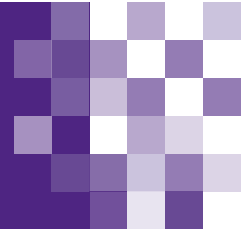


CLO INSIDER

JULY - DECEMBER 2013



/INSIGHT INTO THE GLOBAL CLO MARKET/

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EXECUTIVE SUMMARY



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Welcome to our latest Appleby report which provides data, insight and analysis on the global Collateralised Loan Obligation (CLO) market.

This CLO report principally focuses on the US CLO deals data issued during the second six months of 2013, and reflects how this compares and contrasts with the same data extracted for previous periods.

There are a number of key themes that emerge from the statistics:

- 86 CLOs priced in the second half of 2013, compared to 96 in the first six months of the year. The total of 182 CLOs is, in aggregate, a 56% increase on the total number of deals closed during 2012 (117).
- There was US\$39.9bn of issuance in the second six months of 2013, bringing the total value for the year to US\$86bn, and eclipsing the 2012 total by US\$33.5bn.
- Average deal size was US\$464m, 3% less than the first half of the year, but showing an overall increase of 5% when compared to 2012.
- The top ten deals by value for the second half of the year represented 18% of the value for all deals for the period. Average deal size for this group was US\$720m.
- The average AAA spread for deals closed between July and December 2013 was 138bp, compared to 124bp for the first half of the year.

