

27 February 2015 - 31 March 2015

# European Senior Secured Fund

Total return, single asset class credit

## Summary of investment objective

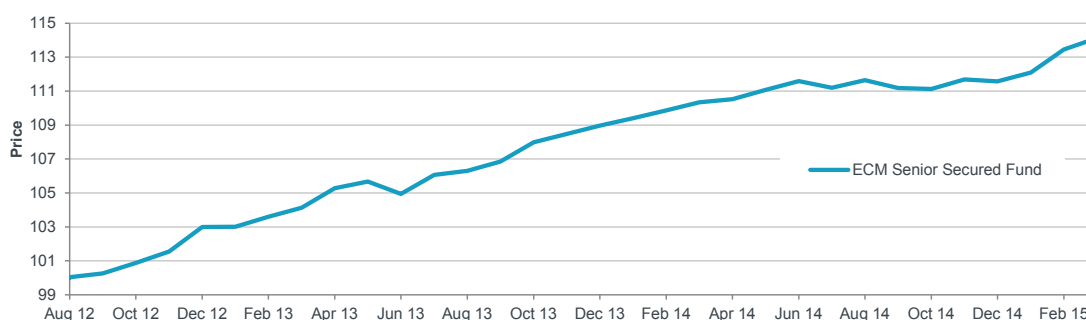
To achieve a high return through a combination of current income and capital appreciation by investing primarily in the senior secured debt and related products of sub investment grade corporate obligors based in Europe as well as other global issuers.

## Performance

	1 month	QTD	YTD	1 year	Annualised since inception August 2012
Fund € net returns	0.60%	2.29%	2.29%	3.43%	5.13%
Fund volatility*	-	-	-	1.58%	1.60%

\*Annualised standard deviation of monthly returns

## Fund performance since inception



## Fund manager's report

March was a strong month for European loan primary loan market with a record €9.1 billion of issuance, bringing the total for the quarter to €20 billion from 47 deals according to LCD Capital IQ. The European high yield market was also hitting records, with €12.4 billion of issuance bringing the quarter to €27.1 billion. Investor demand remained robust which allowed for more opportunistic transactions such as refinancings and dividend recaps to clear the market than had been seen earlier in the year when volumes had been driven by M&A-related offerings. The catalyst for the strong start was the announcement of quantitative easing (QE) from the ECB. Consequently inflows to high-yield funds began to break records.

SSF generated 60bps of net performance for the month of March, which was just below the Credit Suisse Western European Institutional BB-B LLI which returned 66bps for the same period. SSF remains ahead of the index on a YTD basis, having delivered 229bps for the first three months of the year compared to 220bps achieved by the index.

During March we continued our strategy of investing in the primary loan market to capture Original Issue Discounts with commitments to the transactions for Evry, a Nordic software and IT services provider, INEOS, the global chemicals company, and Patheon, a contract manufacturing business in the pharmaceutical industry which is an existing holding. The European secondary loan market remained very well bid, not least due to the long list of CLO vehicles that are in their ramping phase as well as continued demand from funds and banks, and this gave us the opportunity to reduce certain exposures into the strength. We continued to be selective in the high yield new issue market, as took profit in secondary where spreads for certain names continued to tighten.

Whilst primary loan issuance has got off to a slow start in April, the high yield market has remained busy. We anticipate a number of transactions will be launched before the end of the month to take advantage of the continued strong demand in Europe. Following the strong QE fuelled returns of Q1, we continue to view primary loan issuance as offering the best value within the leveraged finance arena at present, despite pressure on pricing and documentation for the most popular deals. Due to the increased regulation, especially on US loans, and the low coupon rates the high yield market is benefiting from sponsors and corporates using it as the 'weapon of choice' for financing themselves.

Finally, kindly note that following the integration of ECM with Wells Fargo Asset Management (WFAM), the format of our newsletters will be changing from May 2015 into the WFAM brand. They will be fact based, with a more detailed fund commentary being available on a quarterly basis. If you have any questions with regards to these changes please speak to your sales representative.

