

GREENS LEDGE



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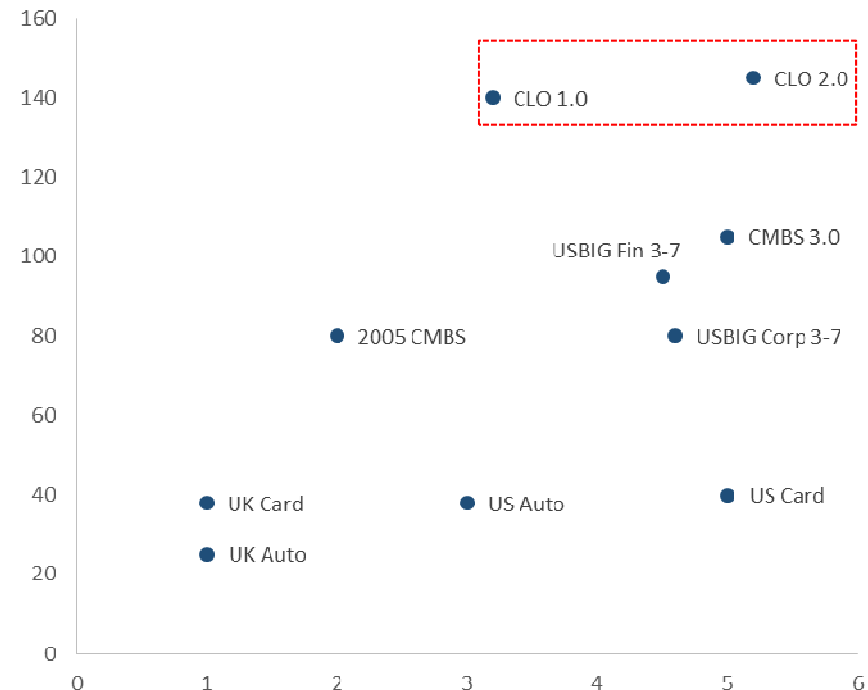


# Relative Value

## CLOs represent compelling value

- Against the backdrop of the bull-market years of 06-07, AAA tranches of CLOs (US or European) have never had it so good
- Subordination is higher and collateral is less tainted by second-lien and structured finance assets and at a spread of 145bps, looks attractive to corporates and other first-pay structured assets
- Investors needing to buy floating rate product to protect against the rising rate environment that is likely in 2014, can not ignore the pick up in spread currently available in CLO AAA risk
- No AAA (or AA) has ever experienced a dollar of principal loss ever
- 2.0 Structures are simple and transparent
- There is significant liquidity in the market

First-pay structured finance and corporate bond spreads, bps, versus WAL



Sources: <sup>(1)</sup> Citigroup, November 2013.

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# Sophisticated Analytics

## Powerful Probabilistic Analysis

- **Deterministic Analysis** allows for the projection of typically a small number of scenarios in which default, prepayment, and recovery rates are specified by the investor deterministically
- **Deterministic Analysis** provides insights into discrete cashflow projections, but does not – in itself – yield any measure of likelihood, or indication of the range of possible outcomes
- **Probabilistic Analysis** facilitates the construction of a full joint loss distribution for the underlying portfolio and for each tranche. Variations in default timing and recovery are incorporated, with the joint behaviour determined by correlation
- **The thousands of scenarios generated** provide significant structural insights, as well as measures of likelihood