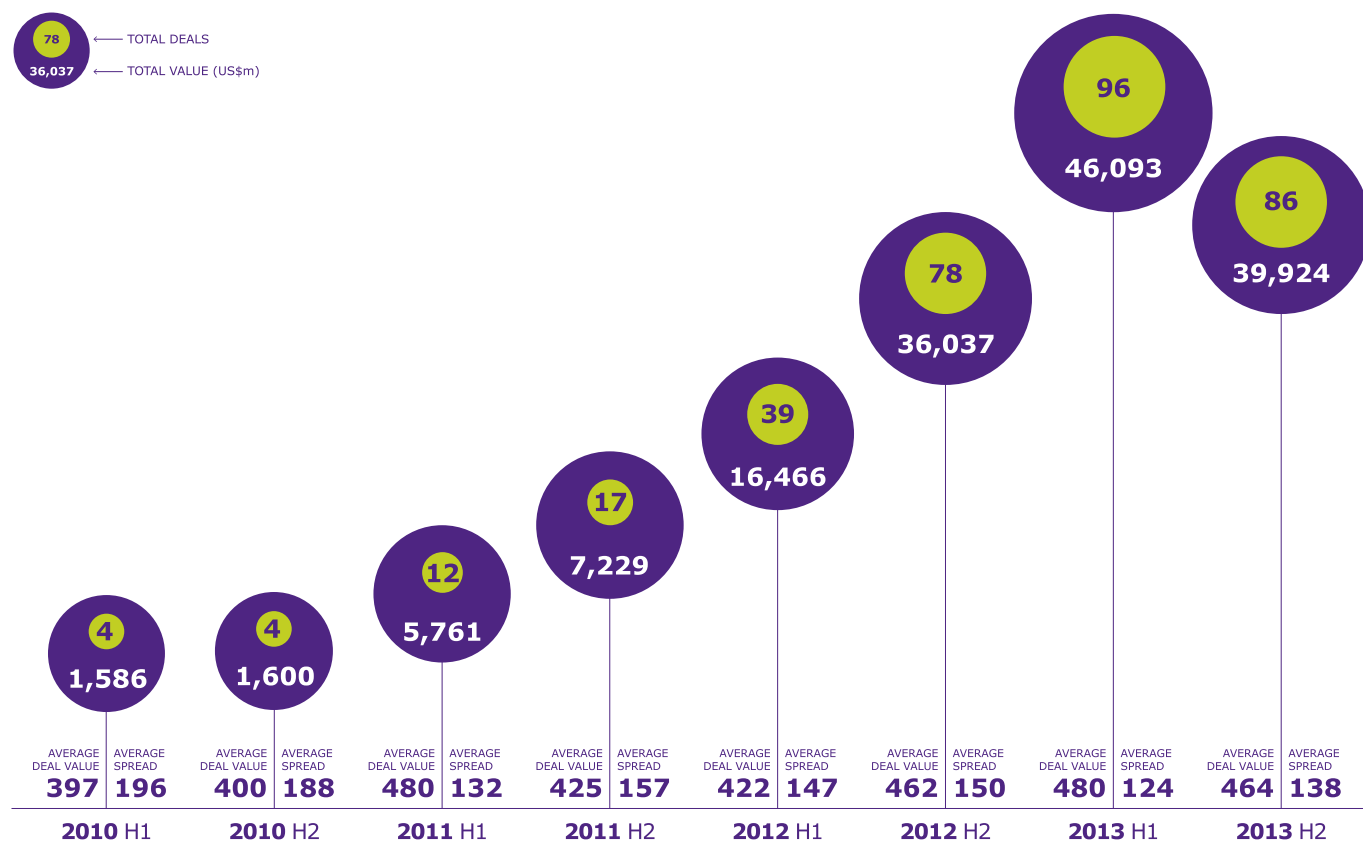
MANAGERS & ARRANGERS - FULL YEAR

- A core set of Arrangers continue to dominate the CLO market, with Citigroup leading the ranking for the year, pricing 31 deals valued at US\$15.2bn.
- CLO Managers are more diverse, with CIFIC Asset Management the most represented, pricing seven new CLOs during 2013.

We do hope that you find our analysis on the following pages useful. Certainly Appleby has had an extraordinarily busy 2013, and the pipeline for the first half of 2014 is very robust.

EXECUTIVE SUMMARY CONT'D

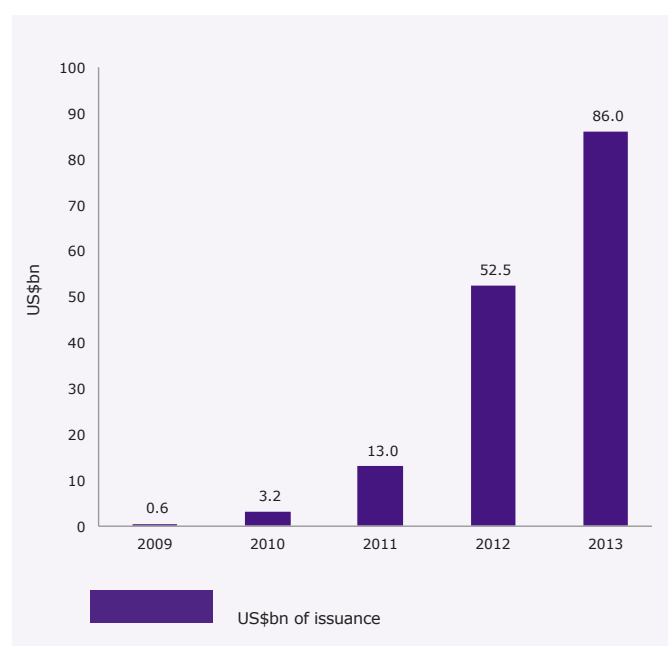
US CLO MARKET BY VALUE (US\$M) 2010-2013



MARKET OVERVIEW

The activity in the US CLO market has sparked considerable interest in the distinguishing characteristics of post-credit crisis CLOs (CLO 2.0) as compared with their pre-2008 predecessors (CLO 1.0). In general, CLO 2.0 transactions feature higher levels of subordination, tighter collateral eligibility requirements, and shorter non-call and reinvestment periods.

