

ARCANO CREDIT

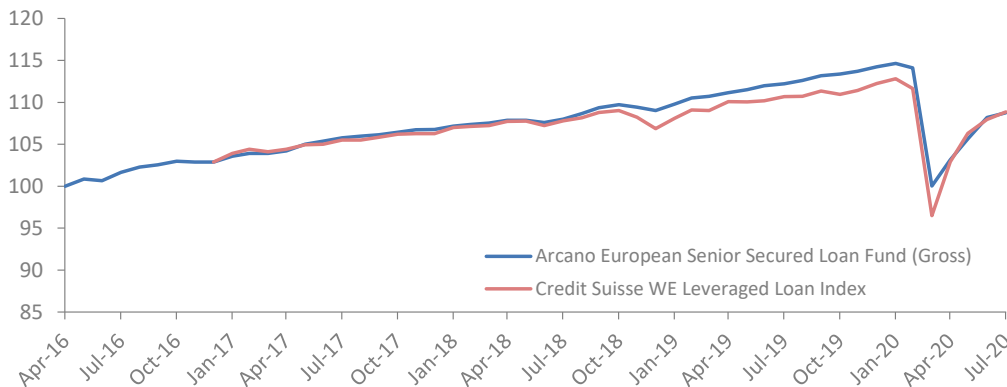
European Senior Secured Loan Fund

July 2020

INVESTMENT STRATEGY

- The Arcano European Senior Secured Loan Fund seeks to generate attractive levels of recurring income whilst maintaining low volatility and capital preservation
- The Fund invests in liquid, senior secured loans and floating rate notes from European Corporates
- Defensive strategy by investing in: (i) 100% floating rate instruments that build a short duration portfolio (ii) 100% senior secured loans and FRNs that reduce volatility; and (iii) bi-weekly liquidity by focusing on syndicated, tradeable bank loans and FRNs

YTD GROSS ASSET VALUE EVOLUTION*



KEY PORTFOLIO METRICS (B1A S.Class)

NAV (Net Asset Value)	105.91
AUMs	€116m
MONTH TO DATE	+0.5%
YEAR TO DATE	-5.1%
VOLATILITY (Since Inception)	4.9%
SHARPE RATIO (Since Inception)	0.4
YIELD TO MATURITY (YTM ex-cash)	5.7%
DURATION (Macaulay)	0.1 Yrs
# of Positions	51
Largest Position	3.2%
Top 10 Positions	27.6%
YTM Leveraged Loans	5.6%
YTM Floating Rate Notes	6.0%
Price of Portfolio (Purchase)	98.7%
Price of Portfolio (Current Mid)	95.1%
Spread Duration	4.2 Yrs
Average Maturity	4.9 Yrs

NET PERFORMANCE (B1A Share Class)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2020	0.3%	-0.5%	-12.4%	3.1%	2.4%	2.4%	0.5%						-5.1%
2019	0.6%	0.6%	0.1%	0.3%	0.3%	0.3%	0.2%	0.3%	0.4%	0.1%	0.3%	0.4%	4.1%
2018	0.3%	0.1%	0.1%	0.3%	0.0%	-0.3%	0.3%	0.6%	0.6%	0.3%	-0.3%	-0.4%	1.6%
2017	0.6%	0.3%	0.0%	0.2%	0.7%	0.3%	0.3%	0.2%	0.1%	0.2%	0.2%	0.0%	3.2%
2016				0.3%	0.5%	-0.2%	0.9%	0.5%	0.2%	0.4%	-0.1%	0.0%	2.4%
TOTAL SINCE INCEPTION													5.9%

PERFORMANCE METRICS (B1A S.Class)

	YTD	1Y	3Y	Total
Return	-5.1%	-3.7%	1.1%	5.9%
Volatility	13.2%	10.0%	5.8%	4.9%
Sharpe Ratio	-0.6	-0.3	0.2	0.4

Solvency II - Spread SCR

16.2%

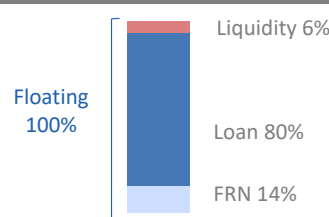
Estimation obtained from a more extensive report prepared by Soluciones Holísticas para Internet S.A.

PORTFOLIO DIVERSIFICATION

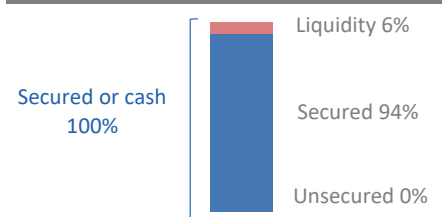
TOP 10 POSITIONS

1 Konecra E+5% TLB due 2026 (0% floor)	3.2%
2 Nord Anglia E+3.25% TLB due 2024 (0% Floor)	2.9%
3 Exclusive Group E+3.25% TLB due 2025 (0% floor)	2.8%
4 Teamsystem E+4% Secured FRN due 2023	2.8%
5 Busy Bees £L+4.75% TLB due 2022 (0% floor)	2.8%
6 ION Corporates E+4.25% TLB due 2025 (0% floor)	2.7%
7 Misys E+3% TLB due 2024 (1% floor)	2.6%
8 Financiere CEP E+4.75% TLB due 2027 (0% floor)	2.6%
9 Assystem E+4.25% TLB due 2024 (0% floor)	2.5%
10 LGC Group E+3.25% TLB due 2027 (0% floor)	2.5%

