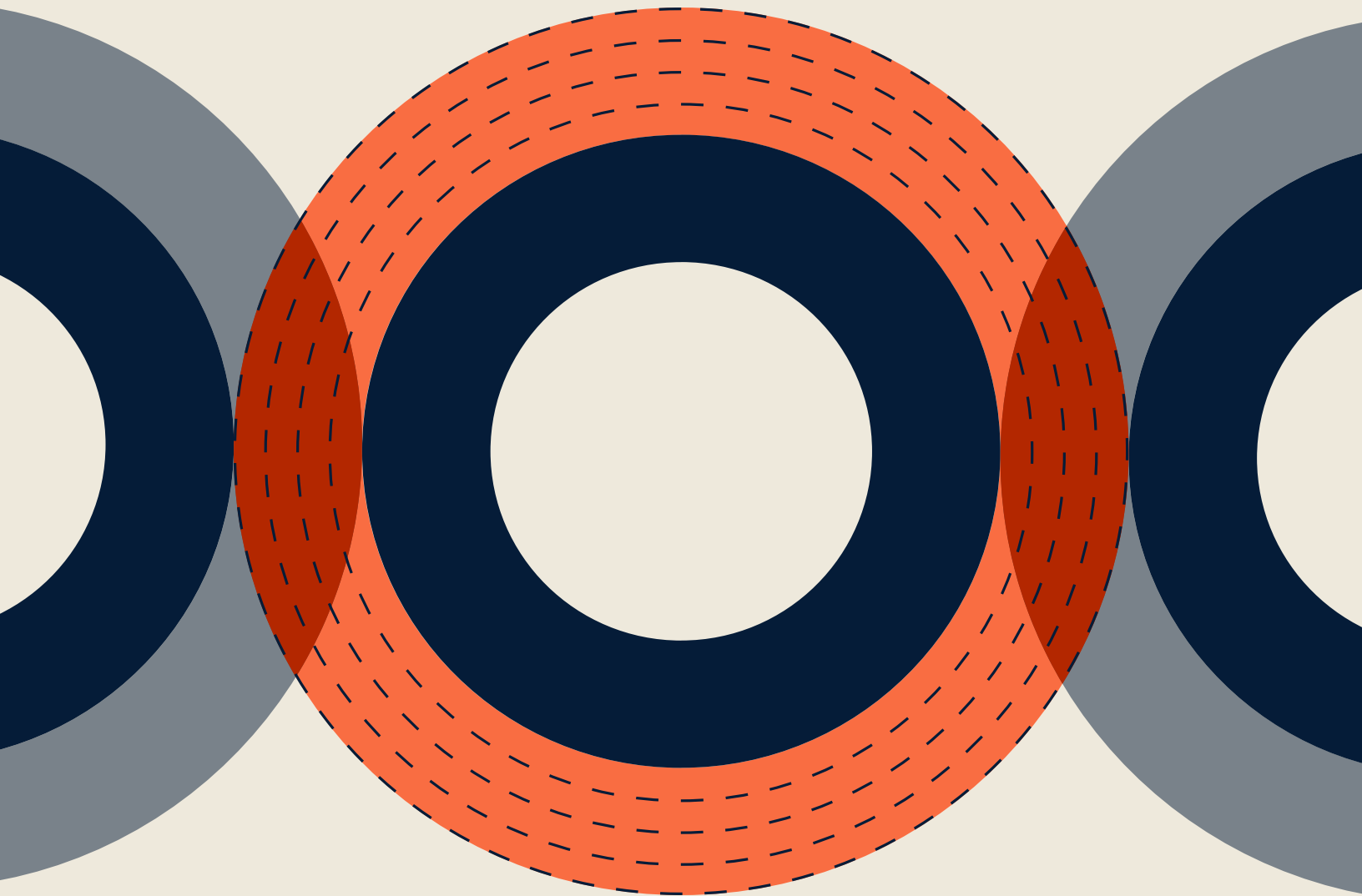


PitchBook | LCD

 GLOBAL

CLO Weekly Wrap



Note: Due to the seasonal market slowdown, the next Global CLO Weekly Wrap will be published on Sept. 10.

