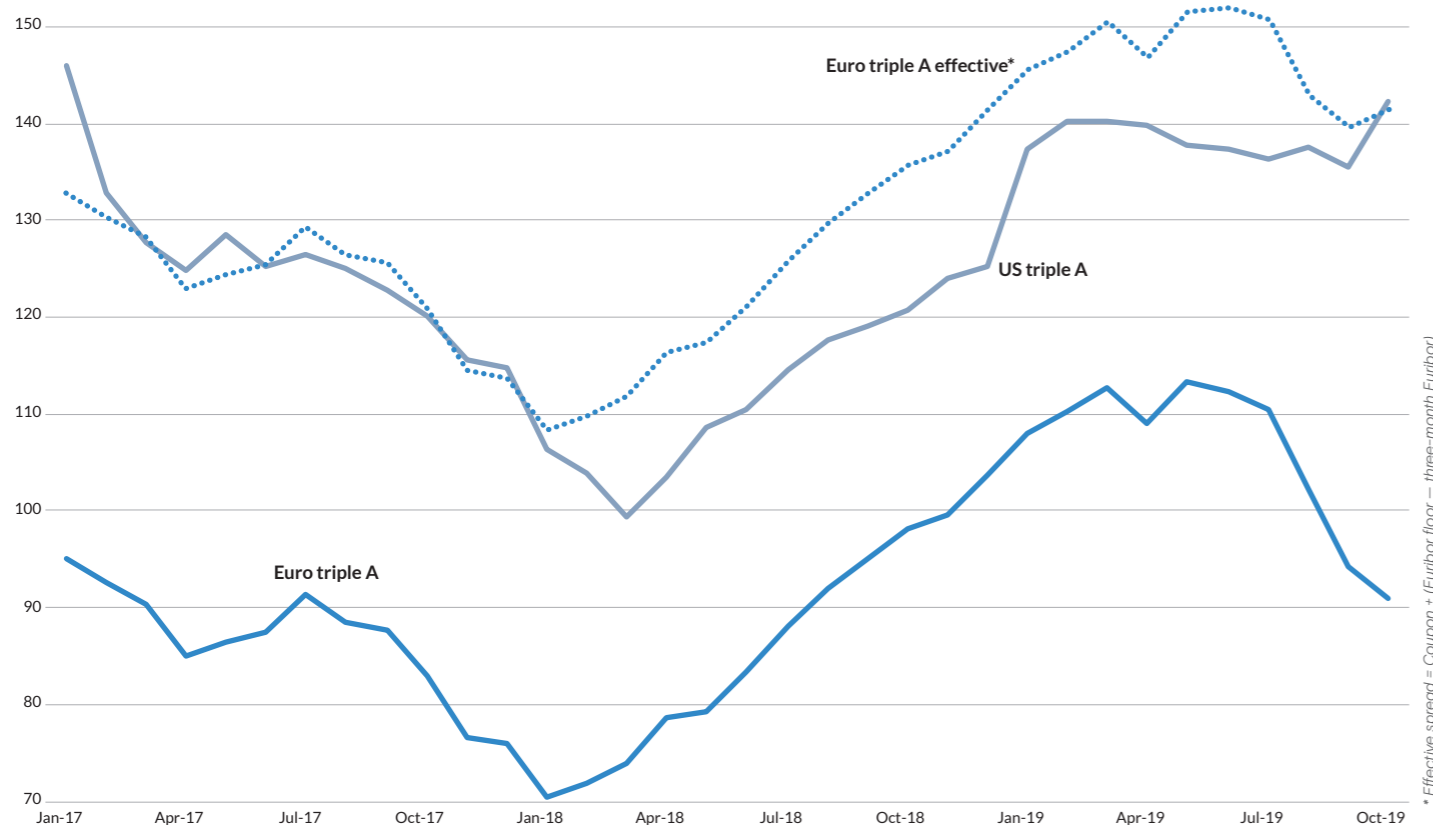


US vs Europe relative value (bp)



Two roads diverged in the CLO wood

In Europe, the third quarter was all twists and turns: volumes hit €11.9 billion, the ECB cut rates and CLO triple A spreads tightened 14bp in three deals. In the US, the path was more straightforward

by Charlie Dinning
research Lafri Reda

CLO spreads across the US and European CLO markets have historically moved in similar directions, but there was divergence in the third quarter, as European CLO triple A spreads tightened sharply while US CLOs remained stable.

Q3 got off to an eventful start in Europe with CIFIC Asset Management pricing its first European 2.0 CLO on 1 July. CIFIC

European CLO I was issued via Deutsche Bank and its triple As priced at 114 basis points over Euribor. This was wide of the early quarter benchmark of 100bp set by CVC Credit Partners and BNP Paribas Asset Management — and equates to a fairly standard premium CLO issuers face when entering the market for the first time.

