

## European CLO Weekly

## Slight and manageable deterioration in fundamentals

**Market update: Uptick in new issuance, softer secondary**

On the CLO primary, 5 new issue deals, 4 resets, and 1 partial refi priced last week. New issue triple-A spreads tightened, with 3 out of the 5 new issue deals achieving AAA pricing inside 130 bps. YTD gross new issuance is close to €51bn now whilst reset/refi volume is approaching €47bn.

On the secondary, BWIC volume reached almost €440mn, with strong triple-B and sub-IG auction supply. Spreads widened across the capital structure, especially for sub-IG.

**Most in-RP deals have had negative par build YTD**

89% and 84% of deals inside the RP have had negative par build on a notional and adjusted basis YTD respectively, driven by a slight uptick in defaults, some CCC selling, and lack of OID in the loan primary. The median deal has lost 29 bps of par on a notional and 46 bps on an adjusted basis YTD, the worst performance since 2020.

As a consequence, OC test cushions have become a bit slimmer, but generally remain healthy for the vast majority of deals, at least inside the RP.

**Slight uptick in CCCs**

The median CCC bucket for deals inside the RP has increased from 4% pre-August to 4.8% now. The proportion of deals exceeding 7.5% CCCs remains low for in-RP deals at 4% and more meaningful for out-of-RP deals at 27%. However, we note for most deals we only have September trustee reports, and we think the October batch will show a slight further increase. Still, coverage test performance should remain solid, since this shouldn't push many deals inside the RP into >7.5% CCC territory, and even if, haircuts for mild CCC Excesses are generally small and manageable.

**4% of single-B tranches have MVOC ratios < 100%**

Around 4% of single-B tranches have MVOC ratios below 100%, i.e., are not fully covered. Another 16% of deals have weak single-B MVOC ratios between 100-102%. Dispersion is high even for a given vintage, and <100% B MVOC ratios includes even a very few 2021 and 2022 vintage deals.

We make several on-request files on CLO collateral performance, par build, and MVOC ratios by manager & vintage available. Please email us if you'd like to receive them.

Please also see our updated [European CLO data handbook \(October edition\)](#).

For further developments in the European SF markets, please see **European SF Weekly: Of financing conditions, direct lending and securitisation bond liquidity**, and **European SF Data Addendum: All aboard!** both dated 20 October 2025.

20 October 2025

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Europe  
CLO

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**Refer to important disclosures on page 14 to 16.**

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Timestamp: 20 October 2025 04:00AM EDT

## Market update

### CLO

Activity on the **European CLO primary market** picked up significantly last week, with 5 new issue deals (**Jubilee CLO 2025-XXXII**, **Ares European CLO XXIII**, **Avoca CLO XXXIV**, **Tikehau CLO XIV**, and **Sona Fios CLO VI**). In addition, 4 deals (**CVC Cordatus Loan Fund VII**, **Barings Euro CLO 2020-1**, **Carlyle Euro Clo 2022-5**, and **Harvest CLO XXX**) got reset and 1 deal (**Invesco Euro CLO XI**) was partially refinanced.

This brings YTD gross new issuance to almost €51bn. Meanwhile, reset/refi volume is inching closer towards €47bn YTD.

Last week's transactions were priced as follows:

- Jubilee CLO 2025-XXXII new issue (S&P/Fitch): (AAA/AAA) senior 128, (AAA/AAA) junior 170, (AA/AA) 185, (A/A) 215, (BBB-/BBB-) senior 285, (BBB-/BBB-) junior 370, (BB-/BB-) 500, and (B-/B-) 800. The deal also has a fixed-rate double-A tranche paying a 4.6% coupon. The senior triple-A offers 39% par subordination vs. 37.5% for the junior triple-A. The senior triple-B has 13.3% par sub vs. 12.7% for the junior one.
- Ares European CLO XXIII new issue (S&P/Fitch): (AAA/AAA) 128, (AA/AA) 180, (A/A) 205, (BBB-/BBB-) 275, (BB-/BB-) 500, and (B-/B-) 790.
- Avoca CLO XXXIV new issue (S&P/Fitch): (AAA/AAA) 126, (AA/AA) 175, (A/A) 200, (BBB-/BBB-) 280, (BB-/BB-) 540, and (B-/B-) 835.
- Tikehau CLO XIV new issue (S&P/Fitch): (AAA/AAA) 130, (AA/AA) 190, (A/A) 220, (BBB-/BBB-) 290, (BB-/BB-) 525, and (B-/B-) 790.
- Sona Fios CLO VI new issue (S&P/Fitch): (AAA/AAA) 130, (AA/AA) 200, (A/A) 230, (BBB-/BBB-) 335, (BB-/BB-) 575, and (B-/B-) 800.
- CVC Cordatus Loan Fund VII reset (S&P/Fitch): (AAA/AAA) 128, (AA/AA) 190, (A/A) 215, (BBB-/BBB-) senior 305, (BBB-/BBB-) junior 380, (BB-/BB-) 520, and (B-/B-) 840.
- Barings Euro CLO 2020-1 reset (S&P/Fitch): (AAA/AAA) 124, (AA/AA) 195, (A/A) 240, (BBB-/BBB-) 360, (BB-/BB-) 625, and (B-/B-) 925. The deal has a Class X tranche priced at 85 bps.
- Carlyle Euro CLO 2022-5 reset (S&P/Fitch): (AAA/AAA) 130, (AA/AA) 190, (A/A) 220, (BBB-/BBB-) 310, (BB-/BB-) 600, and (B-/B-) 850.
- Harvest CLO XXX reset (S&P/Fitch): (AAA/AAA) 128, (AA/AA) 190, (A/A) 220, (BBB-/BBB-) 345, (BB-/BB-) 560, and (B-/B-) 895. The deal also has a fixed-rate double-A tranche priced at 4.4%.
- Invesco Euro CLO XI partial refi (S&P/Fitch): (AAA/AAA) senior 126, (AAA/AAA) junior 175, (AA/AA) 215, (A/A) 275, (BBB-/BBB-) 400, and (BB-/BB-) 590. The deal has a fixed-rate double-A tranche paying a 4.6% coupon.

Despite softer spreads on the secondary, triple-A primary spreads moved a bit tighter this week, with some new issue deals achieving sub-130 bps AAA pricing. For resets, we note meaningful dispersion for sub-IG, and significant pick-up for single-Bs vs. clean new issue deals.

**On the secondary**, the European Leveraged Loan Index (ELLI) started the week a bit softer, then stabilized and rebounded a bit in the middle of the week before closing a bit lower on Friday again, at around 96.37. The index remains around 1 ppt below its early October level and 2.4 ppts below its YTD high in late February.