## The opportunity

To invest in senior secured assets issued into the sub investment grade market

Investments either in the form of loans or bonds

New issue can be seasonal therefore not discriminating against parts of the market will allow good access to favourable new issue

The evolving nature of the investor base should protect the quality and keep pricing attractive, especially in Europe

We believe credit fundamentals will be stable to marginally improving in the future, keeping default rates under control

Recovery rates in the senior secured position of the capital structure, will offer protection to returns

## Key facts

Inception	Aug 2012
Average rating	BB-
Rating floor	B-
Base currency	EUR
AUM	€231m
NAIC rating	4-
AIFMD compliant	

## Key data

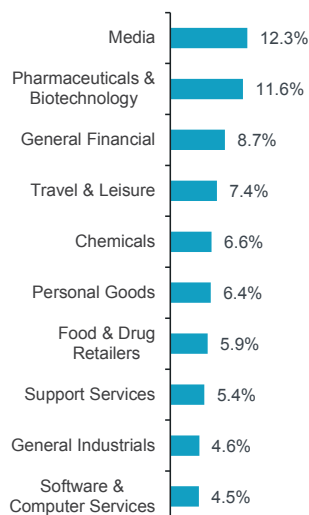
Number of obligors	77
Average maturity	July 20
Geographies	15
Industries	24
Interest rate duration	0.62
Credit spread duration	4.72

Source: ECM as at 31/03/15

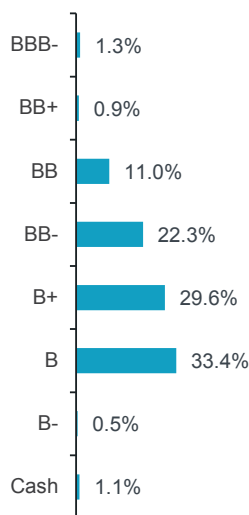
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## European Senior Secured Fund breakdown as at 31 March 2015 by:

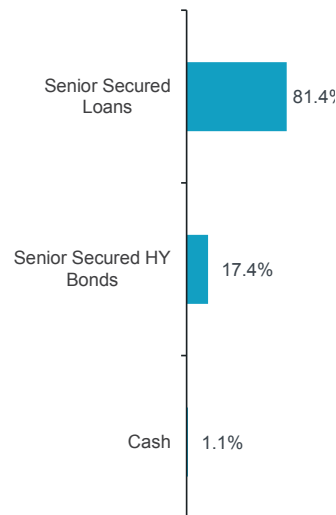
### Top ten sector exposures



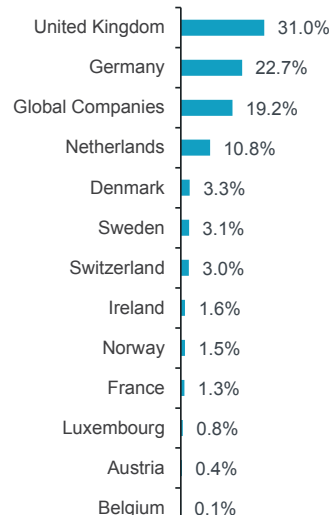
### Credit rating



### Asset class



### Country



## Fund portfolio managers



**Stuart Fuller**  
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E: sfuller@ecm.com

- Joined ECM August 2002
- Portfolio Manager
- Responsible for senior secured corporate loan & high yield investments
- Over 12 years' credit market experience
- Graduate of the University of St. Andrews, Scotland



**Torben Ronberg**  
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E: tronberg@ecm.com

- Joined ECM May 2005
- Head of Sub Investment Grade
- Senior portfolio manager
- More than 20 years' credit market experience
- Executive MBA from London Business School

## Additional fund information

### Institutional 'C' share class:

Minimum investment: €250,000  
Management fee: 60bps  
Performance fee: None  
Liquidity: Twice monthly  
ISIN: LU0809840738

### All share classes:

Structure: Luxembourg corporate entity accessed through Luxembourg regulated fund ("SIF") or Delaware fund

### Share classes available:

Distributing and non-distributing in: AUD, CHF, EUR, GBP, JPY, USD

Total return in: GBP, USD, EUR

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