Opportunities & Challenges for the CLO Market

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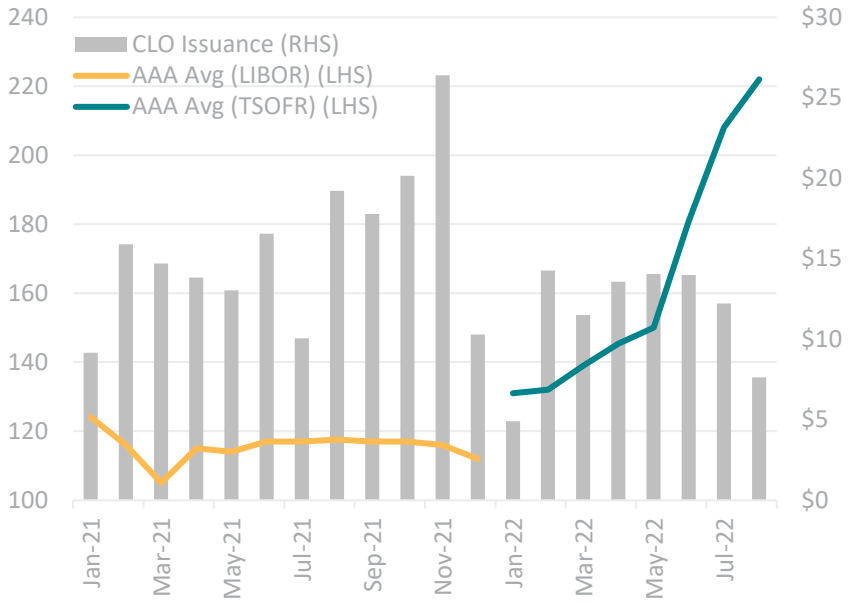
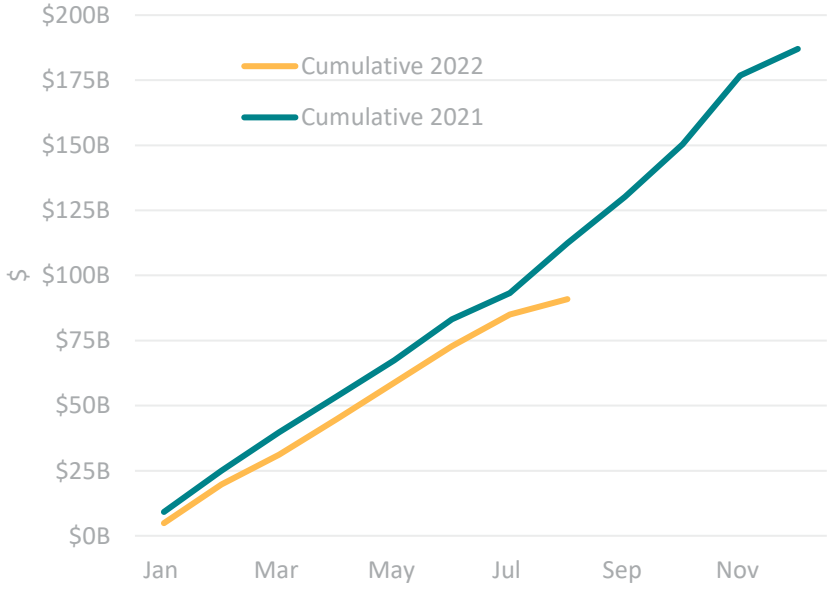
September 22, 2022

2022 US CLO Issuance Strong Despite Record Spreads

Despite Jumping Note Costs,
2022 CLO Issuance Near Record Levels

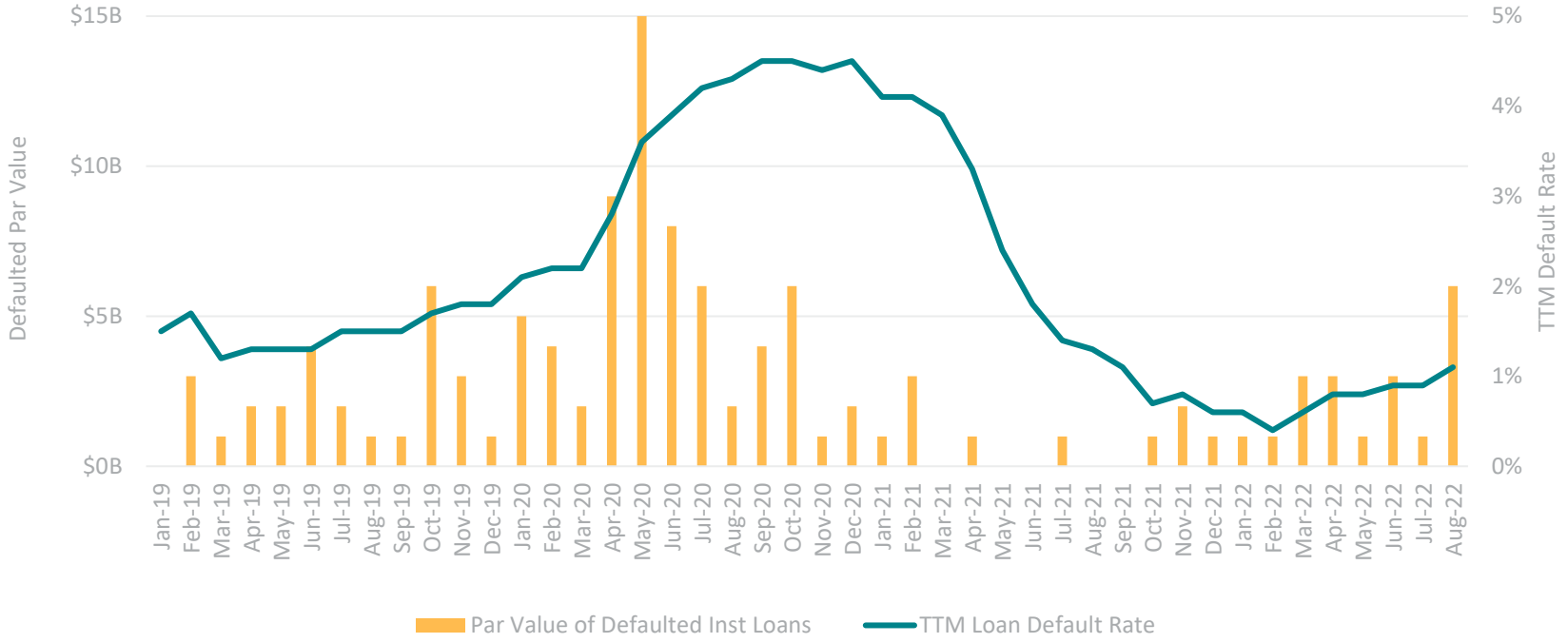


YTD CLO Issuance (2022 vs 2021)



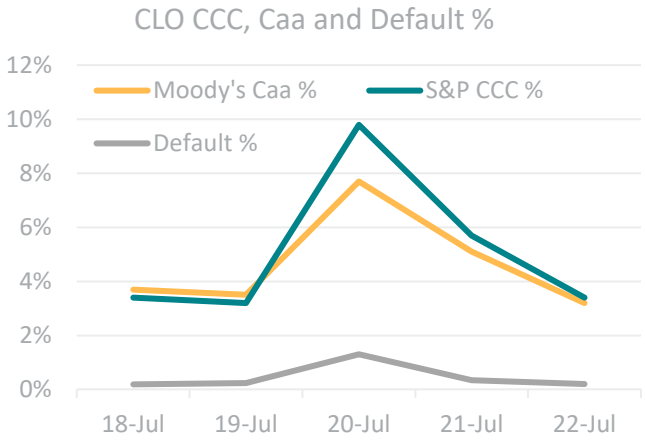
Source: Leveraged Commentary & Data (LCD), Refnitiv

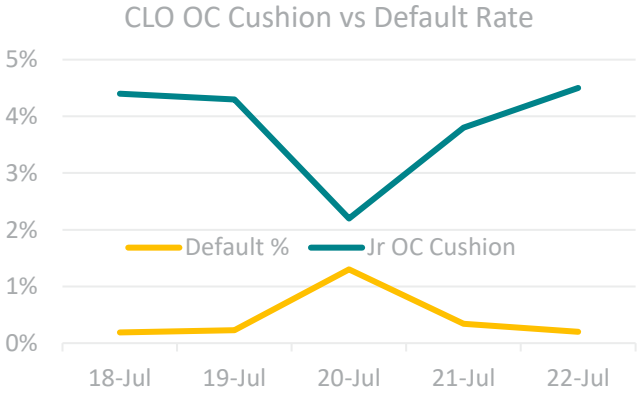
Institutional Leveraged Loan Defaults

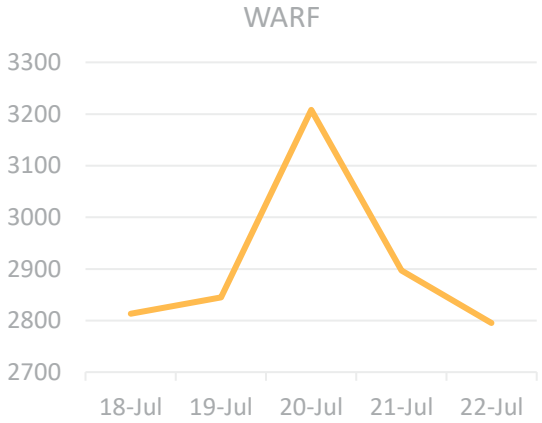


Source: Fitch U.S. Leveraged Loan Default Index

Composite Collateral Metrics (Within RP BSL CLOs)

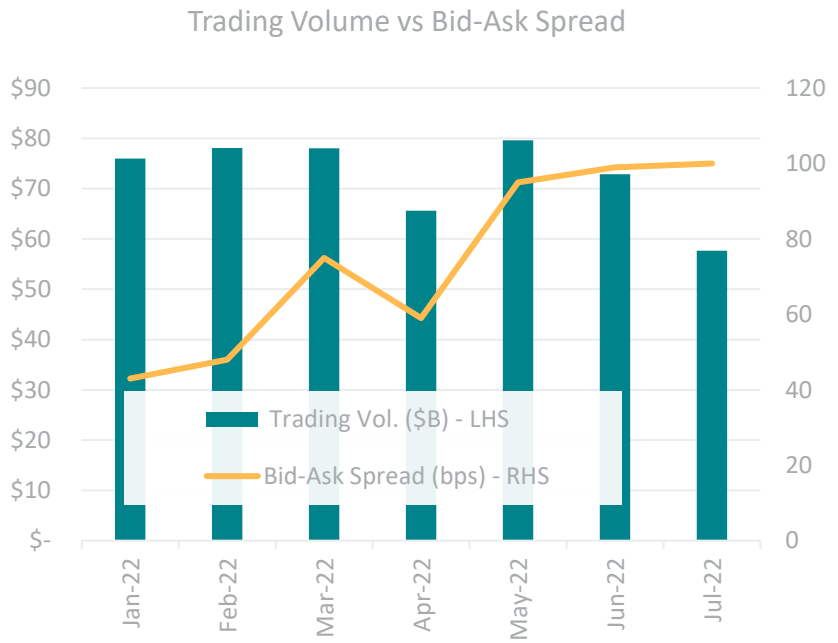






Source: BofA Global Research

Volatile Secondary Creates Opportunities… But Could They Be Executed?



Source: Morningstar/LSTA Loan Index, LSTA Trade Data Study

CLO Regulation and Exogenous Factors

- **SEC Private Funds Disclosure Rule:** Would make CLOs provide GAAP financial audits, quarterly financial statements and prohibit much BAU activity
- **SEC ESG Disclosure Rule**: Would require registered funds and advisers to make extensive ESG disclosures
- **NAIC Risk Based Capital**: Would dramatically increase the Risk Based Capital charge for insurance companies' investments in CLO notes (likely BBB and below)
- **LIBOR Transition**: LIBOR ends as a panel rate on June 30, 2023. According to JPM research, around 13% of outstanding CLO notes are on SOFR…so more than 80% are on LIBOR

What's on the Horizon for CLOs?