

FITCH: ACQUISITION OF HY TEAM POSITIVE FOR ALCENTRA; NO RATING IMPACT

Fitch Ratings-London-25 September 2012: Fitch Ratings says the addition to Alcentra of the Standish high yield bond (HYB) team will not affect Alcentra's 'M1' asset manager rating.

The acquisition increases Alcentra's assets under management (AuM) by around half to USD23bn - a significant expansion, notably in HYBs which now make up around a third of Alcentra's total AuM. The acquisition also brings a range of global HYB institutional and retail mandates to Alcentra's platform. Alcentra estimates that with the acquisition it will become one of the largest sub-investment grade global credit managers.

Fitch notes that the acquisition captures a strong trend towards HYBs in global asset management. Numerous other managers have launched or are in the process of launching HYB funds and mandates, and investor demand for HYBs is clearly strong: USD and European HYB mutual funds have seen inflows of EUR39bn and EUR1.3bn respectively in 2012 (to end-July), according to data from Lipper.

The acquisition will result in seven Boston-based staff from Standish transitioning to Alcentra. In Europe, Alcentra will also strengthen its HY expertise through the addition of a Europe focussed portfolio manager. Fitch believes that integration challenges will be well managed, noting Alcentra's experience of acquiring and integrating replacement manager CLO mandates to its platform in the US in 2009 and 2010.

As part of Fitch's on-going surveillance, Fitch will monitor the integration of the Standish team into Alcentra.

Asset managers rated 'M1' demonstrated the lowest vulnerability to operational and investment management failure. Fitch affirmed Alcentra's 'M1' rating, assigned to Alcentra's European operations, on 19 July 2012.

For all of Fitch's Eurozone Crisis commentary go to http://www.fitchratings.com/web_content/pages/grs/eurozone

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