



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 +2.88% net return¹ in April, surpassing the return of the JP Morgan European High Yield Index at +0.40%,² the European Leveraged Loan Index return at +1.39%, and the US Leveraged Loan Index return of +1.05%.³

The Fund's gross yield to maturity is 9.56% and gross yield to expected call is 13.83%. This compares to 7.96% the yield-to-maturity for the JP Morgan European High Yield Index.⁴

Global financial markets experienced less volatility in April than in recent months. However, this changed in early May with the failure of First Republic Bank, concerns of contagion among other US regional banks and rate increases in the US and EU. We continue to assess the net effect on borrowers of tighter financial conditions due to the banking instability and fewer anticipated rate increases than previously expected.

Default rates are still significantly lower than the forecasts for 2023 which were issued at the end of 2022. The default rate in the US remained stable at 1.3%, while in Europe it rose from 0.4% to 0.6% in April. The distressed ratio in the US remained at 8.7%, whereas in Europe it dropped from 6.4% to 6.1%.⁵

Two investor concerns raised in recent meetings are the potential for higher defaults in the loan market compared to high yield, and the effect on future defaults of a loan market dominated by LBOs. Both themes are interconnected, as a key factor for expecting higher defaults in the bank loan market is its lower average rating, often due to B- rated loans which are frequently the result of LBOs or sponsored deals. US and European high yield default rates, however, at 4.2% and 1.2%⁶ respectively at the end of April, are significantly above those of bank loans. Regarding the impact of LBO loans on the default rate, US non-sponsored companies are defaulting at a higher rate than their sponsored counterparts, at 2.18% versus 0.93%, respectively.⁷

CLO mezzanine investments, which are backed by diversified loan portfolios and protected against individual defaults by junior CLO notes, present a compelling investment opportunity, especially considering the current high spreads (both in absolute terms and relative to the historical average) when compared to BBB or high yield corporate bonds or other assets more exposed to consumer credit or real estate valuations.

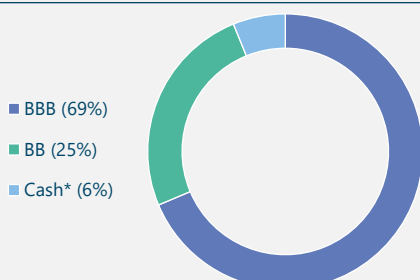
Top 5 positions⁹

Deal name	Rating (M/S/F)	CLO manager	% of NAV
OCPE 2017-2X D	Baa2/BBB/NR	Onex Credit Partners	2.5%
ARESE 9X D	Baa2/BBB/NR	Ares Management	2.4%
WILPK 1X C	Baa2/NR/BBB	GSO Capital Partners	2.3%
OHECP 2018-7X D Mtge	Baa3/NR/BBB-	Oak Hill Advisors	2.1%
SNDPE 6X D	Baa3/NR/BBB-	Sound Point	2.1%

TOTAL NUMBER OF ISSUERS IN THE PORTFOLIO: 1,301

LARGEST LOAN ISSUER (% MARKET VALUE): 1.12%

Rating breakdown^{9,10}



*Cash and cash equivalents.

Fund facts

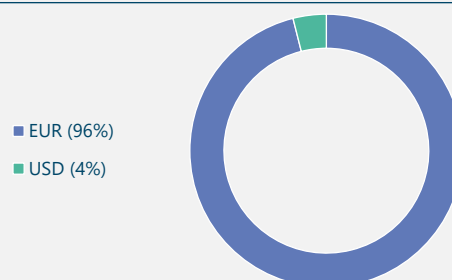
Data as of 28-Apr-23

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€363.3m
Dealing	Daily
Valuations	Daily 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:	90
Yield to maturity ¹¹ : (based on expected average life of 5.5 years)	+9.6%
Yield to expected call ¹¹ : (based on expected average life of 2.1 years)	+13.8%
Floating rate:	100%
CLOs with ESG Investment Criteria:	25%

