

RATING ACTION COMMENTARY**Fitch Affirms Alcentra's Investment Management Quality Rating at 'Excellent'**

Thu 08 Aug, 2024 - 11:07 AM ET

Fitch Ratings - London - 08 Aug 2024: Fitch Ratings has affirmed Alcentra Ltd's Investment Management Quality Rating (IMQR) at 'Excellent'. The Rating Outlook remains Stable.

The affirmation highlights consistency in Alcentra's investment processes, its robust risk management framework with independent oversight and controls, its expansive credit-asset management franchise, and its enhanced investment resources gained from its integration with Benefit Street Partners (BSP).

The rating scope is limited to the European operations of Alcentra.

KEY RATING DRIVERS

The rating of Alcentra reflects the clarity and consistency of its investment and research processes, the experience, tenure, and quality of its key personnel, the adequacy of its front-and back-office systems and third-party arrangements, as well as its independent and comprehensive risk and control framework.

The rating also considers the greater scale and additional resources, particularly in technology, portfolio analytics, and research coverage provided by Alcentra's institutional owner Franklin Templeton (FT).

Alcentra's 'Excellent' rating is based on the following category scores:

Investment Process: 'Excellent'

Investment Resources: 'Excellent'

Risk Management: 'Excellent'

Company and Client Servicing: 'Excellent'

Investment Performance: 'Consistent'

The above category scores result from an asset-weighted average of the scores obtained in the loans, direct lending and structured credit products that represented about 94% of Alcentra's total assets under management (AUM) as of 30 June 2024.

Investment Process: 'Excellent'

Alcentra's investment process is well-defined and consistently aligns sources of risk and return with its long-term investment objectives. As one of Europe's largest credit managers, the firm benefits from diverse sourcing channels within the market. Their research methodology is systematic, integral to portfolio construction and replicable across portfolios.

Investment Resources: 'Excellent'

Alcentra operates an optimal structure that is organised along lines of strategy and geography, while leveraging a global research function. The investment and operations teams are well-resourced. A large number of analysts allow for ample coverage per issuer, and its portfolio managers have a high level of experience. Alcentra continues to invest in its platform resources, notably by expanding its technology team. These efforts aim to enhance performance and reporting, as well as business and data engineering analysis. Back-office functions have largely been outsourced to BNY Mellon Asset Servicing to improve efficiency.

Risk Management: 'Excellent'

Alcentra has a robust risk and control framework, in Fitch's view. Risk management is organised into compliance, operational risk, investment risk and anti-money laundering functions; with reporting lines to the chief executive officer and Board of Alcentra. Fitch believes Alcentra's risk framework provides independent oversight and controls, with comprehensive policies and procedures in place to ensure compliance with regulatory rules.

Company & Client Servicing: 'Excellent'

Alcentra has a strong franchise as one of the largest and longest-established European sub-investment-grade credit asset managers. Having FT as its institutional owner is a positive factor in Fitch's view. The integration with BSP has improved scale and synergies, for example with a complementary credit research function and improved portfolio analytics capabilities. Client servicing and reporting is sophisticated, reflecting Alcentra's institutional investor base.

Investment Performance: 'Consistent'

Alcentra's investment vehicles have consistently delivered on their stated investment objectives and investor expectations.

INVESTMENT MANAGER

Alcentra is a diversified sub-investment-grade credit manager with expertise in structured credit, senior loans, direct lending, high-yield bonds, special situations and multi-strategy. Alcentra has AUM of USD32 billion at 30 June 2024. It had 214 employees, including 60 investment professionals at the same date.

Alcentra's ultimate owner is FT had over USD1.6 trillion AUM, including USD254 billion in alternative investments, as at June 2024.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The rating may be sensitive to material adverse changes to any of the aforementioned rating drivers, notably through weakened financial conditions, increased staff turnover or deterioration of processes and policies. A material deviation from Fitch's guidelines for any key rating drivers could cause the rating to be downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The rating is at the highest level on Fitch's scale and therefore cannot be upgraded.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
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Alcentra Ltd

IMQR

Excellent Rating Outlook Stable

Excellent Rating
Outlook
Stable

Affirmed

[VIEW ADDITIONAL RATING DETAILS](#)**FITCH RATINGS ANALYSTS****Abis Soetan**

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APPLICABLE CRITERIA

[Investment Management Quality Ratings Criteria \(pub. 01 Mar 2024\)](#)

ADDITIONAL DISCLOSURES

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ENDORSEMENT STATUS

Alcentra Ltd

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