

XAI Octagon Floating Rate & Alternative Income Trust
Interim Financial Information
(Unaudited)

December 31, 2025

The financial information provided herein is as of December 31, 2025, is unaudited and is presented without notes. For additional information please refer to (i) the Trust's audited financial statements dated September 30, 2025, 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, 2025, as contained in the Trust's Form N-CSR filed with the SEC on December 1, 2025, 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

December 31, 2025 (Unaudited)

ASSETS:	
Investments, at value (Cost \$762,528,698)	\$ 671,378,171
Cash	182,872
Receivable for investment securities sold	7,984,505
Interest receivable	3,187,115
Prepaid offering costs, net	760,439
Prepaid expenses and other assets	32,650
Total Assets	683,525,752
LIABILITIES:	
Leverage facility (Net of \$582,846 deferred financing costs)	168,417,154
Preferred shares (Net of \$4,311,443 deferred financing costs)	96,188,557
Payable for investment securities purchased	7,281,240
Interest due on leverage facility	2,270,822
Accrued investment advisory fees payable	985,940
Interest payable on preferred shares	974,111
Accrued fund accounting and administration fees payable	154,854
Accrued investor support services fees payable	115,993
Accrued professional fees payable	103,486
Accrued custodian fees payable	19,188
Accrued printing fees payable	18,010
Accrued transfer agent fees payable	5,836
Trustees' fees and expenses payable	2,277
Other payables and accrued expenses	129,187
Total Liabilities	276,666,655
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$ 406,859,097
 COMPOSITION OF NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:	
Paid in capital	\$ 547,676,640
Distributable earnings/(Accumulated loss)	(140,817,543)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS	\$ 406,859,097
 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	\$ 5.34

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STATEMENT OF OPERATIONS

For the Three Months Ended December 31, 2025 (Unaudited)

INVESTMENT INCOME:	
Interest and other income	\$ 19,464,389
Total Investment Income	19,464,389
EXPENSES:	
Investment advisory fees	2,987,084
Interest expense and amortization of deferred leverage costs	2,860,019
Distributions to preferred shares	1,324,507
Investor support services fees	351,422
Fund accounting and administration fees	211,724
Amortization of financing costs	191,019
Professional fees	88,478
Trustees' fees and expenses	77,536
Custodian fees	28,005
Chief financial officer fees	15,345
Chief compliance officer fees	13,302
Printing expenses	13,251
Transfer agent fees	12,657
Other expenses	112,824
Total Expenses	8,287,173
NET INVESTMENT INCOME	11,177,216
REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:	
Net realized loss on:	
Investment securities	(2,672,440)
Net change in unrealized appreciation/depreciation on:	
Investment securities	(30,786,058)
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS	(33,458,498)
NET DECREASE IN NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS	\$ (22,281,282)

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STATEMENTS OF CHANGES IN NET ASSETS

Applicable to Common Shareholders

	Three Months Ended December 31, 2025 (Unaudited)	Year Ended September 30, 2025
OPERATIONS:		
Net investment income	\$ 11,177,216	\$ 50,715,475
Net realized loss	(2,672,440)	(24,743,724)
Net change in unrealized appreciation/depreciation	(30,786,058)	(16,088,183)
Net increase/(decrease) in net assets applicable to common shareholders from operations	(22,281,282)	9,883,568
DISTRIBUTIONS TO COMMON SHAREHOLDERS:		
From net investment income	(15,992,465)	(65,843,124)
Tax return of capital	-	(2,501,522)
Total distributions to common shareholders	(15,992,465)	(68,344,646)
CAPITAL SHARE TRANSACTIONS:		
Proceeds from sales of common shares/(Offering costs capitalized) (net of deferred leverage and/or offering costs of \$115,341 and \$1,876,953)	(115,341)	43,609,157
Net asset value of common shares issued to shareholders from reinvestment of dividends	-	3,177,782
Net increase/decrease in net assets applicable to common shareholders from capital share transactions	(115,341)	46,786,939
Net decrease in net assets applicable to common shareholders	(38,389,088)	(11,674,139)
NET ASSETS APPLICABLE TO COMMON SHAREHOLDERS:		
Beginning of period	445,248,185	456,922,324
End of period	\$ 406,859,097	\$ 445,248,185

