



Tagging Info

**Fitch Affirms Alcentra Ltd's Asset Manager Rating at 'Highest Standards'** Ratings

Endorsement Policy

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Fitch Ratings-London-15 December 2014: Fitch Ratings has affirmed Alcentra Ltd's (Alcentra) Asset Manager Rating at 'Highest Standards'. The Outlook is Stable.

**KEY RATING DRIVERS**

The affirmation reflects the strength and stability of Alcentra's sub-investment grade credit investment activities. Alcentra has deep investment experience and benefits from the support, resources and expertise of its parent, the Bank of New York Mellon (BoNY, AA-/Stable/F1+.) Alcentra also benefits from an experienced and well-resourced operations team.

Fitch believes Alcentra is making strong progress in transitioning from a pure CLO manager to a fully diversified sub-investment grade credit asset manager. Alcentra continues to diversify its asset base, and its total AuM has risen above EUR10bn for the first time, reaching EUR10.2bn at end-October 2014.

Specifically, growth has been seen in Alcentra's 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 its final close in November 2014. CLOs now make up 62% of AuM at end-October 2014, down from 76% as of end-May 2013. Alcentra has launched four new CLOs since July 2013, although overall CLO assets declined slightly due to the amortisation and calling of historic CLOs managed.

Alcentra's 'Highest Standards' rating is based on the following category scores (unchanged):

Company: Highest  
Controls: High  
Investments: Highest  
Operations: Highest  
Technology: Highest

Asset manager operations in the 'Highest Standards' category demonstrate an operational framework that Fitch considers superior relative to international institutional investor standards, in comparison to similar specialist asset managers. The asset manager rating covers all of Alcentra's European credit management activities.

**COMPANY**

Alcentra as a company meets the highest standards demanded by international institutional investors. Alcentra benefits from the support it receives from its parent BoNY both in terms of seed capital provision and the supporting control frameworks present. Alcentra remains a highly profitable business. Alcentra employs experienced staff across all business areas, with little turnover seen since the company's inception. The recent announcement of the appointment of two non-executive directors to Alcentra's Board further strengthens corporate governance.

**CONTROLS**

Alcentra's control environment is of a high standard, with a suitable and well-defined control structure commensurate with the size of its operations. Relevant policies and procedures are well documented,

leveraging from BoNY's expertise and resources, specifically in the areas of compliance and risk management. A risk committee, independent of portfolio managers, meets monthly to monitor investment risk. Fitch views positively the increasing formalisation and independence of risk monitoring at Alcentra during 2014, with a dedicated risk manager present who has a broad remit to cover market, counterparty, business and operational risks.

#### INVESTMENTS

Alcentra's investment capabilities are consistent with highest investor standards. Credit selection is disciplined and driven by thorough and well-established investment processes. Alcentra's two-stage credit approval process consists of a preliminary screening of a credit, followed by a more detailed due diligence process. An investment committee formalises the process. Portfolio monitoring is on-going, with dedicated watch-lists for credits that require additional attention. A formal review of all credits is conducted on a quarterly basis. Access to market information is well developed via multiple data feeds into Alcentra's front office system, Everest.

#### OPERATIONS

Alcentra's operational capabilities meet the highest investor standards. Alcentra's capabilities revolve around its strong operations team, use of appropriate systems and its effective processes. The company's systems are fully customisable for any type of mandate and investment vehicle. Alcentra benefits from strong relationships with its administrators, custodians and trustees at all levels. The move from State Street to BoNY in 2014 as administrator for Luxembourg domiciled funds, and the hire of the Sanne Group to administer Alcentra's direct lending funds, were efficiently managed.

#### TECHNOLOGY

Alcentra's technology platform meets the highest investor standards. This reflects the adaptability of the front-office Everest system, which allows access to real time, customisable data flows, for both portfolio and risk management purposes. Everest allows a straight-through process via Wall Street Office, the industry standard software for loans. Intex and Clarity are utilised for structured credit analysis, whilst Barclays POINT is increasingly used for high yield (HY) bonds.

#### COMPANY PROFILE

Alcentra is a specialist sub-investment grade debt manager, with AUM of EUR10.2bn at end-October 2014. Formed in 2002 in the US and 2003 in Europe, it was acquired in January 2006 by BoNY, who now owns 100% of Alcentra. It manages secured loans (including direct lending), HY bonds, stressed/distressed credit, mezzanine loans and structured credit through funds, mandates and CLOs. Alcentra employed 67 staff at end-October 2014, of which 26 are investment professionals. Alcentra is increasingly adopting a multi-strategy credit approach, combining its various expertises into single products.

#### RATING SENSITIVITIES

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

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The sources of information used to assess this rating were the public domain and Alcentra.

Applicable criteria, 'Asset Manager Rating Criteria', dated 06 May 2014, is available at [www.fitchratings.com](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

Asset Manager Rating Criteria

Additional Disclosure

Solicitation Status

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