

## Alcentra Ltd

## Full Rating Report



## Outlook

Stable

## Profile

Asset under management (Oct 2014)	EUR10.2bn
Date of creation	2003 (Europe)
Domicile	UK
Ownership	100% Bank of New York Mellon Corporation
Total staff (Oct 2014)	67
Investment professionals (Oct 2014)	26

## Key Rating Drivers

**Stable Organisation, Strong Parent:** Alcentra Ltd is one of the largest and longest established European sub-investment grade credit asset managers. It benefits from the support of its parent company, The Bank of New York Mellon Corporation (BNY Mellon; AA-/Stable/F1+), while operating as an independent subsidiary. Alcentra's senior management team has been in place for over 10 years and is highly experienced.

**Suitable Control of Risk:** The risk management and governance framework provides suitable coverage of the main risks. Investment risk management is monitored by a monthly risk committee. An independent risk manager has a wide remit to cover market, counterparty, business and operational risks, which is also reported to BNY Mellon dedicated resources.

**Disciplined Credit Approval Process:** Alcentra adopts a two-stage credit approval process, consisting of a preliminary credit screening followed by more detailed due diligence. Access to market information is well developed. An investment committee formalises the process, which meets monthly. Credit monitoring is ongoing and the committee formally reviews all credits on a quarterly basis.

**Best-in-Class Investment Administration:** Alcentra's investment capabilities revolve around its strong team, use of appropriate systems and its effective processes. Robust controls are in operation, and Alcentra benefits from strong relationships with its administrators, custodians and trustees. Alcentra benefits from the oversight, experience and resources of BNY Mellon.

**Integrated Systems:** The front-office system, Everest, is integrated with the back-office system, Wall Street Office (WSO), while allowing access to real-time, customisable data flows. An in-house IT team lead the maintenance and upgrade of systems.

## Category Assessments

	Good Standards	High Standards	Highest Standards
Company			✓
Controls		✓	
Investments			✓
Operations			✓
Technology			✓

Source: Fitch

## Profile

**Sub-Investment Grade Manager:** Alcentra is a specialist sub-investment grade debt manager. Formed in 2002 in the US and 2003 in Europe, it was acquired in January 2006 by BNY Mellon. It manages secured loans (including direct lending), high yield (HY) bonds, stressed/distressed credit, mezzanine loans and structured credit through funds, mandates and CLOs. Alcentra is increasingly adopting a multi-strategy credit approach, combining its expertise into single products.

Fitch affirmed the Credit Asset Manager Rating assigned to Alcentra Ltd at 'Highest Standards' on 15 December 2014. The rating covers all of Alcentra's European credit management activities.

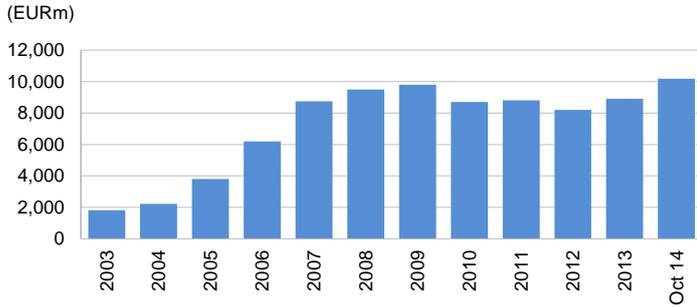
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Assets Under Management (AUM) Breakdowns

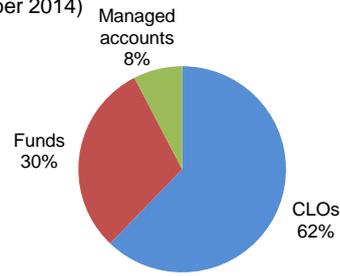
European AUM Growth



Source: Alcentra

European AUM Breakdown by Product Line

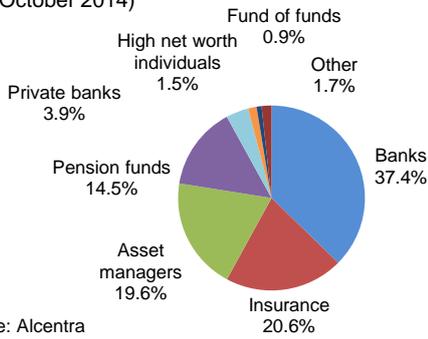
(As at October 2014)



Source: Alcentra

AUM Breakdown by Investor Type

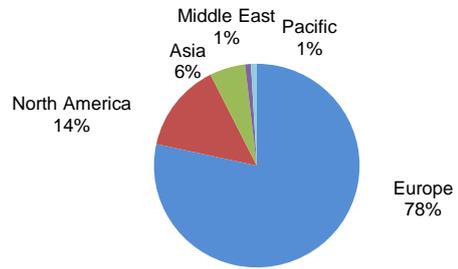
(As at October 2014)