US CLO ETF inflows return; JP Morgan widens spread forecast

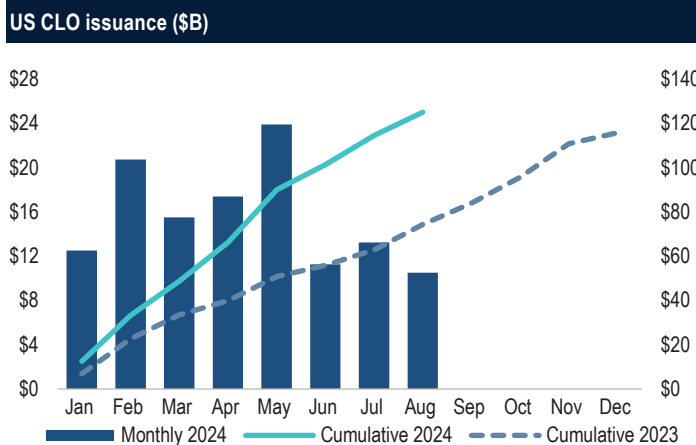
Pricing activity in the US CLO primary market remained brisk last week, complemented by a robust infusion of net buyers into CLO ETFs after a rare week of outflows from the nascent retail investor base.

In Europe, two new CLOs priced courtesy of Redding Ridge and Blackstone, taking the European new-issue tally for August to five.

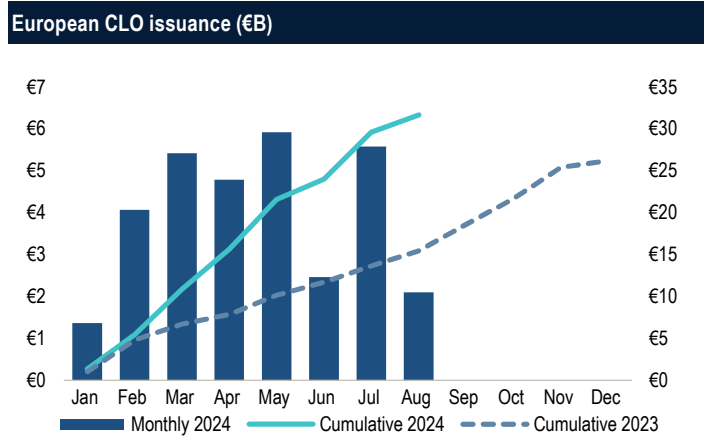
Continued on page 3

Contents

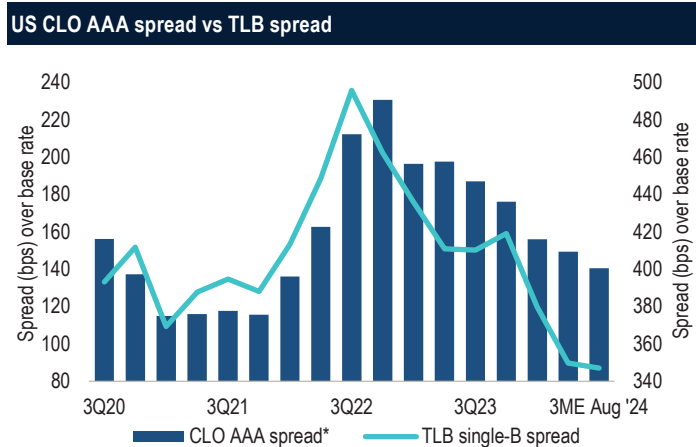
US: Standing up to volatility	page 3
Europe: Still going	page 6
CLO dashboard	page 7
Loan snapshot	page 8



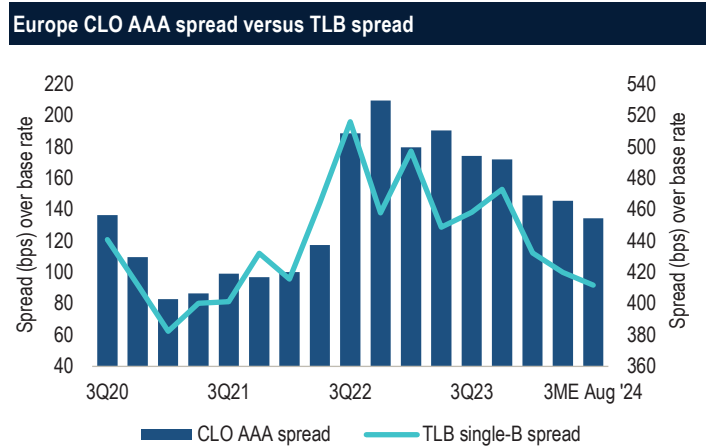
Source: PitchBook | LCD



Source: PitchBook | LCD



Source: PitchBook | LCD • Excludes middle-market CLOs



Source: PitchBook | LCD

CLO new-issue volume	US			Europe			Global			
	Year	US (\$B)	Count	Manager count	Euro (€B)	Count	Manager count	Global (\$B)	Global (€B)	Count
2023	115.82	266	108	26.22	69	44	144.01	133.47	335	152
YTD 2023	67.29	156	91	14.41	38	32	82.87	76.46	194	123
YTD 2024	125.09	266	108	31.69	75	49	159.24	147.30	341	157

