

Descartes Alternative Credit UCITS Fund

Long Only Total Return Structured Credit

February 2020

Performance Returns

The Descartes Alternative Credit UCITS Fund returned -0.16% for the month of February (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 February, the CLO mezzanine tranches rally has abruptly stopped mid month due to the general market sell off linked to coronavirus fears, a number of credit investors went risk off during the second part of the month. Despite those headwinds, 6 new deals went out with strong investors appetite seen for BBB and BB tranches well oversubscribed to the point the last KKR deal, priced on the 25th was upsized as a result. The new issue activity was also supported by strong demand for the AAA tranches, with a 4 months low priced at E3M+89bp on the KKR deal, as well as a solid bid on the equity tranches thanks to a revived CLO arbitrage.

Having a decent bucket of cash, we decided early February to deploy part of it in primary BB tranches such as the new GLG and SoundPoint deals at around E3M+600bp and one equity tranche secondary deal from Anchorage. Indeed, at these levels of spread, we tend to favour a barbell BB and equity tranches vs the single B tranche getting too expensive. Some of the cash has also been put to work in AAA tranches of conservative CLO managers (Fair Oaks...) to generate some carry.

As a result of the market dislocation concentrated on the last week of the month, mezzanine tranches have widened by around 75 to 125bp. Worth noticing, BWIC activity was high on that week with a large number of bonds did not trade as investors were reluctant to sell on low bids although the strong presence of buyers was encouraging.

With market volatility and growth uncertainties building up, we decided to keep our cash position as high as 12% in order to be ready for selective opportunities on the primary market with deals of good quality expected to print in March/April as well as to continue sourcing opportunistically secondary positions offered from dealers in a volatile environment.

The reduced tail risk combined with the loan repricing wave year to date help CLO portfolio NAV to stabilize; As a result, CLO mezzanine long only investors remain comfortable given the very low default environment and recession risk, especially for deals with clean portfolios.

Unlike the high yield bond market sharp downturn, the Fund negative monthly performance was limited thanks to the partial decorrelation of our asset class, justified by a mix of high carry, floating rate nature and high diversification of the underlying collateral, but also our strict selection of deals and vintages.

Going forward, we remain vigilant and opportunistic to purchase assets at good discounted level focusing solely on solid loan portfolios of old vintages and shorter WAL. In this context, we expect fewer primary deals to be able to print. Our asset class will continue to be supported by its strong relative value among credit assets.

In conclusion, we remain confident our current portfolio should carry on delivering a constructive and rather decorrelated performance combined with a lower volatility vs any credit indices.

Descartes Alternative Credit UCITS Fund Performance

Institutional Founder Class

2019/20	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	ITD*
EUR	-0,02%	0,58%	0,94%	0,67%	0,72%	0,58%	-0,55%	-0,38%	0,32%	1,14%	2,09%	-0,16%	6,06%
USD	0,06%	0,76%	1,28%	0,94%	0,90%	0,81%	-0,35%	-0,12%	0,44%	1,44%	2,30%	-0,02%	8,72%
CHF	-0,10%	0,40%	0,89%	0,63%	0,67%	0,53%	-0,60%	-0,41%	0,30%	1,15%	2,04%	-0,20%	5,40%

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.

Institutional Class A

2019/20	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	ITD*
EUR			0,16%	0,59%	0,64%	0,53%	-0,46%	-0,39%	0,32%	1,04%	1,86%	-0,15%	4,18%
USD				0,15%	0,87%	0,76%	-0,32%	-0,13%	0,43%	1,27%	2,05%	-0,02%	5,15%
CHF					0,23%	0,50%	-0,57%	-0,41%	0,33%	1,00%	1,83%	-0,17%	2,75%

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 founded 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	\$128.6m
Inception	26 th March 2019
Share Class	Institutional Founder Class
Currency	EUR/USD/CHF/GBP
Bloomberg ID (EUR)	MLDAEIF ID Equity
Mgt. Fee	0.65%
Perf. Fee	0.00%
Min Init. Sub.	1,000,000
	EUR: IE00BJCWST11
	USD: IE00BJCWSX56
	CHF: IE00BJCWSW40
	GBP: IE00BJCWSV33
Bloomberg Codes	EUR: MLDAEIF ID
	USD: MLDAUIF ID
	CHF: MLDACIF ID
	GBP: MLDAGIF ID

Share Class	Institutional Class A
Currency	EUR/USD/CHF/GBP
Bloomberg ID (EUR)	MLDEIAP ID Equity
Mgt. Fee	0.75%
Perf. Fee	10.00%
Min Init. Sub.	1,000,000
	EUR: IE00BJCWT213
	USD: IE00BJCWT544
	CHF: IE00BJCWT437
	GBP: IE00BJCWT320
Bloomberg Codes	EUR: MLDEIAP ID
	USD: MLDUIAP ID
	CHF: MLDCIAP ID
	GBP: MLDGIAP ID

Descartes Alternative Credit UCITS Fund

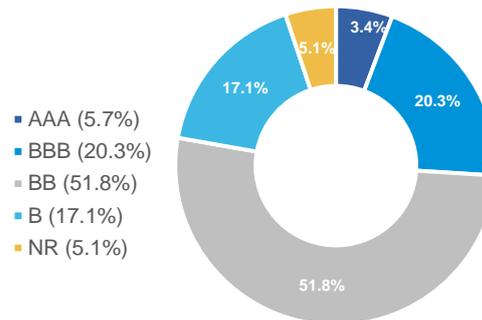
Long Only Total Return Structured Credit

February 2020

Portfolio Metrics

Number of Positions:	50
Number of CLO Managers	26
Expected Average Life To Maturity ⁽¹⁾ :	7.1 years
Expected Yield to Maturity ⁽²⁾ :	6.2%

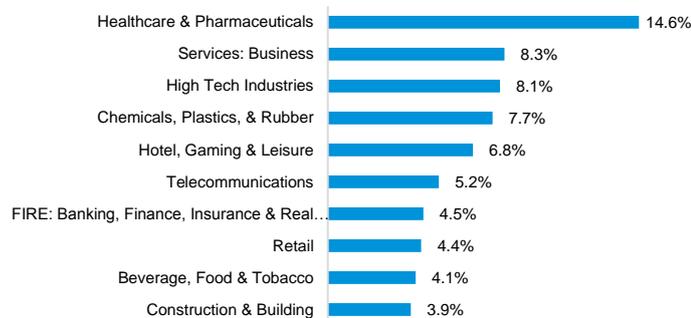
Rating Category Breakdown ⁽³⁾



Top 5 Positions ⁽³⁾

Tranche Name	Manager	Rating (M/S/F)	Par Amount (EUR)
BABSE 2018-2X D	Barings	Baa2/NR/BBB	3,000,000
FOAKS 1X A1	Fair Oaks	Aaa/NR/AAA	3,000,000
DRYD 2017-51X D	PGIM	Baa2/BBB/NR	3,000,000
CGMSE 2019-1X D	Carlyle	Ba2/BB-/BB-	3,000,000
ARMDA 2X E	Brigade	Ba2/NR/BB	3,000,000

Look-Through Industry Breakdown (Top 10) ⁽⁴⁾



Look-Through Issuers (Top 10) ⁽⁴⁾



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.

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