that the Plan Agent will endeavor to terminate purchases in the open market and cause the Trust to issue Common Shares at the greater of net asset value or 95% of market value if, following the commencement of such purchases, the market value of Common Shares exceeds net asset value. If the Trust should declare a distribution or capital gains distribution payable only in cash, the Plan Agent will buy Common Shares for the Plan in the open market, on the national securities exchange on which Common Shares are listed and traded or elsewhere, for the participants' accounts. There is no charge from the Trust for reinvestment of dividends or distributions in Common Shares pursuant to the Plan and no brokerage charges will be incurred with respect to Common Shares issued directly by the Trust pursuant to the Plan; however, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open-market purchases.

The Plan Agent maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by shareholders for personal and tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the name of the participant.

In the case of shareholders such as banks, brokers or nominees, which hold Common Shares for others who are the beneficial owners, and participate in the Plan, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the Common Shareholder as representing the total amount registered in the shareholder's name and held for the account of beneficial owners who participate in the Plan.

Following a Listing Event, participants that request a sale of shares through the Plan Agent will incur brokerage charges in connection with such sales.

The automatic reinvestment of dividends and other distributions will not relieve participants of any income tax that may be payable or required to be withheld on such dividends or distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Trust reserves the right to amend or terminate its Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of such Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by the Plan Agent on at least 90 days' prior written notice to the participants in such Plan. All correspondence concerning the Plan should be directed to the Plan Agent, DST Systems, at 430 W. 7th Street, Kansas City, Missouri 64105-1594.

Description of capital structure

The Trust is an unincorporated statutory trust organized under the laws of Delaware pursuant to a Certificate of Trust, dated as of July 6, 2018. The following is a brief description of the terms of Common Shares, Preferred Shares and Indebtedness which may be issued by the Trust. This description does not purport to be complete and is qualified by reference to the Trust's Governing Documents.

COMMON SHARES

Pursuant to the Declaration of Trust, the Trust is authorized to issue an unlimited number of Common Shares of beneficial interest, par value $0.01 per share. Each Common Share has one vote and, when issued and paid for in accordance with the terms of this offering, will be fully paid and non-assessable. All Common Shares are equal as to dividends, assets and voting privileges and have no conversion, preemptive or other subscription rights. The Trust will send annual and semi-annual reports, including financial statements, to all holders of its shares.

Any additional offerings of Common Shares will require approval by the Board of Trustees. Any additional offering of Common Shares will be subject to the requirements of the 1940 Act, which provides that shares may not be issued at a price below the then current net asset value, exclusive of sales load, except in connection with an offering to existing Common Shareholders or with the consent of a majority of the Trust's outstanding voting securities.

The Trust's net asset value per Common Share generally increases and decreases based on the market value of the Trust's securities. Net asset value per Common Share will be reduced immediately following the offering of Common Shares by the amount of the sales load and offering expenses paid by the Trust. See "Use of Proceeds."

The Trust will not issue certificates for Common Shares.

PREFERRED SHARES

The Trust's Governing Documents provide that the Board of Trustees may authorize and issue Preferred Shares with rights as determined by the Board of Trustees, by action of the Board of Trustees without prior approval of the holders of Common Shares.

Issuance of Preferred Shares

Common Shareholders have no preemptive right to purchase any Preferred Shares that might be issued. Any such Preferred Share offering would be subject to the limits imposed by the 1940 Act. Any Preferred Shares issued by the Trust would have special voting rights and a liquidation preference over Common Shares. Issuance of Preferred Shares would constitute leverage and would entail special risks to the Common Shareholders.

Asset coverage

Under the 1940 Act, the Trust may not issue Preferred Shares unless, immediately after such issuance, it has an "asset coverage" of at least 200% of the liquidation value of the outstanding Preferred Shares (i.e., such liquidation value may not exceed 50% of the value of the Trust's total assets). For these purposes, "asset coverage" means the ratio of (i) total assets less all liabilities and indebtedness not represented by "senior securities" to (ii) the amount of "senior securities representing indebtedness" plus the "involuntary liquidation preference" of the Preferred Shares. "Senior security" generally means any bond, note, or similar security evidencing indebtedness and any class of shares having priority over any other class as to distribution of assets or payment of dividends. "Senior security representing indebtedness" means any "senior security" other than equity shares. The "involuntary liquidation preference" of the Preferred Shares is the amount that holders of Preferred Shares would be entitled to receive in the event of an involuntary liquidation of the Trust in preference to Common Shares.

Distribution preference

Distributions can only be made to Common Shareholders after paying any accrued dividends to holders of Preferred Shares (if any)

Limitation on distributions

In addition, the Trust is not permitted to declare any dividend (except a dividend payable in Common Shares), or to declare any other distribution on Common Shares, or to purchase any Common Shares, unless the Preferred Shares have at the time of the declaration of any such dividend or other distribution, or at the time of any such purchase of Common Shares, an asset coverage of at least 200% after deducting the amount of such dividend, distribution or purchase price. If Preferred Shares are issued, the Trust intends, to the extent possible, to purchase or redeem Preferred Shares from time to time to the extent necessary to maintain asset coverage of any Preferred Shares of at least 200%.

Liquidation preference

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Trust, holders of Preferred Shares would be entitled to receive a preferential liquidating distribution (expected to equal the original purchase price per share plus accumulated and unpaid dividends thereon, whether or not earned or declared) before any distribution of assets is made to Common Shareholders.

Voting rights

Preferred Shares are required to be voting shares and to have equal voting rights with Common Shares. Except as otherwise indicated in this prospectus or the SAI and except as otherwise required by applicable law, holders of Preferred Shares will vote together with Common Shareholders as a single class.

Election of Trustees

If Preferred Shares are outstanding, two of the Trust's Trustees will be elected by the holders of Preferred Shares, voting separately as a class. The remaining Trustees of the Trust will be elected by Common Shareholders and Preferred Shares voting together as a single class. In the unlikely event the Trust failed to pay dividends on Preferred Shares for two years, Preferred Shares would be entitled to elect a majority of the Trustees of the Trust.

Rating agency restrictions

The Trust may be subject to certain restrictions imposed by guidelines of one or more rating agencies that may issue ratings for Preferred Shares issued by the Trust. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Trust by the 1940 Act.

Redemption of Preferred Shares

The terms of the Preferred Shares may provide that they are redeemable at certain times, in whole or in part, at the original purchase price per share plus accumulated dividends. The terms may also state that the Trust may tender for or purchase Preferred Shares and resell any shares so tendered. Any redemption or purchase of Preferred Shares by the Trust will reduce the leverage applicable to Common Shares, while any resale of shares by the Trust will increase such leverage.

See "Use of Leverage—Preferred Shares."

INDEBTEDNESS

The Trust's Declaration of Trust provides that the Board of Trustees may authorize the borrowing of money by the Trust, without the approval of the holders of Common Shares. The Trust may issue notes or other evidences of indebtedness (including bank borrowings or commercial paper) and may secure any such borrowings by mortgaging, pledging or otherwise subjecting the Trust's assets as security.