Source: PitchBook | LCD • Data through Aug. 16, 2024

US: Standing up to volatility

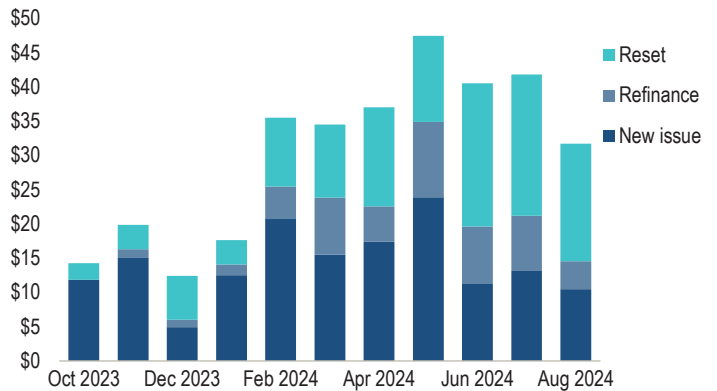
Managers priced a total of \$3.92 billion across nine new-issue BSL and middle market CLO transactions for the Aug. 12-16 period, bringing month-to-date issuance to \$10.5 billion across 23 transactions.

The year-to-date total remains almost double last year’s pace and is approximately 23% ahead of the comparable mark of \$101.36 billion in 2021, which was on the way to the calendar-year record of \$187 billion.

In an Aug. 16 research report, BofA Securities said it believes the market has held up “well over the volatility of the past couple of weeks,” noting a rebound in loan prices with the share of loans in CLOs trading above par rising to 30% compared to 8% in the wake of the sell-off in the loan secondary in early August.

Also rebounding were inflows into CLO ETFs, which posted a first-ever weekly outflow of \$279 million for the week ended Aug. 9. In its report, BofA said the cumulative inflows of AAA-rated securities purchases reached \$140 million for the week ended Aug. 16.

US CLO total volume (\$B)



Source: PitchBook | LCD

Average CLO AAA spreads widened slightly last week, moving to 138.4 bps, from 137.1 bps against the Sofr term benchmark, marking a third consecutive week that AAA coupons have risen slightly (although Tier 1 managers are still pricing deals at the market-tight rate of 135 bps).

Latest Refi/Resets – US	Manager	Arranger
Benefit Street Partners CLO XXVII Reset	BSP CLO Management LLC	Scotiabank
Battalion CLO XXIII Reset	Brigade Capital Management	Bank of America
KKR CLO 23 Refinance	KKR Financial Advisors II	Citigroup
KKR CLO 46 Reset	KKR Financial Advisors II	Citigroup
Dryden 61 CLO Refinancing	PGIM Inc	JP Morgan
Carlyle US CLO 2017-3 Reset	Carlyle CLO Management LLC	Nomura
Apidos CLO XXX Refinance	CVC Credit Partners US CLO Management	RBC Capital Markets
Dryden 76 CLO Reset	PGIM Inc	JP Morgan
Verde CLO Refinance	Invesco RR Fund	Goldman Sachs
Voya CLO 2018-4 Reset	Voya Alternative Asset Management	Banco Santander

Source: PitchBook | LCD • Data through Aug. 16, 2024

Last 10 Priced CLOs – US	Manager	Size (\$M)	AAA coupon (bps)
Ares Loan Funding VII CLO	Ares CLO Management	510	136
Barings Middle Market Loan Partners 1 CLO	Barings LLC	342	165
Barings Middle Market Loan Partners 2	Barings LLC	341	167
Harmony-Peace Park CLO	Blackstone Liquid Credit Strategies LLC	509	135
Silver Rock CLO IV	Silver Rock Management LLC	399	143
Diameter Capital CLO 8	Diameter Capital Partners LP	452	140
RR 31 LTD CLO	Redding Ridge Asset Management	454	136
CarVal CLO XI-C	CarVal CLO Management	510	139
Bryant Park Funding 2024-24	Marathon Asset Management	405	140
Audax Senior Debt CLO 11	Audax Management Company	400	168

Source: PitchBook | LCD • Data through Aug. 16, 2024

Coupon reflects spread over base rate.

Of note, JP Morgan has moved its year-end Tier 1 CLO AAA spread forecast to Sofr+150 bps, compared to the previous call of S+130 bps, saying expected Fed rate cuts are likely to curb demand for floating-rate assets in favor of fixed-income.

