



## 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 net return of +0.69% in July.<sup>1</sup> The JP Morgan European High Yield Index returned +1.10%<sup>2</sup> and the European Leveraged Loan Index returned +0.95% in the month.<sup>3</sup>

The portfolio's gross yield to maturity is 6.6% and the gross yield to expected call is 6.8%. This compares to the yield to maturity of 6.7% for the lower-rated JP Morgan European High Yield Index.<sup>2</sup>

The European loan default rate decreased from 1.29% to 0.79%, as the July 2023 default volume dropped out of the calculation, and the US loan default rate remained unchanged at 0.92% in July. The forward-looking distress ratio increased from 3.06% to 3.68% in Europe and increased from 5.64% to 5.83% in the US.<sup>4</sup>

There was continued divergence between CLO gross and net issuance as redemptions reached record levels, offsetting gross supply and supporting demand. In July, repayments of European CLO AAA notes reached approximately €3.9bn (excluding those from reset CLOs), surpassing the €3.2bn of CLO AAA primary volumes during the same period.<sup>5</sup> Several CLO managers have issued provisional redemption notices for deals that have recently exited their non-call periods, having been issued in 2022, providing a forward pipeline of potential refi/resets.

We expect continued strong demand for CLOs for two key reasons. First, quarterly European CLO coupon payments in July provide investors with capital that may be reinvested.<sup>6</sup> The average coupon stands at 5.9%, equating to €2.8bn of quarterly interest payments. Second, additional support is provided by new sources of capital such as US CLO ETFs, which have experienced more than \$8.4bn of inflows since the beginning of the year.<sup>7</sup>

Despite macroeconomic volatility, there has been limited negative impact on the CLO market and the Fund at the start of August (+0.22% to 06-Aug-24). Fair Oaks remains focused on monitoring the underlying performance of investments and optimally positioning the portfolio to withstand potential periods of volatility. Given constructive fundamentals, embedded structural protection and a favorable carry, we believe CLO mezzanine debt continues to represent an attractive investment opportunity.

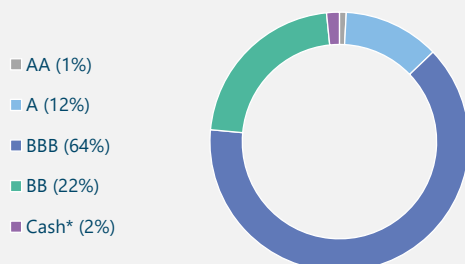
## Top 5 positions<sup>10</sup>

Deal name	Rating	CLO manager	% of NAV
OCPE 2017-2X D	A	Onex	2.16%
ARESE 9X D	A	Ares	2.01%
WILPK 1X C	A	Blackstone	1.94%
NEUBE 2021-2X D	BBB	Neuberger Berman	1.90%
SNDPE 6X D	BBB	Sound Point	1.85%

**TOTAL NUMBER OF ISSUERS IN THE PORTFOLIO:** 640

**LARGEST LOAN ISSUER (% MARKET VALUE):** 1.13%

## Rating breakdown<sup>10,11</sup>



\*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.

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## Fund facts

Data as of 31-Jul-24

Legal structure	Luxembourg SICAV-Alpha UCITS SICAV
Domicile	Luxembourg
Launch date	13-Sep-16
Fund size	€465.8m
Dealing	Daily
Valuations	Daily dealing NAVs
Target gross return <sup>8</sup>	Euribor + 5% p.a. (see share class KIIDS for TER details)
Base currency	EUR
SFDR classification <sup>9</sup>	Article 8
Investment manager	Fair Oaks Capital Limited ("Fair Oaks")
Management company	Waystone Management Company S.A.
Administrator / custodian	CACEIS Investor Services Bank S.A.
Auditor	Deloitte Audit Sàrl