Source: Alcentra

European AUM Breakdown by Investor Location

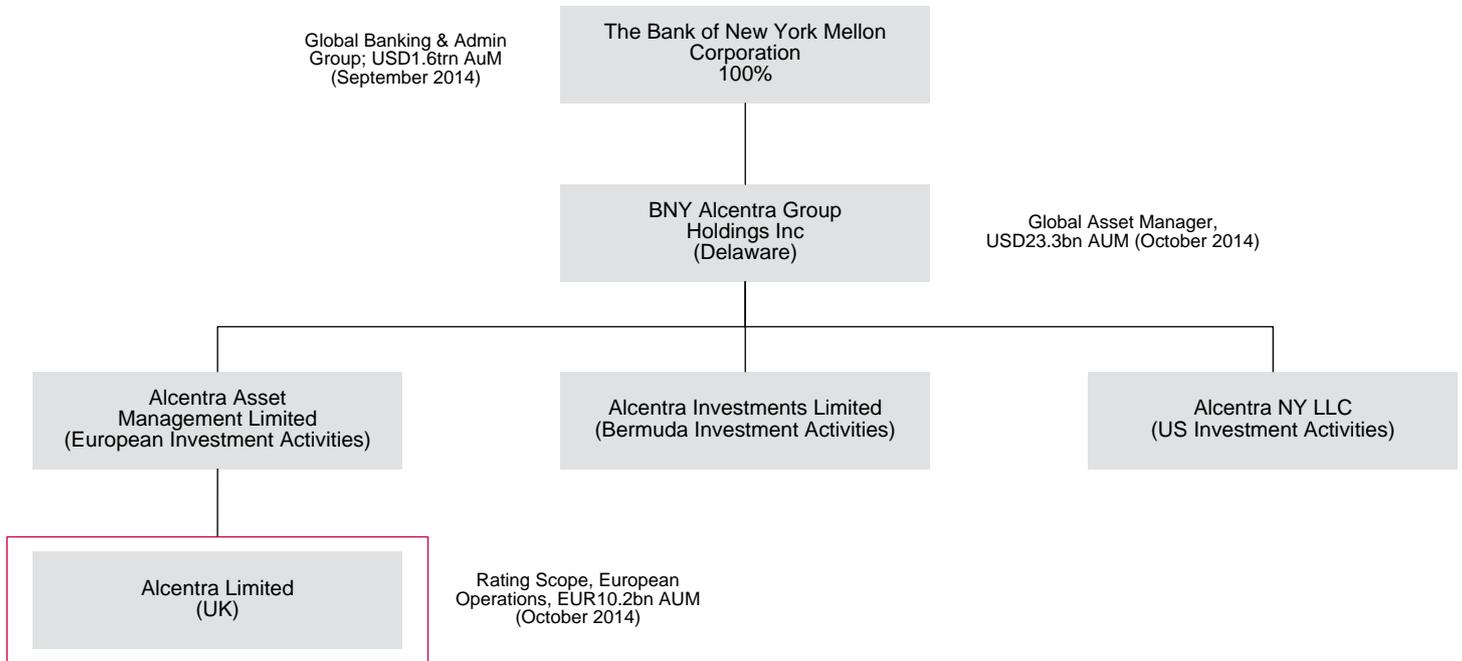
(As at October 2014)



Source: Alcentra

Company Structure

Alcentra Corporate Structure



Source: Fitch, Alcentra

Related Criteria

[Asset Manager Rating Criteria \(May 2014\)](#)

**Company**

**Highest Standards**

**Shareholders and Financial Standing**

**Well resourced, strong parent company**

Alcentra is 100% owned by BNY Mellon (AA-/Stable/F1+). BNY Mellon first took a stake of 80% in Alcentra in late 2005 and has increased this gradually to full ownership. BNY Mellon regularly provides seed capital for Alcentra products, showing its commitment to the firm.

Alcentra benefits from BNY Mellon’s extensive resources, particularly in distribution, legal and compliance matters. Alcentra has full investment autonomy and operates as one of BNY Mellon’s 15 specialist boutique asset management companies.

Alcentra is highly profitable. EBITDA in 2013 was stable compared with 2012, and management fee margins remained healthy.

Alcentra’s client base is diversified by type. Although 78% are European based, they are well diversified by country. There is no large single client concentration amongst Alcentra’s investors.

Alcentra holds capital well in excess of regulatory requirements. Alcentra does not have any debt.

Alcentra has launched four new European CLOs since July 2013. Despite this, AUM within European CLOs has fallen slightly, reflecting historic CLOs being called. The proportion of Alcentra’s AUM in CLOs continues to fall (from 76% of AUM in May 2013 to 62% of AUM in July 2014).

**Highly profitable business underpinned by stable, term financed CLOs**

Overall, Alcentra is diversifying AUM sources and has seen inflows particularly into European loan strategies, multi-credit strategy mandates, structured credit funds and into Alcentra’s direct lending initiatives, following the launch of a European direct lending fund in 2013 and final close in November 2014. Growth is expected in Alcentra’s structured credit products during 2015, following the recent announcement of the integration of Meriten Investment Management GmbH’s five person structured credit team into Alcentra in December 2014.

Alcentra retains a large amount of cash on its balance sheet, albeit less than at end-2012 due to the investment of seed capital in newly launched CLOs. Based on Fitch estimates, Alcentra would break-even under an extreme stress scenario of a fall in AUM of 50%.

