

Oxford Lane Capital Corp.
Form N-CSRS
November 05, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-22432

Oxford Lane Capital Corp.

(Exact name of registrant as specified in charter)

8 Sound Shore Drive, Suite 255
Greenwich, CT 06830

(Address of principal executive offices)

Jonathan H. Cohen
Chief Executive Officer
Oxford Lane Capital Corp.
8 Sound Shore Drive, Suite 255
Greenwich, CT 06830

(Name and address of agent for service)

Registrant's telephone number, including area code: (203) 983-5275

Date of fiscal year end: March 31

Date of reporting period: September 30, 2018

Item 1. Reports to Stockholders.

The semi-annual report to stockholders for the six months ended September 30, 2018 is filed herewith pursuant to Rule 30e-1 under the Investment Company Act of 1940.

Oxford Lane Capital Corp.

Semi-Annual Report

September 30, 2018

oxfordlanecapital.com

OXFORD LANE CAPITAL CORP.

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Oxford Lane Capital Corp.

November 5, 2018

To Our Stockholders:

We are pleased to submit to you the report of Oxford Lane Capital Corp. (“we”, “us”, “our”, the “Fund” or “Oxford Lane”) for the six months ended September 30, 2018. The net asset value of our shares at that date was \$9.93 per common share. The Fund’s common stock is traded on the NASDAQ Global Select Market and its share price can differ from its net asset value. The Fund’s closing price at September 30, 2018 was \$10.60, up from \$10.13 at March 31, 2018. The total return based on market value for Oxford Lane, for the six months ended September 30, 2018, as reflected in the Fund’s financial highlights, was 12.86%. This return reflects the change in market price for the six month period ended September 30, 2018, as well as the impact of \$0.81 per share in distributions declared and paid. The total return based on net asset value (“NAV”) for the six months ended September 30, 2018, as reflected in the Fund’s financial highlights, was 6.55%. Please refer to “Note 13. Financial Highlights” for further details. On November 2, 2018, the last reported sale price of the Fund’s common stock was \$10.50.

We note that there may be significant differences between Oxford Lane’s earnings prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America and our taxable earnings, particularly related to collateralized loan obligation (“CLO”) equity investments where our taxable earnings are based upon the distributable share of earnings as determined under tax regulations for each CLO equity investment, while GAAP earnings are based upon an effective yield calculation. Additionally, as our taxable earnings are not generally known until after our distributions are made, those distributions may represent a return of capital on a tax basis. While reportable GAAP revenue from our CLO equity investments for the six months ended September 30, 2018 was approximately \$41.6 million, we received or were entitled to receive approximately \$68.9 million in distributions from our CLO equity investments.

Investment Review

The Fund’s investment objective is to maximize its portfolio’s risk-adjusted total return over its investment horizon. Our current focus is to seek that return by investing in equity and junior tranches of CLO vehicles(1), which are collateralized primarily by a diverse portfolio of senior loans, and which generally have little to no exposure to real estate loans, mortgage loans or pools of consumer-based debt, such as credit card receivables or auto loans. Our investment strategy also includes investing in warehouse facilities, which are financing structures intended to aggregate senior loans that may be used to form the basis of a CLO vehicle. As of September 30, 2018, we held debt investments in three different CLO structures, equity investments in approximately 100 different CLO structures and two investments in warehouse facilities.

Structurally, CLO vehicles are entities formed to purchase and manage a portfolio of loans. The loans within a CLO vehicle are limited to those which, on an aggregated basis, meet established credit criteria. They are subject to concentration limitations in order to limit a CLO vehicle’s exposure to a single credit.

Investment Outlook

We believe that the market for CLO-related assets continues to provide us with opportunities to generate attractive risk-adjusted returns over the long term. We believe that a number of factors support this conclusion, including:

— The long-term and relatively low-cost capital that many CLO vehicles have secured, compared with current asset spreads, have created opportunities to purchase certain CLO equity and junior debt instruments that may produce attractive risk-adjusted returns. Additionally, given that the CLO vehicles we invest in are cash flow-based vehicles, this term financing may be beneficial in periods of market volatility.

— The market to invest in warehouse facilities has created additional attractive risk-adjusted investment opportunities for us.

— Investing in CLO securities, and CLO equity instruments and warehouse facilities in particular, requires a high level of research and analysis best conducted by knowledgeable market participants.

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— The U.S. CLO market is relatively large with total assets under management of approximately \$544 billion.⁽²⁾ We estimate that the notional amount outstanding of the junior-most debt tranches (specifically the tranches originally rated “BB” and “B”) is approximately \$26 billion and the notional amount outstanding of the equity tranches is approximately \$52 billion.⁽³⁾

An investment in our Fund carries with it a significant number of meaningful risks, certain of which are discussed in the notes to our financial statements. Investors should read “Note 14. Risks and Uncertainties” carefully.

We continue to review a large number of CLO investment opportunities in the current market environment, and we expect that our portfolio holdings, over the near to intermediate-term, will continue to be comprised of CLO debt and equity securities, with the more significant focus over the near-term likely to be on CLO equity securities and warehouse facilities.

Jonathan H. Cohen

Chief Executive Officer

1. A CLO vehicle is formed by issuing various classes or “tranches” of debt (with the most senior tranches being rated “AAA” to the most junior tranches typically being rated “BB” or “B”) and equity. The tranches of CLO vehicles rated “BB” or “B” may be referred to as “junk.” The equity of a CLO vehicle is generally structured to absorb the CLO’s losses before any of the CLO’s debt tranches, and it also has the lowest level of payment priority among the CLO’s tranches; therefore, the equity is typically the riskiest tranche of a CLO vehicle.

