

Apollo Tactical Income Fund Inc.  
Form N-CSRS  
August 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT**

**INVESTMENT COMPANIES**

Investment Company Act file number 811-22591

Apollo Tactical Income Fund Inc.

(Exact name of registrant as specified in charter)

9 West 57th Street

New York, New York 10019

(Address of principal executive offices) (Zip code)

Joseph Moroney, President

9 West 57th Street

New York, New York 10019

(Name and address of agent for service)

Registrant's telephone number, including area code: (212) 515-3200

Date of fiscal year end: December 31

Date of reporting period: June 30, 2015

**Item 1. Reports to Stockholders.**

The Report to Shareholders is attached herewith.

Apollo Senior Floating Rate Fund Inc. (NYSE: AFT)

Apollo Tactical Income Fund Inc. (NYSE: AIF)

Semi-Annual Report

June 30, 2015

(unaudited)

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Economic and market conditions change frequently.

There is no assurance that the trends described in this report will continue or commence.

**This report, including the financial information herein, is transmitted to shareholders of the Funds for their information. It is not a prospectus. Past performance results shown in this report should not be considered a representation of future performance. Statements and other information herein are as dated and are subject to change.**

**Apollo Senior Floating Rate Fund Inc.**

**Apollo Tactical Income Fund Inc.**

**Manager Commentary (unaudited)**

**As of June 30, 2015**

Dear Shareholders,

We would like to start by saying thank you for your interest in the Apollo Senior Floating Rate Fund Inc. and the Apollo Tactical Income Fund Inc. (the Funds). We appreciate the trust and confidence you have placed with us through your investment in the Funds.

The first half of 2015 played out largely as we suspected it might in our December 2014 letter, with global markets exhibiting elevated volatility as investors dealt with uncertainty over rates, geopolitical and growth concerns, specifically with regards to Greece and China, and the ongoing impact of falling or low commodity prices. However, despite these challenges, high yield bonds and leveraged loans were able to generate positive performance of +2.76%<sup>1</sup> and +2.83%<sup>2</sup>, respectively, over the first half of the year, outperforming equities and a variety of other fixed income asset classes.

Both high yield bonds and leveraged loans have been able to post these strong relative returns despite experiencing quite divergent technical pictures. High yield bond issuance is running only slightly behind 2014, a year that saw the third highest such annual volume on record, while loan issuance volumes are down 36%<sup>3</sup> on a gross basis versus 2014. High yield investors continued to pour money into the sector, seemingly shrugging off concerns about Greece and rates and focused on reaching for yield in a low default rate environment. This allowed high yield issuers to issue more debt than they did the year before yet still experience solid performance, even more impressively in light of the high yield market's heavier exposure to oil and gas credits. The loan markets on the other hand, benefitted from the negative impact that Leveraged Lending Guidelines, issued by the Federal Reserve and Office of the Comptroller of the Currency in 2013 and 2014, had on the willingness of banks to underwrite certain types of loans. Though retail flows continued to be negative, collateralized loan obligations issuance continued at a strong pace, and combined with the limited amount of supply, created an environment ripe for loan prices to rise and spreads to compress via a wave of repricing to start the second quarter.

The benign default environment seen during 2014 continued during the first half of 2015, as the default rate by principal amount for the 12-month period ended June 30, 2015 was 1.9%<sup>3</sup> for high yield bonds and 1.7%<sup>3</sup> for leveraged loans. This compares to long term averages of 3.7%<sup>3</sup> for high yield bonds and 3.4%<sup>3</sup> for leveraged loans since 1998. Despite the overall trend of increased leverage and subpar economic growth over the last two to three years, high yield and loan borrowers continue to display credit metrics supportive of a continuation of the low-default rate environment revenues and earnings before interest, taxes, depreciation and amortization for high yield companies increased 3.3%<sup>4</sup> and 12.5%<sup>4</sup>, respectively, excluding energy-related issuers. Furthermore, combined with diminishing tail risks and expectations of a longer path to higher interest rates, it is reasonable to expect another 12 to 24 months of below average default rates, excluding energy.

However, the market will continue to face challenges, some familiar, some new. Familiar challenges include the ongoing uncertainties regarding Europe and China, the length and depth of the selloff in commodities and the uncertain reaction of financial markets when interest rates finally start to move. The new challenges, in our opinion, primarily relate to changing regulations and the future impact they will have on the markets. Will the banks choose to exit certain businesses entirely? Who will fill those gaps? How will this impact returns to investors? Though we have seen some of these issues start to emerge recently, they will surely play out over the long term, creating risks and

opportunities for investors along the way.

We appreciate your interest and support in the Funds. If you have any questions about the Funds, please call 1-888-301-3838, or go to our website at [www.agmfunds.com](http://www.agmfunds.com).

Sincerely,

Apollo Credit Management, LLC

<sup>1</sup>JPMorgan Domestic High Yield Index, June 30, 2015

<sup>2</sup>S&P/LSTA Leveraged Loan Total Return Index, June 30, 2015

<sup>3</sup>JPMorgan in the Credit Strategy Weekly Update, July 17, 2015

<sup>4</sup>JPMorgan in the Credit Strategy Weekly Update, July 10, 2015

**Apollo Senior Floating Rate Fund Inc.**

**Financial Data**

**As of June 30, 2015 (unaudited)**

**Portfolio Composition (as % of Current Market**

**Value of Investment Securities)**

Loans	93.5%
High Yield Bonds	5.6%
Equity/Other	0.9%

**Portfolio Characteristics <sup>(a)</sup>**

Weighted Average Floating-Rate Spread	4.90%
Weighted Average Fixed-Rate Coupon	10.00%
Weighted Average Days to Reset (floating assets)	55
	1.90
Weighted Average Modified Duration (in years) (fixed assets)	

Average Position Size	\$2,084,964
Number of Positions	205
Weighted Average Rating	B

**Credit Quality <sup>(b)</sup>**

BB	14.8%
B	72.2%
CCC+ or Lower	8.0%
Not Rated	5.0%

**Top 5 Industries (as % of Current Market Value of Investment Securities) <sup>(c)</sup>**

Healthcare & Pharmaceuticals	11.0%
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Banking, Finance, Insurance & Real Estate	9.5%
High Tech Industries	9.1%
Media: Broadcasting & Subscription	7.8%
Services: Business	6.7%
<b>Total</b>	<b>44.1%</b>

**Top 10 Issuers (as % of Current Market Value of Investment Securities) <sup>(d)</sup>**

First Data Corp.	3.4%
Asurion, LLC	1.4%
Opal Acquisition, Inc.	1.4%
WideOpenWest Finance, LLC	1.3%
	1.3%

Global Tel*Link Corp.	
PetSmart, Inc.	1.3%
Charming Charlie, LLC	1.3%
Securus Technologies Holdings, Inc.	1.2%
Surgery Center Holdings, Inc.	1.2%
Valeant Pharmaceuticals International, Inc.	1.2%
<b>Total</b>	<b>15.0%</b>

**Performance Comparison**

	Six Months Ended June 30, 2015	Since Inception on February 23, 2011 to June 30, 2015
AFT - Market Price	10.48% <sup>(e)</sup> 4.01% <sup>(e)</sup>	4.24% <sup>(e)(f)</sup> 6.20% <sup>(e)(f)</sup>

AFT - NAV

S&P/LSTA Leveraged Loan Index <sup>(g)</sup>

(0.42)%

4.17%<sup>(f)</sup>

- (a) Averages based on par value of investment securities, except for the weighted average modified duration, which is based on market value.
- (b) Credit quality is calculated as a percentage of fair value of investment securities at June 30, 2015. The quality ratings reflected were issued by Standard & Poor's Ratings Group ( S&P ), a nationally recognized statistical rating organization. Credit quality ratings reflect the rating agency's opinion of the credit quality of the underlying positions in the Fund's portfolio and not that of the Fund itself. Credit quality ratings are subject to change.
- (c) The industry classifications reported are from widely recognized market indexes or rating group indexes, and/or as defined by Fund management, with the primary source being Moody's Investors Service ( Moody's ), a nationally recognized statistical rating organization.
- (d) Holdings are subject to change and are provided for informational purposes only.
- (e) Performance reflects total return assuming all distributions were reinvested at the dividend reinvestment rate. Past performance does not necessarily indicate how the Fund will perform in the future. The performance information provided does not reflect the deduction of taxes that a shareholder would pay on distributions received from the Fund.
- (f) Annualized.
- (g) The S&P/LSTA Leveraged Loan Index is a broad index designed to reflect the performance of the U.S. Dollar facilities in the leveraged loan market.

