

RESEARCH / WHITEPAPER

Authors

Andrew Jacobs
Director
Structured Finance and Valuations
212.553.7765
andrew.jacobs@moodys.com

Eugene Radomyslsky
Financial Engineer
Structured Finance and Valuations
212.553.7231
eugene.radomyslsky@moodys.com

Contact Us

To access all of our research, visit us at:
www.moodysanalytics.com/sfresearch

Alternatively, you may contact our
customer service team:

Americas	+1.212.553.1653
Europe	+44.20.7772.5454
Asia-Pacific	+85.2.2916.1121
Japan	+81.3.5408.4100

CLO Deal Ranking

Overview

Moody's Analytics recently reviewed our database of CLO deal performance statistics to assess relative performance across CLOs in each of the 2003 through 2007 vintages. 453 U.S. and 194 European CLO transactions were reviewed in our study and the top five deals in each vintage were selected. The ranking is presented below. While any relative performance ranking is subjective in terms of deal inclusion, parameter selection and weights, and other considerations, the underlying data used in our study is available for readers to perform their own analysis.

Moody's Analytics maintains a database of deal performance statistics for the global CLO market. This includes historical and ongoing cash flow distributions for first-loss tranches as well as credit ratings migration, overcollateralization deterioration and other measures for debt tranches. The performance data is updated on a monthly basis as deal performance remittance reports are published.

Commentary

Chart 1 shows the average total cash equity returns for the deals in our ranking and data on each vintage as reported in the Moody's CDO Equity Score Report, available at moodys.com. While we did not use the Equity Score nor Deal Score reports to generate our rankings, they provide useful data to put our results into context.

CHART 1: Total Cash Return on Equity (First Loss) Tranches – U.S. Deals

	Tranche	Our Top Deals	Whole Vintage		
	Count	Average	Average	80th Percentile	Std. Dev.
2003	28	116.80%	93.78%	107.11%	29.05%
2004	51	123.33%	83.74%	104.17%	29.62%
2005	85	124.42%	89.48%	111.54%	27.30%
2006	155	111.98%	78.68%	99.11%	28.03%
2007	134	110.82%	64.57%	85.76%	24.55%

Sources: Moody's Analytics & Moody's CDO Equity Score Report (May 2011)

The average total cash return for equity tranches in our ranking range from 0.8 times above the standard deviation for 2003 vintage deals up to 1.88 times the standard deviation for the 2007 vintage.

At the same time, the deals in our ranking tend to outperform in terms of the debt as well – Chart 2 shows the average annual change in OC for the deals in our ranking versus the vintage, as reported in the Moody's CDO Deal Score Report. As the table shows, on average the CLOs in our study on average have increased the level of overcollateralization for the debt.

CHART 2: Average Annual Debt OC Change – U.S. Deals

	Our Top Deals	Whole Vintage
	Average	Average
2003	1.52%	0.46%
2004	0.81%	0.35%
2005	0.58%	0.04%
2006	0.53%	0.09%
2007	1.04%	0.05%

Sources: Moody's Analytics & Moody's CDO Deal Score Report (May 2011)

Methodology

This ranking we create is purely quantitative and attempts to combine the performance of the equity and debt tranches into one measure. The score is based on the following factors: historical annualized equity returns, equity returns on the most recent payment date, and the historical change in junior OC cushion. The two equity return factors together make up half of the weighted ranking (40% for the full annualized return, 10% for the recent return) while the OC cushion factor makes up the other half. Deals where tranches have been canceled were not included in the ranking, nor were deals with fewer than 50 assets left in the pool. Equity tranches were assumed to be purchased at par.

We plan to update this deal ranking on a regular basis. Along with our other research, it will be available for download at our web site: moodyanalytics.com/sfresearch.

CHART 3: U.S. CLOs

U.S. CLO - 2003 Vintage Deals	
Deal Name	Manager
Oak Hill Credit Partners II Ltd.	Oak Hill Advisors LP
Avery Point CLO Ltd.	Sankaty Advisors Inc.
GSC Partners CDO Fund IV Ltd.	GSC Partners
Octagon Investment Partners V Ltd.	Octagon Investment Partners LLC
Race Point II CLO Ltd.	Sankaty Advisors Inc.

U.S. CLO - 2004 Vintage Deals	
Deal Name	Manager
Green Lane CLO Ltd.	Guggenheim Investment Management LLC
CSAM Funding IV	Credit Suisse Asset Mgmt
Atrium III	Credit Suisse Asset Mgmt
Babson CLO Ltd. 2004-II	Babson Capital Management LLC
Babson CLO Ltd. 2004-I	Babson Capital Management LLC

U.S. CLO - 2005 Vintage Deals	
Deal Name	Manager
Symphony CLO I Ltd.	Symphony Asset Management LLC
Madison Park Funding I Ltd.	Credit Suisse Asset Mgmt
Castle Garden Funding	Credit Suisse Asset Mgmt
ING Investment Management CLO I Ltd.	ING Investment Management
Babson CLO Ltd. 2005-III	Babson Capital Management LLC

U.S. CLO - 2006 Vintage Deals	
Deal Name	Manager
Madison Park Funding II Ltd.	Credit Suisse Asset Mgmt
Madison Park Funding III Ltd.	Credit Suisse Asset Mgmt
Atrium V	Credit Suisse Asset Mgmt
Symphony CLO II Ltd.	Symphony Asset Management LLC
Ballyrock CLO 2006-2 Ltd.	Ballyrock Investment Advisors LLC

U.S. CLO - 2007 Vintage Deals	
Deal Name	Manager
Madison Park Funding IV Ltd.	Credit Suisse Asset Mgmt
Madison Park Funding V Ltd.	Credit Suisse Asset Mgmt
Madison Park Funding VI Ltd.	Credit Suisse Asset Mgmt
Latitude CLO III Ltd.	Lufkin Advisors LLC
Copper River CLO Ltd.	Guggenheim Investment Management LLC

CHART 4: Euro CLOs

Euro CLO - 2005 and Earlier Vintage Deals	
Deal Name	Manager
Cadogan Square CLO BV	Credit Suisse Asset Mgmt
Jubilee CDO IV BV	Alcentra Inc.
Harbourmaster CLO 6 BV	Harbourmaster Capital Ltd.
Adagio CLO I BV	AXA Investment Managers
Clarenville CDO S.A.	Pacific Investment Management Company

Euro CLO - 2006 Vintage Deals	
Deal Name	Manager
Dryden X Euro CLO 2005 plc	Prudential Investment Management Inc.
Cairn CLO I BV	Cairn Financial Products Ltd.
Euro-Galaxy CLO BV	PineBridge Global Investments LLC
Grosvenor Place CLO I BV	CQS Investment Management Ltd.
Laurelin BV	GoldenTree Asset Management LP

Euro CLO - 2007 Vintage Deals	
Deal Name	Manager
Cordatus CLO I plc	CVC Cordatus Group Ltd.
Laurelin II BV	GoldenTree Asset Management LP
Ares European CLO II BV	Ares Management Limited
Harbourmaster Pro-Rata CLO 3 BV	Harbourmaster Capital Ltd.
Invesco Garda BV	Invesco Asset Management

© 2011 Moody's Analytics, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding, or selling.

SP15515/110428/IND-502