Under the 1940 Act, the Trust may not incur Indebtedness if, immediately after incurring such Indebtedness, the Trust would have an asset coverage (as defined in the 1940 Act) of less than 300% (i.e., the value of the Trust's total assets less liabilities other than the principal amount represented by Indebtedness must be at least 300% of the principal amount represented by Indebtedness at the time of issuance). In addition, the Trust generally is not permitted to declare any cash dividend or other distribution on Common Shares unless, at the time of such declaration and after deducting the amount of such dividend or other distribution, the Trust maintains asset coverage of 300%. However, the foregoing restriction does not apply with respect to certain types of Indebtedness of the Trust, including a line of credit or other privately arranged borrowings from a financial institution. If the Trust utilizes Indebtedness, the Trust intends, to the extent possible, to prepay all or a portion of the principal amount of any outstanding Indebtedness to the extent necessary to maintain the required asset coverage. The Trust may also utilize Indebtedness in excess of such limit for temporary purposes such as the settlement of transactions.

The terms of any such Indebtedness may require the Trust to pay a fee to maintain a line of credit, such as a commitment fee, or to maintain minimum average balances with a lender. Any such requirements would increase the cost of such Indebtedness over the stated interest rate. Such lenders would have the right to receive interest on and repayment of principal of any such Indebtedness, which right will be senior to those of the Common Shareholders. Any such Indebtedness may contain provisions limiting certain activities of the Trust, including the payment of dividends to Common Shareholders in certain circumstances. Any Indebtedness will likely be ranked senior or equal to all other existing and future Indebtedness of the Trust. If the Trust utilizes Indebtedness, the Common Shareholders will bear the offering costs of the issuance of any Indebtedness.

Certain types of Indebtedness subject the Trust to covenants in credit agreements relating to asset coverage and portfolio composition requirements. Certain Indebtedness issued by the Trust also may subject the Trust to certain restrictions on investments imposed by guidelines of one or more rating agencies, which may issue ratings for such Indebtedness. Such guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. It is not anticipated that these covenants or guidelines will impede the Adviser from managing the Trust's portfolio in accordance with the Trust's investment objectives and policies.

The 1940 Act grants to the lenders to the Trust, under certain circumstances, certain voting rights in the event of default in the payment of interest on or repayment of principal. Failure to maintain certain asset coverage requirements could result in an event of default and entitle the debt holders to elect a majority of the Board of Trustees.

See "Use of Leverage—Indebtedness."

Listing Event

NON-LISTED CLOSED-END FUND

Prior to the occurrence of a Listing Event, the Trust does not intend to list the Common Shares on any securities exchange. The Trust is designed for long-term investors and, for so long as the Common Shares are not listed, an investment in Common Shares, unlike an investment in a listed closed-end fund, should be considered illiquid. Investors should consider that they may not have access to the money they invest until the occurrence of a Listing Event. An investment in Common Shares is not suitable for investors who need access to the money they invest. Unlike shares of open-end funds (commonly known as mutual funds), which generally are redeemable on a daily basis, Common Shares will not be redeemable at an investor's option. Accordingly, no secondary market for Common Shares is expected to exist prior to a Listing Event and investors should not expect to be able to sell their Common Shares regardless of how the Trust performs. If a secondary market does develop, Common Shareholders may be able to sell their Common Shares only at substantial discounts from net asset value.

UNDERWRITTEN OFFERING AND EXCHANGE LISTING

Following the completion of this offering, the Trust intends to seek to conduct an offering through a firm commitment underwriting that would allow the Trust to meet the initial listing standards of a national securities exchange and to apply to list the Common Shares on an exchange upon the completion of that public offering. In such an offering, the offering price per share, less any underwriting commission or discount, will equal or exceed the Trust's net asset value per share determined within forty-eight hours, excluding Sundays and holidays, next preceding the pricing of the offering, unless otherwise approved by a majority of the Trust's Common Shareholders. However, the Trust's net asset value will be reduced immediately following such an offering of Common Shares due to the costs of such offering borne by the Trust. The Trust's ability to conduct a successful underwritten offering will be contingent upon, among other factors, (i) success in raising proceeds in this offering, (ii) market conditions generally, (iii) market perception of and outlook for closed-end fund offerings, and (iv) identifying a syndicate of underwriters to raise sufficient proceeds to meet applicable initial listing standards and provide the Trust with capital necessary for continued viability as a listed fund. There can be no assurance as to whether, or at what time, the Trust will complete an underwritten offering, the success of any such offering or the amount of proceeds that the Trust will raise in any such offering.

There can be no assurance that a secondary market will develop for Common Shares following a Listing Event. Because shares of listed closed-end funds frequently trade at a discount to net asset value, even if investors are able to sell their Common Shares following a Listing Event, they may receive more or less than their purchase price and the then current net asset value per Common Share. This risk may be more pronounced in the period shortly following the Trust's listing. This risk is separate and distinct from the risk that the Trust's net asset value will decline. If the Common Shares are listed, whether an investor will realize gains or losses upon the sale of Common Shares will depend upon whether the market price of Common Shares at the time of sale is above or below the investor's purchase price for Common Shares. Because the market price of Common Shares would be determined by factors such as relative supply of and demand for Common Shares in the market, general market and economic conditions and other factors beyond the control of the Trust, the Trust cannot predict whether Common Shares, if listed, will trade at, below or above net asset value or at, below or above a Common Shareholder's purchase price.

TENDER OFFERS

The Trust is a closed-end management investment company and, as such, Common Shareholders will not have the right to cause the Trust to redeem their Common Shares. In recognition that a secondary market for Common Shares likely will not exist prior to the occurrence of a Listing Event, if the Trust has not completed a Listing Event within six months after the Initial Closing Date, the Trust intends to conduct quarterly tender offers for up to 5% of the Common Shares then outstanding in the sole discretion of the Board of Trustees in order to provide a limited degree of interim liquidity prior to the occurrence of a Listing Event. In a tender offer, the Trust will offer to repurchase outstanding Common Shares at the net asset value per Common Share or at a percentage of the net asset value per Common Share on the expiration date of the offer. The Trust, however, is not obligated to conduct such tender offers.

In determining whether the Trust should conduct a tender offer, the Board of Trustees will consider the recommendation of the Adviser, as well as a variety of operational, business and economic factors. In any given quarter, the Adviser may or may not recommend to the Board of Trustees that the Trust conduct a tender offer. For example, if adverse market conditions cause the Trust's investments to become illiquid or trade at depressed prices or if the Adviser believes that conducting a tender offer for 5% or less of the Common Shares then outstanding would impose an undue burden on shareholders who do not tender compared to the benefits of giving shareholders the opportunity to sell all or a portion of their Common Shares at net asset value, the Trust may choose not to conduct a tender offer or may choose to conduct a tender offer for less than 5% of the Common Shares then outstanding and there may be periods during which no tender offer is made. The Trust has no intention to continue quarterly tender offers following the occurrence of a Listing Event.

If a tender offer is oversubscribed by shareholders who tender Common Shares, the Trust will generally repurchase a pro rata portion of Common Shares tendered by each shareholder. As a result, the Trust may repurchase less than the full amount of Common Shares that a shareholder tenders. However, the Board, in its discretion, subject to applicable law, may amend a tender offer to include all or part of the oversubscribed amounts.

Each tender offer would be made and shareholders would be notified in accordance with the requirements of the Exchange Act and the 1940 Act, either by publication or mailing or both. The tender offer documents will contain information prescribed by such laws and the rules and regulations promulgated thereunder. The repurchase of tendered Common Shares by the Trust is a taxable event to Common Shareholders. See "Tax Matters." The Trust pays all costs and expenses associated with the making of any tender offer. Selected securities dealers or other financial intermediaries may charge a processing fee to confirm a repurchase of shares pursuant to a tender offer.