2. As of September 30, 2018 — Source: Wells Fargo Securities, The CLO Monthly Market Overview, dated October 2, 2018.

3. Oxford Lane has estimated this amount based in part on the Wells Fargo Securities report (noted in footnote 2 above).

OXFORD LANE CAPITAL CORP.

TOP TEN HOLDINGS
AS OF SEPTEMBER 30, 2018
(unaudited)

Investment	Maturity	Fair Value	% of Net Assets	
Atrium XII CLO – CLO subordinated notes	April 22, 2027	\$ 30,938,625	8.57	%
Madison Park Funding XXX, Ltd. – CLO subordinated notes	April 15, 2029	\$ 21,471,630	5.95	%
MidOcean Credit CLO VI – CLO income notes	January 20, 2029	\$ 18,772,000	5.20	%
Madison Park Funding XXIX, Ltd. – CLO subordinated warehouse notes	March 10, 2020	\$ 18,000,000	4.99	%
Venture 33 CLO, Limited – CLO subordinated notes	July 15, 2031	\$ 17,053,125	4.73	%
OFSI Fund VII, Ltd. – CLO subordinated notes	October 18, 2026	\$ 15,862,000	4.39	%
Venture XXI CLO, Limited – CLO subordinated notes	July 15, 2027	\$ 15,503,000	4.30	%
Shackleton 2013-IV-R CLO, Ltd. – CLO subordinated notes	April 13, 2031	\$ 14,602,747	4.05	%
Madison Park Funding XXIX, Ltd. – CLO subordinated notes	October 18, 2030	\$ 14,413,960	3.99	%
THL Credit Wind River 2014-3 CLO Ltd. – CLO subordinated notes	October 22, 2031	\$ 13,747,300	3.81	%

Portfolio Investment Breakdown as of September 30, 2018
(Excludes cash and cash equivalents and other assets)

OXFORD LANE CAPITAL CORP.

STATEMENT OF ASSETS AND LIABILITIES

(unaudited)

	September 30, 2018	
ASSETS		
Investments, at fair value (cost: \$583,320,655)	\$	560,006,658
Cash and cash equivalents		7,957,188
Distributions receivable		8,981,923
Deferred offering costs on common stock		355,995
Interest receivable, including accrued interest purchased		198,743
Fee receivable		74,755
Prepaid expenses and other assets		32,501
Total assets		577,607,763
LIABILITIES		
Mandatorily redeemable preferred stock, net of discount and deferred issuance costs (10,000,000 shares authorized, 6,345,416 shares issued and outstanding)		152,307,833
Securities sold under agreement to repurchase		42,493,500
Securities purchased not settled		15,190,260
Incentive fees payable to affiliate		2,934,442
Investment advisory fee payable to affiliate		2,775,092
Interest payable		589,422
Accrued expenses		308,412
Directors' fees payable		66,250
Accrued offering costs		17,274
Administrator expense payable		11,767
Total liabilities		216,694,252
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS applicable to common stock, \$0.01 par value, 90,000,000 shares authorized, and 36,357,391 shares issued and outstanding	\$	360,913,511
NET ASSETS consist of:		
Paid in capital	\$	452,809,888
Accumulated net realized losses on investments		(56,531,199)
Accumulated realized gains on redemption of debt		574,950
Net unrealized depreciation on investments		(23,313,997)
Distribution in excess of net investment income		(12,626,131)
Total net assets	\$	360,913,511
Net asset value per common share	\$	9.93
Market price per share	\$	10.60
Percentage of market price premium to net asset value per share		6.75 %
See Accompanying Notes.		

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets	
<u>Collateralized Loan Obligation – Debt Investments</u>					
Dryden 42 Senior Loan Fund					
CLO secured notes – Class FR ⁽⁴⁾⁽⁶⁾ , 9.54% (LIBOR + 7.20%, due July 15, 2030)	\$ 1,371,000	\$ 1,236,309	\$ 1,277,772		
Mountain Hawk II CLO, Ltd.					
CLO secured notes – Class E ⁽⁴⁾⁽⁶⁾ , 7.15% (LIBOR + 4.80%, due July 20, 2024)	8,000,000	6,915,655	7,424,000		
OZLM XXII, Ltd.					
CLO secured notes – Class E ⁽⁴⁾⁽⁶⁾ , 9.73% (LIBOR + 7.39%, due January 17, 2031)	2,670,000	2,580,933	2,500,722		
Total Structured Finance		\$ 10,732,897	\$ 11,202,494	3.10	%
Total Collateralized Loan Obligation – Debt Investments		\$ 10,732,897	\$ 11,202,494	3.10	%
<u>Collateralized Loan Obligation – Equity Investments</u>					
Structured Finance					
AMMC CLO XI, Ltd.					
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.37%, maturity April 30, 2031)	\$ 2,100,000	\$ 1,211,162	\$ 1,197,000		
AMMC CLO XII, Ltd.					
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.28%, maturity November 10, 2030)	11,428,571	5,662,161	5,028,571		
Anchorage Capital CLO 5-R, Ltd.					
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 12.40%, maturity January 15, 2030)	4,000,000	4,088,584	3,669,236		
Apidos CLO XXI					
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 16.96%, maturity July 18, 2027)	8,700,000	6,273,483	5,916,000		
Apex Credit CLO 2018 Ltd.					
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 19.90%, maturity April 25, 2031)	9,750,000	8,302,511	8,970,000		
Apex Credit CLO 2015-II, Ltd. (fka: JFIN CLO 2015-II Ltd.)					
	5,750,000	4,926,709	4,881,406		

