

# Descartes Alternative Credit UCITS Fund

## Long Only Total Return Structured Credit

September 2019

### Performance Returns

The Descartes Alternative Credit UCITS Fund returned -0.55% for the month of September (EUR Inst. Founder Class).

### Investment Objective & Strategy

The Descartes Alternative Credit UCITS is a long-only Fund with a total return strategy, offering access to European senior secured corporate loans through investments in Collateralised Loan Obligations ("CLOs").

The strategy seeks to generate high current income (currently 5%-6%) plus the potential for incremental return through capital appreciation. The Fund primarily invests in European rated CLO securities. CLOs are floating rate instruments, which will benefit from rising rates, with a large carry and strong capital resilience.

The Fund's diversified portfolio is actively managed by Cartesia, using a combination of fundamental security analysis and dynamic allocation across rating categories.

Cartesia is a Paris based regulated investment manager, set up in 2009 by seasoned partners with an average experience of 25 years in European structured credit products, especially in securitised assets such as CLOs.

### Monthly Commentary

In September, the CLO market faced 2 opposite trends, on one side there was a strong appetite to buy the AAA tranche which has drastically performed since July having tightened by nearly 20bp down to E3M+92bp for the latest issued deals; on the other side, due to heavy supply with around 5 deals priced over the month in addition to several refi/reset deals, the mezzanine tranches have widened a bit but with more tiering between CLO managers, weaker managers are struggling on new issues, which is positive for alpha generation. There is clear buying interest in BBB tranches from a diverse range of clients and the better tone started to feed through to BB, chiefly short dated paper from tier one CLO managers.

We have barely modified our portfolio weights between rated tranches during September with only one position added in the BB space, namely the last Purple 2 CLO managed by Ostrum at E3M+725bp, a highly conservative manager.

As a result of wider repricing of secondary BB and B tranches in alignment with primary CLO deals spread level, our portfolio NAV has been negatively impacted last month having retraced the positive performance of August. The good news is volatility of the fund has been subdued with a weekly historical volatility of 2.36% compared to 5.24% for the iTraxx X-over.

In terms of trends, we remain constructive and expect the CLO mezzanine tranches to hold well at those levels considering the incredible carry offered, new issued BBB at E3M+400bp, BB at E3M+700bp, B at E3M+975bp, as well as the lag of our market vs the fixed rate high yield bond over the last quarter.

Our investment strategy will clearly focus on the new issue spread level especially on BBB and BB tranches for the next couple of months. We are also contemplating to reweight the Sub tranches exposure based on cheaper secondary implied IRR level seen currently vs the B tranche which remains more volatile.

The embedded Euribor floor intrinsic value, worth 40-45bp, constitutes a strong support driving massive investment power on the senior tranches since August which should propagate to lower rated tranches in the foreseeable future.

Thanks to on-going solid credit metrics in our portfolio together with a highly diversified asset base through vintages, tranches and CLO managers, our fund total return continues to deliver a good performance despite the recent spike in mezzanine spreads while the fund volatility remains low.

### Descartes Alternative Credit UCITS Fund Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
EUR			-0.02%	0.58%	0.94%	0.67%	0.72%	0.58%	-0.55%				2.95%
USD			0.06%	0.76%	1.28%	0.94%	0.90%	0.81%	-0.35%				4.46%
CHF			-0.10%	0.40%	0.89%	0.63%	0.67%	0.53%	-0.60%				2.43%

The performance figures quoted above represent the performance of the Descartes Alternative Credit UCITS Fund, EUR, USD and CHF Inst. Founder Share Classes since launch on the 26-Mar-2019. These performance figures refer to the past and past performance is not a reliable guide to future performance.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Y-T-D
EUR					0.16%	0.59%	0.64%	0.53%	-0.51%				1.45%
USD						0.15%	0.87%	0.76%	-0.32%				1.46%
CHF							0.23%	0.50%	-0.57%				0.16%

The performance figures quoted above represent the performance of the Descartes Alternative Credit UCITS Fund, EUR, USD and CHF Inst. A Pooled Share Classes since respective class creation date. These performance figures refer to the past and past performance is not a reliable guide to future performance.

### The Manager



#### Jérôme Anglade

Partner, Portfolio Manager

Jérôme has more than 20 years of experience in structuring, trading and risk-management with Morgan Stanley in London as a Managing Director and Head of the European Structured Credit Group, Citi Capital Advisors then at Bank of America-Merrill Lynch. He then developed a significant expertise in the private debt and peer-to-peer lending, before joining Cartesia in 2016. Jérôme graduated from École Polytechnique and École Nationale des Ponts et Chaussées in Paris.

#### Tanguy Boulet

Chairman, Portfolio Manager

With 30 years of experience in Finance, Tanguy had initially spent 17 years in Investment Banking (Credit Agricole, Merrill Lynch, Lehman Brothers) prior to set up in London in 2003 the investment manager Ocean Capital, specialised in the securitisation markets and structured finance. He then created Cartesia in 2009 in Paris. Tanguy holds a diploma from ESCP Europe.

#### Pierre Mirat

Partner, Head of Business Development and Investor Relations

Pierre has spent 30 years in the Capital Markets in London, with a strong focus on the credit markets, working for Paribas Capital Markets, JP Morgan, Morgan Stanley – as Head of the French office for Global Markets - then for Société Générale-CIB as European Head of the Financial Institutions Group. He joined Cartesia in January 2017. Pierre graduated from HEC Paris and the Political Sciences Institute in Paris.

