

Homework #4

Complete the CLO funduoutput below givent the input information

Name: ANSWERS

QUESTION 1

PORTFOLIO INFORMATION		FUND FINANCING	Amount \$ million	% Cap	Interest	% Debt	WAI
Portfolio Amount	800 million	Debt Financing					
Expected Portfolio Avg Return	5.00%	Tranche A	520.0	65.0%	2.00%	72.2%	1.444%
Management Fee	0.50%	Tranche B	64.0	8.0%	3.00%	8.9%	0.267%
Default Rate	2.00%	Tranche C	56.0	7.0%	4.00%	7.8%	0.311%
Recovery	70.00%	Tranche D	48.0	6.0%	6.00%	6.7%	0.400%
		Tranche E	32.0	4.0%	8.00%	4.4%	0.356%
		Total Debt	720.0	90.0%		100.0%	2.778%
		Equity Financing	80.0	10.0%			
		Total	800.0	100.0%			

CLO Cash Flow Analysis		Use positive/negative CF
CLO Fund Income	40.00	million
Less Management Fee	(4.00)	million
Less Interest on Debt	(20.00)	million
Equity Cash Flow	16.00	million
Loss Given Default		
LGD %	0.600%	%
LGD\$ (keep positive)	4.80	million
Net Equity Output		
Equity Return before Risk Adjusted %	20.0%	%
Equity after Portfolio Loss	11.20	million
RAROC - Equity %	14.0%	%

QUESTION 2

Calculate the Current Yield and OID Yield for the following Leveraged Loan Investments assuming SOFR is 3.0%

	Spread	OID	Current Secondary Pricing	Remaining Average Life (yrs)
ABC Company	4.00%	99.0	98.5	3.50
XYZ Company	3.50%	98.0	100.5	3.75
DCD Company	5.00%	98.5	96.8	3.25

OID Yield	Current Yield
7.250%	7.429%
7.000%	6.367%
8.375%	9.000%

3.00%