Rapid tightening in September

There was no new issuance in Europe in August, but the resumption in September

saw CLO spreads undergo a 7bp tightening as Ostrum Asset Management priced Purple Finance CLO 2 with triple As printing at 100bp. It took 42 days for CLO spreads to move in by 7bp, but it would take less than 24 hours for spreads to tighten again by the same margin. Axa Investment Management blew the 100bp print out of the water by following Ostrum's CLO with Adagio VIII and a triple A tranche that priced at 93bp.

The Axa IM print meant that European CLO triple A spreads had moved in by

CLO manager ranking by principal liabilities (debt + equity) as of 30 September 2019										
Rank	Change	Manager	Total CLOs (\$bn)	Deals	US CLOs (\$bn)	Deals	MM CLOs (\$bn)	Deals	Euro CLOs (€bn)	Deals
1	—	GSO	30.00	54	19.86	33	1.08	2	8.32	19
2	—	CSAM	29.99	44	24.90	34	-	-	4.68	10
3	—	Carlyle	27.22	51	18.60	33	0.86	2	7.12	16
4	—	PGIM	25.51	48	17.75	32	-	-	7.11	16
5	—	Ares (Ivy Hill)	20.34	36	14.45	24	2.56	5	3.05	7
6	—	CIFIC	20.32	33	19.88	32	-	-	0.41	1
7	↑1	Octagon	18.63	32	18.63	32	-	-	-	-
8	↓1	Apollo (RR + MidCap)	18.58	30	13.22	20	3.54	6	1.67	4
9	—	Golub	18.26	29	4.68	10	13.59	19	-	-
10	—	MJX	16.96	29	16.96	29	-	-	-	-
11	—	KKR	15.99	31	10.01	19	0.51	1	5.02	11
12	—	CVC	14.83	29	9.22	17	-	-	5.15	12
13	↑2	Sound Point	14.76	24	13.76	22	-	-	0.91	2
14	↓1	Sculptor	14.43	28	11.74	22	-	-	2.47	6
15	↓1	Voya	14.21	24	13.38	22	-	-	0.76	2
16	↑3	THL	13.19	25	12.48	23	0.72	2	-	-
17	↓1	Barings	12.87	27	7.50	15	0.91	2	4.09	10
18	—	BlueMountain (Fuji)	12.14	25	10.51	21	-	-	1.49	4
19	↑1	Investcorp	11.69	25	4.73	10	-	-	6.39	15
20	↓3	BlackRock	11.57	23	6.81	12	1.04	3	3.42	8
21	—	Anchorage	11.20	23	9.95	20	-	-	1.14	3
22	—	Alcentra	11.18	23	5.41	11	-	-	5.29	12
23	↑1	Bain	10.88	23	7.46	15	0.95	2	2.26	6
24	↓1	Oak Hill	10.26	20	7.87	15	-	-	2.19	5
25	↑3	Neuberger Berman	9.94	20	9.94	20	-	-	-	-
26	—	Onex	9.86	17	8.52	14	-	-	1.23	3
27	↑2	ICG	9.67	22	4.96	12	-	-	4.31	10
28	↑2	HPS	9.53	19	7.75	15	-	-	1.64	4
29	↓4	LCM	9.44	19	9.44	19	-	-	-	-
30	↓3	CBAM	9.38	10	9.38	10	-	-	-	-
31	↑1	Fortress	8.89	13	5.61	9	3.28	4	-	-
32	↑1	Benefit Street	8.07	15	8.07	15	-	-	-	-
33	↓2	PineBridge	7.89	17	5.77	12	-	-	1.95	5
34	↑3	GoldenTree	7.87	14	6.11	10	-	-	1.62	4
35	↑1	Palmer Square	7.34	16	7.34	16	-	-	-	-
36	↑2	Oaktree	7.20	14	4.63	8	-	-	2.36	6
37	↓2	Symphony	7.19	14	7.19	14	-	-	-	-
38	↓4	Bardin Hill	7.10	19	4.82	13	-	-	2.09	6
39	—	Antares	6.55	6	-	-	6.55	6	-	-
40	↑1	TPG	6.36	14	6.36	14	-	-	-	-
41	↓1	Guggenheim	6.26	12	4.52	8	0.40	1	1.23	3
42	↑2	Invesco	5.82	13	5.00	11	0.82	2	-	-
43	↓1	Brigade	5.66	12	4.36	9	-	-	1.19	3
44	↑1	Napier Park	5.61	11	5.17	10	-	-	0.41	1

» table continues on page 14



After the rule change, middle market CLOs have become an efficient financing tool for BDC managers

Art Penn
Founder
PennantPark

CLO tranches therefore become fixed rate investments.

