



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.

Commentary

The Fund's monthly performance was down c.-3.0%¹ (see performance table) while the European Leveraged Loan index was down -1.5% and the US BBB CLO rated index was down -4.0%². Total return for the Fund in 2018 was between -2.5% and -3.1%¹.

US bank loans suffered significant losses in November and December 2018 as a result of changes in interest rate expectations and outflows from ETFs and open-ended loan funds (see [Fair Oaks Reflections Dec-18](#)). European loans and US and European CLO spreads widened in sympathy.

We believe that the market movements suffered by European and US CLO investment grade notes in December 2018 are not justified by fundamental reasons and current spreads present a very attractive investment opportunity:

- BBB rated EUR and USD CLO notes currently offer an incremental spread of 2.4% and 2.5%² respectively versus EUR and USD investment grade bonds, up from 1.7% at the end of 2017;
- From 1994 to 2013, BBB US CLO notes experienced only 0.3% cumulative defaults compared to a 7.6% 15 year cumulative default rate for BBB rated corporate bonds³;
- Under base case assumptions, an illustrative BBB rated EUR CLO note can withstand an unprecedented annual default rate of 18%, 5x the five year average experienced during the 2007-2011 crisis⁴.

As at the end of December 2018, FODC's portfolio was invested in 88 CLOs managed by 39 different CLO managers and with exposure to over 1,500 bank loan issuers. The Fund was predominantly invested in investment-grade CLO securities, which provides a very significant level of protection from any increase in loan default rates. The Fund's investments were all floating-rate, usually including a floor of zero for Euribor, and the expected yield on the Fund's portfolio was just over Libor + 5.0%⁵.

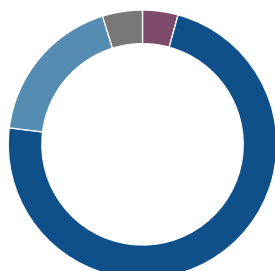
1. Monthly performance of EUR share classes.
2. JP Morgan CLOIE BBB index, as of 31-Dec-18.

Top 5 positions⁵

Deal Name	Rating (M/S/F)	Par Amount
ARESE 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
OHECP 2018-7X C	A2/NR/A	€ 10,000,000

Rating breakdown

- A (4.3%)
- BBB (72.7%)
- BB (18.2%)
- Cash* (4.8%)



*Cash and cash equivalents

FAIR OAKS
CAPITAL

1 Albemarle Street
London W1S 4HA
IR@fairoakscap.com

Fund facts

Legal Structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch Date	13/09/2016
Fund Size	€660.7m
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.

3. Standard & Poor's. Data is as of 31-Jan-14. Default rate = number of ratings that had ratings lowered to D divided by the total number of ratings.

4. JP Morgan leveraged loan default rates for 2007, 2008, 2009, 2010 and 2011 were 0.2%, 3.7%, 12.8%, 1.8% and 0.4% respectively.

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

Portfolio metrics

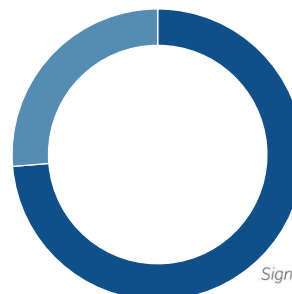
No. of positions:	119
Expected average life:	4.3 yr
Yield to expected call ⁶ :	Libor+5.04%
Floating rate (%):	100%
Fixed rate (%):	0%

5. Based on current valuation of the asset in the Fund's currency.

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

Geographic breakdown

- EUR (74%)
- USD (26%)

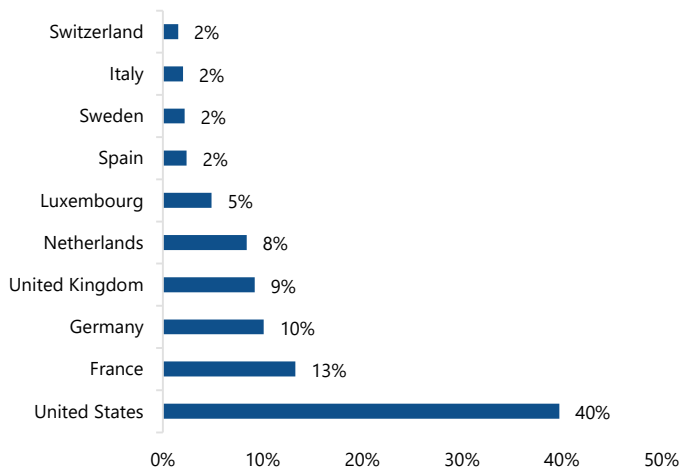


Signatory of:

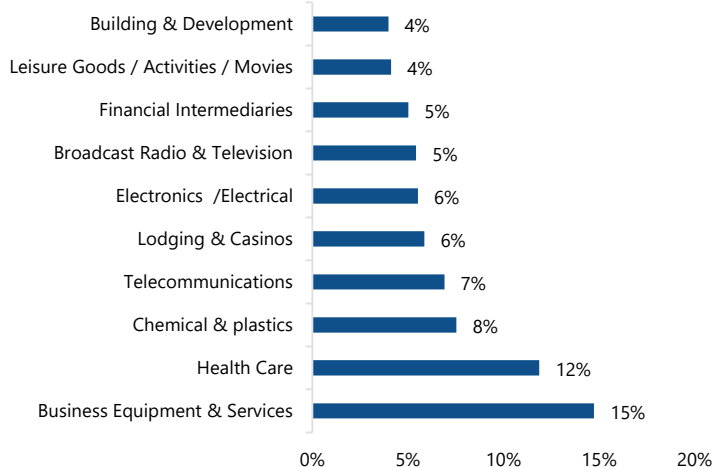
PRI Principles for Responsible Investment