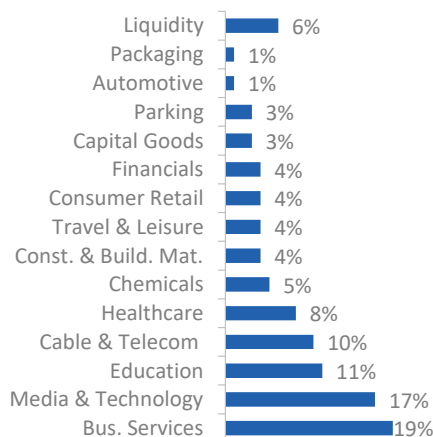
ASSET TYPE



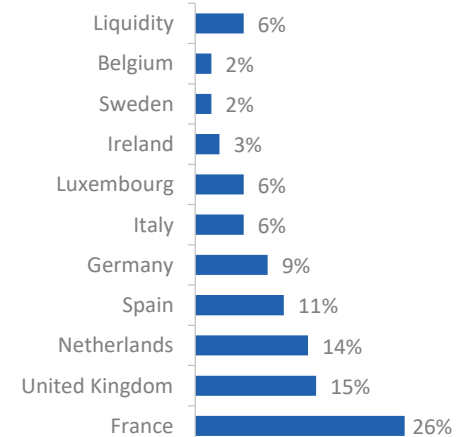
RANK



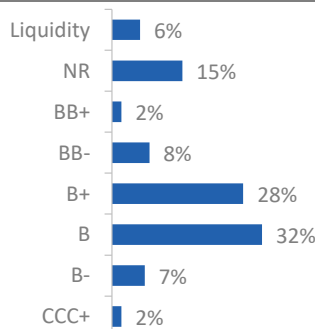
INDUSTRY



COUNTRY



RATING



*Please note that the portfolio is actively managed and does not follow any benchmark. Any reference to benchmarks is only for the purpose of performance measurement or comparison. We have changed the reference index from the CS WE Lev Loan 1st Lien Index to the general CS Lev Loan Index due to changes in the 1st Lien Index inclusion rules that now make it a poor comparison. As a reference, note that the number of instruments in the index has reduced from over 200 to 95 now.

PORTFOLIO MANAGER UPDATE

The Fund delivered a 0.5% gross/net performance in July vs. 0.8% gross for the CS WE lev loan Index. Gross performance YTD July is now (4.8)% vs. (3.0)% gross for the CS reference index and (4.5)% for our benchmark of European Leveraged Loan Funds.

The market for European loans is heading into the summer break in considerably better shape than many had predicted in the immediate aftermath of March's coronavirus-led sell-off. Rating downgrades have been manageable, default rate has remained subdued at 2% and recovery, although lacking the fervor seen in high-yield, has been steady with a positive figure for each month since April. Overall, the loan product has proved adept at pricing risk across a mix of ratings and sectors.

Despite a stronger supply of primary this month (7bn€, in line with July 2019) and uncertain macro backdrop due to fears of a second wave of the pandemic, the secondary market remained firm in July. The agreement on the EU Recovery Fund provided additional impulse for a further move tighter. Liquidity started to drain from the market ahead of the August break and we expect a carry trade summer overall.

We conducted 6 trades during the month with the main goal of further de-risking into a strong market (Cortefiel, Global University System, Autodistribucion), while recycling capital into primaries (Masmovil, Bite and Iliad). The spread in the European loan market remains elevated (c. 2%) so we are not incentivized in rotating the portfolio too much. However, primary deals are still offered with an attractive pricing and generous OID, and we were keen to rebalance the portfolio towards more resilient sectors such as Telecom. As a reference note, all recently invested primary deals are currently trading above syndication price.

The portfolio is now comprised of 51 senior secured positions at an average price of 95.1 offering a 5.7% YTM. The portfolio is clean (no position trading below 80) and we don't forecast any default. Important enough, only 5 positions representing less than 10% of the portfolio are trading below 90, hence the bulk of the fund's recovery will come from the remaining 46 positions currently trading above 90. For those reasons, we are confident we can reach breakeven hopefully by the end of the year or early 2021. As mentioned already, the return per unit of risk seems quite attractive at this point and patient investors will be rewarded.