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STATEMENT OF CASH FLOWS

For the Three Months Ended December 31, 2025 (Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net decrease in net assets applicable to common shareholders from operations	\$	(22,281,282)
Adjustments to reconcile net decrease in net assets applicable to common shareholders from operations to net cash provided by operating activities:		
Purchase of investment securities		(79,501,862)
Proceeds from sale of investment securities		85,950,010
Discounts accreted/premiums amortized		4,443,413
Net realized loss on investment securities		2,672,401
Net change in unrealized appreciation/depreciation on investment securities		30,786,097
Net purchases of short-term investment securities		2,210,989
Payment-in-kind interest		(137,476)
Amortization of deferred financing costs		323,209
(Increase)/Decrease in assets:		
Receivable for investment securities sold		1,687,622
Interest receivable		349,132
Prepaid offering costs		(110,152)
Prepaid expenses and other assets		(2,074)
Increase/(Decrease) in liabilities:		
Payable for investment securities purchased		(9,824,494)
Interest due on leverage facility		(252,206)
Interest payable on preferred shares		198,293
Accrued investment advisory fees payable		(18,079)
Accrued fund accounting and administration fees payable		30,860
Accrued professional fees payable		(87,596)
Accrued investor support services payable		(2,127)
Accrued printing fees payable		10,277
Accrued custodian fees payable		(5,017)
Accrued principal financial officer fees payable		345
Accrued chief compliance officer fees payable		302
Accrued transfer agent fees payable		(449)
Accrued trustee's fees and expenses payable		2,277
Other payables and accrued expenses		59,973
Net Cash Provided by Operating Activities		16,502,386

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from leverage facility	5,000,000
Payments on leverage facility	(38,000,000)
Proceeds from offering of preferred shares	73,000,000
Redemption of preferred shares	(39,900,000)
Distributions paid - common shareholders	(21,323,286)
Offering costs paid	(2,004,688)
Net Cash Used in Financing Activities	(23,227,974)

Net decrease in cash	(6,725,588)
Cash, beginning balance	6,908,460
Cash, ending balance	\$ 182,872

SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION

Cash paid for interest on leverage facility	\$	2,980,035
Reinvestment of distributions		-
Conversion of preferred shares to common shares (net of deferred leverage costs)		-

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FINANCIAL HIGHLIGHTS

For a Share Outstanding Common Stock Throughout the Periods Presented

	For the Three Months Ended December 31, 2025 (Unaudited)	For the Year Ended September 30, 2025	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
PER COMMON SHARE OPERATING PERFORMANCE:						
Net Asset Value Per Common Share - Beginning of Period	\$ 5.85	\$ 6.63	\$ 6.67	\$ 6.39	\$ 8.19	\$ 6.56
INCOME FROM OPERATIONS:						
Net investment income ^(a)	0.15	0.68	0.97	0.92	0.82	0.76
Net realized and unrealized gain/(loss) on investments	(0.45)	(0.52)	0.04	0.30	(1.91)	1.41
Total Income/(Loss) from Operations	(0.30)	0.16	1.01	1.22	(1.09)	2.17
DISTRIBUTIONS TO COMMON SHAREHOLDERS FROM:^(b)						
Net investment income	(0.21)	(0.88)	(0.78)	(0.94)	(0.84)	(0.34)
Tax return of capital	-	(0.03)	(0.24)	-	(0.04)	(0.54)
Total Distributions to Common Shareholders	(0.21)	(0.91)	(1.02)	(0.94)	(0.88)	(0.88)
CAPITAL SHARE TRANSACTIONS:						
Impact of capital share transactions ^(a)	0.00 ^(c)	(0.03)	(0.03)	0.00 ^(c)	0.17	0.34
Total Capital Share Transactions	0.00 ^(c)	(0.03)	(0.03)	0.00 ^(c)	0.17	0.34
Net Asset Value Per Common Share - End of Period	\$ 5.34	\$ 5.85	\$ 6.63	\$ 6.67	\$ 6.39	\$ 8.19
Market Value Per Common Share - End of Period	\$ 4.80	\$ 5.30	\$ 6.82	\$ 6.95	\$ 5.94	\$ 8.58
Total Investment Return per Common Share - Net Asset Value ^(d)	(4.65%)	2.06%	15.27%	20.48%	(12.63%)	39.14%
Total Investment Return per Common Share - Market Price ^(d)	(5.40%)	(9.70%)	13.80%	35.05%	(22.47%)	59.63%
RATIOS AND SUPPLEMENTAL DATA:						
Net assets, attributable to common shares, end of period (000s)	\$ 406,859	\$ 445,248	\$ 456,922	\$ 298,280	\$ 226,801	\$ 218,564
Ratio of expenses to average net assets	7.75% ^(e)	7.56%	8.33%	8.49%	6.29%	5.28%
Ratio of expenses excluding interest expense and distributions to preferred shares to average net assets ^(f)	3.84% ^{(e)(g)(h)}	3.77% ^(h)	3.91% ^{(h)(i)}	4.15% ⁽ⁱ⁾	3.94% ⁽ⁱ⁾	3.94% ^(k)
Ratio of net investment income to average net assets	10.44% ^(e)	10.82%	14.29%	14.30%	10.81%	9.82%
Portfolio turnover rate	12%	70%	50%	29%	29%	34%
6.50% SERIES 2026 PREFERRED SHARES						
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$ N/A	\$ 39,900	\$ 39,900	\$ 39,900	\$ 39,900	\$ 40,258
Total shares outstanding (000s)	N/A	1,596	1,596	1,596	1,596	1,596
Asset coverage per \$1,000 of preferred shares ^(l)	N/A	761	638	146	139	162
Liquidation preference per share	\$ N/A	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
6.00% SERIES 2029 CONVERTIBLE PREFERRED SHARES						
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$ N/A	\$ N/A	\$ N/A	\$ 20,000	\$ 10,000	\$ N/A
Total shares outstanding (000s)	N/A	N/A	N/A	800	400	N/A
Asset coverage per \$1,000 of preferred shares ^(l)	N/A	N/A	N/A	146	139	N/A
Liquidation preference per share	\$ N/A	\$ N/A	\$ N/A	\$ 25	\$ 25	\$ N/A