**Experience**

**Experienced, stable teams**

The Alcentra Group was established in 2002 in the US through the acquisition (by the Alchemy Group and the founding partners) of Imperial Credit Asset Management from Imperial Credit Industries Inc, and of Barclays Capital Asset Management from Barclays Bank Plc in March 2003 in Europe. In 2005, the Alchemy Group and Alcentra Group management and employees sold a combined 80% holding in the Alcentra Group to BNY Mellon.

Alcentra is one of the largest and longest established European CLO managers. Alcentra’s strategy is to focus on selective expansion, notably into direct lending and multi-strategy vehicles, based on Alcentra’s core skills as a sub-investment grade asset manager.

Fitch believes Alcentra is making strong progress in transitioning from a pure CLO manager to a fully diversified sub-investment grade credit asset manager.

**Company (Continued)**

**Highest Standards**

**Governance and Independence**

**Strong firm-wide governing framework**

The board of Alcentra consists of five members, including the Head of Investment Management Risk and Compliance at BNY Mellon, who meet quarterly. Alcentra's senior management meets with a BNY Mellon oversight committee on a monthly basis.

Fitch views positively the recent announcement of the appointment of two non-executive directors to Alcentra's Board, which will strengthen corporate governance.

Alcentra is regulated and authorised by the UK's FCA, and other affiliates are regulated by the US SEC, the Irish Financial Services Regulatory Authority and the Luxembourg CSSF. KPMG acts as Alcentra's auditors; to date its opinion on Alcentra has been clean.

Alcentra is subject to biennial audits from BNY Mellon's internal audit department. In addition, BNY Mellon conducts more regular, specific reviews on a rotating basis. Alcentra is subject to BNY Mellon's conflict of interest policy.

**Funds are suitably governed**

Alcentra's products incorporate a range of structures, including CLOs, Limited Partnerships (LPs), Structured Investment Funds (SIFs), and closed ended funds. In all cases the assets are segregated with respectable third-parties as trustees/custodians. Alcentra also manages numerous segregated mandates.

All the funds and CLOs use well respected service providers, including BNY Mellon as CLO collateral administrator, UBS and Barclays as prime brokers, KPMG as fund auditors, and BNP Paribas as administrator for Alcentra European Floating Rate Income Fund (AEFRIF). The Sanne Group, a new relationship for Alcentra, administers the UK and European direct lending funds. BNY Mellon, State Street and/or GlobeOp act as administrators for the remainder of Alcentra's fund range.

On the AEFRIF board, and the UK and European direct lending fund's boards, all directors are independent. On the European Loan Fund, Structured Credit Opportunity Fund I & II, and the Global Special Situation boards respectively, a majority of directors are independent.

**Staffing**

**Clearly organised business; independent risk function**

Alcentra has specific teams for each strategy, backed by appropriate administrative and support resources.

Fitch views positively the hire of an independent risk manager in 2013, establishing a separate risk function at Alcentra. The risk manager has a wide remit to cover investment risk, counterparty risk and operational risk, amongst others. There is a separate compliance team of three in Europe (seven globally.) Alcentra benefits from the depth of shared knowledge and resources at BNY Mellon, specifically in compliance, risk and distribution.

Portfolio managers (PMs) are responsible for conducting trading themselves – with the exception of HY bonds, where an experienced HY trader is used.

**Highly experienced management team**

In Fitch's opinion, the senior management team brings consistent and stable leadership to the business. The management team is highly experienced; with an average of over 25 years' industry experience and over 10-years' company tenure.

David Forbes Nixon (chairman, CEO and co-founder) has 27 years' industry experience. The CIO, Paul Hatfield, has 28 years' experience, with 12 years at Alcentra. Robert Bennett (CFO/CRO/COO) also has 28 years' industry experience, with 11 years' tenure at Alcentra.

Alcentra has introduced the position of Chief Administrative Officer, filled by Lynn Tidd. Her role includes talent acquisition and management, and strategic business planning. This shows the increasing institutionalisation of Alcentra.