Look-through geographic breakdown (top 10)¹



Look-through industry diversification (top 10)¹



Share class performance²

	ISIN	Bloomberg ticker	NAV (31-Dec-18)	Total return Monthly	Total return 2018 YTD	Total return ITD (since class launch)	Annualised return (since class launch)	Annualised daily volatility (since class launch)
Class M GBP	LU1344623613	FODCFMG	1051.09	-3.0%	-1.5%	5.1%	2.2%	1.4%
Class M EUR	LU1344623373	FODCFME	1035.36	-3.1%	-2.5%	3.5%	1.6%	1.4%
Class E EUR	LU1344621674	FODCFEE	1027.61	-3.1%	-2.8%	2.8%	1.2%	1.4%
Class E GBP	LU1344621831	FODCFEG	1043.61	-3.0%	-1.9%	4.4%	1.9%	1.4%
Class E2 GBP	LU1628743905	FODCFE2G	964.85	-3.0%	-1.8%	0.8%	0.5%	1.3%
Class E USD	LU1344621757	FODCFEU	1077.32	-2.8%	-0.2%	7.7%	3.3%	1.4%
Class E CHF	LU1344621914	FODCFEC	1012.69	-3.2%	-3.3%	1.3%	0.6%	1.4%
Class N EUR	LU1539542248	FODCFNE	952.45	-3.1%	-2.7%	2.9%	1.4%	1.4%
Class O EUR	LU1570265261	FODCFOE	983.59	-3.1%	-2.9%	0.7%	0.4%	1.4%
Class P GBP	LU1590456338	FODCFPG	957.41	-3.0%	-1.9%	1.1%	0.7%	1.3%
Class D ILS	LU1577731786	FODCFDS	4940.18	-3.1%	-3.2%	-1.2%	-0.7%	1.3%
Class A EUR	LU1344614893	FODCFAE	985.23	-3.1%	-3.1%	-1.5%	-1.1%	1.4%
Class A GBP	LU1344615270	FODCFAG	977.92	-3.0%	-2.2%	-2.2%	-2.1%	1.6%
Class L2 GBP	LU1683328667	FODCFLE2G	963.84	-3.0%	-2.0%	-0.6%	-0.5%	1.4%
Class Q SEK	LU1886619987	FODCFQE	9607.54	-3.1%	-3.9%	-3.9%	NM	NM
Class Q EUR	LU1902638607	FODCFQS	969.61	-3.0%	-3.0%	-3.0%	NM	NM

Monthly performance (M EUR Class)³

										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	Sep-18	Oct-18	Nov-18	Dec-18	2018	ITD	
+0.38%	+0.25%	+0.16%	-0.24%	+0.24%	-0.13%	+0.06%	+0.31%	0.00%	+0.12%	-0.51%	-3.07%	-2.46%	+3.54%	

Maximum weekly return:	+1.00%	% Positive or unchanged weeks:	+72.81%
Largest weekly drawdown:	-2.17%	Average weekly return (positive or unchanged weeks):	+0.10%
		Average weekly return (negative weeks):	-0.16%

1. Based on total gross assets in underlying bank loan portfolios. Source: Intex.
 2. NAVs calculated net of fees.
 3. Fair Oaks Capital; the M EUR Class is the earliest class with the longest track record.





FAIR OAKS
DYNAMIC CREDIT

FOR INSTITUTIONAL AND WELL-INFORMED INVESTORS ONLY. NO OTHER PERSONS SHOULD RELY ON THE INFORMATION CONTAINED WITHIN THIS REPORT.

This report relates to the Fair Oaks Dynamic Credit Fund (the "Sub-Fund"), a sub-fund of Alpha UCITS SICAV. In making any investment in the Sub-Fund, investors should rely solely on the Prospectus and the Key Investor Information Document (available from the Investment Manager, Fair Oaks Capital Limited) and not any information set out in this report. The distribution of this report in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this report may come should inform themselves about and observe any such restrictions. In particular this report is not for distribution in or into the United States or Canada.

Important Risk Disclaimers: Past performance is no indication of future results. Inherent in any investment is the potential for loss. Target returns and distributions are hypothetical targets only and are neither guarantees nor predictions or projections of future performance. There can be no assurance that such targeted returns will be achieved or that the Sub-Fund will be able to implement its investment strategy, achieves its investment objective or avoid substantial losses.

Swiss Investors: The distribution of the Sub-Fund is restricted exclusively to qualified investors in accordance with art. 10 para.3 of the Swiss Collective Investment Schemes Act. This report constitutes marketing information. Investment in investment funds is subject to market risks. Past performance results are no indication of future results. Performance results referring to a period of less than twelve months are no reliable indicator for future results due to the short comparison period. Issuance and redemption commissions are not included in the performance figures. For interested parties, the Prospectus, Key Investor Information Documents (KIID), the articles of association as well as the annual and semi-annual reports may be obtained free of charge from the Swiss representative and paying agent in Switzerland: RBC Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Badenerstrasse 567, P.O.Box 1292, CH-8048 Zurich.

This report has been communicated by Fair Oaks Capital Limited, 1 Albemarle Street, London W1S 4HA, authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 604090.



FAIR OAKS
CAPITAL

1 Albemarle Street
London W1S 4HA
IR@fairoakscap.com

Signatory of:

