



Re-issues show their worth after mid market deal morphs into BSL CLO

by Sayed Kadiri

Reissues are rare in the CLO market, but a transaction late last year highlights how managers can use them effectively to make radical CLO transformations.

On 6 December, ArrowMark Partners priced Elevation CLO 2021-15, a broadly syndicated loan CLO that traces its roots to a 2018 CLO known as Peaks 3. By reissuing Peaks 3 via Goldman Sachs, ArrowMark converted the middle market CLO into a regular CLO. This is believed to be the first time a reissue has resulted in a mid market CLO turning into a broadly syndicated loan deal.

Although Peaks 3 was classified as a mid market deal, the CLO's asset pool contained many loans that were large, liquid and had high exposure across the CLO market. A pitchbook seen by *Creditflux* describes the Peaks CLOs as investing in "syndicated middle-market corporate loans".

In fact, the top 10 loans in the portfolio as of 15 November are widely held among CLOs, with exposure ranging from \$156.2 million (Corel) to \$2.15 billion (Great Outdoors Group), according to CLO-i.

Peaks 3, however, had a higher weighted average spread compared to regular CLOs, reflecting its targeted approach to syndicated mid market credits. The CLO had a weighted average spread of 474bp in November, which is about 100bp higher than ArrowMark's Elevation series of CLOs.

But for the balance of the portfolio – Elevation 2021-15 totals \$398 million, compared to \$150 million for Peaks 3 – ArrowMark appears to have taken strides in altering the portfolio composition. Elevation 2021-15 had a weighted average spread of 360bp (90% ramped), according to a rating report by Moody's. Elevation 2021-15 has a cost of debt of 188bp.

Peaks 3 had a cost of debt of 254bp (its reinvestment period was due to span four years, ending in January 2023). The CLO's relatively small portfolio would have made a conversion into a broadly syndicated loan CLO a little easier.

Last year, there were only \$2.7 billion of CLO reissues.

188bp

Elevation 2021-15 cost of debt