New issue

Barings LLC last week priced a pair of CLOs from its new middle market platform. The \$341.52 million Barings Middle Market Loan Partners 1 and the \$340.8 million Barings Middle Market Loan Partners 2 both priced on Friday, via Natixis and BofA Securities, respectively.

Barings MM Loan Partners 1 garnered a Class A tranche triple-A spread of S+165 bps, while Loan Partners 2's senior term AAA tranche was set at S+167 bps. The firm previously issued two CLOs via the Barings Middle Market CLO shelf last November, also on the same day, as well as a deal from the Barings Private Credit Corp. CLO format in July 2023.

Among the BSL deals:

- On Aug. 13, Citigroup and co-placement agent Academy Securities priced the \$404.65 million Bryant Park Funding 2024-24, managed by Marathon Asset Management, with senior AAAs at S+140 bps.
- BofA Securities on Aug. 14 priced the \$510 million CarVal CLO XI-C, the third primary-market CLO issue sponsored by CarVal CLO Management this year. The deal features a triple-A coupon of S+139 bps.
- Diameter Capital priced its third deal of 2024 via JP Morgan on Aug. 15, setting an AAA spread of 140 bps on the \$451.6 million Diameter Capital CLO 8.
- Also Aug. 15, RBC Capital Markets priced the \$454.35 million RR 31 LTD CLO, managed by Redding Ridge Asset Management, with AAAs at S+136 bps.
- Morgan Stanley on Aug. 16 priced the \$510 million Ares Loan funding VII CLO for Ares CLO Management, which has now printed eight CLOs in 2024. The Class A-1 notes are set at a spread of S+136 bps.
- Blackstone priced its 10th CLO of the year on Aug. 16, the \$509.26 million Harmony-Peace Park CLO via BNP Paribas with triple-As paying S+135 bps.
- The \$398.6 million Silver Rock CLO IV is the first CLO issue of the year for Silver Rock Management. The deal priced on Aug. 16 via CIBC Capital Markets, with a senior AAA term spread of S+143 bps.

Refinancings/Resets

Managers priced 14 refinancing and reset transactions last week totaling \$6.19 billion, bringing combined activity through Aug. 16 to \$161.18 billion (\$110.05 billion across 227 resets, \$51.13 billion from 133 refinancings). Both PGIM and KKR repriced notes on two deals apiece.

The \$17.19 billion in CLO resets in August is on pace to surpass the \$20 billion of pricing activity that occurred in both June and July, although the impact of a possible market recess that traditionally arrives each August is yet to be seen.

S&P Global Ratings last week noted US CLO managers could approach record refinance and reset deal volume by year-end 2024, as August's robust pricing activity (\$17.67 billion across 35 transactions, according to S&P) provides evidence that multiple vintages of deals from 2022 and earlier are still ripe for rate adjustments.

But an accelerated Fed rate-hike cycle and "risk-off" sentiment could very likely combine to stifle a wave of repriced deals in the second half of the year, the agency said in an Aug. 14 research report.

"[I]f CLO tranche spreads remain stable or widen only moderately, we think 2024 will still likely be the busiest year for refinances and resets in the history of the US market," S&P stated.

But CLO demand "might soften if investors believe a recession could soon materialize, and likely Fed rate cuts on the horizon may reduce the allure of floating-rate debt," the agency said.

In Europe, where 2024 refinancing and reset activity has been comparatively quiet, S&P said it sees only a small field of likely candidates for the remainder of the year that have coupons wide of current market spreads that would incentivize a repricing action.

Refinancings and resets are commonly undertaken when CLO portfolios reach the end of their two-year call protection windows. Most of the deals in 2024 are resets, which in addition to lowering coupons also gain extended maturities under fully revised deal terms.

This year's activity has been driven by current spread conditions that have tightened AAA-rated tranches to their lowest levels in more than two years.

The population of eligible deals outside non-call windows has also grown exponentially, following two years of almost no such activity as coupon levels were elevated in 2022-2023.