Brian McNamara, portfolio manager at Mackay Shields, says: "The ECB actions reduced the yields in high grade corporate and sovereign debt markets, increasing the relative value on offer through investing in high grade CLO liabilities."

Conor Power, also a portfolio manager at Mackay Shields, says this has "encouraged more European investors to take a look at the CLO market, widening the buyer base".

US investors move into Europe

Market sources say that the investor base for European CLO triple As specifically is still fairly thin, but it has been boosted of late. According to one CLO portfolio manager in Europe, US CLO investors have crossed over into Europe and this has had a big hand in senior European CLO spreads tightening.

The three debutants in Europe over the third quarter (CIFIC, Mackay Shields and Angelo Gordon) brings the number of debut European CLO issuers to seven this year — which is more than the six that were welcomed in 2018. The US CLO market has also welcomed seven newcomers this year, but only one of those priced in Q3.

That new entrant was hedge fund manager Whitebox Advisors, which priced its debut CLO in July with an unusual capital structure. The largest tranche in Whitebox CLO I is its double As, which take the form

15.5% in less than two months. Such a shift in CLO pricing happens rarely.

It's perhaps even more of a rarity seeing new European CLO managers price in line with experienced ones. And yet that's exactly what happened as Mackay Shields priced its debut CLO in Europe on 27 September with a print matching that of Axa IM. On the same day, another debutant, Angelo Gordon, priced its first CLO with triple As at 92bp. This meant that, unusually, the tightest triple A print of 2019 came courtesy

of a firm which had no prior experience of managing European CLOs.

This spread tightening came off the back of the European Central Bank's stimulus package, which cut interest rates and saw three-month Euribor go from -31 basis points to around -41bp.

European CLO debt investors are protected against negative rates thanks to embedded Euribor floors, which bump the floating rate benchmark to at least 0%. As long as Euribor rates are negative,

of a loan and which occupy 62% of the CLO's capital structure. In contrast, the triple A-rated notes only accounted for 11%. Whitebox partnered with JP Morgan on its debut CLO, with the bank proving to be the leading choice for newcomers, having brought seven out of 10 debut US CLOs to the market since 2018.

Volumes down but Europe picking up

Despite the influx of new managers in the European and US CLO markets, CLO volumes are still significantly lower than at this point last year. European CLO volumes are down 15%, mid market CLO volumes down 23% and US CLO volumes down 44%. The main cause of this has been the comparative lack of resets and reissues in 2019.

In fact, the European CLO market has seen more new issuance and refinancing paper through three quarters this year than it had at this point in 2018. There has been an increase in new issue volumes of 7%, with refinancings up 14%.

These factors made Q3 the busiest quarter of the year for the European CLO market, with €11.9 billion of issuance, despite managers pricing just two refinancings and one reset in August. Again, the US has moved in another direction as US broadly syndicated loan CLOs and mid market CLOs experienced their quietest quarter of the year.

US CLO managers issued \$34.7 billion of CLO paper in Q3, a 23% decrease on Q2. Meanwhile, the mid market CLO space saw an even larger drop in volumes, as just \$2.9 billion was brought to the market – a 58% decrease on Q2 levels.

Globally, GSO Capital Partners is the largest CLO manager (as it has been for seven years) with \$30 billion in assets. But the firm's supremacy is under threat, with Credit Suisse Asset Management just \$8 million behind and catching fast. CSAM has issued \$3.6 billion of new CLOs globally in 2019, compared to GSO's \$2.5 billion.

CSAM has \$5 billion more in US CLOs than GSO, but it lags behind in Europe and does not have any mid market CLOs to its name.

