

Characteristics and benefits

Levered exposure to loans

High income, senior secured debt with strong technical backdrop with demand outpacing supply

Floating rate

Helping to provide an inflation and rate hedge

Quarterly distributions

Interest income paid out in quarterly distributions

Highly diversified collateral

Position sizes typically 0.5-1.5% with typically a maximum of 3% for CLO managers in certain situations

Active portfolio management can minimize credit losses

CLO actively managed strategies aim to outperform loan market default rates

Funding costs trending lower

AAA note spreads have tightened -75bps since 2022 // further -5 to -15bps forecast for the remainder of 2024¹

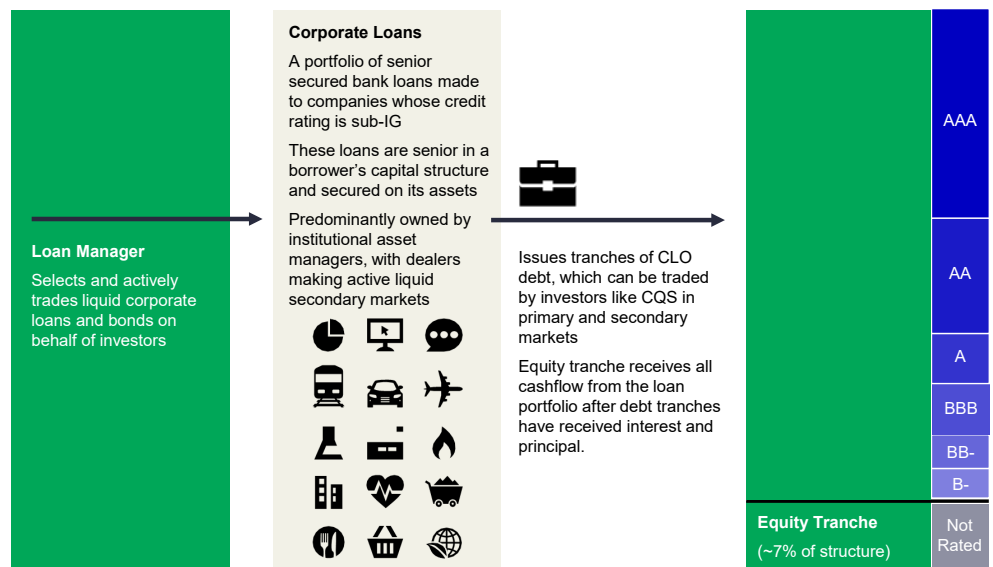
Structure driven alpha

Flexibility to boost returns via transactional refinancings and resets (improved and extended return), and situational return of capital

CQS CLO Equity

June 2024

What is a Collateralized Loan Obligation (CLO)?



For illustration only.

What is CLO Equity?

- A CLO is a vehicle backed by a diversified pool of broadly syndicated leveraged loans.
- The CLO raises capital by issuing various tranches of CLO debt and equity.
- Equity investor owns first loss risk and receives cashflows generated from the difference between debt tranche financing cost and income on the loan portfolio.
- The CLO manager underwrites the assets and purchases the underlying portfolio of loans. They then actively trade and reinvest the portfolio during a specified reinvestment period (typically 4.5 – 5 years).
- After the reinvestment period ends, the structure begins to delever through underlying loan repayments.
- The equity investor may elect by majority to refinance and extend the maturity of the structure, allow the portfolio to amortise and/or liquidate the portfolio.
- European Union regulation requires risk retention by the originator/sponsor.

CQS: An established investor in Senior Secured Loans

- Our active portfolio management approach and rigorous research has led to a consistent long-term track record.
- Boutique approach: we do not simply buy the market. Our size and agility allows us to build portfolios of senior secured Loans with conviction.
- Fundamentally-driven investment process: rigorous fundamental analysis using proprietary analytics.
- Focus on sizing and active trading: careful position sizing and nimble, effective trade execution.
- Global view on relative value opportunities: Portfolio managers and analysts in London and New York enable us to identify relative value across geographies.
- Robust relationships: strong relationships with sales, trading, research, capital markets, sponsors, investee companies and our investors.

Investment Considerations

General Risks

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