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Presale:

# Neuberger Berman Loan Advisers Euro CLO 6 DAC

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## Preliminary ratings

| Class | Prelim. rating* | Amount (mil. €) | Credit enhancement (%) | Interest rate (%)§ |
|---|---|---|---|---|
| A | AAA (sf) | 183.00 | 39.00 | 3mE+1.47 |
| B-1 | AA (sf) | 30.10 | 26.30 | 3mE+2.15 |
| B-2 | AA (sf) | 8.00 | 26.30 | Fixed 5.75 |
| C | A (sf) | 16.80 | 20. 70 | 3mE+2.70 |
| D | BBB- (sf) | 21.00 | 13.70 | 3mE+3.95 |
| E | BB- (sf) | 13.50 | 9.20 | 3mE+6.67 |
| F | B- (sf) | 8.10 | 6.50 | 3mE+8.21 |
| Subordinated notes† | NR | 23.50 | N/A | N/A |

Note: This presale report is based on information as of April 9, 2024. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. *The preliminary ratings assigned to the class A, B-1, and B-2 notes address timely interest and ultimate principal payments. The preliminary ratings assigned to the class C, D, E, and F notes address ultimate interest and principal payments. §The payment frequency switches to semiannual and the index switches to six-month EURIBOR when a frequency switch event occurs. †In addition to subordinated notes, the issuer will also issue unrated senior preferred return notes, subordinated preferred return notes, and performance notes on the issue date. The senior preferred return notes are paid senior to the class A notes in the interest priority of payments. EURIBOR--Euro Interbank Offered Rate. NR--Not rated. N/A--Not applicable. 3mE--Three-month Euro Interbank Offered Rate.

## Transaction Summary

Neuberger Berman Loan Advisers Euro CLO 6 DAC is a European cash flow CLO transaction, securitizing a portfolio of primarily senior secured leveraged loans and bonds. Neuberger Berman Europe Ltd. will manage the transaction.

## Key Credit Metrics

### Selected credit metrics

| | |
|---|---|
| Total par leverage (x)* | 11.84 |
| Weighted-average cost of debt (%)§ | 2.27 |
| Subordination ('AAA') (%) | 39.00 |

## Selected credit metrics (cont.)

| | |
|---|---|
| Modelled WAS (%) | 3.90 |
| Modelled WAC (%) | 4.25 |
| Excess spread (%)† | 1.64 |
| SDR ('AAA') (%) | 61.13 |
| Modelled 'AAA' recovery rate (%) | 37.56 |

*Total debt/equity. §Spread over EURIBOR for all classes, excluding the subordinated notes. †WAS minus the weighted-average cost of debt. WAS--Weighted-average spread. WAC--Weighted-average coupon. SDR--Scenario default rate. EURIBOR--Euro Interbank Offered Rate.

## Portfolio credit benchmarks

| | |
|---|---|
| SPWARF* | 2,741.20 |
| 'AAA' default rate dispersion | 509.74 |
| Obligor diversity measure§ | 130.62 |
| Industry diversity measure† | 22.64 |
| Regional diversity measure‡ | 1.33 |
| Weighted-average life of the portfolio | 4.48 |

*The SPWARF is calculated by multiplying the par balance of each collateral obligation (with a rating from S&P Global Ratings of 'CCC-' or higher) by S&P Global Ratings' rating factor, then summing the total for the portfolio, and then dividing this result by the aggregate principal balance of all of the collateral obligations included in the calculation. The S&P Global Ratings' rating factor of an individual asset is the five-year default rate given its S&P Global Ratings' credit rating and the default table in the corporate CDO criteria, multiplied by 10,000. §The effective number of obligors in the underlying collateral, obtained by squaring the exposure for each obligor and taking the reciprocal of the sum of these squares [i.e., 1/sum()^2]. †The effective number of industries in the underlying collateral obtained the same way as the obligor diversity measure. ‡The effective number of regions in the underlying collateral obtained the same way as obligor diversity measure. SPWARF--S&P Global Ratings weighted-average rating factor.

