

Descartes Alternative Credit UCITS Fund

Long Only Total Return Structured Credit

October 2022

Performance Returns

The Descartes Alternative Credit UCITS Fund returned -0.36% for the month of October (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 (AMF licence GP-13000019), 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 October, the European CLO market started the month under a continued selling pressure from UK pension funds facing margin calls from their LDI* exposures, then stabilized thanks to strong buying interests coming from both hedge funds and institutional investors targeting notably AAA and AA tranches which were offered at a rare discounted price level.

The primary market was subdued with only 3 deals executed for a total size of €900mln over the month bringing the YTD issuance volume at €21.1bn. Average deal size is often reduced to around €300mln due to challenges faced by CLO managers to source assets as the senior loan new issue market remains weak considering the credit market volatility and the lack of banks' appetite to underwrite additional loans approaching year end.

As a positive note, there was a much larger investors participation, notably from insurers, in the secondary market and in BWICs, which were numerous in October targeting mainly senior tranches. Deals price tiering has increased in particular for BBB and below rated CLO tranches which were impacted by the UK pension driven credit volatility. As an example, an experienced and conservative CLO manager will see its BBB tranche trading at around E3M+575bp spread level while a risk-taking and less popular CLO manager will see its secondary tranche priced close to E3M+700bp.

The European CLO market finished the month on a constructive note based on manageable supply volumes and a more positive macro backdrop. In the secondary market, mezzanine CLO spread levels have found a stable support at E3M+650bp, 1050bp and 1450bp respectively for BBB/BB/B tranches with prices offered deeply below par.

The European loan index (ELLI) has finally found some support in the 88-90 price range and would need to see more CLO creation in order to uplift senior loan prices going forward. According to Barclays Research analysts, stalling volume this year comes as loan new issue supply has fallen considerably, with gross supply in annual terms being the lowest observed in a decade. This slowdown has happened as LBO/M&A related deals have declined massively in recent months with a number of potential transactions put on hold or delayed to next year.

Despite the lack of primary loans, the CLO new issue pipeline seems quite busy with 7 to 8 visible deals ready to price in November if the credit market context confirms its stabilisation. We note that institutional investors are cash rich and could deploy their ammunitions relatively quickly depending on central banks' decision and quarterly earnings release.

As a result of CLO loan portfolio prices slight decline in October, median BB tranche market value overcollateralization levels dropped to 98%. However, nominal OC cushions remain healthy as senior loan downgrades and defaults remain very limited.

In terms of industries exposure, CLO managers are strongly biased to Healthcare and Pharmaceuticals for 17%, Business services for 10%, electronics for 9%, consumer products and chemicals equally for 7% but remain largely underweight cyclical and retail/travel/leisure based sectors.

Our portfolio stayed unchanged in October, which continues to be rather defensive with a high cash or equivalent exposure at 18.5%. Our exposure to BB and above rated CLO tranches remains elevated at 82.4%, well above the minimum required of 70%.

The Fund NAV declined slightly in October due to the lack of investors appetite in CLO junior mezzanine tranches. Indeed, the CLO market is in a wait and see mode as investors will be scrutinizing upcoming macro data to provide some clarity on the pace of rate hikes planned by Central Banks over the next 6 months.

We believe current spreads for mezzanine CLO tranches offer an excellent carry and an even stronger yield to maturity (around 13.3% on the Fund) when integrating the forward steep Euribor curve. According to most credit analysts, those levels assume a mild recession taking place in Europe for 2023 which is our base case scenario.

* Liability driven investments

Descartes Alternative Credit UCITS Fund Performance

Institutional Founder Class

	YTD 19*	FY 20	FY 21	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD 22
EUR	4.06%	4.37%	6.83%	0.61%	-0.43%	-1.81%	0.39%	-6.63%	-2.94%	-1.56%	4.31%	-4.60%	-0.36%			-12.65%
USD	6.30%	6.42%	7.62%	0.63%	-0.40%	-1.75%	0.43%	-6.56%	-2.74%	-1.33%	4.47%	-4.42%	-0.19%			-11.60%
CHF	3.58%	3.94%	6.52%	0.61%	-0.47%	-1.83%	0.38%	-6.63%	-2.91%	-1.52%	4.31%	-4.63%	-0.44%			-12.75%

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

	YTD 2019*	FY 20	FY 21	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD 22
EUR	2.43%	3.76%	6.04%	0.54%	-0.39%	-1.82%	0.38%	-6.64%	-2.95%	-1.57%	4.30%	-4.61%	-0.37%			-12.74%
USD	3.06%	5.64%	6.72%	0.58%	-0.34%	-1.72%	0.46%	-6.57%	-2.74%	-1.34%	4.47%	-4.45%	-0.19%			-11.60%
GBP	1.01%	4.07%	6.57%	0.59%	-0.29%	-1.71%	0.49%	-6.52%	-2.78%	-1.43%	4.50%	-4.41%	-0.23%			-11.56%
CHF	1.08%	3.45%	5.74%	0.53%	-0.40%	-1.86%	0.37%	-6.64%	-2.91%	-1.53%	4.30%	-4.65%	-0.44%			-12.83%

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.