CLO BWIC volume reached almost €440mn this week, with significant sub-IG and triple-B supply, including almost €110mmn single-B supply alone. Spreads widened across the capital structure, especially for sub-IG.



# Commentary

## Negative par build YTD, uptick in CCCs

We provide an update on CLO collateral & manager performance, including par build, coverage test performance, collateral quality tests, and movements in MVOC ratios.

We make 3 on-request files available covering the following areas:

- CLO collateral performance by vintage & manager
- Par build by CLO manager
- BB & B MVOC ratios by CLO manager & vintage

Please email us if you'd like to receive them.

Please also find our updated [European CLO data handbook here \(October edition\)](#).

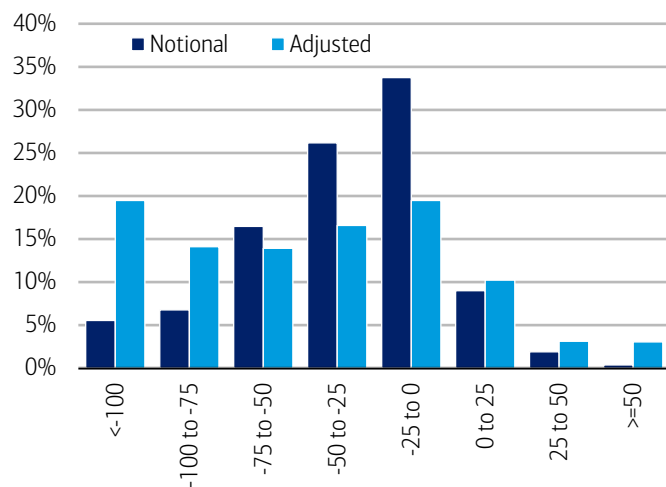
### 84% of deals inside the RP have had negative adjusted par build YTD

CLOs continue to struggle to build par in the current environment, with negative par build for 89% and 84% of deals inside the RP on a notional and adjusted basis YTD, respectively. In fact, the proportion of deals with negative adjusted par build is the highest since 2020.

Among deals with negative par build, dispersion has increased, too. For example, on a YTD and adjusted par build basis, whilst 19% of deals have lost only 0-25 bps, the same proportion of deals has lost more than 100 bps. This is driven mainly by differences in collateral pool default rates (with some managers avoiding most of the recent distressed stories and others not) as well as differences in downgrade experience (with some managers having had exposure to more CCC downgrades, and in some cases selling CCCs to manage buckets, thus burning par).

#### Exhibit 1: 89% and 84% of deals inside the RP have had negative notional and adjusted par build YTD, respectively

Adjusted and notional par build distribution YTD, in bps

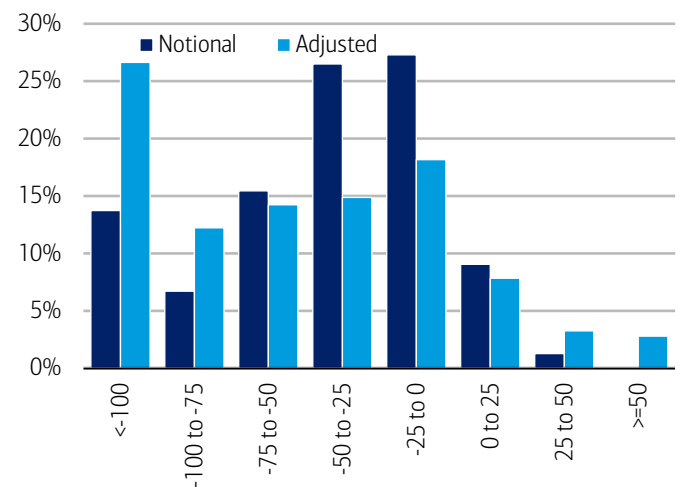


Source: BofA Global Research, Intex  
 Note: Excluding deals reset during the period

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#### Exhibit 2: Over the last 12 months, more than a quarter of in-RP deals have lost more than 100 bps of par on an adjusted basis

Adjusted and notional par build distribution LTM, in bps



Source: BofA Global Research, Intex  
 Note: Excluding deals reset during the period

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Across in-RP deals, the median deal has lost 29 and 46 bps on a notional and adjusted basis YTD, respectively. By contrast, the median deal only lost 30 and 14 bps of par on an adjusted basis in 2024 and 2023, respectively.

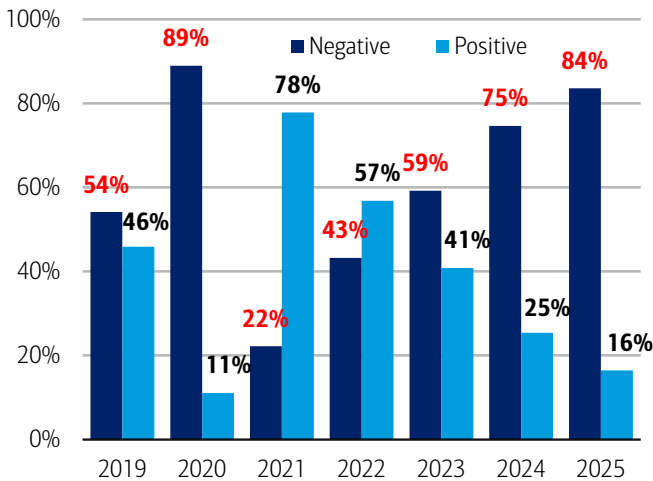


Besides an uptick in defaults recently and more CCC downgrades, the main challenge this year has been the lack of sources to help offset par losses, and in particular lack of OID on the loan primary.

Going forward, we think the backdrop will remain challenging given around 11% of loans trading below 90 now (implying more defaults and CCC downgrades potentially, and thus more scope for defaults). On the flipside, the share of loans trading between 98 and 100 has increased as the loan market has overall turned softer, from 20% in late September vs. 40% now according to LCD data. Consequently, there may be some more paper available on the secondary that offers at least a mild discount to par and is still of acceptable credit quality, and that may help to compensate for par losses from defaults somewhat.

