



**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 total return was +0.68% in December (see performance table) taking 2019 performance to +4.79%<sup>1</sup>. The European BBB Corporate Bond index was up +0.10% in the month and +8.00% for the year while the European High Yield index was up +1.14% in the month and +11.03% for the year<sup>2</sup>. The European Leveraged Loan index was up +0.61% in the month and +4.78% for the year<sup>2</sup>.

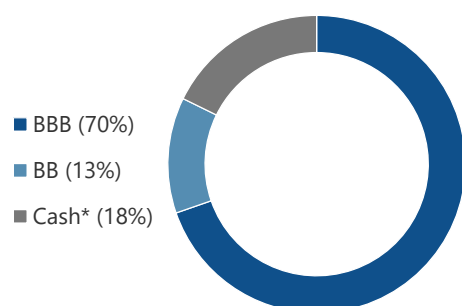
Global CLO new issuance was \$152 billion in 2019 with European CLO new issuance reaching a post-crisis record of \$33 billion<sup>3</sup>. Sell-side research forecasts a reduction of new issue supply in the US and Europe (\$80-100 billion and c.€25 billion respectively<sup>4</sup>), which we believe is likely to result in tighter spreads.

We retained a larger than usual cash balance in December as an option to potentially take advantage of year-end volatility, which ultimately did not transpire. We expect this balance to normalise shortly. At the end of December, BBB European CLO notes were offering a yield pick-up of 3.28% to the European BBB 5-7 year corporate bond index<sup>5</sup>. Given attractive relative value of CLO mezzanine and lower predicted CLO issuance supply in 2020, we expect another year of strong performance for the Fund.

## TOP 5 POSITIONS<sup>7</sup>

| Deal Name       | Rating (M/S/F) | CLO Manager              | % of NAV |
|-----------------|----------------|--------------------------|----------|
| VOYE 1X D       | Baa2/NR/BBB    | Voya Alternative AM      | 2.4%     |
| ARESE 9X D      | Baa2/BBB/NR    | Ares Management          | 2.4%     |
| OZLME 4X D      | Baa2/NR/BBB-   | Och Ziff                 | 2.4%     |
| EGLXY 2018-6X D | Baa2/BBB/NR    | PineBridge Investments   | 2.2%     |
| ALME 4X DR      | Baa2/NR/BBB    | Apollo Global Management | 2.1%     |

## RATING BREAKDOWN<sup>7</sup>



\*Cash and cash equivalents

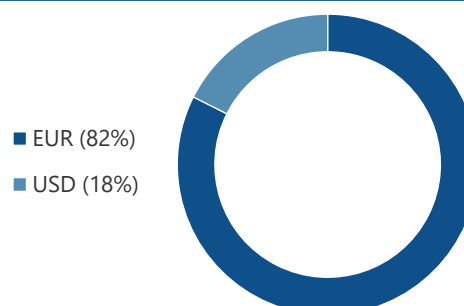
## FUND FACTS

|                                  |   |
|----------------------------------|---|
| Legal structure                  | Luxembourg SICAV-Alpha UCITS SICAV  |
| Domicile                         | Luxembourg  |
| Launch date                      | 13/09/2016  |
| Fund size                        | €537.6m   |
| Dealing                          | Weekly (Wednesdays)   |
| Valuations                       | Daily non-dealing and weekly dealing NAVs                                 |
| Target gross return <sup>6</sup> | Euribor +5% p.a.<br>(see share class KIIDs for TER details <sup>6</sup> ) |
| Base currency                    | EUR   |
| Investment manager               | Fair Oaks Capital Limited ("Fair Oaks")                                   |
| Management company               | MDO Management Company S.A.   |
| Administrator / custodian        | RBC Investor Services Bank S.A.   |
| Auditor                          | Ernst & Young S.A.  |

## PORTFOLIO METRICS

|                                       |             |
|---------------------------------------|-------------|
| Number of positions:                  | 73          |
| Expected average life:                | 3.7 year    |
| Yield to expected call <sup>8</sup> : | Libor+4.49% |
| Floating rate (%):                    | 100%        |
| Fixed rate (%):                       | 0%          |