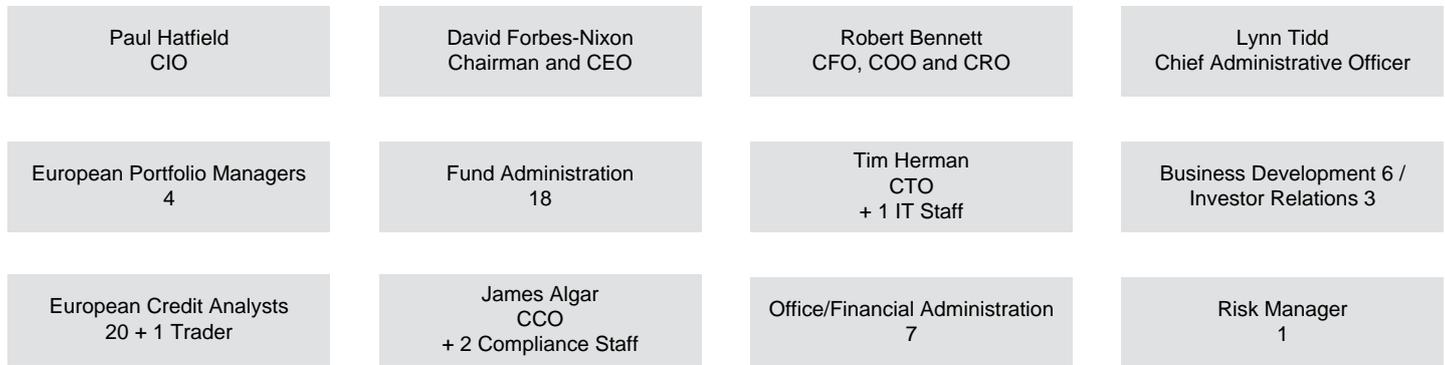
**Company (Continued)**

**Highest Standards**

**Staffing (Continued)**

<b>Strong alignment of interest</b>	<p>Fitch believes that members of staff are well compensated. There has been a good level of staff retention, with little staff turnover since the inception of the company. Whilst two PMs have left over the past year, Fitch believes there is sufficient experience and knowledge within Alcentra to replace them.</p> <p>Alcentra's long-term incentive plan invests in Alcentra products, providing a strong alignment of interest between staff and investors. Several Alcentra employees also personally invest in Alcentra products, which is monitored and approved by BNY Mellon's ethics committee. Alcentra's remuneration policies are aligned with those of BNY Mellon, which are reviewed by BNY Mellon's remuneration committee. Cash components of variable remuneration are deferred.</p>
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**Alcentra Ltd Organisation Chart**



Source: Fitch, Alcentra

**Controls**

**High Standards**

**Overall Risk Control Framework**

<p><b>Sound control structure with appropriate resources</b></p>	<p>Alcentra has a risk committee, which meets on a monthly basis, chaired by the CRO. Jennifer Linenbaum, BNY Mellon Investment Management’s senior counsel and managing director, has the right to attend the committee.</p> <p>The risk committee reviews relevant metrics, such as price movements, lowest trading assets, and liquidity, among others. Incremental improvements were made to the reporting provided to the risk committee, following the hire of an independent risk manager in 2013.</p> <p>The independent risk manager reports to the CCO and CRO. He has a wide remit to monitor and report on all the various risks Alcentra faces (e.g. market, operational, counterparty). Alcentra has a separate compliance team of three in Europe, appropriate for its size.</p> <p>The CRO and head of compliance (CCO) have reporting lines to the head of risk and compliance at BNY Mellon and meet formally on a monthly basis.</p>
<p><b>Appropriate operational risk supervision</b></p>	<p>BNY Mellon’s policy on operational risk is adopted at Alcentra, with the risk manager working with the dedicated operational risk officer present at BNY Mellon.</p> <p>The operational risk management process includes risk control self-assessments by each business area and specific risk assessments to be undertaken by the risk manager. Risk mitigation action plans are documented, tracked and reported to the board. All incidents are well captured and tracked to completion via BNY Mellon’s operational risk monitoring systems. Risks are assessed as part of ICAAP.</p> <p>Operational losses over the past three years have been low at Alcentra, with no monetary operational losses in 2013.</p>
<p><b>Established monitoring of third parties</b></p>	<p>Relationships with custodians and other third-parties are monitored by the operations team at Alcentra. A new counterparty review process exists. The Sanne Group was hired to administer Alcentra’s direct lending funds, a new relationship for Alcentra, following a formal tender process.</p> <p>Service level agreements (SLAs) are in place, governing the relationship with the various counterparties. Annual on-site due diligence is performed, with regular update calls to assess performance. Alcentra’s operations team replicate the administration process for all products; accuracy and timeliness of NAV production/trustee accuracy for the relevant products is the key metric reviewed. BNY Mellon have replaced State Street as the administrator for the Luxembourg domiciled fund range.</p> <p>Alcentra selects and monitors counterparties using objective criteria. BNY Mellon maintains an eligible broker list, which is continuously monitored and updated.</p> <p>Funds enter into standardised contracts (e.g. ISDAs) with counterparties as appropriate.</p>

**Controls (Continued)**

**High Standards**

**Compliance and Controls**

<p><b>Good compliance oversight</b></p>	<p>There is good compliance oversight, effected by the compliance team at Alcentra. There are comprehensive policies and procedures in place to ensure compliance with regulatory rules. The compliance team provides robust oversight through monitoring the effectiveness of the controls and reporting to management.</p> <p>Staff adhere to the BNY Mellon personal trading policy. BNY Mellon systems log personal trades, and a quarterly submission of brokerage statements is required. Alcentra maintains a restricted trading list, which is built into Everest. An order allocation policy is monitored by Alcentra's CCO.</p> <p>Alcentra uses 'Resource Compliance'; a dedicated consultancy, which conducts a quarterly review of the firm's compliance programme.</p>
<p><b>Brokers and counterparties selected on the basis of best execution</b></p>	<p>An eligible broker list is maintained by BNY Mellon. Alcentra chooses brokers from the list purely on the basis of best execution, which is reviewed monthly by its operations and compliance teams. This is measured by speed, cost, likelihood of execution and settlement, amongst other factors.</p> <p>Weekly trading exposures and volumes across counterparties are monitored by the operations team and the risk manager using WSO.</p>
<p><b>Pre- and post- trade compliance exists</b></p>	<p>Everest contains a pre- and post-trade compliance system. All CLO constraints are built into WSO. The Alcentra operations team produces a shadow NAV for all relevant products, which is reconciled to the administrator-produced NAV.</p> <p>Before trading, PMs run a trade scenario, which may be reviewed by the operations team to ensure that investment guidelines are not breached. The operations team review all trades on a post trade basis.</p>
<p><b>Robust valuation procedures and oversight</b></p>	<p>All pricing data is acquired from independent third party sources (Markit (inc. LoanX) and IDC). A formal pricing policy procedure exists, which covers all investments that Alcentra makes.</p> <p>Alcentra's pricing committee reviews instances of illiquid and non-traded securities. Standardised templates exist where additional broker quotes are required and analysts/PMs are required to justify a reasonable price to the committee, which has the final decision.</p>

