



FAIR OAKS
DYNAMIC CREDIT

Fund summary

The Fair Oaks Dynamic Credit Fund (the "Fund") offers global access to senior secured corporate loans through investments in Collateralised Loan Obligations ("CLOs"). The Fund is actively managed with a strong emphasis on bottom-up fundamental credit analysis. The Fund primarily seeks exposure to investment-grade rated CLO securities on a long-only basis and with no leverage used at fund level.

Fund commentary

The Fund generated a performance of +0.31%¹ in August while the European High Yield index and the European Leveraged Loan index were up +0.14% and +0.59%² respectively. Year-to-date, the Fund has outperformed the European High Yield index (+1.02% return vs +0.06% for the index)³. In addition, the Fund's year-to-date daily volatility was 0.54%¹ versus 2.13% volatility in the European High Yield index².

Bank loan fundamentals were supportive with the US and European loan default rates unchanged from July at 1.99% and 0.12% respectively³. European bank loans spreads tightened from Euribor+4.52% to Euribor+4.45% while European high yield bond spread-to-worst widened slightly from +4.12% to +4.13%⁴.

European new issue BBB CLO spreads widened further from Euribor+3.15% in July to Euribor+3.20% amid a slowdown in issuance volume over the summer period (€1.5 billion in August compared to €4.9 billion in July)⁵. In the US, however, deal flow continued strongly with \$13.1 billion new issuance compared to \$10.8 billion in July⁵. In August, BBB CLO primary spreads were 8bps wider in the US than in Europe but the European CLO market continued to show more attractive returns on a post-currency swap basis. Due to the relative value of European primary BBBs, four of the Fund's five new investments in August were European BBB notes. The total number of positions in the portfolio increased to 106, offering exposure to over 1,400 underlying senior secured bank loan issuers⁶.

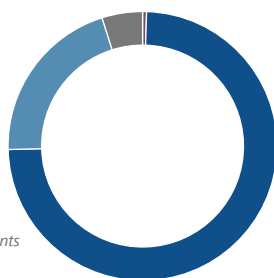
Moody's recently commented on the weakening of lender protections in loan agreements and said it expects senior secured loan recoveries to be 61% on average, below the long-term (1988-2018) average of 77%⁷. While lower recovery rates would have a direct negative impact on investors in loan funds, they will not have the same impact on investors in CLO debt. Firstly, Moody's had already recognised weakening credit metrics and loan documentation by assigning lower corporate issuer ratings and loan recovery rates in recent years. These recovery ratings are used by CLOs to calculate their minimum average recovery rate limits and, as a result, CLO portfolios have maintained above-average loan quality. Secondly, CLO debt is protected from the impact of loan default losses by loss-absorbing junior capital in the CLO structure. Based on the stress-testing that Fair Oaks Capital completes on every potential investment, BBB rated CLO securities could typically withstand an extremely high 10-15% annual default rate throughout their lives even with the 60% loan recovery rate Fair Oaks Capital has historically assumed for this stress-testing.

Top 5 positions

Deal Name	Rating (M/S/F)	Par Amount
ARES 9X D	Baa2/BBB/NR	€ 13,400,000
OZLME 4X D	Baa2/NR/BBB-	€ 12,000,000
EGLXY 2018-6X D	Baa2/BBB/NR	€ 12,000,000
ALME 4X DR	Baa2/NR/BBB	€ 11,500,000
OCPE 2017-1X D	Baa2/BBB/NR	€ 10,000,000

Rating breakdown

- A (0.5%)
- BBB (74.1%)
- BB (20.5%)
- Cash* (4.9%)



*Cash and cash equivalents



FAIR OAKS
CAPITAL

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Technical detail

Legal Structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch Date	13/09/2016
Fund Size	€582.6m
Dealing	Weekly (Wednesdays)
Valuations	Daily Non-Dealing and Weekly Dealing NAVs
Return Profile	Libor+4% p.a. (net target returns)
Base Currency	€ denominated
Investment Manager	Fair Oaks Capital Limited
Management Company	MDO Management Company S.A.
Administrator / Custodian	RBC Investor Services Bank S.A.
Auditor	Ernst & Young S.A.

1. Performance and volatility of daily returns (M EUR Class).

2. JPMorgan European high yield index and Credit Suisse Western European loan index, as of 31-Aug-18.

3. S&P/LSTA Leveraged Loan Index and S&P European Leveraged Loan Index default rates by principal amount, as of 31-Aug-18.

4. S&P ELLI Index, discounted spread (3 year) and JP Morgan Euro HY Index, spread-to-worst. Data as of 31-Aug-18.

5. JPMorgan.

6. Intex.

7. Moody's Investor Services, 16-Aug-18.

Portfolio metrics

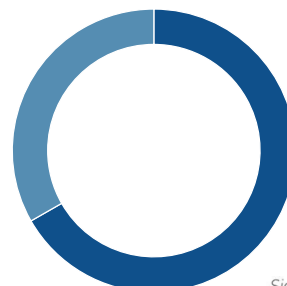
No. of positions:	106
Expected average life:	4.4 yr
Yield to expected call ⁵ :	Libor+3.67%
Floating rate (%):	100%
Fixed rate (%):	0%
Annualised return ⁶ :	3.7%
Annualised volatility (daily returns) ⁶ :	1.0%