Although tender offers generally would be beneficial to Common Shareholders by providing them with some ability to sell their Common Shares at net asset value, the acquisition of Common Shares by the Trust will decrease the total assets of the Trust. Tender offers are, therefore, likely to increase the Trust's expense ratio, may result in untimely sales of portfolio securities and/or may limit the Trust's ability to participate in new investment opportunities. To the extent the Trust maintains a cash position to satisfy repurchases of Common Shares, the Trust would not be fully invested, which may reduce the Trust's investment performance. Furthermore, to the extent the Trust borrows to finance the making of tender offers, interest on such borrowings reduces the Trust's net investment income. In order to purchase Common Shares that are tendered, the Trust may be required to sell its more liquid, higher quality portfolio securities, which may increase risks for remaining shareholders and increase fund expenses. Consummating a tender offer may require the Trust to liquidate portfolio securities, and realize gains or losses, at a time when the Sub-Adviser would otherwise consider it disadvantageous to do so.

While the Trust intends to conduct quarterly tender offers as described above, the Trust is not required to do so and may amend, suspend or terminate such tender offers at any time. Investors have no right to require the Trust to redeem their Common Shares. Any Common Share repurchase program may be delayed or discontinued at any time. It is the Board of Trustees' announced policy, which may be changed by the Board of Trustees, not to purchase Common Shares pursuant to a tender offer if:

(1) such purchases would impair the Trust's status as a RIC under the U.S. federal income tax laws (which would cause the Trust's income to be taxed at the corporate level in addition to the taxation of shareholders who receive dividends from the Trust); or

(2) there is, in the Board of Trustees' judgment, any (a) legal action or proceeding instituted or threatened challenging the tender offer or otherwise materially adversely affecting the Trust, (b) declaration of a banking moratorium by federal or state authorities or any suspension of payment by banks in the United States or New York State, which is material to the Trust, (c) limitation imposed by federal or state authorities on the extension of credit by lending institutions, (d) commencement of war, armed hostilities, acts of terrorism or other international or national calamity directly or indirectly involving the United States that in the sole determination of the Board of Trustees is material to the Trust, or (e) other events or conditions that in the sole determination of the Board of Trustees would have a material adverse effect on the Trust or Common Shareholders if Common Shares tendered pursuant to the tender offer were purchased.

Thus, there can be no assurance that the Board of Trustees will proceed with any tender offer. The Board of Trustees may modify these conditions in light of circumstances existing at the time. In addition, the amount of Common Shares for which the Trust makes any particular tender offer may be limited for the reasons set forth above or in respect of other concerns related to the Trust's portfolio or the impact of the tender offer on those Common Shareholders who do not sell their Common Shares in the tender offer.

The Trust will pay costs and expenses associated with the making of any tender offer. Financial intermediaries may charge a processing fee to confirm a repurchase of Common Shares pursuant to a tender offer.

ALTERNATIVE LIQUIDITY EVENT

If the Trust has not completed a Listing Event prior to , 2020, the Trust will seek to conduct an Alternative Liquidity Event by , 2021, which may consist of (a) a merger or other reorganization transaction in which Common Shareholders receive cash and/or shares of a closed-end fund or other public company whose shares are listed on a national securities exchange, (b) a tender offer to repurchase 100% of the Trust's outstanding Common Shares at a price equal to the then current net asset value per share, or (c) adoption of a plan of liquidation providing for the termination and liquidation of the Trust. The determination as to how the Alternative Liquidity Event will be structured will be made in the sole discretion of the Board of Trustees based on market conditions at such time and all other factors deemed relevant by the Board of Trustees in consultation with the Adviser and the Sub-Adviser. Expenses associated with any Alternative Liquidity Event would be borne by Common Shareholders. The Trust does not intend to conduct an Alternative Liquidity Event after the occurrence of a Listing Event.

RESTRICTED PERIOD

The Trust's By-Laws contain provisions that will have the effect of delaying liquidity for Common Shares purchased in this offering by 60 days following a Listing Event. Specifically, the By-Laws provide that:

- Each Person who becomes a beneficial owner of Common Shares prior to the first day the Common Shares are listed on a national securities exchange (the "Applicable Date"), shall not, directly or indirectly, during the period beginning on and including the Applicable Date through and including the date that is the 60th day after the date of the Applicable Date (such period, the "Restricted Period"), offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any Common Shares acquired prior to the commencement of the Restricted Period, in each case without the prior written consent of the Trust ("Consent"), except that a beneficial owner of Common Shares may transfer Common Shares as a bona fide gift or gifts or by will, by intestate succession or pursuant to a so-called "living trust" or other revocable trust established to provide for the disposition of property on the death of the beneficial owner, in each case to any member of the immediate family (as defined below) of the beneficial owner or to a trust the beneficiaries of which are exclusively the undersigned or members of the immediate family of the beneficial owner, or as a bona fide gift or gifts to a charity or educational institution (a "Permitted Transferee"), provided that any Permitted Transferee shall continue to be subject to the foregoing restrictions with respect to the transferred Common Shares. For purposes of this paragraph, "immediate family" shall mean any relationship by blood, marriage or adoption not more remote than the first cousin.
- For the avoidance of doubt, the foregoing restrictions shall not apply to Common Shares acquired in an underwritten offering the closing of which occurs contemporaneously with the Applicable Date nor to Common Shares acquired in open market transactions after the Applicable Date.
- Prior to engaging in any transaction or taking any other action that is subject to the foregoing restrictions during the Restricted Period, a beneficial owner shall give notice thereof to the Trust and will not consummate such transaction or take any such action during the Restricted Period unless it has received Consent from the Trust. Any beneficial owner seeking Consent of the Trust with respect to any transaction shall deliver a written request to the Secretary of the Trust at the Trust's principal place of business, which written request shall set forth (i) the name, address and telephone number of the beneficial owner; (ii) a description of the proposed transaction; and (iii) the date on which the proposed transaction is expected to take place. The Board of Trustees shall, in its sole discretion and judgment, determine on behalf of the Trust whether to Consent to the proposed transaction.

- ➤ Any beneficial owner who knowingly violates the foregoing restrictions, and any persons controlling, controlled by or under common control with such beneficial owner, shall be jointly and severally liable to the Trust for, and shall indemnify and hold the Trust harmless against, any and all damages suffered as a result of such violation.
- ➤ Nothing in the By-Laws shall preclude the settlement of any transaction entered into through the facilities of a national securities exchange or automated inter-dealer quotation system. The fact that the settlement of any transaction occurs shall not negate the effect of any other provision of the foregoing restrictions.
- ➤ If any part of these provisions are judicially determined to be invalid or otherwise unenforceable, such invalidity or unenforceability shall not affect the remainder of these provisions, which shall be thereafter interpreted as if the invalid or unenforceable part were not contained herein.
- ➤ These provisions shall be of no further force and effect after the expiration of the Restricted Period.
- ➤ Any Person purchasing or otherwise acquiring any interest in shares of the Trust shall be deemed to have notice of and consented to these provisions.

In addition, in connection with an underwritten offering, the underwriters may require certain investors in this offering to execute "lock-up" agreements, pursuant to which such investors will agree with the underwriters not to offer, pledge, sell, contract to sell or otherwise dispose of or agree to sell or otherwise dispose of, directly or indirectly or hedge any Common Shares for a specified period following the completion of the underwritten offering, without the prior written consent of the underwriters. The terms of any such lock-up agreement may be more restrictive and apply for a longer period of time than the restricted period set forth in the Trust's By-Laws.