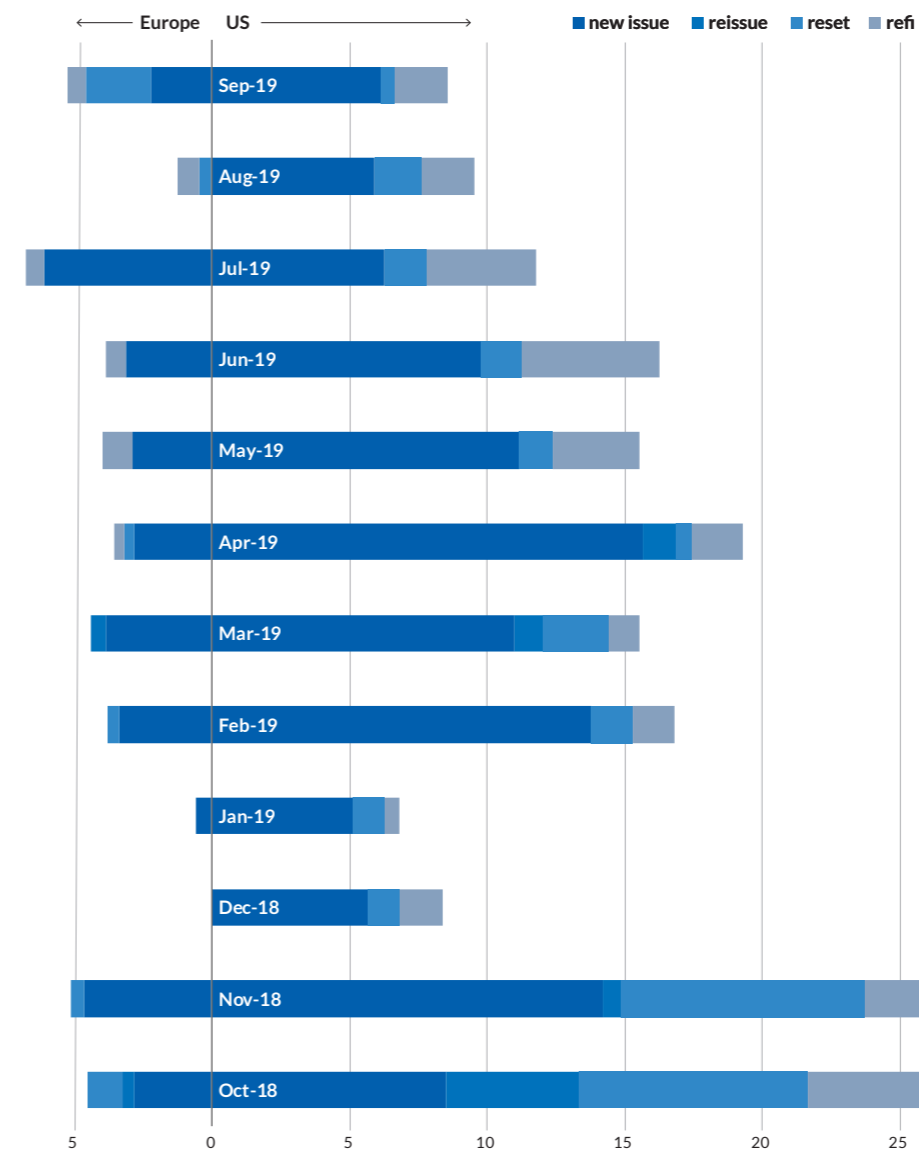
Paul Roos, who runs the CLO business

€12bn

Q3 was busiest of the year for issuance in Europe

CLO manager ranking by principal liabilities (debt + equity) as of 30 September 2019										
Rank	Change	Manager	Total CLOs (\$bn)		US CLOs (\$bn)		MM CLOs (\$bn)		Euro CLOs (€bn)	
			Deals	Deals	Deals	Deals	Deals	Deals		
45	↓2	Axa	5.53	13	3.89	9	-	-	1.50	4
46	↑1	Trinitas	5.47	11	5.47	11	-	-	-	-
47	↓1	Apex	5.22	14	5.06	13	0.16	1	-	-
48	—	American Money	4.84	11	4.84	11	-	-	-	-
49	↑1	Marathon	4.71	9	4.71	9	-	-	-	-
50	↓1	Cerberus	4.66	12	-	-	4.66	12	-	-
51	↑4	Wellfleet	4.63	11	4.63	11	-	-	-	-
52	↑6	Canyon Partners	4.48	10	4.48	10	-	-	-	-
53	↑6	DFG	4.48	9	4.48	9	-	-	-	-
54	↓3	ArrowMark	4.43	13	4.12	10	0.31	3	-	-
55	↓3	Crescent	4.29	9	4.29	9	-	-	-	-
56	↓2	Marble Point	4.24	9	4.24	9	-	-	-	-
57	↑4	Aegon	4.18	9	4.18	9	-	-	-	-
58	↓5	First Eagle	4.18	11	1.56	4	2.62	7	-	-
59	↓3	Zais	4.16	9	4.16	9	-	-	-	-
60	↑3	Angelo Gordon	4.09	8	3.64	7	-	-	0.41	1
61	↓4	MidOcean Partners	3.99	9	3.99	9	-	-	-	-
62	↑6	Rockford Tower	3.99	8	3.54	7	-	-	0.41	1
63	↑6	Partners	3.96	9	1.71	4	-	-	2.06	5
64	—	Man GLG	3.86	9	1.79	4	-	-	1.89	5
65	↓5	Trimaran Advisors	3.81	8	3.51	7	0.30	1	-	-
66	↓4	Shenkman	3.67	8	3.67	8	-	-	-	-
67	↓2	Mariner	3.55	7	3.55	7	-	-	-	-
68	↓2	Seix Advisors	3.52	8	3.52	8	-	-	-	-
69	↑10	Black Diamond	3.41	9	2.05	6	-	-	1.25	3
70	↓3	Five Arrows	3.39	9	1.36	4	-	-	1.86	5
71	↑15	Hayfin	3.33	7	1.98	4	-	-	1.23	3
72	↑1	York	3.22	6	3.22	6	-	-	-	-
73	↑1	Steele Creek	3.19	8	3.19	8	-	-	-	-
74	↓3	Greywolf	3.13	6	3.13	6	-	-	-	-
75	↑1	Cairn	3.05	8	-	-	-	-	2.80	8
76	↑2	Nassau	2.93	6	2.93	6	-	-	-	-
77	↑1	Monroe	2.75	7	0.38	1	2.37	6	-	-
78	↓6	New York Life	2.75	6	2.75	6	-	-	-	-
79	↓4	Crestline Denali	2.69	7	2.69	7	-	-	-	-
80	↓3	Columbia	2.56	5	2.56	5	-	-	-	-
81	—	Pretium	2.56	6	2.56	6	-	-	-	-
82	↓6	Garrison	2.38	6	1.23	3	1.14	3	-	-
83	↑8	Tikehau	2.25	5	-	-	-	-	2.07	5
84	↑4	BNP Paribas	2.24	6	0.61	2	-	-	1.49	4
