# AXONIC ALTERNATIVE INCOME FUND

## ANNUAL REPORT

October 31, 2025

AXONIC

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While 2024 was marked by wild narrative swings between expectations for recession and no landing, post-Liberation Day 2025 was characterized by an ever-louder drumbeat of sell-side bullishness. Though markets greeted Liberation Day unfavorably, we believed the market volatility was overdone and, after the drawdown, we became more constructive on risk assets. We do, however, maintain our view that the late-2025 instances of negative job growth – paired with stubbornly persistent goods inflation – will remain 2026 challenges. Ironically, the impact of job losses, some of which are a result of AI, on GDP growth has been offset by growth from AI capital expenditures. Moreover, in support of consumption, some alternative lenders have ignored job weakness and liberally extended credit – even while traditional banks have not. We remain concerned that some of the emerging fraud in private alternative credit is not idiosyncratic. We see risks to consumption as job losses and rising delinquencies, especially among alternative and subprime lenders, force lenders and their borrowers to hit the brakes.

Alongside consumer credit access and AI capital expenditures, lack of fiscal discipline (i.e., deficit spending) continues to help support economic growth. We do not expect to see any meaningful moderation in federal spending. Consequently, we also expect to see treasury issuance (particularly bills) that challenges reserve liquidity. The use of the standing repo facility (SRF) late in 2025, as well as the Fed's commitment to buy up to three-year duration, provides some evidence in support of this concern. Moreover, as employment has weakened, inflation has remained well above the Fed's 2% target, with only the most recent BLS data showing any concerted improvement. Survey data, for the most part, supports the idea that inflation remains sticky. In our view, the jury is still out on the impact of tariffs on inflation. For now, with a positively sloping yield curve, it's steady as she goes, but the Fed's job in 2026 will remain unusually tricky, as Chairman Powell himself articulated. When analyzing and selecting securities, this environment should provide opportunity to take advantage of spread volatility. It should also favor portfolios like ours that can act nimbly to capitalize on future dislocations across the credit market.

The Axonic Alternative Income Fund ("the Fund") was up +10.67% for the fiscal year ended October 31, 2025, on a price-per-share performance basis that compares to the Fund's benchmark, the Bloomberg U.S. Aggregate Bond Index, having returned +6.16% for the twelve months ended October 31, 2025.

We remain convinced that this backdrop is well suited to our investment style and asset class expertise. Housing market dynamics have changed modestly. Some markets have demonstrated early weakness as rates have remained high and inventory levels have risen. Others have remained strong, but our universally bullish view of the asset class has become a more nuanced one. Overall, we believe our ability to differentiate among geographies and assets is our advantage. As the low-end consumer continues to struggle, a bifurcated consumer landscape is also providing opportunities for selective investments in consumer ABS. Because of exposure to lower-end consumers, some Whole Business Securitization (WBS) franchise businesses may also see strain – and create opportunity – in restaurant and related sectors. Commercial real estate will remain a source of interesting opportunities as asset values continue to reprice and certain office markets continue to recover. As more vulnerable parts of the capital markets continue to suffer and are forgotten by others, we may have opportunities to acquire cash-flowing assets at even more compelling valuations.

We continue to believe the Fund will represent an attractive solution for income-oriented investors in a challenging environment for traditional fixed income and equity strategies.

Thank you for your continued support.

Clayton DeGiacinto
Managing Partner, Co-Chief Investment Officer
Axonic Capital LLC

Matthew Weinstein

Matthew Weinstein
Partner, Co-Chief Investment Officer
Axonic Capital LLC

***An investor should consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. To obtain a prospectus containing this and other information, please call (212) 259-0430 or download the file from www.AxonicFunds.com. Please read the prospectus carefully before you invest.***

**Average Annual Total Returns** *(as of October 31, 2025)*

| | 1 Month | Quarter | 6 Month | YTD | 1 Year | 3 Year | 5 Year | Since Inception* |
|---|---|---|---|---|---|---|---|---|
| Axonic Alternative Income Fund - Class I NAV | 0.57% | 2.24% | 4.93% | 8.81% | 10.67% | 9.88% | 9.29% | 5.34% |
| Bloomberg US Aggregate Bond Index[(a)] | 0.62% | 2.94% | 3.50% | 6.80% | 6.16% | 5.60% | -0.24% | 2.00% |

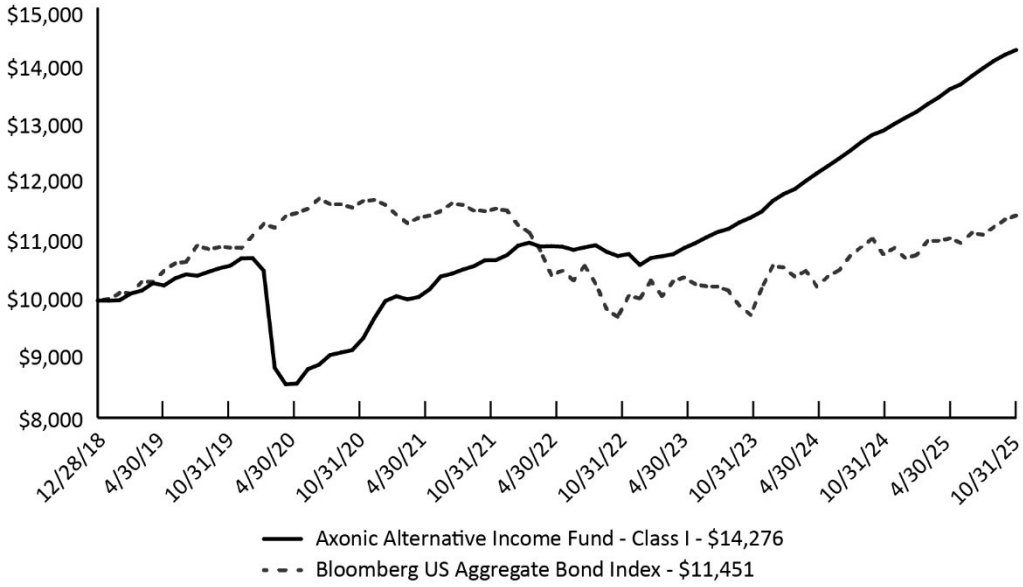
***Past performance does not guarantee future results. Investment returns, and principal value of the Fund will fluctuate so that shares may be worth more or less than their original cost. Current performance may be higher or lower than the performance data quoted above. For current performance information, please call 1-833-429-6642. Performance information is reported net of the Fund's fees and expenses. Class I gross expenses are 4.32% and net expenses are 4.32% (as reported in the February 28, 2025 Prospectus). The Adviser has contractually agreed to waive its fees and/or reimburse certain expenses (inclusive of organizational and offering costs, but exclusive of any taxes, interest on borrowings, dividends on securities sold short, brokerage commissions, 12b-1 fees, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization and extraordinary expenses ) to limit the Fund's Total Annual Fund Operating Expenses after Fee Waiver/Expense Reimbursement to 2.00% of the Fund's average daily net assets (the "Expense Limit") through February 28, 2026.***

* *Fund's inception date is December 31, 2018.*

(a) *The Bloomberg US Aggregate Bond Index is an unmanaged index which represents the U.S. investment-grade fixed-rate bond market (including government and corporate securities, mortgage pass-through securities and asset-backed securities). Investors cannot invest directly in an index or benchmark.*

*Excludes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value and total return for shareholder transactions reported to the market may differ from the net asset value for financial reporting purposes.*

**Performance of $10,000 Initial Investment** *(as of October 31, 2025)*




***Performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. The principal value and investment return of an investment will fluctuate so that your shares, if repurchased, may be worth more or less than their original cost. Total return measures net investment income and capital gain or loss from portfolio investments. All performance shown assumes reinvestment of dividends and capital gains distributions. For the most current month-end performance please call 1-833-429-6642 (833-4Axonic) or visit at www.axonicfunds.com.***

*The Axonic Alternative Income Fund (the "Fund") is a continuously offered, non-diversified, closed-end management investment company that is operated as an interval fund. The Fund is suitable only for investors who can bear the risks associated with the Fund's limited liquidity and should be viewed as a long-term investment. The Fund's shares have no history of public trading, nor is it intended that our shares will be listed on a national securities exchange at this time, if ever. Investing in the Fund's shares may be speculative and involves a high degree of risk, including the risks associated with leverage. There is also the risk that shareholders may receive little or no return on their investment or that shareholders may lose part or all of their investment.*

*The graph shown above represents historical performance of a hypothetical investment of $10,000 in the Fund since inception. Past performance does not guarantee future results. All returns reflect reinvested dividends, but do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the repurchase of Fund shares.*

**Top Ten Holdings** *(as a % of Net Assets)**

| | |
|---|---|
| GSF 2023-1 Investor, LLC | 10.21% |
| Rivertree Landing Apartments LLC | 4.21% |
| GSF 2025-AXMF1 EFX LLC | 3.90% |
| Multifamily Structured Credit Risk, Series 2023-SN1, Class B | 3.85% |
| MCR Mortgage Trust, Series 2024-TWA, Class HRR | 3.79% |
| JPMCC Multifamily Housing Mortgage Loan Trust, Series 2025-Q032, Class D | 3.17% |
| FRESB Mortgage Trust, Series 2025-SB119, Class B | 3.15% |
| FRESB Mortgage Trust, Series 2025-SB122, Class B | 3.05% |
| FRESB Mortgage Trust, Series 2024-SB114, Class B | 2.96% |
| FRESB Mortgage Trust, Series 2024-SB117, Class B | 2.77% |
| **Top Ten Holdings** | **41.06%** |

**Portfolio Composition** *(as a % of Net Assets)**

| | |
|---|---|
| Commercial Real Estate Securities | 47.84% |
| Cash, Cash Equivalents & Other net Assets | 16.76% |
| Invest in Joint Ventures | 15.66% |
| Loans | 9.71% |
| Asset-Backed Securities | 4.89% |
| Residential Mortgage-Backed Securities | 2.88% |
| Financials | 1.35% |
| Corporate Bonds | 0.91% |
| | **100.00%** |

