



CLO structure shift

European CLOs are experiencing a shift in structure and complexity in order to meet the demand of those investors still able to part with cash for the asset class. While industry experts at the ESF/IMN conference on European CLOs, Structured Credit Products & Credit Derivatives in London said yesterday that demand for CLOs still exists, less leveraged, simpler two-tranche structures are expected to make up the bulk of such issuance in the European market over the next few months.

"There is still some investor demand for CLOs, but I expect to see the development of less structured products to suit particular investors who have capital available and an appetite to invest in the underlying asset class on a less levered basis," said Simon Perry, md and head of European CDOs at UBS.

Mark Moffat, md and co-head of Harbourmaster Capital Management confirmed that he is tending to see a shift towards lower levered, two-tranche CLO structures with a triple-A and an equity piece. "If the triple-A investor base returns, I imagine demand would exist for exposure to pure credit risk, not a combination of credit risk, FX risk, market value risk, counterparty risk etc," he added.

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