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CLO – Fitch Stressed Portfolio Model

Model Summary Document (MSD)

1. Model Purpose and Description

In its analysis of transactions with managed CLO portfolios, Fitch analyses stressed-case portfolios with the aim of testing robustness of the transaction structure against its covenants and portfolio Guidelines.

FSP is a model that takes an input portfolio and produces this stressed portfolio for use in PCM (a downstream model).

2. Model Assumptions

FSP relies on no underlying criteria assumption values. All stressed targets are input into the model by the user.

3. Model Inputs

FSP is split between handling EMEA and NAMER.

NAMER

- An input portfolio
- Whether the portfolio is being run with or without Fitch CQTs, or whether it's a static portfolio
- Stressed Parameters
    - Obligor Targets
    - CCC Target
    - Seniority Target
    - Industry Concentration Targets
    - Maturity Target
    - Long Dated Target
    - Fixed Rate Target

EMEA

For EMEA, the same fixed portfolio is used as a starting point for all stressed portfolios

- Stressed Parameters
    - Top 10 Concentration
    - Top Industry Concentration
    - Top 3 Industry Concentration
    - Maturity Target

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 transaction specific data and other related data as described in the relevant criteria and/or RAC.

5. Model Limitations

FSP can struggle or fail to generate stressed portfolios in extreme cases (e.g. small portfolios that are highly stressed). This applies to both EMEA and NAMER. In these situations, FSP will attempt to generate a portfolio close to target, but analysts will then need to further manipulate the portfolio for their specific situation.

For EMEA, the use of the static portfolio results in further limitations, allowing only modelling for portfolios that can fit within the following characteristics:

- Top 10 obligor concentration between 15% and 27.5%
- Maximum CCC obligation concentration of 7.5%
- Maximum % of assets domiciled in a country with ceiling below AAA is 10%
- Minimum % of senior secured obligations 90%

6. Material Changes

The current version of this model is 2.4.0. Future material changes will be listed here.

Contact Information

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