CLO subordinated notes⁽⁵⁾⁽⁷⁾, (Estimated yield 33.83%, maturity October 17, 2026)

Ares XL CLO Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.66%, maturity October 15, 2027)	5,100,000	4,293,177	3,585,026
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Atrium XII CLO

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 25.92%, maturity April 22, 2027)	34,762,500	24,456,220	30,938,625
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Babson CLO Ltd. 2016-III

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.22%, maturity January 15, 2028)	3,750,000	2,606,636	2,550,000
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Battalion CLO VI Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield -6.73%, maturity October 17, 2026)	5,000,000	1,439,894	1,000,000
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments (continued)</u>				
Structured Finance (continued)				
Battalion CLO VII Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 8.80%, maturity July 17, 2028)	\$ 26,900,000	\$ 17,555,339	\$ 12,912,000	
Benefit Street Partners CLO V Ltd.				
CLO preference shares ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity October 20, 2026)	11,500,000	1,307,569	920,000	
Blue Hill CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity January 15, 2026)	15,125,000	783,578	—	
CLO subordinated fee notes ⁽⁸⁾ , (Maturity January 15, 2026)	96,635	17,931	—	
B&M CLO 2014-1 LTD				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield -5.79%, maturity April 16, 2026)	2,000,000	799,660	520,000	
Bristol Park CLO, Ltd.				
CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.95%, maturity April 15, 2029)	10,000,000	7,777,702	7,000,000	
Canyon Capital CLO 2015-1, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 23.66%, maturity April 15, 2029)	10,000,000	6,010,714	6,400,000	
Carlyle Global Market Strategies CLO 2013-2, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.98%, maturity April 18, 2025)	16,500,000	10,422,586	11,273,155	
Covenant Credit Partners CLO II, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 31.36%, maturity October 17, 2026)	8,650,000	2,652,361	2,595,000	
CLO subordinated fee notes ⁽⁸⁾ , (Maturity October 17, 2026)	850,000	57,120	53,244	
Cathedral Lake CLO 2013, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.18%, maturity October 15, 2029)	5,250,000	2,460,739	2,415,000	

Cathedral Lake II, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.20%, maturity July 16, 2029)	2,875,000	1,993,284	1,955,000
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CIFC Funding 2013-II, Ltd.

CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.32%, maturity October 18, 2030)	10,532,500	4,790,688	4,844,950
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CIFC Funding 2014-III, Ltd.

CLO income notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 17.95%, maturity July 22, 2026)	11,000,000	6,859,509	5,940,000
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CIFC Funding 2014, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.94%, maturity January 18, 2031) (Continued on next page)	8,500,000	4,986,412	4,420,000
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments (continued)</u>				
Structured Finance (continued)				
Dryden 42 Senior Loan Fund				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 21.67%, maturity July 15, 2030)	\$ 7,000,000	\$ 4,712,676	\$ 4,994,913	
Dryden 49 Senior Loan Fund				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 16.19%, maturity July 18, 2030)	6,425,000	5,302,337	4,947,250	
Dryden 54 Senior Loan Fund				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 17.73%, maturity October 19, 2029)	2,500,000	2,040,226	2,000,000	
Ellington CLO II, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 21.23%, maturity February 15, 2029)	4,000,000	3,675,777	3,560,000	
Figueroa CLO 2013-2, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 25.44%, maturity June 20, 2027)	8,500,000	4,287,663	4,675,000	
Golub Capital Partners CLO 35(B), Ltd.,				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 17.62%, maturity July 20, 2029)	14,200,000	10,256,939	9,940,000	
Halcyon Loan Advisors Funding 2015-1 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 24.35%, maturity April 20, 2027)	7,000,000	3,699,175	3,500,000	
Halcyon Loan Advisors Funding 2015-2 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 30.91%, maturity July 25, 2027)	6,000,000	3,380,528	3,300,000	
Halcyon Loan Advisors Funding 2018-1 Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 18.49%, maturity July 20, 2031)	11,250,000	10,513,848	10,350,000	
Hull Street CLO Ltd.				

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CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield -28.71%, maturity October 18, 2026)	15,000,000	5,988,797	3,000,000
ICG US CLO 2016-1, Ltd.			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.58%, maturity July 29, 2028)	4,750,000	4,744,998	4,080,773
Ivy Hill Middle Market Credit VII, Ltd.			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.74%, maturity October 20, 2029)	5,400,000	4,552,412	3,720,535
Jamestown CLO III, Ltd.			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 3.07%, maturity January 15, 2026)	15,575,000	2,483,795	1,401,750
Jamestown CLO IV, Ltd.			
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 14.51%, maturity July 15, 2026)	9,500,000	3,442,545	2,143,319
(Continued on next page)			