# Transaction Timeline

## Transaction timeline

| | |
|---|---|
| Expected closing date | June 12, 2024 |
| Non-call period end date | June 12, 2026 |
| Reinvestment period end date | Jan. 15, 2029 |
| Stated maturity date | July 15, 2037 |
| Note payment frequency | Quarterly, beginning Jan. 15, 2025. Semiannually after a frequency switch event. |
| **Participants** | |
| Collateral manager | Neuberger Berman Europe Ltd. |
| Arranger | J.P. Morgan Securities PLC |
| Trustee | BNY Mellon Corporate Trustee Services Ltd. |

## Rationale

The preliminary ratings assigned to Neuberger Berman Loan Advisers Euro CLO 6 DAC's notes reflect our assessment of:

- The diversified collateral pool, which primarily comprises syndicated speculative-grade senior secured term loans and bonds that are governed by collateral quality tests.
- The credit enhancement provided through the subordination of cash flows, excess spread, and overcollateralization.
- The collateral manager's experienced team, which can affect the performance of the rated notes through collateral selection, ongoing portfolio management, and trading.
- The transaction's legal structure, which we expect to be bankruptcy remote.
- The transaction's counterparty risks, which we expect to be in line with our counterparty rating framework.

## Rating Considerations

In our analysis, we considered the factors in table 1, among others.

Table 1

### Rating considerations

| Risk | Risk description | Mitigating factors |
|---|---|---|
| Reduction in cash flow | Defaults, adverse interest rate movements, and low recoveries can reduce the cash flow generated by the underlying portfolio and affect the issuer's ability to meet its obligations in a timely manner. | Our quantitative analysis simulates various default patterns and interest rate movements, under various stress scenarios considering portfolio characteristics, payment mechanics, covenants, collateral quality tests, and excess spread. |
| Excess concentration in certain types of collateral obligations | Larger concentrations in certain obligations can introduce additional risks to the rated notes. | The transaction documents limit the collateral manager's ability to invest in certain types of collateral. Our cash flow analysis also considers the underlying portfolio's maximum allowable amount of certain types of collateral obligations. Examples include: 12.5% fixed rate assets. |
| Collateral manager trading performance | During the reinvestment period, the collateral manager can change the underlying portfolio's composition, exposing the transaction to potential deterioration in credit enhancement. | During the reinvestment period, among other conditions the collateral manager is expected to run our CDO Monitor. |
| Divergence of effective date portfolio from preliminary assumptions | Most underlying portfolios are not fully purchased by closing. Therefore, there is a risk that the fully ramped-up portfolio at the transaction's effective date will be different than the one presented to us for its preliminary analysis. | We offer collateral managers both a model and formula-based version of its CDO Monitor at closing. This tool is intended to assist the collateral manager in maintaining a similar credit risk and cash flow profile to what was initially presented for our preliminary analysis. |

Table 1

### Rating considerations (cont.)

| Risk | Risk description | Mitigating factors |
|---|---|---|
| Exposure to covenant-lite loans | The collateral manager can purchase covenant-lite loans (those that do not contain incurrence or maintenance covenants for the benefit of the lending party) for up to a certain percentage of the underlying portfolio (see table 8). Exposure to these types of loans may reduce the transaction's recovery prospects. | For covenant-lite loans that do not have an asset-specific recovery rating, we apply reduced recovery rates in our cash flow analysis (41% under an 'AAA' level of stress versus 50% for a senior secured first-lien loan that is not covenant-lite (in a group "A" country). |

## Collateral Manager

Neuberger Berman Europe Ltd., an English limited liability company, will act as collateral manager (CM) to the issuer. The CM is a wholly-owned subsidiary of Neuberger Berman Group LLC.

At closing, we expect the operational risk associated with key transaction parties (such as the CM) that provide an essential service to the issuer to be in line with our operational risk criteria (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014).

## Quantitative Analysis

In analyzing this transaction, we conducted a quantitative review consisting of two analyses: a portfolio analysis and a cash flow analysis.

### Portfolio analysis

For the portfolio analysis, we ran the portfolio presented to us through the CDO Evaluator model, which defaults portions of the underlying collateral based on the default probability and correlation assumptions defined in our criteria. This resulted in a set of SDRs, which represent expected default levels for the portfolio under the different stress scenarios associated with each rating level.

### Cash flow analysis

For the cash flow analysis, we input the transaction-specific structural features presented to us into S&P Global Ratings' Cash Flow Evaluator model to generate a base-case set of cash flows. We then subjected these cash flows to various default timing and interest rate stress scenarios to arrive at a break-even default rate (BDR) for each rated class of notes.

For each class, the BDR represents the maximum amount of defaults that it can withstand while still being able to pay timely interest, or ultimate interest as applicable, and ultimate principal to its noteholders. Classes with higher subordination typically have higher BDRs.

The transaction allows the CM to buy a maximum of 12.5% fixed paying assets, and we considered in our cash flow analysis the BDRs where this fixed bucket is filled. Our base case is 100.0% floating assets. In our analysis, we modeled the weighted-average spread and coupon provided by the CM.

## Connecting the portfolio and cash flow analyses

For a tranche to achieve a particular rating, it must be able to withstand the level of defaults projected by the CDO Evaluator and still pay interest and principal based on its terms and conditions.

