

XAI Octagon Floating Rate & Alternative Income Trust

**Interim Financial Information
(Unaudited)**

June 30, 2025

The financial information provided herein is as of June 30, 2025, is unaudited and is presented without notes. For additional information please refer to (i) the Trust's audited financial statements dated September 30, 2024, 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, 2024, as contained in the Trust's Form N-CSR filed with the SEC on December 3, 2024, and (ii) the Trust's unaudited financial statements dated March 31, 2025, including accompanying notes thereto, appearing in the Trust's semi-annual report to shareholders for the period ended March 31, 2025, as contained in the Trust's Form N-CSRS filed with the SEC on June 6, 2025. 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 or through the SEC's website at www.sec.gov.

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STATEMENT OF ASSETS AND LIABILITIES

June 30, 2025 (Unaudited)

ASSETS:	
Investments, at value (Cost \$805,225,033)	\$ 743,851,053
Cash	6,910,522
Receivable for investment securities sold	6,450,046
Interest receivable	3,803,848
Prepaid offering costs, net	610,317
Prepaid expenses and other assets	72,200
Total Assets	761,697,986
LIABILITIES:	
Leverage facility (Net of \$381,008 deferred financing costs)	211,618,992
Preferred shares (Net of \$2,831,600 deferred financing costs)	64,568,400
Payable for investment securities purchased	14,465,549
Distributions payable to common shareholders	5,330,821
Interest due on leverage facility	3,435,481
Accrued investment advisory fees payable	1,021,570
Interest payable on preferred shares	775,761
Accrued professional fees payable	200,110
Accrued investor support services fees payable	120,185
Accrued fund accounting and administration fees payable	103,916
Accrued printing fees payable	52,516
Accrued custodian fees payable	15,581
Accrued transfer agent fees payable	5,184
Trustees' fees and expenses payable	4,879
Other payables and accrued expenses	73,762
Total Liabilities	301,792,707
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$ 459,905,279
COMPOSITION OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:	
Paid in capital	\$ 550,377,767
Distributable earnings/(Accumulated loss)	(90,472,488)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$ 459,905,279
Common shares of beneficial interest outstanding, at \$0.01 par value per share, and unlimited common shares authorized	76,154,591
Net Asset Value Applicable to Common Shareholders, per share	\$ 6.04

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STATEMENT OF OPERATIONS

For the Nine Months Ended June 30, 2025 (Unaudited)

INVESTMENT INCOME:	
Interest and other income	\$ 66,710,290
Total Investment Income	66,710,290
EXPENSES:	
Interest expense and amortization of deferred leverage costs	9,749,916
Investment advisory fees	9,711,384
Distributions to preferred shares	3,696,364
Investor support services fees	1,142,516
Fund accounting and administration fees	639,748
Amortization of financing costs	569,602
Professional fees	337,537
Trustees' fees and expenses	236,609
Custodian fees	83,784
Printing expenses	46,298
Chief financial officer fees	44,992
Chief compliance officer fees	38,952
Transfer agent fees	27,131
Excise tax	21,028
Other expenses	447,765
Total Expenses	26,793,626
NET INVESTMENT INCOME	39,916,664
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:	
Net realized (loss) on:	
Investment securities	(14,270,771)
Total net realized loss	(14,270,771)
Net change in unrealized appreciation/depreciation on:	
Investment securities	(17,097,695)
Net change in unrealized appreciation/depreciation	(17,097,695)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(31,368,466)
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS	\$ 8,548,198

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STATEMENTS OF CHANGES IN NET ASSETS

Applicable to Common Shareholders

	Nine Months Ended June 30, 2025 (Unaudited)	Year Ended September 30, 2024
OPERATIONS:		
Net investment income	\$ 39,916,664	\$ 54,167,238
Net realized loss	(14,270,771)	(1,648,587)
Net change in unrealized appreciation/depreciation	(17,097,695)	(3,654,532)
Net increase in net assets applicable to common shareholders from operations	8,548,198	48,864,119
DISTRIBUTIONS TO COMMON SHAREHOLDERS:		
From net investment income	(52,352,182)	(42,919,939)
Tax return of capital	-	(14,147,569)
Total distributions to common shareholders	(52,352,182)	(57,067,508)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from sales of common shares (net of deferred leverage and offering costs of \$1,876,953 and \$1,799,077)	43,609,157	160,958,037
Net asset value of common shares issued to shareholders from reinvestment of dividends	3,177,782	5,887,268
Net increase in net assets applicable to common shareholders from capital share transactions	46,786,939	166,845,305
Net increase in net assets applicable to common shareholders	2,982,955	158,641,916
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:		
Beginning of period	456,922,324	298,280,408
End of period	\$ 459,905,279	\$ 456,922,324

