

Alcentra European Loan Fund

December 2022

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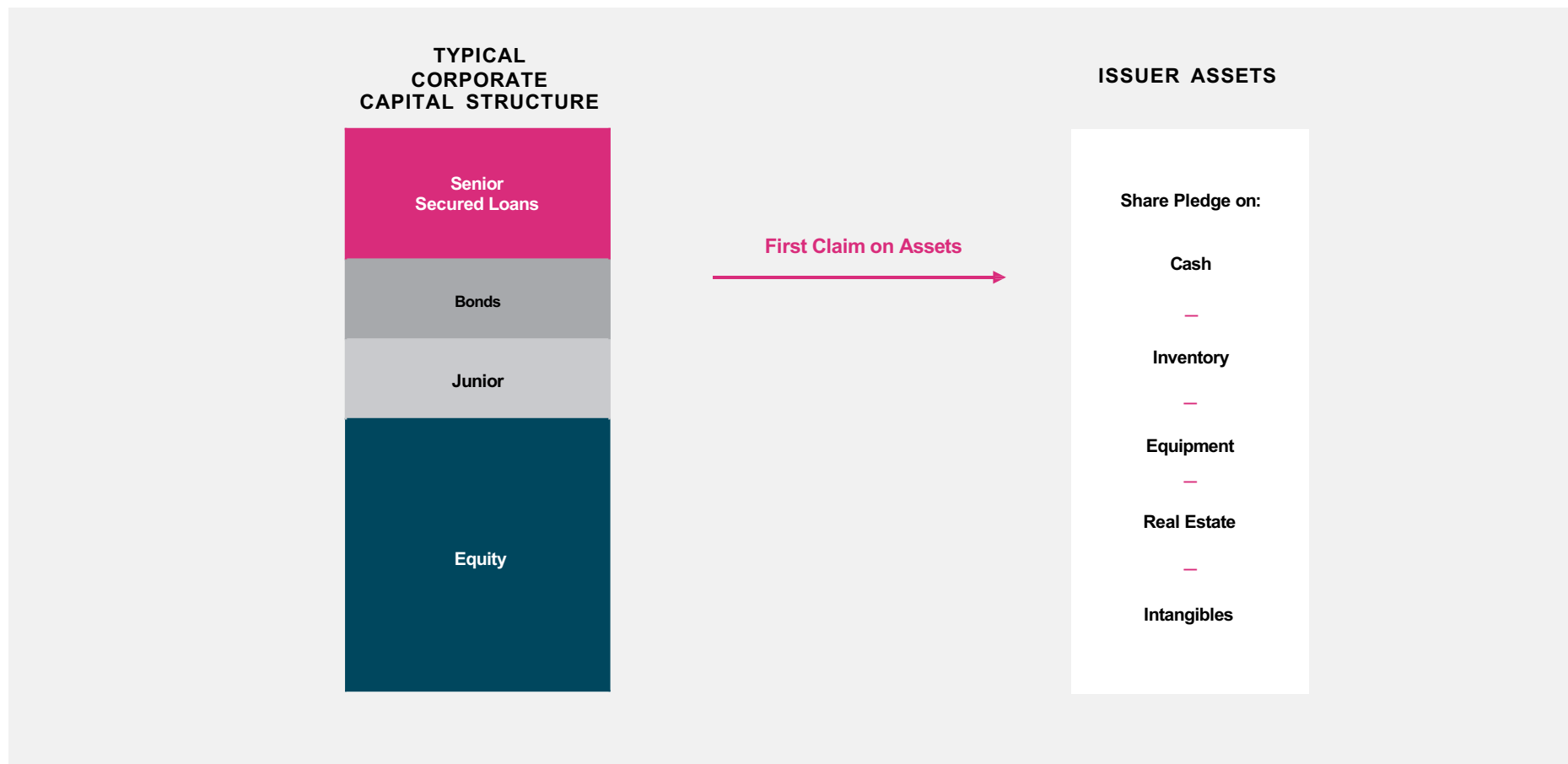
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Why European Loans

