



## 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 total return was +0.1%<sup>1</sup> (M EUR share class\*) in September, compared with +0.2% for the J.P. Morgan CLOIE USD BBB Index and -0.2% for the EUR BBB Corporate Index. The Fund's year-to-date return is +2.9%, compared with +4.0% for the JP Morgan CLOIE USD BBB Index and +0.5% for the EUR BBB Corporate Index.

The gross yield to expected maturity of the portfolio rose from 4.3% to 4.4% in September while the yield of BBB rated European corporate bonds increased by 10 bps to 0.14%<sup>2</sup> and the yield for BB rated European loans remained unchanged at 3.0%<sup>3</sup> in the same period.

The trailing 12-month loan default rate continued to fall in September from 0.5% to 0.4% in the US (lowest level since August 2011) and from 1.1% to 0.8% in Europe<sup>3</sup>. The distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) decreased from 1.3% to 0.7% in the US and was unchanged at 1.2% in Europe<sup>4</sup>.

New issue CLO volumes continue to be strong with \$17.4 billion worth of new issues in the US. Europe's new issue activity accelerated in September, with €4.1 billion worth of new CLO issue pricing (up from €1.6 billion last month). Year-to-date, new issue volumes have reached \$129.8 billion and €25.7 billion, compared to \$61.8 billion and €14.7 billion in the same period in 2020<sup>4</sup>.

Despite the significant new issue volumes, AAA CLO new issue levels were unchanged in September in the US (Libor+1.19%) and 3 bps tighter in Europe (Euribor+1.01%). New issue BBB CLO spreads were unchanged in September in the US (Libor+3.28%) and tightened from Euribor+3.30% to Euribor+3.18% in Europe<sup>5</sup>.

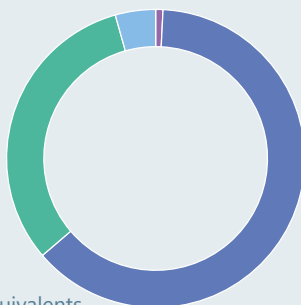
Secondary activity in European BBB CLO notes was very limited in Europe in September with most investors focused on the active primary pipeline. Secondary EUR BBB spreads, particularly for callable bonds, lagged. We believe that the market failed to factor the higher probability of an early call for CLO notes trading at a discount to par (and the resulting "pull to par" effect), driven by tighter AAA primary spreads.

## Top 5 positions<sup>9</sup>

| Deal name         | Rating (M/S/F) | CLO manager            | % of NAV |
|-------------------|----------------|------------------------|----------|
| MDPKE 17X D       | Baa3/NR/BBB    | CSAM                   | 3.6%     |
| ARESE 9X D        | Baa2/BBB/NR    | Ares Management        | 2.7%     |
| TIKEH 2015-1X DRR | Baa3/NR/BBB-   | Tikehau Capital        | 2.4%     |
| EGLXY 2018-6X D   | Baa2/BBB/NR    | PineBridge Investments | 2.3%     |
| OCPE 2017-2X D    | Baa2/BBB/NR    | Onex Credit Partners   | 2.0%     |

## Rating breakdown<sup>9,10</sup>

- A (1%)
- BBB (63%)
- BB (32%)
- Cash\* (4%)



\*\*Cash and cash equivalents

Please refer to the footnotes the important information on page 3. Past performance is no indication of future results. Inherent in any investment is the potential for loss. \*Class M is the initial share class of the Fund with the longest track record, but is no longer available for new investment.

## Fund facts

Data as of 30-Sep-21

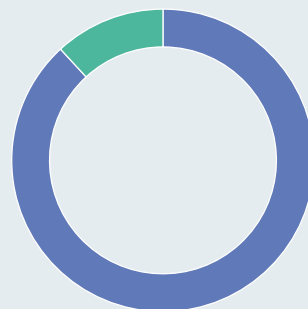
|                                  |   |
|----------------------------------|---|
| Legal structure                  | Luxembourg SICAV-Alpha UCITS SICAV                          |
| Domicile                         | Luxembourg  |
| Launch date                      | 13-Sep-16   |
| Fund size                        | €488.6m   |
| Dealing                          | Weekly (Wednesdays)   |
| Valuations                       | Daily non-dealing and weekly dealing NAVs                   |
| Target gross return <sup>8</sup> | Euribor + 5% p.a.<br>(see share class KIDS for TER details) |
| Base currency                    | EUR   |
| Investment manager               | Fair Oaks Capital Limited ("Fair Oaks")                     |
| Management company               | Waystone Management Company S.A.                            |
| Administrator / custodian        | RBC Investor Services Bank S.A.                             |
| Auditor                          | Deloitte Audit Sàrl   |

