European CLO Weekly

Euro vs. US CLOs: RV, fundamentals, and tail risks

03 November 2025

Structured Finance
Europe
CLO

Market update: Strong primary activity, tighter secondary

The European CLO primary market had another active session last week, with 4 BSL new issues deals and 6 resets. In addition, the second MM CLO of the year and the first multi-currency 2.0 deal priced.

On the secondary, the European Leveraged Loan Index further stabilized but remains more than 1 ppt below pre-August levels. CLO BWIC volume reached around €340mn, with almost €190mn of triple-A supply. Spreads finished across the capital structure and the CLO credit curve flattened a bit (AAA: -5 bps, BBB: -10 bps, BB: -20 bps).

CLOs offer compelling relative value vs. corporates

CLO triple-As continue to screen cheap vs. IG credit, and CLO sub-IG offers a particularly substantial spread and yield pick-up vs. HY credit. We see attractive RV for Euro CLO triple-As on the primary at 132 bps (inside 130 bps for tier 1 managers) over 3m Euribor & 147 bps on a currency-hedged basis over SOFR. This compares favourably to US BSL CLOs in the low 120 bps area, though the US market offers better liquidity.

For IG mezzanine, Euro CLO triple-Bs look cheaper than US. Regarding sub-IG, secondary generally looks cheaper than primary. We are neutral on Euro vs. US CLO double-Bs: Whilst Euro CLO double-B MVOC ratios have declined more recently, they remain higher than for US BB tranches on average. However, Euro CLOs also come with lower issuer diversity, more overlap, and more concentration risk.

Monitoring tail risks and sector headwinds

Around 4% of Euro and 7% of US CLOs have single-B and double-B MVOC ratios below 100%, respectively. The share of loans trading at stressed levels has increased and recoveries have declined in Europe. There are several sectors facing headwinds, most notably Chemicals, Automotives, and French laboratories. On top of that, some sectors are exposed to disruption risk stemming from AI, mostly in the Business Services space.

Euro CLO equity offers high cash distributions

Whilst loan repricings have compressed WAS both in the US and Europe, the trend has been more aggressive in the US. Euro CLOs in-RP have around 60 bps higher WAS than US deals. The median CLO payments for in-RP deals was 4.1% in October for Europe vs. 2.9% in the US. On a positive note, loan repricing pressure seems to have eased for now.

Please find our joint European vs. US CLO data handbook here.

For further developments in the European SF markets, please see **European SF Weekly: Solvency II on the final stretch,** and **European SF Data Addendum: CLO resets outpace ABS and CLO new issue numbers**, both dated 3 November 2025.

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Common Acronyms (link)

Contents

Global CLOs – A $1.4trn floating-rate asset class

We provide an update on relative value for European vs. US CLOs, fundamentals & collateral performance, equity performance, tail risks, regulatory developments, the CLO manager landscape, and CLO ETFs.

Compelling relative value, high trading turnover

The global CLO market has grown to more than $1.4trn in size ($1.1trn US, $330bn/€286bn Euro). The US and EU CLO market continue to provide strong relative value, particular vs corporates in both regions. Within structured credit, the markets have evolved to become the largest sectors with some of the highest trading volumes. Currently, we estimate CLOs provide the biggest, scalable sources for investing in floating-rate AAA paper with over $870bn of triple-A bonds ($676bn US, €168bn/$193bn Euro) across the globe.

CLO has evolved to encompass private credit exposure besides traditional BSL loans with the US PC CLO market exceeding $150bn (+33% growth since 2023) and Europe has seen some green shoots with respect to PC CLO issuance with 3 deals priced so far (1 deal in 2024 and 2 deals in 2025).

Moreover, we note broad CLO manager participation in both regions with 62 Euro managers and 104 US managers issuing. Several debut managers have entered the market, including 4 BSL in Europe (+1 in MM) and 10 BSL, 3 PC in the US. Several existing US CLO managers are also looking to enter the Euro CLO market in the foreseeable future.

Exhibit 1: The Euro CLO market is just shy of €290bn whilst the US CLO market stands at $1.1tn
Overview of the Euro and US CLO & leveraged loan markets

		EU		US	
Loan market	Size of the loan market	€340bn		$1.5tn	
	Size of the CLO market	€286bn		$1.1tn	
	Participants	318 issuers (412 facilities)		1117 issuers (1330 facilities)	
	WAP	97.31		97.06	
	CCC %	5.0%		6.01%	
	<90%	11.3%		7.81%	
	<80%	5.1%		2.88%	
	LTM # of Defaults/ Total Issuers	0.92%		1.47%	
	LTM # of (Defaults + Distressed Exchanges) / Total Issuers	/		4.32%	
	CLO managers	70		159 BSL, 49 MM/PC	
CLO	2025 YTD Issuance	€52.4bn (new issue)		$168bn (new issue)	
		€50bn (refi/reset)		$295bn (refi/reset)	
	Median WARF (in RP)	2,899		2750	
	Median CCC share (in RP)	3.8%		4.0%	
	Median B- share (in RP)	25.9%		24%	
	Diversity score (in RP)	61		85	
Secondary Spreads		Hedged to USD	Notional	BSL	MM/PC
	AAA	120	105	120	
	AA	195	180	160	
	A	230	215	185	
	BBB	315	300	275	
	BB	605	590	610	
	B	905	890		
Primary Spreads (Tier 1)	AAA	142	127	121	146
	AA	205	190	155	185
	A	225	210	175	210
	BBB	305	290	275	315
	BB	555	540	475	650
	B	840	825		

Source: BofA Global Research, LCD, Bloomberg, Intex
Note: Only Tier-1 levels shown for primary spreads

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CLOs continue to deliver

CLOs have continued to deliver YTD, albeit CLO AAA total return have underperformed IG credit YTD in both regions as interest rates declined. YTD CLO triple-A returned 4.6% and 3% in the US and Europe, respectively. This compares to 8.2% for US IG credit and 3.4% for Euro IG credit. Importantly, CLO triple-As continue to exhibit very good **price stability**, thus solid return on vol.

However, for sub-IG, both US and Euro CLO double-Bs still outperformed HY credit YTD, with US and Euro CLO double-Bs returning 7.7% and 6.4% so far, respectively. This compares to 7.2% for US HY credit and 4.4% for Euro HY credit YTD.

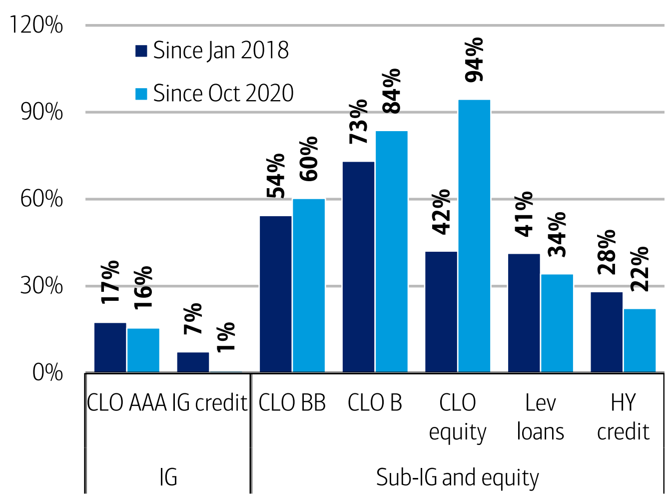
Strong long-term track record: Euro CLO triple-As have outperformed IG credit both over the last 5 years and since January 2018. Meanwhile, Euro CLO double-Bs have delivered 60% total returns over the last 5 years on a cumulative basis. This compares to just 34% for loans and 22% for HY. Similarly in the US, CLO BB has outperformed CLO equity, both returned **2x of HY/LL** in a 5-10 year horizon, CLO AAA also returned 8-10% more than IG in the long-term.

CLOs not only have strong past total returns but look attractive from a spread and yield perspective vs. corporates looking ahead. For example, Euro (on a currency-hedged basis) and US CLO triple-As offer spreads of 120 bps on the secondary, 147 bps for Euro triple-A primary (142 bps for tier 1 managers), and 121 bps for tier 1 US BSL new issue deals. On the secondary, Euro and US BSL CLO triple-As offer yields of 3.2% and 5.1% in their local currencies, respectively. The 5.1% yield on US BSL CLO triple-A exceeds that of US IG credit at 4.8%.

The spread and yield pick-up are especially noticeable for sub-IG: US BSL CLO BBs on the secondary offer 610 bps DM vs. 296 bps govt OAS for US HY credit. US CLO BSL BBs are trading at 10% yields vs. 7% for US HY credit.

Exhibit 2: Euro CLO BBs have returned 54% cumulatively over the last 5 years vs. 28% for HY credit US

Euro CLO, leveraged loans, and credit cumulative total returns



Source: BofA Global Research, Intex, PriceServe, Bloomberg, LCD, ICE Data Indices, LLC, Palmer Square

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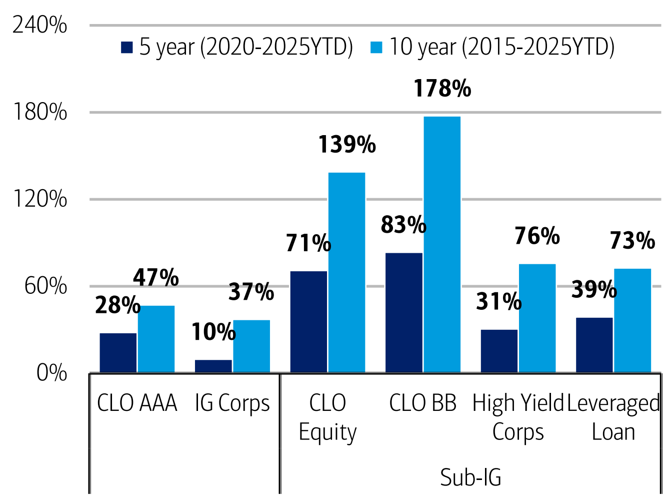
Exhibit 3: US CLO double-Bs have returned 83% over the last 5 years cumulatively vs. 31% for HY credit

Euro CLO, leveraged loans, and credit cumulative total returns



Source: BofA Global Research, Bloomberg, Intex, PriceServe

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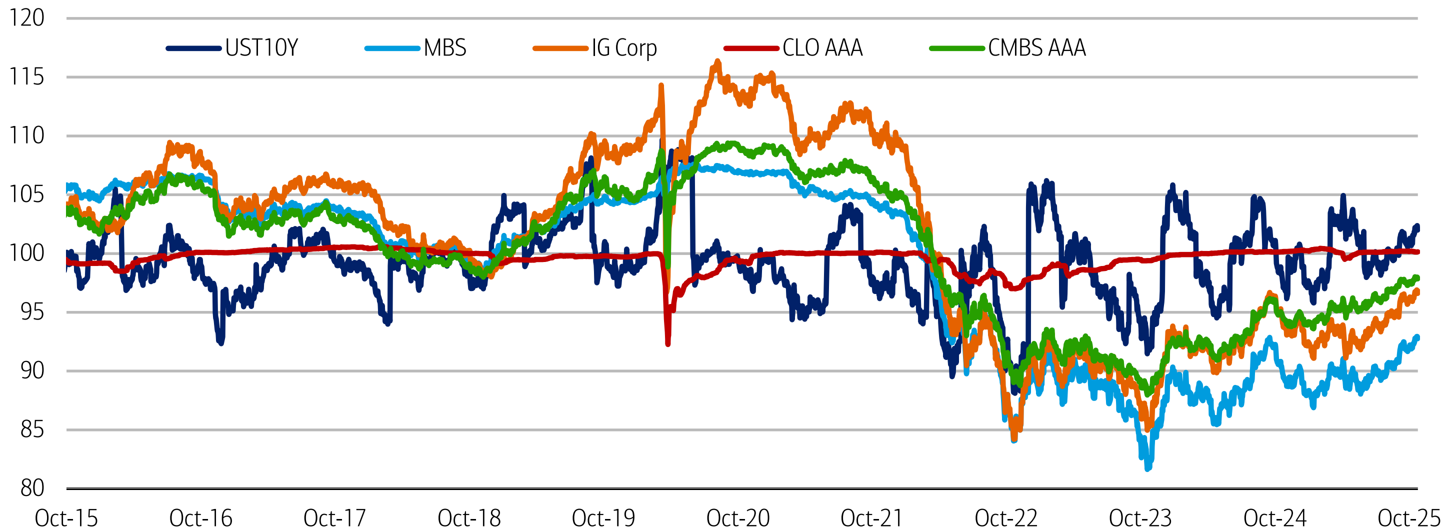
Exhibit 4: US CLO AAA shows more long term price stability vs other products
Price of CLO AAA, CMBS AAA, UST 10Y, MBS & IG Corps since 2015.



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC

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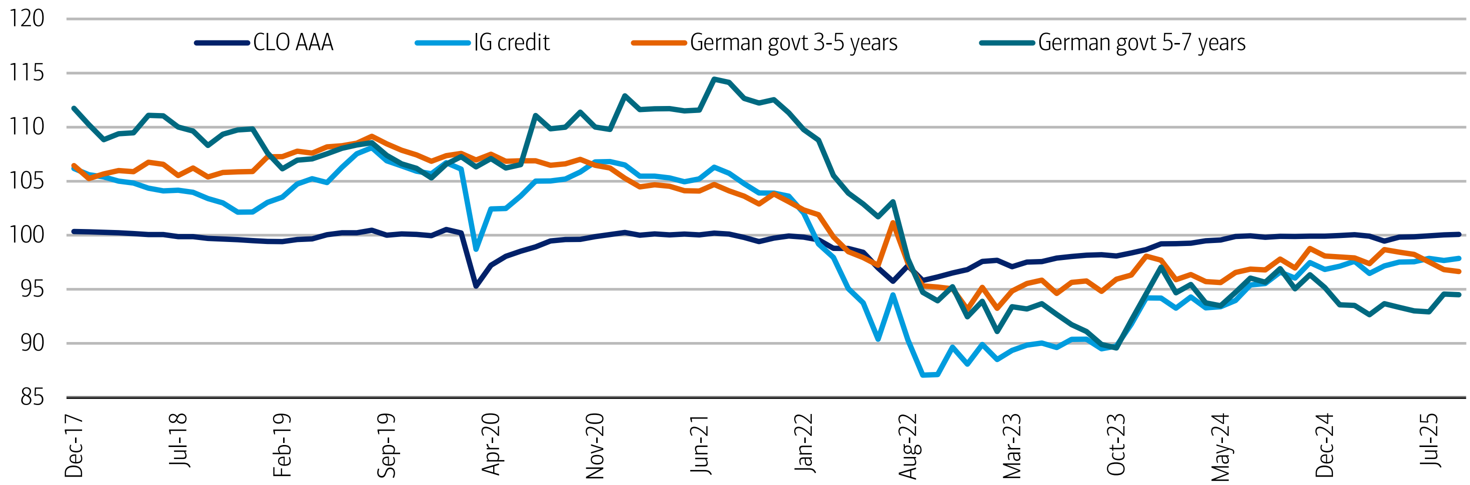
Exhibit 5: Euro CLO triple-As offer good price stability, with the worst monthly drawdown never exceeding 5% for the 2.0 market
Euro CLO triple-A vs. IG credit and German government bond cash prices over time



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC, Palmer Square

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Looking ahead – steeper yield curve, looming credit risks

Our economists project that the Fed will cut rates thrice in 2026. Meanwhile, the ECB is expected to cut one more time by 25 bps in March 2026, with a terminal ECB deposit rate of 1.75%. Curve steepening could drive some demand **from floaters to fixed-rate** as well as potential for outflows from CLO ETFs. Less demand for US CLO triple-As could potentially cause triple-A spreads to move sideways. A similar pattern may occur in Europe, where the 10 year German bund yield is expected to rise to 2.7% by the end of 2026, in part due to the Dutch pension fund reform which will reduce receiving needs, changing the structured of the long-end of the yield curve (see World at a Glance: Policy Tensions report from 22 October 2025).

From a fundamental perspective, CLO collateral performance generally remains stable, despite sign of a **potentially worsening credit backdrop**. In the US, the share of loans dropping by 10+ points has increased to 4.5% - mirroring what was observed in 2019. The default rate is close to 4.5% and the share of loans priced <$80 has remained a stubborn 3-4%. In Europe, similar signs have been observed with the <80 share increasing to >5%. In addition, both in the US and Europe, ~6% of loans are traded $80 - $90. With concentration risks higher in Europe, this has driven increased dispersion in manager performance, including meaningful declines in equity NAV for some CLO managers in Europe in particular. Manager tiering remains a lot more pronounced than before in both regions and we expect investor preferences to evolve.

Of particular concern to us are some of the **sector-specific headwinds**. For example, the Chemicals sector has come under pressure, with WAP at 90-92 in both regions. In addition, tariffs remain a headwind for the Automotive sector. Lastly, AI disruption is a risk for some loan issuers especially in Business Services sub-sectors such as outsourcing. We elaborate on these in our section on tail risks in this report.

We expect default rates (including LMEs) to reach **3.5% in the US and likely 3-3.5% in Europe.** Furthermore, more LME pressure in Europe than in prior years has already led to a dip in recoveries, and this trend may continue.

Relative value

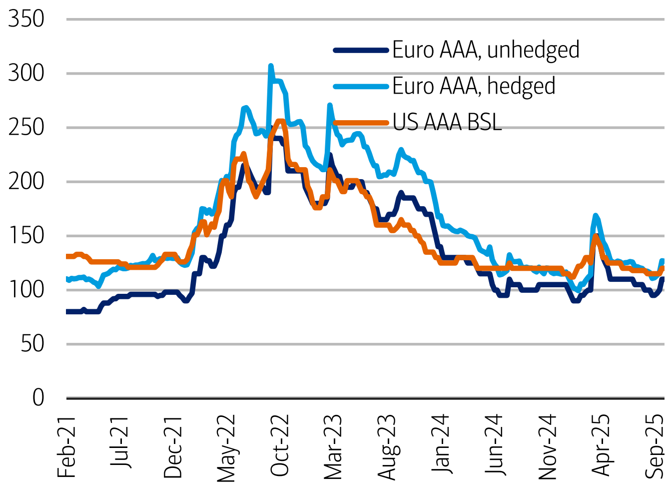
Whilst CLO spreads rebounded quickly from the April tariffs dislocation and in late September/early October reached their tightest levels since February 2025, spreads began to widen a bit again mid-October amid more cautious sentiment and indications of a potentially worsening credit backdrop. Euro CLOs spreads bounced back a bit again this week, though.

Euro CLO spreads are generally cheaper than US

- **At the top of the capital structure, we prefer Euro CLO new issue triple-As at 147 bps on a currency-hedged basis (or 132 bps unhedged over 3m Euribor).** We note the gap between Euro CLO triple-A primary and secondary has narrowed a tiny bit, as the secondary has widened vs. late September whilst primary triple-As tightened in recent weeks, with tier 1 managers achieving sub-130 bps pricing over 3m Euribor for new issue deals in some cases. Still, with Euro CLO triple-As on the secondary at 120 bps on a currency-hedged basis (105 bps unhedged), primary offers a 27 bps pick-up still.
- For investors who strongly value liquidity, US BSL CLO triple-As look compelling at 121 bps on the primary and 120 bps on the secondary. US BSL CLO triple-As screen cheap relative to US IG corporates, though look a bit tight vs. other US structured products such as agency MBS and RMBS.
- **For mezzanine, Euro CLOs generally look cheaper**. Euro CLO triple-Bs are trading at 300 bps unhedged (or 315 bps hedged). By contrast, US BSL CLO triple-Bs are at around 275 bps on the secondary, i.e., 40 bps tighter vs Euro hedged.
- **For sub-IG, CLO double-Bs generally look cheaper on the secondary than on the primary**. We prefer tier 1 managers and higher quality bonds given an uptick in performance dispersion and looming tail risks. CLO sub-IG remains the cheapest/widest spread asset class across comparable corporates and structured products.
- As regards Euro vs. US, we hold a neutral view for sub-IG. Euro CLO double-Bs on the secondary still have a bit higher MVOC ratios than US double-Bs, but Euro deals also come with less liquidity, lower issuer diversity, more concentration risk, and more portfolio overlap. Within Euro CLO sub-IG, we prefer BB over B given the recent dip in MVOC ratios and our preference for more defensive positioning.
- For CLO equity, cash on cash distributions have started to decline in Europe amid significant loan repricing activity YTD and WAS compression. However, pressure on CoC should be weaker from now on given that most of the impact of lower base rates is reflected now and loan repricings have slowed down significantly as the loan market has softened. Further, CLO equity CoC distributions remain significantly stronger vs. the US.
- We prefer longer-dated CLO equity in Europe given that shorter deals are generally more sensitive to equity NAV, and whilst the loan index has stabilized for now, tail risks remain. We note CLO equity NAV dispersion has increased significantly in recent weeks even for younger vintages, and we prefer CLO managers with a more cautious/defensive manager style, even if this means slightly lower WAS and thus possibly somewhat weaker CoC payments.
- US investor interest remained less constructive on CLO equity for a few issues: 1) Loan repricings have reduced WAS significantly in the US, though at least loan repricing pressure should have eased for now; 2) Elevated bankruptcy / restructuring rates hurting the PO value on the other end; 3) Very limited par build opportunities in the market. We project Jan 2026 payments to decline slightly on impact of both repricing and rate cuts.