1

Senior Secured

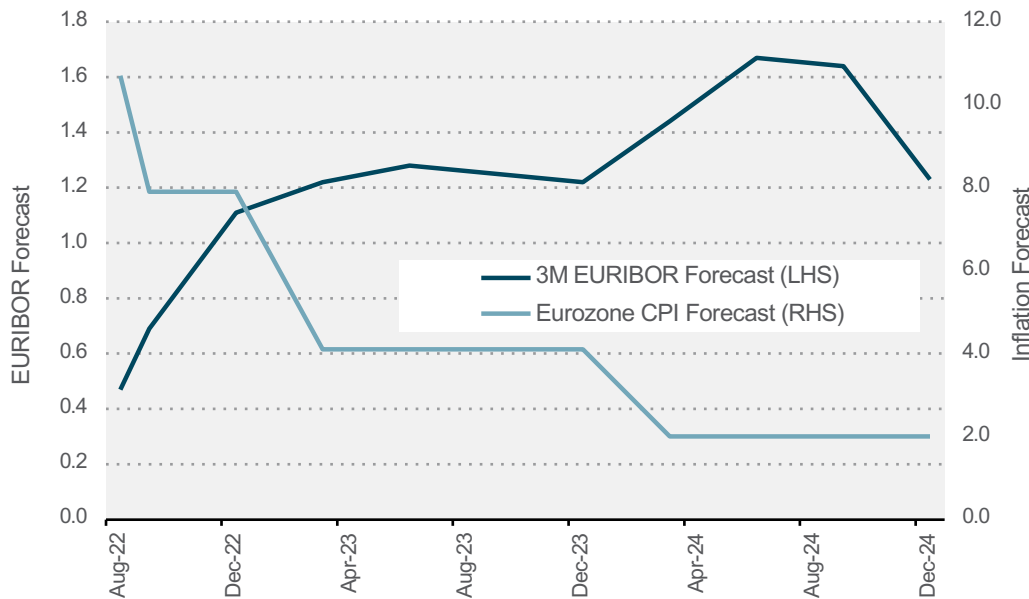
- European loans typically selected by the fund are senior in the capital structure and secured against assets
- European loans typically selected by the fund have first claim on assets in the event of a default which lowers risk of principal loss vs other asset classes, relative to other parts of the capital structure



Protection against Rising Rates

- Against a backdrop of higher inflation, Alcentra believes base rates will continue to rise in the medium term
- European loans, with coupons that reset at least quarterly, benefit from rising base rates and, as such, are not subject to the same duration challenges as fixed rate bonds
- As a result, European Loans have typically outperformed in periods of rising rates.

Environment For Higher Rates



Floating Rate Income

Past performance does not predict future returns.

Period		EUR Hedged Returns During Rising Rate Periods ¹			
Date	Δ in 10-Year US Tsy Yield	EUR Loans	US Loans	EUR HY	US HY
May '13 – Sep '13	+ 137 bps	2.54%	0.98%	1.78%	-1.11%
Jan '15 – Jun '15	+ 84 bps	3.39%	2.67%	1.81%	2.30%
Jul '16 – Dec '16	+ 124 bps	4.15%	4.59%	5.35%	6.60%
Jan '22 – Sep '22	+ 202 bps	-6.04%	-4.51%	-15.59%	-16.07%
Average		1.01%	0.93%	-1.66%	-2.07%

