



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 -6.01% net return in September (-12.80% YTD),¹ as CLOs and loans were impacted by LDI-driven volatility. The US and European Leveraged Loan indices were down -2.3% and -3.6%², respectively in the month and the EUR JP Morgan High Yield index declined -4.1% in September.

The gross yield to maturity of the Fund's portfolio has increased from 4.5% at the end of 2021, to 10.3%, and the gross yield to expected call has increased from 4.6% to 13.9%, compared to the European high yield index's 9.0% YTM (average rating of split BB compared to 67% BBB and 32% BB for the Fund).³

The Euro CLO market saw a significant amount of BWIC supply (and in particular AA-rated CLOs) at the end of September. The last week of September was the busiest week for Euro BWIC volume year-to-date with over \$950m, surpassing the volume observed after Russia's invasion of Ukraine. The elevated selling activity has continued into October with the first week's Euro CLO BWIC volume of \$1.0bn exceeding the September record. The increased selling volume was linked to Liability Driven Investment (LDI) funds. For a detailed description of the background and flows please see our [market update note](#).

The volume of risk, combined with short notice processes and macro volatility, resulted in significant widening across the capital structure. It is worth noting that, while we did see some mezzanine BWIC volume, few bonds traded given CLO mezzanine investors did not have the same need to raise cash and had limited appetite to sell at wide levels.

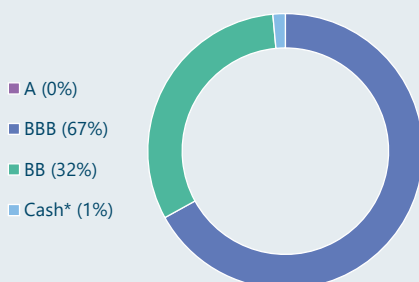
Fundamentals continued to be constructive with the trailing 12-month European loan default rate falling from 0.72% in August to 0.43%, and increasing marginally from 0.70% to 0.85% in the US.⁴

Overall, we expect technical dynamics to continue to dominate the market in the short-term with the fundamental landscape remaining broadly unchanged. We regard the current market dislocation (driven by well-defined sellers in the AA/AAA CLO space) as an opportunity to gain exposure to BBB/BB rated CLOs given their current pricing and the defensive nature of CLO notes, with subordination provided by CLO equity and lower rated debt that should support the Fund performance going forward.

Top 5 positions⁹

Deal name	Rating (M/S/F)	CLO manager	% of NAV
MDPKE 17X D	Baa3/NR/BBB	CSAM	2.9%
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.9%
TIKEH 2015-1X DRR	Baa3/NR/BBB-	Tikehau Capital Europe	2.4%
OCPE 2017-2X D	Baa2/BBB/NR	Onex Credit Partners	2.2%
TIKEH 6X D	Baa3/NR/BBB-	Tikehau Capital Europe	2.0%

Rating breakdown^{9,10}



**Cash and cash equivalents

Please refer to the footnotes for 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

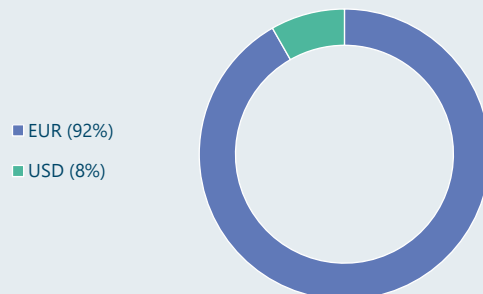
Data as of 30-Sep-22

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€406.3m
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

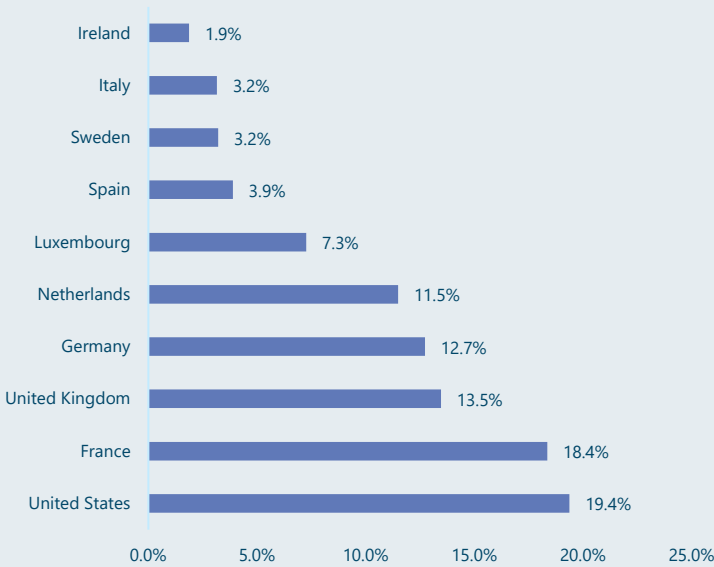
Number of positions:	98
Yield to maturity ⁵ : (based on expected average life of 6.0 years)	+10.3%
Yield to expected call ⁵ : (based on expected average life of 2.6 years)	+13.9%
Floating rate:	100%
CLOs with ESG Investment Criteria ⁶ :	30%

