



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

Despite one of the broader cross-asset sell-offs in recent history, the Fund generated a +4.25% net total return in August (-7.22% YTD),¹ as CLOs and loans outperformed broader markets (the Morningstar USD LSTA Leveraged Loan and EUR ELLI indices were up +1.54% and +2.13%,² respectively in the month).

The fund continues to offer attractive returns from a relative value perspective. The gross yield to maturity of the Fund's portfolio has increased from 4.45% at the end of 2021, to 8.70% at the end of August, while the gross yield to expected call has increased from 4.62% to 12.34%. By comparison, the JPM Corp BBB index yield is up from 0.35% at YE 21, to 3.24% at end August, and the JPM HY index from 3.48% at YE 21, to 7.51% at end August.³

The trailing 12-month loan default rate increased from 0.28% in July to 0.60% in the US and from 0.62% to 0.72% in Europe.⁴ The distressed ratio (loans trading below 80c, a potential indicator of the direction of future defaults) increased from 3.98% to 4.06% in the US and decreased from 3.79% to 3.51% in Europe.⁴ The percentage of US and European loans rated CCC+ or below, however, continues to be low at 4.17% and 3.82% respectively, versus 4.07% and 3.69%, in July.

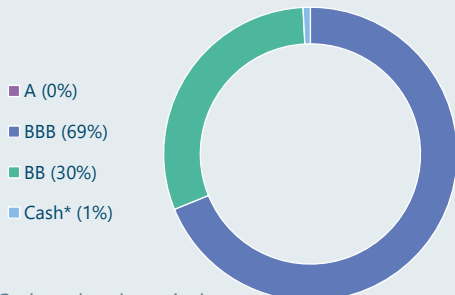
Despite a challenging arbitrage for CLOs, 18 new deals priced in the US in August, totaling just over \$7.6bn, vs \$12.2bn in July, and 5 deals priced in Europe, totaling €1.9bn, down from €2.3bn in July. Lower supply has the potential to support tighter secondary spreads.

Looking at the challenges markets are currently facing, the Fund is well positioned to face potential interest rate increases, given the floating nature of its assets (and the underlying floating rate collateral of the CLO notes). The CLO's collateral (primarily first lien, senior secured loans to large corporates) offers exposure to the most senior part of the issuers' capital structure and resiliency in the face of potential economic slowdown. The defensive nature of CLO notes, with subordination provided by CLO equity and lower rated debt, and CLOs' differentiated investor base, should also be supportive of performance in the current market environment.

Top 5 positions⁹

Deal name	Rating (M/S/F)	CLO manager	% of NAV
MDPKE 17X D	Baa3/NR/BBB	CSAM	2.8%
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.7%
EGLXY 2018-6X D	Baa2/BBB/NR	PineBridge Investments	2.4%
TIKEH 2015-1X DRR	Baa3/NR/BBB-	Tikehau Capital Europe	2.3%
OCPE 2017-2X D	Baa2/BBB/NR	Onex Credit Partners	2.1%

Rating breakdown^{9,10}



**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

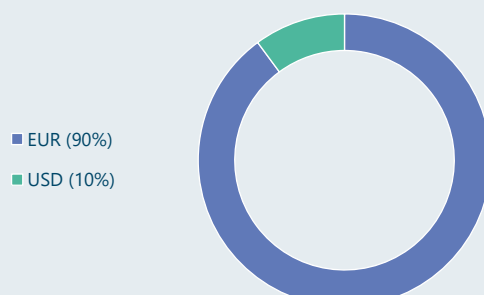
Data as of 31-Aug-22

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€453.6m
Dealing	Weekly (Wednesdays)
Valuations	Daily non-dealing and weekly dealing NAVs
Target gross return ⁸	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

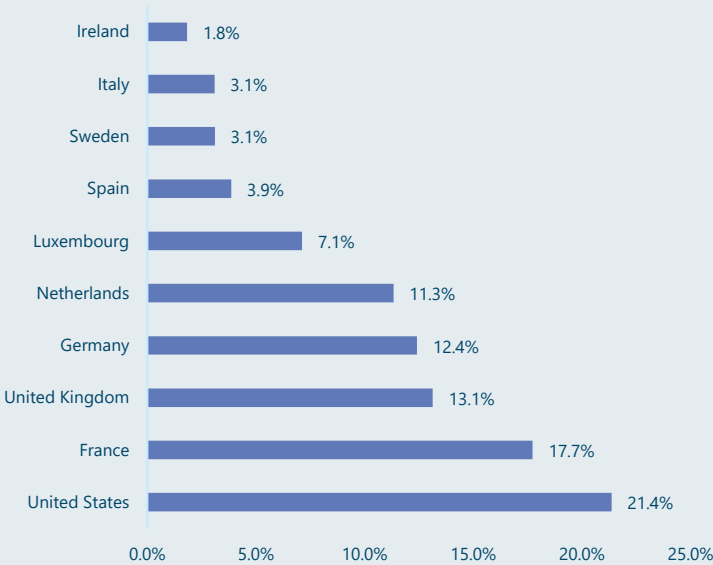
Number of positions:	103
Yield to maturity ⁵ : (based on expected average life of 5.8 years)	+8.7%
Yield to expected call ⁵ : (based on expected average life of 2.2 years)	+12.3%
Floating rate:	100%
CLOs with ESG Investment Criteria ⁶ :	29%

