



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 +2.8% net return¹ in November as broader markets benefited from a more benign assessment of future inflation risk.

The Fund's gross yield to maturity is +10.1% and gross yield to expected call is +14.5%. This compares to a +7.7% YTM for the JP Morgan European High Yield index.²

Current credit metrics remain stable, with the trailing 12-month loan default ratio unchanged at 0.43% in Europe and decreasing to 0.73% from 0.83% in the US in November.³ A number of default forecasts have been published recently, with a median of 3.3% for the US and Europe in 2023.⁴ We estimate that the "break-even" default rate for the BB CLO notes in the fund's portfolio is 12% per year to maturity, well above these forecasts.⁵

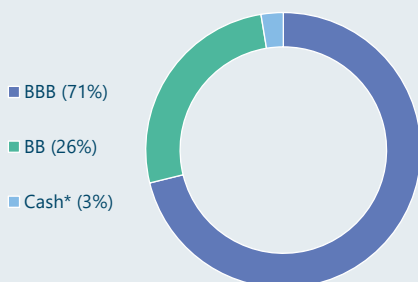
European secondary CLO market (BWIC) volume declined from the elevated levels seen in September but was still well above the average monthly volume of the last two years. The secondary volume of AA-rated CLOs (which were subject to LDI-related selling) was also lower than in the last two months but above the long-term average. The gradual tightening of AA CLO spreads, noted last month, continued in November and, as expected, BBB and BB CLO spreads also tightened. Despite this, BBB and BB spreads still remain significantly above their mid-September levels.⁶

The very high yields to maturity and to call or normalisation scenarios offered by BBB and BB rated CLO notes, their historical resilience to credit cycles and their recent lagging performance compared to other credit assets 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 market recovery, giving immediate access to a high-quality, seasoned portfolio with weekly liquidity.

Top 5 positions⁸

Deal name	Rating (M/S/F)	CLO manager	% of NAV
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.8%
OCPE 2017-2X D	Baa2/BBB/NR	Onex Credit Partners	2.2%
TIKEH 6X D	Baa3/NR/BBB-	Tikehau Capital Europe	2.1%
WILPK 1X C	Baa2/NR/BBB	Willow Park	1.9%
PRVD 6X D	Baa3/BBB/NR	Permira Debt Managers	1.8%

Rating breakdown^{8,9}



*Cash and cash equivalents

Fund facts

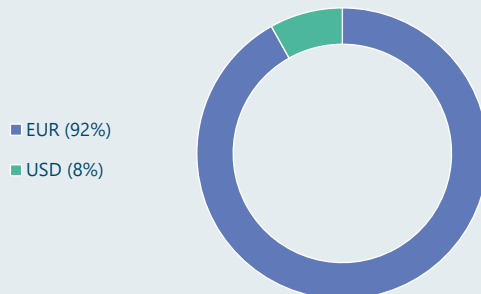
Data as of 30-Nov-22

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€414.1m
Dealing	Weekly (Wednesdays)
Valuations	Daily non-dealing and weekly dealing NAVs
Target gross return ⁷	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 ¹⁰ : (based on expected average life of 5.9 years)	+10.1%
Yield to expected call ¹⁰ : (based on expected average life of 2.5 years)	+14.5%
Floating rate:	100%
CLOs with ESG Investment Criteria ¹¹ :	30%

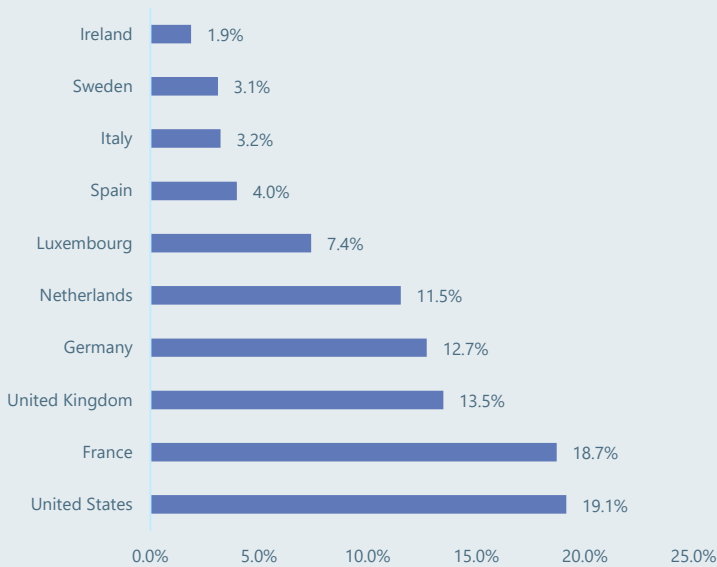
Currency breakdown^{8,9}



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.



