

Executive Summary



- Deutsche Bank Securities Inc ("DB") is pleased to provide an overview of the Collateralized Loan Obligation ("CLO") market opportunity
- Bank loans strategies have grown in popularity due to the unique features of the loan asset class (ie: senior secured status, attractive cash coupons and floating rate)
- At present, these assets yield roughly 4-6%, with inherent downside protection arising from senior security. As such, loans offer an attractive risk-adjusted return
- Some investors access loans on an unlevered basis through products such as mutual funds
- Other investors recognize that the yield and stability of bank loans offer a prime opportunity to apply leverage to generate higher absolute returns
- Experience shows that term, non-recourse, non-mark-to-market financing is the most secure way to leverage these assets
- The most established method of attaining this type of leverage is via a structured financing or CLO structure, which has been employed for securitizing loans since the early 1990s
- CLOs have performed well through the downturn delivering at least double digit returns in most cases⁽¹⁾⁽²⁾
- CLOs have gone from a niche part of the market to an accepted asset class for investors seeking risk adjusted returns and yield with an investment thesis which fits the current economic market and environment.