**Exhibit 3: The proportion of deals with negative adjusted par build is the highest since 2020**

Proportion of deals vs. positive vs. negative par build by year

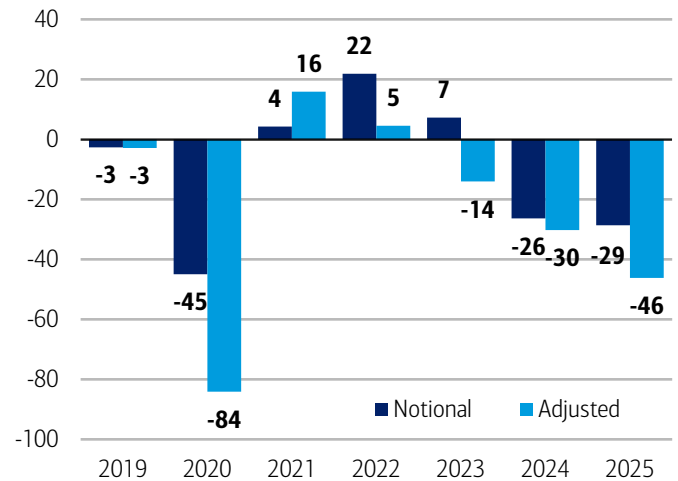


Source: BofA Global Research, Intex  
 Note: Excluding deals reset during the period

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**Exhibit 4: Median par build is -29 and -46 bps on a notional and adjusted basis YTD, respectively**

Median adjusted and notional par build by year, in bps



Source: BofA Global Research, Intex  
 Note: Excluding deals reset during the period

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**OC test cushions remain healthy for in-RP deals despite some erosion**

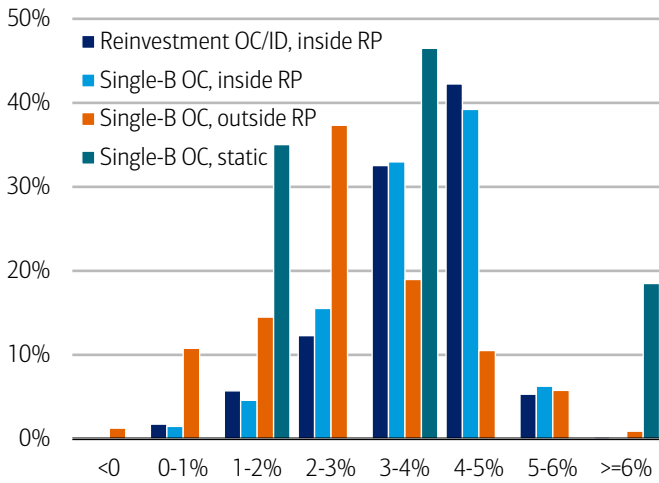
Whilst some further par burn has reduced OC test cushions a bit, cushions generally remain thick for most deals inside the RP.

- Less than 2% of deals outside the RP are failing their single-B OC tests, though around 11% of out-of-RP deals have slim single-B OC test cushions in the 0-1% range. There are no single-B or reinvestment OC test breaches inside the RP based on the most recently available Intex data, though a very few deals have slim buffers only.
- We continue to see no double-B OC test breaches (though we note this is based on mainly September trustee reports and for some deals even late August trustee reports, with the September ones not uploaded yet).
- As for IC test, lagging triple-A primary spreads and hence still relatively high funding costs for new deals plus tight spreads for good quality loans due to multiple loan repricing waves has also put some pressure on IC ratios, especially for younger vintages. However, there are currently no IC test breaches.



**Exhibit 5: Less than 2% of deals outside the RP are breaching their single-B OC test**

Reinvestment and single-B OC test cushion distribution

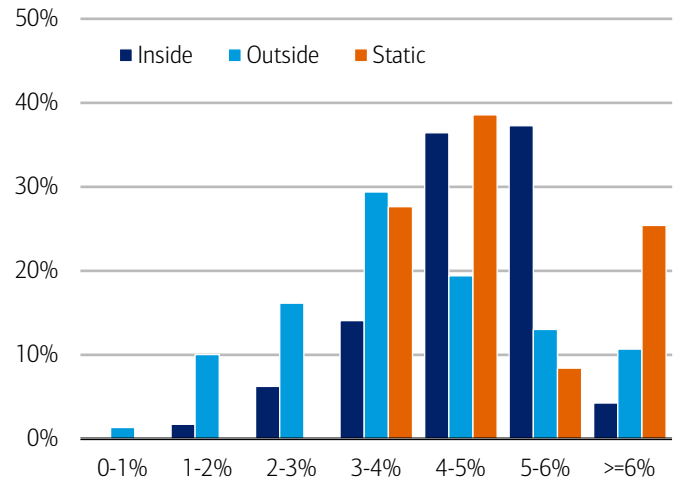


Source: BofA Global Research, Intex

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**Exhibit 6: Around 92% of deals inside the RP have double-B OC test cushions above 3%**

Double-B OC test cushion distribution

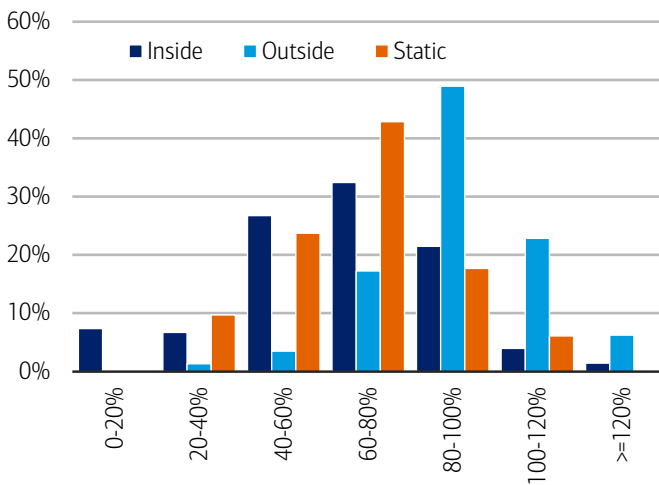


Source: BofA Global Research, Intex

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**Exhibit 7: A small proportion of deals has triple-B IC test cushions below 20%**

Triple-B IC test cushion distribution

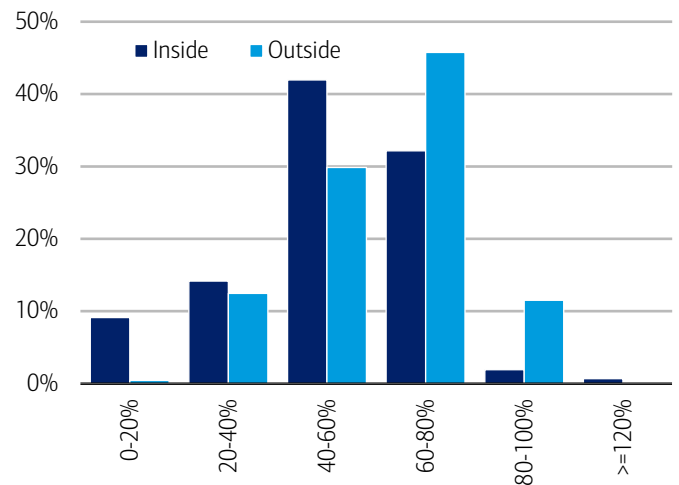


Source: BofA Global Research, Intex

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**Exhibit 8: Double-B IC test cushions are in the 40-80% range for most deals**

Double-B IC test cushion distribution



Source: BofA Global Research, Intex

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**CCC buckets have started picking up again**

As we discussed in [European CLO Weekly: Keeping an eye on CCCs](#) from 22 September, we have started seeing more downgrades again, and CCC buckets have increased a bit, especially for deals inside the RP – though this is in part because some out-of-RP deals got called over the summer and others reset.