## Portfolio metrics

|  |       |
|--|-------|
| Number of positions:   | 96    |
| Yield to maturity <sup>6</sup> :<br>(based on expected average life of 6.2 years)      | +4.4% |
| Yield to expected call <sup>6</sup> :<br>(based on expected average life of 2.7 years) | +4.7% |
| Floating rate:   | 100%  |
| Euribor floor (at zero):   | 100%  |

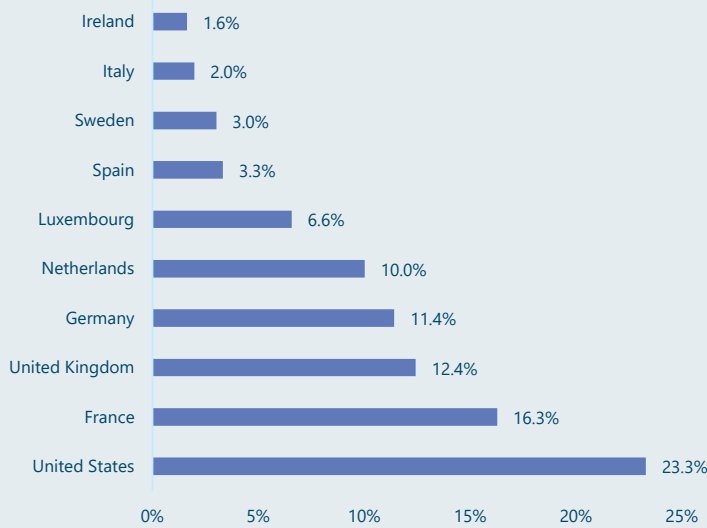
## Currency breakdown<sup>9,10</sup>

- EUR (88%)
- USD (12%)

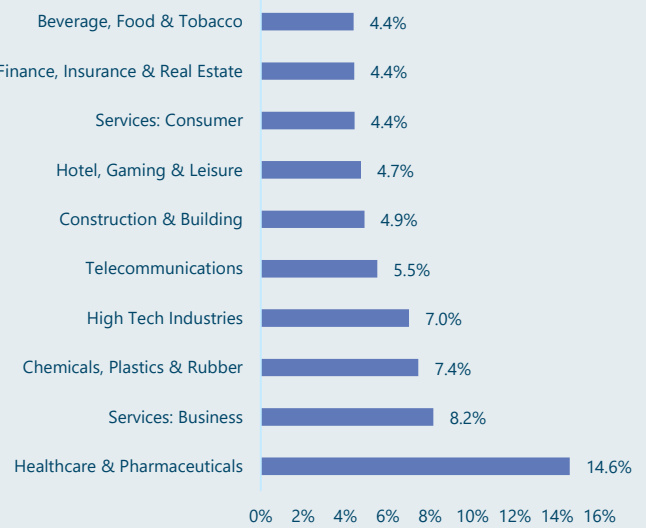




Look-through geographic breakdown (top 10)<sup>7</sup>



Look-through industry diversification (top 10)<sup>7,11</sup>



Monthly performance<sup>12</sup>

|                          |        |         |        |         |        |        |        |  |        |        | 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% |         |        |
| Jan-20                   | Feb-20 | Mar-20  | Apr-20 | May-20  | Jun-20 | Jul-20 | Aug-20 | Sep-20   | Oct-20 | Nov-20 | Dec-20 | 2020    | ITD    |         |        |
| +1.92%                   | -1.13% | -27.19% | +6.44% | +16.06% | +4.29% | -1.27% | +2.31% | +0.75%   | +0.21% | +3.49% | +0.78% | +0.53%  | +9.46% |         |        |
| Jan-21                   | Feb-21 | Mar-21  | Apr-21 | May-21  | Jun-21 | Jul-21 | Aug-21 | Sep-21   |        |        |        |         | 2021   | ITD     |        |
| +0.95%                   | -0.15% | -0.03%  | +0.67% | +0.37%  | +0.38% | +0.49% | +0.15% | +0.06%   |        |        |        |         | +2.94% | +12.68% |        |
| Maximum weekly return:   |        |         |        | +9.51%  |        |        |        | % Positive or unchanged weeks:                       |        |        |        | +71.94% |        |         |        |
| Largest weekly drawdown: |        |         |        | -15.16% |        |        |        | Average weekly return (positive or unchanged weeks): |        |        |        | +0.37%  |        |         |        |
|                          |        |         |        |         |        |        |        | Average weekly return (negative weeks):              |        |        |        | -0.74%  |        |         |        |