## GEOGRAPHIC BREAKDOWN<sup>7</sup>

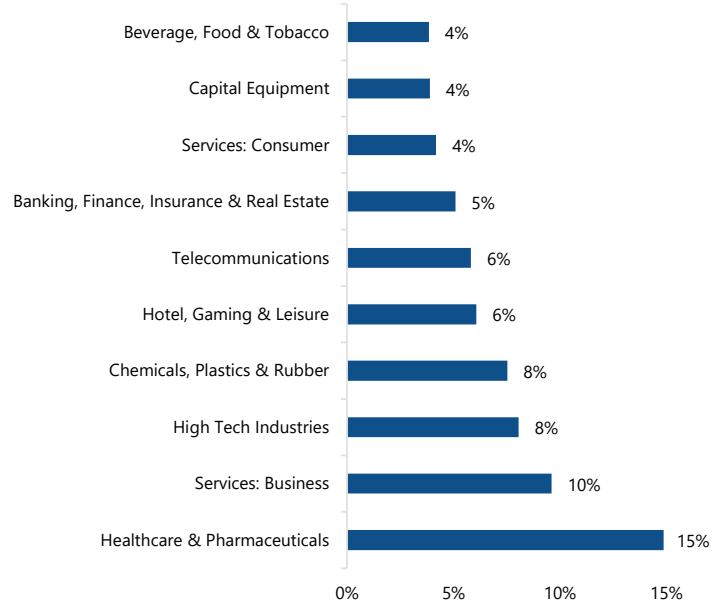
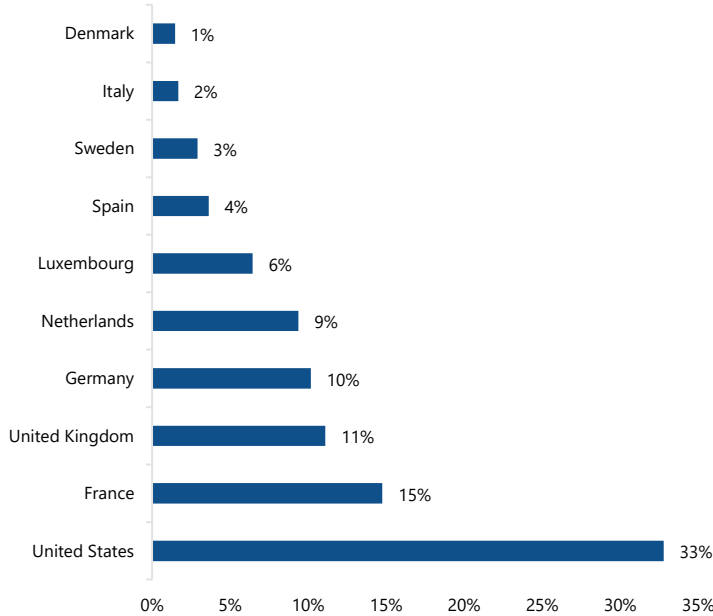




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LOOK-THROUGH GEOGRAPHIC BREAKDOWN (TOP 10)<sup>9</sup>

LOOK-THROUGH INDUSTRY DIVERSIFICATION (TOP 10)<sup>9,10</sup>



SHARE CLASS PERFORMANCE<sup>11</sup>

|              | LAUNCH DATE | ISIN         | BLOOMBERG TICKER | NAV (31-Dec-19) | TOTAL RETURN MONTHLY | TOTAL RETURN 2019 YTD | ANNUALISED RETURN (SINCE CLASS LAUNCH) | ANNUALISED DAILY VOLATILITY (SINCE CLASS LAUNCH) |
|--------------|-------------|--------------|------------------|-----------------|----------------------|-----------------------|--|--|
| Class M EUR  | Oct-16      | LU1344623373 | FODCFME          | 1,088.89        | 0.72%                | 5.17%                 | <b>2.67%</b>                           | <b>1.48%</b>                                     |
| Class E EUR  | Sep-16      | LU1344621674 | FODCFEE          | 1,077.42        | 0.69%                | 4.85%                 | <b>2.30%</b>                           | <b>1.47%</b>                                     |
| Class L EUR  | Nov-18      | LU1344622219 | FODCFLE          | 1,012.50        | 0.67%                | 4.59%                 | <b>1.15%</b>                           | <b>2.17%</b>                                     |
| Class A EUR  | Aug-17      | LU1344614893 | FODCFAE          | 1,029.66        | 0.60%                | 4.51%                 | <b>1.23%</b>                           | <b>1.49%</b>                                     |
| Class N EUR  | Dec-16      | LU1539542248 | FODCFNE          | 967.68          | 0.69%                | 4.81%                 | <b>2.40%</b>                           | <b>1.48%</b>                                     |
| Class O EUR  | Mar-17      | LU1570265261 | FODCFOE          | 997.13          | 0.67%                | 4.46%                 | <b>1.79%</b>                           | <b>1.47%</b>                                     |
| Class R EUR  | Dec-19      | LU1892529196 | FODCFRE          | 1,005.76        | -                    | -                     | -                                      | -  |
| Class S EUR  | Sep-19      | LU1892528388 | FODCFSE          | 1,002.52        | -                    | -                     | -                                      | -  |
| Class E GBP  | Sep-16      | LU1344621831 | FODCFEG          | 1,105.80        | 0.80%                | 5.96%                 | <b>3.12%</b>                           | <b>1.48%</b>                                     |
| Class E2 GBP | Jun-17      | LU1628743905 | FODCE2G          | 990.47          | 0.80%                | 5.93%                 | <b>2.15%</b>                           | <b>1.50%</b>                                     |
| Class L2 GBP | Sep-17      | LU1683328667 | FODCL2G          | 988.88          | 0.77%                | 5.66%                 | <b>2.09%</b>                           | <b>1.71%</b>                                     |
| Class A GBP  | Dec-17      | LU1344615270 | FODCFAG          | 1,026.92        | 0.74%                | 5.01%                 | <b>1.31%</b>                           | <b>1.61%</b>                                     |
| Class P GBP  | Apr-17      | LU1590456338 | FODCFPG          | 982.83          | 0.78%                | 5.81%                 | <b>2.48%</b>                           | <b>1.46%</b>                                     |
| Class E USD  | Sep-16      | LU1344621757 | FODCFEU          | 1,162.03        | 0.95%                | 7.86%                 | <b>4.69%</b>                           | <b>1.48%</b>                                     |
| Class A USD  | Aug-19      | LU1344622219 | FODCFAU          | 1,014.09        | -                    | -                     | -                                      | -  |
| Class R USD  | Dec-19      | LU1892529279 | FODCFRU          | 1,007.06        | -                    | -                     | -                                      | -  |
| Class S USD  | Dec-19      | LU1892528461 | FODCFSU          | 1,008.13        | -                    | -                     | -                                      | -  |
| Class E CHF  | Sep-16      | LU1344621914 | FODCFEC          | 1,055.95        | 0.63%                | 4.27%                 | <b>1.68%</b>                           | <b>1.47%</b>                                     |
| Class R CHF  | Dec-19      | LU1892529436 | FODCFRC          | 1,005.43        | -                    | -                     | -                                      | -  |
| Class S CHF  | Dec-19      | LU1892528545 | FODCFSC          | 1,005.94        | -                    | -                     | -                                      | -  |
| Class D ILS  | May-17      | LU1577731786 | FODCFDS          | 5,181.47        | 0.70%                | 4.88%                 | <b>1.38%</b>                           | <b>1.46%</b>                                     |
| Class Q SEK  | Oct-18      | LU1886619987 | FODCFQS          | 10,064.98       | 0.68%                | 4.76%                 | <b>0.56%</b>                           | <b>2.36%</b>                                     |