The median CCC bucket for deals inside the RP has increased to around 4.8% vs. around 4% pre-August. Meanwhile, the median CCC bucket for deals outside the RP is at roughly 6.5%.

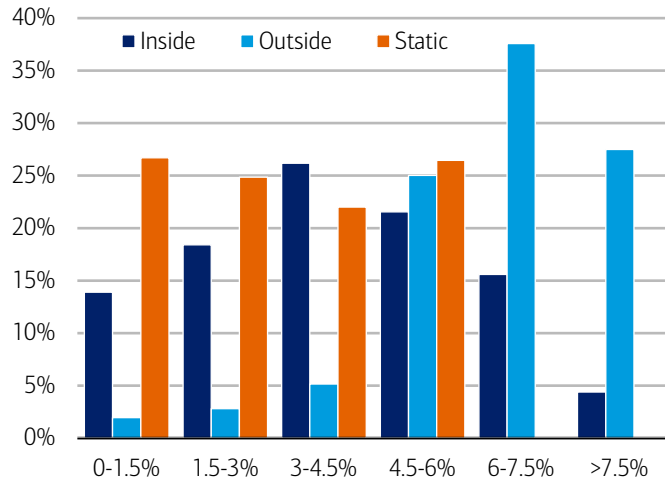
The percentage of deals exceeding 7.5% CCCs remains small for in-RP deals, at just 4% (though 27% for out-of-RP deals). However, 16% of deals inside the RP have elevated CCCs in the 6-7.5% range. Further, as aforementioned in the OC test discussion, we



don't have October trustee reports available yet for most deals and for some even end-of-August reports, so some downgrades are not reflected yet. We also note that Altice France will re-enter the CCC bucket now that it's been restructured. Hence, we expect CCCs to pick up a bit further when we have the October trustee reports, reflecting more of the recent downgrades.

**Exhibit 9: 4% of deals inside the RP exceed 7.5% CCCs**

CCC buckets distribution for deals for which we have September trustee reports already

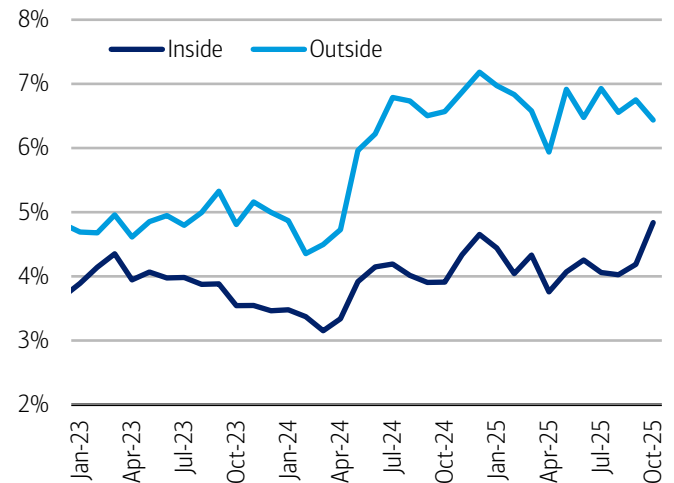


Source: BofA Global Research, Intex

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**Exhibit 10: The median CCC bucket has climbed to 4.8% for in-RP deals**

Median triple-C buckets for deals inside and outside the RP over time



Source: BofA Global Research, Intex

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**Increased WARF dispersion, still lower WAS**

WARF has become more dispersed. Some CLO managers have been able to avoid some of the smaller downgrades. Whilst most deals had exposure to some downgrades of larger issuers (e.g., INEOS), this has been partly mitigated by some upgrades too, e.g., Action Retail. Meanwhile, some CLO managers have been exposed to more of the recent downgrades, and hence have seen an uptick in their WARF metrics vs. July.

On top of that, some CLO managers have been more proactive in reducing their exposure to certain weaker credits, thus improving their WARF metrics (though generally burning par in the process, too). In addition, some deals got cleaned up in the run-up to resets.

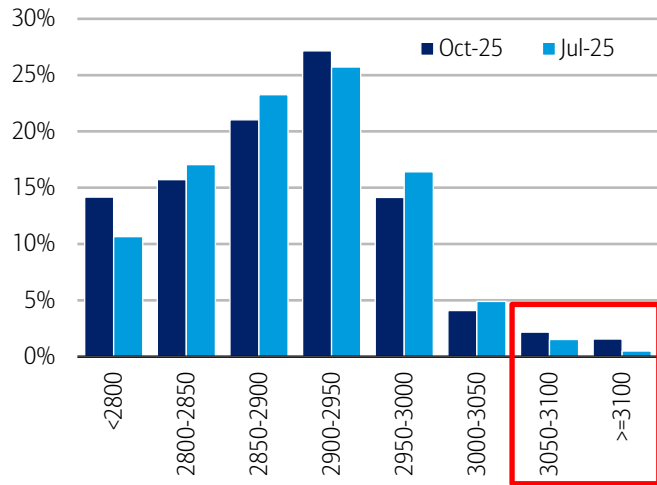
With regards to WAS though, the trend is towards lower WAS, and we saw a further reduction over the summer. For example, 41% of deals now have WAS below 370 bps. This compares to just 28% in July. By contrast, just 6% and 2% of deals had WAS below 370 bps at the start of the year and in early 2024, respectively.

On a positive note, with the loan market having softened a bit recently and the share of loans trading at or above par easing from around 60% in late September to 36% now according to LCD data, there should be a bit less repricing pressure (though some stronger issuers may still be able to push through repricings).