The results shown in table 2 indicate that the rated notes have sufficient credit enhancement to withstand our projected default levels. This scenario represents the scenario with the lowest BDR cushion at the 'AAA' level, in which we have modeled 100.0% of floating-rate assets.

Table 2

### Cash flow results

| Class | BDR (%) | SDR (%) | BDR cushion (%) |
|---|---|---|---|
| A | 68.42 | 61.13 | 7.29 |
| B-1 and B-2 | 61.01 | 53.30 | 7.71 |
| C | 55.67 | 47.16 | 8.51 |
| D | 44.69 | 37.96 | 6.73 |
| E | 34.38 | 30.98 | 3.39 |
| F | 26.75 | 25.16 | 1.58 |

BDR--Break-even default rate. SDR--Scenario default rate.

The CM has identified approximately 95% of the portfolio. The identified portfolio currently generates a weighted-average spread (WAS) of 3.99% and weighted average coupon (WAC) of 4.39%. In our cash flow analysis we have considered a WAS of 3.90% and a WAC of 4.25%. The weighted-average recovery rate (WARR) on the identified portfolio is 37.69% (at the 'AAA' rating level). We have been asked to consider a 'AAA' recovery rate of 35% on the unidentified portion, resulting in a WARR of 37.56% to be considered in our cash flow analysis.

## Supplemental tests

We also conduct a largest industry default test, a largest obligor default test, a largest sovereign default test, and a largest transfer and convertibility default test according to "Global Methodology And Assumptions For CLOs And Corporate CDOs," published on June 21, 2019, and "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019. Under these assumptions, the notes can withstand the loss amounts indicated in table 3 at the assigned preliminary ratings.

Table 3

### Supplemental tests

| Class | Preliminary rating | Largest industry default test loss amount (mil. €) | Largest obligor default test loss amount (mil. €) | Largest sovereign test amount (mil. €) | Largest sovereign T&C test amount (mil. €) |
|---|---|---|---|---|---|
| A | AAA (sf) | 20.34 | 37.14 | 13.75 | 0.00 |
| B-1 and B-2 | AA (sf) | 20.34 | 30.49 | 7.21 | 0.00 |
| C | A (sf) | 0.00 | 23.84 | 0 | 0.00 |

Table 3

### Supplemental tests (cont.)

| Class | Preliminary rating | Largest industry default test loss amount (mil. €) | Largest obligor default test loss amount (mil. €) | Largest sovereign test amount (mil. €) | Largest sovereign T&C test amount (mil. €) |
|---|---|---|---|---|---|
| D | BBB- (sf) | 0.00 | 17.10 | 0 | 0.00 |
| E | BB- (sf) | 0.00 | 13.54 | 0 | 0.00 |
| F | B- (sf) | 0.00 | 9.50 | 0 | 0.00 |

T&C--Transfer and convertibility.

## Credit Metrics

In addition to the quantitative framework, we produce and review other metrics to assess specific risks inherent in a transaction. Results are based on the portfolio provided to us and are shown in table 4.

Table 4

### Credit quality metrics

| Test | Weighted- average |
|---|---|
| Weighted-average life (years)* with reinvestments | 4.59 |
| Weighted-average life (years) without reinvestments | 4.48 |
| Weighted-average spread including floors (%) | 4.01 |
| Weighted-average spread excluding floors (%) | 4.00 |
| Identified portfolio (%) | 95 |
| Identified portfolio paying floating rate (%) | 97.1 |
| Identified portfolio paying fixed rate (%) | 2.75 |
| Weighted-average fixed coupon (%)--identified portfolio | 4.39 |
| Weighted-average fixed coupon (%)--un-identified portfolio | 4.25 |
| Weighted average recovery rate (AAA) (%) | 37.56 |
| Weighted average recovery rate (AAA)--identified portfolio (%) | 37.69 |
| Weighted average recovery rate (AAA)--unidentified portfolio (%) | 35.00 |

*The modeled weighted-average life is the one used in our cash flow analysis and is quarterly.

## Portfolio Characteristics

The latest metrics based on the portfolio presented to us are shown in table 5.