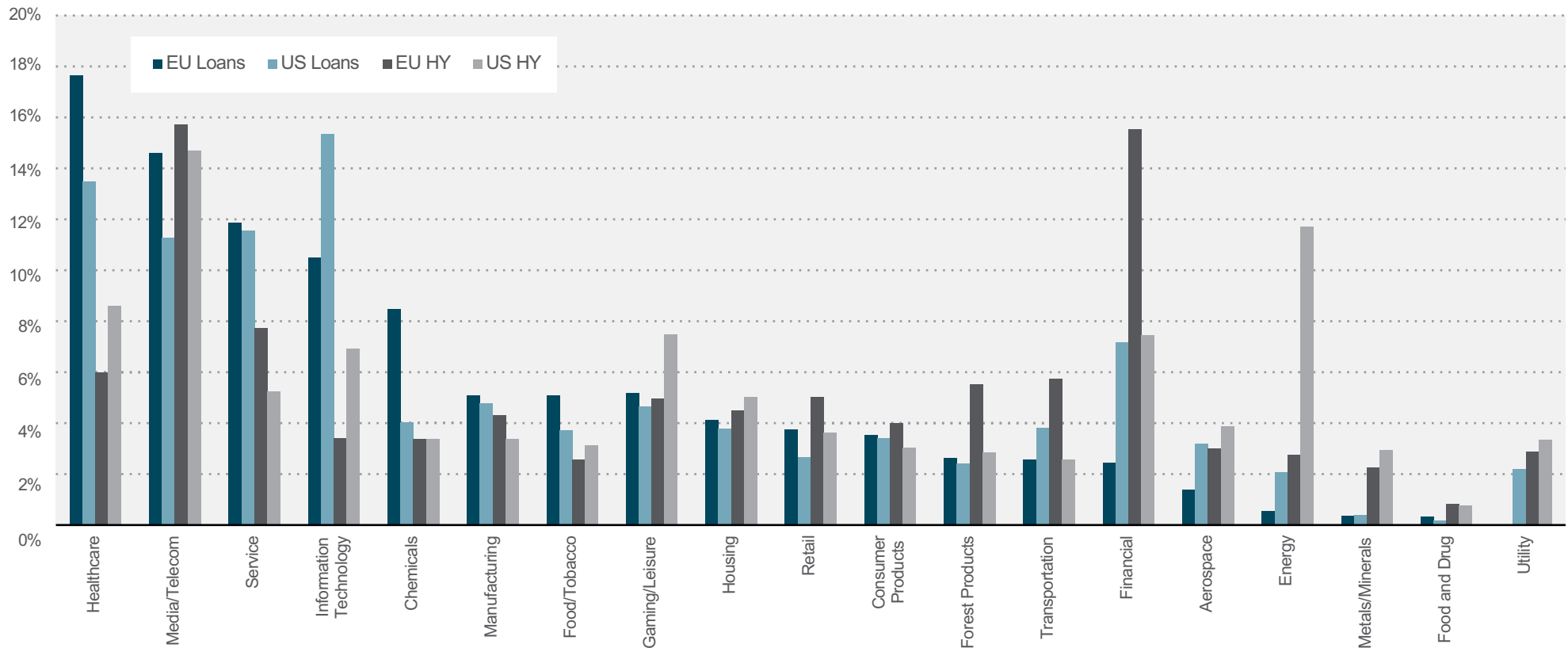
Returns may increase or decrease as a result of currency fluctuations.

Defensive Sector Positioning

Alcentra believes the European Loan Market is defensively positioned in comparison to other asset classes.

- Larger weighting in defensive sectors such as Media/Telecom, Healthcare and Services
- Lower weighting in cyclical sectors such as Metals/Materials, Energy or Financials
- Alcentra ELF's sector positioning has consistently skewed overweight in those defensive sectors and underweight those more cyclical