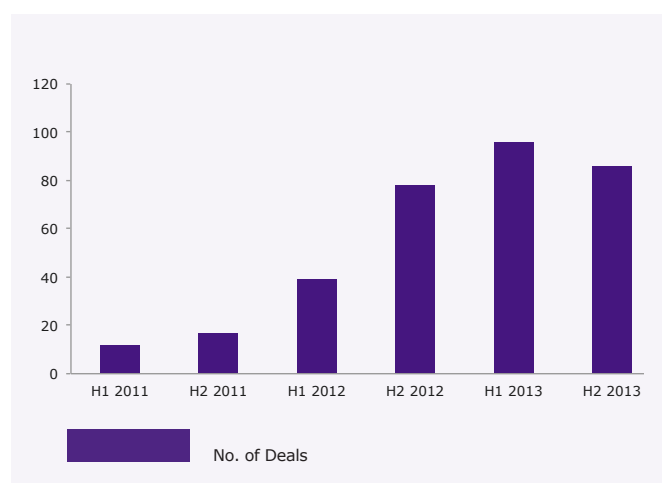
ANNUAL CLO ISSUANCE 2009-2013



A total of 86 CLOs deals priced in between June and December 2013, compared to 96 in the preceding six months. Although a decrease on the numbers priced in the first half of the year this still represented a 56% increase for the full twelve months when compared to the 2012 figure.

Looking at the second six months of 2013, we can see that despite a lull experienced when the FDIC deposit insurance rules took effect, the CLO market in the second half of 2013 continued to expand as the low-interest-rate environment has pushed investors into securities that offer the possibility of higher returns.

VOLUME OF ALL CLO DEALS BY HALF YEAR 2011-2013

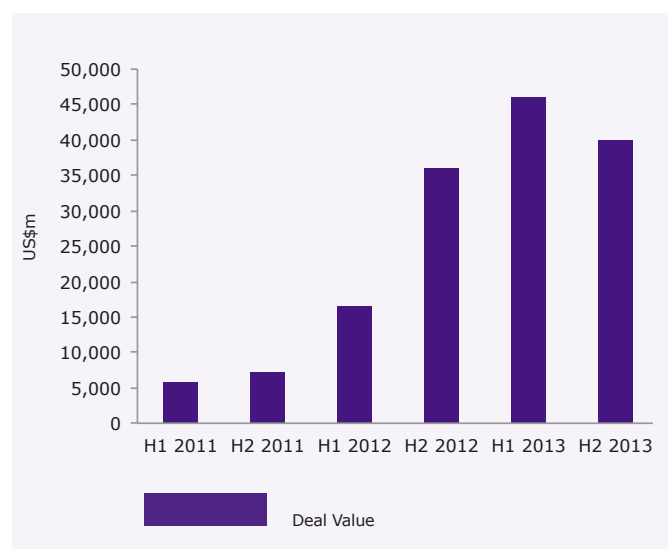


“...the CLO market in the second half of 2013 continued to expand as the low-interest-rate environment has pushed investors into securities that offer the possibility of high returns.”

MARKET OVERVIEW CONT'D

Looking at values, in total there was US\$39.9bn of issuance in the second six months of 2013. When added to the issuance for the first half of the year, the total (US\$86bn) puts 2013 64% ahead of the issuance in 2012.

TOTAL VALUE OF ALL CLO DEALS BY HALF YEAR 2011-2013



As we identified in our first half 2013 report, over the last two years average deal size has been steadily rising and currently stands at US\$473m for 2013.

AVERAGE DEAL SIZE 2010-2013



The table below looks at the top ten deals by value, and the data shows that for the second half of 2013 these represented 18% of the value for all deals for the period.

The end of the year has seen a number of large deals coming to market; six of the top ten deals by value priced in December.

TOP TEN DEALS BY VALUE (JULY-DECEMBER 2013)

	Value US\$m	Date of pricing	Issuer	Manager	Arranger
1	930	05 Sep 13	ALM VII R-2	Apollo	J.P. Morgan
2	856	05 Sep 13	ALM VII R	Apollo	J.P. Morgan
3	832	24 Oct 13	Symphony CLO XII	Symphony	Merrill Lynch
4	713	18 Dec 13	Octagon Investment Partners XVIII	Octagon	Citigroup
5	695	01 Dec 13	Babson CLO 2013-II	Babson	Citigroup
6	650	20 Dec 13	Hempstead CLO	Guggenheim	Citigroup
7	650	03 Oct 13	ACIS CLO 2013-2	Acis Capital	Jefferies
8	635	17 Dec 13	Sound Point CLO IV	Sound Point	Morgan Stanley
9	623	01 Dec 13	JFIN Revolver CLO	Jefferies	Jefferies
10	614	12 Dec 13	Venture XV CLO	MJX	StormHarbour

