

# Descartes Alternative Credit UCITS Fund

## Long Only Total Return Structured Credit

September 2022

### Performance Returns

The Descartes Alternative Credit UCITS Fund returned -4.60% 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 (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 September, the CLO market started on a positive foot and then became under renewed pressure considering on one hand the economic background deterioration, the recent rate hike decisions from Central Banks and on the other hand the re-activation of the primary market with 5 transactions launched but more importantly the force selling of CLO tranches from UK pension funds as a result of the recent fiscal stimulus creating a massive rates tension. All new CLO deals pointed to a renewed widening in CLO spread liabilities, with the exception of the AAA tranche, where levels ranged from E3M+190bp and E3M+200bp. CLO structures are getting more creative under a more challenging arbitrage context as seen with the last Palmer Square static deal with a 1y non call period or the last Carlyle deal with a AAA tranche split into a note and a loan format. Meanwhile, the last WhiteStar deal had a delayed draw B tranche, which gives the CLO manager more flexibility to leverage up the deal without going through a more expensive refinancing process.

Interestingly, with central policy rates climbing across developed markets, the fixed rate assets held on average by CLO managers are up 2% to 8% with some CLO managers such as Angelo Gordon and PGIM going as high as 18%, this might be a signal that long term interest rates combining with very wide credit spreads offer now an attractive entry point.

During the last week of the month, CLO mezzanine tranches widened in the secondary market as BWIC volumes picked up substantially (nearly €2bn over the month) and did not find necessarily the final demand at the asking price.

CLO credit metrics remain relatively flat on the month with median CCC exposure marginally higher at 3.38% and senior loans priced below 90% moved slightly up from 18.5% to 19.4%. Moreover, there continue to be no deals in the CLO universe breaching any OC or IDT tests with the median BB tranche OC ratio unchanged vs August at a comfortable 111% cushion level.

BBB and BB CLO tranches widened over the month up to respectively E3M+660bp/1000bp on primary transactions while B tranche was mostly retained by the CLO manager except the deal issued by Carlyle where that tranche was priced at E3M+1430bp.

Despite the fact the primary market activity was rather subdued for what is usually a busy month, there are still around 40 warehouses open from which some of them will have to find a solution by year end, either issuing a CLO deal or liquidating the ramped loan portfolio.

Deutsche Bank published recently an informative stress test analysis\* on the European senior loan market by which using a terminal ECB refi rate of 2.5% and a 5% drop in EBITDA across the loan universe, the average net interest coverage ratio will fall from 4.5x to 2.7x, well above the 2x level signalling a relatively healthy ability for a company to service its debt.

As long as demand for CLO debt tranches stays defensive or on a side line, there will be less CLO issuance which ultimately should mitigate any spread further widening. Additionally, the lack of primary loans offered, as a result mainly of a freeze on M&A transactions, should help the ELLI index to stay at around the 90% price level. Indeed, less than €1bn was priced in August and only €2.7bn in September bringing the YTD loan issuance volume at €31bn equivalent to 73% down compared to last year over the same period.

Regarding our portfolio, we have not changed our profile in September, which continues to stay defensive with a high cash or equivalent exposure at 15.7%. Our exposure to BB and above rated CLO tranches is maintained at 82.6%, well above the minimum required of 70%.

The Fund NAV declined in September in line with the move in senior loan prices as the ELLI dropped from 93.2% to 89.5% last month and was impacted by the sell-off from UK pension funds across ABS assets over the last days.

For October, our approach will remain prudent considering the weaker global macro environment. Our main focus will be to reduce the fund credit duration on an opportunistic basis in order to build further ammunitions.

\* European Asset backed Barometer 16-09-2022

### 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%				-12.33%
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%				-11.43%
CHF	3.50%	3.94%	6.52%	0.61%	-0.47%	-1.83%	0.38%	-6.63%	-2.91%	-1.52%	4.31%	-4.63%				-12.37%

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%				-12.41%
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%				-11.43%
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%				-11.35%
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%				-12.44%

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	\$88.4m
Inception	26 <sup>th</sup> 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
ISIN Codes	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
ISIN Codes	EUR: IE00BJCWT213 USD: IE00BJCWT544 CHF: IE00BJCWT437 GBP: IE00BJCWT320
Bloomberg Codes	EUR: MLDEIAP ID USD: MLDUIAP ID CHF: MLDCAIP ID GBP: MLDGIAP ID

# Descartes Alternative Credit UCITS Fund

## Long Only Total Return Structured Credit

September 2022

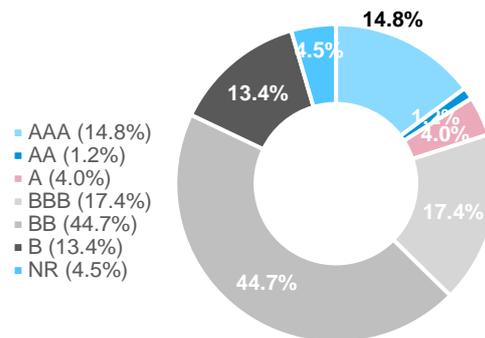
### Portfolio Metrics

Number of Positions:	69
Number of CLO Managers	34
Expected Average Life To Maturity <sup>(1)</sup> :	6.1 years
Expected Yield to Maturity <sup>(2)</sup> :	12.7%

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

Tranche Name	Manager	Rating (M/F/S)	Par Amount (EUR)
CONTE 4X ARE	Five Arrows	Aaa/NR/AAA	2,500,000
DRYD 2014-32X ER	PGIM	Ba2/BB-/NR	3,000,000
ARMDA 2X E	Brigade	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 <sup>(3)</sup>



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

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) <sup>(4)</sup>

INEOS LIMITED	1.69%
ALTICE NV	1.50%
LIBERTY GLOBAL PLC	1.33%
LORCA JVCO LIMITED	1.08%
EG MIDCO 1 LIMITED	1.03%
Dummy Loan 1	1.00%
NIDDA GERMAN TOPCO GMBH	0.97%
SIGMA HOLDCO BV	0.88%
VERISURE MIDHOLDING AB	0.88%
3I GROUP PLC	0.79%

#### 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**  
 2<sup>nd</sup> Floor, 20-22 Bedford Row  
 Holborn, London  
 T: +44 207 290 9493  
 investorrelations@waystone.com

#### Management Company

**Waystone Fund Management (IE) Ltd**  
 3<sup>rd</sup> 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](http://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](http://www.montlakeucits.com)