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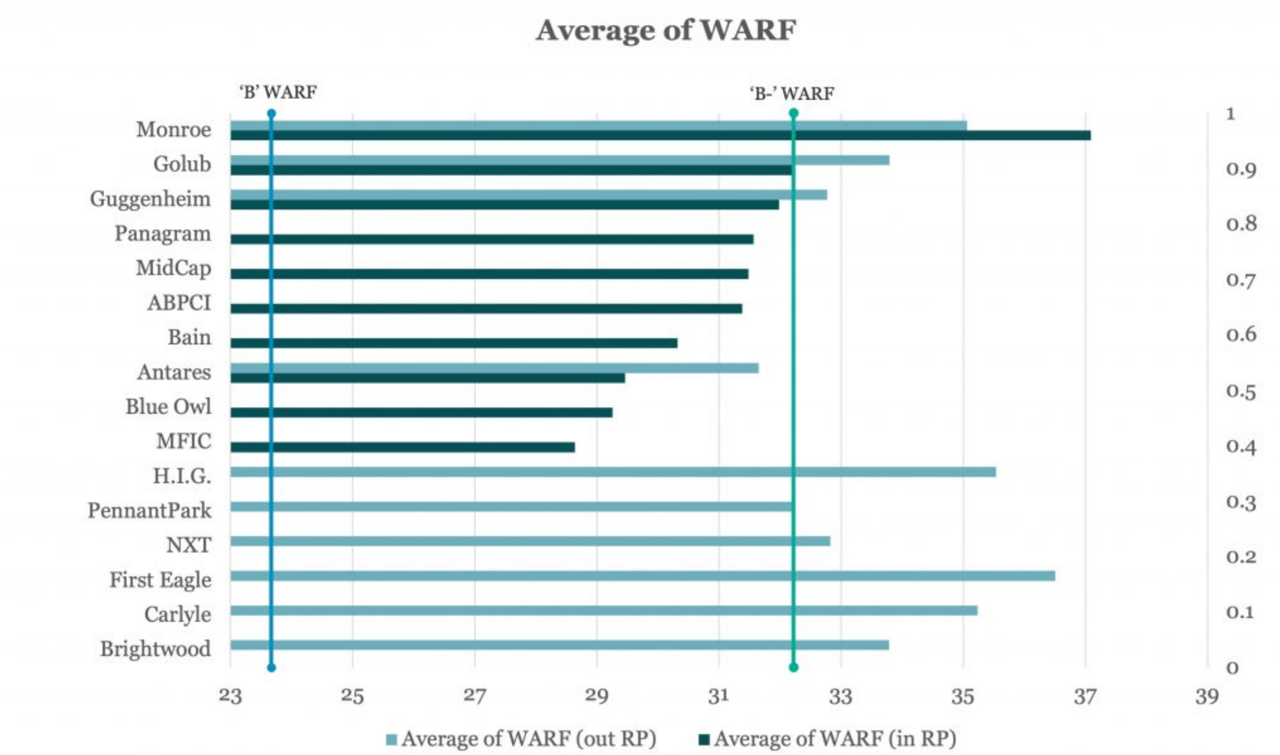
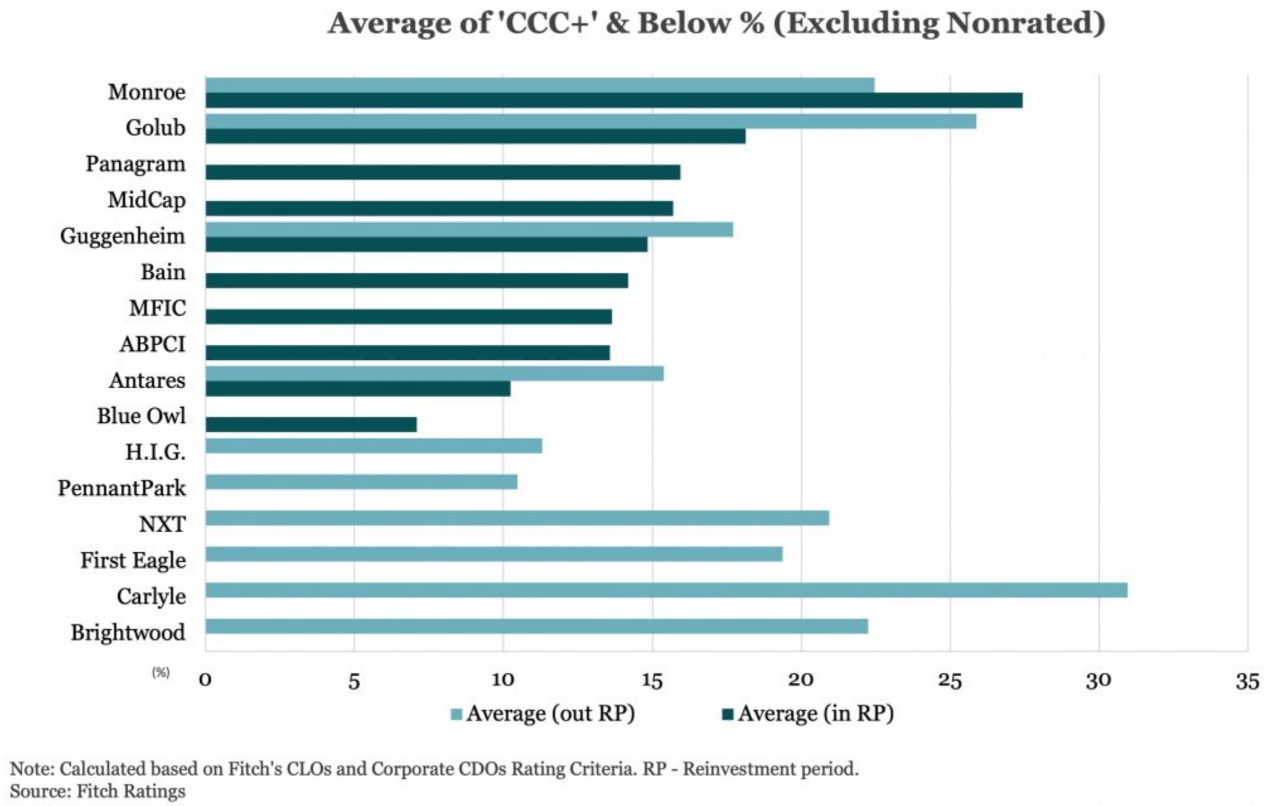
Fitch U.S. MM CLO Spotlight – May 2024