Contact information:





## Share class performance<sup>13</sup>

|              | LAUNCH DATE | ISIN         | BLOOMBERG TICKER | NAV (30-Sep-21) | TOTAL RETURN MONTHLY | TOTAL RETURN 2021 YTD | ANNUALISED RETURN (SINCE CLASS LAUNCH) | ANNUALISED DAILY VOLATILITY (SINCE CLASS LAUNCH) |
|--------------|-------------|--------------|------------------|-----------------|----------------------|-----------------------|--|--|
| Class M EUR  | Oct-16      | LU1344623373 | FODCFME          | 1,126.77        | +0.06%               | +2.94%                | <b>+2.42%</b>                          | <b>9.53%</b>                                     |
| Class E EUR  | Sep-16      | LU1344621674 | FODCFEE          | 1,108.80        | +0.03%               | +2.71%                | <b>+2.08%</b>                          | <b>9.49%</b>                                     |
| Class L EUR  | Nov-18      | LU1344622219 | FODCFLE          | 1,037.44        | +0.01%               | +2.51%                | <b>+1.30%</b>                          | <b>12.62%</b>                                    |
| Class A EUR  | Aug-17      | LU1344614893 | FODCFAE          | 1,052.41        | +0.01%               | +2.26%                | <b>+1.24%</b>                          | <b>10.43%</b>                                    |
| Class N EUR  | Dec-16      | LU1539542248 | FODCFNE          | 946.00          | +0.03%               | +2.69%                | <b>+2.18%</b>                          | <b>9.75%</b>                                     |
| Class O EUR  | Mar-17      | LU1570265261 | FODCFOE          | 956.87          | +0.01%               | +2.51%                | <b>+1.66%</b>                          | <b>10.02%</b>                                    |
| Class R EUR  | Dec-19      | LU1892529196 | FODCFRE          | 1,013.90        | -0.07%               | +1.82%                | <b>+0.77%</b>                          | <b>15.78%</b>                                    |
| Class R2 EUR | -           | LU1892529519 | -                | -               | -                    | -                     | -                                      | -  |
| Class S EUR  | Sep-19      | LU1892528388 | FODCFSE          | 1,027.13        | +0.01%               | +2.52%                | <b>+1.35%</b>                          | <b>14.97%</b>                                    |
| Class S2 EUR | -           | LU1892528628 | -                | -               | -                    | -                     | -                                      | -  |
| Class E GBP  | Sep-16      | LU1344621831 | FODCFEG          | 1,139.63        | +0.07%               | +3.10%                | <b>+2.64%</b>                          | <b>9.58%</b>                                     |
| Class E2 GBP | Jun-17      | LU1628743905 | FODCE2G          | 971.09          | +0.07%               | +2.98%                | <b>+2.22%</b>                          | <b>10.36%</b>                                    |
| Class L GBP  | Nov-19      | LU1344622482 | FODCFLG          | 1,038.84        | +0.05%               | +2.87%                | <b>+2.05%</b>                          | <b>15.56%</b>                                    |
| Class L2 GBP | Sep-17      | LU1683328667 | FODCL2G          | 969.49          | +0.05%               | +2.84%                | <b>+1.89%</b>                          | <b>10.66%</b>                                    |
| Class A GBP  | Dec-17      | LU1344615270 | FODCFAG          | 1,054.09        | +0.05%               | +2.66%                | <b>+1.40%</b>                          | <b>11.03%</b>                                    |
| Class T GBP  | Jul-21      | LU2349357983 | FODCF TG         | 1,004.04        | -                    | -                     | -                                      | -  |
| Class E USD  | Sep-16      | LU1344621757 | FODCFEU          | 1,222.66        | +0.08%               | +3.18%                | <b>+4.08%</b>                          | <b>9.52%</b>                                     |
| Class L USD  | Feb-20      | LU1344622300 | FODCF LU         | 1,023.90        | +0.06%               | +2.99%                | <b>+1.44%</b>                          | <b>15.43%</b>                                    |
| Class A USD  | Aug-19      | LU1344615197 | FODCF AU         | 1,058.87        | +0.05%               | +2.71%                | <b>+2.70%</b>                          | <b>14.47%</b>                                    |
| Class R USD  | Dec-19      | LU1892529279 | FODCF RU         | 1,037.50        | -0.02%               | +2.29%                | <b>+2.06%</b>                          | <b>15.81%</b>                                    |
| Class R2 USD | -           | LU1892529600 | -                | -               | -                    | -                     | -                                      | -  |
| Class S USD  | Dec-19      | LU1892528461 | FODCF SU         | 1,055.79        | +0.05%               | +3.00%                | <b>+3.02%</b>                          | <b>15.70%</b>                                    |
| Class S2 USD | -           | LU1892528891 | -                | -               | -                    | -                     | -                                      | -  |
| Class E CHF  | Sep-16      | LU1344621914 | FODCF EC         | 1,077.66        | +0.00%               | +2.42%                | <b>+1.50%</b>                          | <b>9.51%</b>                                     |
| Class A CHF  | Feb-20      | LU1344615353 | FODCF AC         | 996.30          | -0.02%               | +2.23%                | <b>-0.23%</b>                          | <b>15.43%</b>                                    |
| Class R CHF  | Dec-19      | LU1892529436 | FODCF RC         | 1,005.83        | -0.09%               | +1.56%                | <b>+0.32%</b>                          | <b>15.81%</b>                                    |
| Class R2 CHF | -           | LU1892529782 | -                | -               | -                    | -                     | -                                      | -  |
| Class S CHF  | Dec-19      | LU1892528545 | FODCF SC         | 1,023.24        | -0.02%               | +2.27%                | <b>+1.28%</b>                          | <b>15.80%</b>                                    |
| Class S2 CHF | -           | LU1892528974 | -                | -               | -                    | -                     | -                                      | -  |
| Class D ILS  | May-17      | LU1577731786 | FODCF DS         | 5,312.38        | +0.01%               | +2.12%                | <b>+1.40%</b>                          | <b>10.31%</b>                                    |
| Class Q SEK  | Oct-18      | LU1886619987 | FODCF QS         | 10,330.42       | +0.04%               | +2.73%                | <b>+1.12%</b>                          | <b>12.55%</b>                                    |