SECTOR EXPOSURES

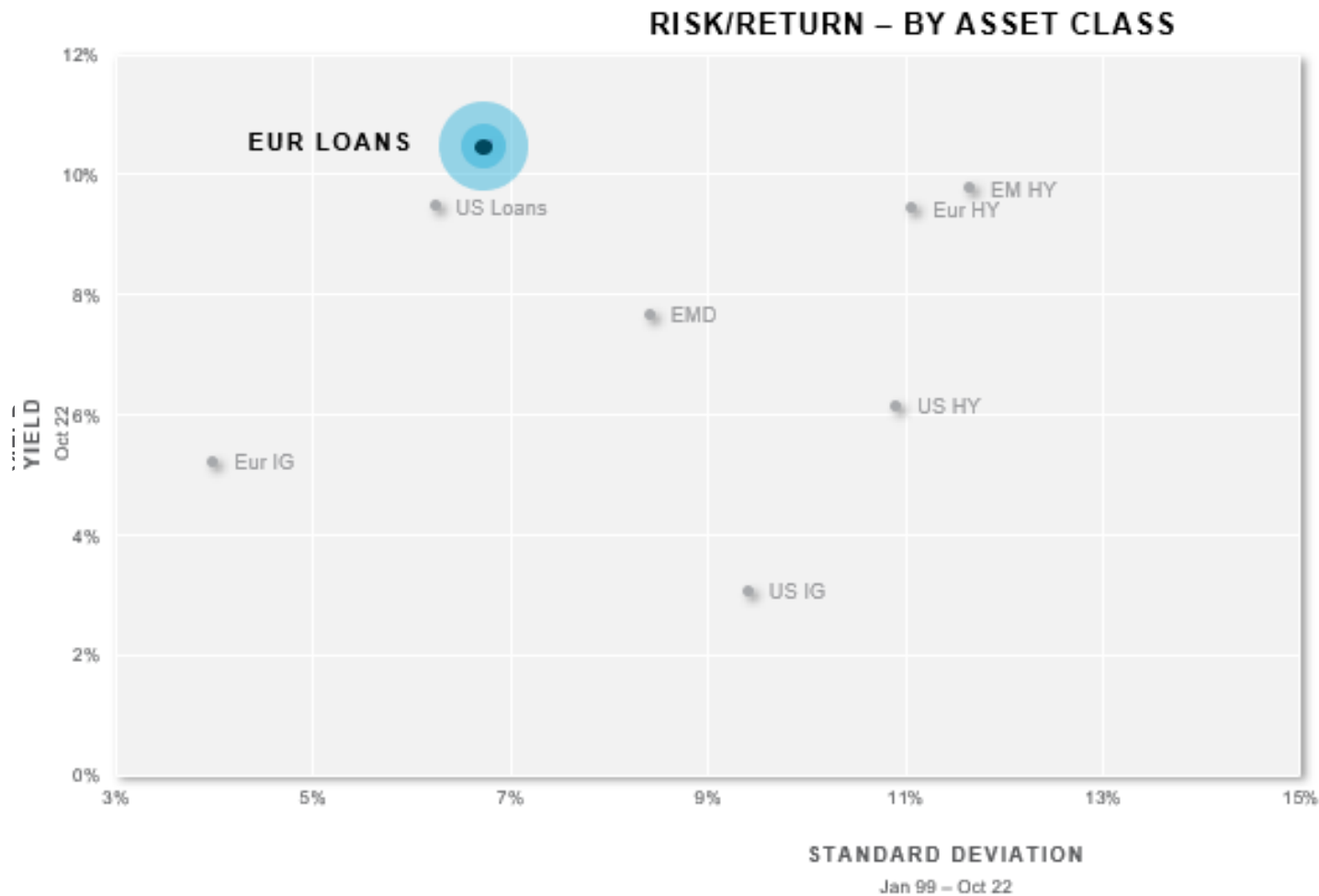


Market Update

2

Attractive Risk-Adjusted Relative Value

Past performance does not predict future returns



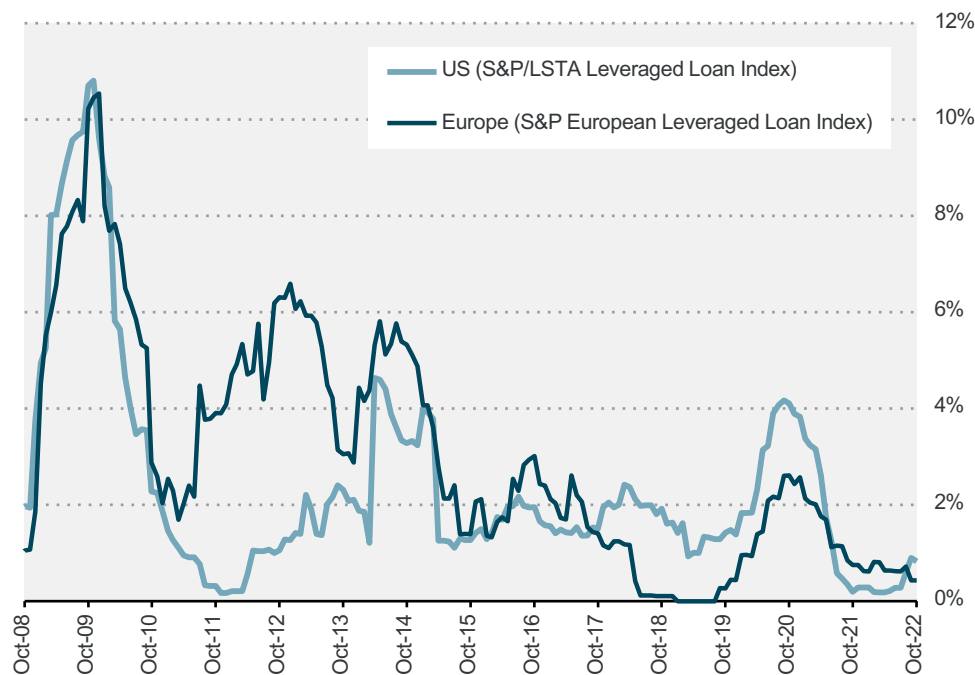
Price and Discount Margin Moves ¹	Oct
3-YEAR DM/OAS	
CS WELLI ex USD	761
US Loans	655
EU HY	588
US HY	457