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity</u>				
<u>Investments (continued)</u>				
Structured Finance (continued)				
Jamestown CLO V, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.41%, maturity January 17, 2027)	\$ 8,500,000	\$ 3,149,855	\$ 2,720,000	
Jamestown CLO VII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.06%, maturity July 25, 2027)	7,000,000	4,840,840	4,620,000	
Longfellow Place CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.67%, maturity April 15, 2029)	15,640,000	7,237,987	6,778,230	
Madison Park Funding X, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 8.54%, maturity January 20, 2025)	6,000,000	5,272,581	5,400,000	
Madison Park Funding XI, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.34%, maturity October 23, 2025)	1,236,843	868,283	816,316	
Madison Park Funding XXIV, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.53%, maturity January 20, 2028)	892,188	818,061	813,006	
Madison Park Funding XXV, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 14.05%, maturity April 25, 2029)	1,300,000	1,198,558	1,261,000	
Madison Park Funding XXVII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 13.61%, maturity April 20, 2030)	1,837,500	1,792,568	1,984,500	
Madison Park Funding XXIX, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 15.67%, maturity October 18, 2030)	17,000,000	14,432,521	14,413,960	
Madison Park Funding XXIX, Ltd.				
CLO subordinated warehouse notes ⁽⁵⁾⁽⁷⁾⁽¹⁰⁾ , (Estimated yield 13.96%, maturity March 10, 2020)	18,000,000	18,000,000	18,000,000	

Madison Park Funding XXX, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 15.07%, maturity April 15, 2029)	20,000,000	18,355,965	21,471,630
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Midocean Credit CLO VI

CLO income notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 11.45%, maturity January 20, 2029)	24,700,000	20,858,693	18,772,000
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Mountain Hawk II CLO, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield -17.33%, maturity July 20, 2024)	25,670,000	7,122,714	3,593,800
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Mountain View CLO 2014-1 Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 41.93%, maturity October 15, 2026) (Continued on next page)	15,000,000	4,029,441	3,859,182
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments (continued)</u>				
Structured Finance (continued)				
Northwoods Capital XI-B, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 18.48%, maturity April 19, 2031)	\$ 5,000,000	\$ 4,906,952	\$4,900,000	
Octagon Investment Partners XXII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.24%, maturity January 22, 2030)	3,168,750	2,047,933	2,028,000	
Octagon Investment Partners 27, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 30.90%, maturity July 15, 2030)	5,000,000	3,363,848	3,418,945	
Octagon Investment Partners 33, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 16.44%, maturity January 20, 2031)	10,000,000	9,123,403	9,200,000	
Octagon Investment Partners 38, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 17.95%, maturity July 20, 2030)	5,000,000	4,321,842	4,156,250	
Octagon Investment Partners 40, Ltd.				
CLO subordinated warehouse notes ⁽⁵⁾⁽⁷⁾⁽¹⁰⁾ , (Estimated yield 12.04%, maturity September 10, 2020)	6,250,000	6,250,000	6,250,000	
OFSI Fund VII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 5.13%, maturity October 18, 2026)	28,840,000	20,174,765	15,862,000	
OFSI BSL IX, LTD.				
CLO preferred shares ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 20.95%, maturity July 15, 2031)	11,480,000	10,089,828	10,676,400	
OZLM Funding III, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 13.89%, maturity January 22, 2029)	12,000,000	7,349,775	7,320,000	
OZLM XII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.86%, maturity April 30, 2027)	6,750,000	4,337,628	4,185,000	

OZLM XIII, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 14.42%, maturity July 30, 2027)	4,000,000	3,020,056	2,547,000
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OZLM XIV, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 12.56%, maturity January 15, 2029)	10,000,000	8,249,149	7,217,965
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Regatta III Funding Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity April 15, 2026)	3,750,000	161,958	75,701
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Shackleton 2013-IV-R CLO, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.24%, maturity April 13, 2031) (Continued on next page)	16,750,000	13,949,262	14,602,747
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments (continued)</u>				
Structured Finance (continued)				
Shackleton 2015-VII CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 13.75%, maturity July 15, 2031)	\$ 10,500,000	\$ 8,706,176	\$ 7,350,000	
Shackleton 2017-X CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 11.17%, maturity April 20, 2029)	10,000,000	9,075,874	7,700,000	
Sheridan Square CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 0.00%, maturity April 15, 2025)	3,300,000	167,753	49,500	
Sound Point CLO VI, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹¹⁾ , (Estimated yield 23.77%, maturity October 20, 2026)	8,093,378	4,613,840	4,046,689	
Sound Point CLO VIII, Ltd.				
CLO subordinated fee notes ⁽⁸⁾ , (Maturity April 15, 2027)	224,719	202,247	26,336	
Sound Point CLO XVIII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 16.66%, maturity January 21, 2031)	3,500,000	3,658,000	3,640,000	
Steele Creek CLO 2016-1, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.84%, maturity June 15, 2031)	4,000,000	3,650,953	3,760,000	
Symphony CLO XVIII, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 19.21%, maturity January 23, 2028)	5,500,000	4,059,824	3,960,000	
Telos CLO 2013-3, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 10.14%, maturity July 17, 2026)	14,332,210	9,082,595	7,739,393	
Telos CLO 2013-4, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 19.95%, maturity January 17, 2030)	11,350,000	7,422,850	7,142,674	

Telos CLO 2014-6, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 20.04%, maturity January 17, 2027)	6,250,000	4,027,940	3,519,523
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THL Credit Wind River 2014-3 CLO Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 20.06%, maturity October 22, 2031)	19,639,000	14,937,966	13,747,300
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THL Credit Wind River 2017-1 CLO Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽¹²⁾ , (Estimated yield 13.84%, maturity April 18, 2029)	12,000,000	10,288,221	8,880,000
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Tralee CLO II, Ltd.

CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 32.35%, maturity July 20, 2029) (Continued on next page)	6,300,000	2,420,380	2,646,000
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See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

COMPANY/INVESTMENT ⁽¹⁾⁽¹⁴⁾	PRINCIPAL AMOUNT	COST	FAIR VALUE ⁽²⁾	% of Net Assets
<u>Collateralized Loan Obligation – Equity Investments (continued)</u>				
Structured Finance (continued)				
Tralee CLO IV, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.86%, maturity January 20, 2030)	\$ 13,270,000	\$ 11,899,286	\$ 11,943,000	
Venture XIV CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.73%, maturity August 28, 2029)	8,250,000	4,745,301	4,455,000	
Venture XV CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 12.45%, maturity July 15, 2028)	6,500,000	4,522,028	4,095,000	
Venture XVII CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.04%, maturity April 15, 2027)	17,000,000	11,703,352	11,203,294	
Venture XX CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 12.02%, maturity April 15, 2027)	6,000,000	4,544,182	4,380,000	
Venture XXI CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 18.58%, maturity July 15, 2027)	20,950,000	14,832,538	15,503,000	
Venture 33 CLO, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 19.19%, maturity July 15, 2031)	20,062,500	17,299,850	17,053,125	
Wellfleet 2016-2 CLO, Ltd.				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 15.30%, maturity October 15, 2028)	10,000,000	8,360,865	8,200,000	
Zais CLO 8, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾ , (Estimated yield 25.28%, maturity April 15, 2029)	3,000,000	2,471,778	3,060,000	
Zais CLO 9, Limited				
CLO subordinated notes ⁽⁵⁾⁽⁷⁾⁽⁹⁾ , (Estimated yield 18.81%, maturity July 20, 2031)	4,000,000	3,752,048	3,820,000	

Other CLO equity related investments

CLO other ⁽⁸⁾	—	3,342,945		
	\$ 572,587,758	\$ 548,804,164	152.06	%

Total Collateralized Loan Obligation - Equity Investments

	\$ 572,587,758	\$ 548,804,164	152.06	%
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Total Investments

	\$ 583,320,655	\$ 560,006,658	155.16	%
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Cash and Cash Equivalents

First American Government Obligations Fund ⁽¹³⁾				
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	\$ 7,957,188	\$ 7,957,188		
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Total Cash and Cash Equivalents

	\$ 7,957,188	\$ 7,957,188	2.20	%
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Total Investments, Cash and Cash Equivalents

	\$ 591,277,843	\$ 567,963,846	157.36	%
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(1) We do not “control” and are not an “affiliate” of any of our portfolio companies, each as defined in the Investment Company Act of 1940, as amended (the “1940 Act”). In general, under the 1940 Act, we would be presumed to “control” a portfolio company if we owned 25% or more of its voting securities and would be an “affiliate” of a portfolio company if we owned 5% or more of its voting securities.

OXFORD LANE CAPITAL CORP.

SCHEDULE OF INVESTMENTS

SEPTEMBER 30, 2018

(unaudited)

- (2) Fair value is determined in good faith by the Board of Directors of the Fund.
- (3) Notes bear interest at variable rates.
- (4) Cost value reflects accretion of original issue discount or market discount.
- (5) Cost value reflects accretion of effective yield less any cash distributions received or entitled to be received from CLO equity investments.
- (6) The CLO secured notes generally bear interest at a rate determined by reference to three-month LIBOR which resets quarterly. For each CLO debt investment, the rate provided is as of September 30, 2018.
- (7) The CLO subordinated notes and income notes are considered equity positions in the CLO funds. Equity investments are entitled to recurring distributions which are generally equal to the remaining cash flow of the payments made by the underlying fund's securities less contractual payments to debt holders and fund expenses. The estimated yield indicated is based upon a current projection of the amount and timing of these recurring distributions and the estimated amount of repayment of principal upon termination. Such projections are periodically reviewed and adjusted, and the estimated yield may not ultimately be realized.
- (8) Fair value represents discounted cash flows associated with fees earned from CLO equity investments.
- (9) Investment has not made inaugural distribution for relevant period end. See "Note 3. Summary of Significant Accounting Policies — Investment Income."
- (10) The subordinated shares represent an investment in a warehouse facility, which is a financing structure intended to aggregate loans that may be used to form the basis of a CLO vehicle.
- (11) The CLO equity investment was optionally redeemed. See "Note 3. Summary of Significant Accounting Policies — Securities Transactions."
- (12) Securities held as collateral pursuant to repurchase agreement with Nomura Securities International, Inc. See "Note 3. Summary of Significant Accounting Policies — Investment Valuation."
- (13) Represents cash equivalents held in a money market account as of September 30, 2018.
- (14) The fair value of the investment was determined using significant unobservable inputs. See "Note 4. Fair Value."