**Apollo Tactical Income Fund Inc.**

**Financial Data**

**As of June 30, 2015 (unaudited)**

**Portfolio Composition (as % of Current Market Value of Investment Securities)**

Loans	67.6%
High Yield Bonds	21.6%
Structured Products	9.8%
Equity/Other	1.0%

**Portfolio Characteristics <sup>(a)</sup>**

Weighted Average Floating-Rate Spread	5.61%
Weighted Average Fixed-Rate Coupon	8.42%
Weighted Average Days to Reset (floating assets)	54

Weighted Average Modified Duration (in years) (fixed assets)	3.30
Average Position Size	\$2,216,111
Number of Positions	181
Weighted Average Rating	B

**Credit Quality <sup>(b)</sup>**

BB	13.0%
B	60.6%
CCC+ or Lower	15.2%
Not Rated	11.2%

**Top 5 Industries (as % of Current Market Value of**

**Investment Securities) <sup>(c)</sup>**

8.0%

High Tech Industries	
Energy: Oil & Gas	8.0%
Banking, Finance, Insurance & Real Estate	7.2%
Telecommunications	6.8%
Healthcare & Pharmaceuticals	6.6%
<b>Total</b>	<b>36.6%</b>

**Top 10 Issuers (as % of Current Market Value of Investment Securities) <sup>(d)</sup>**

Laureate Education, Inc.	1.5%
TPC Group, Inc.	1.5%
JFIN CLO, Ltd.	1.4%
	1.4%
Onex Carestream Finance, L.P.	

Avaya, Inc.	1.4%
Summit Midstream Holdings, LLC/ Summit Midstream Finance Corp.	1.4%
Surgery Center Holdings, Inc.	1.3%
Land O Lakes Capital Trust I	1.3%
Atlas Senior Loan Fund, Ltd.	1.3%
First Data Corp.	1.3%
<b>Total</b>	<b>13.8%</b>

**Performance Comparison**

	Six Months Ended June 30, 2015	Since Inception on February 25, 2013 to June 30, 2015
	3.14%(e)	(1.89)%(e)(f)

AIF - Market Price		
AIF - NAV	5.07% <sup>(e)</sup>	6.69% <sup>(e)(f)</sup>
S&P/LSTA Leveraged Loan Index <sup>(g)</sup>	(0.42)%	3.59% <sup>(f)</sup>

- (a) Averages based on par value of investment securities, except for the weighted average modified duration, which is based on market value.
- (b) Credit quality is calculated as a percentage of fair value of investment securities at June 30, 2015. The quality ratings reflected were issued by S&P, a nationally recognized statistical rating organization. Credit quality ratings reflect the rating agency's opinion of the credit quality of the underlying positions in the Fund's portfolio and not that of the Fund itself. Credit quality ratings are subject to change.
- (c) The industry classifications reported are from widely recognized market indexes or rating group indexes, and/or as defined by Fund management, with the primary source being Moody's, a nationally recognized statistical rating organization. The Top 5 Industries table above excludes Structured Products which represent 9.8% of the portfolio as of June 30, 2015.
- (d) Holdings are subject to change and are provided for informational purposes only.
- (e) Performance reflects total return assuming all distributions were reinvested at the dividend reinvestment rate. Past performance does not necessarily indicate how the Fund will perform in the future. The performance information provided does not reflect the deduction of taxes that a shareholder would pay on distributions received from the Fund.
- (f) Annualized.
- (g) The S&P/LSTA Leveraged Loan Index is a broad index designed to reflect the performance of the U.S. Dollar facilities in the leveraged loan market.