Returns may increase or decrease as a result of currency fluctuations. Alcentra, 31 October 2022. EUR Loans: Credit Suisse Western European Leveraged Loan Index ex USD; US Loans: Credit Suisse Leveraged Loan Index; EU HY: ICE BofA European Currency High Yield Index; US HY: ICE BofA US High Yield Index; EU IG: ICE BofA Euro Corporate Index; US IG: ICE BofA US Corporate Index; EMD: ICE BofA HG EM Corporate Plus Index ; EM HY: ICE BofA HY US EM Corporate Plus Index.

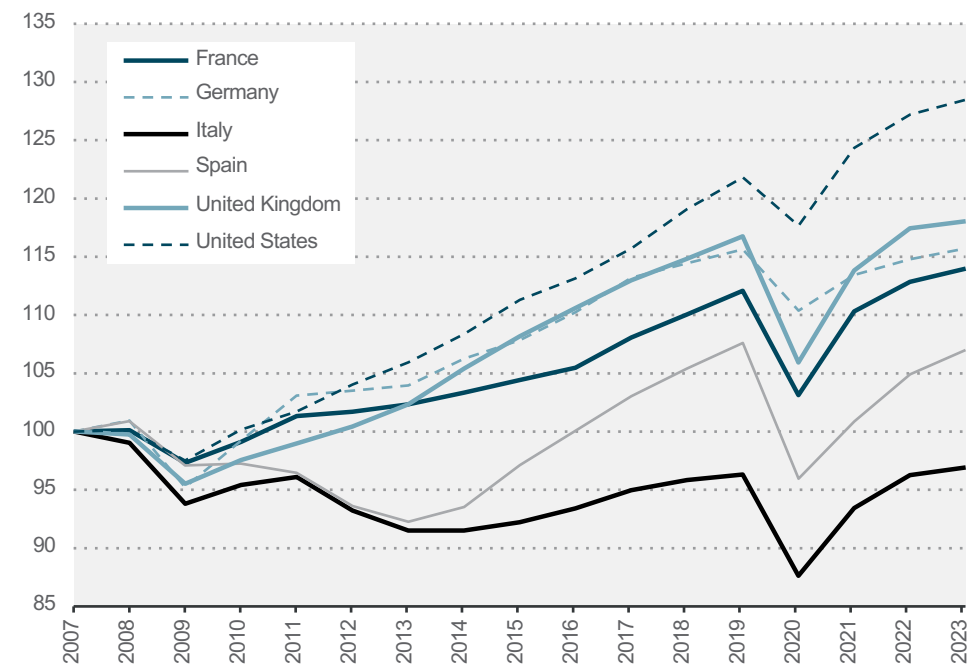
Benign Defaults

- Lockdowns and social distancing measures impacted economic growth in both Europe and the US in 2020, but the rebound in 2021 and early 2022 was robust
- The S&P default rate has fallen from the Covid default peak of 2.61% in October 2020 to 0.43% in October 2022
- Going forward, given the impact of higher inflation, higher interest rates and potential for slower growth, there is scope for higher defaults in the European Loan market. Currently the percentage of the index trading below 80, which Alcentra believes is a good proxy for default outlook, is at c.4.75%.