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

STATEMENT OF OPERATIONS

(unaudited)

	Six Months Ended September 30, 2018
INVESTMENT INCOME	
Income from securitization vehicles and investments	\$ 41,578,263
Interest income – debt investments	818,715
Other income	715,481
Total investment income	43,112,459
EXPENSES	
Interest expense	7,499,992
Investment advisory fees	5,373,326
Incentive fees	5,801,690
Professional fees	365,230
Administrator expense	334,457
Directors' fees	152,000
General and administrative	232,252
Insurance expense	82,989
Transfer agent and custodian fees	63,757
Total expenses	19,905,693
Net investment income	23,206,766
Net change in unrealized depreciation on investments	(8,208,832)
Net realized gain on investments	1,695,920
Net realized gain and net change in unrealized depreciation	(6,512,912)
Net increase in net assets resulting from operations	\$ 16,693,854

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended September 30, 2018 (unaudited)	Year Ended March 31, 2018
Increase in net assets from operations:		
Net investment income	\$ 23,206,766	\$ 40,353,995
Net realized gains on investments	1,695,920	625,683
Net realized losses on the redemption of mandatorily redeemable preferred stock	—	(1,709,991)
Net change in unrealized depreciation on investments	(8,208,832)	(1,264,099)
Net increase in net assets resulting from operations	16,693,854	38,005,588
Distributions of net investment income	(23,960,604)	(35,198,279)
Distributions of return of capital	(1,709,638)	(6,318,441)
Total distributions to stockholders	(25,670,242)	(41,516,720)
Capital share transaction:		
Issuance of common stock (net of underwriting fees and offering costs \$1,813,352 and \$1,090,419, respectively)	78,726,139	61,392,800
Reinvestment of dividends	1,233,647	—
Net increase in net assets from capital share transactions	79,959,786	61,392,800
Total increase in net assets	70,983,398	57,881,668
Net assets at beginning of period	289,930,113	232,048,445
Net assets at end of period (including distributions in excess of net investment income of \$12,626,131 and \$10,162,655, respectively)	\$ 360,913,511	\$ 289,930,113
Capital share activity:		
Shares issued	7,467,718	6,017,467
Shares issued from reinvestment of dividends	120,774	—
Net increase in capital share activity	7,588,492	6,017,467

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

STATEMENT OF CASH FLOWS

(unaudited)

	Six Months Ended September 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	\$ 16,693,854
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Amortization/accretion of discounts and premiums	(114,251)
Amortization of deferred issuance costs on mandatorily redeemable preferred stock	342,496
Accretion of discount on mandatorily redeemable preferred stock	282,908
Amortization of deferred offering costs on common stock	201,515
Purchases of investments	(286,839,148)
Sales of investments	122,292,090
Repayments of principal and reductions to investment cost value	50,250,000
Net change in unrealized depreciation on investments	8,208,832
Net realized gain on investments	(1,695,920)
Net reductions to CLO equity cost value	27,285,448
Increase in distributions receivable	(3,923,068)
Decrease in fee receivable	6,402
Increase in interest receivable	(5,164)
Decrease in prepaid expenses and other assets	83,323
Increase in investment advisory fee payable	346,871
Increase in incentive fee payable	193,395
Increase in interest payable	59,464
Increase in directors' fees payable.	7,500
Decrease in administrator expense payable	(19,297)
Increase in accrued expenses	4,519
Net cash used in operating activities	(66,338,231)
CASH FLOWS FROM FINANCING ACTIVITIES	
Distributions paid (net of dividend reinvestment plan of \$1,233,647)	(24,436,595)
Proceeds from the issuance of common stock	80,539,491
Underwriting fees and offering costs for the issuance of common stock	(1,813,352)
Deferred offering costs	(328,347)
Net cash provided by financing activities	53,961,197
Net decrease in cash and cash equivalents	(12,377,034)
Cash and cash equivalents, beginning of period	20,334,222
Cash and cash equivalents, end of period	\$ 7,957,188
SUPPLEMENTAL DISCLOSURES	
Cash paid for interest.	\$ 6,757,175
NON-CASH ACTIVITIES	
Value of shares issued in connection with dividend reinvestment plan	\$ 1,233,647
Securities purchased not settled	\$ 15,190,260
Receipt of distribution in-kind	\$ 1,233,900

See Accompanying Notes.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 1. UNAUDITED INTERIM FINANCIAL STATEMENTS

Interim financial statements of Oxford Lane Capital Corp. (“OXLC,” “we,” “us,” “our,” or the “Fund”) are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the requirements for reporting on Form N-CSR. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with GAAP are omitted. In the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for the fair statement of financial results for the interim periods have been included. The current period’s results of operations are not necessarily indicative of results that may be achieved for the year. The interim financial statements and notes thereto should be read in conjunction with the financial statements and notes thereto included in the Fund’s Form N-CSR for the year ended March 31, 2018, as filed with the Securities and Exchange Commission (“SEC”).

NOTE 2. ORGANIZATION

OXLC was incorporated under the General Corporation Laws of the State of Maryland on June 9, 2010. The Fund is a non-diversified closed-end management investment company that has registered under the Investment Company Act of 1940, as amended (the “1940 Act”). In addition, the Fund has elected to be treated for tax purposes as a regulated investment company (“RIC”) under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). The Fund’s investment objective is to maximize its portfolio’s risk adjusted total return, and it currently seeks to achieve its investment objective by investing in structured finance investments, specifically collateralized loan obligation (“CLO”) vehicles, which primarily own senior corporate debt securities.

OXLC’s investment activities are managed by Oxford Lane Management, LLC (“OXLC Management”), a registered investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act.”) Oxford Funds, LLC (“Oxford Funds”), is the managing member of OXLC Management and serves as the administrator of OXLC. Under the investment advisory agreement with OXLC Management (the “Investment Advisory Agreement”), OXLC has agreed to pay OXLC Management an annual base management fee based on gross assets as well as an incentive fee based on its performance. For further detail please refer to “Note 5. Related Party Transactions.”

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements, which have been prepared in accordance with GAAP, include the accounts of the Fund. The Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, Financial Services — Investment Companies. Certain prior period figures have been reclassified from those originally published on Form N-CSR to conform to the current period presentation for comparative purposes. The Fund maintains its accounting records in U.S. dollars.