**Exhibit 11: WARF has become more dispersed, with some deals seeing an increase over the summer and others reducing risk**

Moody's WARF distribution, deals inside the RP only

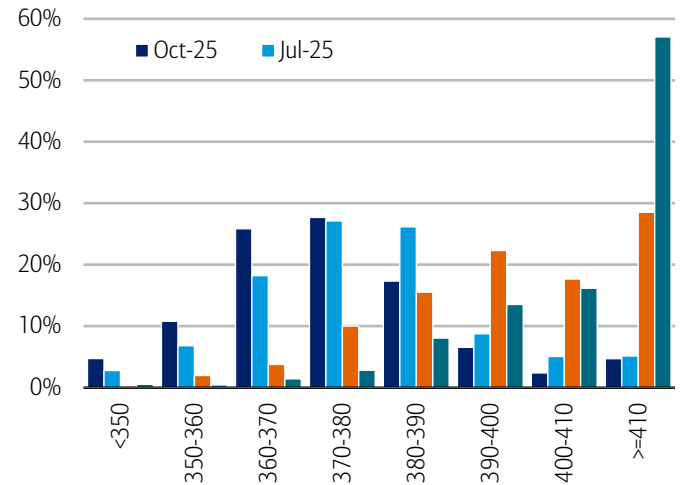


Source: BofA Global Research, Intex

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**Exhibit 12: WAS has declined further over the summer, with most deals in the 360-380 bps range**

WAS distribution, in bps



Source: BofA Global Research, Intex

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**Around 4% of single-B tranches have MVOC ratios below 100%**

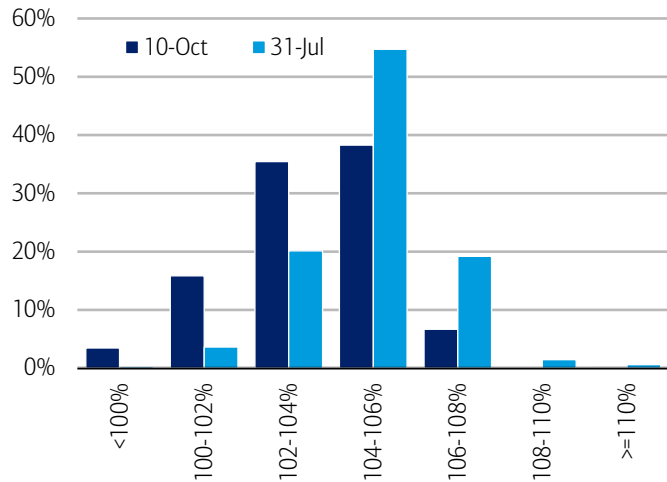
As we discussed in [European CLO Weekly: Declining CLO equity NAV, increased dispersion](#) from 13 October 2025, CLOs have seen meaningful declines in equity NAV and MVOC ratios in recent weeks, and more interestingly an uptick in dispersion, even for younger vintages. We provide the most recent data on double-B and single-B MVOC ratios.

- **Around 4% of deals have single-B MVOC ratios below 100%, i.e., are not currently fully covered.** Whilst this is skewed towards deals outside the RP, there are also some moderately old deals inside the RP impacted, e.g., a few deals from 2021 and 2022.
- In addition, 16% of deals have single-B MVOC ratios in the 100-102% range, i.e., at slim levels. This compares to just 4% pre-August.
- Generally speaking, single-B MVOC ratios are below 104% for at least half of all deals from vintages earlier than 2023, and for some vintages that proportion is as high as 80%.
- Dispersion is high even for younger vintages. For example, for the 2024 vintage, 29% of deals have single-B MVOC ratios below 104% whilst 16% are above 106%.
- With regards to double-B MVOC ratios, we note a very small number of tranches from 2014, 2020, and 2021 are not fully covered. For most vintages, though, all double-Bs are covered and the majority of deals have double-B MVOC ratios above 104% at least.



**Exhibit 13: 4% of deals have MVOC B ratios <100%**

Single-B MVOC ratios distribution

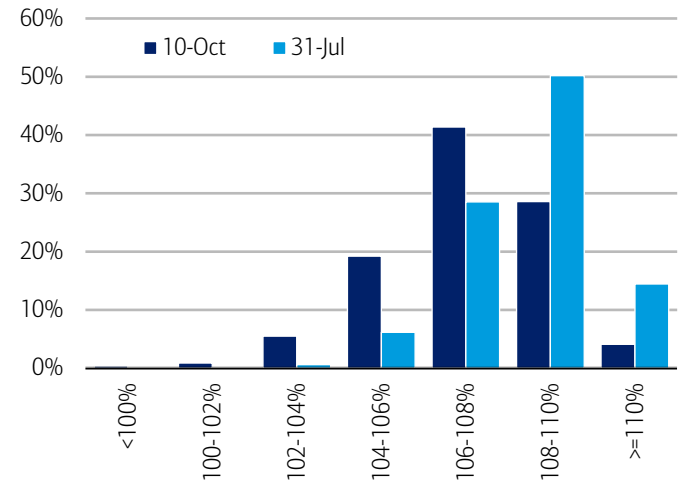


Source: BofA Global Research, Intex, Markit

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**Exhibit 14: 7% of deals have MVOC BB ratios < 104% vs. just 1% in July**

Double-B MVOC ratios distribution

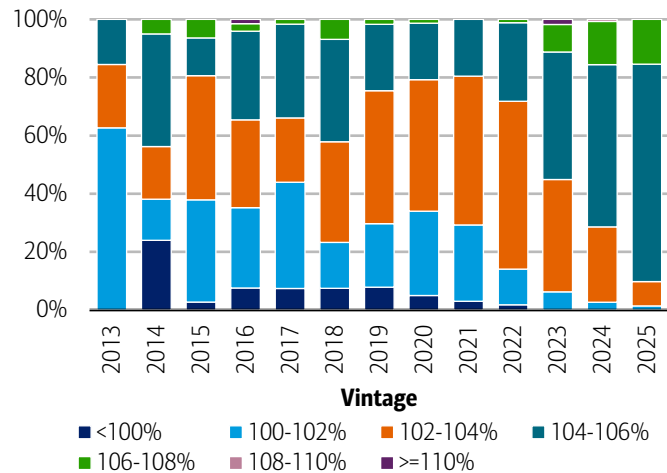


Source: BofA Global Research, Intex, Markit

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**Exhibit 15: MVOC B ratio dispersion is high even within vintages**