Exhibit 6: On a currency-hedged basis, Euro and US CLO triple-As are trading at comparable levels

Euro and US CLO triple-A spreads over time, in bps



Source: BofA Global Research, Bloomberg

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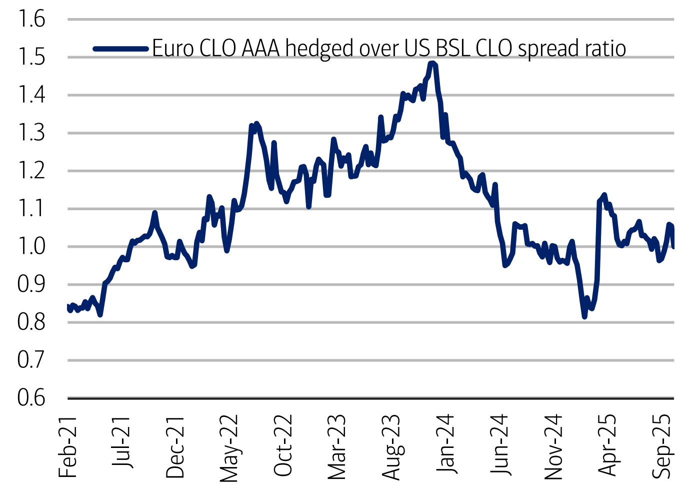
Exhibit 7: The spread ratio is less favorable now for Euro CLO AAAs than it was in 2022 or 2023

Euro hedged over US CLO AAA spread ratio over time



Source: BofA Global Research, Bloomberg

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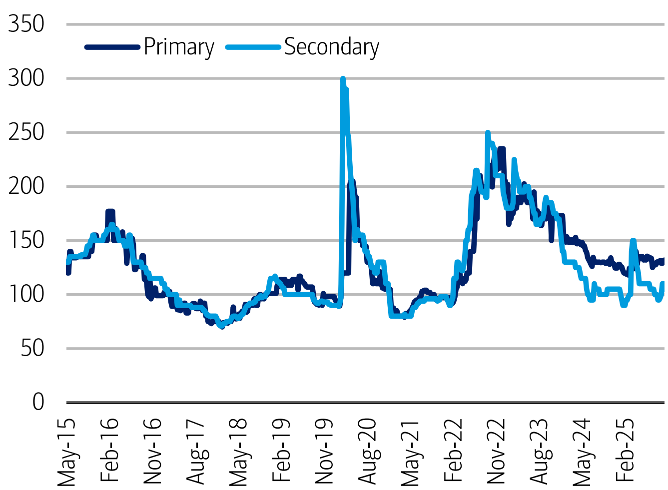
Exhibit 8: Euro CLO AAA primary continues to offer spread pick-up over secondary

Euro CLO new issue vs. secondary AAA spreads, in bps



Source: BofA Global Research, Bloomberg, IGM

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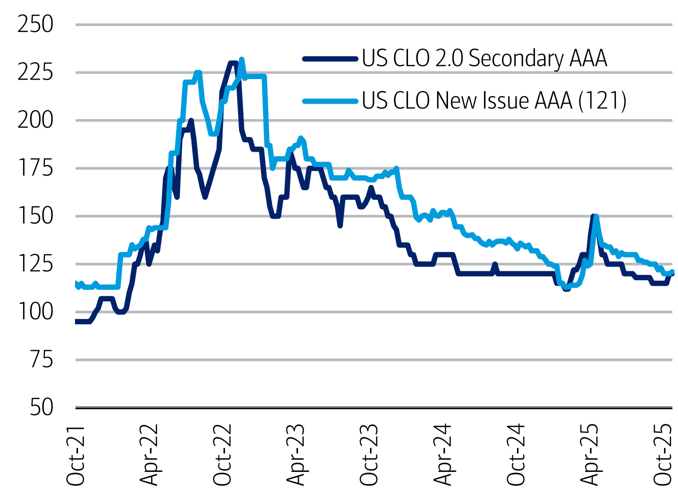
Exhibit 9: US secondary & primary basis has tightened

US BSL CLO primary vs secondary AAA spreads



Source: BofA Global Research, Bloomberg, LCD

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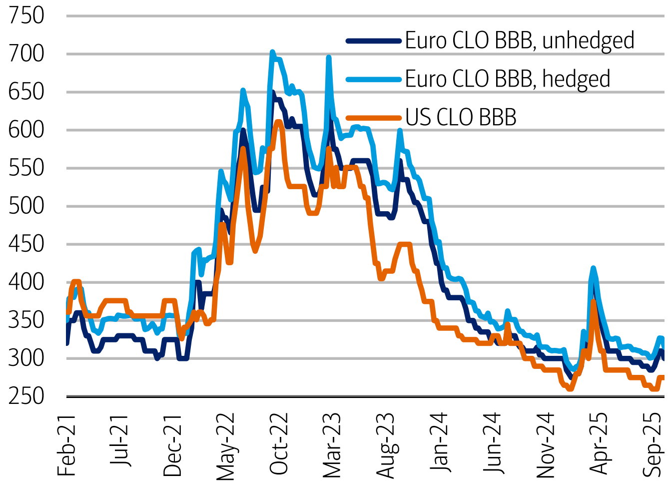
Exhibit 10: Euro CLO triple-B spreads are cheaper than US
Euro and US CLO triple-B spreads over time, in bps



Source: BofA Global Research, Bloomberg

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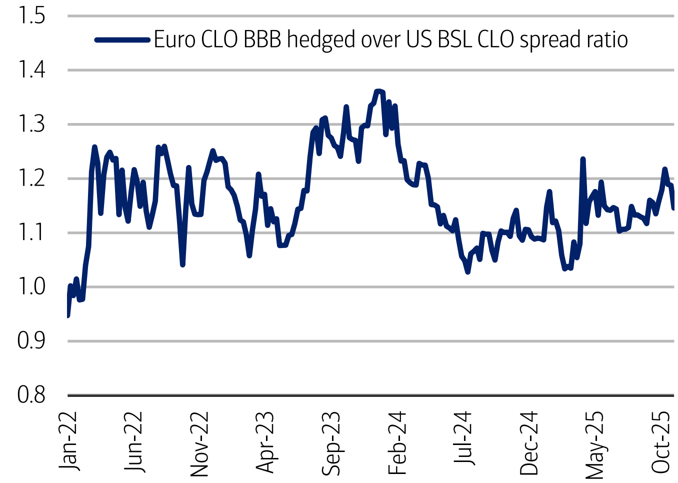
Exhibit 11: Euro CLO triple-Bs continue to look attractive vs. US BBBs
Euro hedged to US CLO triple-B spread ratio over time



Source: BofA Global Research, Bloomberg

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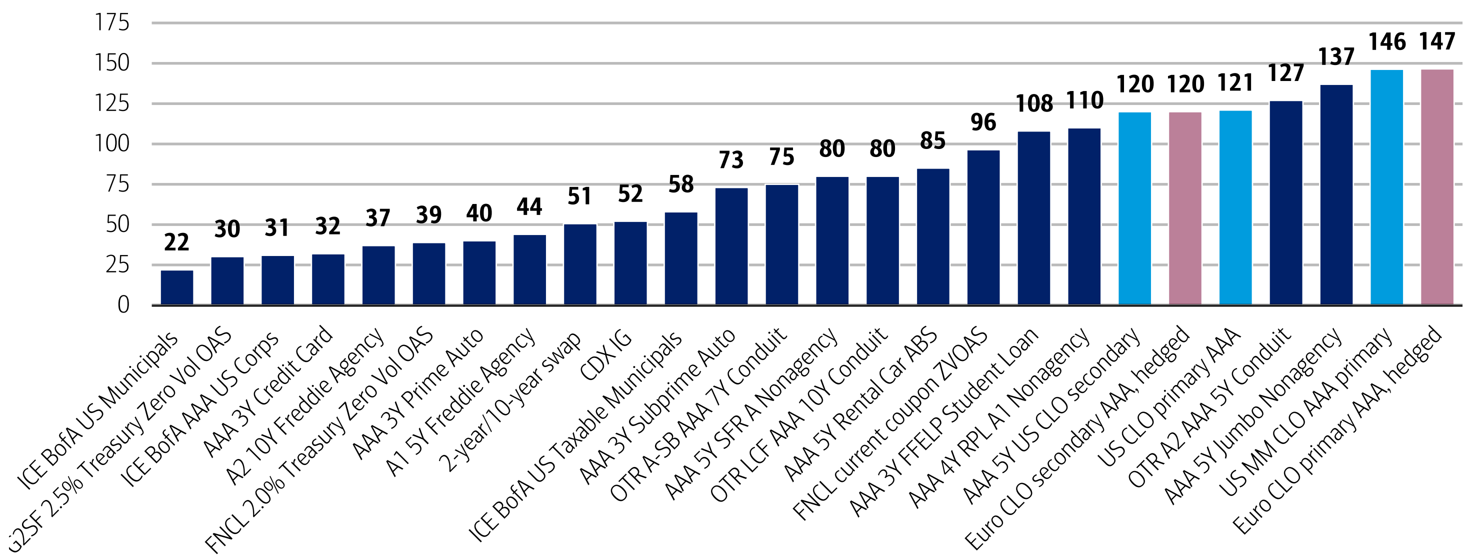
CLO continue to look compelling from a spread and yield pick-up perspective

CLO remain one of the wider spread and higher yielding fixed income asset classes and offer meaningful pick-up over many other rating-matched products.

- Euro CLO triple-As are at 120 bps secondary and 147 bps primary (hedged). This compares to US BSL CLO triple-As at 120 bps on secondary and 121 bps on primary. US MM CLO triple-As offers around 146 bps of spread.
- Euro hedged and US CLO double-Bs offer spreads of 605 and 610 bps on the secondary, respectively. This compares favorably both to HY credit and loans.
- From a yield perspective, Euro and US CLO triple-As are trading at 3.2% and 5.1%, respectively. Euro and US CLO double-B yields are at 8.1% and 10%, respectively.

Exhibit 12: CLO AAA primary spreads offer some of the widest spreads across triple-A fixed income products
Triple-A cross-asset spreads, in bps



Source: BofA Global Research, Bloomberg, ICE

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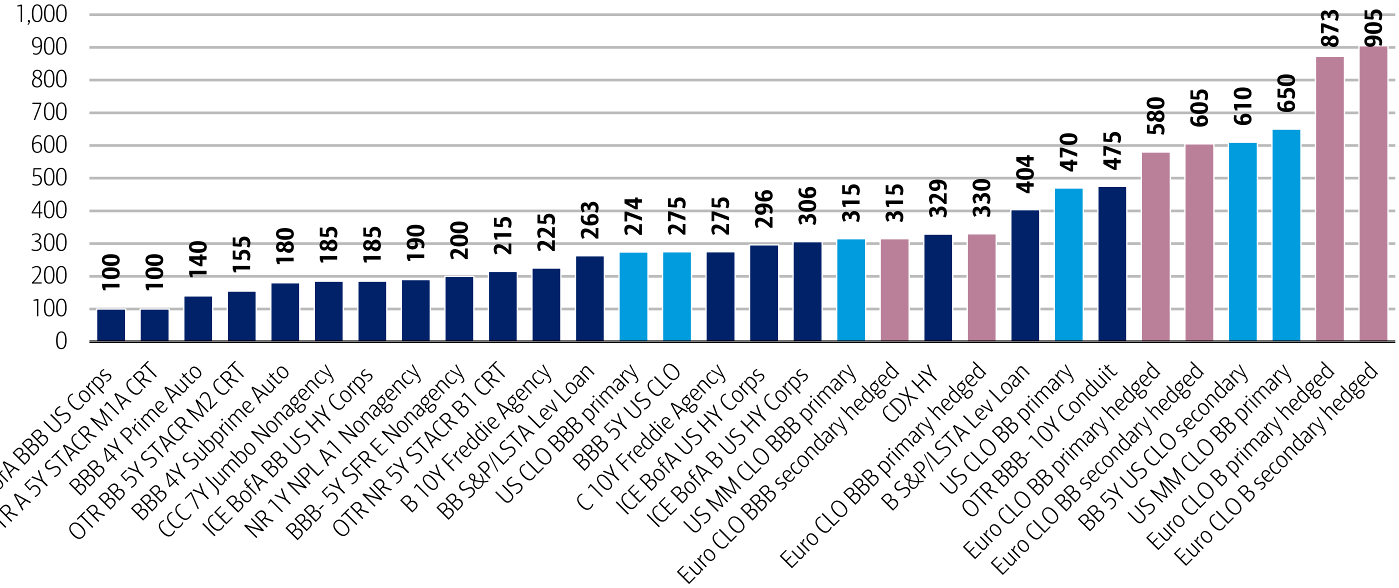
Exhibit 13: CLO triple-B & below bonds offer substantial spread pick-up over most comparable fixed income asset classes
CLO triple-B & below vs. other fixed income asset classes spreads, in bps



Source: BofA Global Research, Bloomberg, ICE, LCD

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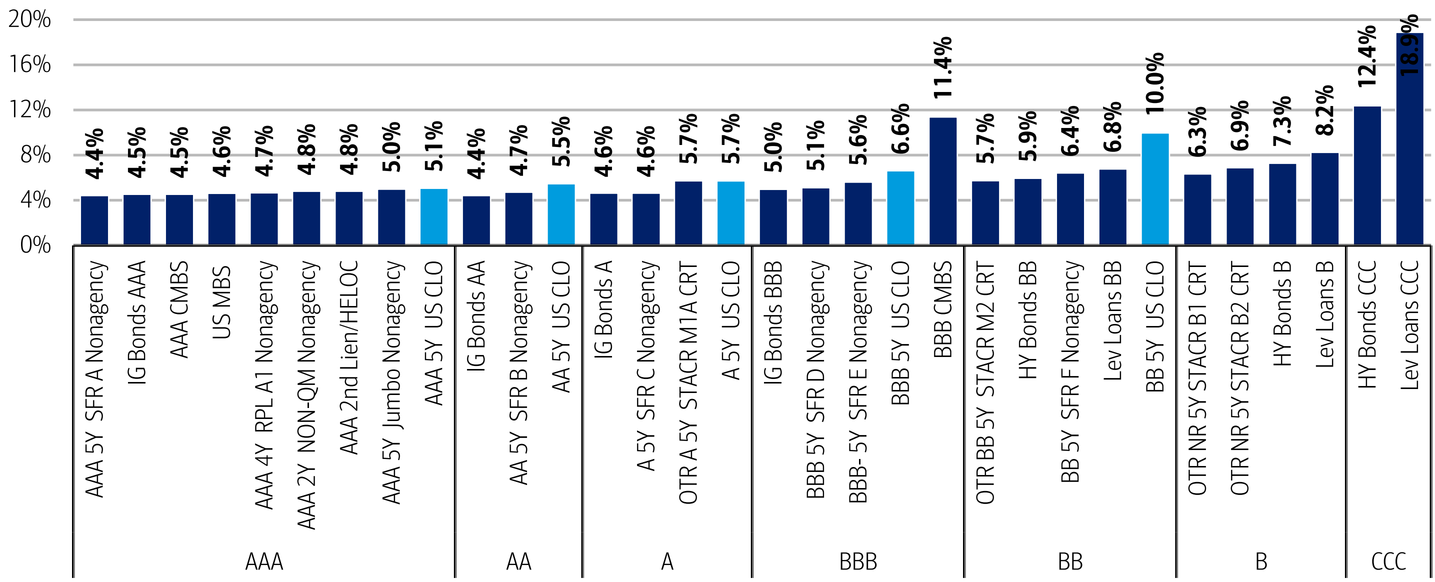
Exhibit 14: US CLO yields continue to look compelling vs. other asset classes
Yields by rating across securitized products, data as of 10/24/2025



Source: BofA Global Research, Markit, ICE Data Indices, S&P LCD

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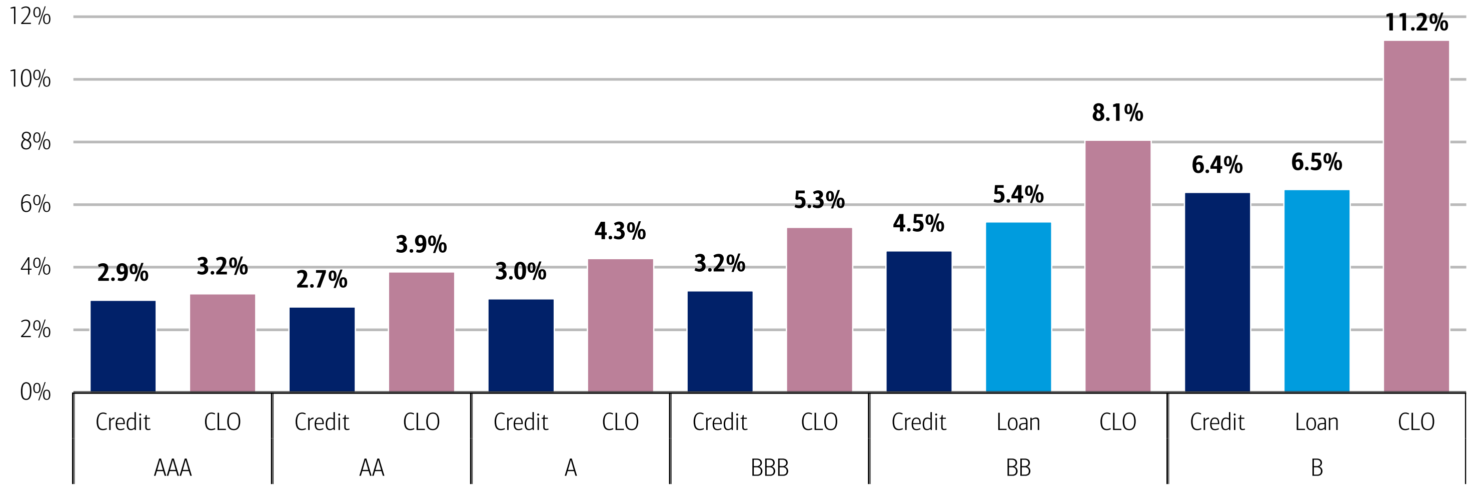
Exhibit 15: Euro CLO double-Bs offer around 8.1% yield vs. 4.5% for double-B credit
Yields for credit, loans, and CLOs by rating bucket



Source: Bloomberg, ICE Data Indices, LLC, Palmer Square

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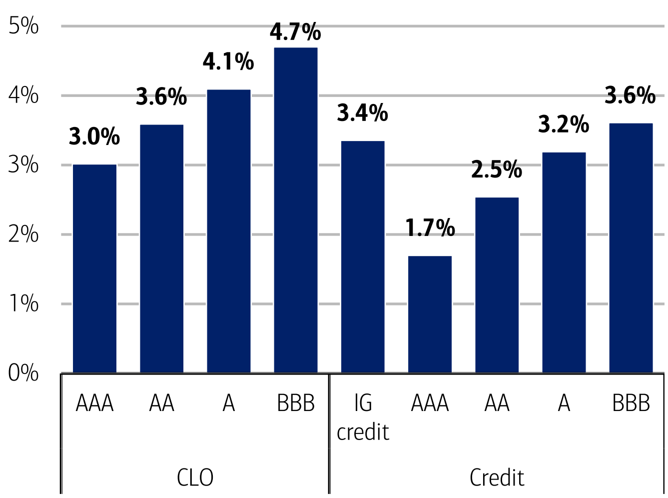
Total returns YTD: CLO AAA < IG credit, CLO BB > HY credit

- CLO triple-As have underperformed IG credit both in the US and Europe YTD, as IG credit has benefitted from declining rates. The underperformance has been more pronounced in the US, with CLO AAA at 4.6% vs. 8.2% for IG credit whereas in Europe, CLO AAAs have returned 3% vs. 3.4% for IG credit.
- However, CLO triple-As continue to exhibit good price stability as AAA-rated floaters. For example, when German bund yields surged in March 2025, Euro CLO triple-As held up much better than IG credit.
- For sub-IG, Euro and US CLO double-Bs have returned 6.4% and 7.7% YTD, respectively. This compares to 4.4% and 7.2% for HY credit in Europe and the US, respectively.

Exhibit 16: Euro CLO triple-As have returned around 3% YTD
Euro CLO vs. IG credit total returns YTD



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC, Palmer Square

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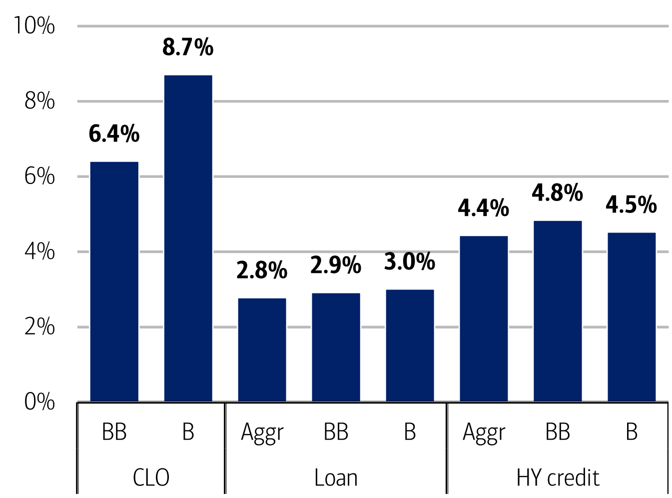
Exhibit 17: Euro CLO double-Bs have returned around 6.4% YTD
Euro CLO vs. HY credit and leveraged loan total returns YTD



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC, Palmer Square

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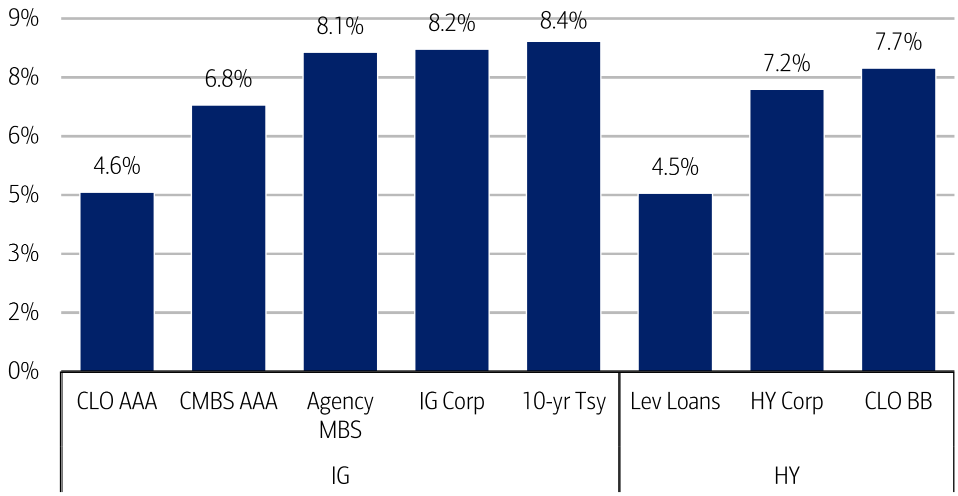
Exhibit 18: US CLO BB has returned 7.7%, duration products return higher in IG stack
Total Return for various assets in 2025 YTD



Source: Bloomberg, ICE Data Indices, LLC, BofA Global Research

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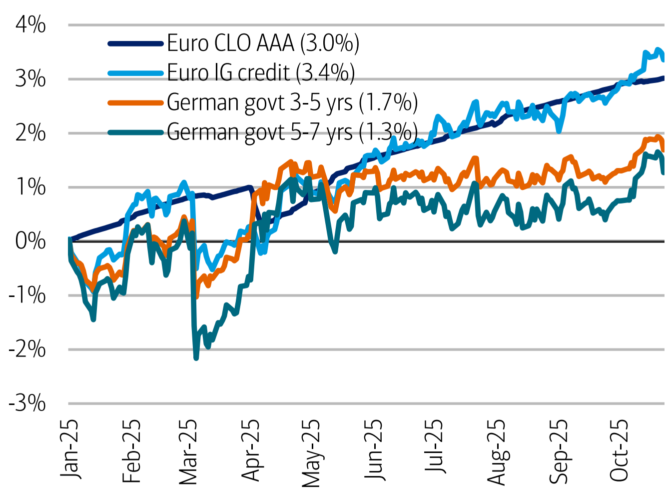
Exhibit 19: Euro CLO triple-As have returned 3% this year with relatively little volatility and with only one noticeable bump in Apr
Daily total return indices for Euro CLO AAAs, IG credit, and German government bonds since January 2025



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC, Palmer Square

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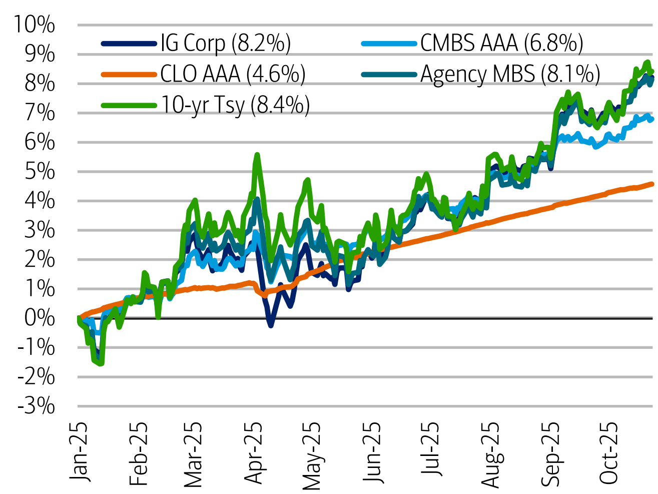
Exhibit 20: Whilst US CLO triple-As have underperformed fixed-rate asset classes YTD, CLO AAAs have exhibited lower volatility
Daily total return indices for US CLO AAAs vs. other fixed income asset classes since January 2025



Source: BofA Global Research, ICE Data Indices, LLC,, Bloomberg

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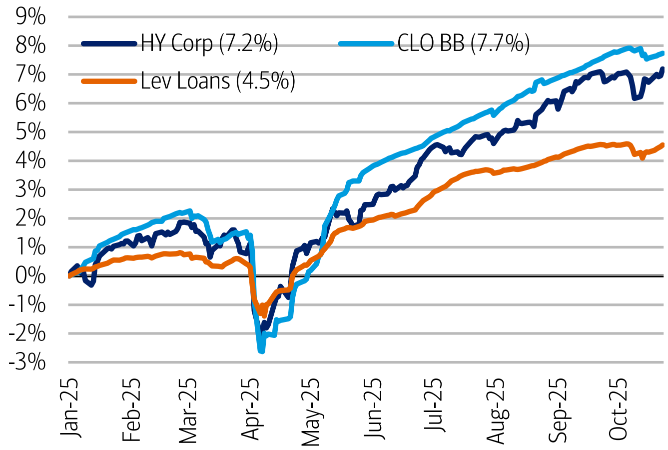
Exhibit 21: US CLO double-Bs have narrowly outperformed HY credit YTD
US CLO BB vs. HY credit and lev loans total returns YTD



Source: BofA Global Research, ICE Data Indices, LLC,, Bloomberg, LCD

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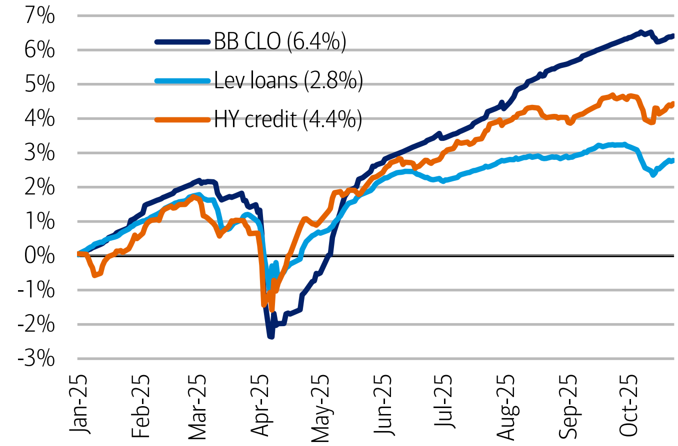
Exhibit 22: Euro CLO double-Bs have outperformed lev loans and HY credit, but suffered negative returns in March and April
Euro CLO BB vs. HY credit and lev loans total returns YTD



Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg, LCD

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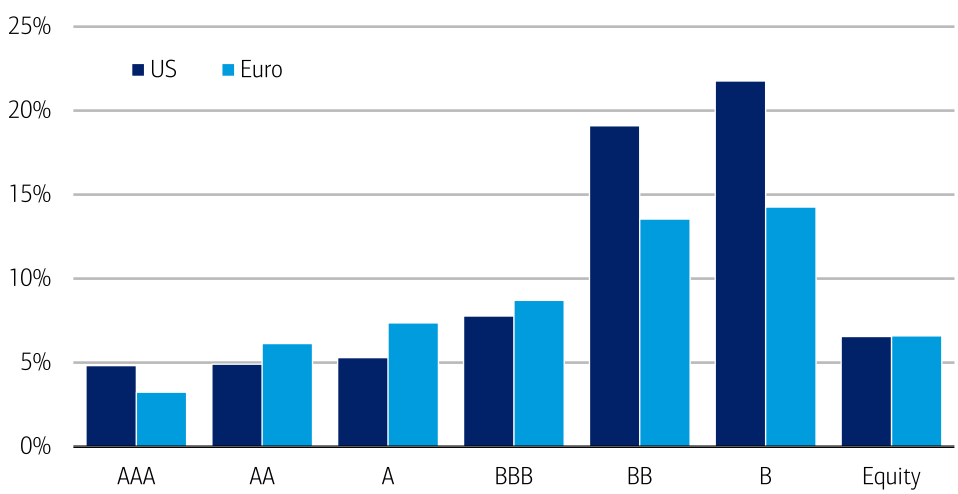
Liquidity – US BSL CLO triple-As continue to shine

- US BSL CLO triple-As have higher turnover (BWIC volume over outstanding) than Euro CLO triple-As, at 4.8% vs. 3.2% when using LTM data.
- A similar pattern holds true for sub-IG. For IG mezzanine, BWIC turnover is technically a bit higher in Europe, but the difference isn't huge.