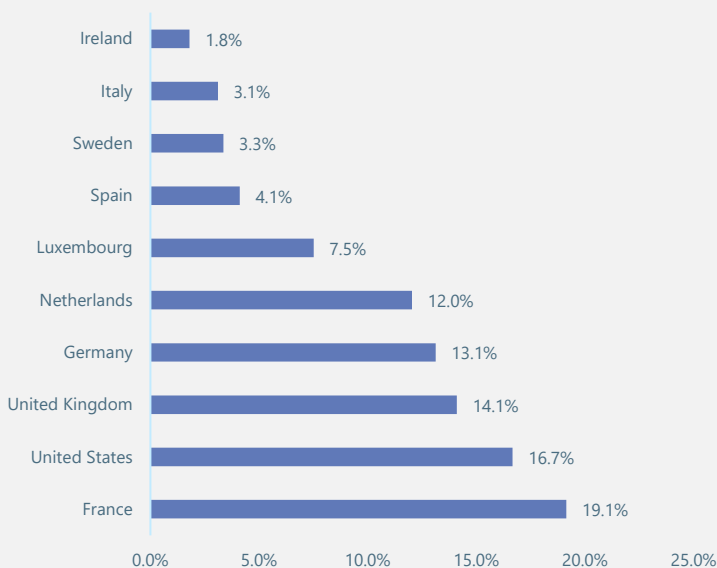
Currency breakdown^{9,10}



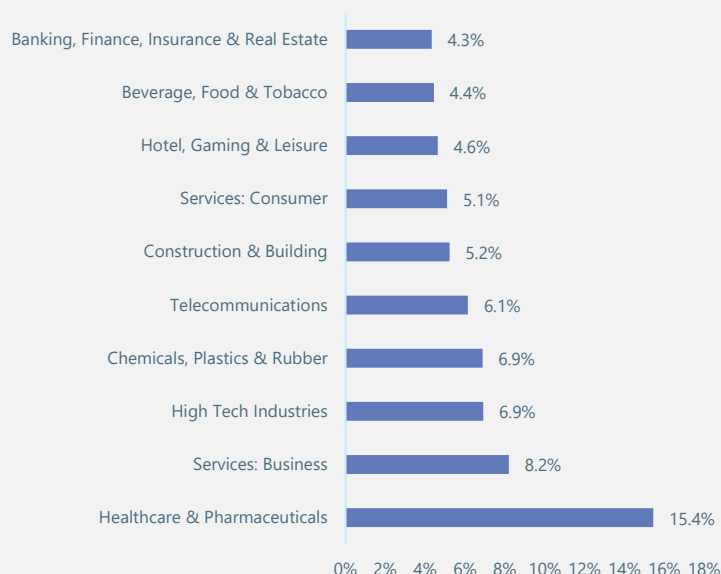
Please refer to the footnotes for the important information on page 3. Past performance is no indication of future results. Inherent in any investment is the potential for loss. Class M is the initial share class of the Fund with the longest track record, but is no longer available for new investment.



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%	+1.19%	-9.31%	+2.87%	
Jan-23	Feb-23	Mar-23	Apr-23										2023	ITD
+4.40%	+0.99%	-2.10%	+2.88%										+6.19%	+9.25%
Maximum weekly return:			+9.51%			% Positive or unchanged weeks:			+70.45%					
Largest weekly drawdown:			-15.16%			Average weekly return (positive or unchanged weeks):			+0.39%					
						Average weekly return (negative weeks):			-0.81%					

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Signatory of:





Share class performance¹⁵

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (28-Apr-23)	TOTAL RETURN MONTHLY	TOTAL RETURN 2023 YTD	ANNUALISED RETURN (SINCE CLASS LAUNCH)	ANNUALISED DAILY VOLATILITY (SINCE CLASS LAUNCH)
Class M EUR	Oct-16	LU1344623373	FODCFME	1,092.46	+2.88%	+6.19%	+1.36%	8.78%
Class E EUR	Sep-16	LU1344621674	FODCFEE	1,069.70	+2.86%	+6.09%	+1.03%	8.75%
Class L EUR	Nov-18	LU1344622219	FODCFLE	996.93	+2.84%	+6.00%	-0.07%	10.69%
Class A EUR	Aug-17	LU1344614893	FODCFAE	1,010.76	+2.84%	+6.00%	+0.19%	9.38%
Class N EUR	Dec-16	LU1539542248	FODCFNE	865.62	+2.86%	+6.08%	+1.05%	8.97%
Class O EUR	Mar-17	LU1570265261	FODCFOE	893.22	+2.84%	+6.00%	+0.14%	9.20%
Class R EUR	Dec-19	LU1892529196	FODCFRE	959.94	+2.77%	+5.66%	-1.20%	12.17%
Class S EUR	Sep-19	LU1892528388	FODCFSE	986.39	+2.84%	+5.99%	-0.38%	11.83%
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	905.16	+2.94%	+6.52%	+1.24%	9.36%
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	892.44	+2.89%	+6.36%	+0.75%	9.55%
Class A GBP	Dec-17	LU1344615270	FODCFAG	1,033.65	+2.93%	+6.50%	+0.62%	9.78%
Class T GBP	Jul-21	LU2349357983	FODCFTG	986.45	+2.91%	+6.48%	-	-
Class E USD	Sep-16	LU1344621757	FODCFEU	1,211.45	+3.02%	+6.82%	+2.95%	8.85%
Class L USD	Feb-20	LU1344622300	FODCLFU	1,010.87	+3.00%	+6.73%	+0.34%	12.04%
Class A USD	Aug-19	LU1344615197	FODCAU	1,062.72	+3.00%	+8.60%	+1.65%	53.58%
Class R USD	Dec-19	LU1892529279	FODCFRU	1,008.36	+2.93%	+6.44%	+0.25%	12.20%
Class S USD	Dec-19	LU1892528461	FODCFSU	1,041.67	+3.00%	+6.72%	+1.21%	12.16%
Class E CHF	Sep-16	LU1344621914	FODCFEC	1,025.01	+2.74%	+5.42%	+0.38%	8.76%
Class A CHF	Feb-20	LU1344615353	FODCFAC	944.80	+2.71%	+5.34%	-1.76%	12.03%
Class R CHF	Dec-19	LU1892529436	FODCFRC	940.05	+2.64%	+5.03%	-1.81%	12.20%
Class S CHF	Dec-19	LU1892528545	FODCFSC	970.62	+2.72%	+5.36%	-0.88%	12.19%
Class D ILS	May-17	LU1577731786	FODCFDS	5,081.49	+2.90%	+6.13%	+0.27%	9.32%
Class Q SEK	Oct-18	LU1886619987	FODCFQS	9,981.43	+2.83%	+6.04%	-0.04%	10.68%

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 European High Yield Index.
- (3) Source: PitchBook LCD European and US Leveraged Loan Index.
- (4) Source: JP Morgan EUR HY Summary Yield to Maturity.
- (5) Source: PitchBook LCD. European and loan index lagging 12-month loan default rate based on Principal Amount. Distressed ratio by issuer count defined as loans trading below 80c.
- (6) Source: JP Morgan North America and Europe Credit Research. Data as of 04-May-23.
- (7) Source: Pitchbook LCD.
- (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) 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.
- (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 28-Apr-23.
- (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 28-Apr-23.
- (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:

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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