USE OF ESTIMATES

The financial statements have been prepared in accordance with GAAP, which requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates and such differences could be material.

In the normal course of business, the Fund may enter into contracts that contain a variety of representations and provide indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based upon experience, the Fund expects the risk of loss to be remote.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits and cash held in a money market fund which contain investments with original maturities of three months or less. The Fund places its cash and cash equivalents with financial institutions and, at times, cash held in bank accounts may exceed the Federal Deposit Insurance Corporation (“FDIC”) insured limit. Cash equivalents are carried at cost or amortized cost which approximates fair value.

INVESTMENT VALUATION

The Fund fair values its investment portfolio in accordance with the provisions of ASC 820, Fair Value Measurement and Disclosure. Estimates made in the preparation of OXLC’s financial statements include the valuation of investments and the related amounts of unrealized appreciation and depreciation of investments recorded. OXLC believes that there is no single definitive method for determining fair value in good faith. As a result, determining fair value requires that judgment be applied to the specific facts and circumstances of each portfolio investment while employing a consistently applied valuation process for the types of investments OXLC makes. OXLC is required to specifically fair value each individual investment on a quarterly basis.

ASC 820-10 clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, which includes inputs such as quoted prices for similar securities in active markets and quoted prices for identical securities in markets that are not active; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions. OXLC considers the attributes of current market conditions on an on-going basis and has determined that due to the general illiquidity of the market for its investment portfolio, whereby little or no market data exists.

Collateralized Loan Obligations — Debt and Equity

OXLC has acquired debt and equity positions in Collateralized Loan Obligations (“CLO”) investment vehicles and has purchased CLO warehouse facilities. These investments are special purpose financing vehicles. In valuing such investments, OXLC considers the indicative prices provided by a recognized industry pricing service as a primary source, and the implied yield of such prices, supplemented by actual trades executed in the market at or around period-end, as well as the indicative prices provided by the broker who arranges transactions in such investment vehicles. OXLC also considers those instances in which the record date for an equity distribution payment falls on the last day of the period, and the likelihood that a prospective purchaser would require a downward adjustment to the indicative price representing substantially all of the pending distribution. Additional factors include any available information on other relevant transactions, including firm bids and offers in the market and information resulting from bids-wanted-in-competition. In addition, OXLC considers the operating metrics of the specific investment vehicle, including compliance with collateralization tests, defaulted and restructured securities, and payment defaults, if any. OXLC Management or the Fund’s board of directors (the “Board of Directors”) may elect to engage third-party valuation

firms to provide assistance to our Valuation Committee and Board of Directors in valuing certain of our investments, including, but not limited to, when requested by the Board of Directors or the Adviser. If a third-party valuation firm is engaged by the Company, it will provide the Board of Directors with a written report with respect to each investment it has reviewed. The Valuation Committee will evaluate the impact of such additional information, and factor it into its consideration of fair value.

Securities Sold Under Agreement to Repurchase

The Fund has entered into an agreement whereby it sold securities to be repurchased at an agreed-upon price and date. In such an agreement, the Fund accounts for this transaction as a collateralized financing transaction and is recorded at its

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OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

contracted repurchase amount plus interest. The Fund's securities sold under the agreement to repurchase are carried at cost; which approximates fair value. Refer to "Note 9. Borrowings Related to Securities Sold Under Agreement to Repurchase" for further details.

SHARE REPURCHASES

From time to time, the Board of Directors may authorize a share repurchase program under which shares of the Fund's common stock are purchased in open market transactions. Since the Fund is incorporated in the State of Maryland, state law requires share repurchases to be accounted for as a share retirement. The cost of repurchased shares is charged against capital on the settlement date. There was no share repurchase program authorized for the six months ended September 30, 2018.

PREFERRED STOCK

The Fund carries its mandatorily redeemable preferred stock at accreted cost on the Statement of Assets and Liabilities, and not fair value. Refer to "Note 8. Mandatorily Redeemable Preferred Stock" for further details.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist primarily of insurance costs.

INVESTMENT INCOME

Income from securitization vehicles and investments

Income from investments in the equity class securities of CLO vehicles (typically income notes or subordinated notes) is recorded using the effective interest method in accordance with the provisions of ASC 325-40 Beneficial Interests in Securitized Financial Assets, based upon an effective yield to the expected redemption utilizing estimated cash flows, including those CLO equity investments that have not made their inaugural distribution for the relevant period end. The Fund monitors the expected residual payments, and effective yield is determined and updated periodically, as needed. Accordingly, investment income recognized on CLO equity securities in the GAAP statement of operations differs from both the tax-basis investment income and from the cash distributions actually received by the Fund during the period.

The Fund also records income on its investments in certain securitization vehicles (or "CLO warehouse facilities") based on a stated rate as per the underlying note purchase agreement or, if there is no stated rate, then an estimated rate is calculated using a base case model projecting the timing of the ramp-up of the CLO warehouse facility.