**Investment Risk Management**

<p><b>More formalised market risk oversight</b></p>	<p>Alcentra's risk committee has a mandate, as documented in its terms of reference. It reviews all relevant market risk metrics. Specific topics discussed include performance, concentration risk, liquidity risk and redemption risk, among others. In addition, the risk manager has oversight responsibilities for reviewing the investment risk guidelines within portfolios and has an independent reporting line to CFO/CRO.</p> <p>All CLOs are tested for compliance via WSO.</p> <p>Monthly risk monitoring is formalised via credit, liquidity and recovery internal ratings, including the maintenance of a watchlist and quarterly full portfolio reviews. Credit risk management is driven by the initial selection and ongoing monitoring, with responsibility placed on the credit analysts.</p> <p>The committee has the power to oblige PMs to attend a session to address any potential concerns the committee may have, and has the power to force PMs to make trades (which has been used previously).</p> <p>On a daily basis, CLO portfolios are monitored by the operations team to evaluate the impact of purchases, sales, rating actions and prepayments on the portfolio.</p>
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Controls (Continued)

High Standards

Investment Risk Management (Continued)

<p><b>Liquidity risk appropriately evaluated</b></p>	<p>Liquidity risk is an important component of Alcentra’s credit selection process. At the credit research stage, all investments are assigned a liquidity ranking of A to D, based on daily interactions and market intelligence from market dealers. Aggregate and individual portfolio exposures to these rankings are reviewed by the risk committee. The European Loan, Structured Credit, and Global Special Situations funds have specific liquidity limits set, monitored regularly by the risk manager and reported to the risk committee.</p> <p>The majority of Alcentra’s AUM is in closed-end funds or funds with conservative redemption periods that limit asset-liability mismatches. For example, AEFRI is a closed-ended vehicle, which eliminates the mismatch, and the Global Special Situations Fund incorporates lock-up periods with quarterly liquidity post lock-up.</p>
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Alcentra Control Framework

BNY Mellon Risk and Compliance Department BNY Mellon Ethics Department	
BNY Alcentra Group Holdings Inc Management Committee	<ul style="list-style-type: none"> <li>Meets Monthly, Comprises Alcentra Senior Management and Senior BNY Mellon Asset Management staff</li> <li>Discusses strategic direction of BNY Mellon Alcentra Group companies, monitors performance and evaluates key risks</li> </ul>
Alcentra Ltd Committee	<ul style="list-style-type: none"> <li>Meets Quarterly, Comprises Alcentra Senior Management and Head of Investment Management Risk and Compliance at BNY Mellon Asset Management</li> <li>Considers strategic issues, corporate governance, company finances and escalation from other Alcentra committees</li> </ul>
Investment Committee	<ul style="list-style-type: none"> <li>Meets Weekly to consider all investment proposals and all watchlist positions</li> <li>Conducts full Portfolio Reviews Quarterly</li> </ul>
Asset Allocation Committee	<ul style="list-style-type: none"> <li>Meets Quarterly</li> <li>Undertakes asset allocation decisions, after reviewing performance of all strategies and investment outlook</li> </ul>
Pricing Committee	<ul style="list-style-type: none"> <li>Meets Monthly</li> <li>Responsible for providing consistent and objective oversight of Alcentra’s pricing processes and policies</li> </ul>
IT Committee	<ul style="list-style-type: none"> <li>Meets Bi-monthly for monitoring of ongoing IT projects</li> <li>Meets Quarterly for in-depth review of IT strategy and to assess sufficiency of Alcentra’s IT platform</li> </ul>
Compliance Committee	<ul style="list-style-type: none"> <li>Meets Quarterly</li> <li>Reviews compliance framework and monitors any outstanding issues</li> </ul>
New Business Committee	<ul style="list-style-type: none"> <li>Meets Monthly</li> <li>Analyses risks of new products, mandates and service providers</li> </ul>
Risk Committee	<ul style="list-style-type: none"> <li>Meets Monthly, members independent of PMs, with one permanent member the independent risk manager</li> <li>Considers investment risk, operational risk and market risk, in addition to high level risks facing Alcentra</li> </ul>

Source: Fitch, Alcentra

## Investments

## Highest Standards

## Resources

**Experienced and high quality investment team**

PMs are highly experienced. Graham Rainbow is the main CLO PM supported by a team of credit analysts. The mezzanine and direct lending funds are managed by Graeme Delaney-Smith, the special situations fund by David Forbes-Nixon and the structured credit funds by Hiram Hamilton.