Anti-takeover provisions in the Trust's Governing Documents

The Trust presently has provisions in its Governing Documents which could have the effect of limiting, in each case, (i) the ability of other entities or persons to acquire control of the Trust, (ii) the Trust's freedom to engage in certain transactions or (iii) the ability of the Trust's Board of Trustees or shareholders to amend the Governing Documents or effectuate changes in the Trust's management. These provisions of the Governing Documents of the Trust may be regarded as "anti-takeover" provisions.

Currently, each trustee serves an indefinite term until his or her successor is elected. The Declaration of Trust provides that in the event that the Trust is required to hold annual meetings, including pursuant to the rules of a securities exchange in the event the Common Shares were to be listed on a national securities exchange, the Board of Trustees will be divided by the Trustees into three classes with staggered terms, with one class of Trustees elected to a three-year term at each annual meeting. This provision could delay for up to two years the replacement of a majority of the Board of Trustees. A Trustee may be removed from office by the action of 80% of the remaining Trustees or a majority of the remaining Trustees followed by a vote of the holders of at least 75% of the shares then entitled to vote for the election of the respective Trustee.

The Declaration of Trust requires the affirmative vote of a majority of the Board of Trustees followed by the affirmative vote of the holders of at least 75% of the outstanding shares of each affected class or series of the Trust, voting separately as a class or series, to approve, adopt or authorize certain transactions with 5% or greater holders of a class or series of shares and their associates, unless the transaction has been approved by at least 80% of the Board of Trustees, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) of the Trust shall be required. For purposes of these provisions, a 5% or greater holder of a class or series of shares (a "Principal Shareholder") refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of any class or series of shares of beneficial interest of the Trust.

The 5% holder transactions subject to these special approval requirements are:

- the merger or consolidation of the Trust or any subsidiary of the Trust with or into any Principal Shareholder;
- the issuance of any securities of the Trust to any Principal Shareholder for cash (other than pursuant to any automatic dividend reinvestment plan);
- the sale, lease or exchange of all or any substantial part of the assets of the Trust to any Principal Shareholder, except assets having an aggregate fair market value of less than $1,000,000, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period; or
- the sale, lease or exchange to the Trust or any subsidiary of the Trust, in exchange for securities of the Trust, of any assets of any Principal Shareholder, except assets having an aggregate fair market value of less than $1,000,000, aggregating for purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period.

Other than in connection with an Alternative Liquidity Event, the Trust may be dissolved only upon the affirmative vote of a majority of the Board of Trustees followed by the affirmative vote of the holders of at least 75% of the outstanding shares of each affected class or series of the Trust, voting separately as a class or series, unless such liquidation has been approved by at least 80% of the Board of Trustees, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) of the Trust shall be required. In connection with an Alternative Liquidity Event, the Trust may be dissolved by a vote of a majority of the Board of Trustees.

For the purposes of calculating "a majority of the outstanding voting securities" under the Declaration of Trust, each class and series of the Trust shall vote together as a single class, except to the extent required by the 1940 Act or the Declaration of Trust with respect to any class or series of shares. If a separate vote is required, the applicable proportion of shares of the class or series, voting as a separate class or series, also will be required. A "majority of the outstanding voting securities" means the lesser of (i) 67% or more of the Trust's voting securities present at a meeting, if the holders of more than 50% of the Trust's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Trust's outstanding voting securities.

The Board of Trustees has determined that provisions with respect to the Board and shareholder voting requirements described above, which voting requirements are greater than the minimum requirements under Delaware law or the 1940 Act, are in the best interest of shareholders generally. Reference should be made to the Declaration of Trust on file with the SEC for the full text of these provisions. See "Additional Information."

CLOSED-END FUND STRUCTURE

Closed-end funds differ from open-end management investment companies (commonly referred to as "mutual funds") in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at net asset value at the option of the shareholder and typically engage in a continuous offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund's investment objectives and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in their ability to make certain types of investments, including investments in illiquid securities.

However, shares of closed-end funds listed for trading on a securities exchange frequently trade at a discount from net asset value, but in some cases trade at a premium. The market price may be affected by trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors may result in the market price of Common Shares being greater than, less than or equal to net asset value. The Board of Trustees has reviewed the structure of the Trust in light of its investment objectives and policies and has determined that the closed-end structure is in the best interests of the shareholders. Investors should assume, therefore, that it is unlikely that the Board of Trustees would vote to convert the Trust to an open-end management investment company.

REPURCHASE OF COMMON SHARES

Following a Listing Event, the Board of Trustees will review periodically the trading range and activity of the Trust's shares with respect to its net asset value and the Board of Trustees may take certain actions to seek to reduce or eliminate any such discount. Such actions may include open market repurchases or tender offers for Common Shares at net asset value. There can be no assurance that the Board of Trustees will decide to undertake any of these actions or that, if undertaken, such actions would result in Common Shares trading at a price equal to or close to net asset value per Common Share.

CONVERSION TO OPEN-END FUND

To convert the Trust to an open-end management investment company, the Declaration of Trust requires the affirmative vote of a majority of the Board of Trustees followed by the affirmative vote of the holders of at least 75% of the outstanding shares of each affected class or series of shares of the Trust, voting separately as a class or series, unless such action has been approved by at least 80% of the Board of Trustees, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) of the Trust shall be required. The foregoing vote would satisfy a separate requirement in the 1940 Act that any conversion of the Trust to an open-end management investment company be approved by the shareholders. If approved in the foregoing manner, conversion of the Trust to an open-end management investment company could not occur until 90 days after the shareholders' meeting at which such conversion was approved and would also require at least 30 days' prior notice to all shareholders.

Shareholders of an open-end management investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. In the event of conversion, the Trust would expect to pay all such redemption requests in cash, but would intend to reserve the right to pay redemption requests in a combination of cash or securities. If such partial payment in securities were made, investors could incur brokerage costs in converting such securities to cash.

The Board of Trustees has reviewed the structure of the Trust in light of its investment objectives and policies and has determined that the closed-end structure is in the best interests of the shareholders. Any conversion to an open-end management investment company would require material changes to the Trust's investment strategy, including with respect to the use of leverage and investment in illiquid securities, which may adversely impact the Trust's ability to achieve its investment objectives. Investors should assume, therefore, that it is unlikely that the Board of Trustees would vote to convert the Trust to an open-end management investment company.

Tax matters

The following is a summary of the material U.S. federal income tax considerations generally applicable to the Trust and U.S. Common Shareholders (as defined below) and Non-U.S. Common Shareholders (as defined below) that acquire Common Shares and that hold such Common Shares as capital assets within the meaning of the Code (generally, property held for investment). The discussion is based upon the Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). This summary does not address all of the potential U.S. federal income tax consequences that may be applicable to the Trust, including the Medicare tax on net investment income, or to all categories of investors, some of which may be subject to special tax rules. No ruling has been or will be sought from the IRS regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below. This summary of U.S. federal income tax consequences is for general information only. **Prospective investors should consult their tax advisors as to the U.S. federal income tax consequences of acquiring, holding and disposing of Common Shares, as well as the effects of state, local and non-U.S. tax laws.**

For purposes of this summary, the term "U.S. Common Shareholder" means a beneficial owner of shares of the Trust that, for U.S. federal income tax purposes, is one of the following:

1. an individual who is a citizen or resident of the United States;
2. a corporation or other entity taxable as a corporation created in or organized under the laws of the United States, any state thereof or the District of Columbia;
3. an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
4. a trust (x) if a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust or (y) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (including any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares, the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Partners of partnerships that hold shares should consult their tax advisors.