## Footnotes

- (1) Fair Oaks' data. Performance is 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.
- (2) Source: JP Morgan - EUR BBB corporate index (3-5 year maturity)
- (3) Source: S&P Global Market Intelligence. Euro and US loan index lagging 12-month loan default rate based on Principal Amount.
- (4) Source: S&P Global Market Intelligence.
- (5) Source: JP Morgan - Primary CLO spreads.
- (6) Source: Intex. Weighted average yield of portfolio, before Fund fees expenses and currency hedging. Call is assumed one year after the end of each CLO's reinvestment period. Note the expected call timing might be unrealistic for some shorter-dated notes in the current market environment.
- (7) Based on the par value of loans to issuers in the underlying bank loan portfolios. This analysis excludes recent purchases that have not settled in the reporting month. Source: Intex. Data as of 30-Sep-21.
- (8) Target gross return is before Fund expenses and management fees. Share class KIID's including TERs are available on Management Company's MDO website (<http://www.mdo-manco.com/en/fund-documents>).
- (9) Based on the current valuation of the assets in the Fund's base currency at month-end.
- (10) Due to rounding errors, the percentages may not sum to 100%. Currency breakdown of CLO investments excludes cash balance.
- (11) Based on Moody's classification of the loan issuers. This analysis excludes recent purchases that have not settled in the reporting month. Data as of 30-Sep-21.
- (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.
- (13) NAVs calculated net of fees. Share classes R2 and S2 have not launched as of the reporting month.

Please refer to the footnotes the important information on page 3. Past performance is no indication of future results. Inherent in any investment is the potential for loss.



## Disclaimer:

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CLASS S AND CLASS R SHARES ARE AVAILABLE TO RETAIL INVESTORS. ALL OTHER SHARE CLASSES AVAILABLE TO INSTITUTIONAL AND WELL-INFORMED INVESTORS. NO OTHER PERSONS SHOULD RELY ON THE INFORMATION CONTAINED WITHIN THIS REPORT.

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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.

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