Alcentra's research team consists of 20 credit research analysts in total, of which eight have a primary focus on new direct lending securities. The average experience of investment professionals at Alcentra is over 15 years. Analysts are organised by sector/country where appropriate, with specialised analysts for stressed/distressed credits and structured credit. Alcentra employs a dedicated work-out specialist. Analysts typically cover 25 credits each with an increased focus on high-yield bonds.

Alcentra have a dedicated in-house lawyer to aid on the legal analysis of transactions.

PMs do not have any administrative responsibilities, with exclusive focus on the management of money.

With the exception of HY bonds, for which there is a specialist trader, trading is conducted by the relevant PMs. This is appropriate given the depth of experience in the relevant markets.

**Superior access to market information and detailed credit research**

Alcentra has superior access to market information, which is a function of size and experience, with good relationships with brokers, dealers and bank trading desks.

Everest integrates market data feeds and pricing information from providers such as IDC and Markit. Everest is fully customisable to the user, allowing tailored technical and market analysis.

Alcentra produces in-house research of the highest quality. A 15-20 page full due diligence paper is presented for loans. A more detailed paper is produced in the case of direct lending investments, which can be in excess of 35 pages. More customisable, tailored research, which is less in-depth, is produced for high-yield bonds where market-driven time pressures are greater.

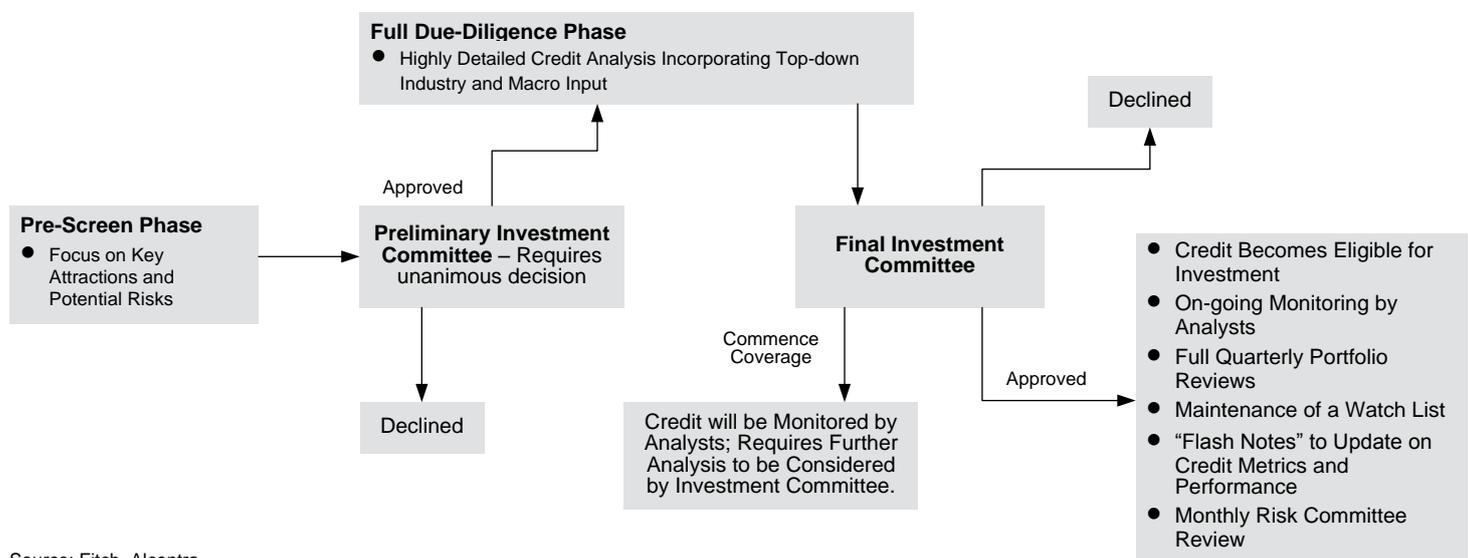
Investments (Continued)

Highest Standards

Discipline

<p><b>Clearly defined product range</b></p>	<p>Alcentra manages a range of products, from prescriptive CLOs to a broader special situations fund.</p> <p>All of Alcentra’s products are well defined with relevant term sheets and due diligence questionnaires (DDQs) available where appropriate, containing objectives, defined limits and risk budgets.</p> <p>Sources of performance are detailed where relevant.</p>
<p><b>Robust committee based approval process</b></p>	<p>Alcentra adopts a highly disciplined investment committee approval process, chaired by the CEO. Committees are fully documented and approved by authorised signatories. Committee members have on average over 20 years’ experience.</p> <p>The credit investment process for loans and HY bonds involves two main steps: an initial pre-screening stage to appropriately narrow down the investment universe; followed by full due diligence, which applies a robust bottom-up and top-down analysis framework.</p> <p>For structured credit and the special situations funds, the selection process is similar, combining fundamental and technical analysis, supported by Alcentra’s wider credit selection process. The technical analysis is driven by the PM, with support from a small pool of stressed and distressed analysts.</p> <p>Alcentra adheres to a disciplined sell philosophy, despite its buy and hold bias. A sale could be considered if a price target is achieved, if credit deterioration occurs, if relative value is identified elsewhere, or if a sale will benefit diversification requirements. Fund allocation decisions and sell decisions rest with the PM.</p>
<p><b>Regular credit reviews and portfolio monitoring</b></p>	<p>There is regular individual credit monitoring, which is formalised in credit, liquidity and recovery internal ratings (distributed via flash notes). Quarterly full portfolio reviews are held by the investment committee.</p> <p>Credit metrics on each asset are updated on a monthly basis and are input into well designed monitoring spreadsheets, which have been fully integrated into Everest.</p> <p>Underperforming assets, or those with deteriorating credit fundamentals, are placed on a watchlist. Assets on the watchlist are discussed every week with dedicated work-out personnel assigned to manage if needed, in conjunction with the relevant analyst.</p>