* *Holdings are subject to change and may not reflect the current or future position of the portfolio. Tables present indicative values only.*

| Description | Shares | Value |
|---|---|---|
| **COMMON STOCKS (0.03%)** | | |
| **United States (0.03%)** | | |
| **Financials (0.03%)** | | |
| Redwood Trust, Inc. REIT[a] | 21,780 | $ 115,652 |
| **TOTAL COMMON STOCKS (Cost $237,536)** | | **115,652** |

| | Rate | Shares | Value |
|---|---|---|---|
| **PREFERRED STOCKS (1.32%)** | | | |
| **United States (1.32%)** | | | |
| **Financials (1.32%)** | | | |
| ACRES Commercial Realty Corp., Series D[a][b] | 7.88% | 17,823 | 393,888 |
| TCG Hunstville JV LLC[b] | 11.80% | 4,687,506 | 4,684,225 |
| **TOTAL PREFERRED STOCKS (Cost $5,122,050)** | | | **5,078,113** |

| | Rate | Maturity Date | Principal Amount | Value |
|---|---|---|---|---|
| **ASSET-BACKED SECURITIES (4.89%)** | | | | |
| **Cayman Islands (1.10%)** | | | | |
| Pioneer Aircraft Finance, Ltd., Series 2019-1, Class C[c] | 6.90% | 06/15/26 | $ 1,896,103 | $ 1,832,583 |
| Project Silver, Series 2019-1, Class B[c] | 4.95% | 07/15/26 | 2,190,865 | 1,974,189 |
| Thunderbolt III Aircraft Lease, Ltd., Series 2019-1, Class B[c] | 4.75% | 11/15/26 | 494,440 | 429,273 |
| **United States (3.79%)** | | | | |
| Castlelake Aircraft Structured Trust, Series 2017-1R, Class C[c] | 6.50% | 08/15/41 | 808,793 | 784,772 |
| FAT Brands GFG Royalty I LLC, Series 2021-1A, Class A2[c][d] | 7.00% | 07/25/51 | 1,317,120 | 1,265,489 |
| FAT Brands GFG Royalty I LLC, Series 2022-1A, Class A2[c] | 7.00% | 07/25/26 | 800,160 | 783,837 |
| Prop, Ltd., Series 2017-1, Class B[c][d] | 6.90% | 03/15/42 | 4,434,808 | 3,481,324 |
| Prop, Ltd., Series 2017-1, Class C[d] | 9.55% | 03/15/42 | 6,003,442 | 2,371,359 |
| Sapphire Aviation Finance II, Ltd., Series 2020-1A, Class C[c] | 6.78% | 03/15/27 | 4,558,187 | 4,339,850 |
| Stonepeak 2021-1 ABS, Series 2021-1A, Class C[c] | 5.93% | 05/15/28 | 1,702,885 | 1,605,480 |
| **TOTAL ASSET-BACKED SECURITIES (Cost $17,504,522)** | | | | **18,868,156** |
| **COMMERCIAL MORTGAGE-BACKED SECURITIES (47.84%)** | | | | |
| **United States (47.84%)** | | | | |
| BCP Trust, Series 2021-330N, Class C[c][e] | 1M CME TERM SOFR + 1.74% | 06/15/38 | 4,111,000 | 3,269,067 |
| Credit Suisse Commercial Mortgage Trust 2020-FACT E | 9.81% | 10/15/25 | 1,678,000 | 1,580,844 |
| FREMF Mortgage Trust, Series 2018-KF44, Class C[c][e] | 30D US SOFR + 8.61% | 02/25/26 | 2,925,558 | 2,910,930 |
| FREMF Mortgage Trust, Series 2022-K748, Class D[c][f] | 0.00% | 02/25/29 | 2,995,082 | 2,188,806 |
| FREMF Mortgage Trust, Series 2022-K748, Class X2B[c][g] | 0.10% | 02/25/29 | 12,739,389 | 34,396 |
| FREMF Mortgage Trust, Series 2022-K748, Class X2A[c][g] | 0.10% | 01/25/29 | 46,880,134 | 121,888 |
| FREMF Mortgage Trust, Series 2022-KF144, Class CS[c][e] | 30D US SOFR + 6.00% | 09/25/32 | 3,787,307 | 3,717,620 |
| FRESB Mortgage Trust, Series 2017-SB28, Class B[c][e] | 30D US SOFR + 7.93% | 01/25/27 | 1,214,363 | 1,202,097 |

*See Notes to Consolidated Financial Statements.*

| | Rate | Maturity Date | Principal Amount | Value |
|---|---|---|---|---|
| | 30D US SOFR + | | | |
| FRESB Mortgage Trust, Series 2017-SB32, Class B[(c)(e)] | 8.31% | 04/25/27 | $ 1,761,674 | $ 1,745,819 |
| FRESB Mortgage Trust, Series 2017-SB38, Class B[(c)(e)] | 4.17% | 08/25/27 | 264,518 | 263,672 |
| | 30D US SOFR + | | | |
| FRESB Mortgage Trust, Series 2017-SB42, Class B[(c)(e)] | 7.61% | 10/25/27 | 1,983,901 | 1,848,599 |
| FRESB Mortgage Trust, Series 2020-SB74, Class B[(c)(e)] | 4.16% | 04/25/30 | 1,234,363 | 1,217,823 |
| FRESB Mortgage Trust, Series 2020-SB76, Class B[(c)(e)] | 3.99% | 05/25/30 | 417,219 | 420,432 |
| FRESB Mortgage Trust, Series 2020-SB81, Class B[(c)(e)] | 7.50% | 10/25/30 | 2,351,644 | 2,244,174 |
| FRESB Mortgage Trust, Series 2021-SB83, Class X1[(e)(g)] | 0.95% | 01/25/41 | 8,133,907 | 220,129 |
| FRESB Mortgage Trust, Series 2021-SB90, Class B[(e)] | 7.50% | 07/25/41 | 2,862,611 | 2,649,633 |
| FRESB Mortgage Trust, Series 2021-SB93, Class B[(e)] | 7.50% | 10/25/41 | 3,854,794 | 3,622,350 |
| FRESB Mortgage Trust, Series 2022-SB100, Class B[(e)] | 7.50% | 05/25/42 | 8,449,195 | 7,744,532 |
| FRESB Mortgage Trust, Series 2022-SB95, Class B[(c)(e)] | 7.26% | 12/25/41 | 4,796,977 | 4,470,303 |
| FRESB Mortgage Trust, Series 2022-SB98, Class B[(c)(e)] | 7.50% | 04/25/42 | 5,886,607 | 5,546,361 |
| FRESB Mortgage Trust, Series 2023-SB106, Class B[(e)] | 7.50% | 05/25/33 | 7,670,413 | 6,940,957 |
| FRESB Mortgage Trust, Series 2023-SB109, Class B[(e)] | 7.50% | 07/25/43 | 6,580,745 | 5,922,013 |
| FRESB Mortgage Trust, Series 2024-SB114, Class B[(e)] | 7.50% | 05/25/34 | 12,719,631 | 11,451,483 |
| FRESB Mortgage Trust, Series 2024-SB117, Class B[(e)] | 7.50% | 10/25/34 | 12,232,086 | 10,725,093 |
| FRESB Mortgage Trust, Series 2025-SB119, Class B[(e)] | 7.50% | 01/25/35 | 13,992,040 | 12,198,260 |
| FRESB Mortgage Trust, Series 2025-SB122, Class B[(e)] | 7.50% | 05/25/35 | 13,574,475 | 11,809,793 |
| FRESB Multifamily Structured Pass Through Certificates, Series 2021-SB86, Class B[(c)(e)] | 7.50% | 03/25/41 | 2,687,780 | 2,481,359 |
| GSF LLC, Series 2023-1, Class D[(c)] | 7.40% | 12/01/38 | 8,767,751 | 8,145,484 |
| Hudsons Bay Simon JV Trust 2015-HBS, Series 2015-HB10, Class A10[(c)] | 4.15% | 08/05/34 | 4,677,207 | 4,667,385 |
| Hudsons Bay Simon JV Trust 2015-HBS, Series 2015-HB10, Class C10[(c)(e)] | 5.45% | 08/05/34 | 6,652,596 | 6,626,651 |
| JPMCC Multifamily Housing Mortgage Loan Trust, Series 2025-Q032, Class D[(c)(e)] | 7.50% | 11/25/54 | 13,401,071 | 12,298,163 |
| MCR Mortgage Trust, Series 2024-TWA, Class F[(c)] | 10.38% | 06/12/27 | 2,600,000 | 2,626,000 |
| MCR Mortgage Trust, Series 2024-TWA, Class HRR[(c)] | 14.74% | 06/12/27 | 14,700,000 | 14,673,540 |
| | 30D US SOFR + | | | |
| Multifamily Structured Credit Risk, Series 2023-SN1, Class B[(c)(e)] | 7.00% | 07/25/42 | 14,682,804 | 14,911,856 |
| | 1M CME TERM SOFR | | | |
| SMR 2022-IND Mortgage Trust, Series 22-IND, Class G[(c)(e)] | + 7.50% | 02/15/39 | 4,120,547 | 3,755,055 |
| THPT Mortgage Trust, Series 2023-THL, Class F[(c)(e)] | 7.19% | 12/10/34 | 8,630,000 | 8,381,456 |
| **TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (Cost $184,152,812)** | | | | **184,634,023** |
| **CORPORATE BONDS (0.91%)** | | | | |
| **United States (0.91%)** | | | | |
| GKN Subordinated CTL Pass-Through Trust/Auburn MI[(c)(e)] | 0.00% | 03/15/30 | 5,399,179 | 3,512,166 |
| **TOTAL CORPORATE BONDS (Cost $3,732,656)** | | | | **3,512,166** |
| **INVESTMENT IN JOINT VENTURES (15.66%)** | | | | |
| **United States (15.66%)** | | | | |
| GSF 2023-1 Investor, LLC[(h)(i)(j)(k)] | | | | 39,550,026 |
| GSF 2025-5 Portfolio Holding LLC[(h)(i)(j)(k)] | | | | 5,791,848 |