Exhibit 23: US CLO BSLs have a higher BWIC turnover than Euro
LTM CLO BWIC turnover rate (LTM BWIV vol divided by current outstanding)



Source: BofA Global Research, Intex

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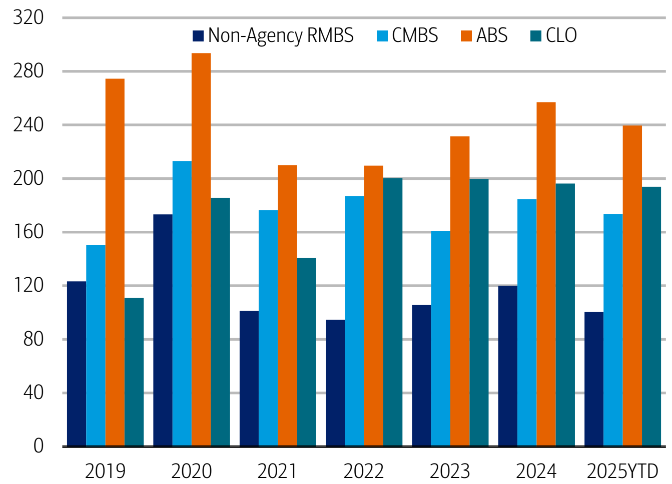
Exhibit 24: US CLO trading volume has reached $200bn 2025 YTD
US CLO YTD Trading Volume ($B)



Source: BofA Global Research, TRACE

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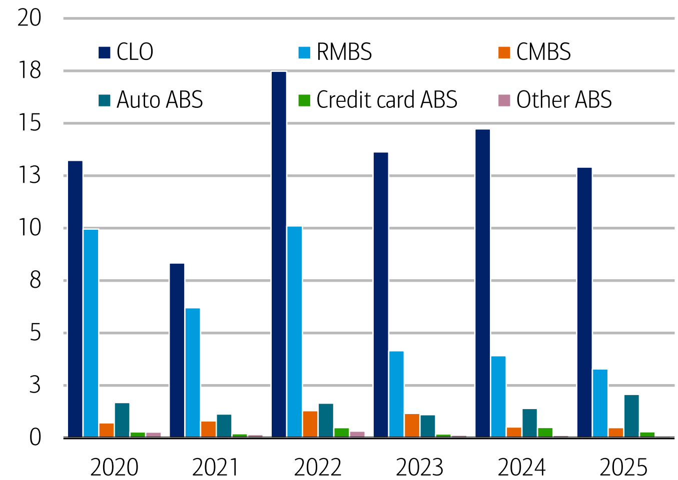
Exhibit 25: Euro CLO BWIC volume is at almost €13bn YTD already
European BWIC volumes by year and asset class, in bn €



Source: BofA Global Research
Note: Non-CLO BWIC volume also includes bonds in currencies other than EUR, e.g., GBP RMBS

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Tail risks

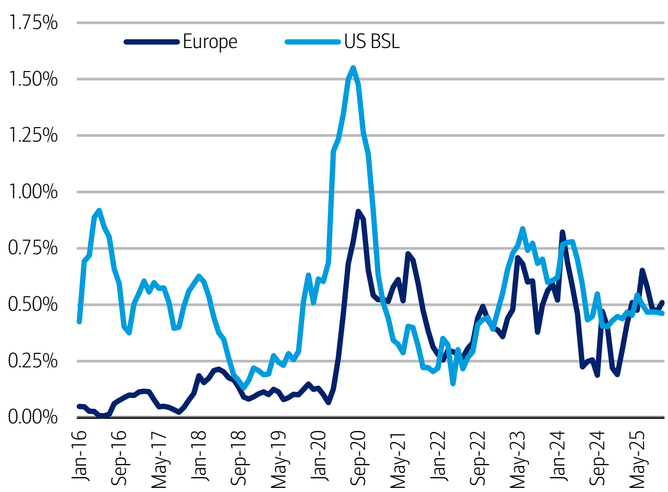
Uptick in defaults & declining recoveries

One key difference between the US and Euro CLOs market is higher issuer concentration, lower diversity, and more portfolio overlap for the latter. This topic has been in focus again lately considering softer loan prices in Europe post-summer, declining MVOC ratios, and an increasing share of loans trading below 90.

CCC downgrades and dip in estimated recoveries

- Defaults have started to increase in Europe again, with the Fitch LTM default rate (incl. distressed exchanges) at 2.4% vs. just 1% at its YTD low in March. Based on post-default pricing, we also note a dip in expected recoveries in Europe.
- In addition, the European leveraged loan market has seen an uptick in downgrades since August, including some CCC names, as discussed in European CLO Weekly: Declining CLO equity NAV, increased dispersion from 13 October 2025.
- In US, the pace of CCC downgrades remains significant for loans in CLOs. 2025 YTD we have seen $18.3bn of net CCC downgrades.
- We think credit is contained and single-name credit risk like First Brands do not represent a systematic fraud problem. However, LME risk remains pertinent (default rates at 4.5% level including LMEs); with 80% of defaults being restructurings & a >40% re-default rate for LMEs - we think that remains the bigger risk for CLO investors and managers in the near/medium term. **We expect the next 12month US default rate to be closer to 3.5%** taking a cue from the current <80% share and expectations for rate cuts next year.

Exhibit 26: Defaults have picked up vs. the start of the year
Defaulted Obligations share of total deal balance, all RP



Source: BofA Global Research, Intex

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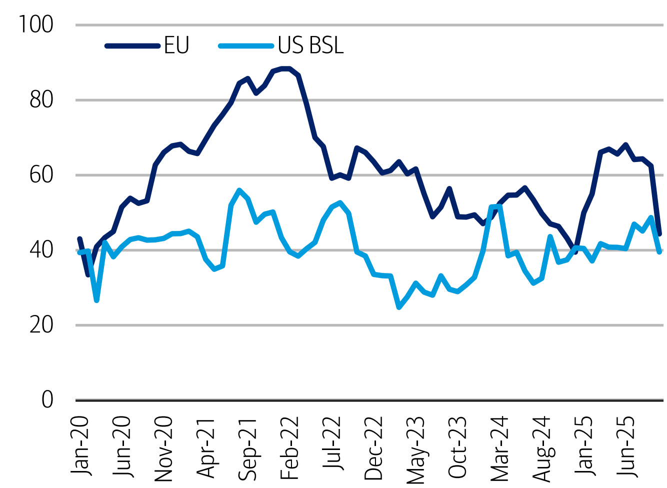
Exhibit 27: Recoveries have declined in Europe in recent weeks
Euro and US estimated recovery rate for Defaulted Obligations held by CLOs



Source: BofA Global Research, Intex, Markit

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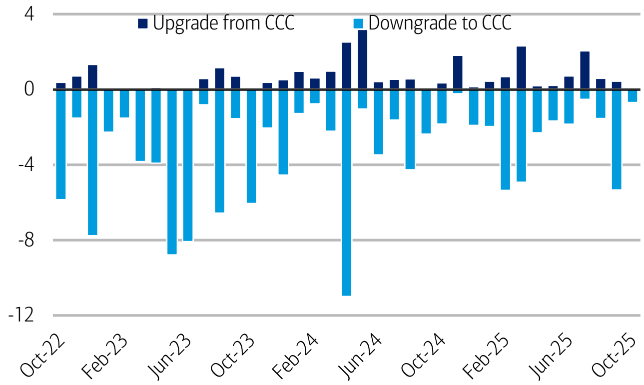
Exhibit 28: Net CCC downgrades of ~$18.3bn seen in US 2025 YTD
CCC upgrades/refis/downgrades over time ($bn)



Note: S&P Issuer ratings with negative watches treated as a 1-notch downgrade
Source: BofA Global Research, Intex, S&P

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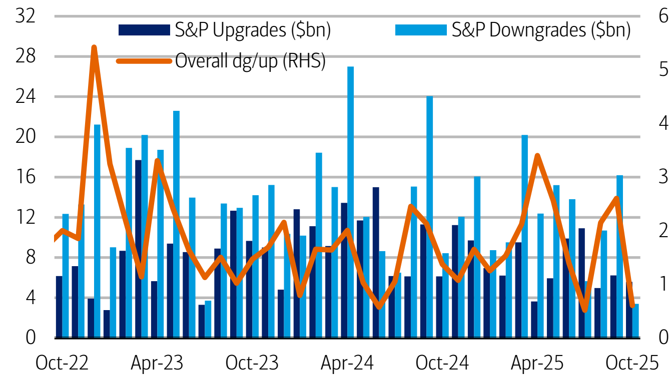
Exhibit 29: US Dg/Up ratio remains high
S&P rating actions & dg/ug ratio.



Source: BofA Global Research, Bloomberg, S&P

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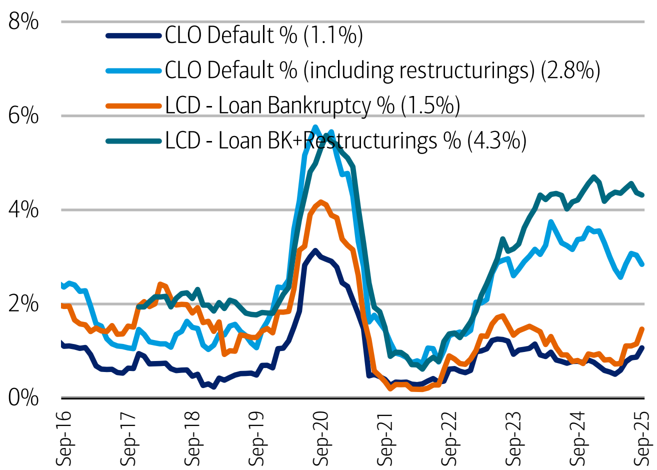
Exhibit 30: US Default rates have started to slowly increase again
LTM Default and Restructuring rate in US CLOs over time, 2016-2025



Source: BofA Global Research, Intex, Markit, LCD

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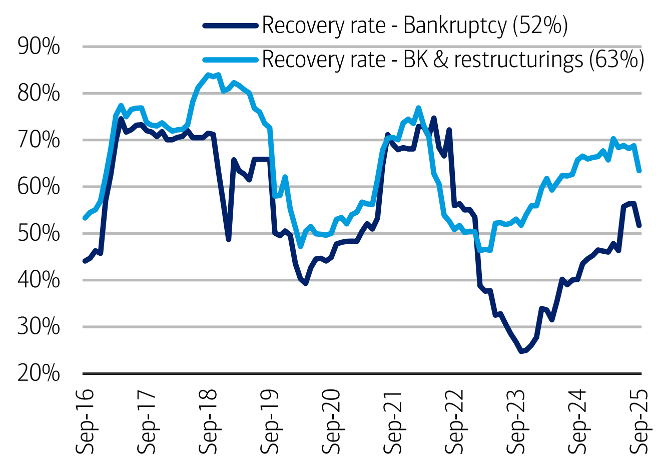
Exhibit 31: US LTM recovery rates dropped
US leveraged loan recovery rate from 2016-2025



Source: BofA Global Research, Intex, Markit, LCD

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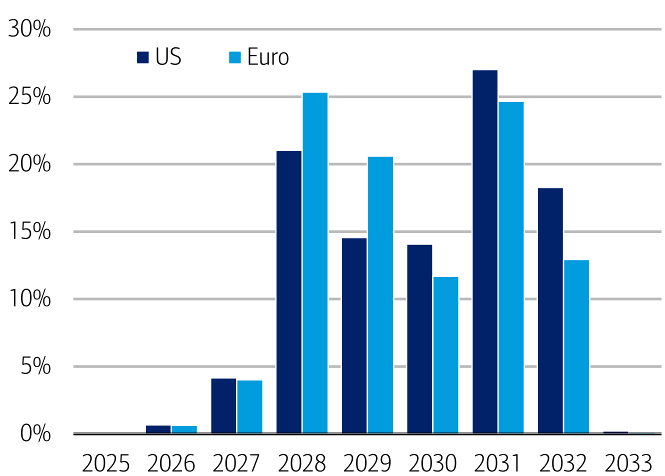
Exhibit 32: Around 25% of Euro loans are maturing in 2028
ELLI and US LLI maturity breakdown



Source: LCD

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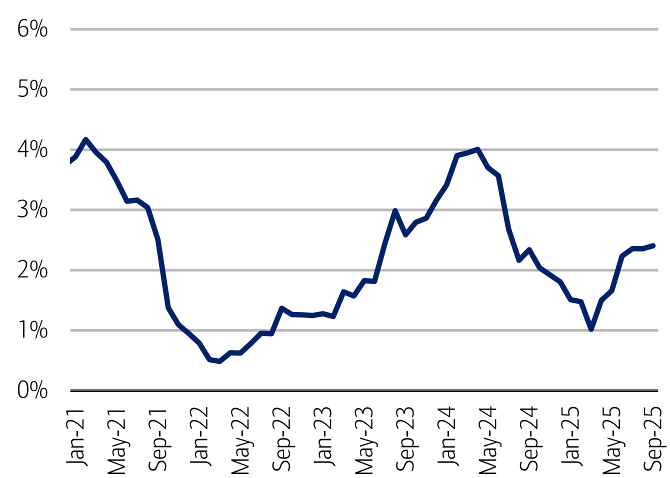
Exhibit 33: Defaults in Europe have picked up again in Q3 & 4 2025
Fitch European lev loan default rate LTM (defaults incl. distressed exchanges)



Source: Fitch

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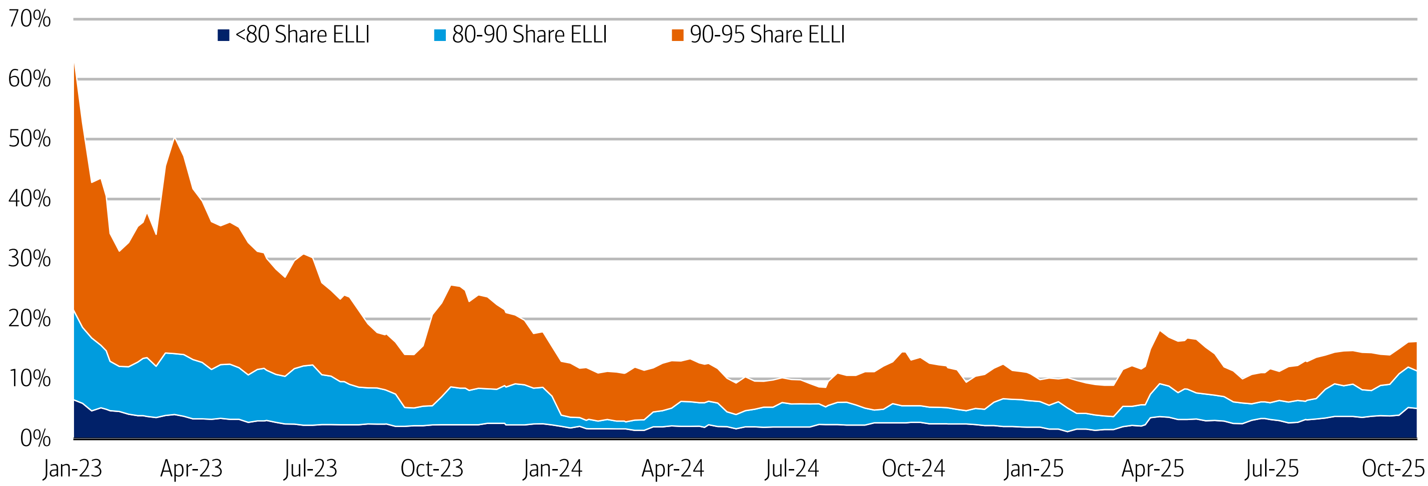
Distressed loans: Uptick in Europe, stubborn tail in the US

- The European leveraged loan market started to soften in August amid disappointing Q2 results for some issuers and several downgrades. This trend then accelerated in late September and early October, though over the last 2 weeks loan prices seem to have stabilized.

- **The share of European loans trading below 90 has increased from just above 6% of the start of the year to more than 11% now**, i.e., almost doubled. In particular, more than 5% of the ELLI is trading below 80. In our view, up until August, the strong technical support for loans amid record CLO creation may have masked some of stress, and investors have become more cautious with regards to highly leveraged issuers or issuers from sectors facing headwinds (e.g., chemicals, autos).

- The share of US loan market <$80 continues to be stubbornly above 3% YTD even when above par share climbed to 40-60% in Jan and July.

Exhibit 34: The share of European loans trading below 80 has increased from less than 2% at the start of 2025 to more than 5% now
ELLI <80, 80-90, and 90-95 shares over time



Source: LCD

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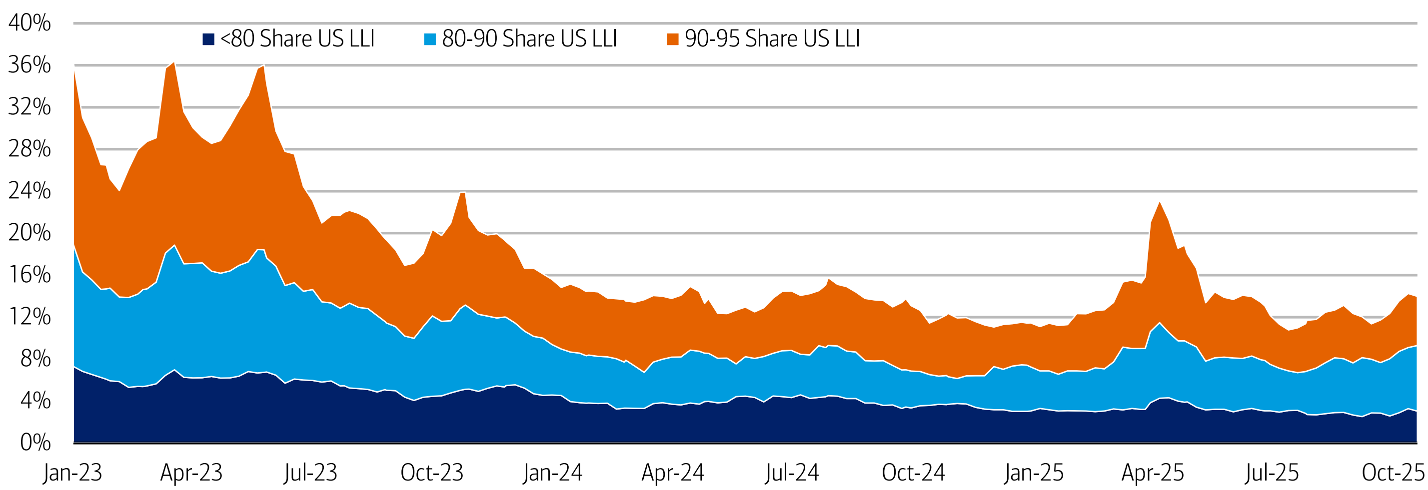
Exhibit 35: US loan below $95 share has meaningfully declined since 2023 but <$80 tail is still around 3%
US LLI <80, 80-90, and 90-95 shares over time



Source: LCD

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Meaningful decline in MVOC ratios in Europe

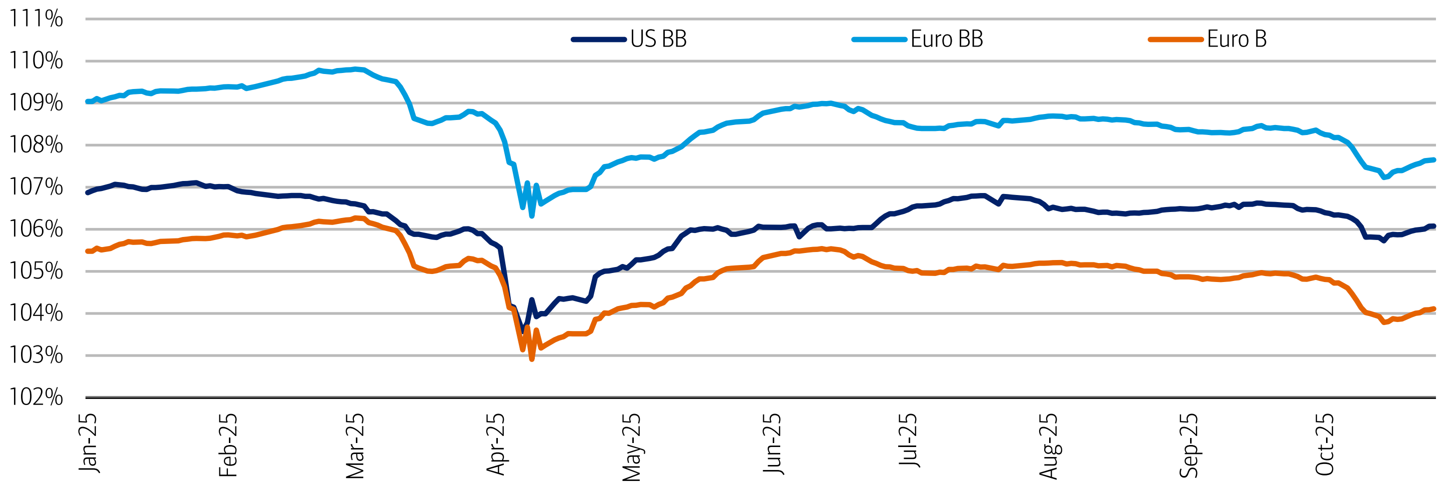
- The above-mentioned softness in loan prices is also reflected in declining MVOC ratios in Europe. Around 4% of single-B tranches now have MVOC ratios < 100%, i.e., are not fully covered.

- For double-B MVOC ratios, only around 0.3% are below 100% in Europe, which compares favorably to the 7% double-B tranches with MVOC ratios below 100% in the US. Whilst <100% MVOC ratios remain rare in Europe, the share of weaker Euro bonds with sub-104% has increased to 7% now vs. essentially none at the start of the year.