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## MONTHLY PERFORMANCE (M EUR CLASS)<sup>12</sup>

NB. Class M shares are currently closed for investment, see footnote for details

|        |        |        |        |        |        |        |        |        |        | 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% |        |
| Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | 2019   | ITD    |        |
| +1.55% | -0.07% | +1.29% | +0.93% | +0.74% | -0.32% | 0.45%  | -0.06% | +0.17% | -0.80% | +0.47% | +0.72% | +5.17% | +8.89% |        |

|                          |        |  |         |
|--------------------------|--------|--|---------|
| Maximum weekly return:   | +1.26% | % Positive or unchanged weeks:                       | +70.73% |
| Largest weekly drawdown: | -2.17% | Average weekly return (positive or unchanged weeks): | +0.14%  |
|                          |        | Average weekly return (negative weeks):              | -0.17%  |

### FOOTNOTES:

- (1) Average performance of the EUR share classes, weighted by closing number of shares as of 31-Dec-19. This excludes share classes with less than one year performance.
- (2) Source: JP Morgan: European BBB 5-7 year corporate bond index, European High Yield index and European Leveraged Loan index as of 31-Dec-19.
- (3) JP Morgan CLO new issuance report as of 31-Dec-19.
- (4) Source: BAML, Barclays, BNP, JP Morgan, Wells Fargo and Morgan Stanley.
- (5) Source: JP Morgan: European BBB primary CLO spreads and European BBB 5-7 year corporate bond index.
- (6) Target gross return is before Fund expenses and management fees. Share class KIIDs including TERs are available on Management Company's MDO website (<http://www.mdo-manco.com/en/fund-documents>).
- (7) Based on the current valuation of the assets in the Fund's base currency at month-end. Due to rounding errors, the percentages in rating breakdown and geographic breakdown may not sum to 100%. Geographic breakdown of CLO investments excludes cash balance.
- (8) Weighted average yield to expected call of investments, before Fund fees and expenses.
- (9) Based on total gross assets in underlying bank loan portfolios. Source: Intex. Data as of 31-Dec-19.
- (10) Based on Moody's classification of the loan issuers. Data as of 31-Dec-19.
- (11) NAVs calculated net of fees. Performance information for some of the share classes (Class A USD, R EUR, R USD, R CHF, S EUR, S USD and S CHF) are unavailable as they do not have a 12-month track record.
- (12) Fair Oaks' data. Performance is from the launch of M EUR and is net of fees. The M Share Class is the earliest share class with the longest track record (M GBP shares launched Sep-16 and M EUR shares launched in Oct-16) and is no longer available for new investment.

### CONTACT INFORMATION:



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Signatory of:



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