**Apollo Senior Floating Rate Fund Inc.****Schedule of Investments****June 30, 2015 (unaudited)**

	<u>Principal Amount (\$)</u>	<u>Value (\$)</u>
<b>Senior Loans - 136.7%<sup>(a)</sup></b>		
<b>AEROSPACE &amp; DEFENSE - 8.6%</b>		
Alion Science and Technology Corp.		
Tranche A Term Loan, (LIBOR + 7.00%, 1.00% Floor), 8.00%, 08/17/18 <sup>(b)(c)</sup>	1,862,744	1,825,490
Tranche B Term Loan, (LIBOR + 10.00%, 1.00% Floor), 11.00%, 08/16/19 <sup>(b)(c)</sup>	1,823,684	1,763,247
B/E Aerospace, Inc.		
Term Loan, (LIBOR + 3.25%, 0.75% Floor), 4.00%, 12/16/21 <sup>(c)</sup>	2,634,688	2,653,210
Camp International Holding Co.		
2013 First Lien Replacement Term Loan, (LIBOR + 3.75%, 1.00% Floor), 4.75%, 05/31/19 <sup>(c)</sup>	2,405,688	2,413,711
2013 Second Lien Replacement Term Loan, (LIBOR + 7.25%, 1.00% Floor), 8.25%, 11/29/19 <sup>(c)</sup>	1,000,000	1,005,000
DAE Aviation Holdings, Inc.		
First Lien Term Loan, (LIBOR + 4.25%, 1.00% Floor), 5.25%, 06/24/22 <sup>(c)(d)</sup>	2,780,000	2,780,000
Photonis Technologies SAS		
First Lien Initial Dollar Term Loan, (LIBOR + 7.50%, 1.00% Floor), 8.50%, 09/18/19 <sup>(c)</sup>	2,457,759	2,359,449
SRA International, Inc.		
Term Loan, (LIBOR + 5.25%, 1.25% Floor), 6.50%, 07/20/18 <sup>(c)</sup>	3,460,380	3,474,793
TASC, Inc.		
First Lien New Term Loan, (LIBOR + 6.00%, 1.00% Floor), 7.00%, 05/22/20 <sup>(c)</sup>	497,500	503,099
First Lien Term Loan, (LIBOR + 6.00%, 1.00% Floor), 7.00%, 05/22/20 <sup>(c)</sup>	1,420,853	1,436,845
Second Lien Term Loan, 12.00%, 05/21/21 <sup>(c)</sup>	2,233,239	2,328,151
U.S. Joiner Holding Co.		
Term Loan, (LIBOR + 6.00%, 1.00% Floor), 7.00%, 04/16/20 <sup>(b)(c)</sup>	1,638,227	1,630,036
Vencore, Inc.		
Second Lien Term Loan, (LIBOR + 8.00%, 1.00% Floor), 9.00%, 05/23/20 <sup>(c)</sup>	606,000	607,012

24,780,043

**AUTOMOTIVE - 1.1%**

American Tire Distributors, Inc.

Initial Term Loan, (LIBOR + 4.25%, 1.00% Floor), 5.25%, 09/01/21<sup>(c)</sup> 1,871,710 1,891,606

<u>Principal Amount (\$)</u>	<u>Value (\$)</u>
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**AUTOMOTIVE (continued)**

Fram Group Holdings, Inc./Prestone Holdings, Inc.

Second Lien Term Loan, (LIBOR + 9.50%, 1.50% Floor), 11.00%,  
01/29/18<sup>(c)</sup> 1,490,285 1,371,062

3,262,668

**BANKING, FINANCE, INSURANCE & REAL ESTATE - 8.5%**

Amwins Group, LLC

First Lien New Term Loan, (LIBOR + 4.25%, 1.00% Floor), 5.25%,  
09/06/19<sup>(c)</sup> 4,369,466 4,415,345

Asurion, LLC

Incremental Tranche B-1 Term Loan, (LIBOR + 3.75%, 1.25% Floor),  
5.00%, 05/24/19<sup>(c)</sup> 4,379,819 4,395,937Second Lien Term Loan, (LIBOR + 7.50%, 1.00% Floor), 8.50%,  
03/03/21<sup>(c)</sup> 1,562,000 1,590,803

Bats Global Markets, Inc.

Term Loan, (LIBOR + 3.75%, 0.00% Floor), 3.94%, 03/13/18<sup>(c)</sup> 2,032,204 2,034,744

First Data Corp.

2017 Second New Dollar Term Loan, (LIBOR + 3.50%, 0.00% Floor),  
3.69%, 03/24/17<sup>(c)</sup> 2,500,000 2,495,700

Hyperion Insurance Group, Limited (United Kingdom)

Initial Term Loan, (LIBOR + 4.50%, 1.00% Floor), 5.50%, 04/29/22<sup>(c)(f)</sup> 2,041,549 2,053,033

Jefferies Finance LLC (JFIN Co-Issuer Corp.)

First Lien Term Loan, (LIBOR + 3.50%, 1.00% Floor), 4.50%,  
05/14/20<sup>(b)(c)</sup> 1,521,739 1,521,739

Medical Card System, Inc.

Term Loan (3.00%, PIK), (LIBOR + 10.00%, 2.00% Floor), 11.24%,  
03/17/17<sup>(b)(c)(g)</sup> 4,681,843 3,440,124

MMM Holdings, Inc.

MMM Term Loan, (LIBOR + 8.25%, 1.50% Floor), 9.75%,  
12/12/17<sup>(b)(c)</sup> 660,493 527,292

MSO of Puerto Rico, Inc.

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MSO Term Loan, (LIBOR + 8.25%, 1.50% Floor), 9.75%, 12/12/17 <sup>(b)(c)</sup>	480,175	383,338
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