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Leveraged Loan Insight & Analysis – 9/21/2015

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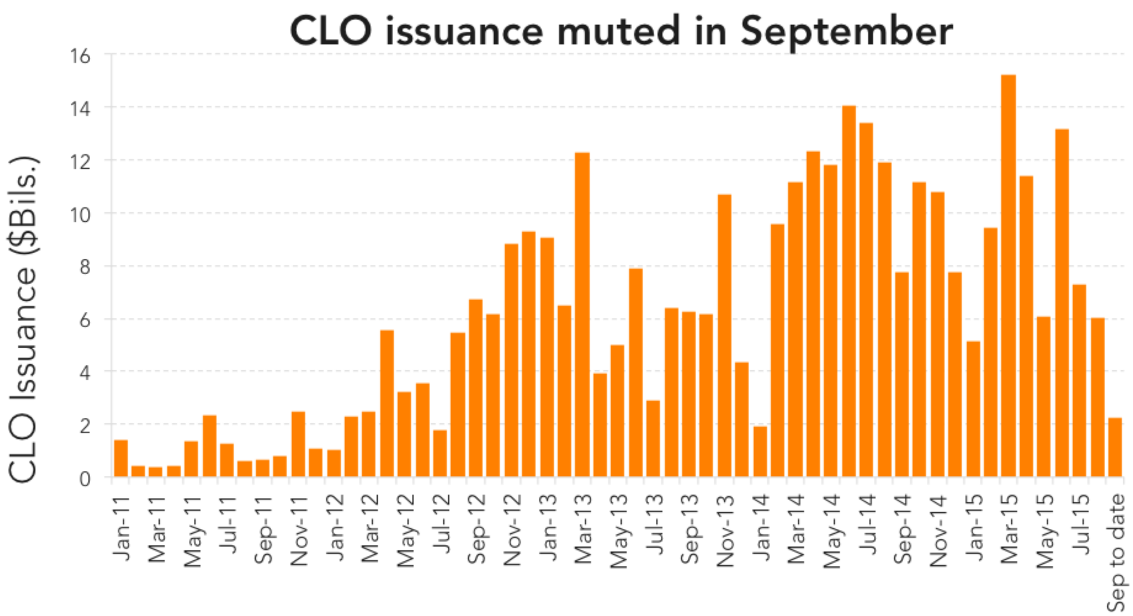
After a busy first half of the year, CLO issuance has been relatively muted in the 3rd quarter, recording $15.5



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Participants

report several challenges, including placing CLO equity and the availability of loan collateral. With leveraged M&A issuance down 10% year over year, deal-making has proved especially difficult in the leveraged space, even as sponsors are flush with cash, they report valuations are too high. Combined with Leveraged Lending Guidelines that aim to dampen excessive risk-taking, loan collateral is more expensive to source, eating into arbitrage. Aside from these challenges, there are enough warehouse facilities in place to expect a pick-up of activity in the last quarter. To wit, Well Fargo recently increased its annual forecast for CLO issuance to $105 billion, from $75 billion, not the record haul from last year but a respectable showing for a market in transition.

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