

# Alcentra Ltd

## Full Rating Report



### 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 (BoNY; AA-/Stable/F1+), while operating as an independent subsidiary. Alcentra's senior management team has been in place for over 10 years and is vastly experienced.

**Suitable Control Environment:** The risk management and governance framework provides good coverage of the main risks. Operational risk is covered by both Alcentra and BoNY dedicated resources. Investment risk management is monitored by a monthly risk committee. Fitch believes the recent hire of dedicated risk personnel is beneficial.

**Disciplined Credit Approval Process:** Alcentra adopts a two-stage credit approval process, consisting of a preliminary credit screening followed by a more detailed due diligence process. 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 BoNY.

**Integrated Systems:** The front-office system, Everest, integrates into the back-office system, Wall Street Office (WSO), while allowing access to real-time, customisable data flows. Alcentra hired a chief technology officer (CTO) in 2012 to assist with further system upgrades and developments.

### 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 BoNY. 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, and leveraging from the HY expertise of the Alcentra NY LLC team (which incorporated the Standish HY team during 2013.)

Fitch affirmed the Credit Asset Manager Rating assigned to Alcentra Ltd at 'Highest Standards' on 12 August 2013. The rating covers all of Alcentra's European credit management activities.

### Outlook

Stable

### Profile

Asset under management (May 2013)	EUR8.6bn
Date of creation	2003 (Europe)
Domicile	UK
Ownership	98% Bank of New York Mellon Corporation/2% Executives and Employees
Total staff	54
Investment professionals	23

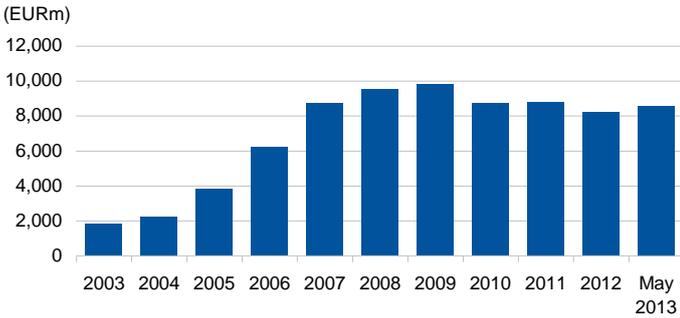
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## Assets Under Management (AUM) Breakdowns

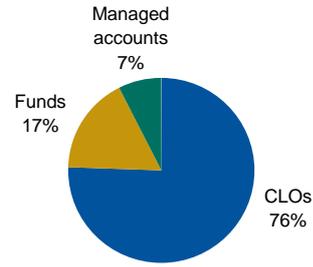
### European AUM Growth



Source: Alcentra

### European AUM Breakdown by Product Line

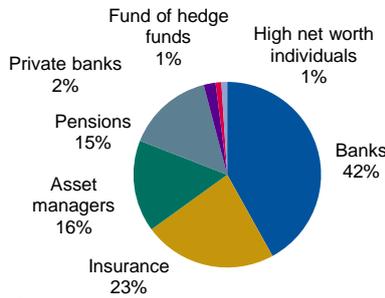
(As at May 2013)



Source: Alcentra

### AUM Breakdown by Investor Type

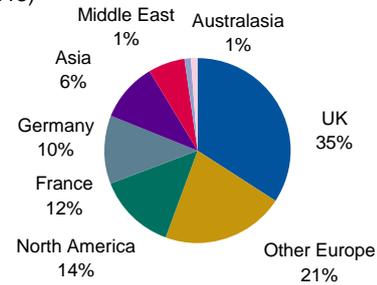
(As at May 2013)