## Portfolio metrics

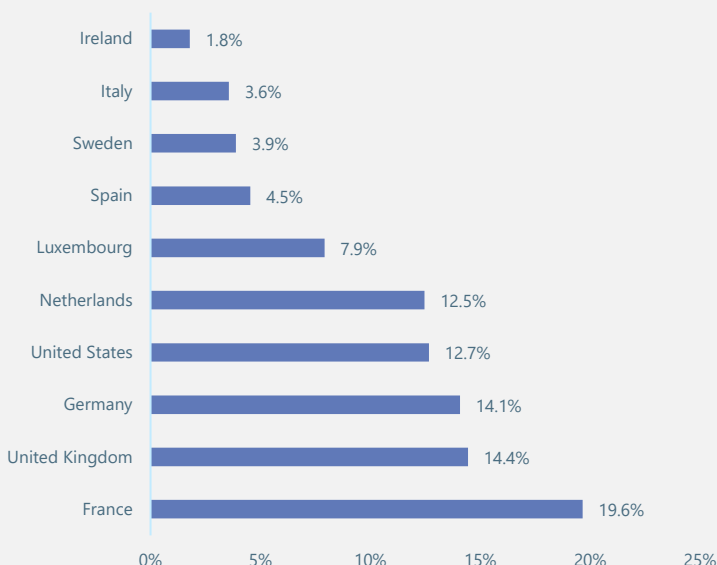
Number of positions:	113
Yield to maturity <sup>12</sup> : (based on expected average life of 5.5 years)	+6.6%
Yield to expected call <sup>12</sup> : (based on expected average life of 2.3 years)	+6.8%
Floating rate:	100%

## Currency breakdown<sup>10,11</sup>

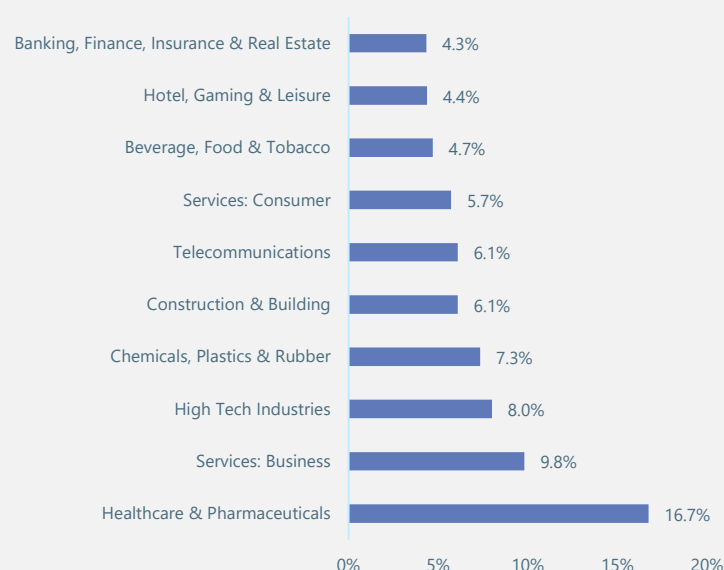




## Look-through geographic breakdown (top 10)<sup>13</sup>



## Look-through industry diversification (top 10)<sup>13,14</sup>



## Monthly performance<sup>15</sup>

									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	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	2023	ITD
+4.40%	+0.99%	-2.10%	+2.88%	0.00%	+1.55%	+3.08%	+1.36%	-0.03%	-0.26%	+3.02%	+0.53%	+16.35%	+19.69%
Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24						2024	ITD
+4.68%	+0.90%	+0.72%	+1.04%	+0.80%	+0.90%	+0.69%						+10.07%	+31.75%

Maximum weekly return: +9.51%

Largest weekly drawdown: -15.16%

% Positive or unchanged weeks: 73.93%

Average weekly return (positive or unchanged weeks): +0.38%

Average weekly return (negative weeks): -0.79%

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## Share class performance<sup>16</sup>