TAXATION OF THE TRUST

The Trust intends to elect to be treated, and to qualify annually, as a RIC under Subchapter M of the Code. Accordingly, the Trust must, among other things, meet certain income, asset diversification and distribution requirements:

(i) The Trust must derive in each taxable year at least 90% of its gross income from the following sources: (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) net income derived from interests in "qualified publicly traded partnerships" (as defined in the Code). Generally, a qualified publicly traded partnership includes a partnership the interests of which are traded on an established securities market or readily tradable on a secondary market (or the substantial equivalent thereof) and that derives less than 90% of its gross income from the items described in (a) above.

(ii) The Trust must diversify its holdings so that, at the end of each quarter of each taxable year, (a) at least 50% of the market value of the Trust's total assets is represented by cash and cash items, including receivables, U.S. Government securities, the securities of other RICs and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Trust's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Trust's total assets is invested in the securities (other than U.S. Government securities and the securities of other RICs) of (I) any one issuer, (II) any two or more issuers that the Trust controls and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more "qualified publicly traded partnerships" (as defined in the Code).

As long as the Trust qualifies as a RIC, the Trust generally will not be subject to U.S. federal income tax on income and gains that the Trust distributes to its Common Shareholders, provided that it distributes each taxable year at least 90% of the sum of (i) the Trust's investment company taxable income (which includes, among other items, dividends, interest, the excess of any net short-term capital gain over net long-term capital loss, and other taxable income, other than any net capital gain (defined below), reduced by deductible expenses) determined without regard to the deduction for dividends and distributions paid and (ii) the Trust's net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions) (the "Annual Distribution Requirement"). The Trust intends to distribute substantially all of such income each year. The Trust will be subject to income tax at regular corporate rates on any taxable income or gains that it does not distribute to its Common Shareholders.

The Trust will either distribute or retain for reinvestment all or part of its net capital gain (which consists of the excess of its net long-term capital gain over its net short-term capital loss). If any such gain is retained, the Trust will be subject to a corporate income tax (currently at a maximum rate of 21%) on such retained amount. In that event, the Trust expects to report the retained amount as undistributed capital gain in a notice to its Common Shareholders, each of whom, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income for U.S. federal income tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Trust against its U.S. federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its Common Shares by the amount of undistributed capital gain included in such Common Shareholder's gross income net of the tax deemed paid by such Common Shareholder under clause (ii).

The Code imposes a 4% nondeductible excise tax on the Trust to the extent the Trust does not distribute by the end of any calendar year at least the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year (unless an election is made to use the Trust's fiscal year) (the "Excise Tax Avoidance Requirement"). In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. For purposes of the excise tax, the Trust will be deemed to have distributed any income on which it paid federal income tax in the taxable year ending within the calendar year. While the Trust intends to distribute any income and capital gain in the manner necessary to minimize imposition of the 4% nondeductible excise tax, there can be no assurance that sufficient amounts of the Trust's taxable income and capital gain will be distributed to entirely avoid the imposition of the excise tax. In that event, the Trust will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Trust does not qualify as a RIC, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to Common Shareholders, and such distributions will be taxable to the Common Shareholders as ordinary dividends to the extent of the Trust's current and accumulated earnings and profits. Such dividends, however, would be eligible (i) to be treated as qualified dividend income in the case of non-corporate U.S. Common Shareholders and (ii) for the dividends-received deduction in the case of U.S. Common Shareholders taxed as corporations, in each case provided that certain holding period and other requirements are met. The Trust could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before requalifying for taxation as a RIC.

TAXATION OF THE TRUST'S INVESTMENTS

Certain of the Trust's investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gains or "qualified dividend income" into higher taxed short-term capital gains or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause the Trust to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not be "qualified" income for purposes of the 90% gross income requirement described above. These U.S. federal income tax provisions could therefore affect the amount, timing and character of distributions to Common Shareholders. The Trust intends to structure and monitor its transactions and may make certain tax elections and may be required to dispose of securities to mitigate the effect of these provisions and prevent disqualification of the Trust as a RIC (which may adversely affect the net after-tax return to the Trust).

If the Trust acquires shares in a PFIC, the Trust may be subject to U.S. federal income tax on a portion of any "excess distribution" or gain from the disposition of such shares even if such income is distributed as a taxable dividend by the Trust to Common Shareholders. Additional charges in the nature of interest may be imposed on the Trust in respect of deferred taxes arising from such distributions or gains. If the Trust invests in a PFIC and elects to treat the PFIC as a QEF under the Code, in lieu of the foregoing requirements, the Trust will be required to include in income each year a portion of the ordinary earnings and net capital gain of the QEF, even if such income is not distributed to the Trust. The Trust's ability to make this election will depend on factors beyond the Trust's control. Alternatively, the Trust can elect to mark to market at the end of each taxable year the Trust's shares in a PFIC; in this case, the Trust will recognize as ordinary income any increase in the value of such shares, and as ordinary loss any decrease in such value to the extent it does not exceed prior increases included in income. Under either election, the Trust may be required to recognize in a year income in excess of the Trust's distributions from PFICs and the Trust's proceeds from dispositions of PFIC stock during that year, and such income will nevertheless be subject to the Annual Distribution Requirement and will be taken into account for purposes of the 4% excise tax.

If the Trust directly or indirectly holds 10% or more of the shares in a foreign corporation that is treated as a CFC, the Trust may be treated as receiving a deemed distribution (taxable as ordinary income) each year from such foreign corporation in an amount equal to the Trust's pro rata share of the corporation's income for the taxable year (including both ordinary earnings and capital gains), whether or not the corporation makes an actual distribution during such year. In general, a foreign corporation will be classified as a CFC if more than 50% of the shares of the corporation, measured by reference to combined voting power or value, is owned (directly, indirectly or by attribution) by U.S. stockholders. A U.S. stockholder, for this purpose, is any U.S. person that possesses (actually or constructively) 10% or more of the combined voting power or value of all classes of shares of a corporation. If the Trust is treated as receiving a deemed distribution from a CFC, the Trust will be required to include such distribution in its investment company taxable income regardless of whether the Trust receives any actual distributions from such CFC, and the Trust must distribute such income to satisfy the Annual Distribution Requirement and the Excise Tax Avoidance Requirement.

Although the Code generally provides that income inclusions from a QEF and subpart F income from CFCs will be "good income" for purposes of the 90% gross income requirement to the extent it is distributed to a RIC in the year it is included in the RIC's income, the Code does not specifically provide whether income inclusions from a QEF and subpart F income for which no distribution is received during the RIC's taxable year would be "good income" for the 90% gross income requirement. The IRS has issued a series of private rulings in which it has concluded that all income inclusions from a QEF and subpart F income included in a RIC's income would constitute "good income" for purposes of the 90% gross income requirement. The Department of the Treasury, however, has recently proposed regulations that would treat such income as not being "good income" for purposes of the 90% gross income requirement. In its explanation accompanying the recently proposed regulations, the Department of the Treasury takes the position that, notwithstanding prior private letter rulings to the contrary, the current language of the Code would treat such income as not being "good income" for purposes of the 90% gross income requirement even in the absence of the proposed regulations. Accordingly, such income may not be treated as "good income" if the recently proposed regulations are finalized or if the Department of the Treasury's interpretation of current law applies. In such a case, the Trust may fail to qualify as a RIC if it realizes a material amount of such income.