85	↓5	Eaton Vance	2.21	5	2.21	5	-	-	-	-
86	↓3	Spire	2.20	5	-	-	-	-	2.02	5
87	↓5	Allstate	2.19	5	2.19	5	-	-	-	-
88	↑5	Chenavari	2.14	5	-	-	-	-	1.96	5
89	↓5	Madison	2.12	6	-	-	2.12	6	-	-
90	↓5	Carlson	2.10	5	2.10	5	-	-	-	-
91	↑5	Par Four	2.05	5	2.05	5	-	-	-	-
92	↑6	DoubleLine	2.05	5	2.05	5	-	-	-	-
93	↑9	Kayne Anderson	2.01	5	2.01	5	-	-	-	-
94	↓5	Chicago Fundamental	1.89	4	1.89	4	-	-	-	-
95	↓8	Acis	1.85	4	1.85	4	-	-	-	-
96	↓4	TIAA	1.83	4	1.83	4	-	-	-	-
97	↓3	Ellington	1.80	4	1.80	4	-	-	-	-
98	↓3	Assurant	1.75	4	1.75	4	-	-	-	-
99	↑11	CarVal	1.75	3	1.75	3	-	-	-	-
100	↓10	HIG WhiteHorse	1.73	5	1.73	5	-	-	-	-

Global CLO issuance: past 12 months (\$bn)



23%

Decrease in US CLO market issuance in Q3 from Q2

at Whitebox as head of structured credit, says that he still sees opportunities for CLO issuers in Q4. But he says: "I think the fourth quarter of this year could end up mirroring the fourth quarter of 2018 in certain ways. I see it being difficult for some deals to get done and it seems likely there will be a bit of stress in leveraged loans."

Mid market hits rocks with BDC twist

The US mid market space could be one to watch in Q4 – because there was previously little activity in the latter part of Q3. There was no issuance at all in September and the last manager to price a deal was the debutant PennantPark Investment Advisers, on 23 August.

The mid market lender is the fifth to debut in the mid market CLO space in 2019 and the second to price with a four-year reinvestment period, after Owl Rock Capital Advisers did so in April. It is not the only similarity the managers have, with Owl Rock and PennantPark moving into CLOs having also managed business development companies, along with fellow newcomers FS KKR Capital Corporation and Audax Management.

Art Penn, founder of PennantPark, says that regulation changes last year have encouraged BDC operators to launch CLOs. "After the rule change that allows