Lagging 12-Month Default Rate^{1,2}



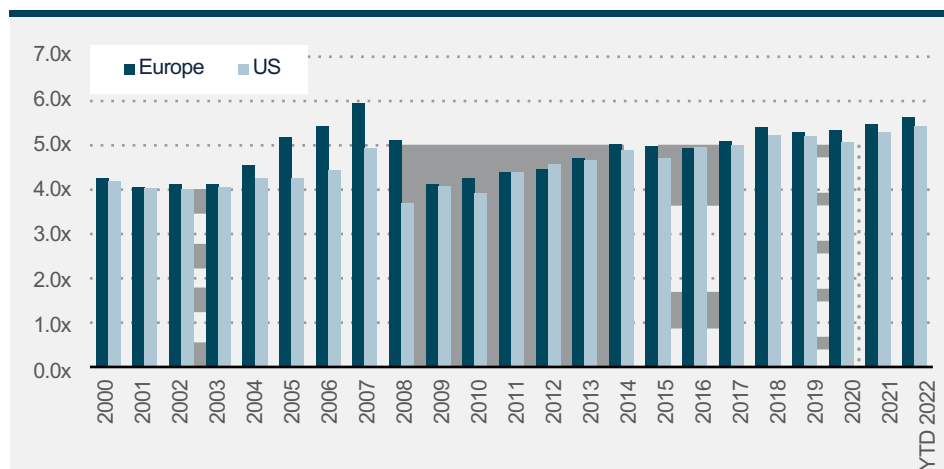
GDP Growth Index (2007 = 100)³



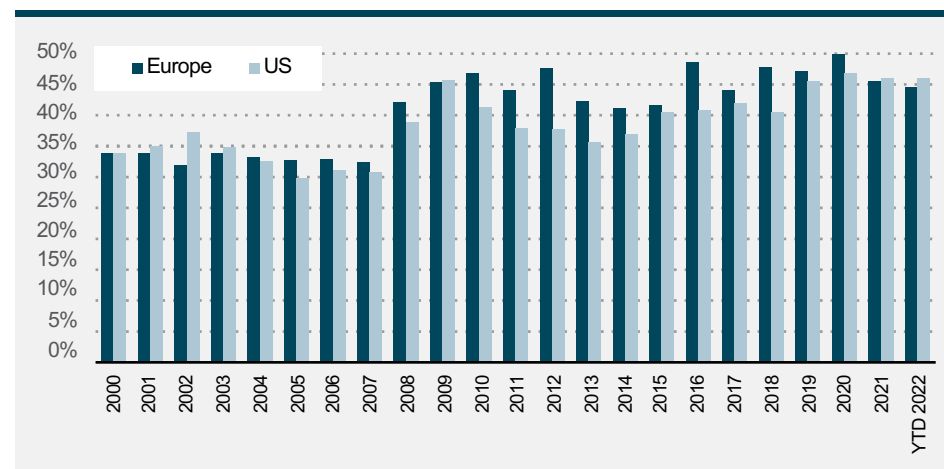
Note: Views expressed are those of Alcentra.¹Standard & Poor's LCD Global View, 31 October 2022; ²Defaults as a % principal value; ³2021 and 2022 growth estimates come from the IMF's July 2022 Economic 2022 Outlook.