Latest Refi/Resets – Europe	Manager	Arranger
Bain Capital Euro CLO 2022-1 Reset	Bain Capital Credit	Jefferies LLC
Palmer Square European Loan Funding 2023-2 Refinancing	Palmer Square Capital Management	JP Morgan
CVC Cordatus Loan Fund XXIII Refinancing	CVC Credit Partners Investment Management	HSBC
Henley CLO VII Refinancing	Napier Park Global Capital	Goldman Sachs
Hayfin Emerald CLO XI DAC Reset	Hayfin Capital Management	Jefferies LLC
Invesco Euro CLO III Reset	Invesco RR Fund	Jefferies LLC
Trinitas Euro CLO II DAC Reset	Trinitas Capital Management	Jefferies LLC
Aqueduct European CLO 7-2022 DAC Reset	HPS Investment Partners CLO	Bank of America
Armada Euro CLO II DAC Reset	Brigade Capital Management	Morgan Stanley
AlbaCore Euro CLO IV DAC Refinancing	AlbaCore Capital Group	Jefferies LLC

Source: PitchBook | LCD • Data through Aug. 16, 2024

Last 10 Priced CLOs – Europe	Manager	Size (€M)	AAA coupon (bps)
Clonkeen Park CLO	Blackstone/GSO Debt Funds Management	415	130
RRE 21 Loan Management CLO	Redding Ridge Asset Management	406	130
Cairn CLO XVIII	Cairn Loan Investments	411	130
Sona Fios CLO III	Sona Asset Management	457	132
Signal Harmonic III CLO	Signal Capital Partners	406	137
Avoca CLO XXXI DAC	KKR Credit Advisors Ireland	410	125
Ares European CLO XX DAC	Ares CLO Management	431	127
CIFC European Funding VI DAC	CIFC Asset Management	408	130
Palmer Square European Loan Funding 2024-2 DAC	Palmer Square Capital Management	631	99
Aurium CLO XII DAC	Spire Partners	404	128

Source: PitchBook | LCD • Data through Aug. 16, 2024

Coupon reflects spread over base rate.

With the average US BSL CLO AAA spread falling by approximately 40 bps since December 2023, per S&P, the market is “renewing incentives” for deal-making in the second half of the year.

The largest portion of refinancing/reset candidates involve CLOs issued in 2021, which were first eligible for changes throughout 2023 but carried coupons inside market rates until this year.

Deals priced between August and December of 2021 had average triple-A spreads of 117.8 bps over the former three-month Libor benchmark rate, which is the equivalent of S+144 bps with the inclusion of a market-standard 26.2 bps credit-spread adjustment for Sofr.

S&P estimates CLOs issued in 2021 make up roughly 60% of potential refinancing/reset candidates for CLO managers and third-party equity stakeholders in US deals.

Bank CLO holdings decline \$2B

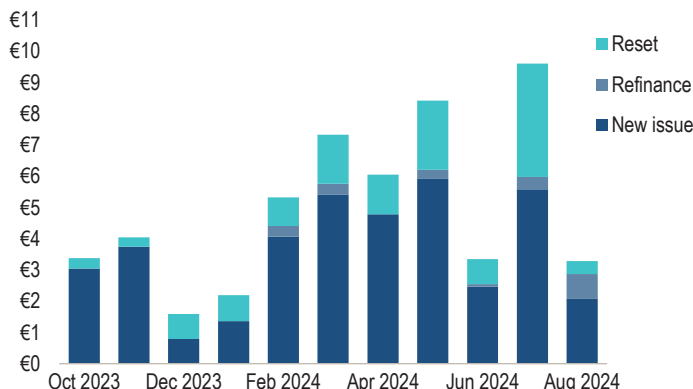
CLO holdings of major US banks fell by a net \$2 billion during the second quarter, a result of deal calls and paydowns of amortizing CLOs that offset the level of new-issue investments by the banks despite record-pace issuance, BofA Securities said in an Aug. 14 research report.

BofA estimated the major US banks held \$196.5 billion of CLO assets at the end of June, according to SNL data and company files, which is a decline of \$9.6 billion from a year ago.

The “run off” of assets resulting from deal paydowns was enough to reduce the net holdings of held-to-maturity CLO assets by \$7 billion last quarter, even as bank purchases were on the rise as indicated by the \$9 billion of YTD issuance in CLO tranches sold in the form of loans instead of notes.

The firm also noted a decline of \$5 billion in CLO holdings by two top Japanese bank firms due to the paydown activity.

Europe CLO total volume (€B)



Source: PitchBook | LCD

Europe: Still going

The European CLO market remains active with some primary issuance, but also some recycling of collateral via CLO liquidations.

On the primary front, both Redding Ridge and Blackstone inked new deals, taking the August new-issuance tally to five. However, activity could soon peter out, with recent CLO spread widening expected to prompt some market participants to move to the sidelines until September, according to market sources.

Commenting on US CLOs, S&P Global Ratings suggested last Thursday that recent market volatility and the potential for “risk-off” sentiment taking hold among investors could affect CLO tranche spreads and alter the outlook for resets and refinancings over the remainder of this year.

