

**XAI Octagon Floating Rate & Alternative Income Term Trust (the "Trust")**

**Interim Financial Information  
(Unaudited)**

**June 30, 2019**

The financial information provided herein is as of June 30, 2019, is unaudited and is presented without notes. For additional information please refer to (i) the Trust's audited financial statements dated September 30, 2018, including accompanying notes thereto and the report of the Trust's independent registered public accounting firm thereon, appearing in the Trust's annual report to shareholders for the fiscal year ended September 30, 2018, as contained in the Trust's Form N-CSR filed with the SEC on December 12, 2018, and (ii) the Trust's unaudited financial statements dated March 31, 2019, including accompanying notes thereto, appearing in the Trust's semi-annual report to shareholders for the period ended March 31, 2019, as contained in the Trust's Form N-CSRS filed with the SEC on May 24, 2019. You may obtain a copy of the Trust's annual and semi-annual report by calling (888) 903-3358 or visiting the Trust's website at [www.xainvestments.com](http://www.xainvestments.com).

# XAI Octagon Floating Rate & Alternative Income Term Trust

## Statement of Assets and Liabilities

June 30, 2019 (Unaudited)

### ASSETS:

Investments, at value (Cost \$129,037,317)	\$ 122,562,966
Cash	1,499,132
Receivable for investments sold	5,600,152
Interest receivable	586,294
Receivable for reinvestment of dividends	68,470
Deferred offering costs	151,222
Prepaid expenses and other assets	11,554
<b>Total Assets</b>	<b>130,479,790</b>

### LIABILITIES:

Payable for legal and audit fees	84,716
Payable to transfer agent	5,146
Payable for investor support services fees	19,274
Payable for printing	12,994
Payable for custodian fees	8,209
Payable for investments purchased	12,265,819
Leverage facility (Net of \$50,770 deferred costs)	38,464,230
Interest due on leverage facility	110,838
Distributions payable to common shareholders	649,597
Accrued investment advisory fees payable	100,361
Accrued fund accounting and administration fees payable	63,607
Accrued chief compliance officer fees payable	5,111
Other payables and accrued expenses	1,026

<b>Total Liabilities</b>	<b>51,790,928</b>
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<b>Net Assets</b>	<b>\$ 78,688,862</b>
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Commitment

### COMPOSITION OF NET ASSETS:

Paid-in capital	\$ 84,621,774
Total distributable earnings	(5,932,912)
<b>Net Assets</b>	<b>\$ 78,688,862</b>

Common shares of beneficial interest outstanding, at \$0.01 par value, and unlimited common shares authorized	8,951,377
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<b>Net Asset Value per Common Share</b>	<b>\$ 8.79</b>
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# XAI Octagon Floating Rate & Alternative Income Term Trust

## Statement of Operations

For the Nine Months Ended June 30, 2019 (Unaudited)

### INVESTMENT INCOME:

Dividends	\$	54,067
Interest		8,534,350
<b>Total Investment Income</b>		<b>8,588,417</b>

### EXPENSES:

Investment advisory fees		1,424,365
Fund accounting and administration fees		237,378
Legal and audit fees		267,072
Custodian fees		15,860
Chief compliance officer fees		22,699
Trustees' fees and expenses		125,189
Printing expense		11,656
Transfer agent fees		23,070
Investor support services fees		167,572
Interest expense and amortization of deferred borrowing costs		1,095,127
Other expenses		65,504
<b>Total Expenses Before Waivers</b>		<b>3,455,492</b>
Fees waived or reimbursed by the Advisor		(517,609)
<b>Net Expenses</b>		<b>2,937,883</b>
<b>Net Investment Income</b>		<b>5,650,534</b>

### REALIZED AND UNREALIZED LOSS ON INVESTMENTS:

Net realized loss on:		
Investments		(2,217,736)
Change in unrealized appreciation/(depreciation) on:		
Investments		(4,294,069)
<b>Net Realized and Unrealized Loss on Investments</b>		<b>(6,511,805)</b>
<b>Net Decrease in Net Assets from Operations</b>	\$	<b>(861,271)</b>

XAI Octagon Floating Rate &  
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Statements of Changes in Net Assets

	For the 9 months Ended June 30, 2019 (Unaudited)	For the Year Ended September 30, 2018
<b>OPERATIONS:</b>		
Net investment income	\$ 5,650,534	\$ 5,253,538
Net realized gain/loss	(2,217,736)	949,311
Change in unrealized appreciation/(depreciation)	(4,294,069)	(2,180,282)
<b>Net Increase/(Decrease) in Net Assets from Operations</b>	<b>(861,271)</b>	<b>4,022,567</b>
<b>TOTAL DISTRIBUTIONS TO SHAREHOLDERS:</b>		
From ordinary income and gains	(5,291,896)	(3,785,195)
From tax return of capital	-	(2,551,001)
<b>TOTAL DISTRIBUTIONS TO SHAREHOLDERS</b>	<b>(5,291,896)</b>	<b>(6,336,196)</b>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Proceeds from sale of common shares (net of offering costs of \$30,255 and \$21,750)	5,508,587	10,635,750
Net asset value of common shares issued to shareholders from reinvestment of dividends	11,830	11,599
<b>Net Increase from Capital Share Transactions</b>	<b>5,520,417</b>	<b>10,647,349</b>
<b>Net Increase/(Decrease) in Net Assets</b>	<b>(632,750)</b>	<b>8,333,720</b>
<b>NET ASSETS:</b>		
Beginning of period	\$ 79,321,612	\$ 70,987,892
End of period	\$ 78,688,862	\$ 79,321,612

# XAI Octagon Floating Rate & Alternative Income Term Trust

## Statement of Cash Flows

For the Nine Months Ended June 30, 2019 (Unaudited)