TAXATION OF U.S. COMMON SHAREHOLDERS

Distributions

Distributions paid to you by the Trust from its net capital gains, which is the excess of net long-term capital gain over net short-term capital loss, if any, that the Trust properly reports as capital gains dividends ("capital gain dividends") are taxable as long-term capital gains, regardless of how long you have held your Common Shares. All other dividends paid to you by the Trust (including dividends from short-term capital gains) from its current or accumulated earnings and profits ("ordinary income dividends") are generally subject to tax as ordinary income.

In the case of corporate U.S. Common Shareholders, ordinary income dividends paid by the Trust generally will be eligible for the dividends received deduction to the extent that the Trust's income consists of dividend income from U.S. corporations and certain holding period requirements are satisfied by both the Trust and the corporate U.S. Common Shareholders. In the case of individuals, any such ordinary income dividend that you receive from the Trust generally will be eligible for taxation at the rates applicable to long-term capital gains to the extent that (i) the ordinary income dividend is attributable to "qualified dividend income" (i.e., generally dividends paid by U.S. corporations and certain foreign corporations) received by the Trust, (ii) the Trust satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your Common Shares. Qualified dividend income eligible for these special rules are not actually treated as capital gains, however, and thus will not be included in the computation of your net capital gain and generally cannot be used to offset any capital losses. In general, you may include as qualified dividend income only that portion of the dividends that may be and are so reported by the Trust as qualified dividend income. Dividend income from PFICs and, in general, dividend income from real estate investment trusts is not eligible for the reduced rate for qualified dividend income and is taxed as ordinary income. Due to the nature of the Trust's investments, the Trust does not expect that a significant portion of its distributions will be eligible for the dividends received deduction or for the reduced rates applicable to qualified dividend income.

Any distributions you receive that are in excess of the Trust's current and accumulated earnings and profits will be treated as a return of capital to the extent of your adjusted tax basis in your Common Shares, and thereafter as capital gain from the sale of Common Shares. The amount of any Trust distribution that is treated as a return of capital will reduce your adjusted tax basis in your Common Shares, thereby increasing your potential gain, or reducing your potential loss, on any subsequent sale or other disposition of your Common Shares.

Dividends and other taxable distributions are taxable to you even if they are reinvested in additional Common Shares of the Trust. Dividends and other distributions paid by the Trust are generally treated as received by you at the time the dividend or distribution is made. If, however, the Trust pays you a dividend in January that was declared in the previous October, November or December and you were the U.S. Common Shareholder of record on a specified date in one of such months, then such dividend will be treated for U.S. federal income tax purposes as being paid by the Trust and received by you on December 31 of the year in which the dividend was declared.

The IRS currently requires that a RIC that has two or more classes of stock allocate to each such class proportionate amounts of each type of its income (such as ordinary income, capital gains, interest-related dividends and short-term capital gain dividends) based upon the percentage of total dividends paid out of current or accumulated earnings and profits to each class for the tax year. Accordingly, if the Trust issues Preferred Shares, it intends each year to allocate each type of its income between its Common Shares and

Preferred Shares in proportion to the total dividends paid out of current or accumulated earnings and profits to each class with respect to such tax year. Distributions in excess of the Trust's current and accumulated earnings and profits, if any, however, will not be allocated proportionately among the Common Shares and Preferred Shares. Since the Trust's current and accumulated earnings and profits in the event of the issuance of Preferred Shares will first be used to pay dividends on the Preferred Shares, distributions in excess of such earnings and profits, if any, will be made disproportionately to holders of Common Shares.

The Trust will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Trust.

Sale of Common Shares

The sale or other disposition of Common Shares of the Trust will generally result in capital gain or loss to you and will be long-term capital gain or loss if you have held such Common Shares for more than one year. Any loss upon the sale or other disposition of Common Shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain) by you with respect to such Common Shares. Any loss you recognize on a sale or other disposition of Common Shares will be disallowed if you acquire other Common Shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of Common Shares. In such case, your tax basis in Common Shares acquired will be adjusted to reflect the disallowed loss.

The Trust may conduct quarterly tender offers to repurchase Common Shares. If a U.S. Common Shareholder tenders Common Shares for cash in any such tender offer, the U.S. Common Shareholder will generally recognize gain or loss as though the U.S. Common Shareholder had sold the Common Shares, as described above. However, in certain circumstances, the U.S. Common Shareholder may be treated as receiving a dividend from the Trust or a distribution treated as a return of capital. U.S. Common Shareholders are urged to consult their tax advisors as to the consequences of participating in any such tender offers.

Current U.S. federal income tax law taxes both long-term and short-term capital gain of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, short-term capital gain is currently taxed at rates applicable to ordinary income, while long-term capital gain generally is taxed at reduced maximum rates. The deductibility of capital losses is subject to limitations under the Code.

Backup withholding

The Trust may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to non-corporate Common Shareholders who fail to provide the Trust (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you timely furnish the required information to the IRS.

TAXATION OF NON-U.S. COMMON SHAREHOLDERS

The following discussion only applies to Non-U.S. Common Shareholders. A "Non-U.S. Common Shareholder" is a holder, other than a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes), that is not a U.S. Common Shareholder for U.S. federal income tax purposes. Whether an investment in Common Shares is appropriate for a Non-U.S. Common Shareholder will depend upon that Non-U.S. Common Shareholder's particular circumstances. An investment in Common Shares by a Non-U.S. Common Shareholder may have adverse tax consequences. Non-U.S. Common Shareholders should consult their tax advisors before investing in Common Shares.

Distributions of ordinary income dividends to Non-U.S. Common Shareholders, subject to the discussion below, will generally be subject to withholding of U.S. federal tax at a 30% rate (or lower rate provided by an applicable treaty) to the extent of the Trust's current and accumulated earnings and profits. Different tax consequences may result if the Non-U.S. Common Shareholder is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met. Special certification requirements apply to a shareholder that is a foreign partnership or a foreign trust, and such entities are urged to consult their tax advisors.

Actual or deemed distributions of the Trust's net capital gain to a Non-U.S. Common Shareholder, and gain recognized by a Non-U.S. Common Shareholder upon the sale of Common Shares, generally will not be subject to U.S. federal withholding tax and will not be subject to U.S. federal income tax unless the distributions or gain, as the case may be, are effectively connected with a U.S. trade or business of the Non-U.S. Common Shareholder (and, if an income tax treaty applies, are attributable to a permanent establishment maintained by the Non-U.S. Common Shareholder in the United States) or, in the case of an individual, is present in the United States for 183 days or more during a taxable year.

No U.S. source withholding taxes will be imposed on dividends paid by RICs to Non-U.S. Common Shareholders to the extent the dividends are designated as "interest related dividends" or "short-term capital gain dividends." Under this exemption, interest related dividends and short-term capital gain dividends generally represent distributions of interest or short-term capital gain that would not have been subject to U.S. withholding tax at the source if they had been received directly by a Non-U.S. Common Shareholder, and that satisfy certain other requirements. No assurance can be given that the Trust will distribute any interest related or short-term capital gain dividends.