- Naturally, older deals tend to be more impaired. During the recent loan market softening, though, we saw an increase in MVOC ratio dispersion even for younger vintages, with some CLO managers exposed to more recent distressed names than others. This has also been reflected on the secondary, with spread dispersion for sub-IG CLO bonds significantly increasing in Europe.

- US BB MVOC dipped to below 104% during April market selling off, has then recovered but still 1pt lower vs start of year. The tail has slightly increased with 7% of deals below 100%.

Exhibit 36: MVOC ratios declined significantly in early October, though have rebounded a little bit in the last 2 weeks
Median US and Euro in-RP CLO sub-IG MVOC ratios over time



Source: BofA Global Research, Intex, Markit

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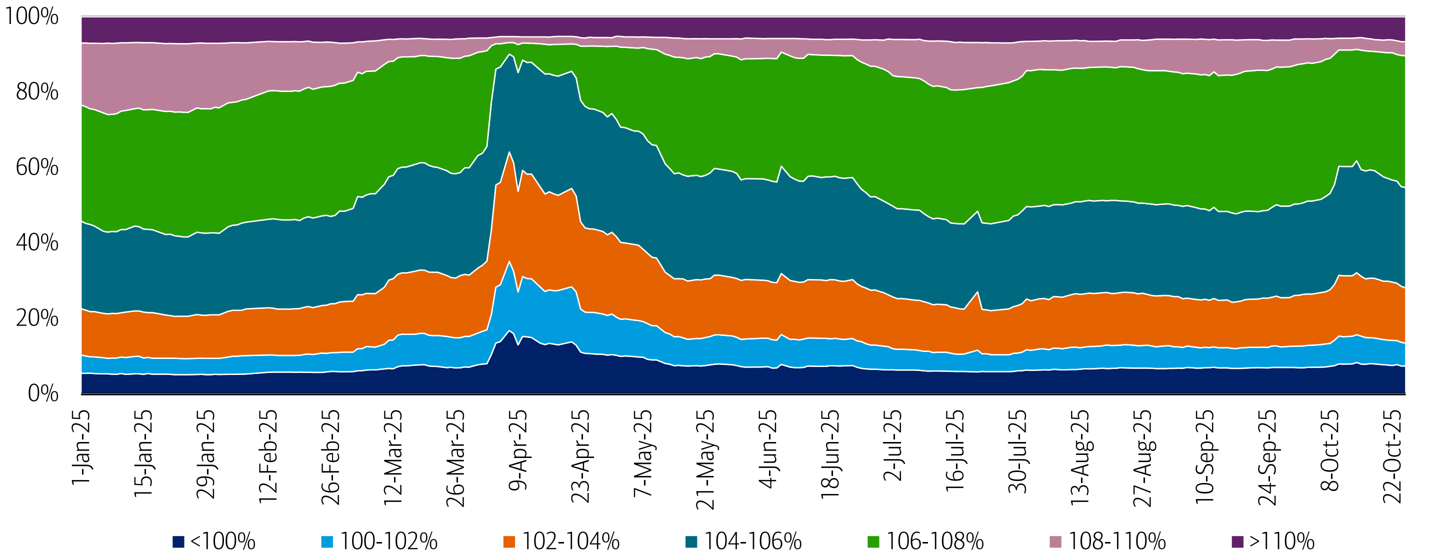
Exhibit 37: More than 7% of US CLO double-B tranches have MVOC ratios below 100% vs. around 5% at the start of the year
US CLO double-B MVOC ratio distribution over time



Source: BofA Global Research, Intex, Markit

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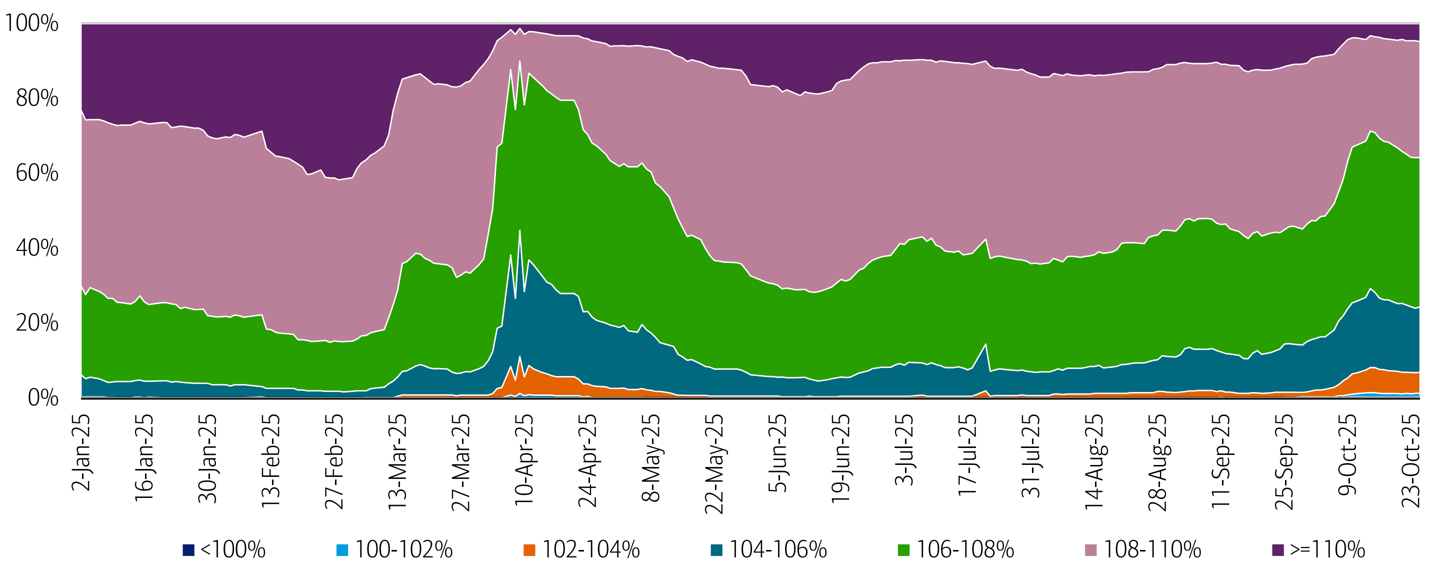
Exhibit 38: Only 0.3% of Euro CLO double-B tranches have an MVOC ratio below 100%, though the below 104% share has reached almost 7%
Euro CLO double-B MVOC ratio distribution over time



Source: BofA Global Research, Intex, Markit

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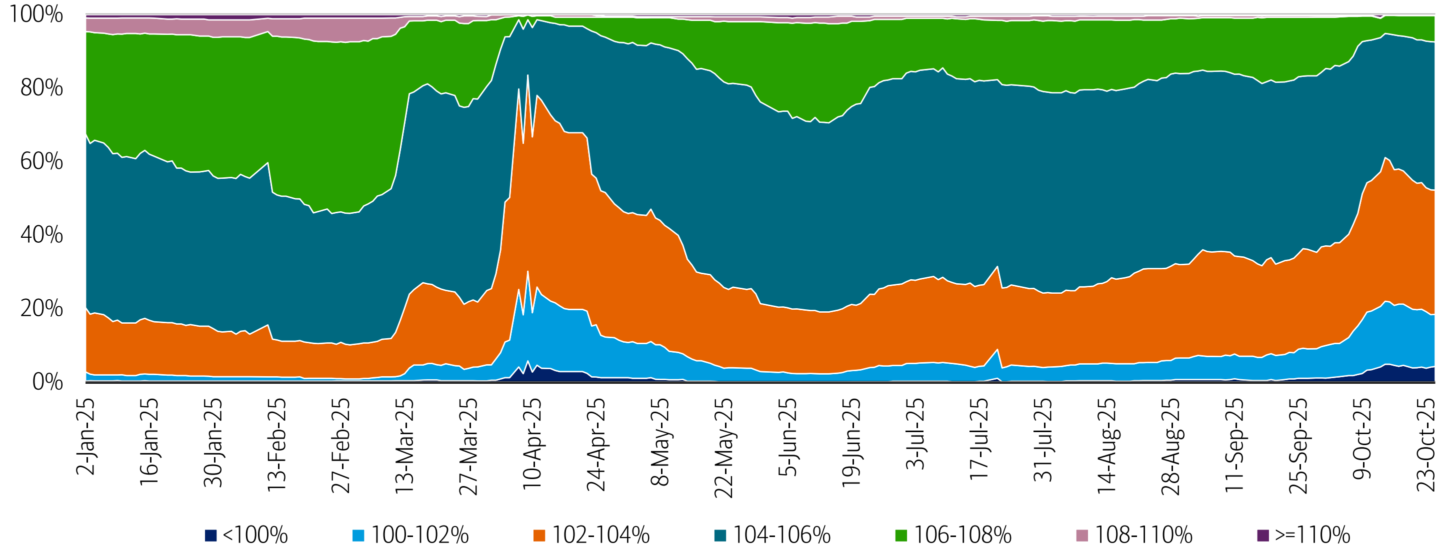
Exhibit 39: More than 4% of Euro CLO single-B tranches have MVOC ratios below 100% now
Euro CLO single-B MVOC ratio distribution over time



Source: BofA Global Research, Intex, Markit

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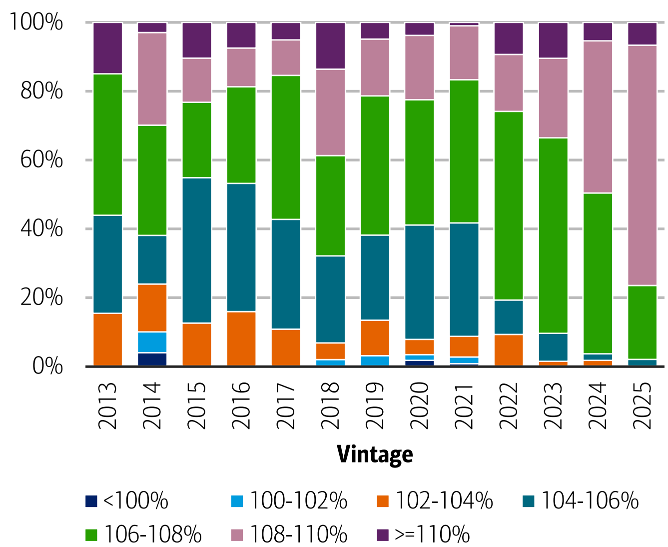
Exhibit 40: Dispersion in double-B MVOC ratios for Euro CLOs is high, even for younger vintages
Euro CLO double-B MVOC ratio distribution by vintage



Source: BofA Global Research, Intex, Markit

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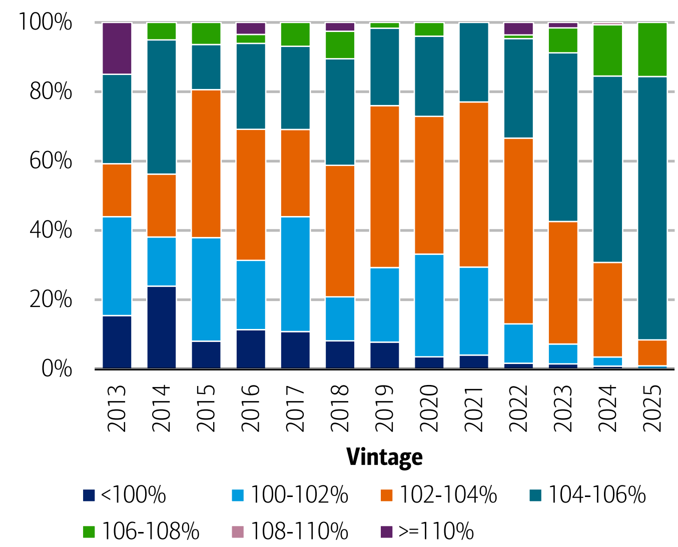
Exhibit 41: While single-B MVOC ratios tend to be weaker for older vintages, there are some 2024 vintage Euro deals with <102%
Euro CLO single-B MVOC ratio distribution by vintage



Source: BofA Global Research, Intex, Markit

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Watching sector risk – Chemicals in focus

Whilst some of the recent distress stories were idiosyncratic, there are some sector-wide themes emerging.

- The Chemicals sector is facing headwinds both in regions, with a WAP for Chemical names held by CLOs priced at $90-92. Chemicals is one of the larger CLO sector exposures in Europe, accounting for 6.6% of collateral. Current resturcturings include Kloeckner Pentaplast whilst other distressed names include Kem One.

- In addition, the INEOS chemicals conglomerate and INEOS Quattro in particular came under pressure in early October, with INEOS Quattro downgraded to B2 by Moody's with negative outlook. The INEOS Quattro 2029 TLB temporarily traded in the low 80s, though has since stabilized in the high 80s. Still, given the size of the issuer and how ubiquitous the name is across Euro CLOs, it remains a tail risk.

- Besides Chemicals, Euro CLOs have seen some softness in Healthcare & Pharmaceuticals, driven mostly by French laboratories (Cerba Healthcare, which is expected to get restructured, plus some other issuers such as Biogroup and Inovie). Some pharmaceuticals issuers have also come under pressure, such as concerns about Pharmanovia (with the 2030 Euro TLB trading below 50, for example).

- As for Telecommunications, whilst the Altice France/SFR restructuring is complete now and Altice France no longer a Defaulted Obligation, sister business Altice International continues to be under pressure. For example, the Altice Financing Euro TLB 2027 is trading in the low 80s at the time of writing.

- In addition, European CLOs have some exposure to First Brands (currently around €280mn, down from around €500mn pre-bankruptcy). Another distressed auto issuers in Euro CLO collateral pools is Grupo Antolin Irausa, with an average price in the high 60s for securities held by CLOs. Auto remains one of the sectors under pressure from tariff headwinds, though we note the sector is small in both Europe and US (at 2% and 3% of total collateral, respectively).

- Last but not least, some sectors are exposed to AI risk: Whilst AI may lead to significant productivity gains for some companies, others have their business model threatened. For example, several business service providers have come under pressure in Europe, including outsourcing company KronosNet.

- In the US, there are three broad sectors that have sold off over the past few months include Automotive (First Brands & tariff related news), Chemicals (tariff related and broader weakness in Europe) and more recently, potential risk from AI in specific business services sectors: legal services and staffing agencies are seeing price drop of $6 YTD.

- Tariff impacts: Across sectors, Auto, Construction, Chemicals, Retail and Consumer durable and non-durable sectors stands out as the hardest hit, each seeing close to 5-7pts drop in prices through October 2024 till mid-April 2025. The prices have rebounded since; however, these sectors still are 2-10pts down since election. **We see tariff impacted sectors having ~19% of exposure in US CLOs.**

Exhibit 42: The Chemicals sector is under pressure, with a WAP of less than 92 for Euro CLOs and 90 for US CLOs
Euro and US CLO industry exposure and corresponding WAP and <80 and 80-90 shares

	Euro				US			
Industry	% of collat	WAP	<80	80-90	% of collat	WAP	<80	80-90
Healthcare & Pharmaceuticals	17.0%	97.0	4.6%	4.8%	11%	96.6	3.7%	4.9%
Services: Business	9.4%	96.8	4.9%	3.8%	8%	95.9	2.9%	10.9%
High Tech Industries	9.4%	99.0	0.9%	0.2%	12%	95.4	4.5%	8.6%
Beverage, Food & Tobacco	6.7%	98.9	0.0%	4.4%	4%	97.5	4.0%	0.3%
Chemicals, Plastics & Rubber	6.6%	91.5	7.8%	14.9%	4%	90.2	10.6%	21.4%
Telecommunications	6.3%	97.6	4.1%	4.1%	3%	96.1	7.3%	0.9%
Construction & Building	5.9%	96.5	0.5%	8.6%	4%	97.4	2.0%	4.6%
Banking, Finance, Insurance & Real Estate	4.9%	95.1	5.3%	11.5%	11%	99.5	0.5%	0.6%
Services: Consumer	4.9%	99.6	0.2%	0.6%	3%	96.6	2.2%	10.6%
Capital Equipment	4.8%	99.0	0.2%	4.6%	4%	98.9	1.3%	2.6%
Hotel, Gaming & Leisure	4.7%	98.5	2.3%	5.2%	5%	98.4	0.3%	2.5%
Retail	4.4%	99.6	0.6%	0.0%	2%	96.9	3.2%	0.9%
Media: Advertising, Printing & Publishing	3.6%	97.9	3.3%	3.8%	1%	95.3	0.3%	16.1%
Containers, Packaging & Glass	2.3%	95.7	7.9%	4.2%	3%	95.2	10.4%	1.3%
Automotive	2.1%	95.1	5.4%	5.1%	3%	93.2	4.8%	10.8%

Exhibit 42: The Chemicals sector is under pressure, with a WAP of less than 92 for Euro CLOs and 90 for US CLOs
Euro and US CLO industry exposure and corresponding WAP and <80 and 80-90 shares

	Euro				US			
Consumer goods: Durable	1.9%	93.6	3.4%	8.2%	2%	96.2	6.3%	7.9%
Environmental Industries	1.0%	100.2	0.0%	0.0%	1%	99.2	0.4%	2.4%
Consumer goods: Non-durable	0.8%	99.8	0.2%	0.1%	1%	98.3	3.1%	0.5%
Transportation: Cargo	0.8%	100.5	0.0%	0.0%	1%	95.8	5.0%	3.3%
Forest Products & Paper	0.7%	93.0	20.1%	1.3%	0%	96.3	0.2%	14.8%
Wholesale	0.7%	98.0	0.3%	10.2%	0%	99.7	0.1%	0.0%
Aerospace and Defense	0.6%	99.2	26.0%	0.6%	4%	97.5	2.7%	7.8%
Transportation: Consumer	0.3%	99.0	0.6%	0.0%	2%	98.5	0.0%	4.6%
Metals & Mining	0.2%	100.2	0.0%	0.6%	1%	98.8	2.8%	0.0%
Utilities: Electric	0.1%	98.7	0.0%	15.4%	2%	99.7	0.0%	0.0%
Energy: Oil & Gas	0.1%	98.3	0.0%	0.0%	3%	98.8	1.8%	0.0%
Other	0.0%	91.2	13.1%	44.6%	4%	96.9	7.0%	2.5%

Source: BofA Global Research, Intex, Bloomberg

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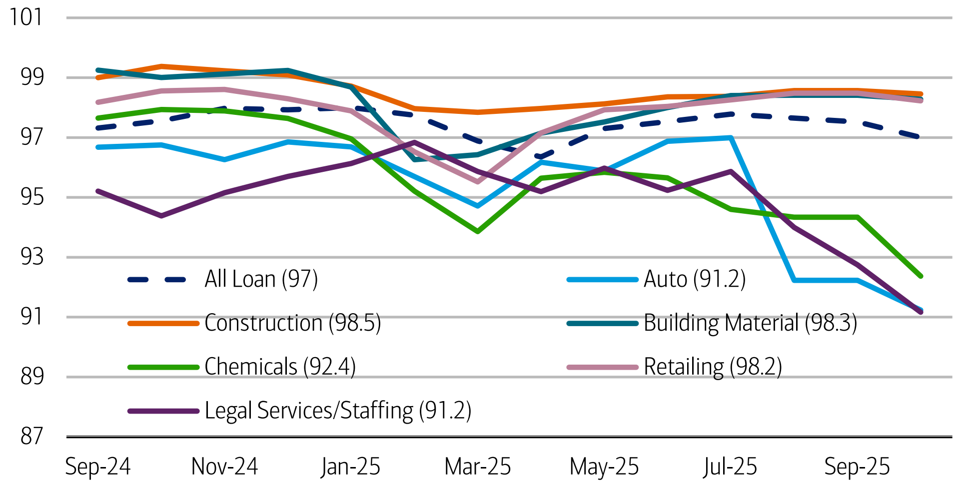
Exhibit 43: Legal services and staffing agencies are exposed to AI risks and saw price drops
US loan weighted average price over time across tariff concentration sectors



Source: BofA Global Research, Intex, Bloomberg, Markit

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US CLOs: Eggs not in one basket – lower concentration

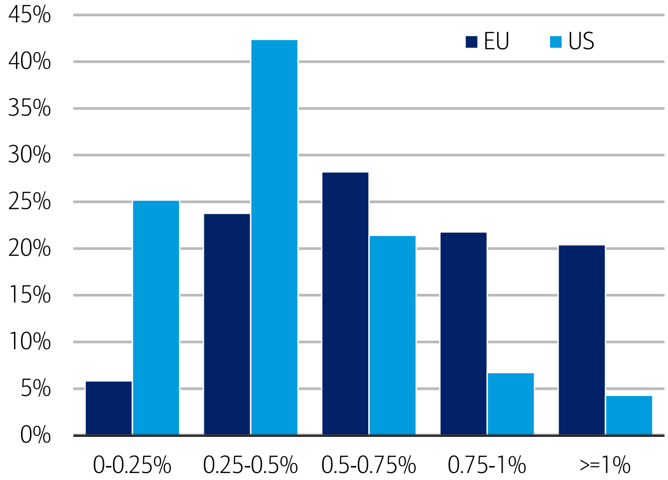
- Euro CLOs have more concentrated collateral pools and bigger position sizes. For example, around 20% of positions in Euro CLOs inside the RP account for more than 1% of a deal's collateral each. Positions in the 0.75-1% range account for another 22%. By contrast, for US CLOs most positions are below 0.75%, with above 0.75% positions accounting for just 11% roughly (vs. 42% for Europe).

- The bigger position sizes in Europe also explains why some Euro CLOs have seen more significant dips in NAV and MVOC ratios recently, as some CLOs had meaningful exposure to multiple "landmines" whilst others avoided all or most of them.

- In Europe, the top 20 issuers account for almost 16% of CLO collateral vs. just 8% in the US. So Euro CLOs may be more correlated in collateral performance if one large issuer defaults or gets downgraded to CCC. CLOs experience this already in 2024 with Altice France/SFR.

- Euro CLOs have much lower Moody's diversity scores, mostly in the 54 to 69 range for in-RP deals. By contrast, in the US in-RP deals with diversity scores below 69 are rare.

Exhibit 44: US CLOs tend to have smaller position sizes than Euro deals
Position size distribution, deals inside the RP



Source: BofA Global Research, Intex

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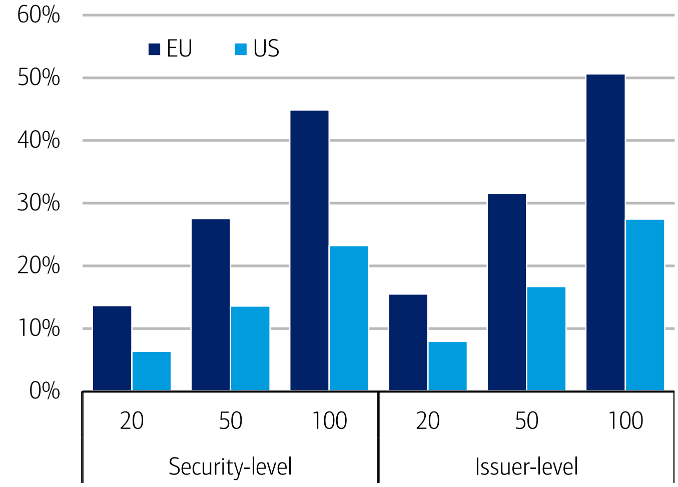
Exhibit 45: Issuer concentration is lower across US CLOs
Top issuers/securities share of collateral



Source: BofA Global Research, Intex

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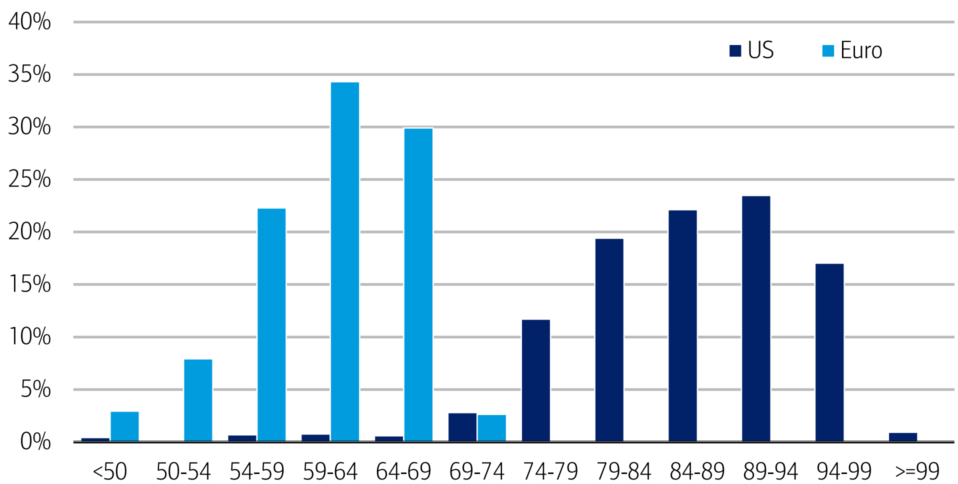
Exhibit 46: US CLOs have substantially higher Moody's diversity scores
Moody's diversity score distribution for in-RP CLOs



Source: BofA Global Research, Intex

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Fundamentals and collateral performance

In RP OC test cushions lower but still healthy

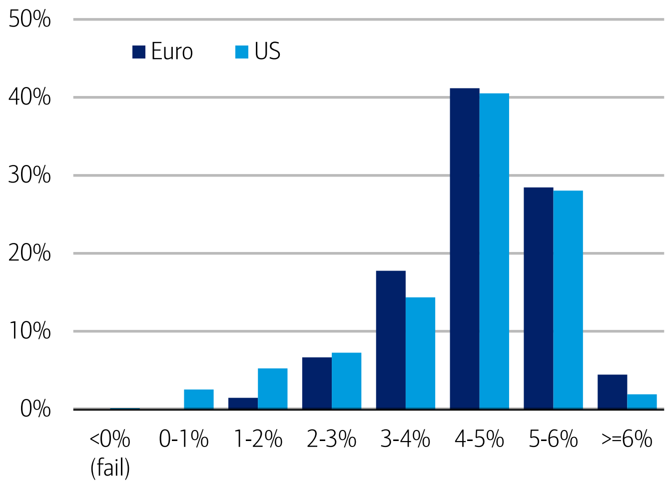
We provide an update on CLO collateral performance, including coverage test performance (OC & IC test cushions), portfolio profile tests (CCC buckets), and collateral quality (WARF, WAS).