CLO SPREADS – Q3 2019

Quarterly averages	US					EUR					MM				
	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Averages															
Cost of debt*	1.70%	1.83%	2.00%	1.96%	1.98%	1.75%	1.85%	1.98%	2.00%	1.97%	1.87%	2.39%	2.47%	2.45%	2.42%
Triple A DM*	117.0	124.9	139.7	138.5	134.8	90.4	99.0	111.3	113.1	105.9	148.8	154.2	175.2	168.5	177.2
RP	4.90	4.69	4.20	4.52	4.97	4.42	4.50	4.68	4.33	4.61	3.08	4.14	3.60	3.04	3.95
Leverage	9.8x	9.6x	10.2x	10.1x	10.3x	9.6x	9.5x	9.3x	10.0x	10.2x	5.4x	5.7x	5.0x	5.53	4.5x
Triple A par sub	38.0%	37.2%	38.0%	38.0%	37.0%	39.0%	39.0%	40.0%	39.6%	38.3%	44.5%	45.0%	43.9%	42.5%	44.0%
Overall															
Volume (\$/€bn)	27.48	23.17	27.73	28.69	22.18	7.48	6.49	6.89	7.83	7.43	4.67	4.24	1.55	3.83	2.49
No. of managers	47	42	49	52	46	18	16	16	19	18	8	7	4	8	5
New managers	1	1	1	2	1	1	2	0	4	3	3	2	1	2	1
Most active arranger	Morgan Stanley	Citi	Morgan Stanley	Citi	Citi	Citi	JP Morgan	Barclays	Citi	Citi	Wells Fargo	Natixis	Natixis	Wells Fargo	Natixis
Most active manager	CSAM	CSAM	Ares	CSAM	Oaktree	CSAM	Brigade	GSO	CSAM	Investcorp	Antares	Golub	THL	Golub	Golub

*deals with four years of reinvestment period or more

CLO ARRANGERS – Q3 2019

Global (\$bn)			US (\$bn)					Europe (€bn)		
Arranger	Total	Deals	Arranger	Total	BSL	MM	Deals	Arranger	Total	Deals
1 Citi	18.22	38	1 Citi	12.92	11.50	1.42	27	1 Citi	4.71	11
2 BofA	10.71	24	2 Wells Fargo	9.92	7.74	2.18	19	2 BofA	2.88	7
3 Barclays	10.50	22	3 JP Morgan	8.23	8.23	-	17	3 Barclays	2.82	7
4 Wells Fargo	9.92	19	4 BofA	7.49	7.49	-	17	4 Morgan Stanley	2.19	6
5 Morgan Stanley	9.74	21	5 Barclays	7.32	7.02	0.30	15	5 Deutsche Bank	1.92	5
6 JP Morgan	9.10	19	6 Morgan Stanley	7.29	6.15	1.14	15	6 BNP Paribas	1.68	4
7 Goldman Sachs	7.85	16	7 Goldman Sachs	6.00	6.00	0.00	12	7 Natixis	1.67	4
8 Natixis	7.79	16	8 Natixis	5.92	2.93	2.99	12	8 Goldman Sachs	1.64	4
9 BNP Paribas	7.63	16	9 BNP Paribas	5.73	5.73	-	12	9 Credit Suisse	1.34	3
10 Credit Suisse	7.19	15	10 Credit Suisse	5.68	5.68	-	12	10 JP Morgan	0.79	2
11 Deutsche Bank	4.82	11	11 Jefferies	4.08	4.08	-	11	11 GreensLedge	0.38	1
12 Jefferies	4.08	11	12 GreensLedge	2.86	2.28	0.58	8	12 NatWest	0.13	1
13 GreensLedge	3.30	9	13 Deutsche Bank	2.65	1.10	1.55	6	Total*	22.15	53
14 MUFG	2.21	5	14 MUFG	2.21	2.21	-	5			
15 RBC	1.04	3	15 RBC	1.04	0.91	0.13	3			
16 SocGen	1.01	2	16 SocGen	1.01	1.01	-	2			
17 Mizuho	0.82	2	17 Mizuho	0.82	0.82	-	2			
18 Amherst	0.33	1	18 Amherst	0.33	0.33	-	1			
19 NatWest	0.15	1	19 Capital One	0.08	0.00	0.08	1			
20 Capital One	0.08	1	Total*	91.56	81.21	10.35	191			
Total*	116.48	244								

Global (\$bn)			US (\$bn)					Europe (€bn)		
Arranger	Total	Deals	Arranger	Total	BSL	MM	Deals	Arranger	Total	Deals
1 Goldman Sachs	3.04	6	1 Goldman Sachs	2.62	2.46	0.16	1	1 BNP Paribas	0.84	2
2 Barclays	2.45	5	2 Citi	1.86	1.86	-	3	2 Barclays	0.84	2
3 Citi	2.43	5	3 Barclays	1.52	1.52	-	4	3 Citi	0.52	1
4 Morgan Stanley	1.55	4	4 Morgan Stanley	1.15	1.15	-	1	4 Goldman Sachs	0.37	1
5 BNP Paribas	0.92	2	5 Natixis	0.91	0.00	0.91	5	5 Morgan Stanley	0.36	1
6 Natixis	0.91	2	6 Jefferies	0.87	0.87	-	1	6 Credit Suisse	0.28	1
7 Credit Suisse	0.89	2	7 BofA	0.81	0.81	-	2	Total*	3.21	8
8 Jefferies	0.87	2	8 Nomura	0.72	0.72	-	1			
9 BofA	0.81	1	9 Credit Suisse	0.57	0.57	-	3			
10 Nomura	0.72	1	10 JP Morgan	0.46	0.46	-	2			
11 JP Morgan	0.46	1	11 RBC	0.42	0.42	-	1			
12 RBC	0.42	1	12 GreensLedge	0.40	0.40	-	1			
13 GreensLedge	0.40	1	Total*	12.31	11.24	1.07	25			
Total*	15.87	33								