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STATEMENT OF CASH FLOWS

For the Nine Months Ended June 30, 2025 (Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net increase in net assets applicable to common shareholders from operations	\$	8,548,198
Adjustments to reconcile net increase in net assets applicable to common shareholders from operations to net cash provided by operating activities:		
Purchase of investment securities		(427,278,785)
Proceeds from sale of investment securities		392,608,814
Discounts accreted/premiums amortized		19,419,506
Net realized loss on investment securities		14,270,771
Net change in unrealized appreciation/depreciation on investment securities		17,097,695
Net sales of short-term investment securities		11,072,984
Payment-in-kind interest		162,111
Amortization of deferred financing costs		372,004
(Increase)/Decrease in assets:		
Receivable for investment securities sold		10,204,838
Interest receivable		662,161
Prepaid offering costs		(132,764)
Prepaid expenses and other assets		15,024
Increase/(Decrease) in liabilities:		
Payable for investment securities purchased		(34,970,669)
Interest due on leverage facility		2,297,198
Interest payable on preferred shares		(186,356)
Accrued investment advisory fees payable		(6,258)
Accrued fund accounting and administration fees payable		2,958
Accrued professional fees payable		(19,881)
Accrued investor support services payable		(736)
Accrued printing fees payable		37,389
Accrued custodian fees payable		(7,061)
Accrued transfer agent fees payable		189
Accrued trustee's fees and expenses payable		4,879
Other payables and accrued expenses		20,825
Net Cash Provided by Operating Activities		13,870,812

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from leverage facility	304,000,000
Payments on leverage facility	(296,050,000)
Proceeds from offering of preferred shares	13,950,000
Proceeds from shares sold - common shares	11,123,171
Distributions paid - common shareholders	(49,687,703)
Offering costs paid	1,808,647
Net Cash Used in Financing Activities	(14,855,885)

Net decrease in cash	(985,073)
Cash, beginning balance	7,895,595
Cash, ending balance	\$ 6,910,522

SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION

Cash paid for interest on leverage facility	\$ 7,380,490
Reinvestment of distributions	3,177,782
Conversion of preferred shares to common shares (net of deferred leverage costs)	32,850,700

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FINANCIAL HIGHLIGHTS

For a Share Outstanding Common Stock Throughout the Periods Presented

	For the Nine Months Ended June 30, 2025 (Unaudited)	For the Year Ended September 30, 2024	For the Year Ended September 30, 2023	For the Year Ended September 30, 2022	For the Year Ended September 30, 2021	For the Year Ended September 30, 2020
PER COMMON SHARE OPERATING PERFORMANCE:						
Net Asset Value Per Common Share - Beginning of Period	\$ 6.63	\$ 6.67	\$ 6.39	\$ 8.19	\$ 6.56	\$ 8.22
INCOME FROM OPERATIONS:						
Net investment income ^(a)	0.54	0.97	0.92	0.82	0.76	0.72
Net realized and unrealized gain/(loss) on investments	(0.40)	0.04	0.30	(1.91)	1.41	(1.58)
Total Income/(Loss) from Operations	0.14	1.01	1.22	(1.09)	2.17	(0.86)
DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:^(b)						
Net investment income	(0.70)	(0.78)	(0.94)	(0.84)	(0.34)	(0.57)
Tax return of capital	-	(0.24)	-	(0.04)	(0.54)	(0.23)
Total Distributions to Common Shareholders	(0.70)	(1.02)	(0.94)	(0.88)	(0.88)	(0.80)
CAPITAL SHARE TRANSACTIONS:						
Impact of capital share transactions ^(a)	(0.03)	(0.03)	0.00 ^(c)	0.17	0.34	0.00 ^(c)
Total Capital Share Transactions	(0.03)	(0.03)	0.00 ^(c)	0.17	0.34	0.00 ^(c)
Net Asset Value Per Common Share - End of Period	\$ 6.04	\$ 6.63	\$ 6.67	\$ 6.39	\$ 8.19	\$ 6.56
Market Value Per Common Share - End of Period	\$ 5.65	\$ 6.82	\$ 6.95	\$ 5.94	\$ 8.58	\$ 5.99
Total Investment Return per Common Share - Net Asset Value ^(d)	1.44%	15.27%	20.48%	(12.63%)	39.14%	(9.54%)
Total Investment Return per Common Share - Market Price ^(d)	(7.34%)	13.80%	35.05%	(22.47%)	59.63%	(24.14%)
RATIOS AND SUPPLEMENTAL DATA:						
Net assets, attributable to common shares, end of period (000s)	\$ 459,905	\$ 456,922	\$ 298,280	\$ 226,801	\$ 218,564	\$ 84,989
Ratio of expenses to average net assets	7.57% ^(e)	8.33%	8.49%	6.29%	5.28%	5.71%
Ratio of expenses excluding interest expense and distributions to preferred shares to average net assets ^(f)	3.77% ^(e)	3.91% ^{(g)(h)}	4.15% ⁽ⁱ⁾	3.94% ⁽ⁱ⁾	3.94% ⁽ⁱ⁾	4.51%
Ratio of net investment income to average net assets	11.28% ^(e)	14.29%	14.30%	10.81%	9.82%	10.93%
Portfolio turnover rate	68%	50%	29%	29%	34%	60%
6.50% SERIES 2026 PREFERRED SHARES						
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$ 39,900	\$ 39,900	\$ 39,900	\$ 39,900	\$ 40,258	\$ N/A
Total shares outstanding (000s)	1,596	1,596	1,596	1,596	1,596	N/A
Asset coverage per \$1,000 of preferred shares ^(k)	782	638	146	139	162	N/A
Liquidation preference per share	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25	\$ N/A
6.00% SERIES 2029 CONVERTIBLE PREFERRED SHARES						
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$ N/A	\$ N/A	\$ 20,000	\$ 10,000	\$ N/A	\$ N/A
Total shares outstanding (000s)	N/A	N/A	800	400	N/A	N/A
Asset coverage per \$1,000 of preferred shares ^(k)	N/A	N/A	146	139	N/A	N/A
Liquidation preference per share	\$ N/A	\$ N/A	\$ 25	\$ 25	\$ N/A	\$ N/A

