

Apollo Tactical Income Fund Inc.  
Form N-CSR  
March 01, 2016

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: December 31, 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)

Annual Report

December 31, 2015

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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 December 31, 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.

2015 represented a difficult year in the corporate credit markets as the performance of both leveraged loans and high yield bonds suffered due to a number of mainly macroeconomic oriented factors. The year started favorably, as January brought buyers back to the market after a commodity and outflow related move lower at the end of 2014 was replaced by buyers of quality bonds and loans seeking value at a discount. This more constructive backdrop continued through the spring before fading into the summer and breaking down more fully into year-end mainly as commodity prices moved lower. WTI crude oil hit a 2015 closing high of \$61.43 per barrel on June 10, 2015; from that point it declined very steadily by 39.7% over the balance of the year and saw its weakening accelerate into the beginning of 2016. This topic is important as it relates to discussing the credit markets in 2015 given it represented what has become an increasingly meaningful overhang on performance, despite the fact that exposure to commodities was not the primary focus of the Funds. However, commodity weakness continues to be the major driver of outflows and outflow related selling in the loan and high yield markets. Continued selling has harmed liquidity and created dislocation in the secondary market for loans and bonds. This dislocation has weighed on performance and created more areas of value and opportunity in the secondary market and widened where we have been able to make investments in the primary market in a manner that has been accretive to the Funds.

Last year was for the most part a period of contrasting themes. After turning negative after a prolonged period of inflows in the spring of 2014, steady outflows from leveraged loan funds persisted throughout 2015 with \$16.4 billion eventually pulled from loan funds during the year. These regularly negative flows created bouts of volatility in the secondary market on forced selling from open-ended funds that allowed us to optimize the portfolios and take advantage of weaker holders and buy credits that we liked at a discount. In contrast to mutual fund flows, CLO creation volumes for the year totaled \$109.6 billion, the second highest annual total on record and trailing only the \$131.9 billion in volume during 2014. This, in turn supported healthy volumes of issuance albeit at levels reduced from that in the years prior, with primary loan volumes of \$326 billion compared to \$467 billion the year prior. These reduced numbers are actually more positive for the Funds than the record levels of issuance in years prior in that they included lower levels of refinancing and repricing of loans and bonds to lower outright coupons, and work against trends towards looser structures with reduced levels of lender protection. Coupled with federal regulation that has really begun to limit the banks ability to sell fully or over leveraged deals, 2015 represented a very attractive time for the Funds to put capital to work in good businesses, in defensive industries at attractive rates of return.

However, despite this opportunity set which grew in variety and attractiveness as the year wore on, concerns over the implications of eventual Fed tightening of monetary policy, weakening prices for not only oil and gas but other mining related commodities and the implications of reduced liquidity in the credit markets combined to create what has become a much more punitive backdrop. Given periods of broad based selling by credit investors during periods of stress the investing environment also contains more opportunity than we have seen in much of our time managing the Funds. We anticipate continued volatility in these markets for the various reasons we have outlined and plan on remaining defensive accordingly, while working to identify opportunities within businesses where we see value when

for market related reasons they become available at attractive prices.

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

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**Apollo Senior Floating Rate Fund Inc.****Financial Data**

As of December 31, 2015 (unaudited)

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

Loans	95.9%
High Yield Bonds	3.1%
Equity/Other	1.0%

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

Weighted Average Floating-Rate Spread	4.55%
Weighted Average Fixed-Rate Coupon	8.70%
Weighted Average Maturity (in years) (floating assets)	4.85
Weighted Average Maturity (in years) (fixed assets)	5.07
Weighted Average Modified Duration (in years) (fixed assets)	3.53
Average Position Size	\$ 2,173,635
Number of Positions	200
Weighted Average S&P Rating	B
Weighted Average Rating Factor (Moody's)	2,679

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

BBB	1.2%
BB	17.7%
B	68.7%
CCC+ or Lower	8.3%
Not Rated	4.1%

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

Healthcare & Pharmaceuticals	11.9%
Banking, Finance, Insurance & Real Estate	10.5%
High Tech Industries	10.2%
Media: Broadcasting & Subscription	8.7%
Retail	6.4%
<b>Total</b>	<b>47.7%</b>

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

Valeant Pharmaceuticals International, Inc.	1.6%
Amwins Group, LLC	1.4%
WideOpenWest Finance, LLC	1.4%