Nevertheless, Redding Ridge pressed ahead with the €406.2 million RRE 21 Loan Management CLO via BofA Securities, with Apollo acting as co-placement agent. The triple-A notes priced at 130 bps, while the double-A to double-B notes priced with coupons of 195/220/320/460/615 bps, with issue prices undisclosed. A fixed-rate double-A tranche paying 5.05% rounded off the debt tranches.

The latest print takes Redding Ridge’s tally of European CLOs for the year to five for a total of just above €2 billion.

In addition, Blackstone priced the €415.25 million Clonkeen Park CLO through BNP Paribas, while also working on the liquidation of Edmondstown Park, a 2022 vintage CLO. The new deal priced at 130 bps across the triple-A tranches, which included a loan tranche, while the double-A to single-B notes priced at 195/225/340/625/975 bps on a discount margin basis.

A “notice of release of security,” dated Aug. 6, indicated that Edmondstown Park CLO had entered into a participation deed with Clonkeen Park CLO in order to satisfy the redemption threshold amount.

As of July 2024, the Edmondstown Park transaction was above par by 0.3%, according to Fitch’s estimate, and had reported defaults of €2.0 million. At closing in December 2022, Edmondstown Park had a negative net income margin, the liability cost being above the asset coupons, according to the figures provided by the Blackstone Loan Financing Ltd. In June 2024, the net income margin was +0.69%. Edmondstown Park’s rated notes are to be redeemed on Aug. 28.

Besides Edmondstown Park, a few CLO liquidations have been announced via regulatory notices. One came from manager Alcentra, which said it would redeem Jubilee CLO 2014-XI’s rated notes on Aug. 19 after flagging the redemption of the vehicle in July.

The other liquidation that was flagged recently was BlackRock European CLO I (the rated notes will be redeemed on Sept. 10).

A €228.75 million loan and bond BWIC made up of 98 names, all in euros, traded Wednesday. The list comes after a €120 million BWIC traded the week prior with the majority of names clearing at the bid-to-mid level, sources said. The latest list came from a called CLO, and also included a few names from the selling manager’s other portfolios.

Meanwhile, a refinancing or a reset is in the cards for both Voya Euro CLO I, a 2018 vintage deal, and KKR’s Avoca Static CLO I, a 2023 deal that will exit its non-call period on Sept. 21.

Cash payments

In terms of cash payments, CLO equity investors are having a very good year. European CLO equity distributions reached 4.6% in the third quarter, the second-highest quarterly print since Q1 2017, according to Deutsche Bank. This is based on 408 European deals that have reported so far.

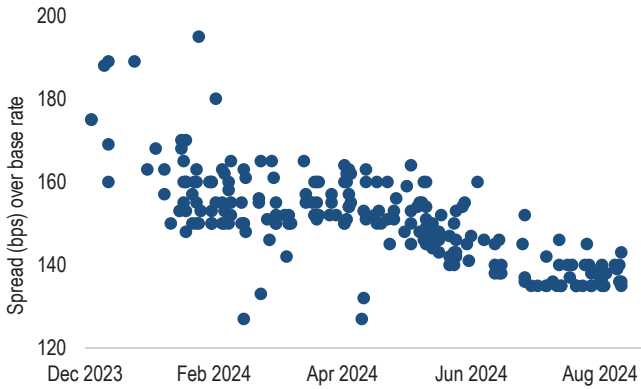
Investcorp, Spire and Napier Park were outperformers on the quarter, returning 7.3%, 7.0% and 6.8%, respectively. HayFin’s 0.9% was at the low end.

In the second quarter, equity distributions in Europe hit a record level of 5.6%. If this pay rate is sustained in the fourth quarter, it will translate into an annual return of 19%, marking the highest equity distribution on record for the European CLO 2.0 era, Deutsche Bank said. Even with a marginal fall, it should still settle at 18%, the bank estimates.

