

Markets pulled back mid-month, ending sharply weaker. Euro Stoxx 600 and S&P 500 declined -6.4% and -9.2%, respectively. Morningstar ELLI and European HY HPS2 declined -3.5% and -4.4% for the month, respectively. September rounded out a third consecutive quarter of negative returns for risk assets—the first since 2009. Rates and inflation data continued to dominate on the back of stronger-than-expected US CPI (core inflation +6.3% yoy). US Fed chairman Powell responded with hawkish commentary, indicating that restoring price stability would require ‘a painful transition’.

The UK government’s inaugural “mini-budget”, featuring broad sweeping tax cuts, backfired, triggering a Sterling sell-off (GBP hit all time USD/GBP low \$1.035) and long-dated gilts fell -8.8% MoM. Staff changes and back-tracking followed an emergency BoE intervention to calm markets. In Europe, the disruption to Nord Stream pipeline and associated escalating Russian/Ukrainian conflict intensity drove higher natural gas prices (+30.6% over the quarter).

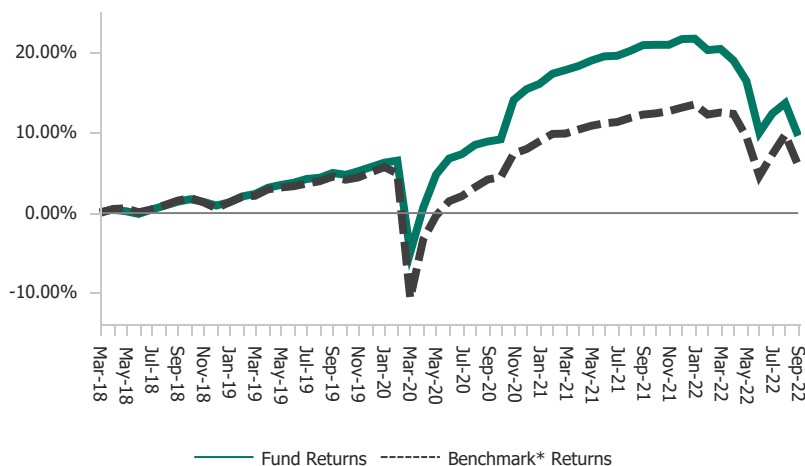
Credit spreads tested 2022 wides as European HY spreads hit 89th percentile post-global financial crisis. YTD, whilst we see notable security price dispersion, risk is largely driven by two factors: inflation and rates. As the yield curve shifts reflecting consensus central bank expectations, credit market pricing has adjusted sharply. During the month c.€8bn of primary issuance printed. YTD combined HY/loan issuance continues tracks -70% below the same period in 2021. JPM estimates September HY outflows of -2.0% of AUM, taking YTD cumulative flows to -14.4%.

Broadly speaking, today’s market landscape holds a complex set of interwoven risks which are driving inflation, geopolitical instability, lower growth, and acute uncertainty about what will happen next. Assessing consensus expectations for rates and inflation— an awful lot is priced in – particularly to bonds where issuers are well positioned to deal with maturities, protect earnings, and cash flow through economic draw down/inflation. That said, further rates widening – driven by protracted central bank efficacy, geopolitical conflict escalation or spill over or more rapid growth deceleration triggers could drive prices even lower.

YTD mark to mark activity remains directionally negative – which impacts our book due to concentrated positioning and fixed rate exposure. Furthermore, trading activity which improves embedded portfolio credit risk premium and return outlook is short-term costly as bid-ask transaction costs widen. If we avoid impairment, this will revert over time, given the embedded risk premia and positive convexity. Our current research framework emphasises the impact of cost inflation, and earnings and cash flow stress-testing on portfolio holdings. We view bonds as relatively attractive given ratings quality, fixed interest, and moderate maturity and default outlooks. Ultimately as the base rate increases, FRN issuers will have to deal with the sharpest increase in cost of capital in three and a half decades. Hayfin continues to enhance portfolio credit risk premium by moving up in credit quality. We eliminate names we think offer less attractive yield per credit quality (ratings, leverage, cash flow, sector) and re-emphasising stock selection toward cyclically defensive sectors including TMT, Healthcare and asset-backed business. Whilst no sector can avoid systemic inflation entirely, across bonds and loans we favour business that have flexibility to endure higher prices and flex costs to protect earnings and cash flow.

Hayfin's K-Invest Returns

K-Invest Cumulative Returns



	Gross Returns (%)	
	K-Invest	Benchmark*
YTD	-9.9%	-6.3%
LTM	-9.3%	-5.6%
Since Inception	9.5%	5.8%
Annualised Returns	2.0%	1.3%

Inception date:19 March 2018

\*S&P European Leveraged Loan Index. Note Hayfin expects the K-Invest mandate to have from time to time a material allocation to high yield bonds in line with investment guidelines and market conditions.

\*\* Hayfin estimates 40bps of performance impact during the Transition Period. For definitions, see “Notes to Investment Performance” on page 3.