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FINANCIAL HIGHLIGHTS

For a Share Outstanding Common Stock Throughout the Periods Presented (Continued)

		For the Nine Months Ended June 30, 2025 (Unaudited)	For the Year Ended September 30, 2024	For the Year Ended September 30, 2023	For the Year Ended September 30, 2022	For the Year Ended September 30, 2021	For the Year Ended September 30, 2020
6.95% SERIES 2029 CONVERTIBLE PREFERRED SHARES							
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$	N/A	\$ 15,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total shares outstanding (000s)		N/A	600	N/A	N/A	N/A	N/A
Asset coverage per \$1,000 of preferred shares ^(k)		N/A	638	N/A	N/A	N/A	N/A
Liquidation preference per share	\$	N/A	\$ 25	\$ N/A	\$ N/A	\$ N/A	\$ N/A
6.95% SERIES II 2029 CONVERTIBLE PREFERRED SHARES							
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$	27,500	\$ 30,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total shares outstanding (000s)		1,100	1,200	N/A	N/A	N/A	N/A
Asset coverage per \$1,000 of preferred shares ^(k)		782	638	N/A	N/A	N/A	N/A
Liquidation preference per share	\$	25	\$ 25	\$ N/A	\$ N/A	\$ N/A	\$ N/A
LEVERAGE FACILITY							
Aggregate principal amount, end of period of leverage facility payable (000s)	\$	212,000	\$ 204,050	\$ 150,350	\$ 113,150	\$ 98,150	\$ 35,650
Asset Coverage Per \$1,000 of leverage facility ^(l)		3,169	3,239	2,984	3,445	3,227	3,384

^(a) Calculated using average common shares outstanding.

^(b) The per share amounts of distributions related to net investment 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.

^(c) Less than \$0.005 or greater than \$(0.005) per share.

^(d) 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.

^(e) Annualized.

^(f) Includes amortization of deferred leverage costs incurred obtaining leverage facility.

^(g) The Trust issued 6.95% Series 2029 Convertible Preferred Shares on February 14, 2024, February 28, 2024, and April 4, 2024.

^(h) The Trust issued 6.95% Series II 2029 Convertible Preferred Shares on June 13, 2024, July 31, 2024, September 20, 2024, October 1, 2024, and October 10, 2024.

⁽ⁱ⁾ The Trust issued 6.00% Series 2029 Convertible Preferred Shares on June 30, 2022, May 11, 2023 and August 4, 2023.

^(j) The Trust issued Series 2026 Term Preferred Shares on March 29, 2021 and September 8, 2021.

^(k) The asset coverage ratio for a class of senior securities representing stock is calculated as the Trust's total assets, less all liabilities and indebtedness not represented by the Trust's senior securities, divided by secured senior securities representing indebtedness plus the aggregate of the involuntary liquidation preference of secured senior securities which are stock. With respect to the Preferred Shares, the asset coverage per unit figure is expressed in terms of dollar amounts per share of outstanding Preferred Shares (based on a liquidation preference of \$25).

^(l) Calculated by subtracting the Trust's total liabilities (excluding the liquidation value of the Preferred Shares, including dividends payable on the Preferred Shares, and the principal amount of the Leverage Facility) from the Trust's total assets and dividing by the principal amount of the Leverage Facility and then multiplying by \$1,000.