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Over half of US CLOs report less than 1% of portfolio assets in default

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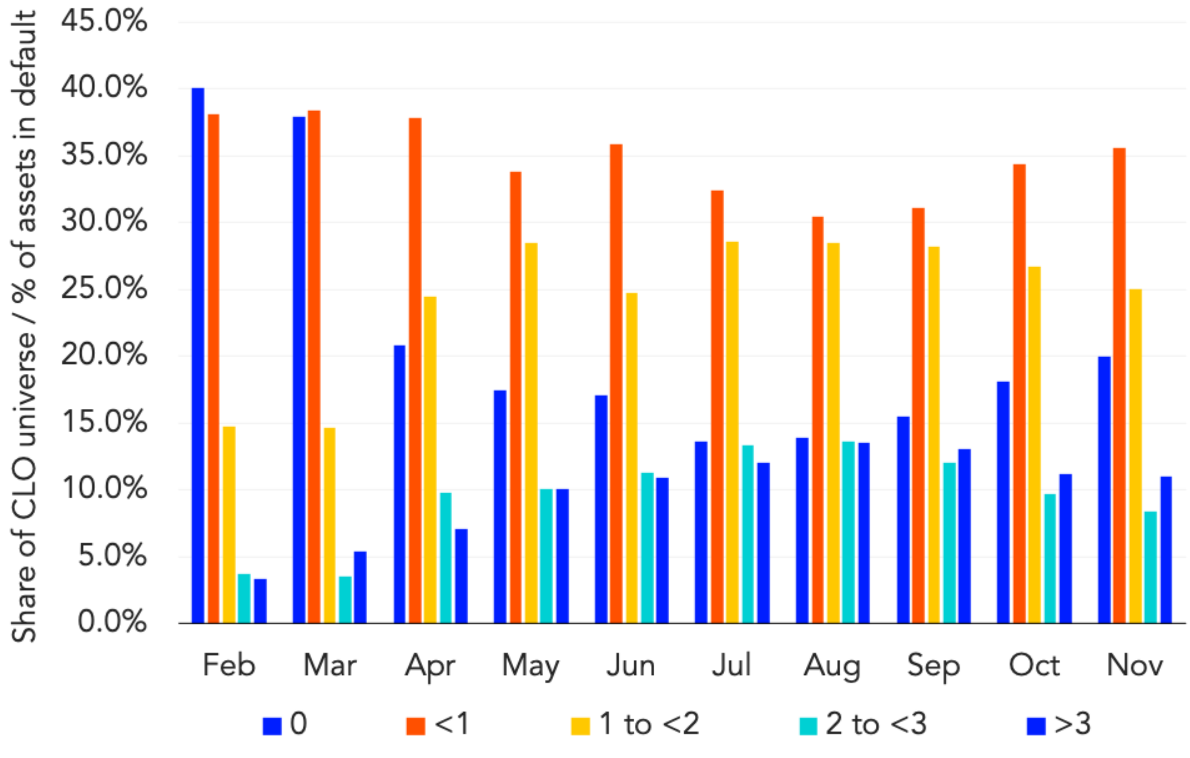

Source: Refinitiv LPC CLO Collateral

Before COVID-19, 78% of post-crisis US CLOs reported less than 1% of their portfolio in default, 15% reported between 1% and <2% of their principal balance in default, while 7% reported more than 2% in default. By August, only 44% of CLOs reported less than 1% of their principal in default, while the share of CLOs reported between 1% and <2% of their portfolio in default jumped to 28%.

The number of post-crisis CLOs who reported more than 2% of their deal in default quadrupled to 28%, as default activity percolated through to CLO portfolios. But an analysis of LPC Collateral data reveals that managers have improved portfolios over the last two months.

As of November, the share of US post-crisis CLOs reporting less than 1% defaults in their portfolios recovered to 56%. It was 44% back in August. The share reporting between 1% and <2% of their principal in default still remains high at 25%. The share of CLOs reporting more than 2% of principal balance in default recovered back down to 19% but still remains far away from the pre-pandemic level of 7%.