



## Fitch Affirms Avoca Capital's Asset Manager Rating at 'M2+' Ratings

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Fitch Ratings-London-11 June 2010: Fitch Ratings has today affirmed the Asset Manager rating assigned to Avoca Capital (Avoca) at 'M2+'. The rating covers all of Avoca's Dublin and London-based European leveraged loan and collateralised loan obligation (CLO) asset management activities.

The rating affirmation reflects the resilience and capacity to adapt that Avoca has demonstrated in the face of the challenging market environment over the last year. Specifically, Avoca has demonstrated its ability to raise assets under management (AUM) by around 40% since December 2008 through CLO acquisitions and new segregated mandates, which distinguishes it from peers.

Avoca has therefore demonstrated resilient operational profitability despite the adverse impacts of the financial crisis on the industry. It benefits from a stable, committed and experienced team, which featured a key marketing and strategy hire in 2010. Avoca continues to operate a robust credit selection process, with an enhanced top-down input facilitated by the presence of an in-house economist since 2008, and the addition and automation of further data sources to the proprietary credit research system in 2010. Its portfolio management was augmented in 2010 through the further formalisation of sub-teams, particularly in terms of the dedicated and well-resourced workout function. Investment administration remains highly efficient, and a function of an experienced team and appropriate systems. Avoca has additionally invested heavily in technology in recent years, resulting in a sophisticated and fully integrated combination of proprietary and off-the-shelf systems. A customer relationship management module was added in 2010, along with other improvements.

Avoca is a privately-held company; however, Fitch notes the commitment of the two co-founders and joint CEOs to the business, and the increasing employee equity participation in the business. While the company does not have a separate control function, Fitch views Avoca's control environment as very strong and risks are adequately managed.

In accordance with the applicable criteria report 'Reviewing and Credit Asset Managers', dated 27 July 2009, Avoca's 'M2+' rating is based on the following category scores, which represents a scale from 1 to 5, with 1 as the highest possible score:

Company & Staffing: 2.50  
Credit Selection: 1.75  
Portfolio & Risk Management: 1.75  
Investment Administration: 1.75  
Technology: 1.50

Asset manager operations in the 'M2' category demonstrate low vulnerability to operational and investment management failure.

Avoca is a Dublin and London-based privately-owned credit manager, focused on European leveraged loan management, principally through CLO structures. As at June 2010, Avoca's AUM were approximately EU6bn (EUR3.8bn in eight Avoca originated CLOs, EUR0.5bn in a credit opportunity fund and EUR1.7bn in other mandates including three replacement CLO manager mandates and separate accounts).

Applicable criteria available on Fitch's website at [www.fitchratings.com](http://www.fitchratings.com): 'Reviewing and Rating Asset Managers', dated 18 June 2009; 'Reviewing and Rating Credit Asset Managers', dated 27 July 2009.

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Further information is available at [www.fitchratings.com](http://www.fitchratings.com).

### Related Research:

Reviewing and Rating Asset Managers  
Reviewing and Rating Credit Asset Managers

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