Alcentra Credit Approval Process



Source: Fitch, Alcentra

**Operations**

**Highest Standards**

**Communications and Client Servicing**

**Clear investor reporting**

Alcentra maintains a dedicated web-based portal for clients to access reporting. Alcentra also employs dedicated investor relations personnel.

A good standard of investor reporting is offered, with a broad range of metrics covered (e.g. spreads, leverage, coverage, sector, maturity) alongside monthly PM commentary.

Alcentra does not produce performance data in a Global Investment Performance Standards (GIPS®) compliant format.

**Operational Procedures**

**Experienced and stable operations team provide good match to product range**

There is a stable, experienced and growing operations team at Alcentra. The transaction management team now has 18 members dedicated to European products. Fitch views positively the team structure and the separation of staff by specialism and product type. Within this is a team of five dedicated to asset settlements.

The systems Alcentra uses provide a good match to volumes, notably through WSO Fax and other WSO based tools that facilitate the process and integrated into Everest.

**Best in class investment administration**

There are clearly defined administrative processes for each strategy. The operations team is aided by the customisable nature of Everest, with WSO as the data repository.

The operations team at Alcentra produce shadow NAVs for all funds and reconcile with administrators to ensure accurate production. Fund administration is largely automated through systems and data feeds.

The team reconciles cash and positions daily (in CLOs), with monthly report reconciliation via automated feeds with the trustee. There is also daily reconciliation of prime broker reports for the special situations fund.

**Highly customisable and flexible platform**

Alcentra's systems are fully customisable for any mandates and vehicles. This has been evidenced by the increasing range of products and mandates that Alcentra runs on its platform.

Alcentra manages numerous institutional mandates, and the addition of new mandates during the year has operated smoothly. Alcentra has seen a growing demand for mandates, specifically multi-strategy mandates.

There is a dedicated new business committee, which provides the formal procedures and monitoring for the launch of new products and mandates.

Operations (Continued)

Highest Standards

Alcentra Operating Model

Alcentra	Investment Decisions
	Trade Execution
	Shadow NAV Production
	Regular Reconciliation with 3rd Parties
BNY Mellon	CLO Collateral administrator and Hedge Fund Custodian Administrator/custodian for European Loan Fund and Structured Credit Opportunity Fund I & II
UBS and Barclays	Hedge Fund Prime Brokers
State Street	Administrator for Global Special Situations Fund (with GlobeOp) and Mezzanine Funds
BNP Paribas	Administrator for AEFRIF
Sanne Group	Administrator for Direct Lending Funds
Black Mountain and Markit	System Support and Development

Source: Fitch, Alcentra

**Technology**

**Highest Standards**

**IT Resources**

<p><b>Dedicated in-house IT resources</b></p>	<p>Alcentra has a chief technology officer (CTO) and one additional IT staff resource aid and works on the development of Everest and WSO, in conjunction with the software vendors.</p> <p>During the year, incremental upgrades were performed on Alcentra’s systems. Alcentra is developing an improved performance attribution system, which will be integrated into existing systems.</p>
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**Systems**

