



Fitch Affirms Alcentra Limited's Asset Manager Rating at 'M1' [Ratings](#)

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Fitch Ratings-London-01 July 2010: Fitch Ratings has today affirmed Alcentra Limited's (Alcentra) asset manager rating at 'M1' for its European credit management activities.

The affirmation of the 'M1' rating reflects the stability of Alcentra's established and robust European sub-investment grade management platform over the last year, despite challenging market conditions. The affirmation also considers the continued progress Alcentra has made in transitioning its business to a more diversified credit product offering, including distressed debt and structured credit funds. These additional business areas are seen as a natural extension of Alcentra's historic, core collateralized loan obligation (CLO) business. It has also been an active consolidator of the CLO management industry.

Alcentra's key strengths include its position as one of the largest and longest established European credit asset managers, its tenured and professional staff and its strict credit discipline. Key challenges include the raising of additional assets from institutional investors, such as pension funds, for its new credit funds, where a priority for its enlarged marketing team will be overseeing and coordinating the Alcentra-related activities of the parent's 50-strong fund management sales force. In addition, Fitch perceives the potential for Alcentra to strengthen risk management in its distressed debt fund (which managed EUR105m as of July 2010), which relies on a select few individuals.

The rating reflects the support Alcentra receives from its parent, The Bank of New York Mellon Corporation (rated 'AA-/ Outlook Stable/'F1+'), while operating as an independent subsidiary. Alcentra remained resiliently profitable in 2009 without needing to downsize its operations, despite some subordinated CLO management fees being temporarily shut-off. As of July 2010, Alcentra was receiving subordinated fees again in the majority of cases, which Fitch expects to make a positive contribution to profitability in 2010. Alcentra's staff has remained largely stable with a good breadth and depth of experience. Its credit selection process is robust with good access to issuers and the market. Its approach to portfolio management is stable and conservative within a buy and hold framework for the CLOs, although Alcentra is more opportunistic in the funds. Fitch considers Alcentra's administrative capabilities best-in-class in Europe, which reflects its strong team and appropriate systems. Alcentra's technology is based on 'Wall Street Office' for loan administration and other tools such as 'Intex' for its structured credit fund.

An 'M1' asset manager rating reflects the lowest vulnerability to operational and investment management failure. In accordance with Fitch's applicable criteria report 'Reviewing and Rating Credit Asset Managers', dated 27 July 2009, and available on www.fitchratings.com, Alcentra's 'M1' rating is based on the following category scores, on a scale from 1 to 5, with 1 as the highest possible score:

Company & Staffing: 2.00
Credit Selection: 1.50
Portfolio & Risk Management: 1.75
Investment Administration: 1.75
Technology: 2.00

Based in Europe and the US, Alcentra is an asset management firm focused on sub-investment grade debt.

Formed in March 2003, it was acquired in January 2006 by The Bank of New York Mellon Corporation. Senior management and other employees currently own 5% of the company. As of end-June 2010, Alcentra had around EUR8.8bn of European assets under management, of which 91% were in CLOs. Alcentra employs 38 people in London, including four portfolio managers and 10 credit specialists, in addition to its senior management team.

An updated rating report on Alcentra will be available shortly on Fitch's website at www.fitchratings.com.

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Additional information is available at www.fitchratings.com.

Related Research:

[Reviewing and Rating Credit Asset Managers](#)

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