*See Notes to Consolidated Financial Statements.*

| | Rate | Maturity Date | Principal Amount | Value |
|---|---|---|---|---|
| GSF 2025-AXMF1 EFX LLC[h][i][j][k] | | | | $ 15,113,865 |
| **TOTAL INVESTMENT IN JOINT VENTURES (Cost $58,691,137)** | | | | **60,455,739** |
| **LOANS (9.71%)** | | | | |
| **United States (9.71%)** | | | | |
| CS Farmington Limited LP, G8 Farmington LLC, 264 Farmington LLC | 12.00% | 04/06/30 | 7,500,000 | 7,494,750 |
| Portofino Mezz Partners, LLC | 14.00% | 07/01/29 | 7,000,000 | 6,995,800 |
| Rivertree Landing Apartments LLC[k],[l] | 30D US SOFR + 3.90% | 09/06/28 | 16,315,000 | 16,305,211 |
| Surfrider Montauk | 1M US SOFR + 10.00% | 04/09/27 | 6,685,819 | 6,677,127 |
| **TOTAL LOANS (Cost $37,448,012)** | | | | **37,472,888** |
| **RESIDENTIAL MORTGAGE-BACKED SECURITIES (2.88%)** | | | | |
| **United States (2.88%)** | | | | |
| Bear Stearns Asset Backed Securities I Trust, Series 2006-AC3, Class M1[e] | 1M CME TERM SOFR + 0.64% | 05/25/36 | 2,109,690 | 433,440 |
| Center Street Lending Resi-Investor ABS Mortgage Trust, Series 2024-RTL1, Class M[c][d] | 10.74% | 05/25/27 | 5,264,000 | 5,321,524 |
| Countrywide Home Loans Mortgage Pass-Through Trust, Series 2006-21, Class A6[e] | 1M CME TERM SOFR + 0.48% | 02/25/37 | 61,244 | 19,426 |
| Dominion Mortgage Trust, Series 2025-RTL1, Class M[c][d] | 10.19% | 09/25/27 | 3,000,000 | 3,065,093 |
| LHOME Mortgage Trust, Series 2024-RTL1, Class M[c][d] | 11.95% | 01/25/29 | 2,250,000 | 2,268,406 |
| MASTR Asset Securitization Trust, Series 2006-1, Class 2A1[e] | 1M CME TERM SOFR + 0.57% | 05/25/36 | 106,601 | 18,308 |
| **TOTAL RESIDENTIAL MORTGAGE-BACKED SECURITIES (Cost $11,120,249)** | | | | **11,126,197** |

| | 7-Day Yield | Shares | Value |
|---|---|---|---|
| **SHORT TERM INVESTMENTS - COMMON SHARES (19.96%)** | | | |
| **Money Market Fund (19.96%)** | | | |
| Dreyfus Government Cash Management | 4.02% | 36,284,133 | 36,284,133 |
| First American Government Obligations Fund | 4.06% | 40,760,497 | 40,760,497 |
| **TOTAL SHORT TERM INVESTMENTS (Cost $77,044,630)** | | | **77,044,630** |
| **TOTAL INVESTMENTS (103.20%) (Cost $395,053,604)** | | | **$ 398,307,564** |
| **Liabilities in Excess of Other Assets (-3.20%)** | | | (12,345,219) |
| **NET ASSETS (100.00%)** | | | **$ 385,962,345** |

[a] *Non-income producing security.*

*See Notes to Consolidated Financial Statements.*

(b) *Perpetual maturity.*

(c) *Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may normally be sold to qualified institutional buyers in transactions exempt from registration. The total value of Rule 144A securities amounts to $140,432,923, which represents 36.29% of net assets as of October 31, 2025.*

(d) *Step bond. Coupon changes periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect at October 31, 2025.*

(e) *Floating or variable rate security. The Reference Rates are described below. Interest rate shown reflects the rate in effect at October 31, 2025. For securities based on a published reference rate and spread, the reference rate and spread are indicated in the description above. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions. These securities do not indicate a reference rate and spread in their description above.*

(f) *Issued with a zero coupon. Income is recognized through the accretion of discount.*

(g) *Interest only securities.*

(h) *Affiliated company. See Notes to the Consolidated Financial Statements.*

(i) *Security considered restricted and illiquid. As of October 31, 2025, the total value of these investments amounts to $60,455,739 or 15.60% of the Fund's net assets.*

(j) *As a result of the use of significant unobservable inputs to determine fair value, these investments have been classified as Level 3 assets.*

(k) *The Fund's interest in this loan is held through a wholly-owned LLC of the fund. See Notes 1 and 2 to the Consolidated Financial Statements and Consolidated Financial Highlights.*

(l) *On October 31, 2025, securities valued at $16,305,211 were pledged as collateral for mortgage loan warehouse agreements.*

**Investment Abbreviations:**
REIT - Real Estate Investment Trust
SOFR - Secured Overnight Financing Rate

**Reference Rates:**
1M US SOFR - 1 Month US SOFR as of October 31, 2025 was 4.20%
1M CME TERM SOFR - 1 Month CME SOFR as of October 31, 2025 was 4.00%
30D US SOFR - 30 Day US SOFR as of October 31, 2025 was 4.21%

**MORTGAGE LOAN WAREHOUSE**

| Counterparty | Interest Rate | Acquisition Date | Maturity Date | | Amount |
|---|---|---|---|---|---|
| UBS AG | 1M SOFR + 4.15% | 08/30/2023 | 10/01/2025 | $ | 12,236,250 |
| | | | | **$** | **12,236,250** |

*See Notes to Consolidated Financial Statements.*

October 31, 2025

| | | |
|---|---|---|
| **ASSETS:** | | |
| Investments, at fair value (Cost $336,362,469) | $ | 337,851,825 |
| Investments in affiliates, at fair value (Cost $58,691,135) | $ | 60,455,739 |
| Dividend receivable | | 223,342 |
| Interest receivable | | 2,575,292 |
| Deferred offering cost | | 29,800 |
| Receivable for fund shares sold | | 1,366,216 |
| Prepaid loan commitment fee | | 148,851 |
| Prepaid expenses and other assets | | 19,279 |
| Total Assets | | 402,670,344 |
| **LIABILITIES:** | | |
| Payable for investments purchased | | 2,296,317 |
| Payable for mortgage loan warehouse (Cost $12,236,250) | | 12,236,250 |
| Interest payable on reverse repurchase agreements | | 47,830 |
| Income distribution payable | | 1,363,071 |
| Accrued legal and audit fees payable | | 71,905 |
| Due to Adviser | | 401,316 |
| Accrued fund accounting and administration fees payable | | 85,399 |
| Distribution and shareholder service fees payable | | 9,763 |
| Accrued Chief Compliance Officer fee payable | | 3,014 |
| Other payables and accrued expenses | | 193,134 |
| Total Liabilities | | 16,707,999 |
| Net Assets | $ | 385,962,345 |
| **COMPOSITION OF NET ASSETS:** | | |
| Paid-in capital | $ | 384,645,551 |
| Total distributable earnings (accumulated deficit) | | 1,316,794 |
| Net Assets | $ | 385,962,345 |
| **PRICING OF SHARES:** | | |
| **Class A** | | |
| Net Assets | $ | 15,588,790 |
| Shares of beneficial interest outstanding (unlimited number of shares, no par value common share authorized) | | 767,684 |
| Net Asset Value and redemption price per share | $ | 20.31 |
| Maximum Offering Price per Share (Including Maximum Sales Load of 2.50%) | $ | 20.83 |
| **Class I** | | |
| Net Assets | $ | 370,373,555 |
| Shares of beneficial interest outstanding (unlimited number of shares, no par value common share authorized) | | 17,999,927 |
| Net Asset Value and redemption price per share | $ | 20.58 |

*See Notes to Consolidated Financial Statements.*

For the Year Ended October 31, 2025

| | | |
|---|---|---|
| **INVESTMENT INCOME:** | | |
| Dividends | $ | 1,615,335 |
| Interest | | 33,036,055 |
| Interest from affiliates | | 4,824,307 |
| Other income | | 166 |
| Total Investment Income | | 39,475,863 |
| **EXPENSES:** | | |
| Advisory fees (Note 5) | | 4,015,132 |
| Audit and tax fees | | 60,110 |
| Chief Compliance Officer fee (Note 5) | | 35,971 |
| Custodian fees | | 65,339 |
| Distribution fees | | |
| Class A | | 40,551 |
| Fund accounting and administration fees (Note 5) | | 376,365 |
| Insurance expenses | | 5,817 |
| Interest on reverse repurchase agreements and mortgage loan warehouse | | 2,121,747 |
| Interest expense on securitized debt | | 1,798,327 |
| Loan commitment fee | | 179,102 |
| Legal fees | | 928,854 |
| Printing expenses | | 35,253 |
| Registration expenses | | 86,204 |
| Shareholder service fees | | |
| Class A | | 20,275 |
| Transfer agent fees (Note 5) | | 134,605 |
| Trustees' fees and expenses (Note 5) | | 112,256 |
| Other expenses | | 167,718 |
| Total expenses | | 10,183,626 |
| **Net Investment Income** | | 29,292,237 |
| **REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS:** | | |
| Net realized gain on investments | | 772,606 |
| Net realized gain on affiliated securities | | (642,081) |
| Net realized gain on interest rate swap contracts | | 127,104 |
| Net change in unrealized appreciation on investments | | 1,284,968 |
| Net change in unrealized depreciation on affiliate investments | | 1,764,604 |
| Net Realized and Unrealized Gain on Investments | | 3,307,201 |
| **Net Increase in Net Assets from Operations** | $ | 32,599,438 |

*See Notes to Consolidated Financial Statements.*

| | For the Year Ended October 31, 2025 | For the Year Ended October 31, 2024 |
|---|---|---|
| **FROM OPERATIONS:** | | |
| Net investment income | $ 29,292,237 | $ 17,472,499 |
| Net realized gain | 257,629 | 1,083,283 |
| Net change in unrealized appreciation | 3,049,572 | 4,821,716 |
| **Net Increase in Net Assets from Operations** | 32,599,438 | 23,377,498 |
| **DISTRIBUTIONS TO SHAREHOLDERS:** | | |
| From distributable earnings | | |
| Class A | (730,606) | (3,091) |
| Class I | (28,202,256) | (17,446,750) |
| **Decrease in Net Assets from Distributions to Shareholders** | (28,932,862) | (17,449,841) |
| **CAPITAL SHARE TRANSACTIONS:** | | |
| **Class A** | | |
| Proceeds from sale of shares of beneficial interest | 14,896,310 | 153,510 |
| Distributions reinvested | 507,031 | 3,088 |
| Disbursements for redemption of shares of beneficial interest | – | (235) |
| **Class I** | | |
| Proceeds from sale of shares of beneficial interest | 128,329,691 | 106,873,955 |
| Distributions reinvested | 14,465,677 | 7,745,663 |
| Disbursements for redemption of shares of beneficial interest | (32,738,238) | (23,876,755) |
| **Net Increase from Capital Share Transactions** | 125,460,471 | 90,899,226 |
| **Net Increase in Net Assets** | 129,127,047 | 96,826,883 |
| **NET ASSETS:** | | |
| Beginning of period | 256,835,298 | 160,008,415 |
| End of period | $ 385,962,345 | $ 256,835,298 |
| **OTHER INFORMATION:** | | |
| **CAPITAL SHARE TRANSACTIONS:** | | |
| **Class A** | | |
| Beginning shares | 7,772 | – |
| Issued | 734,943 | 7,630 |
| Distributions reinvested | 24,969 | 154 |
| Redeemed | – | (12) |
| Net increase in capital shares | 759,912 | 7,772 |
| Ending shares | 767,684 | 7,772 |
| **Class I** | | |
| Beginning shares | 12,626,040 | 8,128,479 |
| Issued | 6,269,628 | 5,306,343 |
| Distributions reinvested | 705,638 | 384,989 |
| Redeemed | (1,601,379) | (1,193,771) |
| Net increase in capital shares | 5,373,887 | 4,497,561 |
| Ending shares | 17,999,927 | 12,626,040 |