— Glen Fest/Jean-Marc Poilpre/Michael Rae

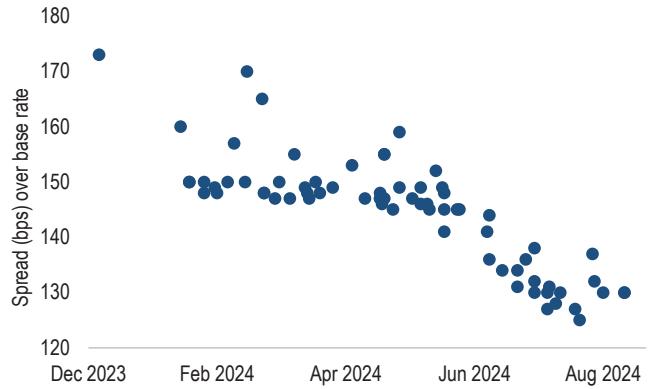
CLO dashboard

US CLO AAA coupon



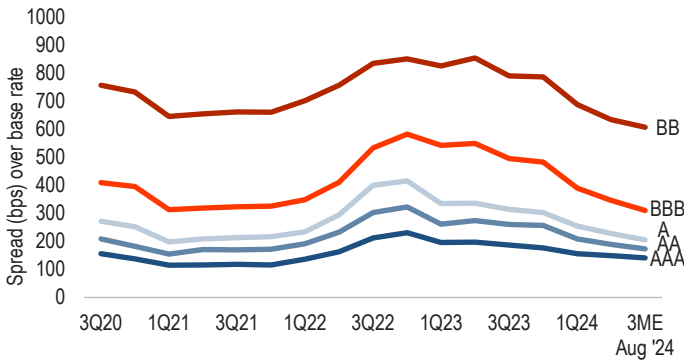
Source: PitchBook | LCD • Excludes middle-market and static CLOs

Euro CLO AAA coupon



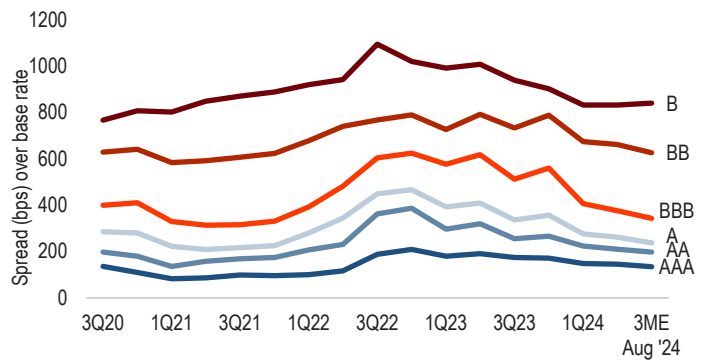
Source: PitchBook | LCD

Average US CLO coupon across the stack



Source: PitchBook | LCD • Excludes middle-market CLOs

Average Euro CLO coupon across the stack



Source: PitchBook | LCD • Excludes tranches with fixed-rate coupons

US CLO average coupon across the stack and weighted average cost of capital

Date	AAA	AA	A	BBB	BB	WACC
Last 3 months (Spread over base rate)	141	173	205	310	606	183
Change from prior quarter (bps)	-9	-16	-23	-36	-27	-9
Change from a year ago (bps)	-57	-103	-131	-234	-244	-88

Source: PitchBook | LCD • Data through Aug. 16, 2024

Europe CLO average coupon across the stack and weighted average cost of capital

Date	AAA	AA	A	BBB	BB	WACC
Last 3 months (E+)	135	198	238	344	628	206
Change from prior quarter (bps)	-11	-12	-25	-33	-35	-16
Change from a year ago (bps)	-51	-101	-152	-235	-139	-75

Source: PitchBook | LCD • Data through Aug. 16, 2024

Loan snapshot

Largest deals allocated in the last 30 days – US

Issuer	Size (\$B)	Rating (CCR)	Purpose	Spread (bps)	New-issue yield	Break yield
Amentum	3.75	BB-/B1	Merger	225	7.80%	7.73%
Varsity Brands Inc	2.38	B-/B3	LBO	375	9.48%	9.34%
McGraw-Hill Education Inc	1.32	B/B3	Refinancing	400	9.65%	9.55%

Source: PitchBook | LCD • Data through Aug. 16, 2024

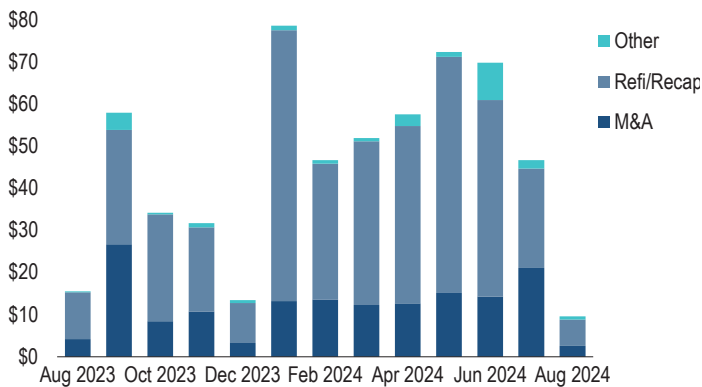
Note: yield calculations are based on current base rate.