Source: Alcentra

### European AUM Breakdown by Investor Location

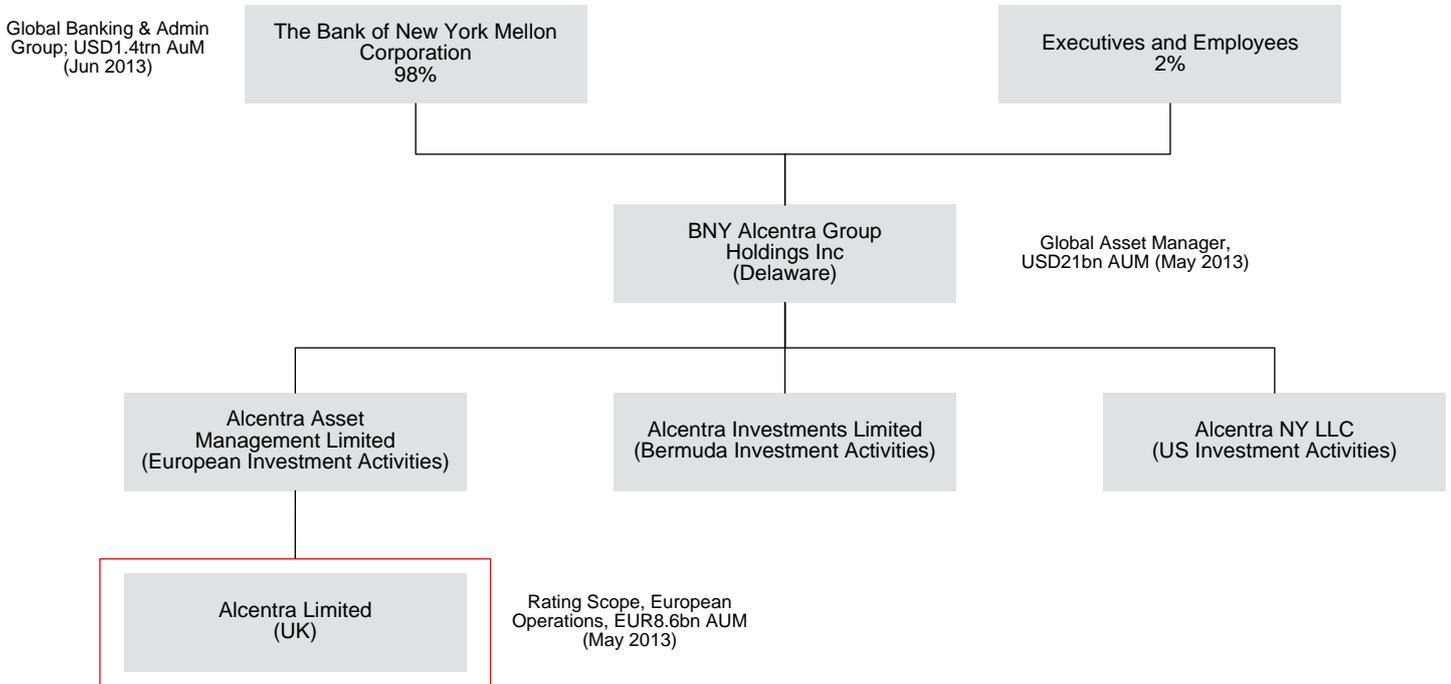
(As at May 2013)



Source: Alcentra

## Company Structure

### Alcentra Corporate Structure



Source: Fitch

### Related Criteria

[Asset Manager Rating Criteria \(April 2013\)](#)

**Company**

**Highest Standards**

**Key Findings**

- Strong, well-resourced parent in the Bank of New York Mellon (BoNY), which owns 98% of Alcentra.
- Highly profitable business underpinned by stable, term financed CLOs which finance Alcentra's selective expansion.
- Clear and focused strategic expansion based on core competencies.
- Strong firm-wide governance framework, assisted by the resources and expertise of BoNY.
- Clear alignment of interest, with Alcentra's long term incentive plan invested in Alcentra products.

**Shareholders and Financial Standing**

**Well resourced, strong parent company**

Alcentra is 98% owned by BoNY (AA-/Stable/F1+), with the remainder owned by executives and employees. BoNY first took a stake of 80% in Alcentra in late 2005 and has increased its ownership since. BoNY regularly provide seed capital to Alcentra products, evidencing its commitment to the firm. Alcentra also has access to BoNY's multi-boutique sales force of over 50 globally.