<p><b>Straight through systems in place, based on WSO and Everest</b></p>	<p>Fitch views Alcentra’s platform as highly integrated with respect to position keeping, trade settlement, administration and front-office functionality.</p> <p>Everest, Alcentra’s front office system, offers real-time relative performance analysis, order management and allocation functionality, while remaining customisable for each individual user.</p> <p>WSO serves as the backbone to Alcentra’s overall data infrastructure, acting as a central repository for data from various service providers, the basis for all administrative processes and the data store for Everest.</p> <p>Reporting functionality, including collateral administrator reconciliation, is provided via WSO at an asset-, portfolio- and enterprise-wide level. Alcentra utilises WSO Fax, an automated loan feed from Markit, which is built into WSO directly (and therefore into Everest). More recurrent procedures on loans, such as rollovers or pay-downs, are outsourced to Markit, and are streamlined through the use of tools such as WSO Data and WSO Fax.</p> <p>Intex and Clarity is used for structured credit, and Barclays POINT is used for HY bonds.</p>
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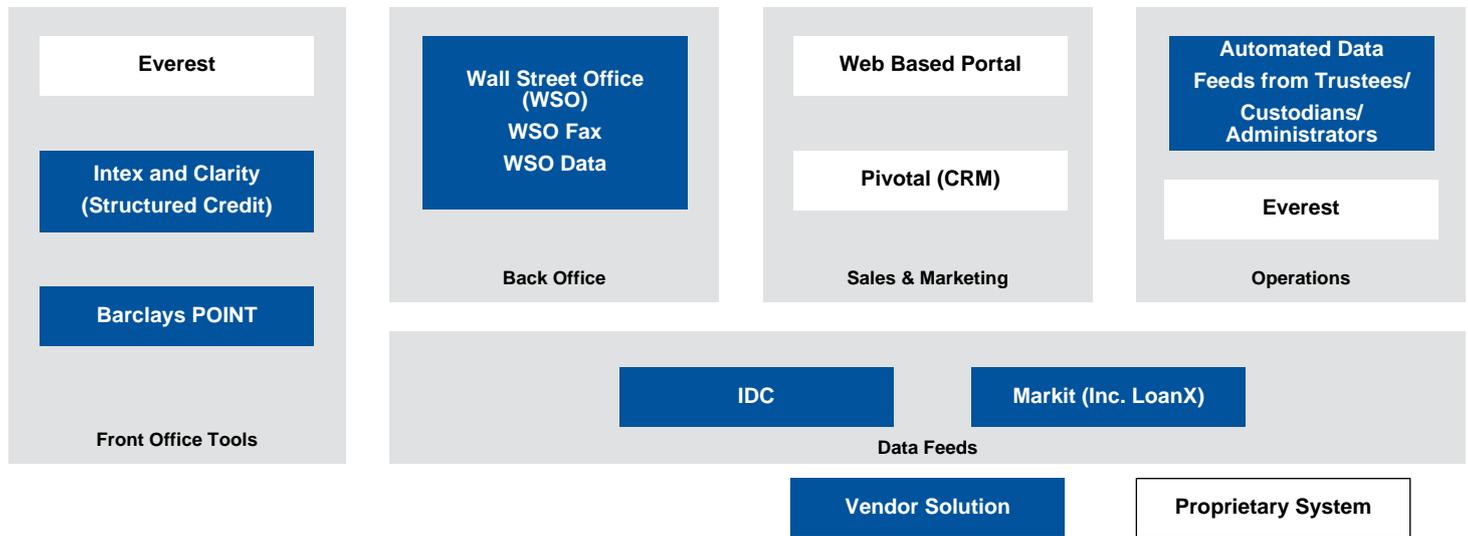
**Security**

<p><b>Data back-up and appropriate DR/BCP in-place</b></p>	<p>Alcentra maintains a detailed BCP procedure, which is tested annually.</p> <p>Appropriate disaster recovery systems are in place, including a disaster recovery centre; mirror servers hosted off-site and daily tape back-ups of all core systems.</p>
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Technology (Continued)

Highest Standards

Alcentra IT Framework



Source: Fitch, Alcentra

Alcentra AUM

European CLOs Under Management (As of October 2014)

Fund	Inception date	AUM (EURm)
Jubilee CDO IV	Jul 04	148
Jubilee CDO V	May 05	295
Wood Street CLO I	Sep 05	269
Wood Street CLO II	Feb 06	205
Wood Street CLO III	May 06	379
Jubilee CDO VI	Jul 06	299
Jubilee CDO VII	Oct 06	337
Wood Street CLO IV	Dec 06	417
Jubilee CDO I – R	Mar 07	858
Wood Street CLO V	May 07	461
Wood Street CLO VI	Aug 07	316
Jubilee CDO VIII	Dec 07	378
Silver Birch CLO I B.V.	Jun 10	106
Jubilee CDO 2013-X B.V.	Jul 13	392
Jubilee CDO 2014-XI B.V.	Feb 14	399
Jubilee CDO 2014-XII B.V.	May 14	509
Jubilee CDO 2014-XIV B.V.	Oct 14	566

N.B. The following CLOs have been called; Jubilee CDO I in 2006, ECF Financing CLO in 2012, Hamlet in 2013, Jubilee CDO IX in 2013, Jubilee CDO II in 2014, and Jubilee CDO III in 2014.

Source: Alcentra

European Funds Under Management (As of October 2014)

Fund	Inception date	Structure	Primary asset type	AUM (EURm)
Mezzanine Fund I	May 05	Jersey LP	Mezzanine	134
Managed Accounts/Segregated Mandates	n.a.	Accounts	Various	963
Alcentra Global Special Situations Fund	Nov 07	Irish Fund	European HY loans	115
Mezzanine Fund II	Dec 07	Jersey LP	Mezzanine	330
Alcentra European Loan Fund	Jul 09	Lux SICAV	European HY loans	896
Alcentra Structured Credit Opportunities Funds (I & II)	Sep 09	Lux SICAV	CLO equity tranches	399
Alcentra European Floating Rate Income Fund	Mar 12	Guernsey Close Ended CIS	European HY loans	225
Alcentra UK Direct Lending Fund	Dec 12	Jersey LP	Various	252
Alcentra European Direct Lending Fund	Aug 13	Jersey LP	Various	535

Source: Alcentra

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