\*\*\* Returns are shown in the base currency of the fund (EUR)

Fund	Gross Monthly Returns											
	2021 Oct	2021 Nov	2021 Dec	2022 Jan	2022 Feb	2022 Mar	2022 Apr	2022 May	2022 Jun	2022 Jul	2022 Aug	2022 Sep
K-Invest	0%	0%	0.6%	0%	-1.2%	0.1%	-1.2%	-2.1%	-5.5%	2.2%	1.1%	-3.6%
Benchmark*	0.1%	0.2%	0.4%	0.4%	-1.1%	0.2%	-0.2%	-2.5%	-4.4%	2.6%	2.3%	-3.5%

Please note that the returns are before management and administrative fees and expenses and before hedging costs. Please refer to the “Notes to Investment Performance” on page 3.

HAYFIN CAPITAL MANAGEMENT LLP CONTACT DETAILS

Hayfin Capital Management LLP  
One Eagle Place  
London, SW1Y 6AF, UK

Gina Germano  
Portfolio Manager  
Gina.Germano@hayfin.com

Nick Thomson  
Liquid Credit COO  
Nick.Thomson@hayfin.com

Investor Relations  
IR@hayfin.com  
+44 (0) 207 074 2900

Portfolio Characteristics

Current Portfolio		
Investments Total	€322.4 Million	
Opening AUM	€338.2 Million	
Net Subscriptions		
Number of Holdings	71	
Average Price	83.55	
Average Duration	0.61	
Average Spread (loans)	464 bps	
Average Coupon (bonds)	4.21%	
YTM	13.03%	
	% of capital invested	Current YTM
Senior Secured Loan	63.0%	13.5%
Subordinated Loan	1.2%	14.4%
Senior Secured Bond	29.0%	12.0%
Senior Unsecured Bond	6.8%	13.4%
PIK Note		
Allocation to First Lien	92%	
Allocation to Second Lien	8%	
Allocation to FRN (incl. loans)	77%	
Allocation to Bank loans/ High Yield	100%	

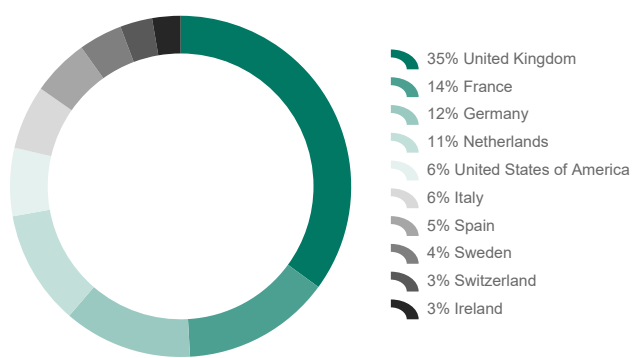
Top 10 Positions (by size)			Market Value (€m)	% AUM
Iris Software	Snr Sec Loan	GBP	7.4	2.2%
Virgin Media 2	Snr Sec Bond	GBP	7.1	2.1%
Evoca	Snr Sec Bond	EUR	6.9	2.0%
A&O Hotels 2	Snr Sec Loan	EUR	6.8	2.0%
Valeo Foods	Snr Sec Loan	GBP	6.8	2.0%
Bormioli Pharma	Snr Sec Bond	EUR	6.3	1.9%
Equiniti-AST	Snr Sec Loan	GBP	6.3	1.9%
Wella	Snr Sec Loan	GBP	6.2	1.8%
Stada	Snr Sec Loan	GBP	6.0	1.8%
Paysafe 2	Snr Sec Loan	EUR	6.0	1.8%

Top 5 Gainers (P&L)			Nominal Amount (€m)	P&L Contrib.
Claranet	Snr Sec Loan	GBP	4.5	6.7 bps
Verisure 2	Snr Sec Bond	EUR	5.0	2.4 bps
Scenic	Snr Sec Loan	EUR	6.0	2.3 bps
Optigroup	Snr Sec Loan	EUR	3.0	2.0 bps
Median / Priory	Snr Sec Loan	GBP	5.7	1.5 bps