Fitch Ratings | July 3, 2024



WARF – Weighted average rating factor. Note: Fitch's WARF is calculated based on Fitch's CLOs and Corporate CDOs Rating Criteria. For the purpose of this chart, nonrated issuers are assumed to have Fitch's IDR of 'B–'. RP – Reinvestment period.
Source: Fitch Ratings



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‘CCC’ Exposure Marginally Up

Exposure to assets with Fitch IDRs or credit opinions of ‘CCC+’ or below, excluding nonrated assets, increased by 20 bps to 18.6%, compared to last month and 3.5% higher than a year ago. For the 25 transactions with a rise in exposure since last month, the increase averaged 1.6%. For the 25 MM CLOs with a decline, exposure was 1.3% lower on average. Four MM CLOs in reinvestment are failing at least one of the rating agencies’ ‘CCC+’ concentration limits.

Cushions in Collateral Quality Tests Stay Mostly Positive

All Fitch-rated MM CLOs include a Fitch Test Matrix as part of a CLO’s Collateral Quality Tests (CQTs) in MM CLOs, including Fitch weighted average recovery rate (WARR), Fitch weighted average rating factor (WARF), weighted average spread (WAS) and weighted average life (WAL), generally remain in compliance against test limits for deals in reinvestment. The median cushion to limits were 2.3% for WARR, 2.0 points WARF, 0.4% WAS and 2.7 years WAL. Two MM CLOs in reinvestment are not in compliance with the WARR test limit, and no deal breached the Fitch WARF test at the end of May 2024.