Single-B MVOC ratio distribution, by vintage

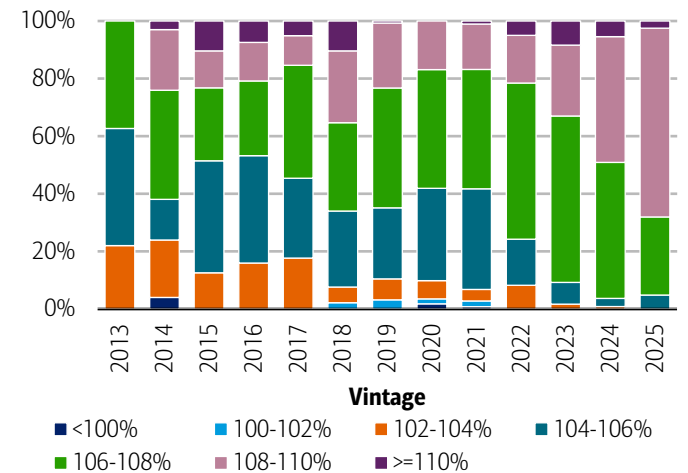


Source: BofA Global Research, Intex, Markit

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**Exhibit 16: A very few deals from the 2014, 2020, and 2021 vintages have MVOC double-B ratios below 100%**

Double-B MVOC ratio distribution, by vintage



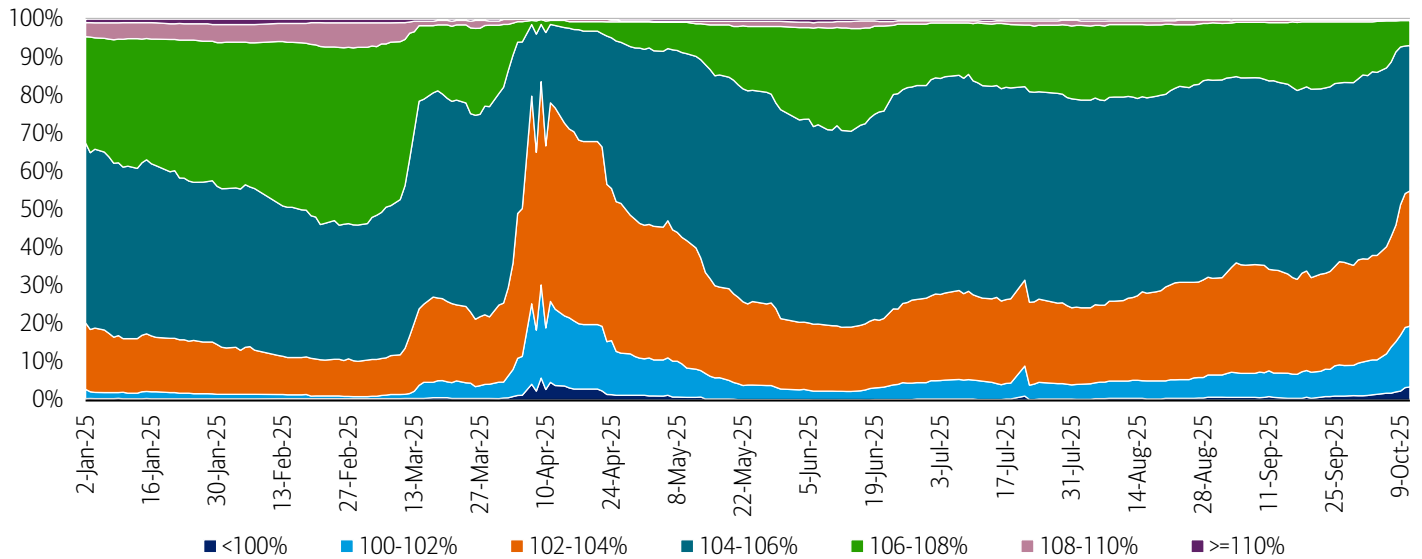
Source: BofA Global Research, Intex, Markit

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**Exhibit 17: 20% of single-B tranche have MVOC ratios below 102% now vs. just 3% at the start of the year**

Single-B MVOC ratio distribution over time



Source: BofA Global Research, Intex, Markit

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**More concern about sentiment than fundamentals**

CLO fundamentals have admittedly weakened a bit, in particular with regards to CCC buckets and MV-based metrics such as MVOC ratios and equity NAV. Still, coverage test performance generally remains strong, and most deals have solid OC test cushions, at least inside the RP.

Whilst a mild uptick in junior OC test breaches is certainly a possibility if we were to see a further deterioration in the credit backdrop, it is not our base case. And even so, it would likely remain confined to some weaker deals mostly outside the RP, and the impact of single-B and double-B OC test breaches would be a diversion of cashflows away from equity and single-B tranches, respectively.

As regards CCCs specifically, the proportion of deals exceeding 7.5% CCCs remains small inside the RP, and for impacted deals, the Excess is usually small. As discussed, we will likely see higher CCC levels in the next wave of trustee reports, but even if the above 7.5% share increases a bit, haircuts to OC ratios are usually small and manageable for small Excesses.

However, even if collateral performance remains more or less satisfactory, we think more loan issuer downgrades and an uptick in defaults could continue to worsen the sentiment, and that in itself could cause sub-IG spreads to widen a bit further, in our view. More manager tiering and continued sub-IG spread dispersion is likely, too.

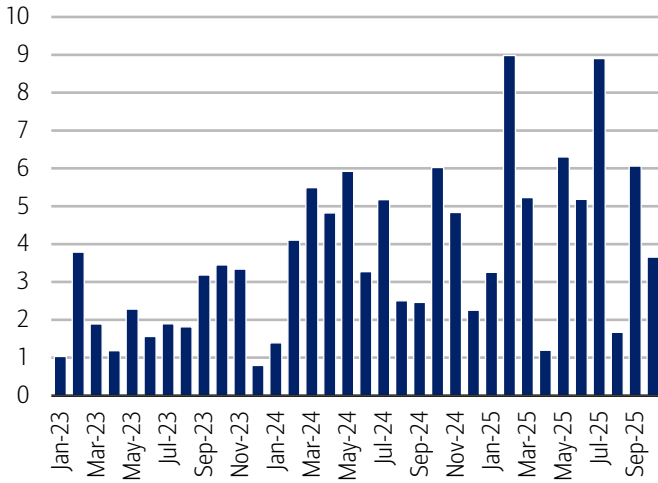


# European CLO Data Appendix

## Primary market

**Exhibit 18: New issue activity has had a record start into 2025**

European CLO new issue volume, in bn EUR

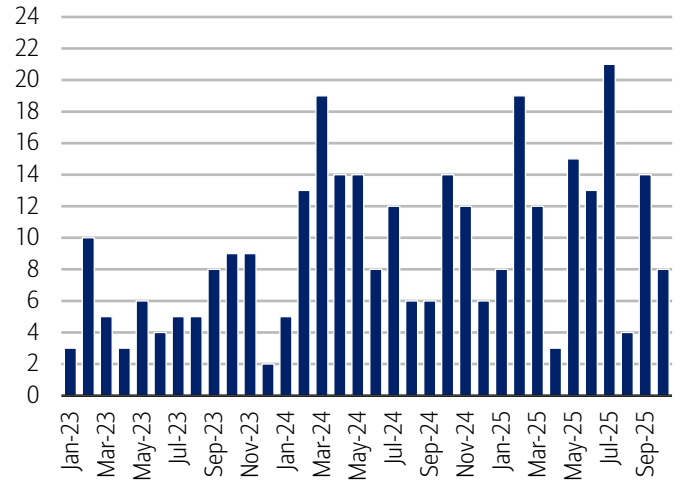


Source: BofA Global Research, IGM, Bloomberg

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**Exhibit 19: CLO new issuance is on track for a record**

