Leveraged Loan Insight & Analysis – 7/21/2014

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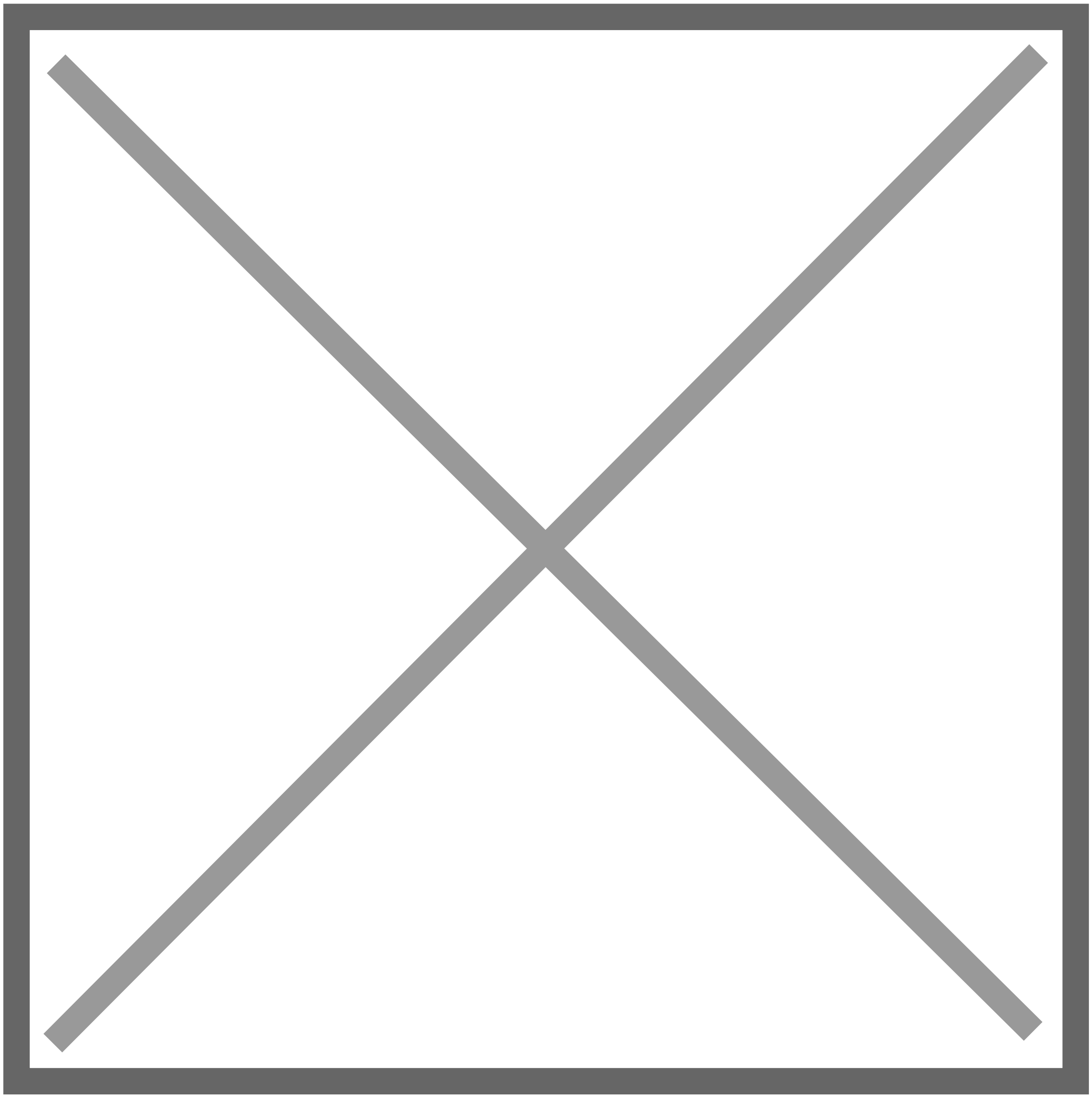

Cumulative CLO assets under management (AUM) increased to $335 billion in July with CLO AUM reaching $65 billion for CLOs with 2014 vintage. This figure is quickly catching up to the $81 billion in assets under management for 2013 vintage

CLOs and has far surpassed the $51 billion for 2012 CLOs. Similarly, 2007 vintage CLOs are also managing $64 billion in assets currently. CLO issuance peaked at over $100 billion in 2007, while approaching $65 billion already so far this year. While 2014 may set a new issuance record, risk retention looms and banks are working to address pre-Volcker Rule CLOs. Banks have until 2017 to divest or amend non-compliant deals, removing bond buckets and considering springing securities baskets, or giving up manager control provisions. In addition, any CLO notes bought or sold after December 31, 2013, are not eligible for the 2017 conformance period extension and would have to be divested by banks by 2015. For now, a broader investor base has been increasingly attracted to the new Volcker Rule-compliant notes with favorable AAA spreads, leading banks to return to some degree, while arrangers expect that growth from non-traditional investors including money managers will continue given the availability of shorter duration notes via refinanced deals.

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