NEWS & INSIGHTS

PUBLICATIONS

Collateralized Loan Obligations: What to Expect When You Are Expecting Your First CLO

March 2013

The market for collateralized loan obligations (CLOs) in the United States continued its remarkable resurgence in 2012. With $7 billion of new issuance in December alone, CLO issuance in 2012 reached $53 billion, the highest level of CLO activity since 2005. Estimates for new CLO issuance in 2013 range from $50 billion to $70 billion.

Surprisingly, not all CLOs launched in 2012 are managed by the large and established CLO managers that most investors flocked to in the post-crisis "flight to quality." According to Moody's, new managers accounted for more than 10% of CLOs rated by the agency in 2012. This is an astounding change from 2010 and 2011, when only two new manager CLOs were rated by Moody's in those two years. By showing solid performance even during the credit crisis, CLOs have not only become an asset class that is sought-after by investors but also an asset class that is sought-after by managers looking for stable and lucrative sources of management fees and incentive fees. It is likely that 2012 was not an aberration and new managers will continue to account for a significant portion of CLO issuance in the near future. In this article, SRZ partner Craig Stein and former SRZ attorney Joseph Suh discuss what a potential new CLO manager should expect when considering the launch of its first CLO.

Copyright © 2024 Schulte Roth & Zabel LLP

Attorney Advertising

Related People

Craig Stein

Partner

New York

Practices

STRUCTURED FINANCE

FINANCE

HEDGE FUNDS

INVESTMENT MANAGEMENT

Attachments

Download Article

Copyright © 2024 Schulte Roth & Zabel LLP

Attorney Advertising