Currency breakdown^{9,10}

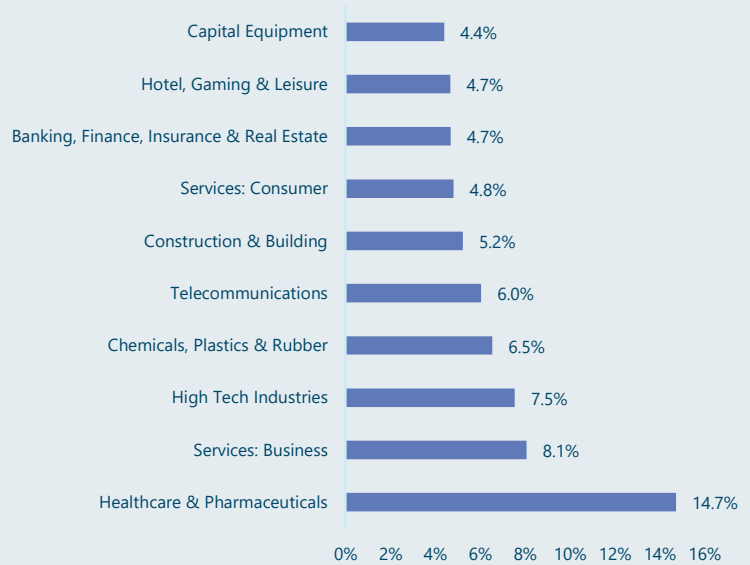




Look-through geographic breakdown (top 10)⁷



Look-through industry diversification (top 10)^{7,11}



Monthly performance¹²

									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	Jul-22	Aug-22					2022	ITD
+0.37%	-1.18%	-0.12%	-0.35%	-5.51%	-3.24%	-1.40%	4.25%					-7.22%	+5.25%

Maximum weekly return:	+9.51%	% Positive or unchanged weeks:	+69.77%
Largest weekly drawdown:	-15.16%	Average weekly return (positive or unchanged weeks):	+0.37%
		Average weekly return (negative weeks):	-0.75%

Contact information:





Share class performance^{4,3}

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (31-Aug-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	1,052.46	+4.25%	-7.22%	+0.87%	8.87%
Class E EUR	Sep-16	LU1344621674	FODCFEE	1,032.78	+4.23%	-7.42%	+0.54%	8.84%
Class L EUR	Nov-18	LU1344622219	FODCFLE	964.10	+4.21%	-7.57%	-0.97%	10.97%
Class A EUR	Aug-17	LU1344614893	FODCFAE	977.48	+4.21%	-7.57%	-0.45%	9.52%
Class N EUR	Dec-16	LU1539542248	FODCFNE	862.35	+4.23%	-6.56%	+0.76%	9.05%
Class O EUR	Mar-17	LU1570265261	FODCFOE	863.81	+4.21%	-10.21%	-0.38%	9.31%
Class R EUR	Dec-19	LU1892529196	FODCFRE	933.66	+4.11%	-8.18%	-2.49%	12.69%
Class R2 EUR	-	LU1892529519	-	-	-	-	-	-
Class S EUR	Sep-19	LU1892528388	FODCFSE	954.15	+4.20%	-7.59%	-1.60%	12.29%
Class S2 EUR	-	LU1892528628	-	-	-	-	-	-
Class E GBP	Sep-16	LU1344621831	FODCFEG	1,070.74	+4.39%	-6.70%	+1.16%	8.92%
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	886.33	+4.37%	-6.62%	+0.66%	9.49%
Class L GBP	Nov-19	LU1344622482	FODCFLG	974.22	+4.36%	-6.84%	-0.93%	12.63%
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	885.54	+4.36%	-7.44%	+0.11%	9.71%
Class A GBP	Dec-17	LU1344615270	FODCFAG	988.83	+4.37%	-6.76%	-0.24%	9.96%
Class T GBP	Jul-21	LU2349357983	FODCF TG	943.50	-	-	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,151.85	+4.45%	-6.57%	+2.41%	8.94%
Class L USD	Feb-20	LU1344622300	FODCF LU	962.76	+4.42%	-6.69%	-1.47%	12.53%
Class A USD	Aug-19	LU1344615197	FODCF AU	994.82	+4.43%	-6.70%	-0.17%	12.03%
Class R USD	Dec-19	LU1892529279	FODCF RU	966.34	+4.33%	-7.32%	-1.25%	12.72%
Class R2 USD	-	LU1892529600	-	-	-	-	-	-
Class S USD	Dec-19	LU1892528461	FODCF SU	992.35	+4.42%	-6.71%	-0.28%	12.67%
Class S2 USD	-	LU1892528891	-	-	-	-	-	-
Class E CHF	Sep-16	LU1344621914	FODCF EC	999.85	+4.16%	-7.71%	-0.00%	8.85%
Class A CHF	Feb-20	LU1344615353	FODCF AC	923.14	+4.14%	-7.77%	-3.09%	12.53%
Class R CHF	Dec-19	LU1892529436	FODCF RC	924.01	+4.05%	-8.35%	-2.86%	12.72%
Class R2 CHF	-	LU1892529782	-	-	-	-	-	-
Class S CHF	Dec-19	LU1892528545	FODCF SC	948.16	+4.14%	-7.76%	-1.94%	12.72%
Class S2 CHF	-	LU1892528974	-	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCF DS	4,911.91	+4.14%	-7.89%	-0.34%	9.44%
Class Q SEK	Oct-18	LU1886619987	FODCF QS	9,634.81	+4.28%	-7.28%	-0.97%	10.95%

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: PitchBook LCD.
- (3) Source: JP Morgan EUR BBB Corporate Index, EUR BBB Corporate Yield, EUR HY Summary Market Index, EUR Loan Index Summary Market.
- (4) Source: PitchBook LCD. Euro and US loan index lagging 12-month loan default rate based on Principal Amount.
- (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 29-Aug-22.
- (8) Target gross return is before Fund expenses and management fees. Share class KIIDs 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 31-Aug-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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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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