**CLO Manager Survey**

**Information about the responding firm**

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| --- | --- | --- | --- |
| 1. Firm type:  *Please select the* ***one*** *option that most closely describes your group’s activities* | | | |
| International active bank | |  |  |
| National/domestic bank or banking group | |  |  |
| Private equity group | |  |  |
| Asset manager | |  |  |
| Hedge fund | |  |  |
| CLO manager independent | |  |  |
| CLO manager part of a private equity group | |  |  |
| Insurer | |  |  |
| Pension fund | |  |  |
| Trade Association | |  |  |
| Other *(Please describe)* | Click here to enter text. | |  |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. Please indicate the geographic scope of your firm’s CLO activity | | | | | | | | | |
|  | | **Home region of your firm**  *Please select one region as appropriate* | | | **Region(s) in which you are active in LL and/or CLO**  *Please select all applicable regions as appropriate* | | | | |
| North America | |  | | |  | | | | |
| Central and South America | |  | | |  | | | | |
| Europe | |  | | |  | | | | |
| Middle East & Africa | |  | | |  | | | | |
| Asia Pacific | |  | | |  | | | | |
|  | In which jurisdictions are you most active | |  | | | | | | |
|  | Approximate firm Size[[1]](#footnote-1) as at 31 December 2020 (expressed in US$) | | Click here to enter text. | | | | | | |
|  | Explain the measure you used to indicate the size of the firm’s business in the question 7 above. For example, Annual Revenue, Assets under Management, etc | |  | | | | | | |
| **Size of your activity** | | | | | | | | | | |
|  | How many CLO do you manage globally | |  | | | | | | |
|  | Please quantify the CLO you managed year globally? | | | 2018 | | 2019 | | 2020 | |
|  | Total number of CLO | | |  | | |  | |  |
|  | Total volume of CLO | | |  | | |  | |  |

**Survey Questions**

|  |  |  |
| --- | --- | --- |
| **Your Investment Strategy** | | |
|  | Please describe how (and from where) you acquire loans (or other CLO assets) e.g. in the primary market, the secondary market. Please provide the % breakdown. |  |
|  | Please describe any policies and procedures you use to determine an acceptable leverage ratio for each new loan (asset) considered for purchase. |  |
|  | To the extent your company is part of a private equity group active in LBOs, how often are CLO investments from borrowers which are sponsored by an entity within the group? |  |
|  | Please describe your process for identifying and managing intra-group conflicts of interest and conduct risks, including oversight or discretion over the legal team working on an LBO associated with a loan which you might acquire for a CLO you manage. |  |
|  | Is it common practice for the legal team representing the investor/CLO manager to be shared with the sponsor/issuer of the loan? |  |
|  | Please provide a broad overview of your involvement in the leveraged loan issuance process. |  |
|  | Please describe your process for identifying potential conflicts of interest and conduct risk in the leveraged loan issuance process. |  |
| **Disclosure** | | |
|  | Please describe your process for accessing information relevant to making an investment decision to purchase a loan (and what your process is post loan acquisition for monitoring borrower information). |  |
|  | Please also describe and assess whether the investment disclosures are sufficient to allow an investor to make a prudent assessment of the asset, and provide recommendations to how this information might be enhanced, to the extent you have any suggestions. |  |
|  | Please discuss any shortcomings associated with documentation provided to prospective investors in LLs – particularly with respect to investment risks. |  |
|  | On average, how much time is provided to LL investors to review the loan documentation? If you had the choice, what would be a more effective time to review the documentation? Do you think it has shortened over time? |  |
|  | Please describe the extent to which you provide feedback (or push back) to issuers (or their underwriters) on documentation, and how receptive they are to proposed amendments? |  |
| **Loan Documentation – Covenants** | | |
|  | Please describe the due diligence process undertaken before a decision to invest in a loan is made. |  |
|  | Please provide feedback on the following documentary features and detail any particular concerns (EBITDA addbacks, borrower’s flexibility around distribution of dividends, borrower’s flexibility around collateral transfer, deductibles, carve-outs, maintenance covenants, equity cure rights) |  |
|  | Please provide feedback on the disclosure of loan covenants other key features around borrower flexibility and detail how clearly this is disclosed in documentation, describing any particular concerns. |  |
|  | Please describe the general impact of increased borrower’s flexibility on a transaction. Does this have any impact on the pricing of the transaction, or vice versa? |  |
| **EBITDA** | | |
|  | Please describe your process with respect to utilizing EBITDA and adjusted EBITDA in your investment decisions, and whether you have any concerns regarding these metrics. |  |
|  | How often and in which circumstances would you interrogate the components of adjusted EBITDA? |  |
|  | How difficult is it to convince push back on addbacks? |  |
| **CLO Management** | | |
|  | In your experience, is it common for loans to be traded between different CLOs managed by the same CLO manager or with group affiliated entities? What in your opinion is the motivation for this activity? |  |
|  | Where loans are traded between CLOs managed by the same CLO manager, or with affiliated parties, how is fair value determined and how is it reported to investors and incorporate into any relevant calculations (e.g., calculating management/performance fees, NAV reporting or collateral triggers). |  |
|  | Please describe your process for identifying potential conflicts of interest which can arise in the management of CLOs. |  |
|  | Please describe the process for establishing initial margin of tests above the minimum O/C levels required by the rating agencies.  How do CLO managers generally balance maintaining an adequate O/C ratio as well as maintaining the highest possible average credit quality for your investors?  *As part of your response please indicate and describe where this includes:*   * *The sale of higher quality loans over lower quality loans of the same rating* * *Any upward revaluation of loans close to default* |  |
|  | How do you determine the market value of CCC loans owned by the CLO (where such values are required, e.g. where concentrations breach CCC threshold levels)? |  |
| **Impact of COVID-19** | | |
|  | How has your approach to investing in this market been impacted by COVID-19? |  |
|  | How has COVID-19 impacted your periodic O/C, asset quality or other portfolio tests? How have your junior or performance fees been affected? |  |
|  | More generally, in what ways has COVID-19 impacted CLO IG tranches and sub-IG tranches? For example, how has COVID-19 impacted the outlook for loan defaults over the coming 24 months? |  |
|  | In what ways has COVID-19 impacted outstanding warehouse lines? |  |
|  | What disclosure about COVID-19 related risks and changes are you providing (and have you provided) to CLO investors? |  |
|  | What data do you provide to investors on a loan-level basis detailing modifications or relief/forbearance? |  |
|  | Can you indicate how COVID-19 has created additional risks related to conflicts of interest or conduct? |  |
|  | How has COVID 19 impacted the structure of new CLO? or LL? transactions, your approach to documentation features, your approach to transactions and/or existing loan book? |  |
|  | Are you aware of any additional conflict of interest and/or conduct risks that have been created or exacerbated by the COVID-19 crisis? |  |
|  | What steps are you taking to manage your CLO in the current difficult credit environment, how do you determine those actions would be beneficial to your investors while avoiding chasing risky assets, and how much will it affect your approach to how you structure your CLO in the future? |  |

1. Please choose a commonly used measure of size relevant to the firm type identified in Q5 (e.g.. notional amount of assets under management, notional amount of cash raised, insurance market capitilisation or net premium) [↑](#footnote-ref-1)