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FINANCIAL HIGHLIGHTS

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

	For the Three Months Ended December 31, 2025 (Unaudited)		For the Year Ended September 30, 2025	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					
6.95% SERIES 2029 CONVERTIBLE PREFERRED SHARES												
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$	N/A	\$	N/A	\$	15,000	\$	N/A	\$	N/A	\$	N/A
Total shares outstanding (000s)		N/A		N/A		600		N/A		N/A		N/A
Asset coverage per \$1,000 of preferred shares ^(l)		N/A		N/A		638		N/A		N/A		N/A
Liquidation preference per share	\$	N/A	\$	N/A	\$	25	\$	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	\$	27,500	\$	30,000	\$	N/A	\$	N/A	\$	N/A
Total shares outstanding (000s)		1,100		1,100		1,200		N/A		N/A		N/A
Asset coverage per \$1,000 of preferred shares ^(l)		1,845		761		638		N/A		N/A		N/A
Liquidation preference per share	\$	25	\$	25	\$	25	\$	N/A	\$	N/A	\$	N/A
SERIES A MANDATORY REDEEMABLE PREFERRED SHARES												
Liquidation value, end of period, including dividends payable on preferred shares (000s)	\$	73,000	\$	N/A	\$	N/A	\$	N/A	\$	N/A	\$	N/A
Total shares outstanding (000s)		7,300		N/A		N/A		N/A		N/A		N/A
Asset coverage per \$1,000 of preferred shares ^(l)		1,845		N/A		N/A		N/A		N/A		N/A
Liquidation preference per share	\$	10	\$	N/A	\$	N/A	\$	N/A	\$	N/A	\$	N/A
LEVERAGE FACILITY												
Aggregate principal amount, end of period of leverage facility payable (000s)	\$	169,000	\$	202,000	\$	204,050	\$	150,350	\$	113,150	\$	98,150
Asset Coverage Per \$1,000 of leverage facility ^(m)		3,407		3,204		3,239		2,984		3,445		3,227

^(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 Series A Mandatory Redeemable Preferred Shares on October 21, 2025 and December 18, 2025.

^(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 6.95% Series 2029 Convertible Preferred Shares on February 14, 2024, February 28, 2024, and April 4, 2024.

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

^(k) The Trust issued 6.50% Series 2026 Preferred Shares on March 29, 2021 and September 8, 2021.

^(l) 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 for the 6.00% Series 2029 Convertible Shares, 6.50% Series 2026 Preferred Shares, 6.95% Series 2029 Convertible Preferred Shares, and 6.95 Series II Convertible Preferred Shares and a liquidation preference of \$10 for the Series A Mandatory Redeemable Preferred Shares).

^(m) 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.