ALL CLO DEALS JULY - DECEMBER 2013

Date of pricing	Issuer	Manager	Arranger	Value US\$m	AAA bp
02 Jul 13	NewMark 2013-1	NewMark	Jefferies	421	112
08 Jul 13	Halcyon Loan Advisors Funding 2013-2	Halcyon	Morgan Stanley	465	120
09 Jul 13	Atlas Senior Loan Fund III	Crescent Capital	Goldman Sachs	422	120
11 Jul 13	LCM XIV	LCM	Morgan Stanley	418	115
15 Jul 13	Gallatin CLO V 2013-1	MP Senior Credit Partners	GreensLedge	300	115
15 Jul 13	Mountain Hawk II	Western	Deutsche Bank	518	116
15 Jul 13	OHA Loan Funding 2013-1	Oak Hill	J.P. Morgan	511	125
18 Jul 13	BlueMountain CLO 2013-2	BlueMountain	J.P. Morgan	410	120
23 Jul 13	Ares Enhanced Loan Investment Strategy IR	Ares	Citigroup	500	125
26 Jul 13	Ares XXVII	Ares	Goldman Sachs	412	125
06 Aug 13	Golub Capital Partners CLO 16	Golub Capital	Wells Fargo	500	165
06 Aug 13	Telos CLO 2013-4	Telos	BNP Paribas	363	130
14 Aug 13	North End CLO	Invesco	BAML	414	115
14 Aug 13	Venture XIV	MJX	Morgan Stanley	590	135
15 Aug 13	OHA Loan Funding 2013-2	Oak Hill	GreensLedge	200	127
16 Aug 13	GT Loan Financing I	GoldenTree	Natixis	195	127
22 Aug 13	Sound Point CLO III	Sound Point	Morgan Stanley	400	135
21 Aug 13	Emerson Park	GSO/Blackstone	Goldman Sachs	519	125
27 Aug 13	NorthStar 2013-1	NorthStar Realty Finance	Deutsche Bank	531	185
29 Aug 13	Ocean Trails CLO IV	West Gate Horizon Advisors	Nomura	402	130
29 Aug 13	Octagon Investment Partners XVII	Octagon	Wells Fargo	413	133
02 Sep 13	Highbridge Loan Management 2013-2	Highbridge	Citigroup	414	130
05 Sep 13	ALM VII R-2	Apollo	J.P. Morgan	930	133
05 Sep 13	ALM VII R	Apollo	J.P. Morgan	856	133
11 Sep 13	NewStar Commercial Loan Funding 2013-1	NewStar Financial	Natixis	400	165
12 Sep 13	CIFC Funding 2013-III	CIFC	Citigroup	418	133
12 Sep 13	Vibrant CLO II	DFG	Deutsche Bank	368	128
19 Sep 13	Madison Park Funding XI	CSAM	BAML	521	128
17 Sep 13	Palmer Square CLO 2013-2	Palmer Square	J.P. Morgan	463	140
24 Sep 13	Ableco Capital LLC	Ableco Finance	Natixis	589	220
25 Sep 13	Garrison Funding 2013-2	Garrison Capital	Natixis	350	180
25 Sep 13	ACAS CLO 2013-2	American Capital	Citigroup	414	135
25 Sep 13	Battalion CLO IV	Brigade	BAML	417	140
26 Sep 13	Kingsland VI	Kingsland	GreensLedge	367	125
27 Sep 13	CIFC Funding 2014-I	CIFC	RBS	500	125
30 Sep 13	Northwoods Capital X	Angelo, Gordon, & Co	Morgan Stanley	367	140
03 Oct 13	ACIS CLO 2013-2	Acis Capital	Jefferies	650	
09 Oct 13	Neuberger Berman CLO XV	Neuberger Berman	Wells Fargo	412	140
09 Oct 13	WhiteHorse VII	H.I.G. WhiteHorse	RBS	410	130
10 Oct 13	Dryden 30 Senior Loan Fund	Prudential	Credit Suisse	516	125
16 Oct 13	Apidos CLO XV	CVC	Citigroup	512	135
17 Oct 13	Saratoga Investment Corp. CLO 2013-1	Saratoga	C&Co / PrinceRidge LLC	315	130
23 Oct 13	Ivy Hill Middle Market Credit Fund VII	Ivy Hill	Deutsche Bank	359	165
24 Oct 13	Symphony CLO XII	Symphony	Merrill Lynch	832	130