*See Notes to Consolidated Financial Statements.*

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net increase/(decrease) in net assets from operations | $ | 32,599,438 |
| Adjustments to reconcile net increase in net assets from operations to net cash used in operating activities: | | |
| Purchases of investments | | (234,042,462) |
| Proceeds from disposition of investments | | 184,199,239 |
| Amortization of premium and accretion of discount on investments | | (4,723,178) |
| Net purchases of short-term investment securities | | (38,637,513) |
| Net realized (gain)/loss: | | |
| Investments | | (130,525) |
| Interest Rate Swaps | | (127,104) |
| Net change in unrealized (appreciation)/depreciation on investments | | (3,049,572) |
| Net payments received from/(made to) counterparties for derivative contracts | | 127,104 |
| (Increase) decrease in assets: | | |
| Dividend receivable | | (223,342) |
| Interest receivable | | (763,791) |
| Offering costs | | 24,357 |
| Prepaid loan commitment fee | | 179,102 |
| Prepaid expenses and other assets | | (17,474) |
| Increase (decrease) in liabilities: | | |
| Due to adviser | | 200,705 |
| Distribution and shareholder service fees payable | | 9,709 |
| Accrued legal and audit fees payable | | 8,087 |
| Accrued fund accounting and administration fees payable | | 32,058 |
| Accrued chief compliance officer fee payable | | 98 |
| Other payables and accrued expenses | | 154,146 |
| **Net cash used in operating activities** | | (64,180,918) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Payable for reverse repurchase agreements | | (20,657,000) |
| Payable for mortgage loan warehouse | | (10,842,000) |
| Interest payable for reverse repurchase agreements | | (236,507) |
| Proceeds from sale of shares | | 142,225,684 |
| Cost of shares redeemed | | (32,738,238) |
| Cash distributions paid | | (13,579,117) |
| **Net cash provided by financing activities** | | 64,172,822 |
| **NET DECREASE IN CASH FOR THE PERIOD** | | (8,096) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | $ | 8,096 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | $ | – |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** | | |
| Cash paid during the period for interest expense | $ | 4,156,581 |
| Non-cash financing activities not included herein consist of reinvestment of distributions of: | $ | 14,972,708 |

*See Notes to Consolidated Financial Statements.*

For a Share Outstanding Throughout the Period Presented

| | For the Year Ended October 31, 2025 | For the Period November 1, 2023 (Commencement of Operations) to October 31, 2025 |
|---|---|---|
| **OPERATING PERFORMANCE:** | | |
| Net asset value - beginning of period | $ 20.20 | $ 19.71 |
| **INCOME/(LOSS) FROM INVESTMENT OPERATIONS:** | | |
| Net investment income[a] | 1.70 | 1.57 |
| Net realized and unrealized gain/(loss) on investments | 0.21 | 0.71 |
| **Total Income from Investment Operations** | 1.91 | 2.28 |
| **DISTRIBUTIONS TO SHAREHOLDERS:** | | |
| From net investment income | (1.80) | (1.79) |
| **Total Distributions to Shareholders** | (1.80) | (1.79) |
| Net asset value - end of period | $ 20.31 | $ 20.20 |
| **Total Investment Return - Net Asset Value[b]** | 9.92% | 12.01%[c] |
| **RATIOS AND SUPPLEMENTAL DATA:** | | |
| Net assets end of period (000s) | $ 15,589 | $ 157 |
| **Including Interest Expense** | | |
| Ratio of expenses to average net assets excluding reimbursement and recoupment of expenses[d] | 4.16% | 5.05%[e] |
| Ratio of expenses to average net assets including reimbursement and recoupment of expenses[d] | 4.16% | 5.05%[e] |
| **Excluding Interest Expense** | | |
| Ratio of expenses to average net assets excluding reimbursement and recoupment of expenses[d] | 2.63% | 2.80%[e] |
| Ratio of expenses to average net assets including reimbursement and recoupment of expenses[d] | 2.63% | 2.80%[e] |
| Ratio of net investment income to average net assets[d] | 8.39% | 7.81%[e] |
| Portfolio turnover rate | 62% | 35%[c] |
| **BORROWINGS AT END OF PERIOD** | | |
| Aggregate Amount Outstanding (000s) | $ 12,236 | $ 43,735 |
| Asset Coverage Per $1,000 (000s)[f] | 32,730 | 6,865 |

[a] *Calculated using average shares method.*

[b] *Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Returns shown exclude applicable sales charges.*

[c] *Not annualized.*

[d] *Expenses and net investment income/(loss) amounts used to calculate the ratios above include amounts allocated to investors. An individual investor's results may vary based on a variety of factors and the timing of capital transactions.*

[e] *Annualized.*

[f] *The asset coverage ratio is calculated as the Fund's total assets, less prepaid expenses and other asset amounts, divided by the indebtedness of the Fund.*

*See Notes to Consolidated Financial Statements.*

# Consolidated Financial Highlights

For a Share Outstanding Throughout the Period Presented

| | For the Year Ended October 31, 2025 | For the Year Ended October 31, 2024 | For the Year Ended October 31, 2023 | For the Year Ended October 31, 2022 | For the Year Ended October 31, 2021 |
|---|---|---|---|---|---|
| **OPERATING PERFORMANCE:** | | | | | |
| Net asset value - beginning of period | $ 20.33 | $ 19.68 | $ 20.29 | $ 22.54 | $ 21.02 |
| **INCOME/(LOSS) FROM INVESTMENT OPERATIONS:** | | | | | |
| Net investment income[a] | 1.87 | 1.81 | 1.56 | 1.64 | 2.57 |
| Net realized and unrealized gain/(loss) on investments | 0.22 | 0.65 | (0.40) | (1.46) | 0.85 |
| **Total Income from Investment Operations** | 2.09 | 2.46 | 1.16 | 0.18 | 3.42 |
| **DISTRIBUTIONS TO SHAREHOLDERS:** | | | | | |
| From net investment income | (1.84) | (1.81) | (1.62) | (2.10) | (1.90) |
| From net realized gains | – | – | – | (0.18) | – |
| From tax return of capital | – | – | (0.15) | (0.15) | – |
| **Total Distributions to Shareholders** | (1.84) | (1.81) | (1.77) | (2.43) | (1.90) |
| Net asset value - end of period | $ 20.58 | $ 20.33 | $ 19.68 | $ 20.29 | $ 22.54 |
| **Total Investment Return - Net Asset Value[b]** | 10.67% | 13.00% | 6.08% | 0.74% | 16.72% |
| **RATIOS AND SUPPLEMENTAL DATA:** | | | | | |
| Net assets end of period (000s) | $ 370,374 | $ 256,678 | $ 160,008 | $ 99,789 | $ 33,456 |
| **Including Interest Expense** | | | | | |
| Ratio of expenses to average net assets excluding reimbursement and recoupment of expenses[c] | 3.14% | 4.26% | 2.45% | 2.22% | 2.54% |
| Ratio of expenses to average net assets including reimbursement and recoupment of expenses[c] | 3.14% | 4.30% | 2.76% | 2.49% | 2.35% |
| **Excluding Interest Expense** | | | | | |
| Ratio of expenses to average net assets excluding reimbursement and recoupment of expenses[c] | 1.90% | 1.96% | 1.72% | 1.73% | 2.19% |
| Ratio of expenses to average net assets including reimbursement and recoupment of expenses[c] | 1.90% | 2.00% | 2.03% | 2.00% | 2.00% |
| Ratio of net investment income to average net assets[c] | 9.12% | 9.06% | 7.89% | 7.70% | 11.51% |
| Portfolio turnover rate | 62% | 35% | 39% | 50% | 41% |
| **BORROWINGS AT END OF PERIOD** | | | | | |
| Aggregate Amount Outstanding (000s) | $ 12,236 | $ 43,735 | $ 21,475 | $ 14,927 | $ 8,607 |
| Asset Coverage Per $1,000 (000s)[d] | $ 32,730 | $ 6,865 | $ 8,451 | $ 7,685 | $ 4,887 |

[a] *Calculated using average shares method.*

[b] *During periods in which certain expenses were reimbursed, total returns would have been lower absent the expense limitation agreement. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Returns shown exclude applicable sales charges.*

[c] *Expenses and net investment income/(loss) amounts used to calculate the ratios above include amounts allocated to investors. An individual investor's results may vary based on a variety of factors and the timing of capital transactions.*

[d] *The asset coverage ratio is calculated as the Fund's total assets, less prepaid expenses and other asset amounts, divided by the indebtedness of the Fund.*

*See Notes to Consolidated Financial Statements.*

## 1. ORGANIZATION

Axonic Alternative Income Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended ("1940 Act"), as a non-diversified, closed-end management investment company. The Fund was organized as a Delaware statutory trust on September 26, 2018 pursuant to a Declaration of Trust governed by the laws of the State of Delaware. The Fund engages in a continuous offering of shares and operates as an interval fund and makes quarterly offers to repurchase its shares at their net asset value (the "NAV") in accordance with Rule 23c-3 under the 1940 Act. Axonic Capital LLC (the "Adviser") acts as the Fund's investment adviser. The Adviser is a registered investment adviser and is responsible for making the investment decisions for the Fund's portfolio. The Fund's investment objective is to seek total return. The Fund's portfolio will be deemed to be non-diversified under the 1940 Act, meaning it may invest a greater percentage of its assets in a single or limited number of issuers than a diversified fund. Under normal circumstances, the Fund will concentrate its investments (i.e., invest 25% or more of its total assets (measured at the time of purchase)) in mortgage-related assets issued by government agencies or other governmental entities or by private originators or issuers.

