

# OVERCOLLATERALIZATION: IS STRUCTURED CREDIT THE MODERN DAY ALCHEMY?

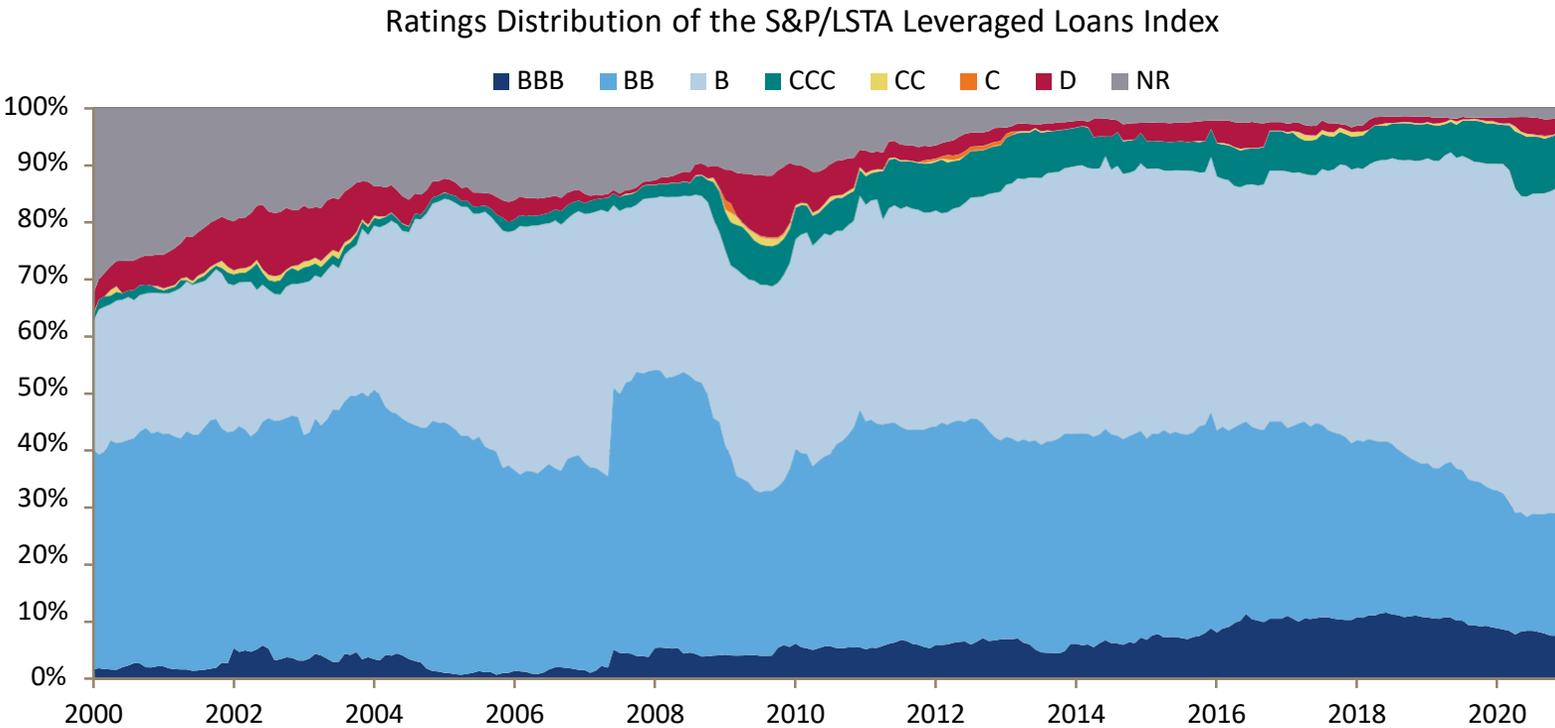
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# Loan Index Rating Composition Over Time

## B-RATED LOANS CURRENTLY DOMINATE



Data source: S&P/LCD, calculated by Loomis Sayles as of 12/31/2020.