Date of pricing	Issuer	Manager	Arranger	Value US\$m	AAA bp
24 Oct 13	OCP CLO 2013-4	Onex	J.P. Morgan	514	140
29 Oct 13	Cent CLO 19	Columbia	J.P. Morgan	411	133
29 Oct 13	OHA Credit Partners IX	Oak Hill	Morgan Stanley	518	140
29 Oct 13	BlueMountain CLO 2013-3	BlueMountain	Credit Suisse	413	140
31 Oct 13	CIT CLO 2013 1	CIT	Deutsche Bank	223	175
05 Nov 13	Galaxy XVI CLO	PineBridge	Goldman Sachs	414	130
07 Nov 13	Carlyle Global Market Strategies CLO 2013-4	Carlyle	Wells Fargo	415	147
07 Nov 13	West CLO 2013-1	Allianz	Citigroup	464	140
07 Nov 13	Ares XXVIII	Ares	BAML	518	135
10 Nov 13	Eaton Vance CLO 2013-1	Eaton Vance	J.P. Morgan	434	136
12 Nov 13	Crown Point CLO II	Valcour	RBS	259	97
14 Nov 13	THL Credit Wind River 2013-2 CLO	THL Credit	Deutsche Bank	450	145
14 Nov 13	Fortress Credit BSL II	Fortress Credit	BAML	411	150
14 Nov 13	CIFC Funding 2013-IV	CIFC	Morgan Stanley	522	140
15 Nov 13	KVK CLO 2013-2	KVK	Goldman Sachs	415	155
21 Nov 13	Keuka Park CLO	GSO/Blackstone	Wells Fargo	413	145
21 Nov 13	Golub Capital Partners CLO 17	Golub Capital	Citigroup	556	175
25 Nov 13	Venture XVI CLO	MJX	RBS	170	125
26 Nov 13	Saranac CLO I	Saranac Advisory	Jefferies	351	148
01 Dec 13	JFIN Revolver CLO	Jefferies	Jefferies	623	125
02 Dec 13	Shackleton 2013-IV CLO	Alcentra	J.P. Morgan	413	150
05 Dec 13	Flatiron CLO 2013-1	NYLIM	BAML	409	140
05 Dec 13	Sudbury Mill CLO	Shenkman	BAML	419	145
05 Dec 13	Blue Hill CLO	Invesco	Morgan Stanley	519	148
05 Dec 13	Benefit Street Partners CLO III	Benefit Street	Citigroup	518	135
05 Dec 13	Avery Point III CLO	Sankaty	Credit Suisse	514	140
06 Dec 13	DivCore CLO 2013-1	DivCore	Jefferies	500	185
11 Dec 13	Jamestown CLO III	3i	J.P. Morgan	515	145
11 Dec 13	Gallatin CLO VI 2013-2	MP Senior Credit Partners	Guggenheim	425	145
11 Dec 13	Cavalry CLO III	Regiment Capital	Wells Fargo	411	145
12 Dec 13	ING IM CLO 2013-3	ING	Credit Suisse	518	145
12 Dec 13	Venture XV CLO	MJX	StormHarbour	614	158
16 Dec 13	Atlas Senior Loan Fund IV	Crescent Capital	RBS	518	150
17 Dec 13	AMMC CLO XIV	AMMC	RBS	240	125
17 Dec 13	Sound Point CLO IV	Sound Point	Morgan Stanley	635	137
17 Dec 13	OZLM Funding V	Och Ziff	BAML	500	150
17 Dec 13	Babson CLO 2013-II	Babson	Citigroup	695	148
18 Dec 13	Figueroa CLO 2013-2	TCW	Natixis	400	145
18 Dec 13	Octagon Investment Partners XVIII	Octagon	Citigroup	713	148
18 Dec 13	ALM VIII	Apollo	Wells Fargo	609	145
19 Dec 13	AMMC CLO XIII	AMMC	RBS	411	145
20 Dec 13	Hempstead CLO	Guggenheim	Citigroup	650	150

SPREADS ON AAAs

Since the middle of the year, when we saw a narrowing of spreads (some to below 115bp), liabilities have gradually risen with the average spread for the second half of the year rounding out at around 138bps. For the full year, the average was 131bp.

