

# Capital Markets Insights

November 2023



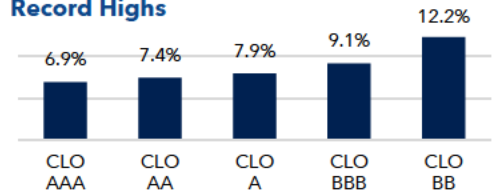
## CLO DEBT TRANCHES

A scalable alternative for institutional fixed income investors looking to diversify away from fixed-rate, single-name credit risk into a trillion dollar, floating-rate asset class that offers very low historical defaults, diversified credit exposure and attractive yields.

- **Floating-Rate Coupon** :: low duration, benefit from rising rates
- **Low Historical Defaults** :: cycle-tested structural protections
- **Strong Relative Value** :: spread pickup vs. comparables
- **Highly-Diversified Risk** :: backed by a pool of loans and bonds

| October 2023 | YTD Return | YTM    | DM/OAS (bps) |
|--------------|------------|--------|--------------|
| CLO AAA      | 6.83%      | 6.60%  | 176          |
| CLO AA       | 8.31%      | 7.10%  | 244          |
| CLO A        | 10.36%     | 7.70%  | 306          |
| CLO BBB      | 12.15%     | 9.50%  | 488          |
| CLO BB       | 15.86%     | 14.60% | 981          |
| IG Corp      | -1.65%     | 6.40%  | 136          |
| HY Corp      | 4.53%      | 9.00%  | 413          |

### CLO Debt Coupon Rates: Record Highs



## CLO BB's: HARD TO IGNORE

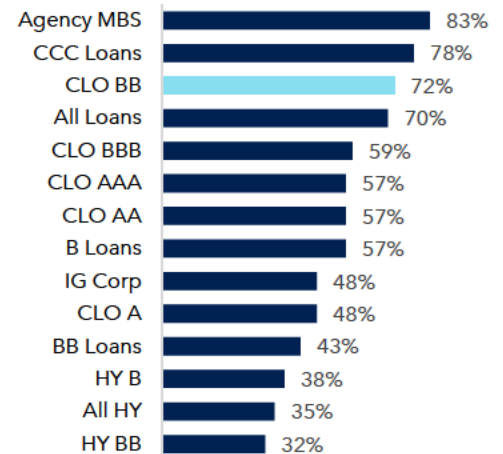
Often overlooked and misunderstood, CLO BB debt is a proven asset class that stands out amongst peers and continues to perform as advertised; delivering compelling risk-adjusted returns and yields that are hard to ignore.

This below-investment grade slice of the \$1 Trillion CLO market has been a top performing asset class within fixed income and should be considered by HY Bond/Credit investors looking for alternative solutions.

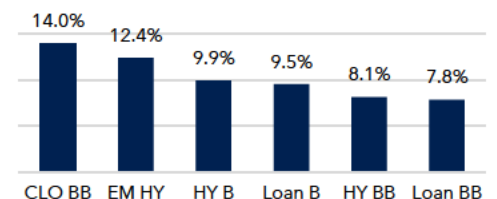
- **High Yields:** Access quality coupon carry and yields in the 12-14% range - while maintaining and improving rating risk - via publicly rated, floating-rate CLO BB debt.
- **Low Defaults:** 0.5% of all CLO BB's issued since 2011 (cumulative) have realized principal impairment. Compare to corporate bond/loan default rates of 1-2% annually.
- **Relative Value:** CLO BB's, trading at historically attractive levels (currently), offer meaningful pickup vs. similar/lower rated fixed income alternatives.
- **Scalable & Liquid:** Active and sustained New Issue supply throughout various market environments, supported by a deep secondary market that transacts daily.

### Cross-Asset Spreads: 20yr Historical Percentiles

CLO BB's nearing 75th percentile vs. historical wides



### CLO BB Relative Value



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## ABOUT CRESCENT CAPITAL

Crescent is a global credit investment manager with over \$40 billion of assets under management as of September 30, 2023. For over 30 years, the firm has focused on below investment grade credit through strategies that invest in marketable and privately originated debt securities including senior bank loans, high yield bonds, as well as private senior, unitranche and junior debt securities. Crescent is headquartered in Los Angeles with offices in New York, Boston, Chicago and London with more than 200 employees globally. Crescent is a part of SLC Management, the institutional alternatives and traditional asset management business of Sun Life. For more information about Crescent, visit [www.crescentcap.com](http://www.crescentcap.com).

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