Alcentra remains highly profitable. EBITDA fell slightly in 2012 from record levels in 2011, which benefited from the claw back of subordinated management fees deferred during the crisis years.

Alcentra's client base is diversified by client type and client location (see page 2.) Clients are well diversified across Europe, with 78% of Alcentra's clients European based. 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.

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

In June 2013, Alcentra launched a new European CLO, Jubilee 2013-X B.V., with AUM of EUR400m, which compensates for the reduction in AUM when ECF Financing CLO B.V. was called in 2013. AUM in CLOs continues to fall (from 84% of AUM in June 2012 to 76% of AUM in May 2013) as Alcentra continues its strategy of diversifying AUM sources. Inflows have been seen particularly into European loan strategies, multi-credit strategy mandates, structured credit funds and into Alcentra's direct lending initiatives.

Alcentra has a historically large amount of cash on its balance sheet, increasing further from the high levels held at the end of 2011. Based on Fitch estimates, Alcentra will remain profitable under extreme stress scenarios.

**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 BoNY.

Alcentra is one of the largest and longest established European CLO managers. Alcentra's strategy continues to focus on selectively expanding, notably into direct lending, with its participation in HM Treasury's Business Finance Partnership in 2012. This is based on its core skills as a sub-investment grade asset manager. Fitch believes Alcentra is well positioned towards progressing from a 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, including one representative from BoNY, who meet quarterly. Alcentra’s senior management meet with a BoNY oversight committee on a monthly basis.

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 always been clean.

Alcentra is also subject to biennial audits from BoNY’s internal audit department. In addition, BoNY conducts more regular, specific reviews on a rotating basis (for example, recently on IT systems). Alcentra is subject to BoNY’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 BoNY as CLO trustee, Goldman Sachs as prime broker, KPMG as fund auditors, and BNP Paribas as administrator for Alcentra European Floating Rate Income Fund (AEFRIF). State Street and/or GlobeOp act as administrators for the remainder of Alcentra’s fund range.

On the AEFRIF board, all directors are independent. On the European Loan Fund and Structured Credit Opportunity Fund I & II boards respectively, a majority of directors are independent, whilst half of the directors are independent on the Global Special Situations board.

**Staffing**

**Clearly organised business**

Alcentra has clearly defined roles and responsibilities with specific teams for each strategy, backed by appropriate administrative and support resources. There is a separate compliance team of two but no separate risk management team. This is mitigated by the existence of an independent risk committee (see *Controls* section.) Alcentra also benefits from the depth of shared knowledge and resources at BoNY, specifically in compliance, risk and distribution.

Portfolio managers (PMs) are responsible for conducting trading themselves – with the exception of HY bonds. Fitch views the recent hire of a HY trader, in line with Alcentra’s expansion in this area globally, as beneficial.

**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 26 years’ industry experience. The CIO, Paul Hatfield, has 27 years’ experience, with 11 years at Alcentra. Robert Bennett (CFO/Chief Risk Officer (CRO)/Chief Operating Officer (COO)) also has 27 years’ industry experience, with 10 years’ tenure at Alcentra.

Company (Continued)

Highest Standards

Staffing

**Strong alignment of interest**

Fitch believes that members of staff are well compensated. There has been a high level of staff retention, with little staff turnover since the inception of the company.

Alcentra's long term incentive plan invests in Alcentra products, evidencing a very strong alignment of interest between staff and investors. Several Alcentra employees also personally invest in Alcentra products, which is monitored and approved by BoNY's ethics committee. Alcentra's remuneration policies are aligned with those of BoNY, which are reviewed by BoNY's remuneration committee. Cash components of variable remuneration are deferred.