Supportive Fundamentals

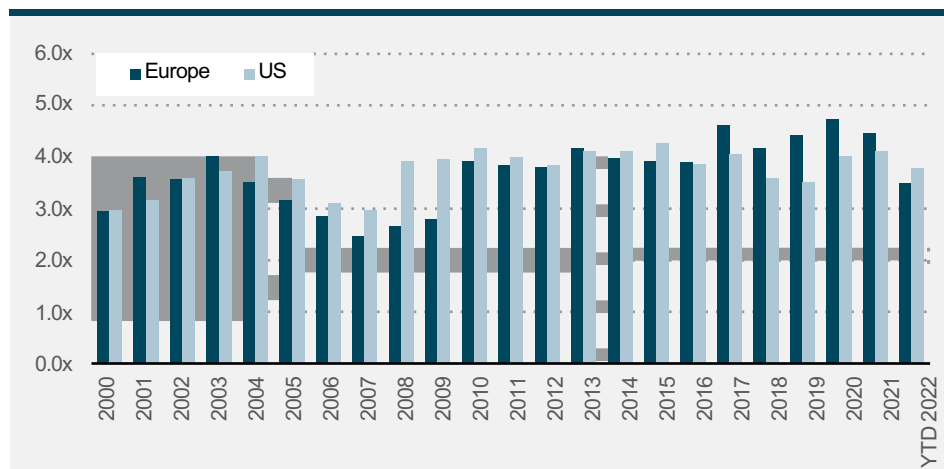
Total Debt/EBITDA Multiples¹



Contributed Equity²



Interest Coverage¹

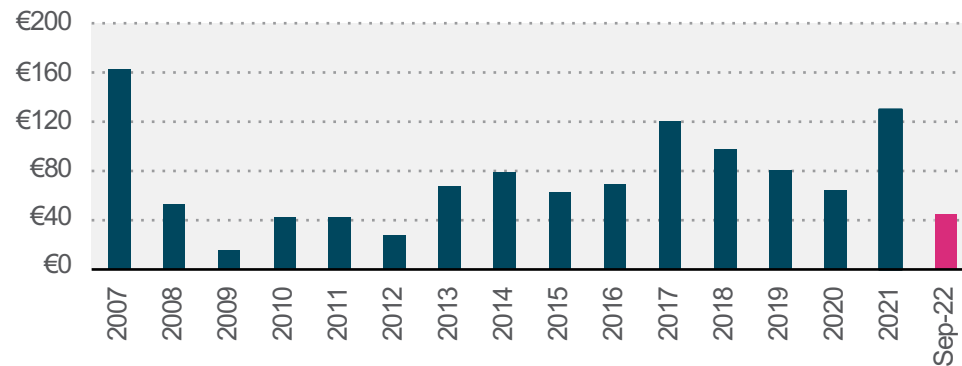


¹Standard & Poor's LCD Global Leveraged Lending Review Q3 2022, EBITDA of Euro/\$50million or more; ²Standard & Poor's LCD Global Quarterly Review Q3 2022;

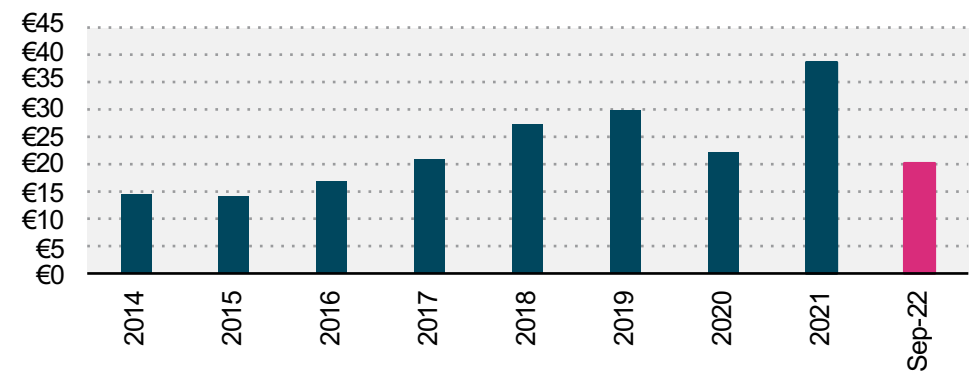
Balanced Demand & Supply Dynamics

- Loan issuance in Q3 2022 stood at €16.3bn and was driven by M&A and refinancing. This level is lower year-over-year relative to €24.5bn in Q3 2021 and was largely due to the market conditions during the quarter
- Following a slow Q2, European CLO issuance improved in Q3 2022 to €6.4bn, although was lower relative to the €10.5bn issued in Q3 2021

New-Issue Loan Volume (bn)¹



European CLO Issuance (bn)²



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Investors cannot invest directly in an index.

Credit Suisse Western European Leveraged Loan Index: A multi-currency index tracking term loans syndicated to European loan investors.

Credit Suisse Western European Leveraged Loan Index excluding USD: A multi-currency index tracking term loans syndicated to European loan investors, excluding USD denominated loans.

S&P European Leveraged Loan Index: The S&P European Leveraged Loan LBO Index is a multi-currency total return index that tracks returns on loans issued in Europe, both euro and dollar denominated, LBO and non-LBO.

S&P 500 Index: S&P 500 Index has been widely regarded as the best single gauge of the large cap US equities market since the index was first published in 1957. The Index has over \$5.58 trillion benchmarked, with index assets comprising approximately \$1.31 trillion of this total. The Index includes 500 leading companies in leading industries of the US economy, capturing 755 coverage of US equities.

Credit Suisse (US) Leveraged Loan Index: Tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated “5B” or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

Credit Suisse Western European High Yield Index: Investments in non-investment grade European fixed income securities

EURO STOXX 50 Index: The EURO STOXX 50 Index, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 8 Eurozone countries: Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands and Spain.

ICE BofA US High Yield Index is an index which tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market.

ICE BofA European Currency High Yield Index is designed to track the performance of euro- and British pound sterling-denominated below investment grade corporate debt publicly issued in the eurobond, sterling domestic or euro domestic markets.

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