CLO – Simple and Transparent Structure Used Since Early 1990s

- In essence, a CLO is nothing more than a finance company set up to purchase and manage a pool of primarily senior secured bank loans
- Like a finance company, the loan assets are financed by raising senior debt and junior capital or equity from investors in the capital markets
- Senior debt tranches rated AAA – BB benefit from credit enhancement
- Equity benefits from term-non recourse, non mark-to-market financing provided by senior tranches
- All investors benefit from monthly reporting and 3rd party oversight from trustees, ratings agencies and accountants