Look-through geographic breakdown (top 10)¹²



Look-through industry diversification (top 10)^{12,13}



Monthly performance¹⁴

												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	Oct-22	Nov-22	Dec-22	2022	ITD			
+0.37%	-1.18%	-0.12%	-0.35%	-5.51%	-3.24%	-1.40%	4.25%	-6.01%	-0.02%	2.80%		-10.38%	1.67%			

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

% Positive or unchanged weeks: +69.75%
Average weekly return (positive or unchanged weeks): +0.37%
Average weekly return (negative weeks): -0.80%

Contact information:





Share class performance¹⁵

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (30-Nov-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	1,016.67	+2.80%	-10.38%	+0.27%	8.97%
Class E EUR	Sep-16	LU1344621674	FODCFEE	996.72	+2.76%	-10.65%	-0.05%	8.94%
Class L EUR	Nov-18	LU1344622219	FODCFLE	929.86	+2.74%	-10.85%	-1.80%	11.10%
Class A EUR	Aug-17	LU1344614893	FODCFAE	942.77	+2.74%	-10.85%	-1.10%	9.63%
Class N EUR	Dec-16	LU1539542248	FODCFNE	826.94	+2.76%	-10.31%	+0.15%	9.15%
Class O EUR	Mar-17	LU1570265261	FODCFOE	833.13	+2.74%	-13.40%	-0.92%	9.42%
Class R EUR	Dec-19	LU1892529196	FODCFRE	898.93	+2.66%	-11.59%	-3.52%	12.84%
Class R2 EUR	-	LU1892529519	-	-	-	-	-	-
Class S EUR	Sep-19	LU1892528388	FODCFSE	920.17	+2.74%	-10.89%	-2.60%	12.43%
Class S2 EUR	-	LU1892528628	-	-	-	-	-	-
Class E GBP	Sep-16	LU1344621831	FODCFEG	1,037.93	+2.88%	-9.56%	+0.60%	9.02%
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	851.65	+1.99%	-10.19%	+0.00%	9.60%
Class L GBP	Nov-19	LU1344622482	FODCFLG	943.75	+2.86%	-9.75%	-1.88%	12.77%
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	849.73	+2.86%	-10.31%	-0.43%	9.83%
Class A GBP	Dec-17	LU1344615270	FODCFAG	958.16	+2.87%	-9.65%	-0.86%	10.07%
Class T GBP	Jul-21	LU2349357983	FODCFTG	914.51	+2.88%	-	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,118.56	+3.06%	-9.27%	+1.83%	9.04%
Class L USD	Feb-20	LU1344622300	FODCFLU	934.37	+3.04%	-9.44%	-2.38%	12.68%
Class A USD	Aug-19	LU1344615197	FODCAU	965.41	+3.04%	-9.46%	-1.06%	12.17%
Class R USD	Dec-19	LU1892529279	FODCFRU	935.38	+2.94%	-10.29%	-2.22%	12.87%
Class R2 USD	-	LU1892529600	-	-	-	-	-	-
Class S USD	Dec-19	LU1892528461	FODCFSU	962.97	+3.03%	-9.47%	-1.25%	12.81%
Class S2 USD	-	LU1892528891	-	-	-	-	-	-
Class E CHF	Sep-16	LU1344621914	FODCFEC	962.07	+2.60%	-11.20%	-0.62%	8.95%
Class A CHF	Feb-20	LU1344615353	FODCFAC	887.70	+2.58%	-11.31%	-4.17%	12.67%
Class R CHF	Dec-19	LU1892529436	FODCFRC	886.48	+2.51%	-12.07%	-3.98%	12.87%
Class R2 CHF	-	LU1892529782	-	-	-	-	-	-
Class S CHF	Dec-19	LU1892528545	FODCFSC	911.79	+2.58%	-11.30%	-3.06%	12.87%
Class S2 CHF	-	LU1892528974	-	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCFDS	4,728.96	+2.71%	-11.32%	-1.01%	9.56%
Class Q SEK	Oct-18	LU1886619987	FODCFQS	9,299.84	+2.69%	-10.50%	-1.76%	11.08%

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) Median calculated using research provided by Morgan Stanley, Barclays, Deutsche Bank, JPMorgan, and Nomura.
- (5) Intex: assuming 60c recovery, 20% prepayment, and reinvestment in new loans with 3.75% spread at 99c. Other assumptions available on request.
- (6) Source: Citi.
- (7) 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/>).
- (8) Based on the current valuation of the assets in the Fund's base currency at month-end.
- (9) Due to rounding errors, the percentages may not sum to 100%. Currency breakdown of CLO investments excludes cash balance.
- (10) 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.
- (11) 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").
- (12) 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-Nov-22.
- (13) 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-Nov-22.
- (14) 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.
- (15) NAVs calculated net of fees. Share classes R2 and S2 have not launched as of the reporting month.



Disclaimer:

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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.

CONTACT INFORMATION:



FAIR OAKS
CAPITAL

1 Old Queen Street
London SW1H 9JA
IR@fairoakscap.com

Signatory of:

