

Demystifying CLOs



Collateral

- Senior Secured Loans to [BB / B] rated corps

Product Inception

- Early 1990's

Performance of Equity Classes

- 17.5% average IRR on DB arranged US CLO equity (arranged between 2004 and 1st half 2007)
- 130% - 197% of dividends to equity holders

Ratings Stability of Debt Classes

- 79% of AAAs maintained rating of AA- or better (2005 - 2007 vintage) ⁽²⁾

Performance through the Crisis

- Only six transactions out of the 650 US cash-flow CLOs outstanding in mid 2008 actually experienced events of default (three of which were subsequently cured) ⁽²⁾
- No losses for investors holding notes rated A and above ⁽³⁾ ⁽⁴⁾

Diversification

- ~100 - 150 credits across 20 - 30 industries

Transparency and Reporting

- Loans traded and priced
- Trustee reports with detailed collateral data