



## 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 generated a -3.24% net total return in June and -9.74% YTD.<sup>1</sup> The EUR BBB Corporate Index<sup>2</sup> generated a negative gross total return of -2.64% in June and -10.38% year-to-date. European high yield bonds generated a negative return of -6.57%,<sup>2</sup> and the S&P European Leveraged Loan Index posted a negative return of -4.49% in the month.<sup>3</sup>

The gross yield to maturity of the Fund's portfolio has increased from 4.45% at the end of 2021 to 8.18% at the end of June while the gross yield to expected call has increased from 4.62% to 11.08%. The yield of BBB-rated European corporate bonds increased from 0.35% to 3.10% and the yield of the JP Morgan EUR High Yield Index rose from 3.48% to 8.22% in the same period.<sup>2</sup>

The trailing 12-month loan default rate increased from 0.21% to 0.28% in the US and decreased from 0.64% to 0.62% in Europe in June.<sup>3</sup> The distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) increased from 2.53% to 3.65% in the US and from 2.00% to 4.35% in Europe.<sup>4</sup> The percentage of US and European loans rated CCC+ or below, however, continues to be low at 6.86% and 3.66%, slightly down from 7.03% and 3.77% in May.<sup>4</sup>

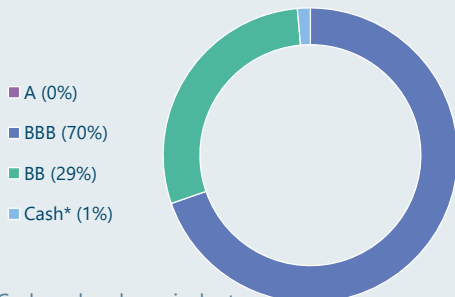
With rising defaults in mind and as concerns mount over macro-economic headwinds, we have run a number stress-test scenarios on the FODC portfolio. Mirroring the conditions of the 2000, 2008 and the Eurozone crises, we input variables including period default rates, recoveries, prepayment rates, CCC loan exposure, reinvestment spread/prices and historical rates. In all three scenarios, the modelled gross IRRs for FODC's portfolio continue to be positive.

Euro BBB and BB rated CLO notes are currently trading at the widest spreads since the global financial crisis, excluding a short window between March and May 2020. Given their fundamental resilience under historical extreme stress scenarios, we believe they represent a compelling opportunity to take advantage of an attractive yield to maturity with significant potential upside if they are called early or spreads normalise.

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

Deal name	Rating (M/S/F)	CLO manager	% of NAV
MDPKE 17X D	Baa3/NR/BBB	CSAM	2.7%
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.6%
EGLXY 2018-6X D	Baa2/BBB/NR	PineBridge Investments	2.3%
TIKEH 2015-1X DRR	Baa3/NR/BBB-	Tikehau Capital Europe	2.2%
OCPE 2017-2X D	Baa2/BBB/NR	Onex Credit Partners	2.0%

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



\*\*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

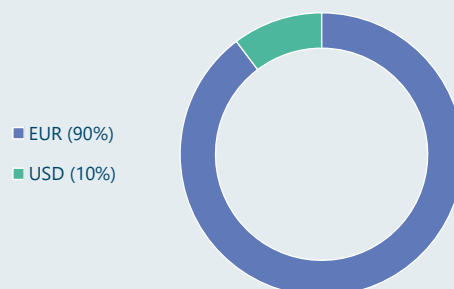
Data as of 30-June-22

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€466.6m
Dealing	Weekly (Wednesdays)
Valuations	Daily non-dealing and weekly dealing NAVs
Target gross return <sup>8</sup>	Euribor + 5% p.a. (see share class KIIDS 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