Alcentra Organisation Chart



Source: Fitch

Controls

High Standards

**Key Findings**

- Alcentra has a suitable and well defined control structure commensurate with the size of its operations.
- Relevant policies and procedures are well defined, leveraging from BoNY’s expertise and resources.
- The presence of a well-functioning, independent risk committee enables Alcentra to reach a ‘High’ score in this category.
- Alcentra has recently hired a dedicated risk manager, which will further strengthen its risk monitoring and evaluation capabilities.
- Counterparties are suitably monitored by Alcentra’s operations team and reviewed annually by the Counterparty Risk Committee.
- Controls are largely automated, with all CLO guidelines built into WSO and fund/mandate guidelines built into Everest and proprietary models

**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 (Robert Bennett). Fitch views positively the newly-created CRO position. The risk committee reviews relevant metrics, such as price movements, lowest trading assets, and liquidity, amongst others.</p> <p>Alcentra has recently hired a dedicated independent risk manager. The risk manager reports to the CCO and CFO/CRO. Alcentra has a separate compliance team of two, appropriate for the size of Alcentra.</p> <p>The CRO and head of compliance (CCO; James Algar) have reporting lines to the head of risk and compliance at BoNY and meet formally on a monthly basis.</p>
<p><b>Appropriate operational risk supervision</b></p>	<p>BoNY’s policy on operational risk is adopted at Alcentra, with the new Alcentra risk manager working with the dedicated operational risk officer present at BoNY.</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 BoNY’s operational risk monitoring systems. Risks are assessed as part of ICAAP.</p> <p>Operational losses over the past three years have been at a low level at Alcentra. The risk manager has a joint operational risk and investment risk role.</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 – this was implemented to hire BNP Paribas as the administrator of the AEFRIIF in 2012; no operational issues have been noted to date.</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. There have been no significant recent changes in third party service providers.</p>

**Controls (Continued)**

**High Standards**

**Compliance and Controls**

**Good compliance oversight**

There is good compliance oversight at Alcentra, effected by the compliance team at Alcentra and the robust BoNY policies and systems in place.

Staff adhere to the BoNY personal trading policy. BoNY systems log personal trades, and a quarterly submission of brokerage statements is required. Alcentra maintains a restricted trading list. An order allocation policy is monitored by Alcentra's Chief Compliance Officer (CCO), James Algar.

Alcentra utilises 'Resource Compliance'; a dedicated consultancy which conducts a quarterly review of the firm's compliance program.

**Brokers and counterparties selected on the basis of best execution**

An eligible broker list is maintained by BoNY. Alcentra chooses brokers from the list purely on the basis of best execution, which is reviewed monthly by Alcentra's operations and compliance teams. This is measured by speed, cost, likelihood of execution and settlement, amongst other factors.

Weekly trading exposures and volumes across counterparties are monitored by the operations team using WSO.

**Pre- and post- trade compliance exists**

Everest contains a pre- and post-trade compliance system, with all limits inbuilt. 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.

Before trading, PMs run a trade scenario which is reviewed by the operations team to ensure that investment guidelines are not breached.

**Robust valuation procedures and oversight**

All pricing data is acquired from independent third party sources (Markit (inc. LoanX,) Reuters LPC, Bloomberg). A formal pricing policy procedure exists which covers all investments that Alcentra makes.

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.

**Investment Risk Management**

**Adequate market risk oversight**

Alcentra's risk committee has a clear mandate, as documented in its terms of reference. It reviews all relevant market risk metrics. Specific topics that are discussed include performance, concentration risk, liquidity risk and redemption risk, amongst others. In addition, the new risk manager has oversight responsibilities for reviewing the investment risk guidelines within portfolios and has an independent reporting line to CFO/CRO.

All CLOs are tested for compliance via WSO.

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 process, with responsibility placed on the credit analysts.

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.)

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.

Controls (Continued)

High Standards

**Liquidity risk appropriately evaluated**

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 majority of Alcentra’s AUM is in closed-end funds or funds with conservative redemption periods that limits 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.

**Robust counterparty credit monitoring**

Alcentra selects and monitors counterparties using objective criteria. BoNY maintains an eligible broker list which is continuously monitored and updated.

Funds enter into standardised contracts (e.g. ISDAs) with counterparties as appropriate.