Global (\$bn)			US (\$bn)					Europe (€bn)		
Arranger	Total	Deals	Arranger	Total	BSL	MM	Deals	Arranger	Total	Deals
1 Citi	4.58	11	1 Citi	3.85	3.19	0.66	9	1 BofA	1.03	3
2 BofA	3.65	9	2 BofA	2.49	2.49	-	6	2 Citi	0.65	2
3 Credit Suisse	2.76	6	3 Credit Suisse	2.36	2.36	-	5	3 Morgan Stanley	0.58	2
4 Morgan Stanley	2.39	6	4 Goldman Sachs	1.87	1.87	-	4	4 Credit Suisse	0.36	1
5 BNP Paribas	1.97	5	5 Morgan Stanley	1.74	1.74	-	4	5 JP Morgan	0.34	1
6 Goldman Sachs	1.87	4	6 BNP Paribas	1.60	1.60	-	4	6 BNP Paribas	0.33	1
7 JP Morgan	1.85	4	7 JP Morgan	1.47	1.47	-	3	7 Deutsche Bank	0.32	1
8 MUFG	1.36	3	8 MUFG	1.36	1.36	-	3	8 Barclays	0.27	1
9 Natixis	1.36	4	9 Natixis	1.36	0.63	0.73	4	Total*	3.89	12
10 Deutsche Bank	1.17	3	10 Deutsche Bank	0.78	0.78	-	2			
11 Barclays	0.67	2	11 Nomura	0.63	0.63	-	2			
12 Nomura	0.63	2	12 Wells Fargo	0.59	0.59	-	1			
13 Wells Fargo	0.59	1	13 GreensLedge	0.53	0.53	-	2			
14 GreensLedge	0.53	2	14 Barclays	0.38	0.38	-	1			
15 Jefferies	0.37	1	15 Jefferies	0.37	0.37	-	1			
Total*	25.76	62	Total*	21.38	19.98	1.40	50			

Global (\$bn)					
Arranger	Total	BSL	MM	Euro	Deals
1 Citi	1.21	0.68	-	0.48	2
2 JP Morgan	0.51	0.51	-	-	1
3 Goldman Sachs	0.51	0.51	-	-	1
4 BofA	0.51	0.51	-	-	1
Total*	2.74	2.21	-	0.48	5

NEW ISSUE

RESET

REFI

REISSUE

*Totals exclude double-counting due to jointly arranged deals.

CLO TRUSTEES – Q3 2019

Global (\$bn)			US (\$bn)					Europe (€bn)		
Trustee	(\$bn)	Deals	Trustee	Total (\$bn)	BSL	MM	Deals	Trustee	(€bn)	Deals
1 US Bank	56.42	121	1 US Bank	50.29	45.98	4.32	108	1 BNY Mellon	12.61	30
2 BNY Mellon	25.62	51	2 Wells Fargo	11.54	6.91	4.63	22	2 US Bank	5.44	13
3 Citibank	13.62	29	3 BNY Mellon	11.45	10.64	0.81	21	3 Citibank	2.84	7
4 Wells Fargo	11.54	22	4 Citibank	10.43	10.43	-	22	4 Deutsche Bank	1.27	3
5 Deutsche Bank	5.52	12	5 Deutsche Bank	4.09	4.09	-	9	Total*	22.15	53
6 State Street	1.05	2	6 State Street	1.05	0.45	0.60	2			
7 Sumitomo Mitsui	0.88	2	7 Sumitomo Mitsui	0.88	0.88	-	2			
Other	1.82	5	Other	1.82	1.82	-	5			
Total*	116.48	244	Total*	91.56	81.21	10.35	191			

*Totals exclude refinancings/resets/reissues

BDCs to lever debt to equity at a 2:1 limit, middle market CLOs became an efficient financing tool for BDC managers," he says. PennantPark teamed with GreensLedge, which acted as lead arranger, and Capital One, which was a co-arranger, on its debut deal. It is the second time GreensLedge has been a part of a debut deal this year after being a co-arranger on FS KKR 1, with Citi acting as lead on that transaction.