If the Trust distributes its net capital gains in the form of deemed rather than actual distributions (which the Trust may do in the future), a Non-U.S. Common Shareholder will be entitled to a U.S. federal income tax credit or tax refund equal to the Non-U.S. Common Shareholder's allocable share of the tax that the Trust pays on the capital gains deemed to have been distributed. In order to obtain the refund, the Non-U.S. Common Shareholder must obtain a U.S. taxpayer identification number and file a federal income tax return even if the Non-U.S. Common Shareholder is not otherwise required to obtain a U.S. taxpayer identification number or file a federal income tax return. For a corporate Non-U.S. Common Shareholder, distributions (both actual and deemed), and gains realized upon the sale of Common Shares that are effectively connected with a U.S. trade or business (or, where an applicable treaty applies, are attributable to a permanent establishment in the United States) may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate if provided for by an applicable tax treaty). Accordingly, investment in Common Shares may not be appropriate for certain Non-U.S. Common Shareholders.

Certain provisions of the Code referred to as "FATCA" require withholding at a rate of 30% on dividends in respect of, and, after December 31, 2018, gross proceeds from the sale of, Common Shares held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Treasury to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution to the extent such interests or accounts are held by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. Accordingly, the entity through which Common Shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and, after December 31, 2018, gross proceeds from the sale of, Common Shares held by an investor that is a non-financial non-U.S. entity that does not qualify under certain exemptions will be subject to withholding at a rate of 30%, unless such entity either (i) certifies to the Trust that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which the Trust will in turn provide to the Secretary of the Treasury. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. The Trust will not pay any additional amounts to Non-U.S. Common Shareholders in respect of any amounts withheld. Non-U.S. Common Shareholders are encouraged to consult their tax advisors regarding the possible implications of the legislation on their investment in Common Shares.

A Non-U.S. Common Shareholder who is a nonresident alien individual, and who is otherwise subject to withholding of federal income tax, may be subject to backup withholding of federal income tax on dividends unless the Non-U.S. Common Shareholder provides the Trust or the dividend paying agent with an IRS Form W-8BEN or IRS Form W-8BEN-E (or an acceptable substitute form) or otherwise meets documentary evidence requirements for establishing that it is a Non-U.S. Common Shareholder or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld from payments made to you may be refunded or credited against your U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS. Non-U.S. Common Shareholders may also be subject to information reporting.

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations in effect as they directly govern the taxation of the Trust and its U.S. Common Shareholders. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive. A more complete discussion of the tax rules applicable to the Trust, its U.S. Common Shareholders and Non-U.S. Common Shareholders can be found in the SAI that is incorporated by reference into this prospectus. Common Shareholders are urged to consult their tax advisers regarding specific questions as to U.S. federal, state, local and foreign income or other taxes.

Plan of distribution

ALPS Distributors, Inc., located at 1290 Broadway, Denver, Colorado 80203, serves as the Trust's principal underwriter and acts as the distributor of the Trust's Common Shares on a best efforts basis, subject to various conditions. The Distributor is an affiliate of DST Systems, the Trust's transfer agent, and ALPS Fund Services, the Trust's administrator.

Common Shares are being offered during an initial offering period that will terminate on the Initial Closing Date, which is scheduled to occur on or about October 31, 2018, or such earlier or later date as the Board of Trustees may determine. Common Shares will be sold on the Initial Closing Date at the initial offering price of $10.00 per share. The Trust will not commence investment operations until the Initial Closing Date. Consult with your selling agent to determine if the Initial Closing Date has occurred.

After the Initial Closing Date, Common Shares will be continuously offered on a daily basis at the Continuous Offering Price (which is equal to the then current net asset value per share plus $0.04 per share (the amount of offering expenses per Common Share to be incurred by the Trust)). See "Net Asset Value." The continuous offering of Common Shares may be discontinued at any time by the Board of Trustees.

The Distributor also may enter into agreements with financial intermediaries for the sale and servicing of the Trust's Common Shares.

The Trust has registered under the Securities Act an aggregate of $ of Common Shares for sale under the registration statement to which this prospectus relates.

No arrangement has been made to place funds received in an escrow, trust or similar account. The Distributor is not required to sell any specific number or dollar amount of the Trust's Common Shares, but will use its best efforts to solicit orders for the purchase of Common Shares. Prior to a Listing Event, Common Shares of the Trust will not be listed on any national securities exchange and the Distributor will not act as a market marker in Common Shares.

The Distributor has entered into a "wholesale marketing" agreement with XMS Partners, LLC ("XMS"), a registered broker-dealer and an affiliate of the Adviser. Pursuant to the terms of the wholesale marketing agreement, XMS seeks to market and otherwise promote the Trust's Common Shares through various "wholesale" distribution channels, including but not limited to, regional and independent retail broker-dealers.

The Adviser or its affiliates, in the Adviser's discretion and from their own resources, may pay additional compensation to financial intermediaries in connection with the sale and servicing of Common Shares (the "Additional Compensation"). In return for the Additional Compensation, the Trust may receive certain marketing advantages including access to financial intermediaries' registered representatives, placement on a list of investment options offered by a financial intermediary, or the ability to assist in training and educating the financial intermediaries. The Additional Compensation may differ among financial intermediaries in amount or in the manner of calculation: payments of Additional Compensation may be fixed dollar amounts, or based on the aggregate value of outstanding shares held by shareholders introduced by the financial intermediary, or determined in some other manner. The Additional Compensation paid to financial intermediaries will not exceed   % of the total price to the public of the Common Shares sold in this offering. The receipt of Additional Compensation by a selling financial intermediary may create potential conflicts of interest between an investor and its financial intermediary who is recommending the Trust over other potential investments.

The Trust has agreed to indemnify the Distributor against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Distributor may be required to make because of any of those liabilities. Such agreement does not include indemnification of the Distributor against liability resulting from willful misfeasance, bad faith or negligence on the part of the Distributor in the performance of its duties or from reckless disregard by the Distributor of its obligations and duties under the Distribution Agreement. The Distributor may, from time to time, perform services for the Adviser, the Sub-Adviser and their respective affiliates in the ordinary course of business.

Prior to the initial public offering of shares, the Adviser purchased shares from the Trust in an amount satisfying the net worth requirements of Section 14(a) of the 1940 Act.

PURCHASING COMMON SHARES

Investors may purchase Common Shares directly from the Trust in accordance with the instructions below. Investors will be assessed fees for returned checks and stop payment orders at prevailing rates charged by the transfer agent. The returned check and stop payment fee is currently $10.00. Investors may purchase Common Shares of the Trust through financial intermediaries and their agents that have made arrangements with the Trust and are authorized to sell shares of the Trust (collectively, "Financial Intermediaries"). A Financial Intermediary may hold shares in an omnibus account in the Financial Intermediary's name or the Financial Intermediary may maintain individual ownership records. Financial Intermediaries may charge fees for the services they provide in connection with processing your transaction order or maintaining an investor's account with them. Investors should check with their Financial Intermediary to determine if it is subject to these arrangements. Financial Intermediaries are responsible for placing orders correctly and promptly with the Trust and forwarding payment promptly. Orders transmitted with a Financial Intermediary before the close of regular trading (generally 4:00 p.m., Eastern time) on a day that the NYSE is open for business, will be priced based on the Trust's net asset value next computed after it is received by the Financial Intermediary.

By mail

To make an initial purchase by mail, complete an account application and mail the application, together with a check made payable to XAI Octagon Credit Trust to:

By Express/Overnight Delivery:	By Regular Mail:
XAI Octagon Credit Trust c/o DST Systems, Inc. 430 W 7th St Suite 219896 Kansas City, MO 64121-9896	XAI Octagon Credit Trust c/o DST Systems, Inc. PO Box 219896 Kansas City, MO 64121-9896

All checks must be in U.S. dollars drawn on a domestic bank. The Trust will not accept payment in cash or money orders. The Trust also does not accept cashier's checks in amounts of less than $10,000. To prevent check fraud, the Trust will neither accept third party checks, Treasury checks, credit card checks, traveler's checks or starter checks for the purchase of shares, nor post-dated checks, post-dated online bill pay checks, or any conditional purchase order or payment.

