



## 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 December, outperforming the J.P. Morgan CLOIE USD BBB Index (-0.3%) and the EUR BBB Corporate Index (+0.1%).

The Fund generated a +3.6% total net return in 2021, with a volatility of 1.1%, compared with a -0.2% (gross) return and 1.2% volatility for the EUR BBB Corporate Index and a 4.4% (gross) return and 1.4% volatility for the European High Yield Index.

The gross yield to expected maturity of the portfolio increased to 4.5% in December while the yield of BBB rated European corporate bonds fell by 1 bp to 0.35%<sup>2</sup> and the yield for BB rated European loans increased from 3.0% to 3.1%<sup>3</sup>.

The trailing 12-month loan default rate remained unchanged in the US in December, at 0.29% and was marginally lower in Europe, at 0.62%<sup>3</sup> (down from 0.75% at the end of November). The distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) fell from 1.12% to 0.99% in the US and continued to decline further in Europe to 0.57% from 0.87%<sup>4</sup>.

New issue CLO volumes slowed down in December (\$10 billion worth of new issues in the US and €1 billion in Europe) but 2021 has been a record year for CLO new issuance in the US (\$187 billion) and Europe (€39 billion). Initial expectations for primary issuance in 2022 range from \$155 to \$160 billion in the US and from €30 to €37 billion in Europe<sup>4</sup>.

Looking forward to 2022, we believe the Fund is well positioned to address three key potential challenges:

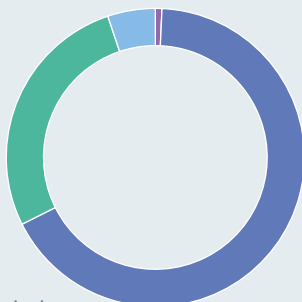
- Direct impact of COVID-19, potential inflationary pressures and supply chain issues. CLO mezzanine benefits from diversified portfolios of senior secured bank loans. Exposure to sectors such as leisure or travel is limited, given diversification criteria and active management. The fundamental strength of CLO BBB notes is supported by their historical cumulative default rate of 0.7% between 1997 and 2020.
- Interest rate increases. CLO notes are floating rate securities and, as such, are only marginally impacted by rate increases.
- Valuations. Despite strong valuations in credit markets (European BBB and high yield bonds currently trading at yields of 0.3% and 3.2% compared to five-year averages of 0.5% and 4.3% respectively), European BBB CLOs are still trading at a spread in line with its five-year average (3.5%)<sup>5</sup>.

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

Deal name	Rating (M/S/F)	CLO manager	% of NAV
MDPKE 17X D	Baa3/NR/BBB	CSAM	3.2%
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.4%
EGLXY 2018-6X D	Baa2/BBB/NR	PineBridge Investments	2.1%
TIKEH 2015-1X DRR	Baa3/NR/BBB-	Tikehau Capital Europe	2.1%
TIKEH 6X D	Baa3/NR/BBB-	Tikehau Capital Europe	1.8%

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

- A (1%)
- BBB (67%)
- BB (27%)
- Cash\* (5%)



\*\*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 31-Dec-21

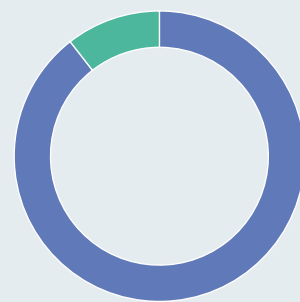
Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€555.9m
Dealing	Weekly (Wednesdays)
Valuations	Daily non-dealing and weekly dealing NAVs
Target gross return <sup>8</sup>	Euribor + 5% p.a. (see share class KIDS for TER details)
Base currency	EUR
Investment 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:	104
Yield to maturity <sup>6</sup> : (based on expected average life of 6.3 years)	+4.5%
Yield to expected call <sup>6</sup> : (based on expected average life of 2.8 years)	+4.6%
Floating rate:	100%
Euribor floor (at zero):	100%