# Primary Investor Market

## INSTITUTIONAL MARKET BY TYPE (%)

	Finance Co.	Insurance Co.	Hedge, Distressed & High Yield Funds	Loan Mutual Funds	CLO		Finance Co.	Insurance Co.	Hedge, Distressed & High Yield Funds	Loan Mutual Funds	CLO
<b>2002</b>	7.56	4.43	1.05	20.24	66.72	<b>2012</b>	2.31	4.37	22.69	15.43	55.21
<b>2003</b>	6.10	6.90	9.80	15.30	61.90	<b>2013</b>	1.45	5.08	8.79	31.46	53.22
<b>2004</b>	5.51	5.76	9.25	17.65	61.83	<b>2014</b>	0.91	5.27	9.80	21.81	62.21
<b>2005</b>	5.30	3.36	11.73	16.86	62.75	<b>2015</b>	1.22	5.30	10.93	21.31	61.23
<b>2006</b>	6.85	2.85	16.89	12.81	60.61	<b>2016</b>	1.12	6.03	6.86	23.69	62.30
<b>2007</b>	3.60	3.77	26.82	8.45	57.36	<b>2017</b>	0.76	6.30	5.55	23.16	64.24
<b>2008</b>	8.13	1.93	32.00	5.74	52.20	<b>2018</b>	1.33	6.16	3.39	21.36	67.75
<b>2009</b>	3.06	5.81	31.82	9.26	50.04	<b>2019</b>	2.11	5.71	5.72	15.10	71.36
<b>2010</b>	4.84	4.98	32.60	14.15	43.42	<b>2020</b>	0.56	6.51	6.07	14.94	71.92
<b>2011</b>	4.82	5.71	30.09	18.74	40.64						

*Data source: S&P/LCD, through 12/31/20. Institutional investors only; excludes banks. Highly leveraged loans only (pre-1996: L+250 and Higher; 1996 to date: L+225 and higher). For a more realistic view of institutional buying habits in today's market, the CLO tally is added to the institutional commitments held by the arranger at close. For tax purposes, CLOs tend to participate as primary assignees and therefore are often left off the "at close" allocation list.*

# CLO Performance Over Time

DEFAULT RATES HAVE BEEN BELOW THOSE OF GLOBAL CORPORATE BONDS

Historical CLO Tranche Impairment Rates Have Remained Low					
Original Rating	US CLO	Euro CLO	Global CLO	Global CDO (ex-CLO)	Global Corporates*
AAA	0.0%	0.0%	0.0%	38.9%	0.1%
AA	0.0%	0.0%	0.0%	47.9%	0.8%
A	0.1%	0.0%	0.1%	52.8%	2.2%
BBB	2.9%	0.0%	2.3%	62.2%	3.3%
BB	5.8%	4.6%	5.4%	60.9%	15.1%

Source: Moody's, Barclays Research.

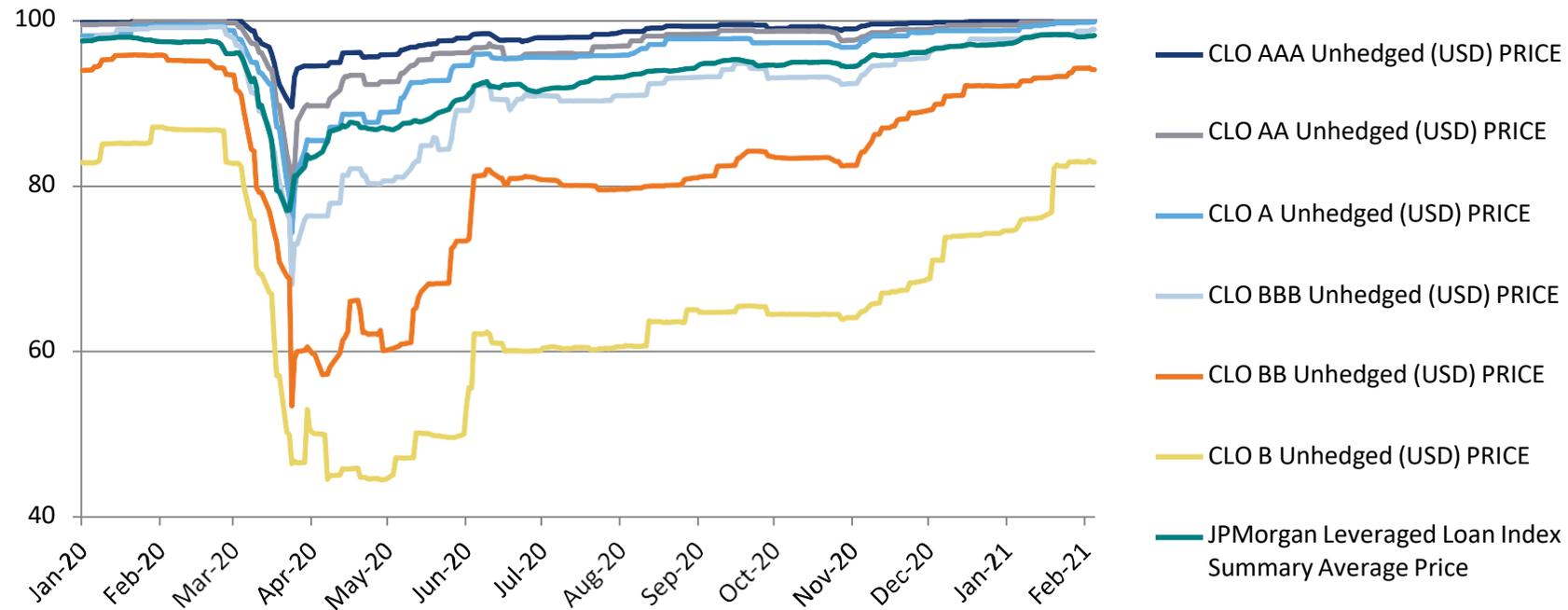
\*Note: Global corporate default rate data is the 10-year cumulative issuer-weighted global default rate from 1983-2019. CLO impairments by original rating. 10-year cumulative impairments over 1993-2019.