The Fund currently offers Class A and Class I shares. Class I shares commenced operations on December 31, 2018 and Class A shares commenced operations on November 1, 2023. Class A shares are offered subject to a maximum sales charge of 2.50%. Class I shares are offered at NAV per share and are not subject to sales charges. The Fund may offer additional classes of shares in the future. The Fund has received exemptive relief from the Securities and Exchange Commission ("SEC") that permits the Fund to issue multiple classes of shares.

The Fund's assets may be invested in wholly-owned and controlled subsidiaries of the Fund (collectively, the "Subsidiaries"), each of which has the same investment objective as the Fund. All of the Subsidiaries, AAIDX Seller (U), GSF Quad2 LLC, GSF 2025-5 EFX LLC and AAIDX Lender LLC are Delaware limited liabilities companies. To the extent permitted by the 1940 Act, the Fund may make investments through the Subsidiaries, which are pass-through entities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed by the Fund in preparation of its consolidated financial statements. These policies are in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Fund is considered an investment company for financial reporting purposes under GAAP. The Fund follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 946 "Financial Services – Investment Companies". The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses for the period. Actual results could differ from those estimates.

**Consolidation of Subsidiaries –** The consolidated financial statements include the financial position and the results of operations of the Fund and its Subsidiaries. As of October 31, 2025, the total value of investments held by the Subsidiaries is $76,760,950, or approximately 19.89% of the Fund's net assets.

All intercompany accounts and transactions have been eliminated in these consolidated financial statements.

**Securities Valuation** – The Fund values its investments at fair value. The Fund's Board of Trustees (the "Board") has approved pricing policies and procedures and fair valuation policies and procedures pursuant to which the Fund will value its investments. The Adviser has appointed an independent Administrator of the Fund, pursuant to the administration agreement, under which the Administrator independently calculates the daily NAV per share of the Fund. In doing so, the Administrator, on a daily basis, in compliance with the policies and procedures described above, independently values the investment positions within the Fund's portfolio. The Administrator, at its discretion, may notify the Fund or the Board of any valuation conflicts and/or non-compliance with the policies and procedures. The Administrator and the Adviser include in quarterly written reports to the Board, confirmation that the policies and procedures provide fair and accurate prices. Securities listed on an exchange, including common stocks, are valued at the last reported sale price at the close of the regular trading session of the exchange on the business day the value is being determined. Investments in shares of funds, including money market funds that are not traded on an exchange are valued at the end of day NAV per share of such fund.

Securities for which market prices are not "readily available" are valued in good faith by the Fund's Adviser as "valuation designee" under the oversight of the Fund's Board. The Adviser has adopted written policies and procedures for valuing securities and other assets in circumstances where market quotes are not readily available. In the event that market quotes are not readily available, and the security or asset cannot be valued pursuant to one of the valuation methods, the value of the security or asset will be determined in good faith by the Adviser pursuant to its policies and procedures. On a quarterly basis, the Adviser's fair valuation determinations will be reviewed by the Fund's Board. The Advisor may, in turn and subject to its oversight, delegate pricing of securities for which market prices are readily available to the Fund's administrator. All fair valuation determinations shall be made by the Fair Value Committee (the "Committee"), in accordance with policies and procedures established by the Adviser.

Some of the more common reasons that may necessitate that a security be valued using Fair Value Procedures include: the security's trading has been halted or suspended; the security has been de-listed from a national exchange; the security's primary trading market is temporarily closed at a time when under normal conditions it would be open; the security has not been traded for an extended period of time; the security's primary pricing source is not able or willing to provide a price; a significant event with respect to a security or securities has occurred after the close of the market or exchange on which the security or securities principally trades and before the time the Fund calculates net asset value; or trading of the security is subject to local government-imposed restrictions. When a security is valued in accordance with the Fair Value Procedures, the Committee will determine the value after taking into consideration relevant information reasonably available to the Committee.

Investments in joint ventures, structured credit, and other similar debt securities including, but not limited to, asset-backed securities, collateralized debt obligations, collateralized loan obligations, collateralized mortgage obligations, mortgage-backed securities, commercial mortgage-backed security, and other securitized investments backed by certain debt or other receivables (collectively, "Structured Credit Securities"), are valued on the basis of valuations provided by independent pricing services and/or dealers in those instruments recommended by the Adviser. Interest Rate Swaps are valued by an independent pricing service as approved by the Adviser. For centrally cleared swaps, the daily change in valuation and upfront payments, if any, are recorded as a receivable or payable for variation margin on the Consolidated Statement of Assets and Liabilities. In determining fair value, pricing services and dealers will generally use information with respect to transactions in the securities being valued, quotations from other dealers, market transactions in comparable securities, analyses and evaluations of various relationships between securities, and yield to maturity information. The Adviser will, based on its reasonable judgment, select the pricing services or dealer quotations that most accurately reflect the fair market value of the Structured Credit Security while taking into account the information utilized by the pricing services or dealers to formulate the quotation in addition to any other relevant factors.

When price quotations for certain securities are not readily available, or if the available quotations are not believed to be reflective of market value by the Adviser, those securities will be valued at "fair value" as determined in good faith by the Adviser's Valuation Committee using the fair valuation policies and procedures adopted by, and under the supervision of, the Board. There can be no assurance that the Fund could purchase or sell a portfolio security at the price used to calculate the Fund's NAV.

The fair valuation policies and procedures may be used to value a substantial portion of the assets of the Fund. The Fund may use the fair value of a security to calculate its NAV when, for example, (1) a portfolio security is not traded in a public market or the principal market in which the security trades is closed, (2) trading in a portfolio security is suspended and has not resumed prior to the normal market close, (3) a portfolio security is not traded in significant volume for a substantial period, or (4) the Adviser determines that the quotation or price for a portfolio security provided by an independent pricing service and broker-dealer is inaccurate.

The "fair value" of securities may be difficult to determine and thus judgment plays a greater role in the valuation process. The fair valuation methodology may include or consider the following guidelines, as appropriate: (1) evaluation of all relevant factors, including but not limited to, pricing history, current market level and supply and demand of the respective security; (2) comparison to the values and current pricing of securities that have comparable characteristics; (3) knowledge of historical market information with respect to the security; and (4) other factors relevant to the security which would include, but not be limited to, duration, yield, fundamental analytical data, the Treasury yield curve and credit quality.

**Fair Value Measurements** – A three-tier hierarchy has been established to classify fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available. In accordance with the authoritative guidance on fair value measurements and disclosure under GAAP, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value.

Various inputs are used in determining the value of the Fund's investments as of the reporting period end. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Fund has the ability to access at the measurement date;

Level 2 – Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability at the measurement date; and

Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

An investment level within the fair value hierarchy is based on the lowest level input, individually or in the aggregate, that is significant to fair value measurement. To the extent practicable, the Adviser generally endeavors to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs are to be used when available.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk or liquidity associated with investing in those securities. The following is a summary of the inputs used in valuing the Fund's investments as of October 31, 2025:

| Investments in Securities at Value[(a)] | Level 1 - Quoted Prices | Level 2 - Other Significant Observable Inputs | Level 3 - Significant Unobservable Inputs | Total |
|---|---|---|---|---|
| Common Stocks | $ 115,652 | $ – | $ – | $ 115,652 |
| Preferred Stocks | 393,888 | 4,684,225 | – | 5,078,113 |
| Asset-Backed Securities | – | 18,868,156 | – | 18,868,156 |
| Commercial Mortgage-Backed Securities | – | 184,634,023 | – | 184,634,023 |
| Corporate Bonds | – | 3,512,166 | – | 3,512,166 |
| Investment In Joint Ventures | – | – | 60,455,739 | 60,455,739 |
| Loans | – | 37,472,888 | – | 37,472,888 |
| Residential Mortgage-Backed Securities | – | 11,126,197 | – | 11,126,197 |
| Short Term Investments | 77,044,630 | – | – | 77,044,630 |
| Total | $ 77,554,170 | $ 260,297,655 | $ 60,455,739 | $ 398,307,564 |

[(a)] *For detailed descriptions of industries, see the accompanying Consolidated Schedule of Investments.*

The following table discloses the purchase of Level 3 portfolio investments as well as the value of transfers into or out of Level 3 for the year ended October 31, 2025 of the Fund's Level 3 portfolio investments:

| | Investment in Joint Ventures | Total |
|---|---|---|
| Balance as of October 31, 2024 | $ 35,086,820 | $ 35,086,820 |
| Accrued discount/premium | 596,791 | 596,791 |
| Return of Capital | – | – |
| Realized Gain/(Loss) | (642,081) | (642,081) |
| Change in Unrealized Appreciation/(Depreciation) | 1,764,604 | 1,764,604 |
| Purchases | 24,962,876 | 24,962,876 |
| Sales Proceeds | (1,313,271) | (1,313,271) |
| Transfer into Level 3 | – | – |
| Transfer out of Level 3 | – | – |
| Balance as of October 31, 2025 | $ 60,455,739 | $ 60,455,739 |
| Net change in unrealized appreciation/(depreciation) included in the Consolidated Statements of Operations attributable to Level 3 investments held at October 31, 2025 | $ 1,764,604 | $ 1,764,604 |

The table below provides additional information about Level 3 Fair Value Measurements as of October 31, 2025:

**Quantitative Information about Level 3 Fair Value Measurements**

| Asset Class | Fair Value | Valuation Technique | Unobservable Inputs | Value/Range |
|---|---|---|---|---|
| Investment in Joint Ventures | $ 60,455,739 | Discount Cash Flow Method | Constant Prepayment Yield | 0%-100% |
| | | | Constant Default Rate | 0% |
| | | | Discount Rate | 4.34%-17.50% |

**Securities Transactions and Investment Income** – Investment security transactions are accounted for on a trade date basis. Cost is determined and gains and losses are based upon the specific identification method for both financial statement and federal income tax purposes. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Dividend income from REITs is recognized on the ex-dividend date. It is common for distributions from REITs to exceed taxable earnings and profits, resulting in the excess portion of such dividends being designated as a return of capital. The calendar year-end amounts of ordinary income, capital gains, and return of capital included in distributions received from the Fund's investment in REITs are reported to the Fund after the end of the calendar year; accordingly, the Fund estimates these amounts for accounting purposes until the characterization of REIT distributions is reported to the Fund after the end of the calendar year. Estimates are based on the most recent REIT distribution information available.