European CLO new issue deal count

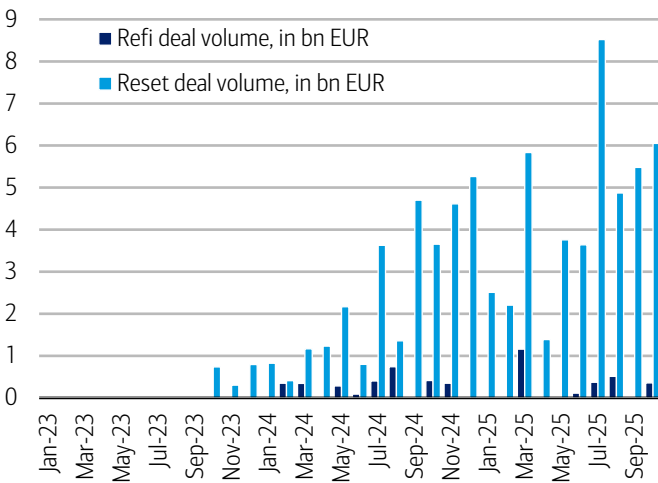


Source: BofA Global Research, IGM, Bloomberg

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**Exhibit 20: Refi/reset volume has picked up as spreads tightened**

European CLO refi/reset volume, in bn EUR

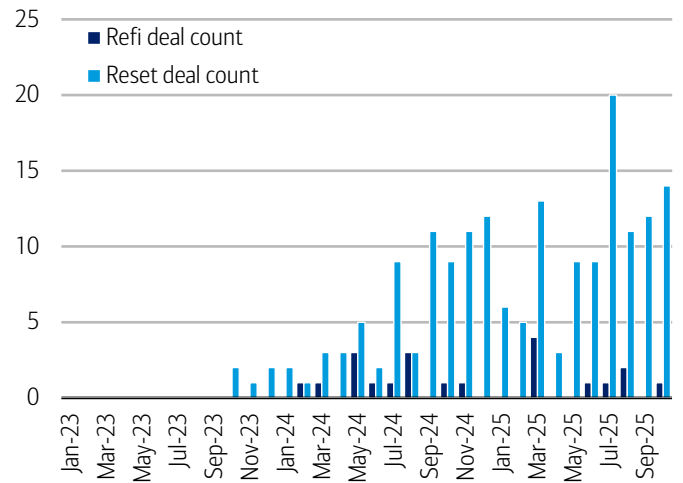


Source: BofA Global Research, IGM, Bloomberg

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**Exhibit 21: Resets in particular have picked up, including out-of-RP**

European CLO refi/reset deal count



Source: BofA Global Research, IGM, Bloomberg

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## Secondary market

### Exhibit 22: CLO spreads have started widening again

European CLO relative value

	17-Oct-25	10-Oct-25	19-Sep-25	18-Apr-25	17-Oct-24	1 week	1 month	6 months	1 year
<b>European CLOs</b>									
AAA	110	105	95	150	100	5	15	-40	10
AA	185	180	175	225	160	5	10	-40	25
A	225	215	190	300	210	10	35	-75	15
BBB	310	300	285	390	310	10	25	-80	0
BB	610	585	540	700	615	25	70	-90	-5
B	910	885	840	1,025	925	25	70	-115	-15
<b>US CLOs (vs. SOFR)</b>									
AAA	120	115	115	145	120	5	5	-25	0
AA	160	155	155	200	170	5	5	-40	-10
A	185	180	180	220	190	5	5	-35	-5
BBB	275	260	265	350	300	15	10	-75	-25
BB	610	575	575	725	625	35	35	-115	-15
<b>UK RMBS</b>									
Prime AAA	48	43	41	57	48	5	7	-9	0
BTL AAA	72	72	72	88	78	0	0	-16	-6
BTL A	130	130	130	195	135	0	0	-65	-5
NCF AAA	76	71	69	88	83	5	7	-12	-7
NCF A	135	125	125	195	140	10	10	-60	-5
<b>European RMBS</b>									
France AAA	57	50	48	59		7	9	-2	
Dutch Prime AAA	45	42	40	49	45	3	5	-4	0
Dutch BTL AAA	70	65	63	78		5	7	-8	
Ireland AAA	72	67	65	83	73	5	7	-11	-1
Ireland A	120	110	110	145	125	10	10	-25	-5
<b>CMBS</b>									
UK AAA	120	110	110	155	130	10	10	-35	-10
UK A	190	180	180	280	245	10	10	-90	-55
Eurozone AAA	115	105	105	150	125	10	10	-35	-10
Eurozone A	190	180	180	280	245	10	10	-90	-55
<b>ABS</b>									
German Auto AAA 2 year	48	43	43	54	46	5	5	-6	2
UK Credit Card AAA	77	72	72	98	85	5	5	-21	-8
<b>CDS indices</b>									
iTraxx Main 5Y	57	59	50	72	56	-2	7	-15	1
iTraxx Xover 5Y	274	283	249	366	300	-10	25	-92	-26
CDX IG 5Y	54.80	55.35	47.25	70.02	51.30	-0.55	7.55	-15.22	3.50
CDX HY 5Y	340.58	343.01	303.56	424.19	324.73	-2.44	37.02	-83.62	15.84
<b>Leveraged loans</b>									
European loans (price)	96.41	96.49	97.40	96.15	97.60	-0.08	-0.99	0.26	-1.19
US loans (price)	98.67	98.61	99.11	96.53	97.81	0.06	-0.44	2.14	0.86
<b>IG credit</b>									
European IG corporates	68	69	68	96	81	-1	0	-28	-13
US IG corporates	117	118	114	149	119	-1	3	-32	-2
<b>HY credit</b>									
European HY corporates	266	272	240	342	275	-6	26	-76	-9
US HY corporates	300	313	269	390	286	-13	31	-90	14

