



## 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 -0.02% net return<sup>1</sup> in October as LDI-driven volatility and CLO markets stabilised.

The Fund's gross yield to maturity is +11.0% and gross yield to expected call is +15.6%. This compares to a 8.65% YTM for the JP Morgan European High Yield index.<sup>2</sup>

Current credit metrics remain stable, with the trailing 12-month loan default ratio at 0.43% in Europe and 0.83% in the US, which are both near historical lows.<sup>3</sup> However, we are mindful of economic headwinds reflected in higher distressed ratios and downward ratings migration. The distressed loan ratio jumped from 6.16% in September to 9.59% in October in Europe, and from 6.44% to 7.67% in the US. The proportion of loans rated CCC+ or below increased from 3.50% to 3.98% in Europe, and from 4.59% to 4.95% in the US.<sup>4</sup>

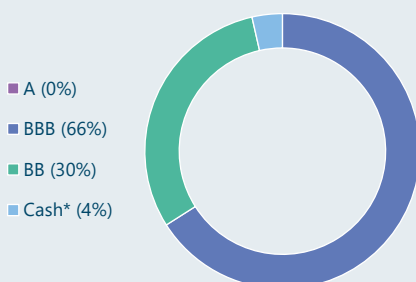
Subsequent to the market dislocation sparked by September's 'mini-budget', we continued to witness above-average BWIC volumes for investment grade rated CLOs, particularly AAs, in the first half of October. This prompted a selection of opportunistic buyers to buy primarily AA CLOs at historically high DMs (see [article here](#)). In the latter half of the month, trading settled to more normalised patterns and BWIC volumes declined. The initial widening in AA CLOs impacted and re-priced the entire CLO capital stack, despite limited selling in BBB and BB CLO notes. As AA CLOs start to tighten, we expect other CLO notes to similarly normalise.

The very high yields to maturity and to call or normalisation scenarios offered by BBB and BB rated CLO notes, and their historical resilience to credit cycles, are likely to attract interest from both alternative as well as traditional investors. We believe that FODC offers one of the most attractive alternatives for investors looking to capitalise on the current dislocation in CLOs, giving immediate access to a high quality, seasoned portfolio with weekly liquidity.

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

Deal name	Rating (M/S/F)	CLO manager	% of NAV
MDPKE 17X D	Baa3/NR/BBB	CSAM	3.0%
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.8%
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<sup>9,10</sup>



\*Cash and cash equivalents

## Fund facts

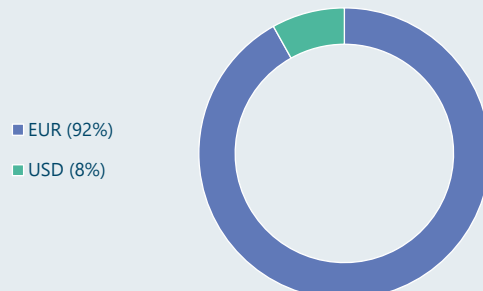
Data as of 31-Oct-22

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€405.2m
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:	99
Yield to maturity <sup>5</sup> : (based on expected average life of 5.9 years)	+11.0%
Yield to expected call <sup>5</sup> : (based on expected average life of 2.6 years)	+15.6%
Floating rate:	100%
CLOs with ESG Investment Criteria <sup>6</sup> :	30%

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



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.