Generally thick in RP OC test cushions, post RP US CLO at stress

- Negative par build – driven by lack of OID in the loan primary, some CCC selling, and an uptick in defaults – has led to some par erosion, though there are no OC test breaches inside the RP in Europe, as we discussed in European CLO Weekly: Slight and manageable deterioration in fundamentals from 20 October 2025.
- In both Europe and the US, the vast majority of CLOs inside the RP have double-B OC test cushions of 2% or more.
- Outside the RP, the junior OC test breach rate remains low in Europe, confined to just around 2% of deals failing their single-B OC test. However, the breach rate is much higher for US deals, with 30-40% of deals failing their junior OC test outside the RP as an aftermath of recent downgrades and defaults.

Exhibit 47: There are no double-B OC test breaches for Euro CLOs inside the RP

Euro & US CLO double-B OC test cushion distribution for deals inside the RP



Source: BofA Global Research, Intex

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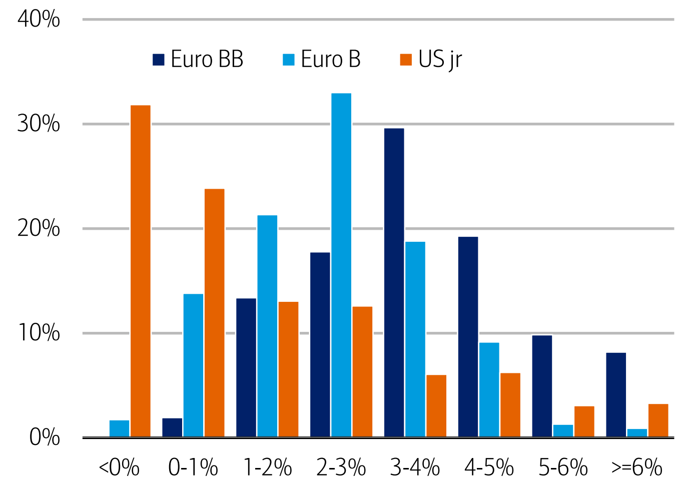
Exhibit 48: The junior OC breach rate is significantly higher for US deals outside the RP than for Europe

Euro & US CLO junior OC test cushions distribution for deals outside the RP



Source: BofA Global Research, Intex

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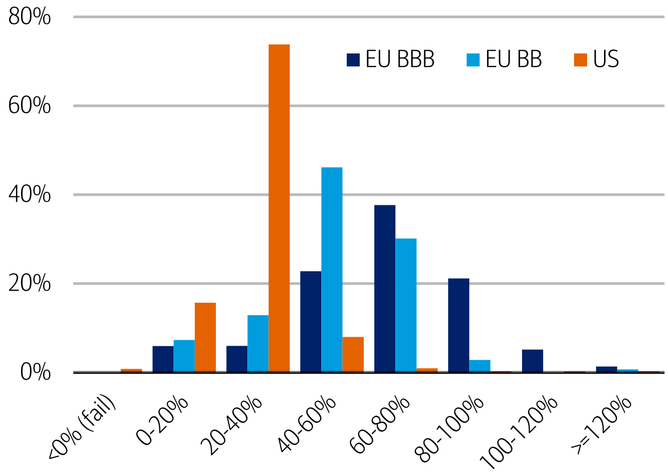
No IC test breaches in Europe, almost none in the US

- We continue to see no IC test breaches in Europe and almost none in the US, though cushions are generally quite slim given relatively wide liability spreads when compared to loan spreads.

Exhibit 49: Most US deals inside the RP have junior IC test cushions in the 20-40% range
Euro and US CLOs inside the RP junior IC test cushion distribution



Source: BofA Global Research, Intex

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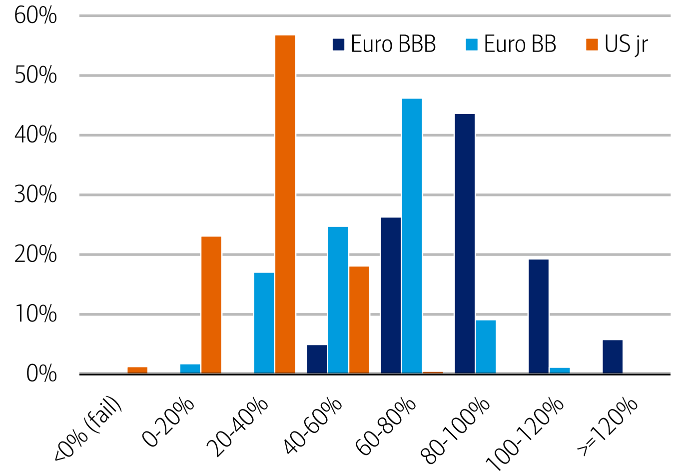
Exhibit 50: Only a very few US deals outside the RP are breaching their junior IC test
Euro and US CLOs outside the RP junior IC test cushion distribution



Source: BofA Global Research, Intex

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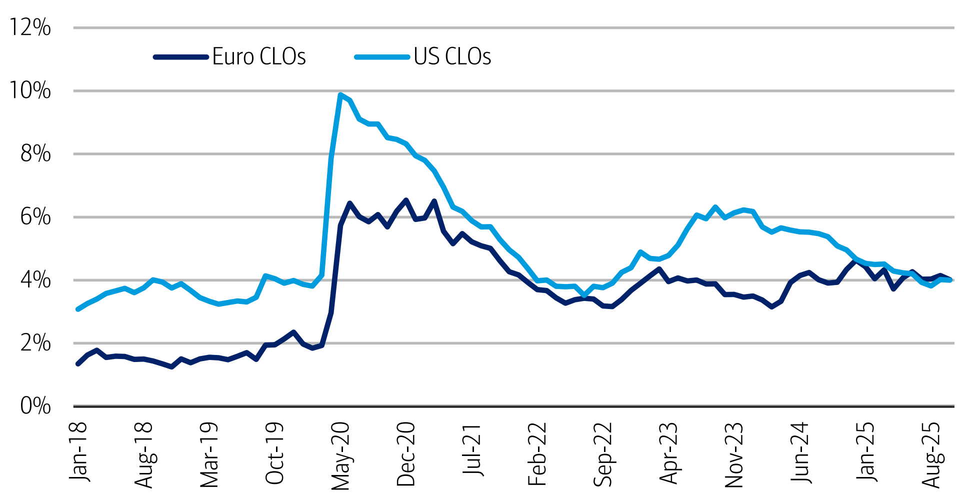
CCC buckets remain small for deals inside the RP

- There have been some CCC downgrades in Europe recently, though buckets remain stable. This has in part been due to some CLO managers selling CCCs to reduce risk, though at the expense of burning some par. Heavy reset activity has helped too, with more impaired CLOs usually selling CCCs and possibly having some equity injected in the run-up to a reset. Only 3% of in-RP Euro CLOs exceed 7.5% CCCs currently, though this increases to 29% for out of RP deals.

- US saw $18bn of CCC net downgrades this year. Managers have been actively trading to reduce CCC exposure. In RP CCC rose to 4.5% in pro-forma of First Brands downgrades by September end before it got defaulted. We estimate current in RP CCC is at 4%, with a third of deals containing CCC% at 3-4.5% but post RP CCC has rose to 10%. Around 60% of post RP deals are breaching CCC limit thus receiving haircuts.

Exhibit 51: For deals inside the RP, the median CCC bucket is around 4% both in the US and Europe
Median US and Euro CLO CCC buckets for deals inside the RP over time



Source: BofA Global Research, Intex

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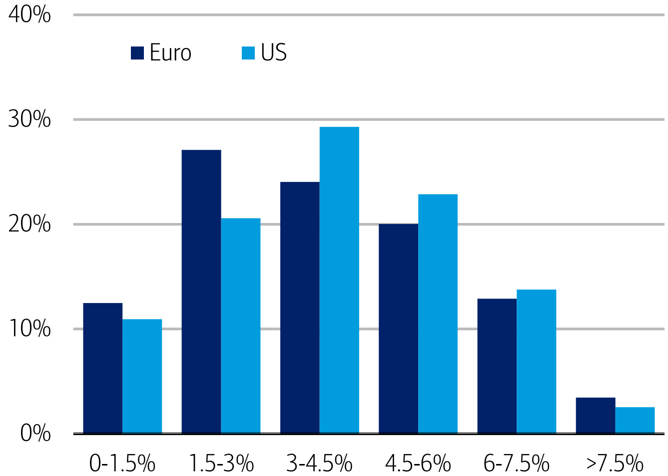
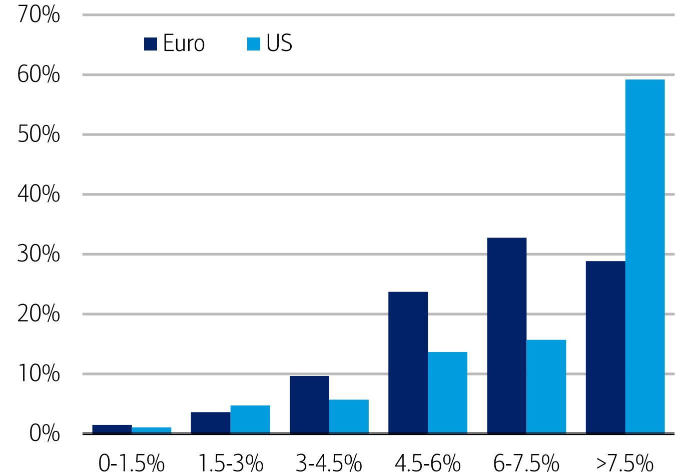
Exhibit 52: Only a small proportion of deals inside the RP exceed 7.5% CCCs currently
Euro & US CLOs inside the RP CCC bucket distribution



Source: BofA Global Research, Intex

BofA GLOBAL RESEARCH

Exhibit 53: Around 29% and 50% of Euro and US CLOs outside the RP exceed 7.5% CCCs, respectively
Euro & US CLOs outside the RP CCC bucket distribution



Source: BofA Global Research, Intex

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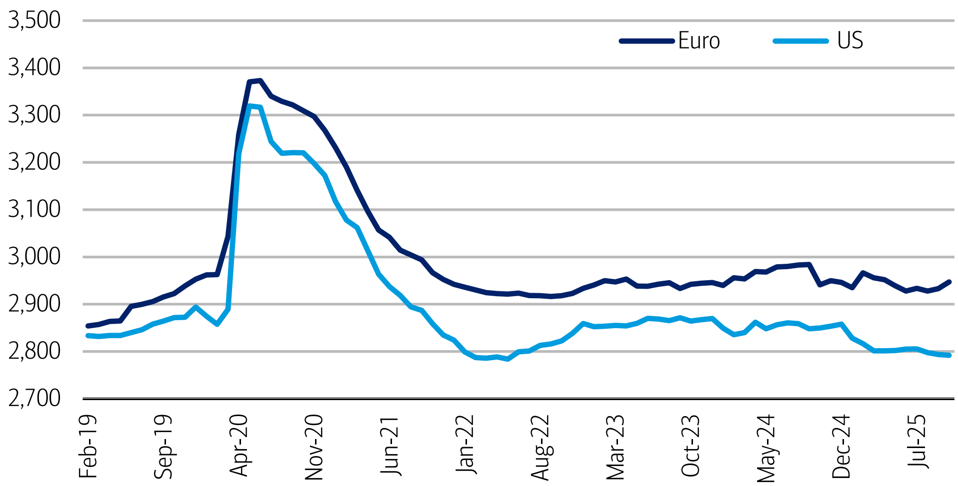
Euro CLOs have higher Moody's WARF

- Euro CLOs continue to have higher Moody's WARF, at more than 150 points higher than the median for US deals inside the RP. This is driven by a smaller double-B loan share in Europe.

Exhibit 54: Euro CLOs generally have higher Moody's WARF given a smaller BB loan share
Median Euro and US CLO Moody's WARF for all RP over time



Source: BofA Global Research, Intex

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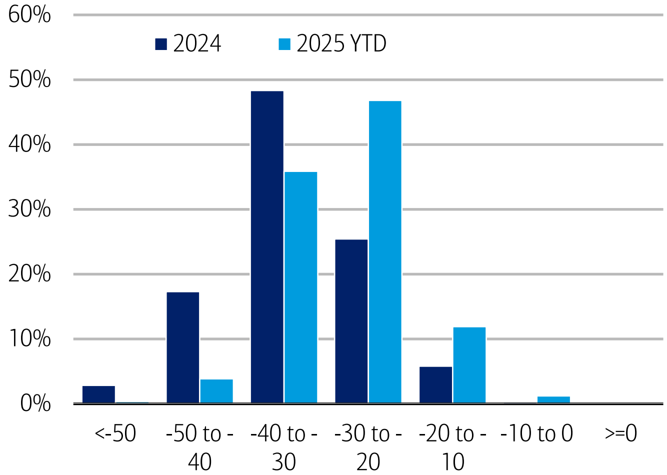
WAS has compressed more in the US

- WAS has compressed both in the US and Europe amid strong loan repricing activity, though the decline in WAS has been more pronounced in the US. More than $480bn of US and €100bn of European leveraged loans have been repriced YTD.

- Most in-RP US CLOs have seen WAS decline by 20-40 bps. In Europe, most deals had WAS declines in the 10-30 bps range, with a smaller share in the 30-40 bps bucket than in the US.

- Median WAS for in-RP deals is around 60 bps higher in Europe than in the US.

Exhibit 55: Most in-RP US CLOs have seen WAS decline by 20-40 bps YTD amid strong loan repricing activity
WAS change distribution for US CLOS inside the RP, in bps



Source: BofA Global Research, Intex

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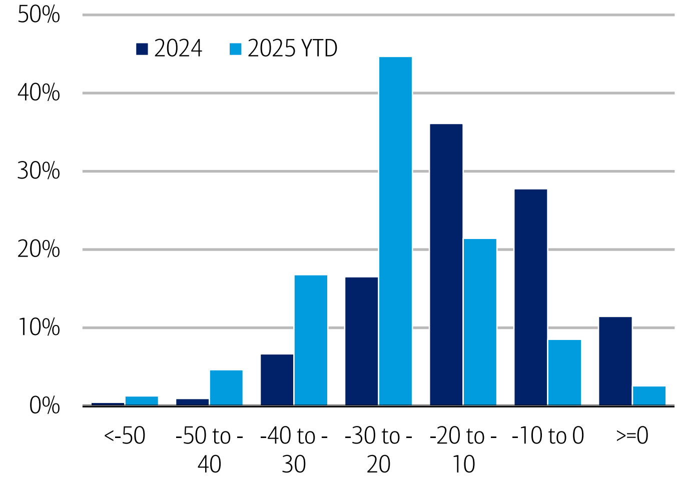
Exhibit 56: WAS compression has not been quite as severe for Euro deals compared to US, but still meaningful
WAS change distribution for Euro CLOS inside the RP, in bps



Source: BofA Global Research, Intex

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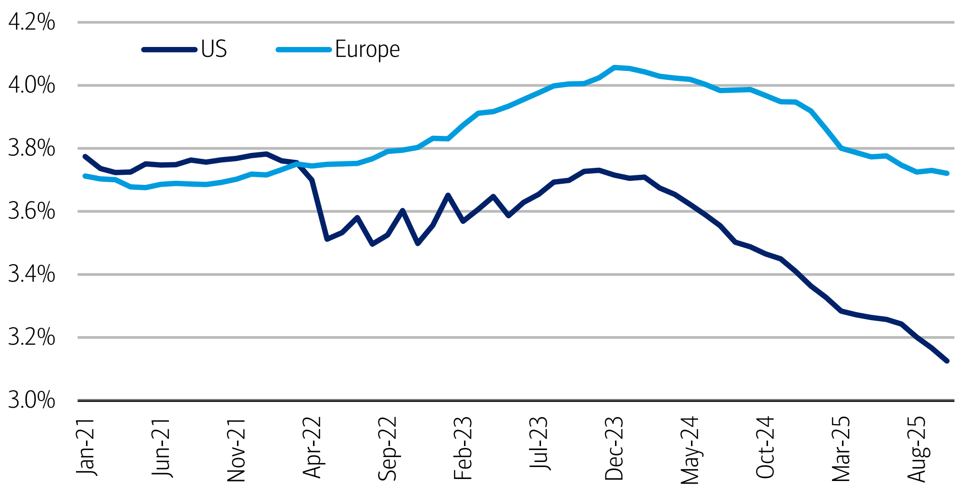
Exhibit 57: WAS has declined more for US CLOs than in Europe
Median US and Euro CLO WAS for in-RP deals over time



Source: BofA Global Research, Intex

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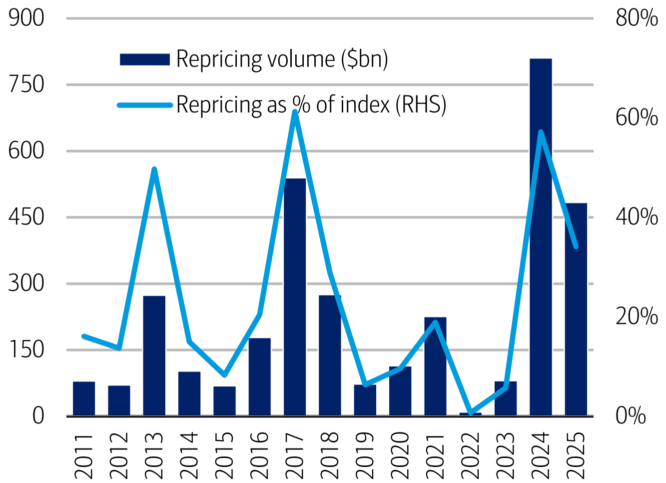
Exhibit 58: YTD US loan repricing volume is above $480bn
US leveraged loan repricing volume, in bn $



Source: BofA Global Research, LCD

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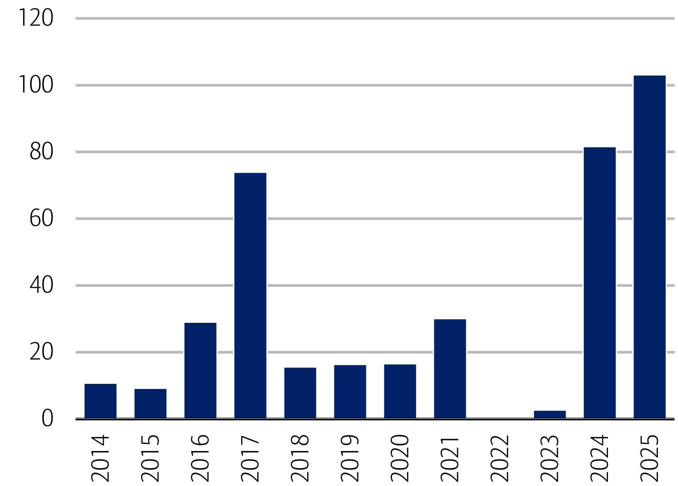
Exhibit 59: YTD European leveraged loan repricing exceeds €100bn
European leveraged loan repricing volume, in bn €



Source: BofA Global Research, LCD

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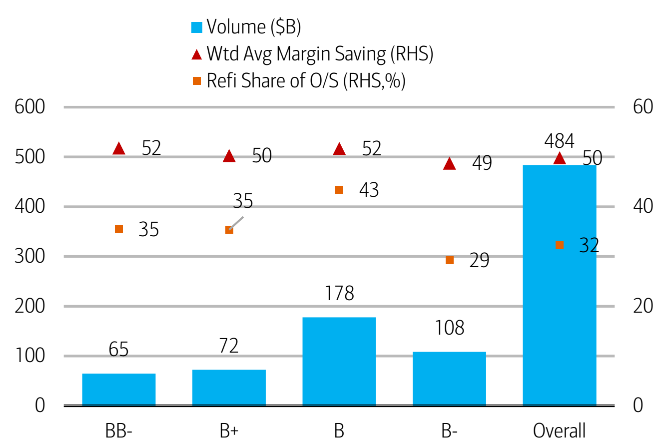
Exhibit 60: In 2025, 34% of US loan index repriced with an average 50bps of coupon saving
2025 YTD US loan repricing volume & margin change & % of loans repriced



Source: BofA Global Research, LCD

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CLO equity performance

Decline in CLO equity NAV

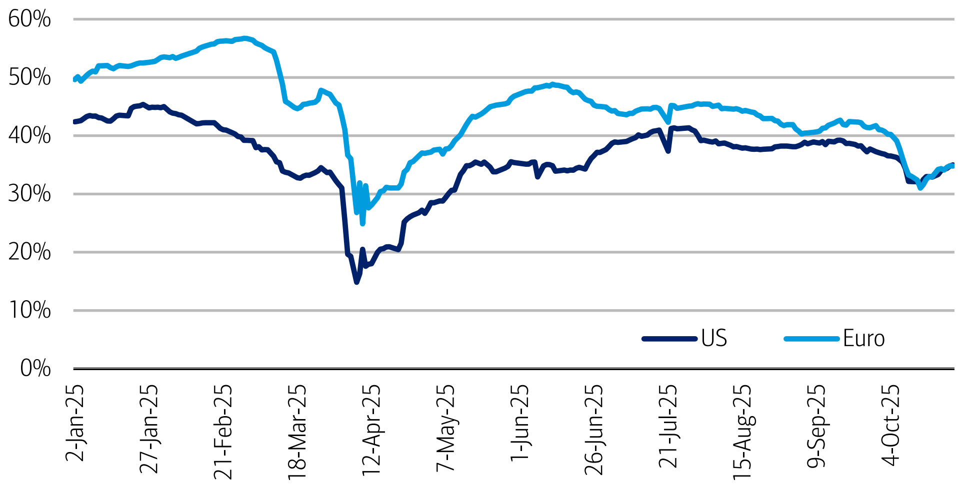
CLO equity performance has been facing headwinds this year so far, including pressure on CoC distributions due to loan repricings and softer equity NAV stemming from lower loan prices now vs. pre-September.

The share of negative equity NAV has increased

- CLO equity NAV softened in late September/early October, though bounced back a little bit over the last few days.
- Around 4% of Euro CLOs have negative equity NAV now, and around 10% each are in the 0-10% and 10-20% range.
- Dispersion in NAV has increased for both Euro and US CLOs, including for fairly recent vintages.