TOP TEN DEALS BY AAA SPREAD (JULY-DECEMBER 2013)

Rank	AAA bp	Pricing Date	Issuer	Manager	Arranger	Value US\$m
1	97	12 Nov 13	Crown Point CLO II	Valcour	RBS	259
2	112	02 Jul 13	NewMark 2013-1	NewMark	Jefferies	421
3	115	11 Jul 13	LCM XIV	LCM	Morgan Stanley	418
4	115	15 Jul 13	Gallatin CLO V 2013-1	MP Senior Credit Partners	GreensLedge	300
5	115	14 Aug 13	North End CLO	Invesco	BAML	414
6	116	15 Jul 13	Mountain Hawk II	Western Asset Management	Deutsche Bank	518
7	120	08 Jul 13	Halcyon Loan Advisors Funding 2013-2	Halcyon	Morgan Stanley	465
8	120	09 Jul 13	Atlas Senior Loan Fund III	Crescent Capital	Goldman Sachs	422
9	120	18 Jul 13	BlueMountain CLO 2013-2	BlueMountain	J.P. Morgan	410
10	125	01 Dec 13	JFIN Revolver CLO	Jefferies	Jefferies	623

MANAGERS AND ARRANGERS - FULL YEAR

When looking at the full twelve months of 2013, our analysis shows that Citigroup continues to lead the pack of Arrangers as it did during the first half of the year. The top ten Arrangers have priced 84% of the total of 182 CLOs during 2013, with the top six Arrangers alone accounting for a share of around two thirds of the market.

ARRANGERS BY #DEALS CLOSED 2013

Rank	Arranger	Aggregate # of Deals	Value US\$m
1	Citigroup	31	15,235
2	Morgan Stanley	21	10,560
3	BAML	17	8,359
4	RBS	16	6,114
5	J.P. Morgan	15	7,816
5	Wells Fargo	15	7,193
6	Deutsche Bank	10	4,312
7	Credit Suisse	9	5,205
7	Jefferies	9	4,761
7	Goldman Sachs	9	4,114
Total		152	73,669

The top ten Managers for 2013 have priced 24% of the total of 182 CLOs during 2013.

The top CLO Managers have remained reasonably consistent over the last few years. There are signs of possible new entrants into the lead group of Managers as some new large private equity houses belatedly break into the CLO market, potentially aided by the possibility of the risk retention rules coming into play.

TOP TEN MANAGERS BY #DEALS IN 2013

Rank	Manager	Aggregate # of Deals	Value US\$m
1	CIFC	7	3,420
2	GSO/Blackstone	5	2,790
2	MJX	5	2,724
2	Ares	5	2,630
3	Oak Hill	4	2,412
3	Carlyle	4	2,160
3	Octagon	4	2,160
3	CVC	4	2,064
4	Apollo	3	2,395
4	CSAM	3	2,003
Total		44	24,758

EUROPE

Separate to our US CLO data, we have also collected data for the European CLO market. A small volume of deals continue to flow from Europe. 16 deals, valued in aggregate at €6.2bn, priced during the second half of the year. Risk retention has been part of the CLO market in Europe for some time, which has served to limit the size of this market. Only the biggest Managers are getting deals away and there have been some Trans-Atlantic consolidation in the last quarter of 2013, with private equity giant KKR giving its European credit portfolio a boost with the purchase of Avoca Capital, a firm with €6bn (US\$8.2bn) in assets under management.