Asurion, LLC	1.3%
DAE Aviation Holdings, Inc.	1.3%
Avago Technologies, Ltd.	1.2%
Delta 2 (Lux) S.a.r.l.	1.2%
Opal Acquisition, Inc.	1.2%
Neptune Finco Corp.	1.2%
USI, Inc.	1.2%
<b>Total</b>	<b>13.0%</b>

### Performance Comparison

	Year Ended December 31, 2015	Since Inception on February 23, 2011 to December 31, 2015
AFT - Market Price	(1.98)% <sup>(e)</sup>	1.26% <sup>(e)(f)</sup>
AFT - NAV	(0.52)% <sup>(e)</sup>	4.58% <sup>(e)(f)</sup>
S&P/LSTA Leveraged Loan Index <sup>(g)</sup>	(0.69)%	2.95% <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. The weighted average rating factor per Moody's Investors Service (Moody's) excludes securities with no rating or in default as of December 31, 2015.
- (b) Credit quality is calculated as a percentage of fair value of investment securities at December 31, 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, 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 December 31, 2015 (unaudited)

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

Loans	70.5%
High Yield Bonds	19.7%
Structured Products	8.8%
Equity/Other	1.0%

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

Weighted Average Floating-Rate Spread	5.26%
Weighted Average Fixed-Rate Coupon	8.40%
Weighted Average Maturity (in years) (floating assets)	5.67
Weighted Average Maturity (in years) (fixed assets)	5.36
Weighted Average Modified Duration (in years) (fixed assets)	3.61
Average Position Size	\$ 2,167,004
Number of Positions	188
Weighted Average S&P Rating	B
Weighted Average Rating Factor (Moody's)	2,985

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

BBB	1.2%
BB	14.5%
B	58.2%
CCC+ or Lower	15.5%
Not Rated	10.6%

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

High Tech Industries	10.8%
Healthcare & Pharmaceuticals	10.3%
Energy: Oil & Gas	8.3%
Media: Broadcasting & Subscription	6.8%
Banking, Finance, Insurance & Real Estate	6.3%
<b>Total</b>	<b>42.5%</b>

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

Anchorage Capital CLO, Ltd.	1.8%
Neptune Finco Corp.	1.8%

Valeant Pharmaceuticals International, Inc.	1.4%
Land O Lakes Capital Trust I	1.4%
JFIN CLO Ltd.	1.4%
Onex Carestream Finance, L.P.	1.4%
Laureate Education, Inc.	1.3%
Surgery Center Holdings, Inc.	1.3%
American Greetings Corp.	1.3%
BWay Intermediate Company, Inc.	1.3%
<b>Total</b>	<b>14.4%</b>

### Performance Comparison

	Year Ended December 31, 2015	Since Inception on February 25, 2013 to December 31, 2015
AIF - Market Price	(3.65)% <sup>(e)</sup>	(3.89)% <sup>(e)(f)</sup>
AIF - NAV	(2.91)% <sup>(e)</sup>	2.59% <sup>(e)(f)</sup>
S&P/LSTA Leveraged Loan Index <sup>(g)</sup>	(0.69)%	1.66% <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. The weighted average rating factor per Moody's excludes securities with no rating or in default as of December 31, 2015.
- (b) Credit quality is calculated as a percentage of fair value of investment securities at December 31, 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 8.8% of the portfolio as of December 31, 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****December 31, 2015**

	<b>Principal</b>	
	<u>Amount (\$)</u>	<u>Value (\$)</u>
<b>Senior Loans - 146.8%<sup>(a)</sup></b>		
<b>AEROSPACE &amp; DEFENSE - 7.2%</b>		
B/E Aerospace, Inc.		
Term Loan, (LIBOR + 3.25%,		
0.75% Floor), 4.00%, 12/16/21 <sup>(b)</sup>	2,484,238	2,486,722
Camp International Holding Co.		
2013 First Lien Replacement		
Term Loan, (LIBOR + 3.75%,		
1.00% Floor), 4.75%, 05/31/19 <sup>(b)</sup>	2,393,397	2,330,571
2013 Second Lien Replacement		
Term Loan, (LIBOR + 7.25%,		
1.00% Floor), 8.25%, 11/29/19 <sup>(b)</sup>	1,000,000	935,000
DAE Aviation Holdings, Inc.		
Initial Term Loan, (LIBOR +		
4.25%, 1.00% Floor), 5.25%,		
07/07/22 <sup>(b)</sup>	5,097,810	5,083,153
Photonis Technologies SAS		
First Lien Initial Dollar Term		
Loan, (LIBOR + 7.50%, 1.00%		
Floor), 8.50%, 09/18/19 <sup>(b)</sup>	1,965,660	1,887,034
TASC, Inc.		
First Lien New Term Loan,		
(LIBOR + 6.00%, 1.00% Floor),		
7.00%, 05/22/20 <sup>(b)</sup>	458,769	453,034
First Lien Term Loan, (LIBOR +	1,310,202	1,293,824