Interest Income — Debt Investments

Interest income is recorded on an accrual basis using the contractual rate applicable to each debt investment and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on securities purchased are accreted/amortized into interest income over the life of the respective security using the

effective interest method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Generally, if the Fund does not expect the borrower to be able to service its debt and other obligations, the Fund will, on a discretionary basis, place the debt instrument on non-accrual status and will generally cease recognizing interest income on that loan for financial reporting purposes until all principal and interest have been brought current through payment or due to restructuring such that the interest income is deemed to be collectible. The Fund generally restores non-accrual loans to accrual status when past due principal and interest is paid and, in the Fund's judgment, the payments are likely to remain current. As of September 30, 2018, the Fund had no non-accrual investments in its portfolio.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Other Income

Other income includes distributions from fee letters and success fees associated with portfolio investments. Distributions from fee letters are based upon a percentage of the collateral manager's fees, and are recorded as other income when earned. The Fund may also earn success fees associated with its investments in CLO warehouse facilities, which are contingent upon a repayment of the warehouse by a permanent CLO securitization structure; such fees are earned and recognized when the repayment is completed.

U.S. FEDERAL INCOME TAXES

The Fund intends to operate so as to continue to qualify to be taxed as a RIC under Subchapter M of the Code and, as such, to not be subject to U.S. federal income tax on the portion of its taxable income and gains distributed to stockholders. To qualify for RIC tax treatment, OXLC is required to distribute at least 90% of its investment company taxable income, as defined by the Code.

Because U.S. federal income tax regulations differ from GAAP, distributions in accordance with tax regulations may differ from net investment income and realized gains recognized for financial reporting purposes. Differences may be permanent or temporary. Permanent differences are reclassified among capital accounts in the financial statements to reflect their tax character. Temporary differences arise when certain items of income, expense, gain or loss are recognized at some time in the future. Differences in classification may also result from the treatment of short-term gains as ordinary income for tax purposes.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. Management has analyzed the Fund's tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions expected to be taken in the Fund's fiscal 2019 tax returns. The Fund identifies its major tax jurisdictions as U.S. Federal and Connecticut State. The Fund is not aware of any tax position for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next six months or year.

Distributions

Our distribution policy is based upon our estimate of our distributable net investment income, which includes actual distributions from our CLO equity class investments, with further consideration given to our realized gains or losses on a taxable basis. Distributions from net investment income and capital gain distributions are determined in accordance with U.S. federal income tax regulations, which differ from GAAP. Distributions from net investment income, if any, are expected to be declared quarterly and paid monthly. Net realized capital gains, unless offset by any available capital loss carry-forward, are typically distributed to stockholders annually. Distributions to stockholders are recorded on the ex-dividend date and are automatically reinvested in full and fractional shares of the Fund in accordance with the Fund's distribution reinvestment plan, unless the stockholder has elected to have them paid in cash.

Amounts required to be distributed reflect estimates made by the Fund. Distributions paid by the Fund in accordance with RIC requirements are subject to re-characterization for tax purposes.

SECURITIES TRANSACTIONS

Securities transactions are recorded on trade date. Realized gains and losses on investments sold are recorded on the basis of specific identification.

An optional redemption (“optionally redeemed”) feature of a CLO allows a majority of the holders of the equity securities issued by the CLO issuer, after the end of a specified non-call period, to cause the redemption of the secured notes issued by the CLO with proceeds paid either through the liquidation of the CLO’s assets or through a refinancing with new debt. The optional redemption is effectively a voluntary prepayment of the secured debt issued by the CLO prior to the stated maturity of such debt.

OXFORD LANE CAPITAL CORP.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

(unaudited)

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Distributions received on CLO equity investments which were optionally redeemed for which the cost basis has been reduced to zero are recorded as realized gains.

DEFERRED OFFERING COSTS ON COMMON STOCK

Deferred offering costs on common stock consist of fees and expenses incurred in connection with the registration and public offer and sale of the Fund's common stock, including legal, accounting and printing fees. These costs are deferred at the time of incurrence and are subsequently charged as a reduction to capital when the offering takes place or as shares are issued. Deferred costs are periodically reviewed and expensed if the related registration statement is no longer active or if the offering is unsuccessful.

DEFERRED ISSUANCE COSTS ON MANDATORILY REDEEMABLE PREFERRED STOCK

Deferred issuance costs on mandatorily redeemable preferred stock consist of fees and expenses incurred in connection with the closing of preferred stock offerings, and are capitalized at the time of payment. These costs are amortized using the straight line method over the term of the respective preferred stock series. This amortization expense is included in interest expense in the Fund's financial statements. Upon early termination of preferred stock, the remaining balance of unamortized fees related to such debt is accelerated into realized loss on redemption of mandatorily redeemable preferred stock on the Fund's Statement of Operations. Deferred issuance costs are presented on the Statement of Assets and Liabilities as a direct deduction from the related debt liability.

NOTE 4. FAIR VALUE

The Fund's assets measured at fair value on a recurring basis subject to the disclosure requirements of ASC 820-10 at September 30, 2018, were as follows:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets (\$ in millions)				
CLO debt	\$ —	\$ —	\$ 11.2	\$ 11.2
CLO equity	—	—	548.8	548.8
Total investments at fair value	—	—	560.0	560.0
Cash and cash equivalents	8.0	—	—	8.0
Total assets at fair value	\$ 8.0	\$ —	\$ 560.0	\$ 568.0
Financial Instruments Disclosed, But Not Carried, At Fair Value				

The following table presents the carrying value and fair value of the Fund's financial liabilities disclosed, but not carried at fair value as of September 30, 2018 and the level of each financial liability within the fair value hierarchy:

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(\$ in millions)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Series 2023 Term Preferred Shares	\$ 86.0	\$ 91.5	\$ —	\$ 91.5	\$ —
New Series 2024 Term Preferred Shares	66.3	70.3	—	70.3	