**Alcentra Control Framework**

BoNY Risk and Compliance Department BoNY Ethics Department	
Board Meeting	<ul style="list-style-type: none"> <li>● Meets Quarterly, Comprises Alcentra Senior Management and the Global Head of Risk and Compliance at BoNY</li> <li>● Considers Strategic Issues and Company Governance</li> </ul>
Investment Committee	<ul style="list-style-type: none"> <li>● Meets Weekly to Consider all Investment Proposals</li> <li>● Conducts full Portfolio Reviews Quarterly</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 Process and Policies</li> </ul>
IT Committee	<ul style="list-style-type: none"> <li>● Meets Quarterly</li> <li>● Considers Sufficiency of Alcentra’s IT Platform and Monitors On-Going IT Projects</li> </ul>
Compliance Committee	<ul style="list-style-type: none"> <li>● Meets Monthly</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</li> <li>● Considers Investment Risk in Addition to High Level Risks Facing Alcentra</li> </ul>

Source: Fitch

**Investments**

**Highest Standards**

**Key Findings**

- Alcentra’s investment team is highly experienced with specialist investment professionals.
- The credit research process is highly disciplined and thorough, facilitated by Everest, the customisable, front-office system.
- In Fitch’s opinion, Alcentra has superior access to the secondary market.
- The investment decision-making process is formalised through an investment committee at two stages: a pre-screener phase, and a full due diligence phase.
- Portfolio monitoring is ongoing, with dedicated watchlists for credits that require additional attention. Full portfolio reviews are held quarterly.

**Resources**

<p><b>Experienced and high quality investment team</b></p>	<p>PMs are highly experienced within the industry. Graham Rainbow is the main CLO portfolio manager supported by a team of credit analysts. The mezzanine and direct lending funds are managed by Graeme Delaney-Smith, the special situations fund by Damien Miller and the structured credit funds by Hiram Hamilton.</p> <p>Alcentra’s research team consists of 18 credit research analysts in total. 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 actively cover 15-20 credits each, with an increased focus on high yield bonds.</p> <p>PMs do not have any administrative responsibilities, with exclusive focus on the management of money.</p> <p>Fitch views positively the hire of an experienced, senior HY PM and a dedicated HY trader, given Alcentra’s global expansion in this area. Trading in all other areas is conducted by the relevant PMs; this is appropriate given the depth of experience in the relevant markets.</p>
<p><b>Superior access to market information and detailed credit research</b></p>	<p>Alcentra has superior access to the secondary market, which is a function of size and experience, with good relationships with brokers, dealers and bank trading desks.</p> <p>Everest integrates market data feeds and pricing information from providers such as Bloomberg, Reuters LPC and Markit. Everest is fully customisable to the user, allowing tailored technical and market analysis.</p> <p>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. More customisable, tailored research is produced for high yield bonds where market driven time pressures are greater.</p>

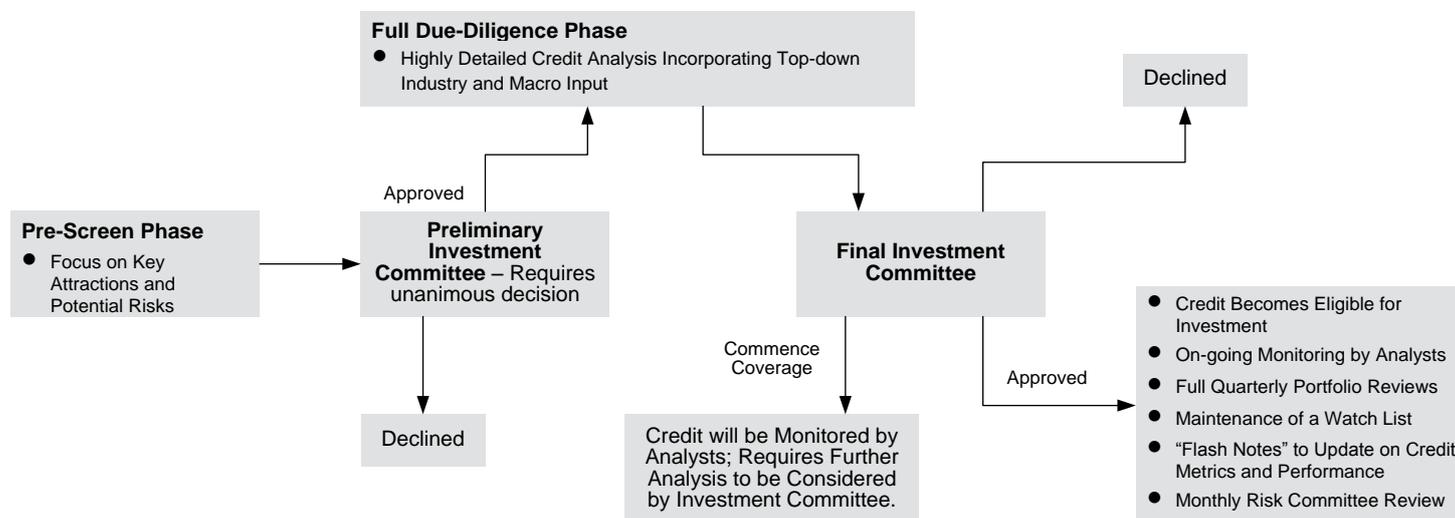
Investments (Continued)