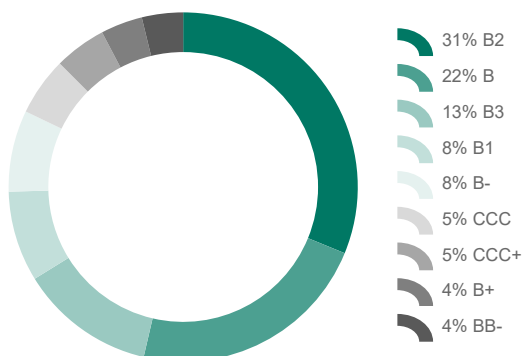
Security



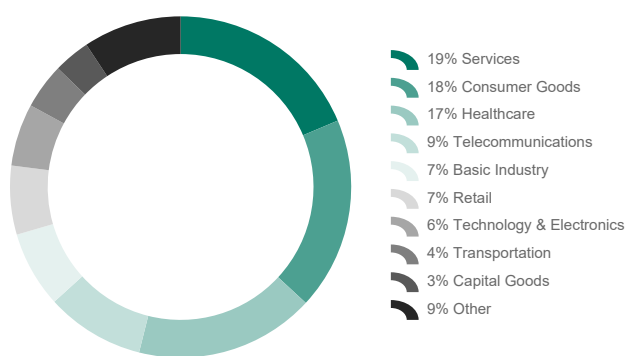
Country



Rating



Industry



Weighted by the market value of the positions, excluding cash

HAYFIN CAPITAL MANAGEMENT LLP CONTACT DETAILS

Hayfin Capital Management LLP  
One Eagle Place  
London, SW1Y 6AF, UK

Gina Germano  
Portfolio Manager  
Gina.Germano@hayfin.com

Nick Thomson  
Liquid Credit COO  
Nick.Thomson@hayfin.com

Investor Relations  
IR@hayfin.com  
+44 (0) 207 074 2900

**Disclaimers**

This document has been prepared by and is proprietary to Hayfin Capital Management LLP (“Hayfin”). Hayfin is authorised and regulated by the UK Financial Conduct Authority. References herein to “this document” shall include this presentation document and any associated documentation, including cover email or cover letter documentation, delivered with it.

This document is being furnished on a confidential basis for discussion purposes to a limited number of recipients. This document is intended for the sole use of the person or firm to whom it is provided by Hayfin. Any reproduction or distribution of this document, in whole or in part, or the disclosure of its contents, without Hayfin’s prior written consent is prohibited.

This document is intended for informational purposes only and does not constitute advice or an offer, invitation, solicitation or recommendation to enter into any transaction, offer or arrangement by Hayfin. No investment activity will be accepted on the basis of this document. Any offer or invitation, if made, would be made only by way of a confidential private placement memorandum or prospectus (or other formal offering document) and only in jurisdictions in which such an offer or invitation would be lawful. The information contained herein should not be relied upon by any recipient for any purpose.

This document has not been audited or verified by an independent party or by Hayfin and should not be seen as any indication of returns which might be received by an investor in any Hayfin product. Any reference to past performance is not an indication of future performance by Hayfin.

This document is issued by Hayfin only to and/or is directed only at persons who are permitted to receive it under the rules and regulations applicable where such persons are located. Accordingly, this document may not be used in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Recipients of this document should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities law.

Hayfin does not accept any liability for the results of any action taken on the basis of the information contained in this document and all implied warranties, including but not limited to the implied warranties of satisfactory quality, fitness for a particular purpose, non-infringement, compatibility, security and accuracy are excluded from this document to the extent that they may be excluded as a matter of law. In no event will Hayfin be liable for any loss including, without limitation, indirect or consequential loss, or any damages arising from loss of use, data or profits, whether in contract, tort or otherwise, arising out of or in connection with the use of the information contained in this document.

Information relating to prior performance is not indicative of the actual results to be obtained by the Fund, and there can be no assurance that: (i) the Fund will be able to implement its investment strategy or investment approach, (ii) the Fund will achieve comparable results, (iii) any target results will be met or (iv) the Fund will be able to avoid losses.

All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of matters arising herein. They may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and, to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance as past performance is not a reliable indicator of future returns. Your investment is at risk.

Investment performance information is intended solely to provide investors with information about the transactions and performance of investments made by Hayfin and the funds and separate accounts that it manages.

The performance information includes information about prior investment performance, including gross compounded annual internal rates of return. Information about prior performance, while a useful tool in evaluating Hayfin’s investment activity, is not indicative of future results and there can be no assurance that Hayfin K-Invest (the “SMA”), will generate results comparable to those previously achieved.

The information contained herein is also based in part on the valuation of unrealised investments, determined by Hayfin in accordance with applicable accounting standards and Hayfin’s internal valuation policy and procedures. There can be no assurance that the valuations for unrealised investments accurately reflect the amounts for which such investments could be sold.

**Notes to Investment Performance**

Please note that the illustrated returns are indicative gross returns (inclusive of transaction costs but exclusive of hedging costs).

S&P ELLI is the European Leveraged Loan Index which is a market value-weighted index designed to measure the performance of the European institutional leveraged loan market.

The Transition Period is the period from 19 March to 31 August 2018 during which Hayfin transitioned from the legacy assets to Hayfin’s target portfolio.

**HAYFIN CAPITAL MANAGEMENT LLP CONTACT DETAILS**

Hayfin Capital Management LLP  
One Eagle Place  
London, SW1Y 6AF, UK

Gina Germano  
Portfolio Manager  
Gina.Germano@hayfin.com

Nick Thomson  
Liquid Credit COO  
Nick.Thomson@hayfin.com

Investor Relations  
IR@hayfin.com  
+44 (0) 207 074 2900