Currency breakdown^{9,10}

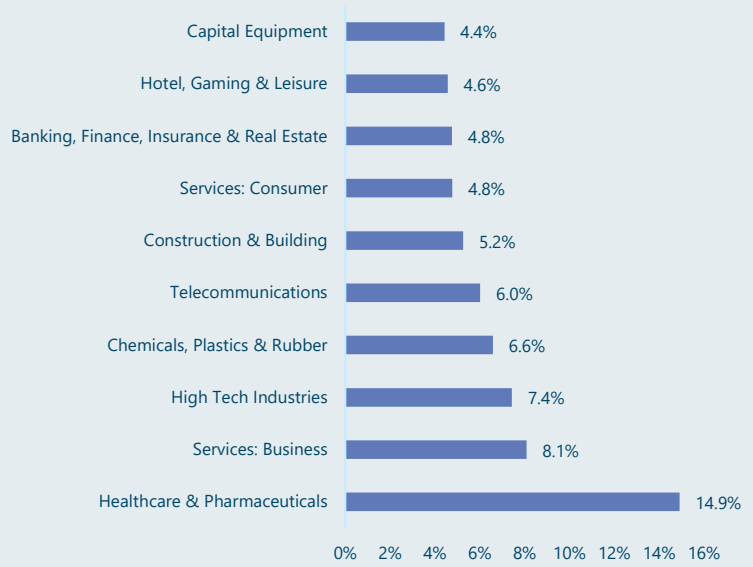




Look-through geographic breakdown (top 10)⁷



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	Sep-22								
+0.37%	-1.18%	-0.12%	-0.35%	-5.51%	-3.24%	-1.40%	4.25%	-6.01%				-12.80%	-1.08%			

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

% Positive or unchanged weeks: +69.51%
Average weekly return (positive or unchanged weeks): +0.36%
Average weekly return (negative weeks): -0.78%

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Share class performance^{4,3}

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (30-Sep-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	989.20	-6.01%	-12.80%	-0.18%	8.95%
Class E EUR	Sep-16	LU1344621674	FODCFEE	970.41	-6.04%	-13.01%	-0.50%	8.92%
Class L EUR	Nov-18	LU1344622219	FODCFLE	905.69	-6.06%	-13.17%	-2.55%	11.08%
Class A EUR	Aug-17	LU1344614893	FODCFAE	918.26	-6.06%	-13.17%	-1.64%	9.61%
Class N EUR	Dec-16	LU1539542248	FODCFNE	805.11	-6.64%	-12.62%	-0.23%	9.14%
Class O EUR	Mar-17	LU1570265261	FODCFOE	811.48	-6.06%	-15.65%	-1.36%	9.40%
Class R EUR	Dec-19	LU1892529196	FODCFRE	876.39	-6.13%	-13.81%	-4.60%	12.81%
Class R2 EUR	-	LU1892529519	-	-	-	-	-	-
Class S EUR	Sep-19	LU1892528388	FODCFSE	896.31	-6.06%	-13.20%	-3.59%	12.41%
Class S2 EUR	-	LU1892528628	-	-	-	-	-	-
Class E GBP	Sep-16	LU1344621831	FODCFEG	1,007.88	-5.87%	-12.18%	+0.13%	9.00%
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	834.30	-5.87%	-11.97%	-0.33%	9.58%
Class L GBP	Nov-19	LU1344622482	FODCFLG	916.83	-5.89%	-12.32%	-2.97%	12.74%
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	833.33	-5.90%	-12.82%	-0.94%	9.80%
Class A GBP	Dec-17	LU1344615270	FODCFAG	930.69	-5.88%	-12.24%	-1.49%	10.05%
Class T GBP	Jul-21	LU2349357983	FODCF TG	888.05	-5.88%	-	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,083.74	-5.91%	-12.09%	+1.34%	9.03%
Class L USD	Feb-20	LU1344622300	FODCF LU	905.66	-5.93%	-12.22%	-3.67%	12.65%
Class A USD	Aug-19	LU1344615197	FODCF AU	935.75	-5.94%	-12.24%	-2.09%	12.14%
Class R USD	Dec-19	LU1892529279	FODCF RU	908.24	-6.01%	-12.89%	-3.37%	12.84%
Class R2 USD	-	LU1892529600	-	-	-	-	-	-
Class S USD	Dec-19	LU1892528461	FODCF SU	933.44	-5.94%	-12.25%	-2.41%	12.79%
Class S2 USD	-	LU1892528891	-	-	-	-	-	-
Class E CHF	Sep-16	LU1344621914	FODCF EC	938.83	-6.10%	-13.34%	-1.04%	8.94%
Class A CHF	Feb-20	LU1344615353	FODCF AC	866.62	-6.12%	-13.41%	-5.30%	12.65%
Class R CHF	Dec-19	LU1892529436	FODCF RC	866.76	-6.20%	-14.02%	-4.97%	12.84%
Class R2 CHF	-	LU1892529782	-	-	-	-	-	-
Class S CHF	Dec-19	LU1892528545	FODCF SC	890.10	-6.12%	-13.41%	-4.07%	12.84%
Class S2 CHF	-	LU1892528974	-	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCF DS	4,611.85	-6.11%	-13.51%	-1.50%	9.54%
Class Q SEK	Oct-18	LU1886619987	FODCF QS	9,056.67	-6.00%	-12.84%	-2.50%	11.06%

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 HY Summary Yield to Maturity and JPMorgan Euro HY Summary Average Rating.
- (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 30-Sep-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 30-Sep-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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