Highest Standards

Discipline

<p><b>Clearly defined product range</b></p>	<p>Alcentra manages a range of products, from more 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 clear objectives, defined limits and risk budgets.</p> <p>Sources of performance are clearly 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.</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 a full due diligence phase 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

**Operations**

**Highest Standards**

**Key Findings**

- Best-in-class investment administration revolves around a strong team, use of appropriate systems and its effective processes.
- Clear, web-based investor reporting available, with dedicated investor relation personnel at Alcentra.
- Alcentra benefits from strong relationships with its administrators, custodians and trustees.
- The oversight, experience and resources of BoNY is a positive for Alcentra.

**Communications and Client Servicing**

<b>Clear investor reporting</b>	<p>Alcentra maintains a dedicated web-based portal for clients to access reporting. Alcentra also employs dedicated investor relations personnel.</p> <p>A good standard of investor reporting is offered, with a broad range of metrics covered (spreads, leverage, coverage, sector, maturity etc.) alongside monthly PM commentary.</p> <p>Alcentra does not produce performance data in a Global Investment Performance Standards (GIPS®) compliant format.</p>
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**Operational Procedures**

<b>Experienced and stable operations team provide good match to product range</b>	<p>There is a stable, experienced and growing operations team at Alcentra (three new staff added in past year). The operations team now has 14 members.</p> <p>The systems Alcentra uses provide a good match to volumes, notably through WSO Fax and other WSO based tools that facilitate the process; integrated into Everest.</p> <p>Operations staff are specialised by function (CLOs / NAV products). For example, Alcentra has hired a number of specialist fund accountants.</p>
<b>Well defined administrative workflows</b>	<p>Fitch views Alcentra’s investment administration as best-in-class. The experienced team is aided by the customisable nature of Everest, with WSO as the data repository. There are clearly defined administrative processes for each strategy.</p> <p>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.</p> <p>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.</p>
<b>Highly customisable and flexible platform</b>	<p>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.</p> <p>Alcentra manages numerous institutional mandates, and the take-on of new mandates during the year has operated smoothly. Alcentra has seen a growing demand for mandates, with AUM in this area increasing by 80% over one year.</p> <p>There is a dedicated new business committee which provides the formal procedures and monitoring for the launch of new products and mandates.</p>

**Operations (Continued)**

**Highest Standards**

**Alcentra Operating Model**

<b>Alcentra</b>	Investment Decisions
	Trade Execution
	Shadow NAV Production
	Regular Reconciliation with 3rd Parties
<b>BoNY</b>	CLO Trustee
<b>Goldman Sachs</b>	Hedge Fund Prime Broker
<b>State Street</b>	Administrator/custodian for European Loan Fund and Structured Credit Opportunity Fund I & II Administrator for Global Special Situations Fund (with GlobeOp)
<b>BNP Paribas</b>	AEFRIF Administrator
<b>Black Mountain Egena Consulting</b>	IT Support and Development

Source: Fitch

**Technology**

**Highest Standards**

**Key Findings**

- Alcentra has a highly integrated IT platform, via WSO and Everest, incorporating various market and other data feeds.
- Alcentra hired a chief technology officer in 2012 to assist with further system upgrades and developments.
- Appropriate disaster recovery (DR) and business continuity planning (BCP) in operation.