5. Weighted average yield to expected call of investments, excluding fund fees and expenses.

6. Representative of M EUR Class share price since inception. Net of fees.

Geographic breakdown

- EUR (67%)
- USD (33%)

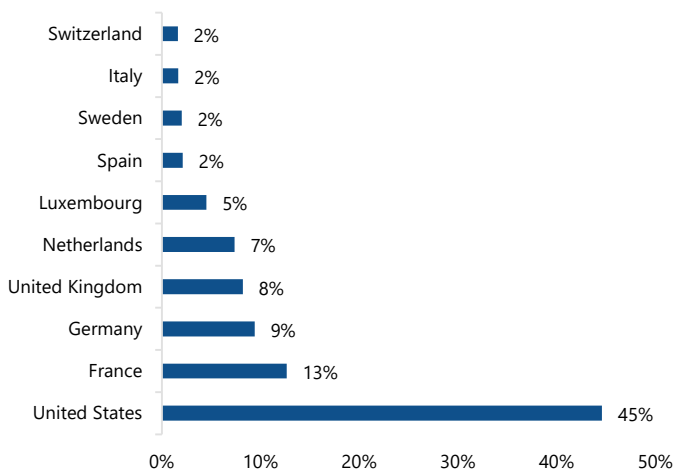


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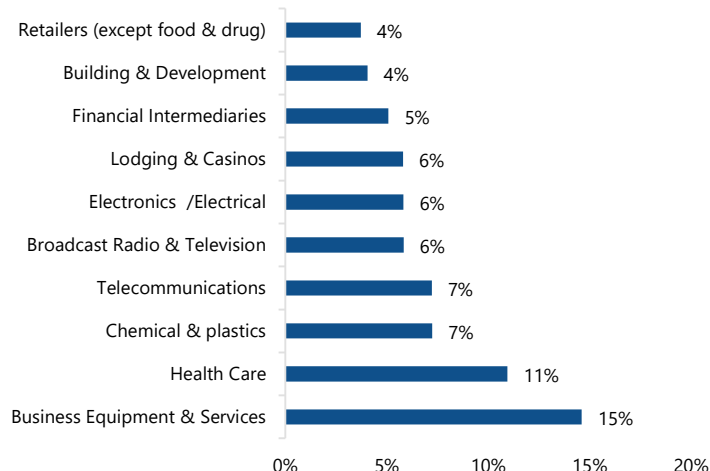




Look-through geographic breakdown (top 10)¹



Look-through industry diversification (top 10)¹



Share class performance²

	NAV (31-Aug-18)	Total Return Monthly	Total Return 2018 YTD	Total Return ITD (Since Class Launch)	ISIN	Bloomberg Ticker	SEDOL
Class M GBP	1084.77	0.40%	1.62%	8.48%	LU1344623613	FODCFMG	BD4GCV2
Class M EUR	1072.38	0.31%	1.02%	7.24%	LU1344623373	FODCFME	BD4GCX1
Class E EUR	1065.35	0.28%	0.81%	6.54%	LU1344621674	FODCFEE	BD4GCL9
Class E GBP	1078.15	0.38%	1.36%	7.82%	LU1344621831	FODCFEG	BD4GCN1
Class E2 GBP	1005.02	0.37%	1.38%	4.05%	LU1628743905	FODCFE2G	-
Class E USD	1106.21	0.51%	2.49%	10.62%	LU1344621757	FODCFEU	BD4GCM0
Class E CHF	1051.90	0.24%	0.41%	5.19%	LU1344621914	FODCFEC	BD4GCP3
Class N EUR	1003.45	0.28%	0.81%	6.37%	LU1539542248	FODCFNE	BD72S50
Class O EUR	1020.63	0.26%	0.62%	4.44%	LU1570265261	FODCFOE	-
Class P GBP	997.33	0.36%	1.30%	4.32%	LU1590456338	FODCFPG	BDRXFB8
Class D ILS	5128.52	0.22%	0.50%	2.57%	LU1577731786	FODCFDS	-
Class A EUR	1022.27	0.26%	0.58%	2.23%	LU1344614893	FODCFAE	-
Class A GBP	1011.05	0.36%	1.16%	1.11%	LU1344615270	FODCFAG	-
Class L2 GBP	1004.19	0.35%	1.22%	2.69%	LU1683328667	FODCFL2G	-

Monthly performance (M EUR Class)²

									Oct-16	Nov-16	Dec-16	2016	ITD
									-0.45%	-0.03%	0.73%	0.25%	0.25%
Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	2017	ITD
1.06%	0.31%	1.28%	0.03%	0.34%	0.26%	0.36%	0.54%	0.35%	0.55%	0.52%	0.15%	5.89%	6.15%
Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18					2018	ITD
0.38%	0.25%	0.16%	-0.24%	+0.24%	-0.13%	+0.06%	+0.31%					1.02%	7.24%
Maximum weekly return:			+1.00%			% Positive or unchanged weeks:						77.55%	
Largest weekly drawdown:			-0.20%			Average weekly return (positive or unchanged weeks):						+0.11%	
						Average weekly return (negative weeks):						-0.06%	

1. Based on total gross assets in underlying bank loan portfolios. Source: Intex.
2. Fair Oaks Capital; NAVs calculated net of fees.





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