SIF - SHARE CLASS PERFORMANCE (Net of fees and distributions)

Class	Curr.	Type	Fees	ISIN	Bloomberg	Issue	NAV	Incept.	5Y	3Y	LTM	1M	YTD
Class A1A	EUR	Accum.	0.5% no perf fee	LU1397949071	AREUA1A LX Equity	Apr-16	105.41	5.4%	N.a.	0.6%	-3.8%	0.4%	-5.2%
Class A1D	EUR	Dist.	0.5% no perf fee	LU1397949154	AREUA1D LX Equity	Jul-16	92.47	-7.5%	N.a.	-8.3%	-7.0%	0.4%	-6.9%
Class A2A	EUR	Accum.	0.75% no perf fee	LU1498570446	AREUA2A LX Equity	Oct-16	101.84	1.8%	N.a.	-0.1%	-4.0%	0.4%	-5.3%
Class A2D	EUR	Dist.	0.75% no perf fee	LU1498570529	ARESA2D LX Equity	Jun-17	91.28	-8.7%	N.a.	-9.0%	-7.2%	0.4%	-7.0%
Class B1A	EUR	Accum.	0.3% + perf fee	LU1397949238	AREUB1A LX Equity	Apr-16	105.91	5.9%	N.a.	1.1%	-3.7%	0.5%	-5.1%
Class B1D	EUR	Dist.	0.3% + perf fee	LU1397949311	AREUB1D LX Equity	Apr-16	93.72	-6.3%	N.a.	-7.9%	-6.9%	0.5%	-6.7%
Class B2A	EUR	Accum.	0.55% + perf fee	LU1493806472	ARESB2A LX Equity	Feb-17	101.71	1.7%	N.a.	0.3%	-3.9%	0.4%	-5.2%
Class B2D	EUR	Dist.	0.55% + perf fee	LU1498570792	AREUB2D LX Equity	Dec-16	92.36	-7.6%	N.a.	-8.6%	-7.1%	0.4%	-6.9%
Class C2A	USD	Accum.	0.75% no perf fee	LU1498573549	AREUC2A LX Equity	Feb-18	105.00	5.0%	N.a.	N.a.	-2.1%	0.5%	-4.5%
Class J2A	GBP	Accum.	0.75% no perf fee	LU1922281313	AREUJ2A LX Equity	Feb-19	98.97	-1.0%	N.a.	N.a.	-3.3%	0.5%	-5.0%
Class I1A	CHF	Accum.	0.3% + perf fee	LU1498577961	AREUI1A LX Equity	Jul-19	95.95	-4.1%	N.a.	N.a.	-4.1%	0.4%	-5.3%

FIL - SHARE CLASS PERFORMANCE (Net of fees)

Class	Curr.	Type	Fees	ISIN	Bloomberg	Issue	NAV	Incept. ⁽¹⁾	5Y	3Y	LTM	1M	YTD
Clase RA	EUR	Accum.	0.75% no perf fee	ES0109869018	AREUSRA SM Equity	Dec-16	100.30	1.7%	N.a.	-0.4%	-4.1%	0.4%	-5.4%
Clase RD	EUR	Dist.	0.75% no perf fee	ES0109869000	AREUSRD SM Equity	Jun-18	100.31	0.3%	N.a.	N.a.	-4.1%	0.4%	-5.4%
Clase IA	EUR	Accum.	0.5% no perf fee	ES0109869034	AREUSID SM Equity	Feb-17	101.72	2.3%	N.a.	0.3%	-3.9%	0.4%	-5.3%
Clase ID	EUR	Dist.	0.5% no perf fee	ES0109869026	ARCEUID SM Equity	Feb-17	101.41	1.4%	N.a.	0.3%	-3.9%	0.4%	-5.3%

⁽¹⁾ FIL launched 30/12/2016, NAVs shown por forma for one-off, non-recurring costs

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Arcano Capital S.G.I.I.C. S.A.U.
C/ José Ortega y Gasset, 29
28006 Madrid. – Spain
+34 91 700 38 80

INVESTOR
RELATIONS

Pedro Hamparzoomian
Jaime Gil-Delgado
Carlos Osés

phamparzoomian@arcanopartners.com
jgildelgado@arcanopartners.com
coses@arcanopartners.com

Signatory of:



FUND FACTS

Legal Name	Arcano Fund
Investment Vehicle	SIF - SICAV
Fund Type	Open-End Fund
Country of Residence	Luxembourg
Fund Inception Date	15-abr-2016
AIFMD	Arcano Capital SGIIC
Custodian	UBS Luxembourg
Administration	Northern Trust
Auditor	PwC
Fund AuMs	€116m
Valuation/Liquidity Dates	15th & 30th
Notice Period	20 business days
Fund Currency	EUR
Hedged Classes	USD, CHF, GBP
Minimum Investment	
Class A1, B1, C1, D1, H1, I1, J1, K1	€ 3,000,000
Class A2, B2, C2, D2, H2, I2, J2, K3	€ 125,000
Fees	
Shares A1, C1, H1, J1: 0.5% man. fee	
Shares B1, D1, I1, K1: 0.3% man. fee + perf. fee ⁽¹⁾	
Shares A2, C2, H2, J2: 0.75% man. fee	
Shares B2, D2, I2, K2: 0.55% man. fee + perf. fee ⁽¹⁾	
⁽¹⁾ 7.5% above E+2%, no catch-up	
ESG compliant - UNPRI signatory	

PORTFOLIO MANAGERS

Alexandre Bruyelle	Head PM
Beatriz Forero	Co-PM
Manuel Mendivil	CIO