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

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (31-Oct-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	988.97	-0.02%	-12.82%	<b>-0.18%</b>	<b>8.96%</b>
Class E EUR	Sep-16	LU1344621674	FODCFEE	969.94	-0.05%	-13.05%	<b>-0.50%</b>	<b>8.93%</b>
Class L EUR	Nov-18	LU1344622219	FODCFLE	905.06	-0.07%	-13.23%	<b>-2.51%</b>	<b>11.09%</b>
Class A EUR	Aug-17	LU1344614893	FODCFAE	917.62	-0.07%	-13.23%	<b>-1.63%</b>	<b>9.62%</b>
Class N EUR	Dec-16	LU1539542248	FODCFNE	804.72	-0.05%	-12.66%	<b>-0.23%</b>	<b>9.14%</b>
Class O EUR	Mar-17	LU1570265261	FODCFOE	810.91	-0.07%	-15.71%	<b>-1.35%</b>	<b>9.41%</b>
Class R EUR	Dec-19	LU1892529196	FODCFRE	875.65	-0.08%	-13.88%	<b>-4.49%</b>	<b>12.82%</b>
Class R2 EUR	-	LU1892529519	-	-	-	-	-	-
Class S EUR	Sep-19	LU1892528388	FODCFSE	895.66	-0.07%	-13.26%	<b>-3.52%</b>	<b>12.42%</b>
Class S2 EUR	-	LU1892528628	-	-	-	-	-	-
Class E GBP	Sep-16	LU1344621831	FODCFEG	1,008.84	+0.10%	-12.10%	<b>+0.14%</b>	<b>9.00%</b>
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	835.07	+0.09%	-11.89%	<b>-0.31%</b>	<b>9.58%</b>
Class L GBP	Nov-19	LU1344622482	FODCFLG	917.49	+0.07%	-12.26%	<b>-2.86%</b>	<b>12.75%</b>
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	826.08	+0.08%	-12.75%	<b>-0.91%</b>	<b>9.82%</b>
Class A GBP	Dec-17	LU1344615270	FODCFAG	931.44	+0.08%	-12.17%	<b>-1.44%</b>	<b>10.06%</b>
Class T GBP	Jul-21	LU2349357983	FODCFTG	888.88	+0.09%	-	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,085.37	+0.15%	-11.96%	<b>+1.35%</b>	<b>9.03%</b>
Class L USD	Feb-20	LU1344622300	FODCFLU	906.83	+0.13%	-12.11%	<b>-3.51%</b>	<b>12.66%</b>
Class A USD	Aug-19	LU1344615197	FODCAU	936.95	+0.13%	-12.13%	<b>-2.00%</b>	<b>12.15%</b>
Class R USD	Dec-19	LU1892529279	FODCFRU	908.65	+0.05%	-12.85%	<b>-3.26%</b>	<b>12.85%</b>
Class R2 USD	-	LU1892529600	-	-	-	-	-	-
Class S USD	Dec-19	LU1892528461	FODCFSU	934.61	+0.13%	-12.14%	<b>-2.30%</b>	<b>12.80%</b>
Class S2 USD	-	LU1892528891	-	-	-	-	-	-
Class E CHF	Sep-16	LU1344621914	FODCFEC	937.66	-0.12%	-13.45%	<b>-1.05%</b>	<b>8.94%</b>
Class A CHF	Feb-20	LU1344615353	FODCFAC	865.35	-0.15%	-13.54%	<b>-5.19%</b>	<b>12.66%</b>
Class R CHF	Dec-19	LU1892529436	FODCFRC	864.81	-0.22%	-14.22%	<b>-4.90%</b>	<b>12.85%</b>
Class R2 CHF	-	LU1892529782	-	-	-	-	-	-
Class S CHF	Dec-19	LU1892528545	FODCFSC	888.82	-0.14%	-13.54%	<b>-4.00%</b>	<b>12.85%</b>
Class S2 CHF	-	LU1892528974	-	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCFDS	4,604.13	-0.17%	-13.66%	<b>-1.51%</b>	<b>9.54%</b>
Class Q SEK	Oct-18	LU1886619987	FODCFQS	9,056.50	-0.00%	-12.84%	<b>-2.45%</b>	<b>11.06%</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 HY Summary Yield to Maturity.
- (3) Source: PitchBook LCD. Euro and US loan index lagging 12-month loan default rate based on Principal Amount.
- (4) Source: PitchBook LCD.
- (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 31-Oct-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 31-Oct-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 Old Queen Street, London SW1H 9JA, authorised and regulated in the UK by the Financial Conduct Authority, FRN No. 604090.

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