* performance over 9 months from launch date

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	\$83.4m
Inception	26 th 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
	EUR: IE00BJCWST11
	USD: IE00BJCWSX56
	CHF: IE00BJCWSW40
	GBP: IE00BJCWSV33
Bloomberg Codes	EUR: MLDAE1F ID
	USD: MLDAUIF ID
	CHF: MLDAC1F ID
	GBP: MLDAG1F 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: MLDUAIAP ID
	CHF: MLDCIAP ID
	GBP: MLDGIAP ID

Descartes Alternative Credit UCITS Fund

Long Only Total Return Structured Credit

October 2022

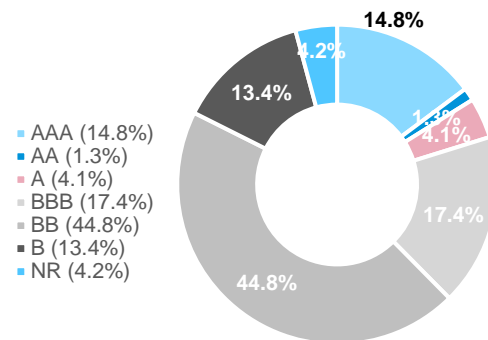
Portfolio Metrics

Number of Positions:	69
Number of CLO Managers	34
Expected Average Life To Maturity ⁽¹⁾ :	6.0 years
Expected Yield to Maturity ⁽²⁾ :	12.7%

Top 5 Positions ⁽³⁾

Tranche Name	Manager	Rating (M/F/S)	Par Amount (EUR)
CONTE 4X ARE	Five Arrows	Aaa/NR/AAA	2,500,000
ARMDA 2X E	Brigade	Ba2/BB/NR	3,000,000
DRYD 2014-32X ER	PGIM	Ba2/BB-/NR	3,000,000
HARVT 9X ER	Investcorp	Ba2/BB+/NR	2,500,000
BLUME 5X A	BlueMountain	NR/AAA/AAA	2,100,000

Rating Category Breakdown ⁽³⁾



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

Healthcare & Pharmaceuticals	13.98%
High Tech Industries	6.90%
Services: Business	6.86%
Chemicals, Plastics, & Rubber	6.17%
Telecommunications	6.04%
Services: Consumer	5.13%
Hotel, Gaming & Leisure	4.45%
Beverage, Food & Tobacco	4.41%
FIRE: Banking, Finance, Insurance & Real...	4.37%
Construction & Building	4.13%

Look-Through Issuers (Top 10) ⁽⁴⁾

INEOS LIMITED	1.68%
ALTICE NV	1.52%
LIBERTY GLOBAL PLC	1.32%
LORCA JVCO LIMITED	1.09%
EG MIDCO 1 LIMITED	1.03%
Dummy Loan 1	1.01%
NIDDA GERMAN TOPCO GMBH	0.97%
VERISURE MIDHOLDING AB	0.92%
SIGMA HOLDCO BV	0.88%
3I GROUP PLC	0.78%

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

Investor Contact

Waystone Capital Solutions (UK) Ltd
2nd Floor, 20-22 Bedford Row
Holborn, London
T: +44 207 290 9493
investorrelations@waystone.com

Management Company

Waystone Fund Management (IE) Ltd
3rd Floor, 76 Baggot Street Lower
Dublin, Ireland
T: +353 1 533 7020
investorrelations@waystone.com

Investment Manager

Cartesia SAS
26 rue Danielle Casanova
75002 Paris, France
T: +33 1 56 43 4003
pm@cartesiafinance.com

Disclaimer

RISK WARNING: Past performance is not a reliable indicator of future results, prices of investments and the returns from them may fall as well as rise. Investments in equities are subject to market risk. Changes in exchange rates may have an adverse effect on the value price or income of the product. The Descartes Alternative Credit UCITS Fund (the "Fund") may use higher leverage and financial derivative instruments as part of the investment process. The distribution of this report does not constitute an offer or solicitation and this notice shall not be construed as an offer of sale in any other fund managed or advised by Cartesia SAS or Waystone Fund Management (IE) Ltd ("Waystone"). Any investment in the Fund should be based on the full details contained in the Fund's Supplement Prospectus and Key Investor Information Document which together with the MontLake UCITS Platform ICAV Prospectus may be downloaded from the MontLake website (www.montlakeucits.com/funds/descartes-alternative-credits-fund). Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although neither Waystone nor Cartesia SAS accepts liability for the accuracy of the contents. Waystone does not offer investment advice or make recommendations regarding investments. The Manager of the Fund is Waystone Fund Management (IE) Ltd, a company regulated by the Central Bank of Ireland. The Investment Manager for the fund, Cartesia SAS is authorised and regulated by the Autorités des Marchés Financiers (AMF). The MontLake UCITS Platform ICAV is registered and regulated as an open-ended Irish collective asset-management vehicle with segregated liability between sub-Funds formed in Ireland under the Irish Collective Asset management Vehicles Act 2015 and authorised by the Central Bank as a UCITS pursuant to the UCITS Regulations. This notice shall not be construed as an offer of sale in the Fund. The state of the origin of the fund is Ireland. This document may only be distributed in Switzerland to qualified investors within the meaning of art. 10 para. 3, 3bis and 3ter CISA. The Representative in Switzerland is Waystone Fund Services (Switzerland) SA, Avenue Villamont 17, 1005 Lausanne, Switzerland, whilst the paying agent is NPB Neue Privat Bank AG, Limmatquai 1/am Bellevue, P.O. Box, CH-8024 Zurich. The basic documents of the fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge from the representative. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the representative. Past performance is no indication of current or future performance. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. The performance data do not take account of the commissions and costs incurred on the issue and redemption of units. Authorised and Regulated by the Central Bank of Ireland. The Management Company may decide to terminate the arrangements made for the marketing of the Fund in accordance with Article 93a of Directive 2009/65/EC. To view the Summary of Investor Rights, please visit the following [link](#). This is a marketing communication.

For more information visit www.montlakeucits.com