### CASH FLOWS FROM OPERATING ACTIVITIES:

Net decrease in net assets from operations	\$ (861,271)
Adjustments to reconcile net decrease in net assets from operations to net cash used in operating activities:	
Purchases of investments	(91,133,577)
Proceeds from disposition of investments	85,337,490
Discounts accreted/premiums amortized	(66,282)
Reductions to CLO equity cost basis	1,373,885
Net realized loss on:	
Investments	2,217,736
Net change in unrealized appreciation/(depreciation) on:	
Investments	4,294,069
Net purchase of short-term investments	(3,652,577)
(Increase)/Decrease in assets:	
Receivable for investments sold	1,091,995
Interest receivable	(5,357)
Deferred offering costs	(151,222)
Prepaid expenses and other assets	(11,554)
Increase/(Decrease) in liabilities:	
Payable for investments purchased	2,980,928
Interest due on leverage facility	(240,377)
Accrued investment advisory fees payable	11,320
Accrued fund accounting and administration fees payable	2,085
Payable for legal and audit fees	(47,758)
Payable for investor support services fees	(201)
Payable for printing	(14,132)
Payable for custodian fees	993
Accrued chief compliance officer fees payable	111
Payable to transfer agent	(1,904)
Other payables and accrued expenses	(3,546)

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<b>Net Cash Used in Operating Activities</b>	<b>1,120,854</b>
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### CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on leverage facility	(350,000)
Proceeds from shares sold - common shares	5,470,372
Distributions paid - common shareholders	(5,206,544)
Offering costs - common shareholders	(30,255)

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<b>Net Cash Provided by Financing Activities</b>	<b>(116,427)</b>
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<b>Net Increase in Cash</b>	<b>1,004,427</b>
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<b>Cash, beginning balance</b>	<b>494,705</b>
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<b>Cash, ending balance</b>	<b>\$ 1,499,132</b>
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### Supplemental disclosure of cash flow information:

Cash paid for interest on leverage facility	\$ 1,250,339
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### Non-cash activity:

Reinvestment of distributions	\$ 11,830
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# XAI Octagon Floating Rate & Alternative Income Term Trust

## Financial Highlights

For a Share Outstanding Throughout the Periods Presented

	For the 9 months Ended June 30, 2019 (Unaudited)		For the Year Ended September 30, 2018		For the Period September 27, 2017 (Commencement of Operations) to September 30, 2017	
<b>PER COMMON SHARE OPERATING PERFORMANCE:</b>						
Net asset value - beginning of period	\$	9.50	\$	9.78	\$	9.78 <sup>(a)</sup>
<b>INCOME/(LOSS) FROM INVESTMENT OPERATIONS:</b>						
Net investment income/(loss) <sup>(b)</sup>		0.67		0.64		(0.00) <sup>(c)</sup>
Net realized and unrealized loss on investments		(0.75)		(0.16)		—
<b>Total Income/(Loss) from Investment Operations</b>		<b>(0.08)</b>		<b>0.48</b>		<b>(0.00)<sup>(c)</sup></b>
<b>DISTRIBUTIONS TO COMMON SHAREHOLDERS:<sup>(d)</sup></b>						
From ordinary income		(0.63)		(0.45)		—
From tax return of capital		—		(0.31)		—
<b>Total Distributions to Common Shareholders</b>		<b>(0.63)</b>		<b>(0.76)</b>		<b>—</b>
Net asset value per common share - end of period	\$	8.79	\$	9.50	\$	9.78
Market price per common share - end of period	\$	9.18	\$	9.80	\$	10.12
<b>Total Investment Return - Net Asset Value<sup>(e)</sup></b>		<b>(0.51%)</b>		<b>5.22%</b>		<b>0.00%</b>
<b>Total Investment Return - Market Price<sup>(e)</sup></b>		<b>0.73%</b>		<b>4.89%</b>		<b>1.20%</b>
<b>RATIOS AND SUPPLEMENTAL DATA:</b>						
Net assets attributable to common shares, end of period (000s)	\$	78,689	\$	79,322	\$	70,988
Ratio of expenses excluding waivers to average net assets		6.12% <sup>(f)</sup>		5.60%		5.00% <sup>(f)</sup>
Ratio of expenses including waivers to average net assets		5.20% <sup>(f)</sup>		4.87%		2.20% <sup>(f)</sup>
Ratio of expenses excluding interest expense to average net assets		3.26% <sup>(f)(g)</sup>		3.35% <sup>(g)</sup>		2.20% <sup>(f)</sup>
Ratio of net investment income including waivers to average net assets		10.00% <sup>(f)</sup>		6.57%		(2.20%) <sup>(f)</sup>
Portfolio turnover rate		76%		119%		0%
<b>LEVERAGE FACILITY:</b>						
Aggregate principal amount, end of period (000s)	\$	38,515	\$	38,865	\$	N/A
Asset coverage, end of period per \$1,000	\$	3,043	\$	3,041	\$	N/A

<sup>(a)</sup> After deduction of offering expenses charged to capital.

<sup>(b)</sup> Calculated using average common shares outstanding.

<sup>(c)</sup> Less than \$(0.005) per share.

<sup>(d)</sup> The per share amounts of distributions related to ordinary income and tax return of capital are based on amounts determined under U.S. federal income tax regulations which differs from the per share amounts from investment operations which are based on amounts determined under U.S. GAAP.

<sup>(e)</sup> Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Dividends and distributions are assumed for purposes of this calculation to be reinvested at prices obtained under the Trust's dividend reinvestment plan. Total investment returns do not reflect brokerage commissions, if any, and are not annualized.

<sup>(f)</sup> Annualized.

<sup>(g)</sup> Includes amortization of deferred borrowing costs.