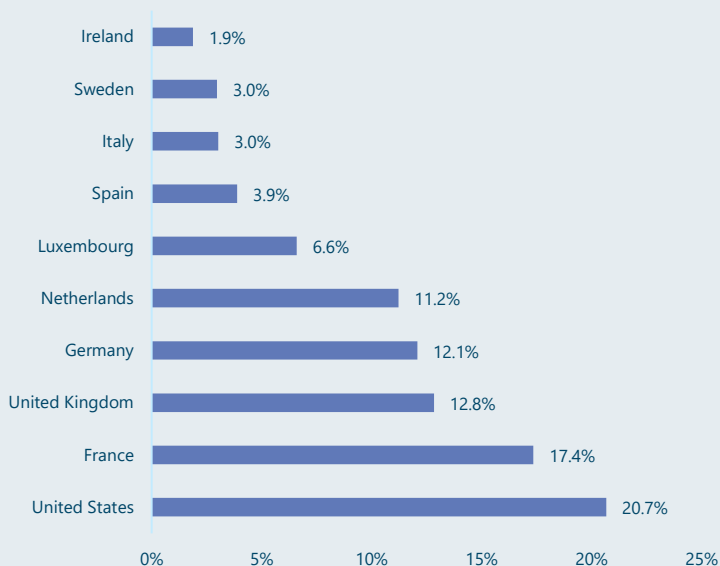
Number of positions:	106
Yield to maturity <sup>5</sup> : (based on expected average life of 6.1 years)	+8.2%
Yield to expected call <sup>5</sup> : (based on expected average life of 2.5 years)	+11.1%
Floating rate:	100%
CLOs with ESG Investment Criteria <sup>6</sup> :	29%

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

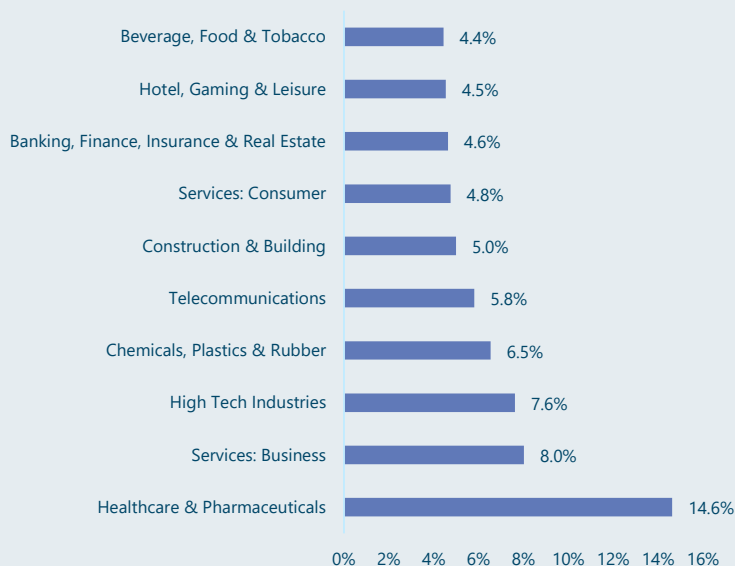




### Look-through geographic breakdown (top 10)<sup>7</sup>



### 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%			
Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22								2022	ITD		
+0.37%	-1.18%	-0.12%	-0.35%	-5.51%	-3.24%								-9.74%	+2.39%		

Maximum weekly return: +9.51%  
Largest weekly drawdown: -15.16%

% Positive or unchanged weeks: +70.21%  
Average weekly return (positive or unchanged weeks): +0.35%  
Average weekly return (negative weeks): -0.74%

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Signatory of:





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

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (30-Jun-22)	TOTAL RETURN MONTHLY	TOTAL RETURN 2022 YTD	ANNUALISED RETURN (SINCE CLASS LAUNCH)	ANNUALISED DAILY VOLATILITY (SINCE CLASS LAUNCH)
Class M EUR	Oct-16	LU1344623373	FODCFME	1,023.89	-3.24%	-9.74%	<b>+0.41%</b>	<b>9.12%</b>
Class E EUR	Sep-16	LU1344621674	FODCFEE	1,005.17	-3.26%	-9.89%	<b>+0.09%</b>	<b>9.09%</b>
Class L EUR	Nov-18	LU1344622219	FODCFLE	938.73	-3.28%	-10.00%	<b>-1.75%</b>	<b>11.53%</b>
Class A EUR	Aug-17	LU1344614893	FODCFAE	951.76	-3.28%	-10.00%	<b>-1.01%</b>	<b>9.86%</b>
Class N EUR	Dec-16	LU1539542248	FODCFNE	839.30	-4.02%	-9.00%	<b>-0.06%</b>	<b>9.32%</b>
Class O EUR	Mar-17	LU1570265261	FODCFOE	865.83	-3.28%	-10.00%	<b>-0.46%</b>	<b>9.53%</b>
Class R EUR	Dec-19	LU1892529196	FODCFRE	910.62	-3.36%	-10.44%	<b>-3.60%</b>	<b>13.63%</b>
Class R2 EUR	-	LU1892529519	-	-	-	-	-	-
Class S EUR	Sep-19	LU1892528388	FODCFSE	929.10	-3.28%	-10.02%	<b>-2.65%</b>	<b>13.13%</b>
Class S2 EUR	-	LU1892528628	-	-	-	-	-	-
Class E GBP	Sep-16	LU1344621831	FODCFEG	1,039.05	-3.18%	-9.47%	<b>+0.67%</b>	<b>9.17%</b>
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	867.60	-3.18%	-9.13%	<b>-0.08%</b>	<b>9.82%</b>
Class L GBP	Nov-19	LU1344622482	FODCF LG	945.80	-3.20%	-9.55%	<b>-2.10%</b>	<b>13.52%</b>
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	866.63	-3.20%	-10.09%	<b>-0.51%</b>	<b>10.06%</b>
Class A GBP	Dec-17	LU1344615270	FODCFAG	959.74	-3.19%	-9.50%	<b>-0.90%</b>	<b>10.34%</b>
Class T GBP	Jul-21	LU2349357983	FODCF TG	915.57	-	-	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,116.41	-3.14%	-9.44%	<b>+1.93%</b>	<b>9.20%</b>
Class L USD	Feb-20	LU1344622300	FODCF LU	933.52	-3.16%	-9.52%	<b>-2.83%</b>	<b>13.42%</b>
Class A USD	Aug-19	LU1344615197	FODCF AU	964.61	-3.16%	-9.53%	<b>-1.24%</b>	<b>12.80%</b>
Class R USD	Dec-19	LU1892529279	FODCF RU	938.63	-3.24%	-9.98%	<b>-2.45%</b>	<b>13.65%</b>
Class R2 USD	-	LU1892529600	-	-	-	-	-	-
Class S USD	Dec-19	LU1892528461	FODCF SU	962.25	-3.15%	-9.54%	<b>-1.49%</b>	<b>13.59%</b>
Class S2 USD	-	LU1892528891	-	-	-	-	-	-
Class E CHF	Sep-16	LU1344621914	FODCF EC	974.31	-3.24%	-10.07%	<b>-0.45%</b>	<b>9.11%</b>
Class A CHF	Feb-20	LU1344615353	FODCF AC	899.20	-3.26%	-10.16%	<b>-4.37%</b>	<b>13.42%</b>
Class R CHF	Dec-19	LU1892529436	FODCF RC	901.45	-3.34%	-10.58%	<b>-3.98%</b>	<b>13.65%</b>
Class R2 CHF	-	LU1892529782	-	-	-	-	-	-
Class S CHF	Dec-19	LU1892528545	FODCF SC	923.53	-3.26%	-10.16%	<b>-3.07%</b>	<b>13.65%</b>
Class S2 CHF	-	LU1892528974	-	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCF DS	4,786.31	-3.32%	-10.24%	<b>-0.85%</b>	<b>9.77%</b>
Class Q SEK	Oct-18	LU1886619987	FODCF QS	9,365.88	-3.27%	-9.87%	<b>-1.77%</b>	<b>11.50%</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 Yield, EUR BBB Corporate Yield, EUR HY Summary Market Index, EUR Loan Index Summary Market Index.
- (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: 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.
- (6) The proportion of the fund's investments which include ESG-focused investment criteria is being reported as per Article 8 of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR").
- (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-June-22.
- (8) Target gross return is before Fund expenses and management fees. Share class KIID's including TERs are available on Management Company's Waystone website (<https://www.waystone.com/our-funds/waystone-management-company-lux-s-a/>).
- (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-June-22.
- (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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