Exhibit 61: Median Euro and US CLO equity NAV have converged, with Euro CLO equity NAV dropping more in late September/early October

Median US and Euro CLO equity NAV over time



Source: BofA Global Research, Intex, Markit

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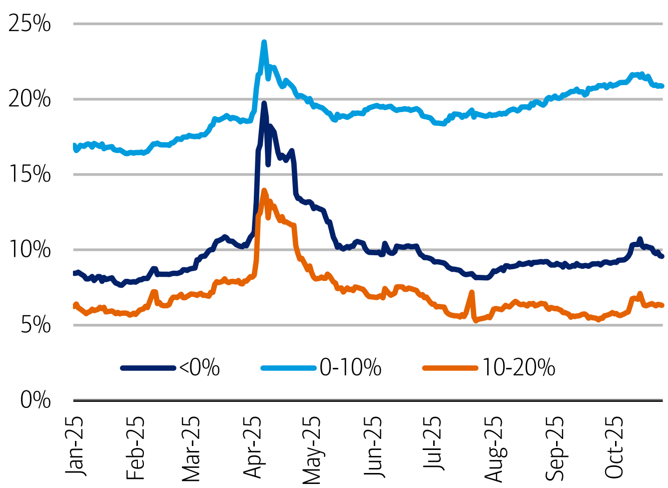
Exhibit 62: Around 10% of US CLO equity tranches have negative NAV

US CLO equity low NAV share over time



Source: BofA Global Research, Intex, Markit

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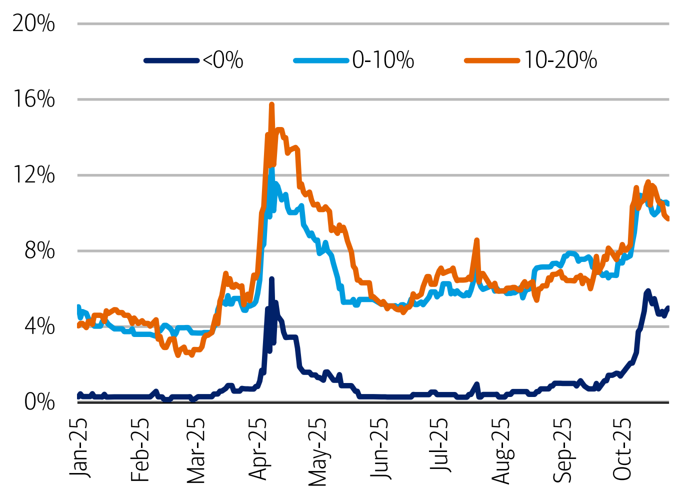
Exhibit 63: More than 4% of Euro CLOs have negative equity NAV

Euro CLO equity low NAV share over time



Source: BofA Global Research, Intex, Markit

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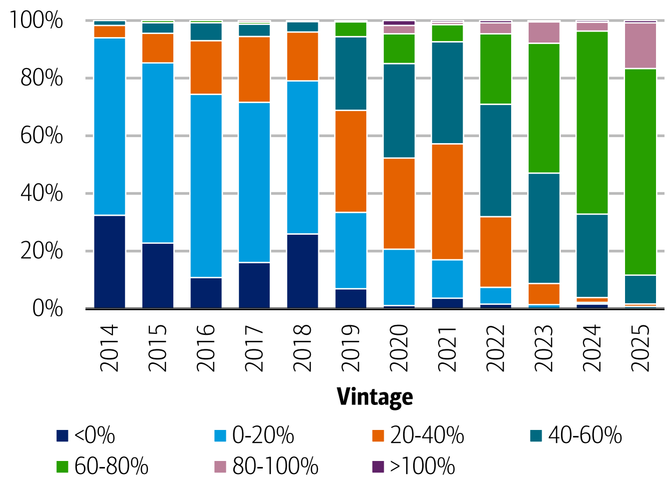
Exhibit 64: Some US CLO equity tranches from 2022 have NAV below 40% despite being only around 3 years outstanding
US CLO equity NAV distribution by vintage



Source: BofA Global Research, Intex, Markit

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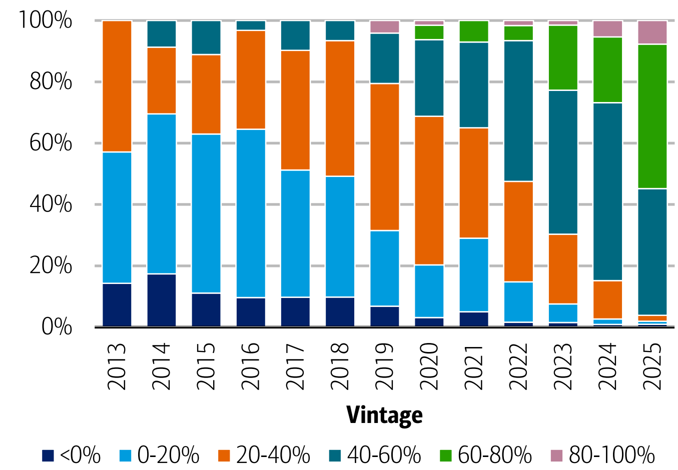
Exhibit 65: Dispersion is high for Euro CLO equity NAV, including for relatively recent vintages such as 2022 and 2023
Euro CLO equity NAV distribution by vintage



Source: BofA Global Research, Intex, Markit

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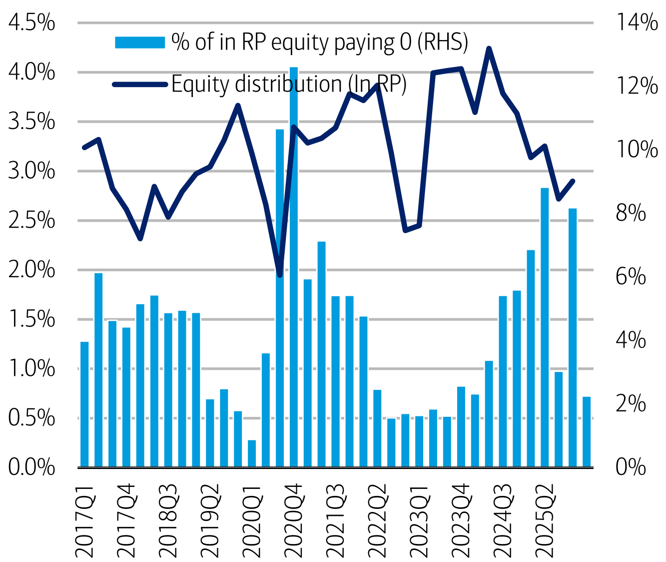
Decline in cash distributions to equity

- Euro CLOs continue to have significantly higher CoC distributions than US deal given less aggressive loan repricings and higher WAS in Europe.
- However, Euro CLOs have also seen declines in CoC. For example, for in-RP deals, the median CoC payment declined from 5% in Q2 2025 to 4.4% in Q3 and then 4.1% in Q4.
- Loan repricing pressure has eased now, with loan prices softer in both Europe and the US. Supply has shown sign of revival in US, but we expect supply to pick-up only in late 1H 2026. Pressure on WAS should ease from here. For Europe, the impact of lower base rates should also be mostly reflected by now.

Exhibit 66: On average, in RP US deals distributed 2.9% to equity in Q4 2025 based on deals for which we have payment data already
US CLO equity distributions & share not paying, in RP



Source: BofA Global Research, Intex

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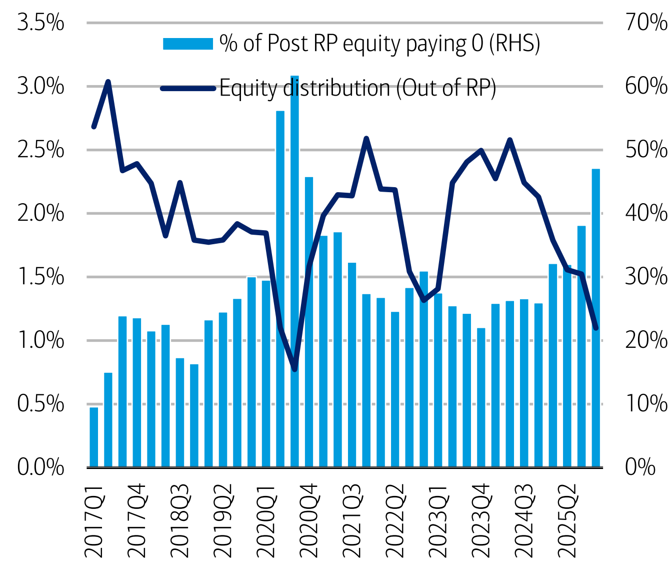
Exhibit 67: Around 47% of US CLOs outside the RP that have reported Q4 payments already did not make a cash distribution in October
US CLO equity distributions & share not paying, out of RP



Source: BofA Global Research, Intex

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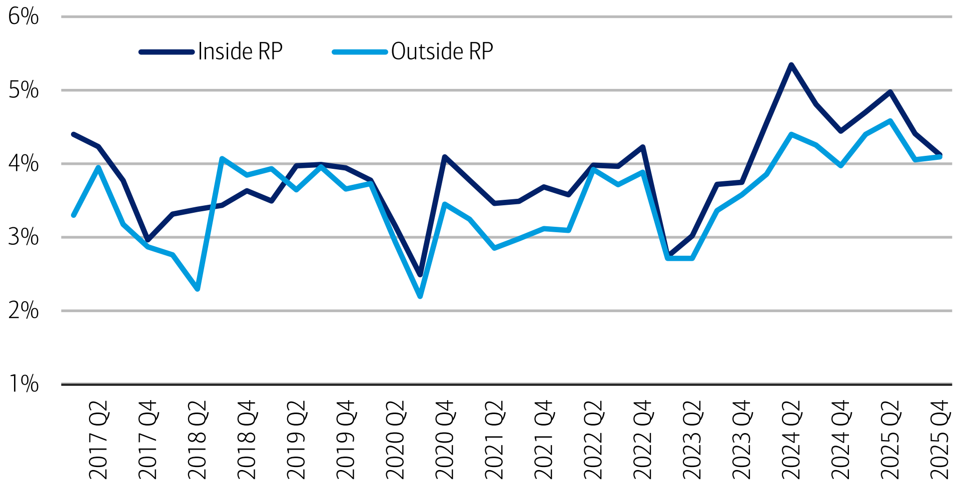
Exhibit 68: Equity cash distributions have declined further for in-RP deals in Q4
Median CLO equity CoC for Euro deals over time



Source: BofA Global Research, Intex

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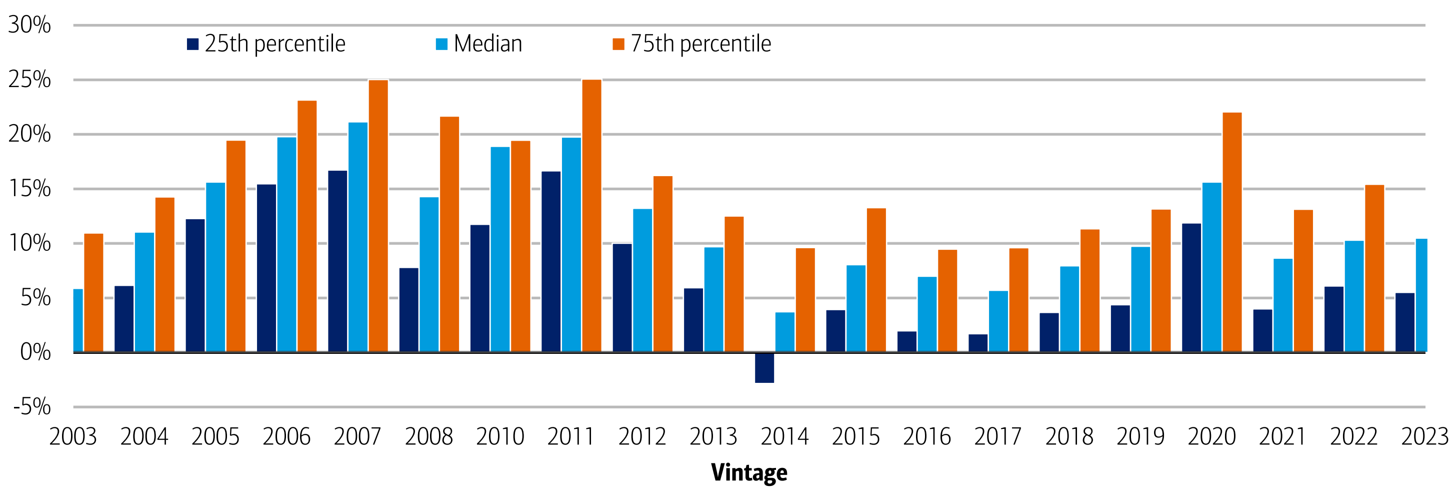
Exhibit 69: On average, US CLO equity tranches from the 2015 and 2016 vintages achieved weaker IRRs
US CLO equity IRRs by vintage, redeemed and outstanding



Source: BofA Global Research, Intex, PriceServe

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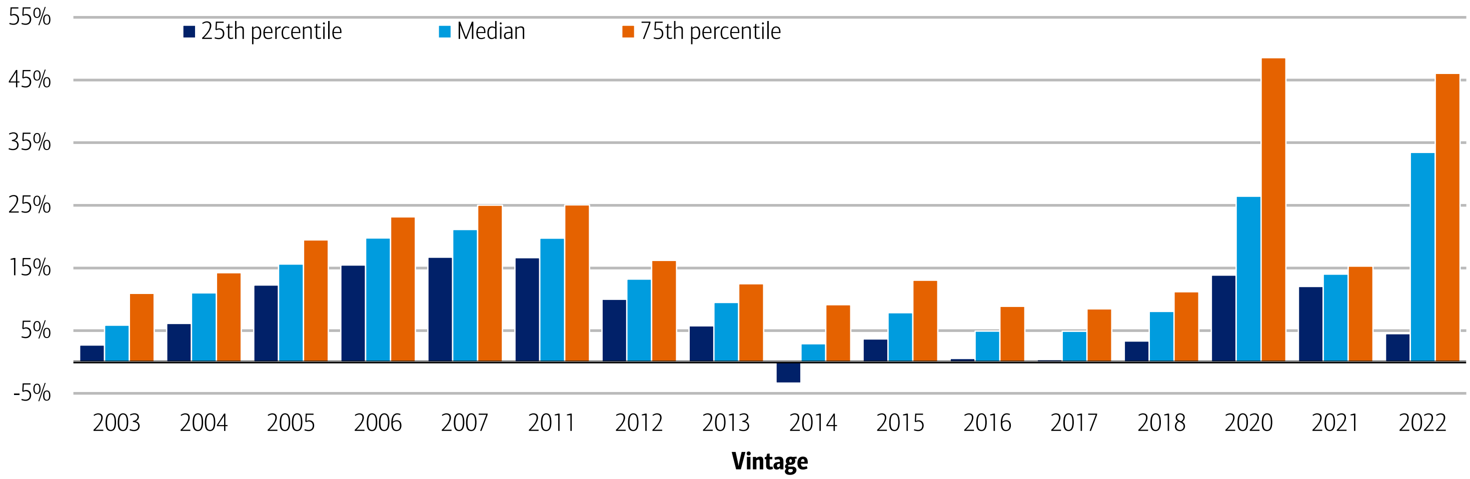
Exhibit 70: Some US CLO equity tranches from 2020 and 2022 achieved IRRs north of 25%, but this was driven by deals ramping up during dislocations
US CLO equity IRRs by vintage, redeemed deals only



Source: BofA Global Research, Intex

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Regulatory developments

US NAIC update

The NAIC received an update on the CLO modeling process by the American Academy of Actuaries (AAA). As mentioned earlier, the AAA's approach is different from the Securities Valuation Group (SVG) in that they are not looking to achieve RBC neutrality. The aim of the AAA is to consider conditional tail expectations (CTE) losses for CLO bonds considering the cliff-risk nature of junior tranches.

The AAA modeled 6 sample CLOs for this purpose and came up with the following C-1 factors.

Our understanding of how does the AAA's process work:

- The AAA comes up with various default/loss projections using historical default data from Moody's and recovery data from Moody's/S&P.
- The AAA uses VaR (90) to VaR (99.99) model loss curves (90% degree of confidence that losses won't exceed that number) which are then applied to model CLO cashflows
- The average CLO net loss at each tranche for those scenarios is then used to determine RBC factors. We note that losses were not discounted and missed payments were not considered a default.
- Reinvestment modeling was conservative as in only maturities / default recoveries are reinvested and not prepayments were considered. Reinvestment price assumed was $100. Additionally, the AAA assumed 40% of reinvestments into B3/B- rated loans (and the overall split being 92.5% senior secured & 7.5% senior unsecured).
- The latter assumption is conservative as it implies creating a riskier portfolio as the deal seasons - this is not aligned with what happens in practice where the vast majority of loans are senior secured and the B- share has typically remained around 20-35%.
- More importantly, each deal was not modeled separately but instead the collateral for all 6 deals was aggregated to come up with loss scenarios (i.e. average losses by rating were applied to deals based on their ratings distribution). The approach here was to ensure the 'average' will represent the risk in a diversified portfolio of deals.
- Several other changes are still being considered which could change RBC factors (we think on a net basis, those changes are more positive in that they reduce RBC factors vs increasing them).

Our observations:

For the 6 deals considered, we show the modeled RBC factors the AAA came up with in Exhibit 1 (Redemption = Resurrection; NAIC delays & CLO equity performance)

Single-A and BBB bonds have materially lower RBC factors than what the SSG had come up with. Single-A factors are in fact lower than current RBC levels and BBB RBC factors are similar to their current levels of 2.16%. This is a positive development for insurance demand for single-A/BBB demand.

BB bond RBCs are materially higher for all deals considered. This won't really change BB spreads as insurance companies don't really invest in this part of the capital stack anyway.

Exhibit 71: NAIC current RBC factor by rating and estimates produced for sample CLO deals
RBC factor considered for the sample deals AAA-AA tranche is zero and larger RBC factor considered for BB- tranche. The highest RBC factor considered for BB- tranche is 35.17% and 3.5% for BBB- tranche

BB MVOC		105.3%	107.0%	107.6%	104.8%	105.4%	104.2%
End of RP		10/20/2025	10/20/2026	1/20/2030	7/15/2026	4/22/2024	1/15/2030
B-%		35%	25%	25%	31%	29%	31%
CCC%		7.5%	6.2%	4.6%	8.2%	9.1%	3.9%
Tranche rating	Current RBC factor	Strata II	Magnetite 27	OHA 3	Anchorage 17	Ares 52	Carlyle 2021-1
AAA	0.158%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
AA	0.419%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A	0.816%	0.09%	0.16%	0.26%	0.09%	0.00%	0.15%
BBB-	2.168%	2.46%	2.09%	3.50%	1.53%	0.47%	2.49%
BB-	6.017%	16.53%	29.21%	28.33%	31.72%	14.61%	35.17%

Source: NAIC

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Timing:

Late 2025/Early 2026: The AAA plans to make further refinements including portfolio adjustment factors and changes to reinvestment considerations if any.

Q1 2026: Incorporate modification if any requested by regulators.

Q2 2026: If no material modifications, release final factors for exposure by April 30, 2026.

Exhibit 72: Estimated holdings across CLO/CBO/Middle market deals by institution type based on public filings / reports
Insurance & Hedge funds/CLO managers account for the largest holders of CLOs holding about 28% each in CLOs. Banks hold about 20%

Rating	Total notional	US Banks	Japanese Institutions	Insurance	Money Managers	BDCs	SMAs / Hedge funds / CLO managers	ETFs
AAA	628	32%	16%	22%	12%	0%	15%	3%
AA	128			53%	11%	0%	36%	0%
A	69			59%	15%	0%	25%	0%
BBB	65			47%	19%	0%	31%	2%
BB	44			17%	14%	1%	68%	0%
B	3			4%	7%	4%	85%	0%
Equity	129			11%	5%	6%	78%	0%
Overall	1,066	19%	9%	28%	12%	1%	29%	2%

Source: BofA Global Research, Bloomberg, Company filings
Note: All figures in $bn; Some insurance accounts held by Money Managers are classified within Money Managers..

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Exhibit 73: 1H 2025 Insurance purchases of BSL CLO/PC CLO/CBO/TRUPS/Private CLO purchase across ratings
Insurance purchase was $69bn in 1H 2025. BSL CLO accounted for $49bn in public purchases.

Rating	BSL CLO	Private Credit CLO	CBO	TRUPS	Private Purchase	Total
AAA (1A)	41%	36%	68%	40%	26%	39%
Sr/Flat AAA	36%					
Jr AAA	4%					
AA (1B-1D)	23%	25%	21%	34%	7%	22%
A (1E-1G)	18%	23%	3%	13%	16%	18%
BBB (2A-2C)	15%	9%	1%	7%	47%	18%
Sr/Flat BBB	14%					
Jr BBB	1%					
BB (3A-3C)	3%	1%	5%	5%	3%	3%
B (4A-4C)	0%			0%	1%	0.1%
Equity/NR (6)	0%	7%	2%		0%	
Total ($Bn)	49.2	9.1	0.9	1.3	8.2	68.6

Source: BofA Global Research, SNL, Bloomberg, Company filings, S&P LCD

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EComm embarks on the long road of EU securitization regulatory change

On 17 June, the European Commission (EComm) published the long-expected proposal for amendments to the EU regulatory framework for securitization. In fact, it proposed amendments to two regulations (SECR – EU securitization regulation, and CRR – the capital requirements regulation) and asked for feedback on a proposed amendment to the Liquidity Coverage Ratio (LCR). A brief overnight review the EComm proposed amendments lead us to conclude that:

- The EComm recognizes the shortcomings of the EU securitization regulations but seems to fall short of the long-overdue comprehensive revamp.
- The attempt to introduce risk sensitivity seems to us to result in more complexity rather than simplification. The introduction of a new category of 'resilient' senior securitization tranches multiplies the STS/non-STS (simple, transparent and standardized) and senior/non-senior combinations, carried through to prudential requirements.

From a CLO sector perspective, a static CLO can qualify as having a 'resilient' senior tranche, but in order to benefit from a reduced regulatory capital for banks as investors, such AAA tranche must also classify as STS. Whether a bank investor can benefit from a lower risk weight floor for a resilient but non-STS AAA tranche is a matter of debate.

- At least three new RTS are mandated for SRT (significant risk transfer, i.e. capital relief) transactions: there is no fast track to a fast-track SRT approval process.
- The principles-based approach to DD is welcome, but it is weighed down by an extended list of administrative sanctions to be used by the NCAs (National competent authorities). The desired simplification of reporting is again postponed for a future review by JC ESAs (Joint Committee of the European Supervisory Authority).
- The requirement for reporting to a repository for all public and private securitizations, and the expansion of the definition of public securitizations is likely to increase the costs and enhance the lack of level playing field with other market sectors, thus tilting activity away from public securitization market.
- The reduced haircuts and expanded CQS (credit quality step) eligibility for LCR purposes and the reduced RW floor/p-factor for STS securitization senior tranches should be viewed positively by EU investor/originator banks. RR (risk retention) and DD (due diligence) requirements waiver for securitizations where (at least 15% - a random number!) first loss risk is absorbed by approved institutions will likely attract more private investors.

Overall, we think the main beneficiaries of the proposed amendments are: senior STS tranches, private synthetic (rather than public traditional market) securitizations, EU banks and EU originators, large EU (re)insurers and … global private credit. The benefits to CLOs may be direct (as discussed above re. resilient STS or non-STS tranches) or indirect (e.g. lower capital and better LCR eligibility for STS tranches leads to higher demand and spread compression for such tranches, which in turn makes non-STS, including CLOs, more attractive to investors and compresses their spreads in turn).

We emphasize that the EComm proposal is just that: a proposal, which will now be reviewed and amended by the other EU bodies – the Parliament and Council. They will work on drafts of their own based on the EComm's proposal, which drafts will be subject to the so-called tripartite process of reconciliation. The process of developing the respective drafts can take a long time (a year or more) and so can the process of reconciliation of the drafts. We do not expect a final text of the EU securitization regulation before the 2H26 with the new regulation going into force some time in 2027.

Proposed reforms to Solvency II

On 30 October 2025, the European Commission (EComm) adopted Delegated Regulation amending Solvency II delegated regulation (EU) 2015/35 which supplements the Solvency II Directive (2009/138/EC).