By wire—initial investment

To make an initial investment in the Trust, the transfer agent must receive a completed account application before an investor wires funds. Investors may mail or overnight deliver an account application to the transfer agent. Upon receipt of the completed account application, the transfer agent will establish an account. The account number assigned will be required as part of the instruction that should be provided to an investor's bank to send the wire. An investor's bank must include both the name of the Trust, the account number, and the investor's name so that monies can be correctly applied. If you wish to wire money to make an investment in the Trust, please call the Trust at 844-924-6878 for wiring instructions and to notify the Trust that a wire transfer is coming. Any commercial bank can transfer same-day funds via wire. The Trust will normally accept wired funds for investment on the day received if they are received by the Trust's designated bank before the close of regular trading on the NYSE. Your bank may charge you a fee for wiring same-day funds. The bank should transmit funds by wire to:

ABA #:	(number provided by calling toll-free number above)
Credit:	UMB Bank N.A. DST As Agent for XA Investments Universal
Account #:	(number provided by calling toll-free number above)
Further Credit:	XAI Octagon Credit Trust (shareholder registration) (shareholder account number)

By wire—subsequent investments

Before sending a wire, investors must contact DST Systems, Inc. to advise them of the intent to wire funds. This will ensure prompt and accurate credit upon receipt of the wire. Wired funds must be received prior to 4:00 p.m. Eastern time to be eligible for same day pricing. The Trust, and its agents, including the transfer agent and custodian, are not responsible for the consequences of delays resulting from the banking or Federal Reserve wire system, or from incomplete wiring instructions.

Automatic investment plan—subsequent investments

You may participate in the Trust's Automatic Investment Plan, an investment plan that automatically moves money from your bank account and invests it in Common Shares of the Trust through the use of electronic funds transfers or automatic bank drafts. You may elect to make subsequent investments by transfers of a minimum of $100 for regular accounts and $50 for retirement accounts on specified days of each month into your established Trust account. Please contact the Trust at 844-924-6878 for more information about the Trust's Automatic Investment Plan.

By telephone

Investors may purchase additional Common Shares of the Trust by calling 844-924-6878. If an investor elected this option on the account application, and the account has been open for at least 15 days, telephone orders will be accepted via electronic funds transfer from your bank account through the Automated Clearing House (ACH) network. Banking information must be established on the account prior to making a purchase. Orders for shares received prior to 4 p.m. Eastern time will be purchased at the appropriate price calculated on that day.

Telephone trades must be received by or prior to market close. During periods of high market activity, shareholders may encounter higher than usual call waits. Please allow sufficient time to place your telephone transaction.

Anti-money laundering

In compliance with the USA Patriot Act of 2001, DST Systems, Inc. will verify certain information on each account application as part of the Trust's Anti-Money Laundering Program. As requested on the application, investors must supply full name, date of birth, social security number and permanent street address. Mailing addresses containing only a P.O. Box will not be accepted. Investors may call DST Systems, Inc. at 844-924-6878 for additional assistance when completing an application.

If DST Systems, Inc. does not have a reasonable belief of the identity of a customer, the account will be rejected or the customer will not be allowed to perform a transaction on the account until such information is received. The Trust also may reserve the right to close the account within 5 business days if clarifying information/documentation is not received.

Purchase terms

The minimum initial purchase by an investor is $5,000. The Trust reserves the right to waive investment minimums. The Trust's Common Shares are offered for sale through its Distributor at $10.00 per share at the Initial Closing Date and at thereafter at net asset value. The price of Common Shares during the Trust's continuous offering will fluctuate over time with the net asset value of Common Shares.

PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

XAI and Octagon typically pay additional compensation, out of their own assets and not as an additional charge to the Trust, to certain broker-dealers or other financial intermediaries (such as a bank or financial advisor) in connection with the sale and/or distribution of Common Shares or the retention and/or servicing of Common Shareholder accounts. This compensation may be a fixed dollar amount, may be based on the number of Common Shareholder accounts maintained by the financial intermediary, or may be based on a percentage of the value of Common Shares sold to, or held by, customers of the financial intermediary. The level of such payments may be substantial and may be different for different financial intermediaries. These payments may create a conflict of interest by influencing the financial intermediary to view the Trust favorably compared with investment funds that do not make these payments, or that make smaller payments. An investor should ask their financial advisor for more information.

As of the date of this Prospectus, the following financial intermediaries have entered into agreements to receive such payments from XAI and Octagon:

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Custodian, transfer agent, and administrator

CUSTODIAN

U.S. Bank serves as the custodian of the Trust's assets pursuant to a custody agreement. Under the custody agreement, the custodian is required to hold the Trust's assets in compliance with the 1940 Act. For its services, the custodian will receive a monthly fee based upon, among other things, the average value of the total assets of the Trust, plus certain charges for securities transactions. U.S. Bank is located at 1555 N. River Center Drive, Milwaukee, Wisconsin 53212.

TRANSFER AGENT

DST Systems serves as the Trust's dividend disbursing agent, agent under the Trust's Plan, transfer agent and registrar with respect to Common Shares of the Trust. DST Systems is located at 430 W. 7th Street, Kansas City, Missouri 64105-1594.

ADMINISTRATOR

ALPS Fund Services serves as the administrator of the Trust. Pursuant to an administration, bookkeeping and pricing services agreement, ALPS Fund Services provides certain administrative services and fund accounting services to the Trust. The Trust pays to ALPS Fund Services a monthly fee equal to the greater of an annual minimum fee or a fee equal to a percentage of the Trust's net assets, which percentage is subject to breakpoints at increasing levels of net assets, and reimburses ALPS Fund Services for certain out-of-pocket expenses. ALPS Fund Services is located at 1290 Broadway, Suite 1100, Denver, CO 80203.

Legal matters

Certain legal matters will be passed on for the Trust by Skadden, Arps, Slate, Meagher & Flom LLP, Chicago, Illinois, in connection with the offering of Common Shares.

Independent registered public accounting firm

KPMG LLP, 200 E. Randolph Drive, Chicago, IL 60601, is the independent registered public accounting firm of the Trust. The independent registered public accounting firm is expected to render an opinion annually on the financial statements of the Trust.

Fiscal year end and reports to shareholders

The Trust's fiscal year end is September 30.

As soon as practicable after the end of each calendar year, the Trust will furnish to Common Shareholders a statement on Form 1099-DIV identifying the sources of the distributions paid by the Trust to Common Shareholders for tax purposes.

In addition, the Trust will prepare and transmit to Common Shareholders a semi-annual report and annual report within 60 days after the close of the period for which the report is being made, or as otherwise required by the 1940 Act.

Additional information

This prospectus constitutes part of a Registration Statement filed by the Trust with the SEC under the Securities Act, and the 1940 Act. This prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Trust and the Common Shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC's website (www.sec.gov).

Privacy principles of the Trust

The Trust is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Trust collects, how the Trust protects that information and why, in certain cases, the Trust may share information with select other parties.

Generally, the Trust does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Trust. The Trust does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Trust restricts access to non-public personal information about its shareholders to employees of the Adviser and its delegates and affiliates with a legitimate business need for the information. The Trust maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

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XAI Octagon Credit Trust

Common Shares

, 2018