#### Alexandra Esteves

Chief Risk Officer

Alexandra brings 6 years experience in risk management and structured transactions monitoring/reporting, acquired while at Zencap Asset Management, with a significant expertise in structured credit assets (CLO & ABS), private debt and peer-to-peer lending. She joined Cartesia in the summer of 2019. Alexandra holds a Master Degree in Financial Engineering from IAE Gustave Eiffel.

### Fund Facts

Structure	UCITS Fund
Domicile	Ireland
Valuation	Daily
Liquidity	Weekly
Fund AUM	\$90.4m
INCEPTION	26 <sup>th</sup> March 2019

#### Share Class Institutional Founder Class

Currency	EUR/USD/CHF/GBP
Bloomberg ID (EUR)	MLDAE1F ID Equity
Mgt. Fee	0.65%
Perf. Fee	0.00%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BJCWST11 USD: IE00BJCWSX56 CHF: IE00BJCWSW40 GBP: IE00BJCWSV33
Bloomberg Codes	EUR: MLDAE1F ID USD: MLDAUIF ID CHF: MLDACIF ID GBP: MLDAE1F ID

#### Share Class Institutional Class A

Currency	EUR/USD/CHF/GBP
Bloomberg ID (EUR)	MLDEI1P ID Equity
Mgt. Fee	0.75%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000
ISIN Codes	EUR: IE00BJCWT213 USD: IE00BJCWT544 CHF: IE00BJCWT437 GBP: IE00BJCWT320
Bloomberg Codes	EUR: MLDEI1P ID USD: MLDEI1P ID CHF: MLDCI1P ID GBP: MLDEI1P ID

# Descartes Alternative Credit UCITS Fund

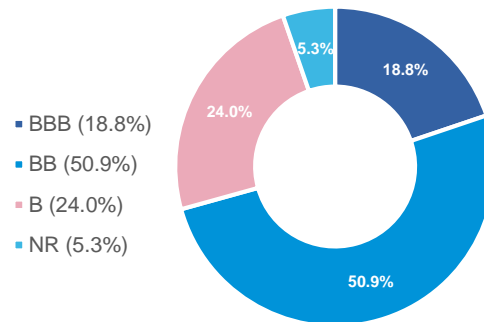
## Long Only Total Return Structured Credit

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### Portfolio Metrics

Number of Positions:	38
Number of CLO Managers	21
Expected Average Life To Maturity <sup>(1)</sup> :	7.9 years
Expected Yield to Maturity <sup>(2)</sup> :	6.8%

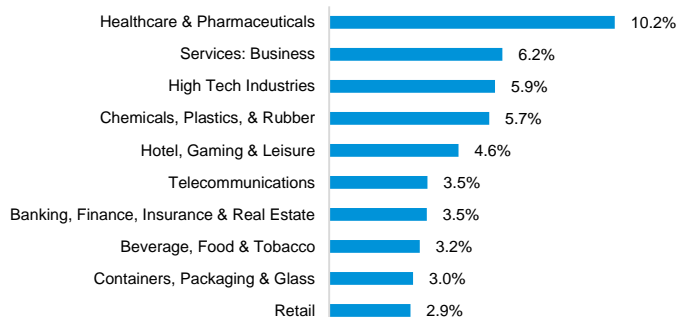
### Rating Category Breakdown <sup>(3)</sup>



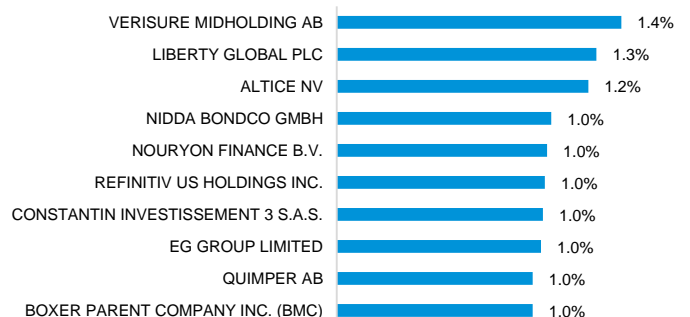
### Top 5 Positions <sup>(3)</sup>

Deal Name	Manager	Rating (M/S/F)	Par Amount (EUR)
AQUE 2019-3X E	HPS	Ba3/NR/BB-	3,050,000
BABSE 2018-2X D	Barings	Baa2/NR/BBB	3,000,000
DRYD 2017-51X D	PGIM	Baa2/BBB/NR	3,000,000
CGMSE 2019-1X D	Carlyle	Ba3/NR/BB-	3,000,000
DRYD 2019-69X F	PGIM	B2/B-/NR	3,000,000

### Look-Through Industry Breakdown (Top 10) <sup>(4)</sup>



### Look-Through Issuers (Top 10) <sup>(4)</sup>



#### Notes:

- (1) Weighted expected average life to maturity of investments
- (2) Weighted expected average yield to maturity of investments, excluding fees and expenses
- (3) Based on current valuation of the assets
- (4) Source: Moody's Analytics, based on nominal amounts, excluding deals which have not published their first trustee report.

### Contact Details

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