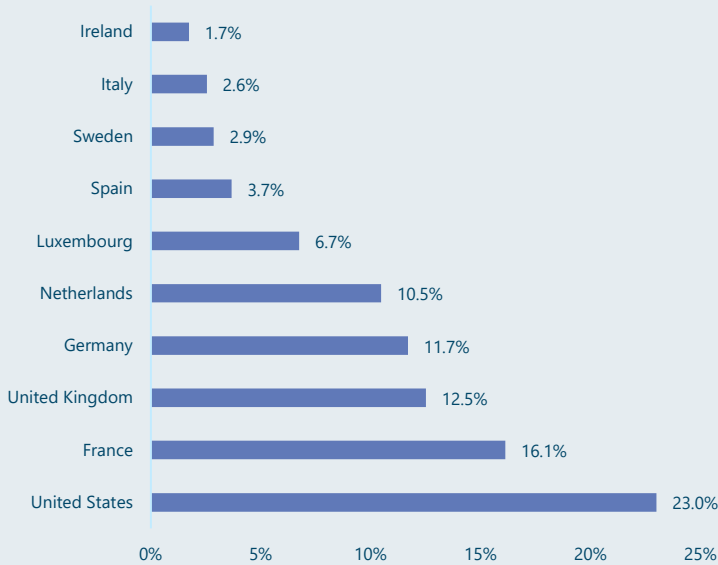
## Currency breakdown<sup>9,10</sup>

- EUR (89%)
- USD (11%)

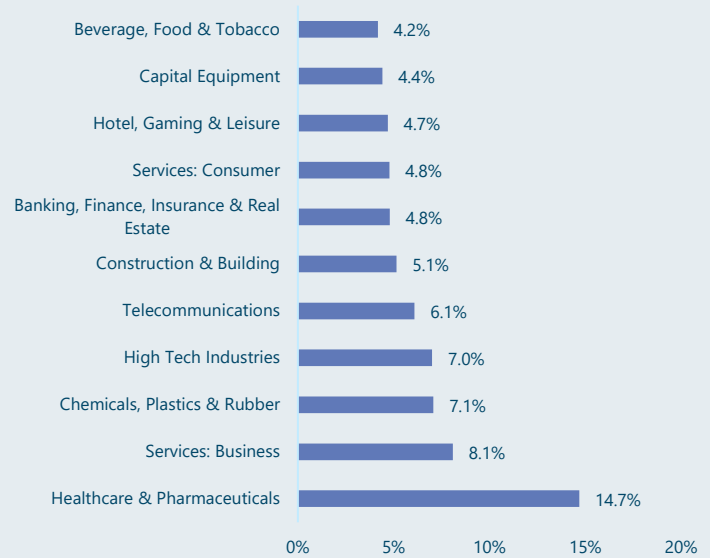




Look-through geographic breakdown (top 10)<sup>7</sup>



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	Oct-21	Nov-21	Dec-21	2021	ITD			
+0.95%	-0.15%	-0.03%	+0.67%	+0.37%	+0.38%	+0.49%	+0.15%	+0.06%	+0.40%	+0.17%	+0.10%	+3.63%	+13.44%			
Maximum weekly return:		+9.51%		% Positive or unchanged weeks:		+72.56%		Average weekly return (positive or unchanged weeks):		+0.35%		Average weekly return (negative weeks):		-0.72%		
Largest weekly drawdown:		-15.16%														

Contact information:





## Share class performance<sup>4,3</sup>

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (31-Dec-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	1,134.39	+0.10%	+3.63%	<b>+2.44%</b>	<b>9.30%</b>
Class E EUR	Sep-16	LU1344621674	FODCFEE	1,115.51	+0.08%	+3.33%	<b>+2.09%</b>	<b>9.27%</b>
Class L EUR	Nov-18	LU1344622219	FODCFLE	1,043.06	+0.06%	+3.07%	<b>+1.37%</b>	<b>12.09%</b>
Class A EUR	Aug-17	LU1344614893	FODCFAE	1,057.54	+0.05%	+2.76%	<b>+1.28%</b>	<b>10.13%</b>
Class N EUR	Dec-16	LU1539542248	FODCFNE	945.47	+0.08%	+3.30%	<b>+2.19%</b>	<b>9.51%</b>
Class O EUR	Mar-17	LU1570265261	FODCFOE	962.06	+0.06%	+3.05%	<b>+1.68%</b>	<b>9.76%</b>
Class R EUR	Dec-19	LU1892529196	FODCFRE	1,016.82	-0.03%	+2.12%	<b>+0.81%</b>	<b>14.77%</b>
Class R2 EUR	-	LU1892529519	-	-	-	-	-	-
Class S EUR	Sep-19	LU1892528388	FODCFSE	1,032.57	+0.06%	+3.07%	<b>+1.44%</b>	<b>14.11%</b>
Class S2 EUR	-	LU1892528628	-	-	-	-	-	-
Class E GBP	Sep-16	LU1344621831	FODCFEG	1,147.69	+0.11%	+3.83%	<b>+2.65%</b>	<b>9.35%</b>
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	971.79	+0.11%	+3.72%	<b>+2.26%</b>	<b>10.07%</b>
Class L GBP	Nov-19	LU1344622482	FODCFLG	1,045.70	+0.09%	+3.55%	<b>+2.12%</b>	<b>14.61%</b>
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	970.03	+0.09%	+3.50%	<b>+1.93%</b>	<b>10.35%</b>
Class A GBP	Dec-17	LU1344615270	FODCFAG	1,060.54	+0.09%	+3.29%	<b>+1.46%</b>	<b>10.68%</b>
Class T GBP	Jul-21	LU2349357983	FODCFTG	1,011.05	-	-	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,232.84	+0.21%	+4.04%	<b>+4.05%</b>	<b>9.29%</b>
Class L USD	Feb-20	LU1344622300	FODCFU	1,031.79	+0.19%	+3.78%	<b>+1.66%</b>	<b>14.49%</b>
Class A USD	Aug-19	LU1344615197	FODCAU	1,066.26	+0.17%	+3.43%	<b>+2.71%</b>	<b>13.68%</b>
Class R USD	Dec-19	LU1892529279	FODCFRU	1,042.68	+0.11%	+2.80%	<b>+2.05%</b>	<b>14.80%</b>
Class R2 USD	-	LU1892529600	-	-	-	-	-	-
Class S USD	Dec-19	LU1892528461	FODCFU	1,063.71	+0.19%	+3.77%	<b>+3.02%</b>	<b>14.71%</b>
Class S2 USD	-	LU1892528891	-	-	-	-	-	-
Class E CHF	Sep-16	LU1344621914	FODCFEC	1,083.39	+0.06%	+2.96%	<b>+1.53%</b>	<b>9.28%</b>
Class A CHF	Feb-20	LU1344615353	FODCFAC	1,000.88	+0.04%	+2.70%	<b>+0.05%</b>	<b>14.49%</b>
Class R CHF	Dec-19	LU1892529436	FODCFRC	1,008.14	-0.04%	+1.79%	<b>+0.40%</b>	<b>14.80%</b>
Class R2 CHF	-	LU1892529782	-	-	-	-	-	-
Class S CHF	Dec-19	LU1892528545	FODCFSC	1,027.96	+0.04%	+2.74%	<b>+1.35%</b>	<b>14.80%</b>
Class S2 CHF	-	LU1892528974	-	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCFDS	5,332.42	-0.03%	+2.51%	<b>+1.41%</b>	<b>10.02%</b>
Class Q SEK	Oct-18	LU1886619987	FODCFQS	10,391.00	+0.04%	+3.33%	<b>+1.22%</b>	<b>12.04%</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.
- (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 31-Dec-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 31-Dec-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.

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## 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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