The securitisation calibration under article 178 remains unchanged when compared with the draft Solvency II delegated regulation that was published in July 2025 for public consultation. The only change made to the consultation text and reflected in the finalised Delegated Regulation is the removal of the requirement of two ratings for STS securitisations.

The Delegated Regulation will now be submitted to the EU Parliament and Council for scrutiny for a period of three months, that can be prolonged by another three-month period. The Parliament and Council can accept or reject the submitted Delegated Regulation in its entirety but cannot propose changes. If they raise objections then the Delegated Regulation is returned to the EComm for consideration and review. If no objections are raised by Council and Parliament during the scrutiny period, the Delegated Regulation will be adopted and apply from 30 January 2027. It is possible that the regulation may enter into force earlier if the scrutiny process is shortened, i.e., the Council and Parliament inform the Commission of no objection sooner than the expectation of the three-month period.

We assess the likelihood of the Solvency II Delegated Regulation package being adopted as high, but we put the likelihood of the Solvency II package's success in relaunching the EU securitisation market on a standalone basis as low for the following reasons:

1. The calibration of Solvency II is likely to support investments by insurance companies in AAA STS tranches and to some degree in AAA non-STS tranches, but does not encourage their investments in mezzanine tranches. We discussed this aspect of the proposed changes in Solvency II calibration in previous reports, see here.

   In brief, in our view, the amended calibration makes STS AAA tranches' RAROC very attractive to insurers relative to other investments, but the changes in the non-STS AAA capital make them only marginally more attractive to present levels and much less attractive than other investments. The same can be said about mezzanine tranches, both STS and non-STS. The changes in the calibration of both STS and non-STS will likely make the results of the internal model calibration (for both senior and mezzanine tranches) more palatable to regulators and encourage more insurers to develop such models or use them more actively.

2. The recalibration of capital charges is only one aspect of the steps needed to relaunch European securitisation. The other necessary steps are included in the proposed amendments to the EU Securitisation regulation, currently under consideration by the European Council and Parliament.

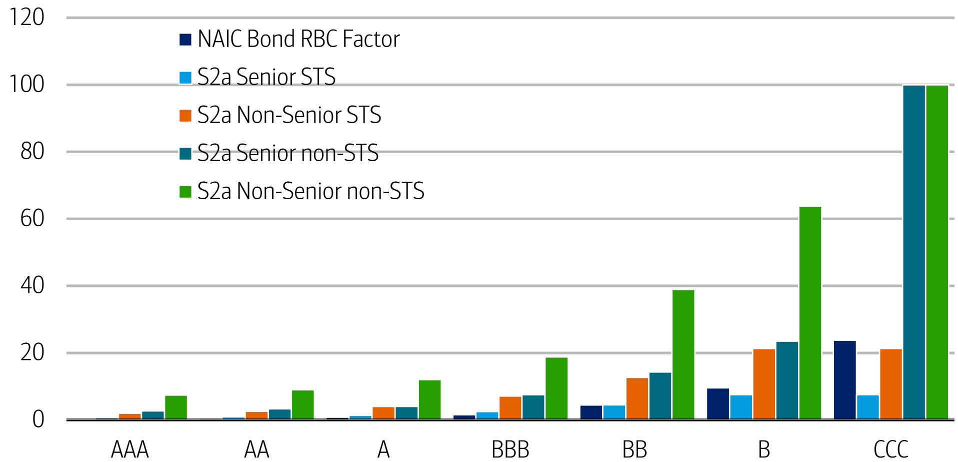
3. It is possible, perhaps highly likely that the Solvency II amendments (including new regulatory capital for securitisation) will enter into force prior to the entry into force of the EU Sec Reg. That may be a negative for the smaller insurers (if they were to re-enter the securitisation market) and likely to be irrelevant for the large insurers, we think.

Given our assessment of high probability of the no objection by the Council and Parliament to the EComm proposed amendments to Solvency II and postal entry into force of such amendments as of 1/1/27, we would suggest that insurers start considering senior tranche investments in securitisation, if they have not already done so, or increase their exposure, if they are already investing in such securitisation. The justification for that is the inclusions of the reduced SCR for securitisation tranches in the RAROC calculation over the investment horizon of such investments.

As a result of these above regulatory changes, we expect a gradual marginal increase in demand for CLOs, especially AAA tranches, from EU insurance companies over the next 1-2 years horizon.

Exhibit 74: The US RBC factor compares favourably with EU SCR

US vs EU SCR comparison



Source: BofA Global Research, NAIC, Solvency II proposal

Note: European charges are per unit of duration

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Exhibit 75: The SCR reduction for senior non-STS tranches is steep but inadequate

Capital requirements for spread risk on securitization positions, proposed

S2 proposed	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**<B**
	0	1	2	3	4	5	6
Senior STS	0.7	0.9	1.4	2.5	4.5	7.5	7.5
Non-Senior STS	2.0	2.6	4.0	7.1	12.7	21.3	21.3
STS: non-senior/ senior	*2.9*	*2.9*	*2.9*	*2.8*	*2.8*	*2.8*	*2.8*
Senior non-STS	2.7	3.3	4.0	7.5	14.3	23.5	100
Non-Senior non-STS	7.4	9.0	12.0	18.8	38.9	63.8	100
Non-STS: non-senior/senior	*2.7*	*2.7*	*3.0*	*2.5*	*2.7*	*2.7*	*1.0*
Senior: Non-STS/STS	3.9	3.7	2.9	3.0	3.2	3.1	13.3
Non-Senior: non-STS/STS	3.7	3.5	3.0	2.6	3.1	3.0	4.7

Source: BofA Global Research, Solvency II consultation

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Exhibit 76: The SCR ratio between STS and non-STS tranches is large and unjustified

Capital requirements for spread risk on securitization positions, current

S2 current	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**<B**
	0	1	2	3	4	5	6
Senior STS	1.0	1.2	1.6	2.8	5.6	9.4	9.4
Non-senior STS	2.8	3.4	4.6	7.9	15.8	26.7	26.7
STS: non-senior/ senior	*2.8*	*2.8*	*2.9*	*2.8*	*2.8*	*2.8*	*2.8*
Non-STS	12.5	13.4	16.6	19.7	82	100	100
Non-STS	12.5	13.4	16.6	19.7	82	100	100
Non-STS: non-senior/senior	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*
Senior: Non-STS/STS	12.5	11.2	10.4	7.0	14.6	10.6	10.6
Non-Senior: non-STS/STS	4.5	3.9	3.6	2.5	5.2	3.7	3.7

Source: BofA Global Research, Solvency II

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CLO and leveraged loan primary market

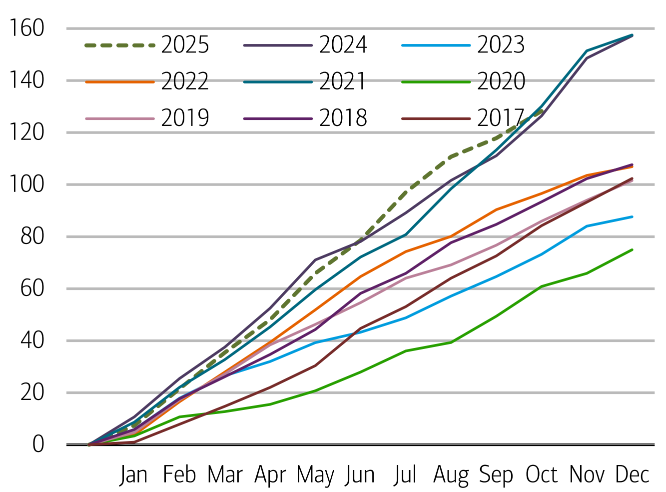
Record gross new issuance in Europe, improved net supply in US vs. last year

YTD gross new issuance has been strong, with volume comparable to last year in the US and record volumes in Europe.

- YTD gross new issuance is at more than €52bn in Europe for BSL + MM (around €51bn if BSL only, as of 29 October) and $130bn BSL + $44bn MM in the US.
- Euro CLO net supply is close to €33bn, amid continued strong amortization and liquidation volumes. CLO net supply has benefitted from many out-of-RP resets, though.
- US net supply is still dominated by MM deals, as MM deals makes 20% of gross issuance but 40% of net supply, more than half of AAA net supply. Amortization and call together retired close to $90bn from the BSL market, with Q3 call volume of $20bn reached a new record. With post RP share now down to 12%, however, the amortization speed has been declining.
- Reset activity has picked up significantly in Europe, with around €49bn of resets/refis YTD. Some of the volume has been wider spread 2023 paper, but we have also seen substantial out-of-RP reset activity.
- Reset refi remains active in the US, with volume together at $295bn YTD, already surpassed 2024 full year amount of $285bn. With BSL CLO short AAA priced at 110bps, CLOs are still wide vs other 2Y short securitized products and thus appears attractive.

Exhibit 77: US BSL CLO issuance at comparable level vs 2021 & 2024

Annual cumulative BSL CLO issuance since 2017, in bn $



Source: BofA Global Research, LCD

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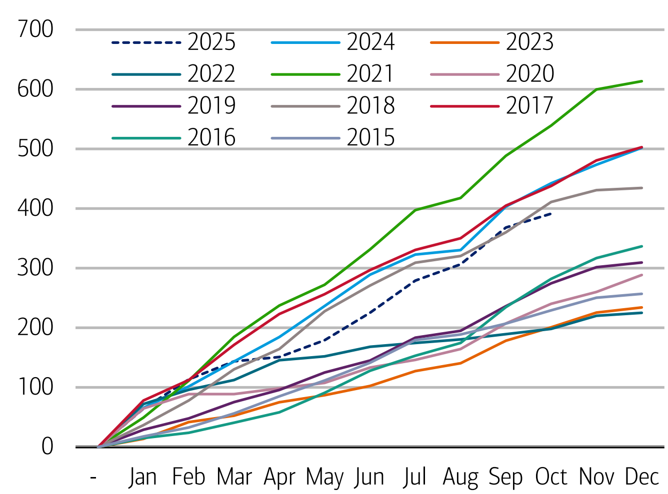
Exhibit 78: Loan issuance has been underwhelming YTD

Annual cumulative US Institutional Loan issuance over time, in bn $



Source: LCD

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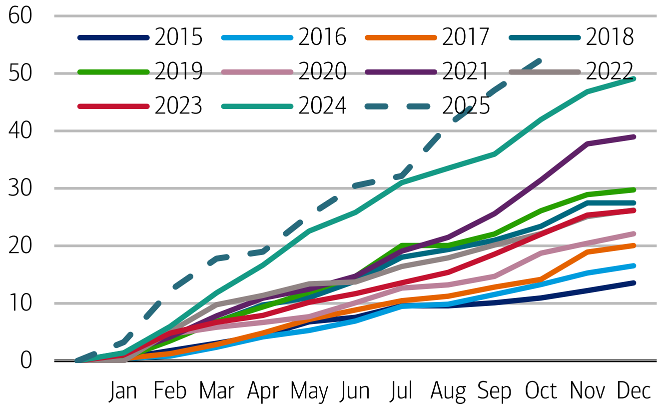
Exhibit 79: Euro CLO gross new issuance is at a record
Annual cumulative Euro CLO gross new issuance, in bn €



Source: BofA Global Research, Bloomberg, IGM

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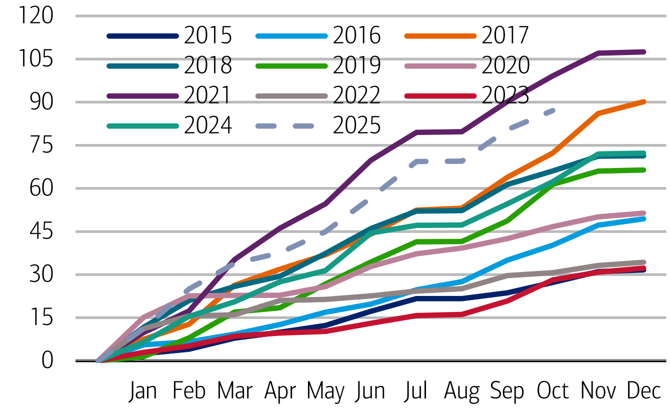
Exhibit 80: Gross leveraged loan issuance is at €87bn YTD
Annual cumulative Euro loan issuance over time, in bn €



Source: LCD

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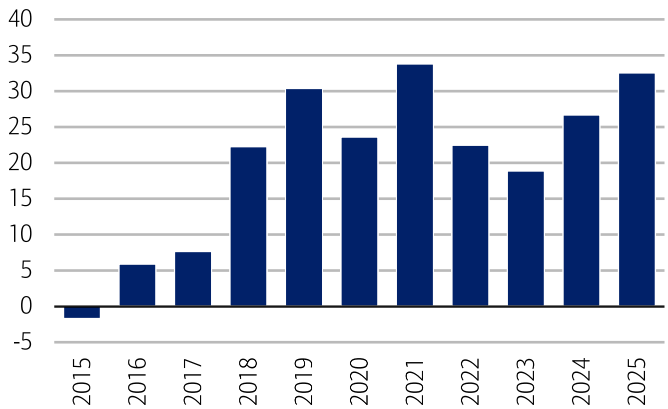
Exhibit 81: YTD Euro CLO net supply is at almost €33bn
Annual Euro CLO net supply, in bn €



Source: BofA Global Research, Intex
Note: Early years include some liquidation and amortization from legacy 1.0 deals

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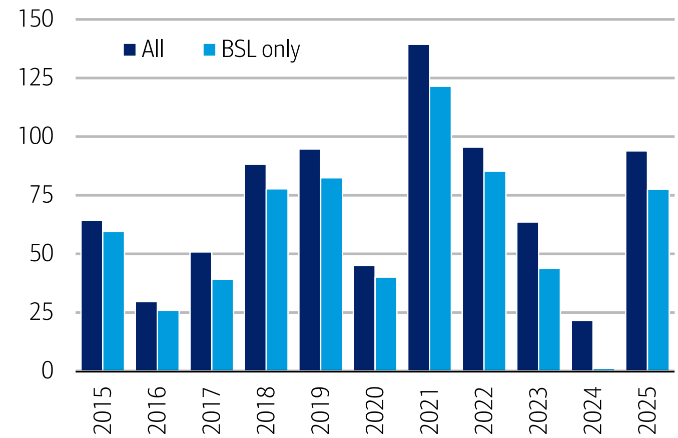
Exhibit 82: YTD US CLO net supply is at around $94bn
Annual US CLO net supply, in bn $



Source: BofA Global Research, Intex

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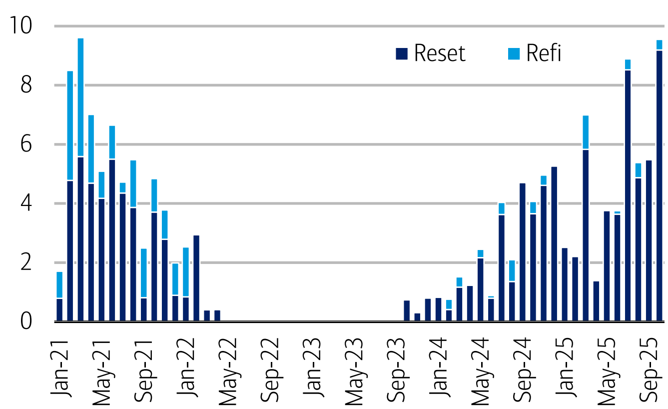
Exhibit 83: Euro CLO reset activity has picked up significantly
Monthly Euro CLO reset & refi activity, in bn €



Source: BofA Global Research, Bloomberg, IGM

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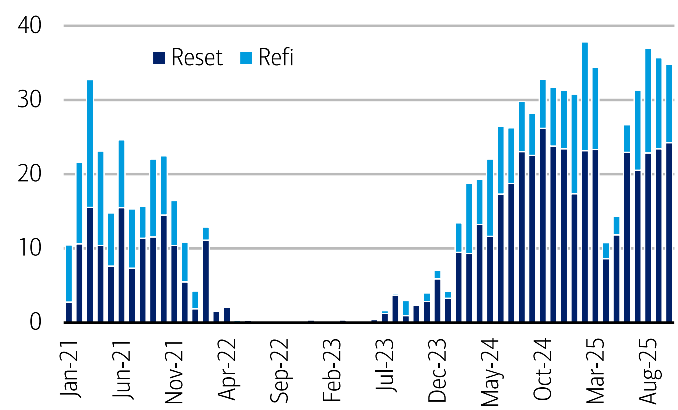
Exhibit 84: US CLO reset & refi activity have both picked up
Monthly US CLO reset & refi activity, in bn $



Source: BofA Global Research, Bloomberg, IGM

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CLO manager landscape

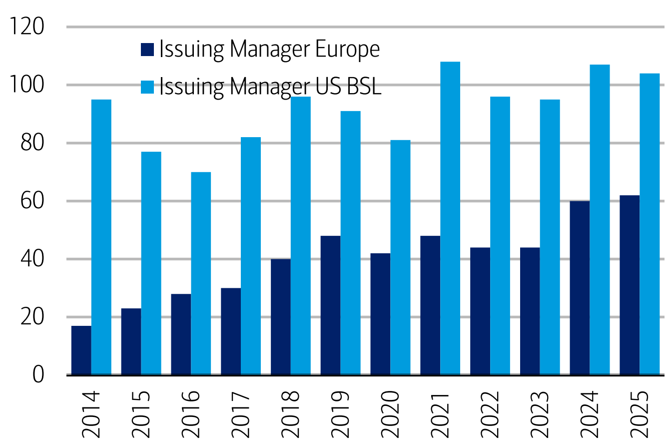
Broad participation in Europe, more new entrants

CLO primary market participation has been broad this year so far, with 62 and 104 issuing BSL managers in the US and Europe YTD, respectively.

- CLO manager participation in the new issue market has broadened out this year, with 62 managers (out of 70) bringing at least one deal already this year, slightly above full year 2024 levels.
- US manager participation remains similar level to last year, but debutants are notably higher: 10 new BSL managers and 3 new MM managers joined the market. New BSL managers include CTM, Symetra, Anthelion, Polen Capital, Abry Partners, Kennedy Lewis, Macquarie, Arini, Eldridge; Apollo, Kohlberg and Morgan Stanley issued MM CLO deals for the first time.
- 4 debut BSL managers have entered Europe. In Europe, this has included Arcano, LGT, Royal London Asset Management, and Silver Point. In addition, Ares brought its first European MM CLO (GBP-denominated). This compares to 3 BSL and 1 MM debut managers in Europe last year.
- In addition, more managers are in the pipeline either for Q4 2024 or Q1 2025 in Europe, including Diameter, Muzinich, and Elmwood. Furthermore, as reported by 9Fin, Kartesia and Triton are also in the process of building Euro CLO management platforms, and AGL, Octagon, Davidson Kempner, TCW Asset Management, Zencap, VER Capital, and Sterenn Capital are in the exploratory stage.
- CLO manager AUM remains more concentrated in Europe, with the top 10 managers accounting for around one third of AUM vs. 26% in the US.
- However, broader participating and new entry has led the European CLO market to become less concentrated. For example, the HHI for Euro CLO manager AUM shares is now at 222 – higher than in the US at 143, but much lower than in 2020 at 311.

Exhibit 85: 62 European and 104 US BSL CLO managers have issued at least 1 deal this year so far

Number of issuing CLO managers by year



Source: BofA Global Research, Bloomberg, IGM

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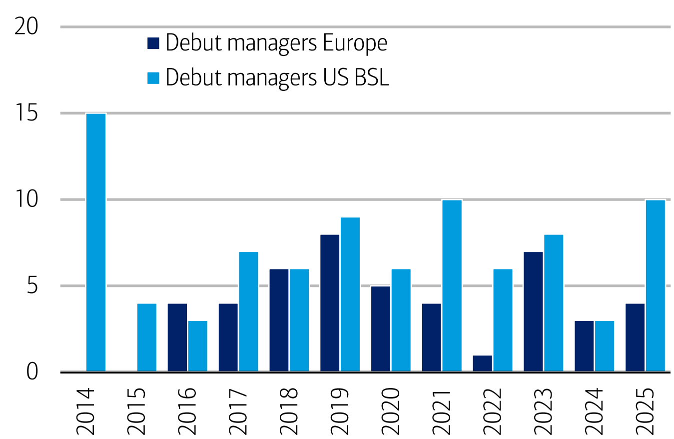
Exhibit 86: 4 and 10 debut CLO managers have entered Europe and the US in 2025 so far, respectively

Number of BSL debut managers by year



Source: BofA Global Research, Bloomberg, IGM

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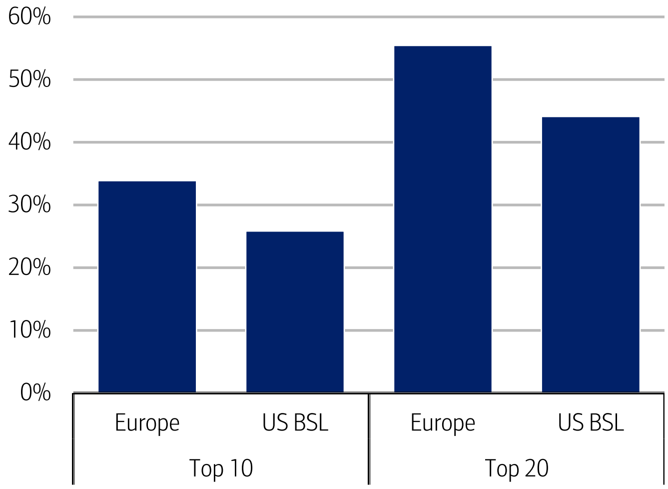
Exhibit 87: The top 10 managers account for around one third of AUM in Europe
Top 10 and 20 CLO managers share in AUM



Source: BofA Global Research, Intex

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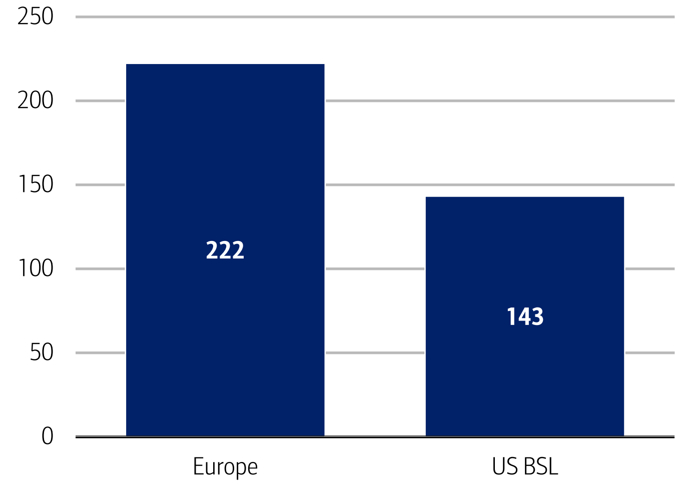
Exhibit 88: The European CLO market is more concentrated given fewer managers
HHI for European and US BSL CLO manager AUM shares



Source: BofA Global Research, Intex

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CLO ETFs

Established in the US, growing in Europe

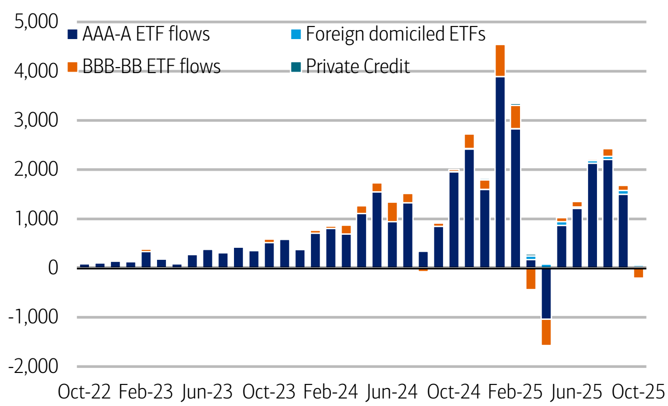
The CLO ETF market is established in the US, with AUM of around $38bn. Meanwhile, the younger Euro CLO ETF market has seen meaningful inflows and is now at almost €700mn. However, institutional and regulatory differences vs the US (including CLO ETFs not being allowed to be marketed to mass retail) will likely constrain the future growth prospects of Euro CLO ETFs somewhat.

Declining yields – potentially lower inflows or even outflows for US CLO ETFs

With rate cuts around the corner in the US, the dividend yield of ETFs will appear less attractive vs other long duration bonds - particularly if the curve steepens. That may result in muted inflows or even outflows from the large ETFs.