**IT Resources**

**Outsourced IT support; developments overseen by new chief technology officer**

Alcentra uses its own chief technology officer (CTO) and another IT staff resource whilst developing Everest and WSO, in conjunction with the software vendors. Alcentra recently hired the CTO and another IT staff member in a move to bring more IT resources in-house.

During the year, incremental upgrades have been performed on Alcentra's systems. The integration of the Standish HY team in the US into Alcentra's platform has progressed well. All analyst-individual tools have been integrated into Everest, allowing greater ease of data storing and information sharing for credit research, modelling and surveillance purposes, which feed into the credit selection and monitoring processes.

Alcentra has begun a project to develop an improved performance attribution system, with completion anticipated in 2014.

**Systems**

**Straight through systems in place, based on WSO and Everest**

Fitch views Alcentra's platform as highly integrated with respect to position keeping, trade settlement, administration and front-office functionality.

Everest, Alcentra's front office system, offers real-time relative performance analysis, order management and allocation functionality, while remaining customisable for each individual user.

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.

Reporting functionality, including trustee 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 streamlined through the use of tools such as WSO Data and WSO Fax.

Intex and Clarity is used for structured credit, and Barclays POINT is used for HY bonds.

**Security**

**Data back-up and appropriate DR/BCP in-place**

Alcentra maintains a detailed BCP procedure which is tested annually.

Appropriate disaster recovery systems are in place, including a disaster recovery centre located in Kent; mirror servers hosted off-site in Reading and daily tape back-ups of all core systems.

Technology (Continued)

Highest Standards

Alcentra IT Framework



Source: Fitch

Alcentra AUM

European CLOs Under Management (as of May 2013)

Fund	Inception date	AUM (EURm)
Jubilee CDO II	Jun 02	299
Jubilee CDO III	Dec 03	116
Jubilee CDO IV	Jul 04	253
Hamlet	Mar 05	180
Jubilee CDO V	May 05	457
Wood Street CLO I	Sep 05	385
Wood Street CLO II	Feb 06	299
Wood Street CLO III	May 06	520
Jubilee CDO VI	Jul 06	393
Jubilee CDO VII	Oct 06	473
Wood Street CLO IV	Dec 06	534
Jubilee CDO I – R	Mar 07	853
Wood Street CLO V	May 07	482
Wood Street CLO VI	Aug 07	318
Jubilee CDO VIII	Dec 07	385
Jubilee CDO IX	Jun 08	383
Silver Birch CLO I B.V.	Jun 10	156

N.B

Jubilee CLO 2013-X B.V. was launched in July 2013 with AUM of EUR400m.

Jubilee CDO I was called in 2006 at a 12.1% internal rate of return to the equity holders

ECF Financing CLO B.V. was called in 2012 at a 7.7% internal rate of return to equity holders

Source: Alcentra

European Funds Under Management (as of May 2013)

Fund	Inception date	Structure	Primary Asset Type	AUM (EURm)
Mezzanine Fund I	May 05	Jersey LP	Mezzanine	186
Managed Accounts	n.a.	Accounts	Various	635
Alcentra Global Special Situations Fund	Nov 07	Irish Fund	European HY loans	136
Mezzanine Fund II	Dec 07	Jersey LP	Mezzanine	309
Alcentra European Loan Fund	Jul 09	Lux SICAV	European HY loans	315
Alcentra Structured Credit Opportunities Funds (I & II)	Sep 09	Lux SICAV	CLO equity tranches	147
European Floating Rate Income Fund	Mar 12	Guernsey Close Ended CIS	European HY loans	128
Alcentra UK Direct Lending Fund	Dec 12	Jersey LP	Various	235

Source: Alcentra

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