**Premium and Discount Amortization/Paydown Gains and Losses** – All premiums and discounts on fixed-income securities are amortized/accreted over the estimated lives of such securities for financial statement purposes using the effective interest method. Gains and losses realized on principal payments of mortgage-backed securities (paydown gains and losses) are classified as part of interest income.

**Concentration of Credit Risk** – The Fund places its cash with two banking institutions, which are insured by Federal Deposit Insurance Corporation ("FDIC"). The FDIC limit is $250,000. At various times throughout the year, the amount on deposit may exceed the FDIC limit and subject the Fund to a credit risk. The Fund does not believe that such deposits are subject to any unusual risk associated with investment activities.

**Federal and Other Taxes** – No provision for income taxes is included in the accompanying consolidated financial statements, as the Fund intends to distribute to shareholders all taxable investment income and realized gains and otherwise comply with Subchapter M of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies.

The Fund evaluates tax positions taken (or expected to be taken) in the course of preparing the Fund's tax provisions to determine whether these positions meet a "more-likely-than-not" standard that, based on the technical merits, have a more than fifty percent likelihood of being sustained by a taxing authority upon examination. A tax position that meets the "more-likely-than-not" recognition threshold is measured to determine the amount of benefit to recognize in the financial statements.

As of and for the year ended October 31, 2025, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Consolidated Statement of Operations. The Fund files U.S. federal, state and local tax returns as required. The Fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations which is generally three years after the filing of the tax return for federal purposes and four years for most state returns. Tax returns for all open tax years since inception have incorporated no uncertain tax positions that require a provision for income taxes.

**Distributions to Shareholders** – Distributions from the Fund's net investment income were accrued daily and paid quarterly through February 28, 2021. Effective March 1, 2021, distributions are accrued daily and paid monthly. However, there can be no assurances that the Fund will achieve any level of distribution to its Shareholders. The Fund intends to make sufficient distributions of its ordinary taxable income and capital gain net income prior to the end of each calendar year to avoid liability for the excise tax. The character of income and gains to be distributed is determined in accordance with income tax regulations, which may differ from GAAP.

**Indemnification** – The Fund indemnifies its officers and trustees for certain liabilities that may arise from the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnities. 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, the Fund expects the risk of loss due to these warranties and indemnities to be remote.

## 3. DERIVATIVE CONTRACTS

The Fund may transact in credit default swaps, total return swaps, interest rate swaps, equity swaps, currency swaps and other types of swaps. Such transactions are subject to market risk, liquidity risk, risk of default by the other party to the transaction, known as "counterparty risk," regulatory risk and risk of imperfect correlation between the value of such instruments and the underlying assets and may involve commissions or other costs.

**Swap Agreements:** Swap agreements are primarily entered into by institutional investors and the value of such agreements may be extremely volatile. Certain swap agreements are traded OTC between two parties, while other more standardized swaps must be transacted through a futures commission merchant and centrally cleared or exchange-traded. While central clearing and exchange-trading are intended to reduce counterparty credit and liquidity risk, they do not make a swap transaction risk-free. The current regulatory environment regarding swap agreements is subject to change. The Adviser will continue to monitor these developments, particularly to the extent regulatory changes affect the Fund's ability to enter into or close out swap agreements.

The swap market has matured in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid; however there is no guarantee that the swap market will continue to provide liquidity and may be subject to liquidity risk, which exists when a particular swap is difficult to purchase or sell. The absence of liquidity may also make it more difficult for the Fund to ascertain a market value for such instruments. The inability to close derivative positions also could have an adverse impact on the Fund's ability to effectively hedge its portfolio. If the Adviser is incorrect in its forecasts of market values, interest rates or currency exchange rates, the investment performance of the Fund would be less favorable than it would have been if these investment techniques were not used. In a total return swap, the Fund pays the counterparty a floating short-term interest rate and receives in exchange the total return of underlying loans or debt securities. The Fund bears the risk of default on the underlying loans or debt securities, based on the notional amount of the swap and, therefore, incurs a form of leverage. The Fund would typically have to post collateral to cover this potential obligation.

**Offsetting Arrangements:** Certain derivative contracts and reverse repurchase agreements are executed under standardized netting agreements. A netting arrangement creates an enforceable right of off-set that becomes effective, and affects the realization of settlement on individual assets, liabilities and collateral amounts, only following a specified event of default or early termination. Default events may include the failure to make payments or deliver securities timely, material adverse changes in financial condition or insolvency, the breach of minimum regulatory capital requirements, or loss of license, charter, or other legal authorization necessary to perform under the contract. These agreements mitigate counterparty risk by providing for a single net settlement with a counterparty for all financial transactions covered by the agreement in an event of default as defined under such agreement. The Fund invests in futures, interest rate swaps, and credit default swaps that are centrally cleared and not subject to the master netting agreements.

The table below is a summary of the effect of interest rate swaps on the Consolidated Statement of Assets and Liabilities and Consolidated Statement of Operations for the year ended October 31, 2025:

| | Consolidated Statement of Assets and Liabilities | | Consolidated Statement of Operations | |
|---|---|---|---|---|
| | Derivative Assets Fair Value | Derivative Liabilities Fair Value | Net Realized Gain/ (Loss) | Net Change in Unrealized Appreciation / (Depreciation) |
| Interest swap contracts | $ – | $ – | $ 127,104 | $ – |
| Total derivatives | $ – | $ – | $ 127,104 | $ – |

The average notional value of interest rate swap contracts during the year ended October 31, 2025 was $24,145,000.

## 4. REVERSE REPURCHASE AGREEMENTS & MORTGAGE LOAN WAREHOUSE

The Fund may engage in reverse repurchase agreements. Reverse repurchase agreements are agreements that involve the sale of securities held by the Fund to financial institutions such as banks and broker-dealers, with an agreement that the Fund will repurchase the securities at an agreed upon price and date. During the reverse repurchase agreement period, the Fund continues to receive interest and principal payments on the securities sold. The Fund may employ reverse repurchase agreements (i) for temporary emergency purposes or to meet repurchase requests so as to avoid liquidating other portfolio securities during unfavorable market conditions; (ii) to cover short-term cash requirements resulting from the timing of trade settlements; or (iii) to take advantage of market situations where the interest income to be earned from the investment of the proceeds of the transaction is greater than the interest expense of the transaction.

Reverse repurchase agreements involve the risk that the market value of securities to be purchased by the Fund may decline below the price at which the Fund is obligated to repurchase the securities, or that the other party may default on its obligation, so that the Fund is delayed or prevented from completing the transaction. At the time the Fund enters into a reverse repurchase agreement, it will segregate, and maintain, liquid assets having a dollar value equal to the repurchase price. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, the Fund's use of the proceeds from the sale of the securities may be restricted pending a determination by the other party, or its trustee or receiver, whether to enforce the Fund's obligations to repurchase the securities.

Cash received in exchange for securities delivered plus accrued interest payments to be made by the Fund to counterparties are reflected as a liability on the Consolidated Statement of Assets and Liabilities. Interest payments made by the Fund to counterparties are recorded as a component of interest expense on the Consolidated Statement of Operations. In periods of increased demand for the security, the Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. The Fund will segregate assets determined to be liquid to cover its obligations under reverse repurchase agreements. The segregated assets are found on the Fund's Consolidated Schedule of Investments as full or partially pledged securities. There was no securities pledged as collateral as of October 31, 2025. As all agreements can be terminated by either party on demand, face value approximates fair value at October 31, 2025. This fair value is based on Level 2 inputs under the three-tier fair valuation hierarchy described above. For the year ended October 31, 2025, the average amount of reverse repurchase agreements outstanding was $13,989,512, at a weighted average interest rate of 6.63%. There were no reverse repurchase agreements outstanding on October 31, 2025.

On August 28, 2023, the Fund, as Guarantor, and AAIDX Seller (U), as Seller, entered into a commercial real estate debt financing facility (the "Warehouse") to finance floating rate senior commercial mortgage loans secured by first mortgage liens with UBS AG. The maximum amount of the Warehouse is $100,000,000 and the termination date is three years from the closing date, renewable annually in advance. Interest is payable in arrears and calculated as the sum of 30-day term SOFR plus an agreed upon rate based on the applicable property type and cash flow classification. The total amount of borrowings at October 31, 2025 was $12,236,250 at a weighted average rate of 7.02%.

## 5. ADVISORY FEES AND OTHER TRANSACTIONS WITH SERVICE PROVIDERS

**Advisory Fees** – Pursuant to the investment advisory agreement by and between the Fund and the Adviser (the "Investment Advisory Agreement"), and in consideration of the advisory services provided by the Adviser to the Fund, the Adviser is entitled to a management fee equal to 1.25% of the Fund's average daily net assets. For the year ended October 31, 2025, the Fund incurred $4,015,132 in Advisory Fees.

The Adviser has contractually agreed to waive its fees and/or reimburse certain expenses (inclusive of organizational and offering costs, but exclusive of any taxes, interest on borrowings, dividends on securities sold short, brokerage commissions, 12b-1 fees, acquired fund fees and expenses, expenses incurred in connection with any merger or reorganization and extraordinary expenses) to limit the Fund's expenses after Fee Waiver/Expense Reimbursement to 2.00% of the Fund's average daily net assets (the "Expense Limit") through February 28, 2026. The Expense Limit excludes certain expenses and, consequently, the Fund's expenses after Fee Waiver/Expense Reimbursement may be higher than the Expense Limit. The contractual waiver and expense reimbursement may be changed or eliminated at any time by the Board of Trustees, on behalf of the Fund, upon 60 days' written notice to the Adviser. The contractual fee waiver and expense reimbursement may not be terminated by the Adviser without the consent of the Board. The Adviser may recoup from the Fund any waived amount or reimbursed expenses pursuant to this agreement if such recoupment does not cause the Fund to exceed the current Expense Limit or the Expense Limit in place at the time of the waiver or reimbursement (whichever is lower) and the recoupment is made within three years after the end of the month in which the Adviser incurred the expense. As of October 31, 2025, the Adviser does not have any amounts available for recoupment.

**Compliance Fees** – ALPS Fund Services, Inc. provides Chief Compliance Officer Services to the Fund. Additionally, ALPS provides services in monitoring and testing the policies and procedures of the Fund in conjunction with requirements under Rule 38a-1 under the 1940 Act. ALPS is compensated under the Chief Compliance Officer Services Agreement.

