

# ARC Ratings, S.A. affirms the public, final 'AA(f)' fund rating accorded to the Fasanara Investments SA, SICAV-RAIF Global Diversified Alternative Debt Fund, with stable outlook

<b>FUND MANAGER</b>	<b>FUND RATING</b>	
Fasanara Capital Limited	AA(f)	Global Alternative Debt Fund (AA(f), with stable outlook)
<b>RATING DATE</b>	<b>NEXT REVIEW DATE</b>	
21 February 2020	22 February 2021	

ARC Ratings, S.A. (ARC) has affirmed the final, long-term public fund rating of 'AA(f)' accorded to the Fasanara Investments SA, SICAV-RAIF Global Diversified Alternative Debt Fund (GDADF or 'the Fund'), with stable outlook. This is an open-ended Fund that had an initial Closing Date of 31 October 2017, and currently has a Net Asset Value (NAV) of EUR 155,610,594.84 as of December 2019. The methodologies used were ARC's Global Master Criteria for Rating Funds and Asset Managers (updated November 2019), ARC's Global Structured Finance Rating Criteria (updated September 2019) and ARC's Global Trade Receivables – Backed Securitisations Rating Criteria (updated February 2019).

ARC's Fund Ratings are an independent assessment of a specific fund's exposure to factors that could lead to unexpected Net Asset Value (NAV) and Total Return Volatility. The rating assesses the Fund's ability to preserve principal value under varying market conditions that may be affected by credit risk, interest rates and liquidity, as well as other market conditions.

## COMPANY PROFILE

Fasanara Investments SA, SICAV-RAIF ('Fasanara Investments') is a company incorporated under the laws of Luxembourg and is subject to the law of 23 July 2016 relating to reserved alternative investment funds. Fasanara Investments is an umbrella fund and has a track record in Europe of 5 years. It provides investors with a range of Sub-Funds, each of which relates to a separate portfolio of assets. Fasanara Investments is a single entity, however the rights of the shareholders and creditors relating to a Sub-Fund of Fasanara Investments or arising from the setting up, operation and liquidation of a Sub-Fund are limited to the assets of that Sub-Fund and will not be commingled with the assets of any other Sub-Fund.

The Fund consists of investments of Invoices, SME Loans and Real Estate (RE) Loans and has a Target Return of 5-8%. As at December 2019, the Fund had 18,932 positions, with an average maturity of 52 days (432 positions were in arrears for more than 30 days). The Maximum Advance Rate is 90% and as at December 2019 the Advance

Rate was 88.46%. The Fund has 11 Platforms in place and Fasanara has no exposure to the Seller of the Invoices (the SMEs), only exposure to their Debtors.

### **RATING RATIONALE**

Key rating Drivers include:

- Fasanara has shown the ability to preserve the capital of the Fund with a NAV of EUR 155,610,594.84 as of December 2019. The NAV has steadily increased from inception of the Fund, owing to new investments in the Fund and more importantly net capital gains, whilst also achieving target returns and low volatility. The Maximum Advance Rate is in place to ensure that the Fund is capable of absorbing losses and to protect the Fund's NAV. Although the Maximum Advance Rate is high, it is mitigated by Fasanara's stringent investment policies and due diligence procedures, the diversified nature of their investment strategy and current portfolio. The impact of this is observed in the low default rates reported (cumulative defaults were at 0.44% as of December 2019) over the last 12 months.
- ARC calculated an Average Monthly Return (0.56%) and an Average Annualised Return (6.95%) of the Fund from the period December 2018 to November 2019. The Fund outperformed similar indexes in this period and displayed minimal volatility (circa. 1.31%; down from 1.55% from the previous 12-month period).
- ARC still deems Fasanara's experienced Management Team as more than capable to efficiently and effectively manage the Fund, especially with the addition of Paul Bramley as Chief Compliance Officer and Chief Operating Officer.
- The underlying assets of the Fund (consisting of invoices and SME loans) display very low duration which ultimately limits risk exposure.
- ARC still believes Fasanara has proper policies in place, such as due diligence processes, its investment guidelines and liquidity management policies, to sufficiently protect the Fund against risks it may face. ARC notes there have been no amendments made to these policies over the period under review.
- In addition to the varying analysis conducted, as alluded to above, ARC also ran its Trade Receivables Model to determine the potential losses the book may face, this is because the majority of the underlying assets of the Fund (80.14% as of December 2019 excluding cash) are invoices. Further to this, ARC ran its SME and bespoke real estate loan model for the remainder of the portfolio (a deviation of its RMBS model). ARC thereby determined that the protection provided by the Fund is enough to cover the portfolio against potential losses at an 'AA' rating level.

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This Review Report should be read together with initial Rating Report and with the subsequent Review reports.

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