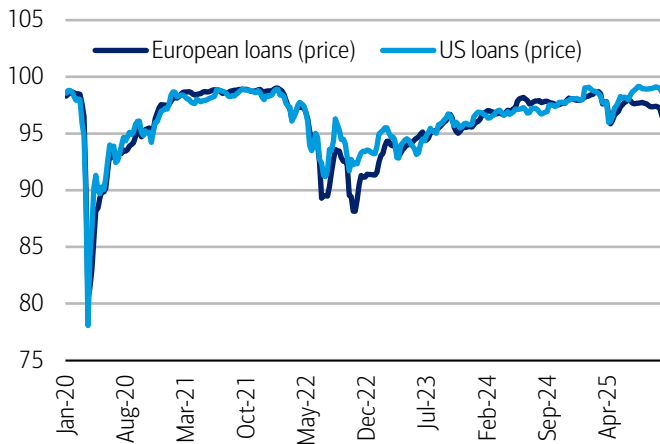
Source: BofA Global Research, Bloomberg, ICE Data Indices

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**Exhibit 23: Euro and US loan index levels have diverged**

ELLI and US LLI WA price over time

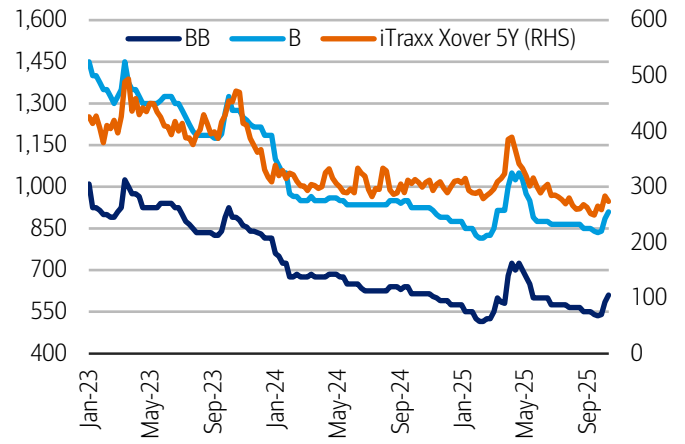


Source: BofA Global Research, Bloomberg, LCD

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**Exhibit 24: CLO sub-IG spreads have softened again**

CLO sub-IG spreads vs. iTraxx Xover 5Y, in bps

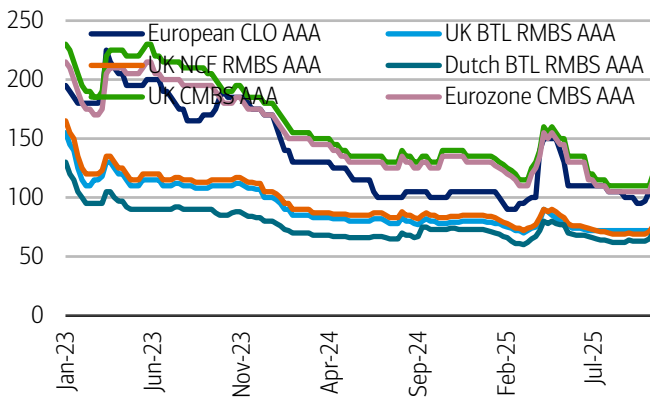


Source: BofA Global Research, Bloomberg

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**Exhibit 25: CLO AAA offers higher carry than BTL and NCF RMBS**

CLO AAA vs. RMBS/CMBS, in bps

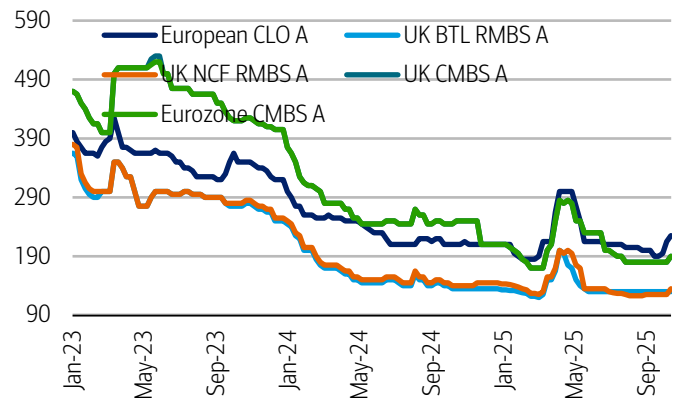


Source: BofA Global Research

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**Exhibit 26: CLO A offers a higher carry than most other SF products**

CLO A vs. RMBS/CMBS spreads, in bps

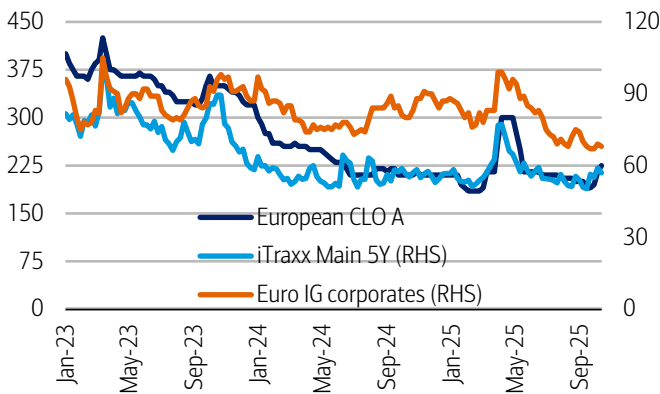


Source: BofA Global Research

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**Exhibit 27: CLO A remains wider than corporate credit**

CLO A vs. IG credit spreads, in bps

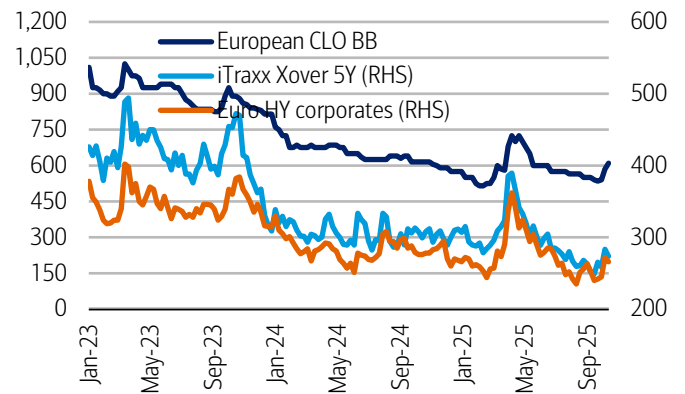


Source: BofA Global Research, Bloomberg, ICE

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**Exhibit 28: CLO BB offers higher carry than Euro HY corporates**

CLO BB vs. HY credit spreads, in bps



Source: BofA Global Research, Bloomberg, ICE

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