Largest deals allocated in the last 60 days – Europe

Issuer	Size (€M)	Rating (CCR)	Purpose	Spread (E+)	New-issue yield	Break yield
Upfield BV	2653	B/B2	Refi	450	8.47%	8.56%
STADA	2165	B/B3	Refi	400	7.97%	8.00%
Domus Vi SA	1850	B-/B3	Refi	500	9.57%	9.97%

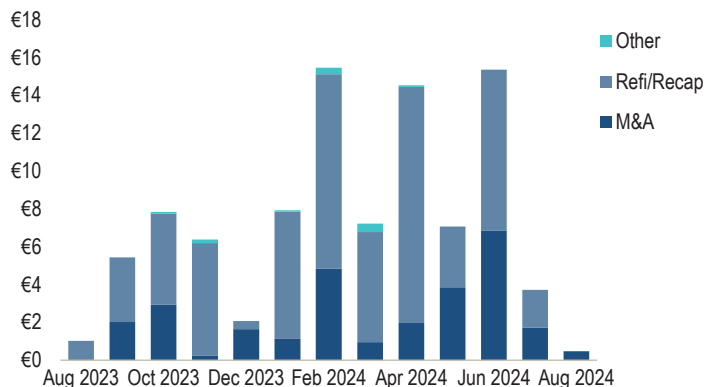
Source: PitchBook | LCD • Data through Aug. 16, 2024

US new-issue leveraged loan volume (\$B)



Source: PitchBook | LCD

European new-issue leveraged loan volume (€B)



Source: PitchBook | LCD

LCD News – US

Tim Cross

tim.cross@pitchbook.com

John Atkins

john.atkins@pitchbook.com

Jon Hemingway

jonathan.hemingway@pitchbook.com

Gayatri Iyer

gayatri.iver@pitchbook.com

Alan Zimmerman

alan.zimmerman@pitchbook.com

Jakema Lewis

jakema.lewis@pitchbook.com

Richard Kellerhals

richard.kellerhals@pitchbook.com

Mairin Burns

mairin.burns@pitchbook.com

Tyler Udland

tyler.udland@pitchbook.com

Abby Latour

abby.latour@pitchbook.com

Jack Hersch

jack.hersch@pitchbook.com

Glen Fest

glen.fest@pitchbook.com

Olivia Fishlow

olivia.fishlow@pitchbook.com

Sean Czarnecki

sean.czarnecki@pitchbook.com

Zack Miller

zack.miller@pitchbook.com

Claire McDonnell

claire.mcdonnell@pitchbook.com

LCD News – Europe

David Cox

david.cox@pitchbook.com

Francesca Fikai

francesca.fikai@pitchbook.com

Michael Rae

michael.rae@pitchbook.com

Thomas Beeton

thomas.beeton@pitchbook.com

Nishant Sharma

nishant.sharma@pitchbook.com

Jean-Marc Poilpré

jean-marc.poilpre@pitchbook.com

LCD Global Copy Edit/Production

Brenn Jones

brenn.jones@pitchbook.com

Alex Poole

alexander.poole@pitchbook.com

Michael Baron

michael.baron@pitchbook.com

Jamie Tebaldi

jamie.tebaldi@pitchbook.com

Katie Dowd

katie.dowd@pitchbook.com

LCD Global Research

Marina Lukatsky

marina.lukatsky@pitchbook.com

Miyer Levy

miyer.levy@pitchbook.com

Taron Wade

taron.wade@pitchbook.com

Rachelle Kakouris

rachelle.kakouris@pitchbook.com

Cuong Huynh

cuong.huynh@pitchbook.com

Sara Shehata Wahba

sara.wahba@pitchbook.com

Leonie Dackham

leonie.dackham@pitchbook.com

Shaundra Edmonds

shaundra.edmonds@pitchbook.com

Tim Mastracci

timothy.mastracci@pitchbook.com

Carl Syverud

carl.syverud@pitchbook.com

Jack Johnson

jack.johnson@pitchbook.com

Ryan Brown

ryan.brown@pitchbook.com

Neil Harmon

neil.harmon@pitchbook.com

Parth Desai

parth.desai@pitchbook.com

Mallory Bedell

mallory.bedell@pitchbook.com

Frederick Tetteh

frederick.tetteh@pitchbook.com

Julia Avdoi-Green

julia.avdoigreen@pitchbook.com

Nick Cisneros

nicolas.cisneros@pitchbook.com

Contact Us

support@pitchbook.com