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**Past performance is no guarantee of future results.**

# CLO Tranche Pricing In 2020

PRICING CAN BE VOLATILE BUT ULTIMATELY RECOVERS WITH THE LOAN MARKET

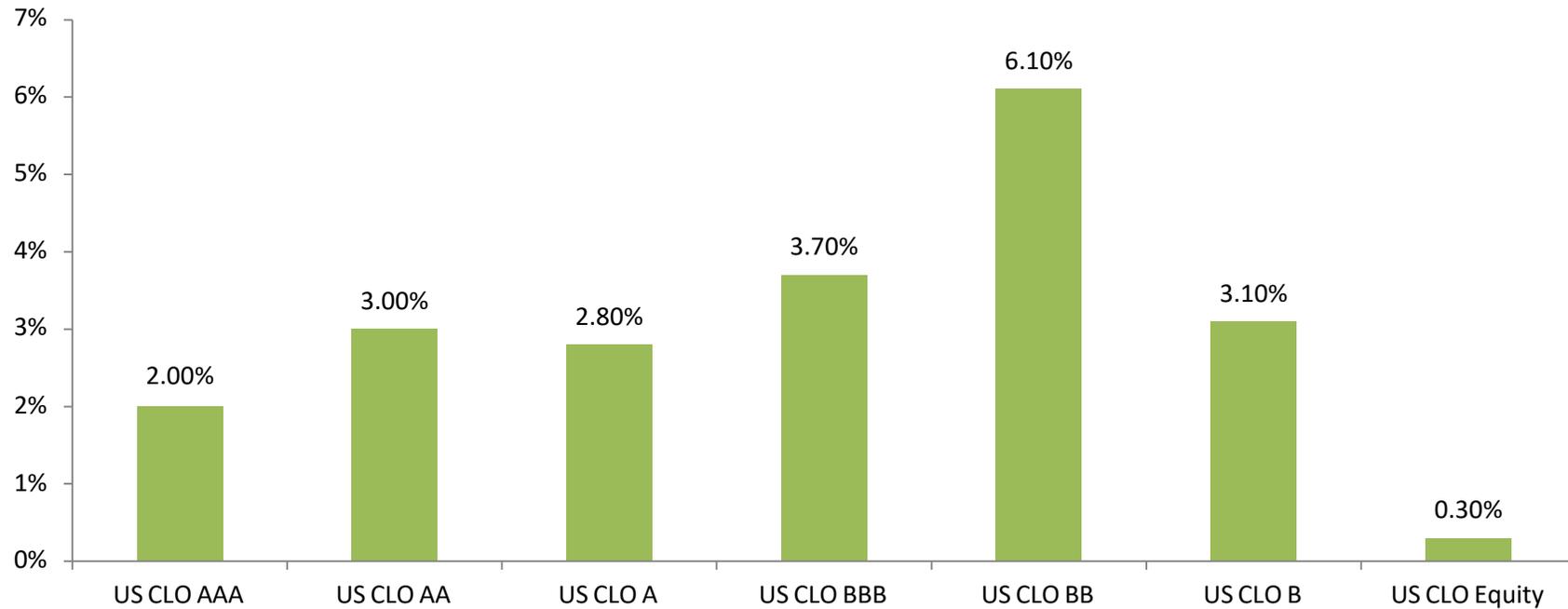


Data source: JPMorgan, through 2/5/21.

Past performance is no guarantee of future results. Index shown is for comparison purposes only.

# CLO Tranche Returns In 2020

RETURNS WERE POSITIVE BY YEAR END



*Data source: Citi Research, Bloomberg, LCD as of 12/31/20. CLO returns are calculated based on month-end secondary marks. CLO excess return is calculated by subtracting the LIBOR return from the total return achieved in the CLO investment.*

***Past performance is no guarantee of future results.***

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