Rating shifts and downgrades
Another development in Europe saw CLO managers moving away from the more established rating agencies. In 2017 and 2018, Moody's rated 100% of European CLOs, but in July alone, four managers ditched the agency.

Chenavari Investment Managers, Invest-corp Credit Management and GSO Capital Partners featured Fitch Ratings and Standard & Poor's only on their CLOs Toro 6, Harvest XXII and Dunedin Park, respectively. Carlyle Group added Kroll Bond Rating Agency on its deal Carlyle Euro 2019-2.

This move away from Moody's was led, according to CLO managers, by the rating agency's aggressive move of placing loan issuers on negative outlook. The Wall Street Journal had stated that the move away from Moody's was due to Kroll giving higher ratings to riskier CLOs than its competitors, but the newspaper has since retracted that argument.

A Barclays research paper from June (European Credit Alpha) pointed out that Moody's had 15.2% of loans on negative outlook, while S&P had 6.3%, a significant rise from the 1% of loans both had in that position at the beginning of 2018.

CLO MANAGER COUNSELS – Q3 2019

US (\$bn)					Europe (€bn)		
Law Firm	Total	BSL	MM	Deals	Law Firm	Total	Deals
1 Dechert	25.55	18.75	6.80	53	1 Paul Hastings	5.85	15
2 Milbank	24.30	23.59	0.71	48	2 Cadwalader	5.12	13
3 SRZ	9.13	8.26	0.87	18	3 Weil	4.72	12
4 Latham & Watkins	8.72	8.32	0.40	19	4 Milbank	2.72	7
5 Allen & Overy	7.47	7.47	-	14	5 Allen & Overy	2.35	6
6 Winston & Strawn	5.46	3.45	2.02	13	6 Dechert	2.19	5
7 Mayer Brown	4.27	4.27	-	9	7 DLA Piper	1.82	4
8 Clifford Chance	3.95	3.95	-	7	8 Sidley Austin	1.52	4
9 Paul Hastings	3.26	3.10	0.16	9	9 Clifford Chance	1.03	2
10 Cadwalader	2.93	2.93	-	6	10 Linklaters	0.41	1
11 Weil	2.71	2.71	-	5	11 Latham & Watkins	0.40	1
12 DLA Piper	2.44	2.44	-	5	12 SRZ	0.40	1
13 White & Case	2.38	1.88	0.51	6	Other	1.20	3
14 Sidley Austin	1.32	1.32	-	3	Total	29.73	74
15 Skadden	1.30	1.30	-	3			
16 Morgan Lewis	0.96	0.96	-	2			
17 Chapman & Cutler	0.74	0.74	-	2			
18 Cleary Gottlieb	0.60	0.00	0.60	1			
19 Simpson Thacher	0.45	0.45	-	1			
20 Shearman & Sterling	0.40	0.40	-	1			
21 Seward Kissel	0.37	0.37	-	1			
22 Orrick	0.32	0.32	-	1			
Other	18.44	17.69	0.76	43			
Total	127.49	114.67	12.82	270			

ARRANGER COUNSELS – Q3 2019

US (\$bn)					Europe (€bn)		
Law Firm	Total	BSL	MM	Deals	Law Firm	Total	Deals
1 Paul Hastings	43.39	42.59	0.80	87	1 Cadwalader	12.65	31
2 Cadwalader	22.60	19.99	2.61	46	2 Paul Hastings	7.11	18
3 Cleary Gottlieb	9.10	9.10	-	19	3 Allen & Overy	4.69	12
4 DLA Piper	7.44	7.28	0.16	15	4 White & Case	3.29	8
5 Allen & Overy	7.44	6.56	0.88	17	5 Milbank	0.43	1
6 White & Case	5.29	5.29	-	13	Other	1.56	4
7 Mayer Brown	5.17	4.57	0.60	11	Total	29.73	74
8 Chapman & Cutler	3.43	2.11	1.31	7			
9 Milbank	3.17	1.63	1.55	8			
10 Orrick	2.54	2.54	-	7			
11 Dechert	1.45	1.10	0.35	3			
12 SRZ	1.26	1.26	-	3			
13 Morgan Lewis	0.55	0.55	-	1			
14 Clifford Chance	0.44	0.44	-	1			
Other	14.18	9.62	4.56	32			
Total	127.49	114.67	12.82	270			

Preparing the rankings

- All figures are verified with data available on CLO-i. Rankings are calculated using figures as of the end of Q3 2019.
- In jointly arranged deals credit is split 75/25 between lead and co-arranger.
- To qualify, a repricing must have changed a deal's economics.
- Resets are calculated based on debt and upsized equity only.