Exhibit 89: Monthly CLO ETF fund flows on steady growth since 2022

CLO ETFs saw inflows of $15bn YTD



Source: BofA Global Research, Janus Henderson & Company filings, Bloomberg

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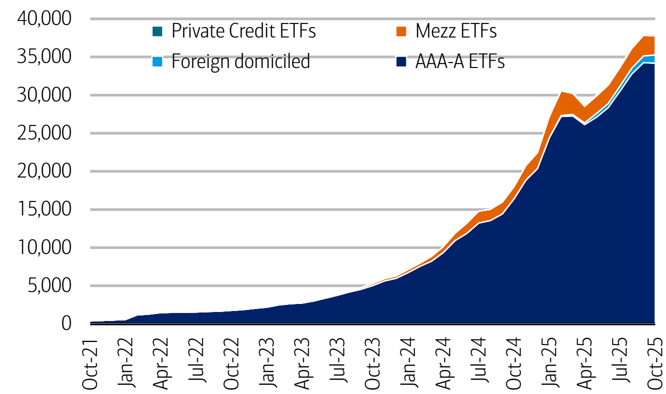
Exhibit 90: CLO ETF AUM by category; 2021 - 2025

YTD CLO ETF AUM has grown from $22.5bn to now reaching $38bn.



Source: BofA Global Research, Bloomberg

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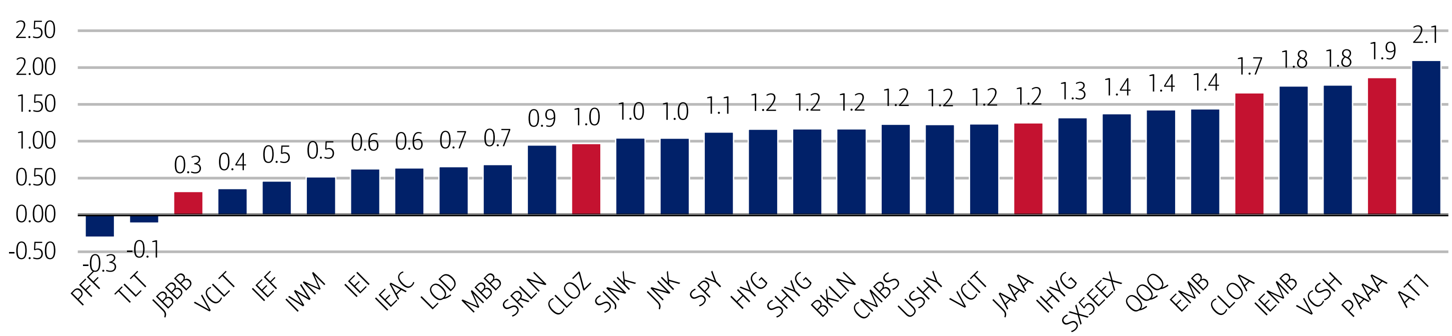
What are we watching for? Dividend ratios could see a further decline due to Fed cuts. CLO ETFs have above average dividend ratios. The five CLO ETFs we have examined: JAAA, JBBB, CLOA, CLOZ, and PAAA yield between 5.1 to 7.7%, with AAA leaning towards the former, and lower parts of the capital stacks the latter.

If the rate curve steepens next year due to additional Fed cuts, the dispersion in dividends between what CLOs offer vs other fixed income ETFs could increase. That may drive potential outflows from CLO ETFs.

Exhibit 91: ETF 1Y Sharpe Ratio for week ending in: 10/24/2025

AAA CLO ETFs' 1 year Sharpe Ratios are higher than many popular ETFs for the same period ending in this week.



Source: BofA Global Research, Bloomberg

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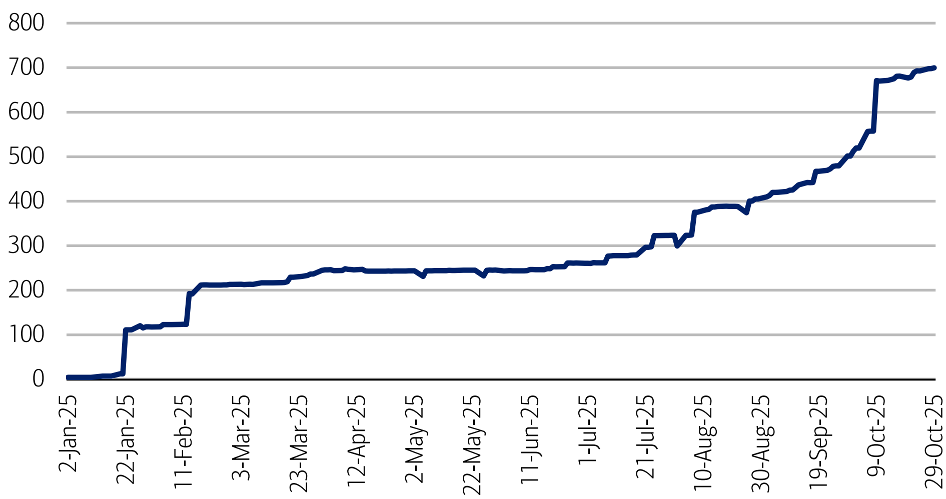
European CLO ETFs: 6 providers so far, steady inflows YTD

Fair Oaks launched the first Euro CLO ETF in fall last year, and since then 5 other providers have entered the market.

- Euro CLO ETF AUM has grown to almost €700mn, with Janus Henderson and Invesco the 2 largest providers, accounting for 68% of total AUM combined.
- Most Euro CLO ETFs focus on triple-As, though Palmer Square offers an ETF that also adds some double-A exposure.
- One key difference to the US is that Euro CLO ETFs cannot be marketed to mass retail in Europe. As a consequence, inflows come only from institutional accounts, and this is a mayor constraint for the market to grow as much as in the US. In other words, we expect CLO ETFs to account for a smaller share of the total CLO outstanding in Europe than in the US even once the Euro CLO ETF market has become established.
- Still, whilst growth may be more constraint given the absence of mass retail, we think Euro CLO ETFs will see more inflows in the coming months and years as the product establishes a track record.

Exhibit 92: The European CLO ETF market has grown from negligible AUM at the start of the year to almost €700mn by now

European CLO ETF AUM over time, in mn €



Source: BofA Global Research, Bloomberg

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Exhibit 93: Common Terminology

Collateralized Loan Obligations (CLO)

Acronyms	Description
A to E	Amend to extend
ABCP	Asset-backed commercial paper
ABS	Asset Backed Securities
AIFM	Alternative Investment Fund Managers
AIFMR	EU financial regulation of hedge funds, private equity, real estate funds and other alternative investment fund managers
ALS	Average Loan Size
AMA	Asset manager affiliate
AMF	Financial Markets Authority (France)
AUM	Assets under management
BaFin	Federal Financial Supervisory Authority (Germany)
BDC	Business development company
BLS	Bureau of Labor Statistics
BPS	Basis points
BSL CLO	CLO backed primarily by broadly syndicated loans
BWIC	Bid Wanted In Competition
CBO	Collateralized bond obligation
CDO	Collateralized debt obligation
CDR	Constant default rate
CE	Credit Enhancement
CEE	Central and Eastern Europe
CFPB	Consumer Financial Protection Bureau
CLO	Collateralized loan obligation
CLTV	Combined Loan-to-value ratio or Current Loan-to-value ratio
CMBS	Commercial mortgage backed security
CMV	Capitalized management vehicle
Cov-Lite	Covenant-lite
CPR	Constant prepayment rate
CQS	Credit quality step
CQT	Collateral quality tests
CRD	Capital Requirements Directive (EU)
CRR	Capital Requirements Regulation (EU)
CRT	Credit Risk Transfer
DD	Due diligence
DIV	Diversity Score
DM	Discount Margin
DQ	Delinquency
DTI	Debt-to-Income ratio
EBA	European Banking Authority
EBITDA	Earnings before interest, tax, depreciation and amortization
EC	European Council (EU)
EComm	European Commission (EU)
EDSF	Euro Dollar Swap FRA
EL	Expected Loss
ELLI	European Leveraged Loan Index
EOD	Event of default
EP	European Parliament (EU)
EPFR	Emerging Portfolio Fund Research
ESAs	European Supervisory Authorities (EU)
ESG	Environmental, Social and Governance
ESMA	European Securities Market Authority
EU	European Union
Euribor	European interbank offered rate
FCA	Financial Conduct Authority (UK)
FCF	Front cash flow
Fed or FRB	Federal Reserve Board
FFELP	The Federal Family Education Loan Program
FICO	Fair Isaac Corporation
FINRA	Financial Industry Regulatory Authority
FNMA	Federal National Mortgage Association
GDP	Gross domestic product
GFC	Global Financial Crisis
Ginnie Mae	Government National Mortgage Association
GNMA or GNR	Government National Mortgage Association
LBO	Leveraged buyout
LCF	Last cash flow
LGD	Loss Given Default
LIBOR	London Interbank Offered Rate
Liquidation NAV	NAV assuming portfolio can be liquidated immediately
LL	Leveraged loan
LLI	Leveraged loan index
LTM	Last-twelve-months
LTV	Loan-to-value ratio
M&A	Mergers and acquisitions
MBS	Mortgage-Backed Security
MEP	Member of European Parliament (EU)
MM CLO	CLO backed primarily by middle-market loans
MOA	Majority owned affiliate
MoM	Month over Month
MTD	Month to date
MTM	Mark to market
MVOC	Market value overcollateralization
NAIC	National Association of Insurance Commissioners
NAV	Net asset value
Non-QM	Non-Qualified Mortgages
NR	Non-rated
NSFR	Net Stable Funding Ratio
N-Spread	Nominal spreads to swaps
NY Fed	The Federal Reserve Bank of New York
O&G	Oil and gas
OAS	Option-adjusted Spreads
OC	overcollateralization
OCI	Other Comprehensive Income
OID	Original issue discount
OLTV	Original Loan-to-value ratio
OTR	On the run
OWIC	Offer wanted in competition
PIK	Payment in kind
PPT	Portfolio profile tests
PRA	Prudential Regulation Authority (UK)
QE	Quantitative Easing
QM	Qualified Mortgages
R&W	Representation and warranty
RCF	Revolving credit facility
REIT	Real estate investment trust
rel-val	Relative value
RMBS	Residential Mortgage-Backed Security
RP	Reinvestment Period
RR	Risk retention
RTS	Regulatory Technical Standards (EU)
RWA	Risk Weighted Assets
SCB	Stress Capital Buffer
SEV	Severity
SL	Student loan
SME	Small and medium enterprise
SOFR	The Secured Overnight Financing Rate
Solvency II	EU insurance regulation
SONIA	Sterling overnight interbank average rate
SR OC	Senior overcollateralization
SRT	Significant Risk Transfer
SSM	Single Supervisory Mechanism (EU)
STC	Simple Transparent and Comparable Securitisation
STS	Simple Transparent and Standardised Securitisation
TLA	Term loan A
TLB	Term loan B
TRACE	Trade Reporting and Compliance Engine
TRUPS	Trust preferred securities
UCITS	Undertakings for the Collective Investments in Transferable Securities

Exhibit 93: Common Terminology

Collateralized Loan Obligations (CLO)

HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HY	High Yield
IAA	Internal Assessment Approach
IC	Interest coverage
ID	Interest diversion
IG	Investment grade
IO	Interest-only mortgages or tranches
IPO	Initial public offering
IRR	Internal rate of return
ISM	Institute for Supply Management
ITS	Implementing Technical Standards (EU)
JHF	Japanese Housing Finance Agency
JR OC	Junior overcollateralization
UST	United States Treasury
WAC	Weighted average coupon
WAL	Weighted average life
WALA	Weighted average loan age
WAM	Weighted Average Maturity
WAP	Weighted average price
WARF	Weighted average rating factor
WARR	Weighted average recovery rate
WAS	Weighted average spread
WAVG	Weighted average
WoW	Week over Week
YoY	Year over Year
YTD	Year to date
YTM	Yield to maturity

Source: BofA Global Research

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Market update

Primary market

The European CLO primary market had another very active week, with 4 BSL new issue deals (**Stannaway Park CLO**, **Victory Street CLO II**, **Capital Four CLO XI**, and **Rockford Tower Europe CLO 2025-3**), 1 MM new deal (**Barings Euro Middle Market CLO 2025-1**), and 6 resets (**Penta CLO 15**, **RRE 10 Loan Management**, **Carlyle Euro CLO 2024-1**, **Dryden 96 Euro CLO 2021**, **Cairn CLO XI**, and **Contego CLO IV**).

This brings YTD gross new issuance to €54bn (including two middle market deals and re-issues) whilst reset/rei volume stands at almost €52bn (of which more than €49bn is resets).

Barings Euro Middle Market CLO 2025-1 is the third European MM CLO deal and the second one this year (following a GBP-denominated Ares deal earlier this). The deal comes with a unique structure: Whilst the first Barings MM deal in 2024 was a Euro-denominated static deal and the Ares deal a GBP-denominated reinvesting deal with a matching adjustment structural feature tailored towards UK insurers, the latest Barings MM deal is a multi-currency deal, with mostly EUR-denominated tranches but also one GBP-denominated triple-A tranche.

The new Barings MM deal has a roughly 1.5 year NC and 4.5 years reinvestment period, comparable to standard BSL transactions. The EUR-denominated triple-A tranche was priced at 150 bps over 3m Euribor, offering roughly 20 bps spread pick-up over comparable BSL deals.

With regards to the BSL new issue deals that priced last week, triple-A pricing has tightened a bit further for tier 1 managers, with Blackstone's Stannaway Park CLO achieving 127 bps AAA pricing, for example. Triple-B pricing is now in the high 200/low 300 bps range for standard BSL deals. Sub-IG pricing remains a bit wider vs. September levels, with double-B pricing in the low to mid 500 bps range (with no new issue double-Bs inside 500 bps last week).

For resets, we naturally continue to see more spreads dispersion, especially for mezzanine given the broad range of vintages, credit quality, how much a CLO manager cleans up a collateral pool in the run-up to a reset or not, etc. For instance, double-B spreads for resets last week ranged from as tight as 530 bps to as wide as 625 bps.

Exhibit 94: 4 BSL and 1 MM new issue CLOs priced last week

Last week's new issue CLOs

Pricing date	Deal name	Tranche	Currency	Bal, in mn LC	DM	Rating bucket	S&P	Moody's	Fitch	NC end date	RP end date
29-Oct-25	Barings Euro Middle Market CLO 2025-1	A-1	EUR	105.746	150	AAA	AAA			04-Jun-27	20-Jul-30
29-Oct-25	Barings Euro Middle Market CLO 2025-1	A-2	GBP	103.215	170	AAA	AAA			04-Jun-27	20-Jul-30
29-Oct-25	Barings Euro Middle Market CLO 2025-1	B	EUR	48	225	AA	AA			04-Jun-27	20-Jul-30
29-Oct-25	Barings Euro Middle Market CLO 2025-1	C	EUR	30	290	A	A			04-Jun-27	20-Jul-30
29-Oct-25	Barings Euro Middle Market CLO 2025-1	D	EUR	33	405	BBB	BBB-			04-Jun-27	20-Jul-30
29-Oct-25	Barings Euro Middle Market CLO 2025-1	E	EUR	19		BB	BB-			04-Jun-27	20-Jul-30
29-Oct-25	Barings Euro Middle Market CLO 2025-1	SUB	EUR	46.9		NR	NR			04-Jun-27	20-Jul-30
30-Oct-25	Stannaway Park CLO	A	EUR	57.4	127	AAA	AAA		AAA	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	A-1-L	EUR	90.6	127	AAA	AAA		AAA	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	A-2-L	EUR	100	127	AAA	AAA		AAA	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	B	EUR	44	190	AA	AA		AA	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	C	EUR	24	210	A	A		A	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	D	EUR	29	290	BBB	BBB-		BBB-	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	E	EUR	17	540	BB	BB-		BB-	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	F	EUR	12	825	B	B-		B-	23-Jun-27	23-Jul-30
30-Oct-25	Stannaway Park CLO	SUB	EUR	33.5		NR	NR		NR	23-Jun-27	23-Jul-30
31-Oct-25	Victory Street CLO II	A	EUR	157	131	AAA	AAA		AAA	12-Jun-27	25-Jul-30
31-Oct-25	Victory Street CLO II	A-R	EUR	60	131	AAA	AAA		AAA	12-Jun-27	25-Jul-30
31-Oct-25	Victory Street CLO II	B	EUR	38.5	195	AA	AA		AA	12-Jun-27	25-Jul-30
31-Oct-25	Victory Street CLO II	C	EUR	21	210	A	A		A	12-Jun-27	25-Jul-30

Exhibit 94: 4 BSL and 1 MM new issue CLOs priced last week
Last week's new issue CLOs

Pricing date	Deal name	Tranche	Currency	Bal, in mn LC	DM	Rating bucket	S&P	Moody's	Fitch	NC end date	RP end date
31-Oct-25	Victory Street CLO II	D	EUR	24.5	310	BBB	BBB-		BBB-	12-Jun-27	25-Jul-30
31-Oct-25	Victory Street CLO II	E	EUR	15.8	550	BB	BB-		BB-	12-Jun-27	25-Jul-30
31-Oct-25	Victory Street CLO II	F	EUR	10.5	875	B	B-		B-	12-Jun-27	25-Jul-30
31-Oct-25	Victory Street CLO II	SUB	EUR	27.7		NR	NR		NR	12-Jun-27	25-Jul-30
31-Oct-25	Capital Four CLO XI	X	EUR	2	85	AAA	AAA		AAA	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	A	EUR	248	128	AAA	AAA		AAA	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	B	EUR	41.6	200	AA	AA		AA	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	C	EUR	24.2	230	A	A		A	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	D	EUR	30	310	BBB	BBB-		BBB-	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	E	EUR	17.6	550	BB	BB-		BB-	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	F	EUR	12.6	850	B	B-		B-	17-Jun-27	15-Jul-30
31-Oct-25	Capital Four CLO XI	SUB	EUR	30.1		NR	NR		NR	17-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	A	EUR	118	131	AAA	AAA		AAA	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	A-L	EUR	130	131	AAA	AAA		AAA	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	B	EUR	44	195	AA	AA		AA	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	C	EUR	24	225	A	A		A	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	D	EUR	29	310	BBB	BBB-		BBB-	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	E	EUR	18	565	BB	BB-		BB-	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	F	EUR	11	850	B	B-		B-	19-Jun-27	15-Jul-30
31-Oct-25	Rockford Tower Europe CLO 2025-3	SUB	EUR	32.9		NR	NR		NR	19-Jun-27	15-Jul-30

Source: BofA Global Research, Bloomberg, IGM

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Exhibit 95: 6 CLO reset activity continues at rapid pace, with 5 resets last week
Last week's CLO resets

Pricing date	Deal name	Tranche	Bal, in mn EUR	DM	Rating bucket	S&P	Moody's	Fitch	NC end date	RP end date
27-Oct-25	Penta CLO 15	A	248.00	128	AAA	AAA		AAA	28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	B	41.00	175	AA	AA		AA	28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	C	25.00	215	A	A		A	28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	D	30.00	305	BBB	BBB-		BBB-	28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	E	19.00	570	BB	BB-		BB-	28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	F	11.00	850	B	B-		B-	28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	Sub	26.73						28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	Addl Sub	1.65						28-Nov-27	15-Jan-31
27-Oct-25	Penta CLO 15	Z	3.50						28-Nov-27	15-Jan-31
28-Oct-25	RRE 10 Loan Management	A-1	310.00	127	AAA	AAA	Aaa		13-Nov-27	13-Nov-30
28-Oct-25	RRE 10 Loan Management	A-2	35.00	175	AA	AA	Aa2		13-Nov-27	13-Nov-30
28-Oct-25	RRE 10 Loan Management	B	50.00	210	A	A			13-Nov-27	13-Nov-30
28-Oct-25	RRE 10 Loan Management	C	35.00	300	BBB	BBB			13-Nov-27	13-Nov-30
28-Oct-25	RRE 10 Loan Management	D	23.15	530	BB	BB			13-Nov-27	13-Nov-30
28-Oct-25	RRE 10 Loan Management	New Sub	8.25						13-Nov-27	13-Nov-30
28-Oct-25	RRE 10 Loan Management	Sub	55.05						13-Nov-27	13-Nov-30
30-Oct-25	Carlyle Euro CLO 2024-1	A-1	248.00	130	AAA	AAA		AAA	10-Aug-27	15-Oct-30
30-Oct-25	Carlyle Euro CLO 2024-1	A-2	40.50	205	AA	AA		AA	10-Aug-27	15-Oct-30
30-Oct-25	Carlyle Euro CLO 2024-1	B	25.00	230	A	A		A	10-Aug-27	15-Oct-30
30-Oct-25	Carlyle Euro CLO 2024-1	C	30.00	305	BBB	BBB-		BBB-	10-Aug-27	15-Oct-30
30-Oct-25	Carlyle Euro CLO 2024-1	D	18.00	590	BB	BB-		BB-	10-Aug-27	15-Oct-30
30-Oct-25	Carlyle Euro CLO 2024-1	E	12.50	895	B	B-		B-	10-Aug-27	15-Oct-30
30-Oct-25	Carlyle Euro CLO 2024-1	SUB	42.20		NR	NR		NR	10-Aug-27	15-Oct-30
30-Oct-25	Dryden 96 Euro CLO 2021	X	2.50	85	AAA	AAA		AAA	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	A	217.00	131	AAA	AAA		AAA	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	B-1	17.00	210	AA	AA		AA	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	B-2	17.50	Fxd cupon: 4.9%	AA	AA		AA	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	C	23.31	250	A	A		A	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	D	24.50	350	BBB	BBB-		BBB-	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	E	17.06	625	BB	BB-		BB-	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	F	10.94	950	B	B-		B-	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	Addl SUB	3.40		NR	NR		NR	15-Jun-27	15-Jun-30
30-Oct-25	Dryden 96 Euro CLO 2021	SUB	30.30		NR	NR		NR	15-Jun-27	15-Jun-30
31-Oct-25	Cairn CLO XI	X-R	4.00	85	AAA	AAA		AAA	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	A-R	248.00	123	AAA	AAA		AAA	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	B-R	42.00	210	AA	AA		AA	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	C-R	24.00	250	A	A		A	13-Nov-26	13-Nov-28

Exhibit 95: 6 CLO reset activity continues at rapid pace, with 5 resets last week

Last week's CLO resets

Pricing date	Deal name	Tranche	Bal, in mn EUR	DM	Rating bucket	S&P	Moody's	Fitch	NC end date	RP end date
31-Oct-25	Cairn CLO XI	D-R	30.00	360	BBB	BBB-		BBB-	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	E-R	18.00	600	BB	BB-		BB-	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	F-R	12.00	945	B	B-		B-	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	Z	0.20		NR	NR		NR	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	Y	0.20		NR	NR		NR	13-Nov-26	13-Nov-28
31-Oct-25	Cairn CLO XI	SUB	38.73		NR	NR		NR	13-Nov-26	13-Nov-28
31-Oct-25	Contego CLO IV	A-1	272.25	132	AAA	AAA		AAA	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	A-2	6.75	175	AAA	AAA		AAA	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	B-1	41.50	205	AA	AA		AA	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	B-2	8.00	Coupon: 4.7%	AA	AA		AA	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	C	27.00	250	A	A		A	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	D	31.50	350	BBB	BBB-		BBB-	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	E	20.25	600	BB	BB-		BB-	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	F	13.50	960	B	B-		B-	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	Addl SUB	312.00		NR	NR		NR	21-Nov-27	21-Nov-30
31-Oct-25	Contego CLO IV	SUB	37.50		NR	NR		NR	21-Nov-27	21-Nov-30

Source: BofA Global Research, Bloomberg, IGM

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Secondary market

The European Leveraged Loan Index (ELLI) further stabilized this week, closing at 96.6 on Friday (+0.1 ppts vs. the week prior). Still, the index remains more than 1 ppt below its pre-August level and more than 2 ppts below its YTD high in late February. The share of loans trading below 90 is now at 11% according to LCD data.

CLO BWIC volume reached around €340mn, a roughly €130mn increase WoW. Supply focussed on triple-As, with almost €190mn of auction volume. Spreads tightened across the capital structure, with triple-As, triple-Bs, and double-Bs 5, 10, and 20 bps tighter, respectively.

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