Private Equity Collateralized Fund Obligations (PE CFO) Cash Flow Model

Model Summary Document (MSD)

1. Model Purpose and Description

Fitch uses the PE CFO Cash Flow model to implement its rating criteria assumptions and construct NAV and distribution projections under various scenarios. The model uses historical data on fund performance metrics to project distributions, capital calls and market value changes for the underlying assets in the portfolio, which then flow through the transaction's waterfall and determine the PE CFO's ability to pay its obligations, in accordance with the transaction's terms.

The results of Fitch's cash flow modelling are a key driver of the ratings for PE CFOs. In constructing the modelled scenarios, Fitch incorporates its analysis of the portfolio as described above, as well as the structural features of the transaction.

Fitch's cash flow modelling involves selecting comparable historical data sets based on the PE CFO portfolio, adjusting or haircutting the data based on Fitch's analysis of the portfolio, and performing scenario analysis to derive model-implied ratings.

2. Model Assumptions

The assumptions in the model are described in Fitch's criteria

- Private Equity Collateralized Fund Obligations Rating Criteria

3. Model Inputs

Model inputs include key information on the transaction's assets, liabilities, fees, interest payments, amortization, de-leveraging mechanics, contingent liquidity, as well as Fitch's stress assumptions on interest rates and FX risk. Fitch uses cash flow data sourced from third parties to project the performance of each fund based on its characteristics.

4. Model Development Data

Not applicable to this rating model as it does not use historical data for its development and calibration, and it only uses issuer specific data and other related data as described in the relevant criteria and/or RAC.

5. Model Limitations

The model is intended only to analyse obligations backed by portfolios of interests in alternative investment funds, within the scope of Fitch's "Private Equity Collateralized Fund Obligations Rating Criteria".

6. Material Changes

The current model version is 1.2.x. Any future material changes will be disclosed in this section.

Contact Information

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