EUROPEAN CLO DEALS PRICED (JULY-DECEMBER 2013)

Date of pricing	Issuer	Manager	Arranger	AAA bp	Value US\$m
11 Jul 13	Goldentree Credit Opportunities European CLO 2013-1	GoldenTree	Morgan Stanley	135	303
15 Jul 13	Jubilee CLO X	Alcentra	J.P. Morgan	125	400
15 Jul 13	St. Paul's CLO II	Intermediate Capital	Lloyds TSB	135	400
09 Aug 13	HayFin Ruby II Luxembourg	Haymarket Financial	Natixis	170	398
09 Aug 13	Cadogan Square CLO V	CSAM	BAML	135	305
13 Aug 13	Ares European CLO VI	Ares	Credit Suisse	125	310
03 Sep 13	Herbert Park CLO	GSO Blackstone	Deutsche Bank	135	413
12 Sep 13	Harvest VII	3i	Natixis	135	310
15 Nov 13	Avoca Capital CLO X	Avoca	Credit Suisse	140	310
19 Nov 13	FTA PYMES Santander 6	Santander	Banco Santander	150	408
21 Nov 13	Foncaixa Pymes 4 FTA	Caixabank	Caixabank	125	645
04 Dec 13	St Paul's CLO III	Intermediate Capital	J.P. Morgan	145	556
05 Dec 13	Grosvenor Place 2013-1	CQS	Deutsche Bank	140	361
15 Dec 13	Euro Galaxy III	PineBridge	Barclays Bank	130	335
19 Dec 13	Dryden 29 Euro CLO 2013	Pramerica	Merrill Lynch	140	414
23 Dec 13	North Westerly CLO IV	NIBC	RBS	145	306

OUTLOOK

The dominant view in the market seems to be that CLO 2.0 will continue with its current energy through 2014, with a few potential lulls along the way, very similar to the pattern seen in 2013. Credit quality will remain strong, and we expect the volumes in the US CLO market to remain similar to 2013. We foresee total deal values for the year ranging from US\$60bn to US\$80bn. Into this mix we must of course throw the possible new risk retention rules that may take effect in the first quarter. If these are brought in in their current form, we anticipate a 5% risk retention for CLO's to be held either as a horizontal strip, or a vertical strip.

The effect of the rules will vary from Manager to Manager. A number hold equity in their deals in any event and there will be no effect for this group, which include many middle market issuers, BDC's and for those Managers that are carrying out a financing trade through the sale of only the AAA slice.

For other Managers, there will be a mixture of solutions, from writing the cheque; financing the risk retention around the vertical strip; and for some there might be a consolidation between a CLO track record and available equity capital. A two year grandfathering period might be part of the rules, and exactly how that plays out will be interesting to observe.

In essence we expect the pace of issuance in 2014 will hold up, subject to constraints caused by the scarcity of AAA investors and the effect of the risk retention rules.

2014 Diary

IMN ABS Vegas 2014:

21-24 January - The Cosmopolitan, Las Vegas

IMN CLOs and Leveraged Loans:

22-23 April - Marriot Marquis, New York

Creditflux CLO Symposium and Manager Awards:

7 May - Landmark Hotel, London

IMN ABS East 2014:

21-23 September - The Fontainebleau, Miami

Creditflux Investor Summit:

TBC October - New York

Opal Financial Group CLO Summit:

TBC December - Dana Point, California

“Credit quality will remain strong, and we expect the volumes in the US CLO market to remain similar to 2013.”

ABOUT APPLEBY

We are one of the world's largest offshore law and fiduciary services groups. We have offices in all the major offshore jurisdictions.

Our Cayman-based CLO team provides offshore legal, directorship and registered office services to the CLO market. Our clients are amongst the biggest Collateral Managers in the US CLO Market. They choose Appleby as their Cayman partner for our integrated team, superior service and enhanced relationship management.

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RESEARCH METHODOLOGY

This report details Collateralised Loan Obligations (CLO) activity globally in the second half of 2013 using public information from a number of different sources including but not exclusively: leveragedloan.com, Creditflux, Standard & Poors, Moodys, Fitch and Securitization Intelligence. The date range is 01/07/2013 - 31/12/2013 inclusive. Deal status is as priced within the time period covered. Not all deals are reported immediately, so the figures are subject to change as new information becomes available.