	LAUNCH DATE	ISIN	BLOOMBERG TICKER	NAV (31-Jul-24)	TOTAL RETURN MONTHLY	TOTAL RETURN 2024 YTD	ANNUALISED RETURN (SINCE CLASS LAUNCH)	ANNUALISED DAILY VOLATILITY (SINCE CLASS LAUNCH)
Class A CHF	Feb-20	LU1344615353	FODCFAC	1,088.94	+0.35%	+7.26%	+1.93%	10.70%
Class A EUR	Aug-17	LU1344614893	FODCFAE	1,200.54	+0.60%	+8.93%	+2.65%	8.58%
Class A GBP	Dec-17	LU1344615270	FODCFAG	1,246.88	+0.73%	+9.72%	+3.38%	8.88%
Class A USD	Aug-19	LU1344615197	FODCFAU	1,278.75	+0.76%	+9.02%	+5.06%	10.12%
Class A2 EUR	Nov-23	LU1758468752	FODCA2E	-	-	-	-	-
Class A2 GBP	Nov-23	LU1758468919	FODCA2G	-	-	-	-	-
Class D ILS	May-17	LU1577731786	FODCFDS	5,992.51	+0.55%	+8.53%	+2.55%	8.53%
Class E EUR	Sep-16	LU1344621674	FODCFEE	1,285.06	+0.66%	+9.88%	+3.24%	8.10%
Class E USD	Sep-16	LU1344621757	FODCFEU	1,483.65	+0.81%	+10.76%	+5.15%	8.19%
Class E2 GBP	Jun-17	LU1628743905	FODCE2G	1,003.65	+0.78%	+10.50%	+3.15%	8.61%
Class K EUR	Apr-24	LU2605922207	FODCKEU	-	-	-	-	-
Class L EUR	Nov-18	LU1344622219	FODCFLE	1,193.88	+0.64%	+9.72%	+3.17%	9.53%
Class L2 GBP	Sep-17	LU1683328667	FODCL2G	999.22	+0.75%	+10.31%	+3.05%	8.73%
Class M EUR	Oct-16	LU1344623373	FODCFME	1,317.48	+0.69%	+10.07%	+3.59%	8.12%
Class N EUR	Dec-16	LU1539542248	FODCFNE	946.71	+0.65%	+9.77%	+2.82%	8.26%
Class O EUR	Mar-17	LU1570265261	FODCFOE	953.45	+0.61%	+9.69%	+2.23%	8.84%
Class Q SEK	Oct-18	LU1886619987	FODCFQS	11,931.66	+0.63%	+9.61%	+3.12%	9.53%
Class R EUR	Dec-19	LU1892529196	FODCFRE	1,135.44	+0.55%	+9.08%	+2.78%	10.50%
Class S EUR	Sep-19	LU1892528388	FODCFSE	1,180.62	+0.63%	+9.69%	+3.50%	10.28%
Class S USD	Dec-19	LU1892528461	FODCFSU	1,272.30	+0.78%	+10.61%	+5.31%	10.49%

## Footnotes

- 1) Fair Oaks Capital 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) JP Morgan Euro High Yield Index. Data as at 31-Jul-24.
- 3) JP Morgan Euro Loan Index. Data as at 31-Jul-24.
- 4) Pitchbook LCD as at 31-Jul-24. Default rate by principal value. Distress ratio by issuer count.
- 5) Pitchbook LCD as at 02-Aug-24.
- 6) JP Morgan Euro CLOIE Index. Balance and weighted average coupon of all CLO tranches as at 15-Apr-24.
- 7) Bloomberg as at 31-Jul-24.
- 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-managed-funds/>).
- 9) The Fund promotes environmental or social characteristics and is subject to enhanced sustainability disclosures within the meaning of Article 8 of the Regulation (EU) 2019/2088 on Sustainability-related disclosures in the financial sector. The Investment Manager sources environmental and social scores from a reputable third-party evaluation service, for the issuers of corporate loans held by the CLOs in which the Fund invests or considers investing. The Fund has weighted average environmental and social scores which are each above the average for the corporate loan market.
- 10) Based on the current valuation of the assets in the Fund's base currency and current rating from Moody's, S&P, or Fitch at month-end.
- 11) Due to rounding errors, the percentages may not sum to 100%. Currency breakdown of CLO investments excludes cash balance.
- 12) 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.
- 13) Intex. 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. Data as of 31-Jul-24.
- 14) Based on available Moody's classification of the loan issuers. This analysis excludes recent purchases that have not settled in the reporting month. Data as of 31-Jul-24.
- 15) 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.
- 16) NAVs calculated net of fees. Performance information is not yet available for some share classes (Class A2 EUR, Class A2 GBP, Class K EUR) as they do not have a full 12-month track record. Share classes R2 and S2 have not launched as of the reporting month.



## 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: 604090.

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