**Fund Accounting and Administration Fees and Expenses** – ALPS Fund Services, Inc. ("ALPS") serves as the Fund's administrator and accounting agent (the "Administrator") and receives customary fees from the Fund for such services.

**Transfer Agent** – DST Systems Inc., an affiliate of ALPS, serves as transfer, dividend paying and shareholder servicing agent for the Fund ("Transfer Agent").

**Distributor** – The Fund has entered into a distribution agreement with ALPS Distributors, Inc. (the "Distributor") to provide distribution services to the Fund. There are no fees paid to the Distributor pursuant to the distribution agreement.

The Distributor acts as the Fund's principal underwriter in a continuous public offering of the Fund's shares. The Distributor is an affiliate of ALPS. During the year ended October 31, 2025, no fees were retained by the Distributor.

**Trustees** – Officers of the Trust and the Trustees who are 'interested persons' of the Trust or the Adviser receive no salary from the Trust. The Independent Trustees also serve as independent trustees on the Board of Trustees of Axonic Funds, an open-end investment company for which Axonic Capital LLC also serves as the investment adviser. As of January 1, 2025 for their service on the Board and the Board of Trustees of Axonic Funds, the Independent Trustees receive the following fees, which are split between the Fund and the Axonic Strategic Income Fund pro rata based on assets under management: $75,000 annual retainer for each Independent Trustee, $10,000 annually for each Committee Chair, except for the Audit Committee Chair who is paid $15,000 annually, $6,250 for each quarterly meeting, $2,000 for each special meeting, and a fee of $15,000 per year for the Lead Independent Trustee.

## 6. INVESTMENT TRANSACTIONS

The cost of purchases and proceeds from the sale of securities, other than short-term securities, for the year ended October 31, 2025, amounted to $236,338,779 and $190,601,962, respectively.

## 7. JOINT VENTURES

On October 31, 2023, the Fund invested in GSF 2023-1 Investor LLC, on September 19, 2025, the Fund invested in GSF 2025-AXMF1 EFX LLC, and on October 1, 2025, the Fund invested in GSF 2025-5 Portfolio Holding LLC (together, the "Joint Ventures"). The Joint Ventures were formed to aggregate, acquire, own, and manage a portfolio of commercial real estate mortgage loans originated by third-party mortgage originators.

The Fund's ownership interests in the Joint Ventures are passive in nature. A non-affiliated joint venture partner controls 50% of the voting interest and holds a minority economic interest in each Joint Venture. Accordingly, the Fund does not control the Joint Ventures and does not have the ability to direct the activities that most significantly impact their economic performance.

## 8. NEW ACCOUNTING PRONOUNCEMENTS AND RULE ISSUANCES

In this reporting period, the Fund adopted FASB Accounting Standards Update 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures ("ASU 2023-07"). Adoption of the new standard impacted disclosures only and did not affect the Fund's financial position nor the results of its operations. An operating segment is defined in Topic 280 as a component of a public entity that engages in business activities from which it may recognize revenues and incur expenses, has operating results that are regularly reviewed by a public entity's chief operating decision maker (the "CODM") to make decisions about resources to be allocated to the segment and assess its performance, and has discrete financial information available. The Fund's Principal Financial Officer, acting as the Fund's CODM, has determined that the Fund has operated as a single segment since inception. The CODM monitors the operating results of the Fund, as a whole, and the Fund's long-term strategic asset allocation is pre-determined in accordance with the terms of the related Prospectus, based on the defined investment objectives and strategies that are executed by the Fund's portfolio management team. The financial information, in the form of the Fund's holdings, total returns, expense ratios, and changes in net assets (i.e., changes in net assets resulting from operations, subscriptions and redemptions) are used by the CODM to assess the Fund's performance versus the Fund's benchmark and to make resource allocation decisions for the Fund's segment, which is consistent with that presented within the Fund's financial statements. Segment assets are reflected on the Fund's Statement of Assets and Liabilities as "Total Assets" and significant segment expenses are listed on the Statement of Operations.

In December 2023, the FASB issued Accounting Standards update 2023-09 ("ASU 2023-09"), Income Taxes (Topic 740) Improvements to Income Tax Disclosures, which amends quantitative and qualitative income tax disclosures requirements in order to increase disclosure consistency, bifurcate income tax information by jurisdiction and remove information that is no longer beneficial. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, and early adoption is permitted. Fund Management is evaluating the impacts of these changes on the Fund's financial statements.

## 9. TAX BASIS INFORMATION

Distributions are determined in accordance with federal income tax regulations, which differ from GAAP, and, therefore, may differ significantly in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character but are not adjusted for temporary differences.

For the year ended October 31, 2025, there were permanent differences that resulted in adjustments to distributable earnings and additional paid-in capital. These differences are primarily attributed to return of capital distributions received from underlying securities and non-deductible excise tax paid.

| | Paid-in capital | Total distributable earnings/(accumulated deficit) |
|---|---|---|
| | $ (43,205) | $ 43,205 |

The tax character of distributions paid for the year ended October 31, 2025, was as follows:

| 2025 | |
|---|---|
| Distributions Paid From: | |
| Ordinary Income | $ 28,932,862 |
| Return of Capital | – |
| Total | $ 28,932,862 |

The tax character of distributions paid for the year ended October 31, 2024, was as follows:

| 2024 | |
|---|---|
| Distributions Paid From: | |
| Ordinary Income | $ 17,449,841 |
| Return of Capital | – |
| Total | $ 17,449,841 |

As of October 31, 2025, the components of distributable earnings (accumulated deficit) on a tax basis were as follows:

| | |
|---|---|
| Accumulated net investment income | $ 3,780,714 |
| Accumulated net realized loss | (1,837,996) |
| Net unrealized appreciation | 2,263,295 |
| Dividends payable | (2,889,219) |
| Total | $ 1,316,794 |

Under current law, capital losses maintain their character as short-term or long-term and are carried forward to the next year without expiration. As of the current fiscal year end, the following amounts are available as carry forwards to the next year:

| Fund | Short Term | Long Term |
|---|---|---|
| Axonic Alternative Income Fund | $ – | $ 1,837,996 |

Capital loss carryovers used during the year ended October 31, 2025 were $463,628.

As of October 31, 2025, net unrealized appreciation/(depreciation) of investments based on the federal tax cost were as follows:

| | | |
|---|---|---|
| Cost of investments for income tax purposes | $ | 396,044,269 |
| Gross appreciation (excess of value over tax cost) | $ | 11,829,633 |
| Gross depreciation (excess of tax cost over value) | | (9,566,338) |
| Net unrealized appreciation | $ | 2,263,295 |

The difference between book and tax basis cost of investments and net unrealized appreciation (depreciation) are primarily attributable to wash sales and other tax timing differences from partnerships.

## 10. REPURCHASE OFFERS

Pursuant to Rule 23c-3 under the 1940 Act, the Fund offers shareholders on a quarterly basis the option of redeeming shares, at NAV, of no less than 5% and no more than 25% of its issued and outstanding shares as of the close of regular business hours on the New York Stock Exchange on the Repurchase Pricing Date. If shareholders tender for repurchase more than the Repurchase Offer Amount for a given repurchase offer, the Fund may, but is not required to, repurchase an additional amount of shares not to exceed 2.00% of the outstanding shares on the Repurchase Request Deadline. If the Fund determines not to repurchase more than the Repurchase Offer Amount, or if shareholders tender shares in an amount exceeding the Repurchase Offer Amount plus 2.00% of the outstanding shares on the Repurchase Request Deadline, the Fund will repurchase shares on a pro rata basis. However, the Fund may accept all shares tendered for repurchase by shareholders who own less than one hundred shares and who tender all of their shares, before prorating other amounts tendered. There can be no assurance that the Fund will be able to repurchase all shares that each shareholder has tendered, even if all of the shares in a shareholder's account are tendered. In the event of an oversubscribed offer, you may not be able to tender all shares that you wish to tender and you may have to wait until the next quarterly repurchase offer to tender the remaining shares, subject to any proration. Subsequent repurchase requests will not be given priority over other shareholder requests.

During the year ended October 31, 2025, the Fund completed four quarterly repurchase offers. The results of the repurchase offers were as follows:

| | Repurchase Offer | Repurchase Offer | Repurchase Offer | Repurchase Offer |
|---|---|---|---|---|
| Commencement Date | 22-Nov-24 | 21-Feb-25 | 23-May-25 | 22-Aug-25 |
| Repurchase Request Deadline | 20-Dec-24 | 21-Mar-25 | 20-Jun-25 | 19-Sep-25 |
| Repurchase Pricing Date | 20-Dec-24 | 21-Mar-25 | 20-Jun-25 | 19-Sep-25 |
| Net Asset Value as of Repurchase Offer Date | | | | |
| Class I | $20.37 | $20.44 | $20.50 | $20.59 |
| Class A | $20.22 | $20.26 | $20.29 | $20.34 |
| Amount Repurchased | | | | |
| Class I | $14,398,212 | $5,175,432 | $9,265,797 | $3,898,797 |
| Class A | $– | $– | $– | $– |

## 11. LINE OF CREDIT

On February 26, 2025, the Fund entered into a $30,000,000 uncommitted, secured, revolving line of credit agreement ("Credit Agreement") with U.S. Bank National Association for redemption purposes, subject to annual renewal and other limitations of the 1940 Act for borrowings. The revolving line of credit agreement sets the maximum borrowing amount to the lesser of (i) $30,000,000, (ii) 15% of the gross market value of the Fund, and (iii) 33.33% of the market value of the unencumbered assets of the Fund. Borrowings under the Credit Agreement bear interest of the lender's prime rate minus 1% at the time of borrowing. Borrowings under the Credit Agreement are secured by a perfected, first priority security interest in the assets of the Fund. The Fund had no borrowings during the year ended October 31, 2025.

## 12. INVESTMENTS IN AFFILIATED COMPANIES

The Fund may invest in certain securities that are considered securities issued by affiliated companies. As defined by the 1940 Act, an affiliated person, including an affiliate company, is one in which a Fund owns 5% or more of the outstanding voting securities, or which is under common ownership or control with the Fund. The purchases, sales, interest income, capital gains, and value of investment in affiliated companies for the year ended October 31, 2025 were as follows:

| Security Name | Fair Value as of October 31, 2024 | Purchases | Sales | Amortization/ Accretion | Change in Unrealized Gain (Loss) | Realized Gain (Loss) | Fair Value as of October 31, 2025 | Interest Income |
|---|---|---|---|---|---|---|---|---|
| GSF 2023-1 Investor, LLC[a][b] | $ 35,086,820 | $ 2,458,586 | $ – | $ – | $ 2,004,620 | $ – | $ 39,550,026 | $4,391,660 |
| GSF 2025-AXMF1 EFX LLC[a] | – | 15,084,402 | – | 557,548 | (528,085) | – | 15,113,865 | 423,639 |
| GSF 2025-5 Portfolio Holding LLC[a][b] | – | 7,419,888 | (1,313,271) | 39,243 | 288,069 | (642,081) | 5,791,848 | 9,008 |
| | | | | | $ 1,764,604 | $(642,081) | $ 60,455,739 | $4,824,307 |

[a] *The Fund owns approximately 65.4%, 25.0%, and 9.6% of the underlying investment of GSF 2023-1 Investor LLC, GSF 2025-AXMF1 EFX LLC, and GSF 2025-5 Portfolio Holding LLC, respectively, which qualify as a REIT for U.S. tax purposes.*

[b] *The Fund's ownership in the above investment is held through a wholly-owned special purpose vehicle, and is restricted from withdrawal until liquidation.*

## 13. SIGNIFICANT SHAREHOLDERS

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a Fund creates a presumption of control of the Fund under Section 2(a)(9) of the 1940 Act. As of October 31, 2025, the following entities owned beneficially more than 25% of the Fund's outstanding shares. The shares may be held under omnibus accounts (whereby the transactions of two or more shareholders are combined and carried in the name of the originating broker rather than designated separately). Any transaction by these investors could have a material impact on the share class.

| Name | Percentage |
|---|---|
| National Financial Services LLC | 39.42% |

## 14. SUBSEQUENT EVENTS

Subsequent events after the date of the Consolidated Statement of Assets and Liabilities have been evaluated through the date the consolidated financial statements were issued.

The Fund completed a quarterly repurchase offer on December 19, 2025, which resulted in 424,058 shares being repurchased for $8,498,908.

Management has determined that there were no other subsequent events to report through the issuance of these consolidated financial statements.

To the Shareholders and Board of Trustees of
Axonic Alternative Income Fund

**Opinion on the Financial Statements**

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated schedule of investments, of Axonic Alternative Income Fund (the "Fund") as of October 31, 2025, the related consolidated statements of operations and cash flows for the year then ended, the consolidated statement of changes in net assets for each of the two years in the period then ended, the consolidated financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of October 31, 2025, the results of its operations and its cash flows for the year then ended, the changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2025, by correspondence with the custodian, agent banks and counterparties. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund's auditor since 2019.

COHEN & COMPANY, LTD.

Philadelphia, Pennsylvania
December 30, 2025

## PROXY VOTING POLICIES AND VOTING RECORD

A description of the policies and procedures that the Fund uses to vote proxies relating to portfolio securities is available without charge upon request by calling toll-free 888-926-2688, or on the SEC's website at http://www.sec.gov. Information regarding how the Fund voted proxies relating to its portfolio securities during the most recent 12-month period ended June 30th is available without charge upon request by calling toll-free 833-429-6642 (833-4Axonic), or on the SEC's website at http://www.sec.gov.

## QUARTERLY PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT; the Fund's Form N-PORT reports are available on the Fund's website at https://www.axonicfunds.com and the SEC's Website at http://www.sec.gov.

The shareholders of the Fund, pursuant to a written consent to action, elected Mr. Joshua M. Barlow, Mr. Charles D. Mires and Mr. Thomas S. Vales to the Board of Trustees of the Trust effective April 15, 2020. The Board is responsible for the oversight of the management of the Fund, including general supervision and review of the service providers that perform the investment activities of the Fund. The Board, in turn, elects the officers of the Fund, who are responsible for administering the day-to-day operations of the Fund. Unless otherwise indicated in the table below, the address of each Trustee and officer of the Fund is c/o Axonic Capital LLC, 520 Madison Avenue, 42nd Floor, New York, New York 10022. Information about the Trustees and officers of the Fund is provided in the table below. Additional information about members of the Board of Trustees and Officers of the Trust is available in the Statement of Additional Information, which is available, without charge, upon request, by calling the Funds (toll-free) at 1-833-429-6642 (833-4Axonic).

| Name and Year of Birth | Position(s) Held with the Fund | Term of Office and Length of Time Served | Principal Occupation(s) During Past 5 Years | Number of Portfolios in Fund Complex* Overseen | Other Directorships During the Past 5 Years |
|---|---|---|---|---|---|
| **INDEPENDENT TRUSTEES** | | | | | |
| Joshua M. Barlow (1978) | Independent Trustee | Indefinite Term; Since April 15, 2020 | Managing Director, Valhalla Fiduciary (June 2018 – present); Head of Operational Due Diligence and Accounting and other positions, PAAMCO (Pacific Alternative Asset Management Company, LLC) (March 2006 – June 2018). | 2 | Axonic Funds; Corient Registered Alternatives Fund |
| Charles D. Mires (1960) | Lead Independent Trustee | Indefinite Term; Since April 15, 2020 (Lead Independent Trustee since January 1, 2025) | Director, CIB Marine Bancshares, Inc. (2010 – present); Retired from full time employment December, 2015; Director of Fixed Income, Alternative Strategies, and Third Party Mandates, Franklin Street Partners (2011 – 2015). | 2 | Axonic Funds; CIB Marine Bancshares, Inc. |
| Thomas S. Vales (1964) | Independent Trustee | Indefinite Term; Since April 15, 2020 | Chief Executive Officer, TMC Bonds LLC (an alternative trading system for fixed income) (2000 – 2019); Member, FINRA Fixed Income Advisory Committee (2016 – 2018). | 2 | Axonic Funds |
| **INTERESTED TRUSTEE**** | | | | | |
| Clayton DeGiacinto** (1972) | Trustee, President (Principal Executive Officer) | Indefinite Term; Since Inception | Managing Member and Chief Investment Officer, Axonic Capital LLC (2010 – present) | 2 | Axonic Funds |
| **OTHER EXECUTIVE OFFICERS** | | | | | |
| Joseph Castellano (1989) | Treasurer (Principal Financial Officer) | Indefinite Term; Since November 2025 | Axonic Capital (Chief Accounting Officer November 2025 – present; Senior Controller 2024-2025; Controller 2022-2024; Assistant Controller 2021-2022); MSD Partners LP (Assistant Controller 2021; Accountant 2017-2021). | N/A | N/A |
| Chris Hughes (1980) | Secretary | Indefinite Term; Since May 2024 | Chief Operating Officer (2019-present) and Director of Operations (2011-2019), Axonic Capital LLC. | N/A | N/A |
| Theodore Uhl (1974) | Chief Compliance Officer | Indefinite Term; Since May 2024 | Vice President and Fund Chief Compliance Officer, SS&C Registered Fund Services, Inc. (2010- present). | N/A | N/A |

* *The Fund Complex consists of the Fund and the Axonic Strategic Income Fund, the sole series of the Axonic Funds, a registered open-end investment company for which Axonic Capital LLC also serves as the investment adviser.*

** *The Interested Trustee is an Interested Trustee because he is the Managing Member and Chief Investment Officer of the Axonic Capital LLC.*

**DATA PRIVACY POLICY AND PROCEDURE**

In the course of its relationship with shareholders, the Trust gathers and maintains personal, non-public information regarding shareholders' financial circumstances and investment objectives. The Trust is committed to maintaining the privacy and confidentiality of this information. In accordance with SEC privacy regulations, the Trust has adopted policies and procedures that address the collection, safeguarding, use, and sharing of nonpublic information about clients and potential clients. These policies address the protection of such information from unauthorized access or use, the Trust's oversight of service providers with access to shareholder information, and procedures for providing privacy notices and, where required, notifications regarding certain information security incidents, all as required by applicable law and regulation.

A. The Trust may collect nonpublic personal information about the Trust's shareholders and potential shareholders from the following sources:

1. information received from account applications, questionnaires, interviews, and information forms, which may include a shareholder's name, address, social security number, information about a shareholder's investment goals and risk tolerance, and other personal or sensitive information;
2. account history, including information about transactions with the Trust, its affiliates, or others and balances in a shareholder's account;
3. correspondence and other interactions (written or telephonic) between a shareholder and the Trust's service providers and au theorized representatives; and consumer reports.

All client information is to be maintained in the Trust's shareholder files and/or stored on appropriate electronic media. The Trust's transfer agent, distributor or other service providers may maintain certain shareholder files on the Trust's behalf. Information from potential clients may be filed in temporary files, but shall be subject to the same restrictions and limitations as other client files outlined below.

Trust personnel will not share or disclose nonpublic information regarding any client or potential client of the Trust, except (i) as necessary to service shareholder accounts including, without limitation, the settlement, billing, processing, clearing, or transferring of shareholder transactions; (ii) as otherwise directed by a shareholder; or (iii) as required by law. Access to shareholder files and information, whether in paper or electronic format, is limited to personnel of the Trust and its service providers (e.g., the Trust's administrator, transfer agent, custodian and distributor) for the purposes of servicing shareholder accounts.

B. The Trust will provide shareholders with a privacy notice (the "Privacy Notice") before the shareholder invests in the Trust. The Privacy Notice shall detail the types of nonpublic client information collected, any information shared with third parties or with affiliates, the policies and practices the Trust has in place to protect the confidentiality and security of nonpublic client information; and the procedures to permit shareholders or potential shareholders to opt out of information sharing arrangements with third parties (inapplicable to the Trust and its service providers so long as sharing information is for the purpose of servicing shareholder accounts).

C. The Trust shall distribute its updated Privacy Notice to its shareholders with its prospectus on an annual basis, unless an exception to annual delivery is available under applicable law. Annual Privacy Notices shall be sent by mail or, for shareholders who agree to receive information electronically, through electronic means consistent with regulatory requirements applicable to the electronic delivery of documents.

D. The Trust will direct each of its service providers to adhere to this Privacy Policy with respect to all consumer, shareholder and former shareholder information of the Trust and to take all actions reasonably necessary so that the Trust is in compliance with this Privacy Policy. The Trust will seek to obtain an acknowledgement of this Privacy Policy from all third party service providers.

*Adopted: December 19, 2018*

# AXONIC ALTERNATIVE INCOME FUND

ANNUAL REPORT

October 31, 2025