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6.00%, 1.00% Floor), 7.00%, 05/22/20 <sup>(b)</sup> Second Lien Term Loan,		
12.00%, 05/21/21 <sup>(c)</sup> US Joiner Holding Co. Term Loan, (LIBOR + 6.00%, 1.00% Floor), 7.00%,	2,233,239	2,294,653
04/16/20 <sup>(b)(d)</sup> Vencore, Inc. Second Lien Term Loan,	1,629,932	1,613,633
(LIBOR + 8.00%, 1.00% Floor), 9.00%, 05/23/20 <sup>(b)</sup>	606,000	595,395
		18,973,019
<b>AUTOMOTIVE - 1.4%</b>		
American Tire Distributors, Inc. Initial Term Loan, (LIBOR + 4.25%, 1.00% Floor), 5.25%, 09/01/21 <sup>(b)</sup> U.S. Farathane, LLC Initial Term Loan, (LIBOR + 5.75%, 1.00% Floor), 6.75%,	2,361,072	2,329,599
12/23/21 <sup>(b)(d)(e)</sup>	1,361,382	1,349,470
		3,679,069
<b>BANKING, FINANCE, INSURANCE &amp; REAL ESTATE - 14.6%</b>		
Alliant Holdings I, LLC Initial Term Loan, (LIBOR + 3.50%, 1.00% Floor), 4.50%, 08/12/22 <sup>(b)</sup> Amwins Group, LLC First Lien New Term Loan,	3,989,975	3,903,951
(LIBOR + 4.25%, 1.00% Floor), 5.25%, 09/06/19 <sup>(b)</sup>	4,347,092	4,343,832

	<b>Principal</b>	
	<u>Amount (\$)</u>	<u>Value (\$)</u>
<b>BANKING, FINANCE, INSURANCE &amp; REAL ESTATE (continued)</b>		
Amwins Group, LLC (continued) Second Lien Term Loan, (LIBOR + 8.50%, 1.00% Floor), 9.50%, 09/04/20 <sup>(b)(e)</sup>	1,129,500	1,121,735
AqGen Island Intermediate Holdings, Inc. First Lien Term Loan, (LIBOR + 4.50%, 1.00% Floor), 5.50%, 12/05/22 <sup>(b)</sup>	2,481,176	2,332,306
Asurion, LLC Incremental Tranche B-1 Term Loan, (LIBOR + 3.75%, 1.25% Floor), 5.00%, 05/24/19 <sup>(b)(e)</sup>	2,490,765	2,340,547
Incremental Tranche B-4 Term Loan, (LIBOR + 4.00%, 1.00% Floor), 5.00%, 08/04/22 <sup>(b)</sup>	1,867,343	1,712,354
Second Lien Term Loan, (LIBOR + 7.50%, 1.00% Floor), 8.50%, 03/03/21 <sup>(b)</sup>	1,399,109	1,203,933
Bats Global Markets, Inc. Term Loan, (LIBOR + 3.75%, 0.00% Floor), 4.18%, 03/13/18 <sup>(b)</sup>	1,761,243	1,763,445
First Data Corp. Term Loan C-1, (LIBOR + 3.50%, 0.00% Floor), 3.92%, 03/23/18 <sup>(b)</sup>	4,000,000	3,954,720
Hyperion Insurance Group, Ltd. (United Kingdom) Initial Term Loan, (LIBOR + 4.50%, 1.00% Floor), 5.50%, 04/29/22 <sup>(b)(f)</sup>	2,031,316	2,011,003
Jefferies Finance, LLC (JFIN Co-Issuer Corp.) Term Loan, (LIBOR + 3.50%, 1.00%	1,514,130	1,504,667

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Floor), 4.50%, 05/14/20<sup>(b)(d)</sup>

Medical Card System, Inc.

Term Loan (3.00% PIK), (LIBOR +

10.00%, 2.00% Floor), 11.07%,

03/17/17<sup>(b)(d)(g)(h)</sup>

4,756,544

3,064,118

MMM Holdings, Inc.

MMM Term Loan, (LIBOR + 8.25%,

1.50% Floor), 9.75%, 12/12/17<sup>(b)(d)</sup>