Table 5

## Target collateral obligations

| | |
|---|---|
| Target par balance (mil. €) | 300.00 |
| Par balance of identified collateral (mil. €) | 285.40 |
| Par balance of collateral not yet identified (mil. €) | 14.60 |
| **Obligors** | |
| Number of unique obligors | 159 |
| Number of identified obligors | 154 |
| Average obligor holding (%) | 0.63 |
| Largest-obligor holding (%) | 1.83 |
| Smallest-obligor holding (%) | 0.17 |
| Non-euro assets (%) | 0.00 |
| Top 5 countries exposure (%) | 74.92 |
| Top 10 industries (%) | 58.47 |
| Senior secured first lien loan (%) | 46.60 |
| Senior secured first lien covenant–lite loan (%) | 46.70 |
| Senior secured bond (%) | 6.21 |
| Senior unsecured bond (%) | 0.50 |

In the portfolio data referenced for this analysis, the issuer had identified almost all of the portfolio's collateral. As the portfolio composition changes, the information and results presented in the report are also likely to change.

## Obligor concentration

The underlying portfolio presented to us for our rating analysis comprises 159 distinct obligors. Table 6 below shows the respective industries of the 10 top obligors.

Table 6

## Top obligor holdings

| | | **Notional amount (mil. €)** | | **Notional amount (%)** | |
|---|---|---|---|---|---|
| Obligor reference | Industry | Obligor | Cumulative | Obligor | Cumulative |
| 1 | Machinery | 5.50 | 5.50 | 1.83 | 1.83 |
| 2 | Diversified telecommunication services | 4.50 | 10.00 | 1.50 | 3.33 |
| 3 | Food products | 4.25 | 14.25 | 1.42 | 4.75 |
| 4 | Chemicals | 4.00 | 18.25 | 1.33 | 6.08 |
| 5 | Capital markets | 4.00 | 22.25 | 1.33 | 7.42 |
| 6 | Pharmaceuticals | 3.75 | 26.00 | 1.25 | 8.67 |
| 7 | Diversified consumer services | 3.60 | 29.60 | 1.20 | 9.87 |
| 8 | Commercial services and supplies | 3.50 | 33.10 | 1.17 | 11.03 |
| 9 | Diversified consumer services | 3.50 | 36.60 | 1.17 | 12.20 |

Table 6

### Top obligor holdings (cont.)

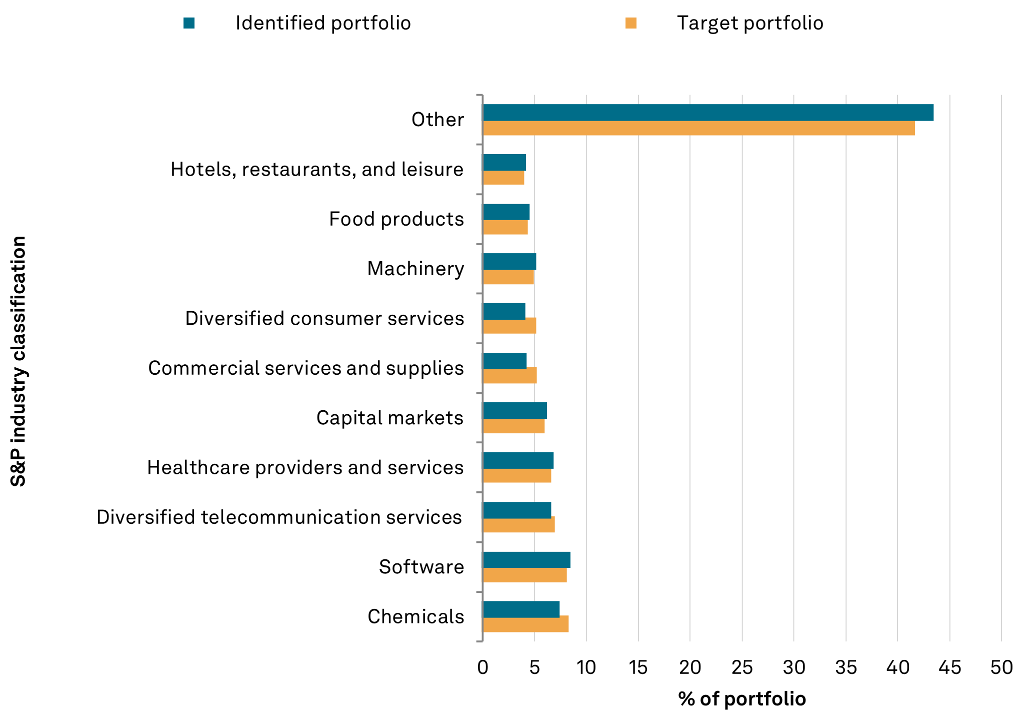
| | | | | | |
|---|---|---|---|---|---|
| 10 | Media | 3.50 | 40.10 | 1.17 | 13.37 |

## Industry distribution

Chart 1 shows the top 10 industry distribution in the portfolio. The portfolio comprises 40 distinct industries as per the Capital IQ industry--level 3 classification.

Chart 1

### Top industry distribution



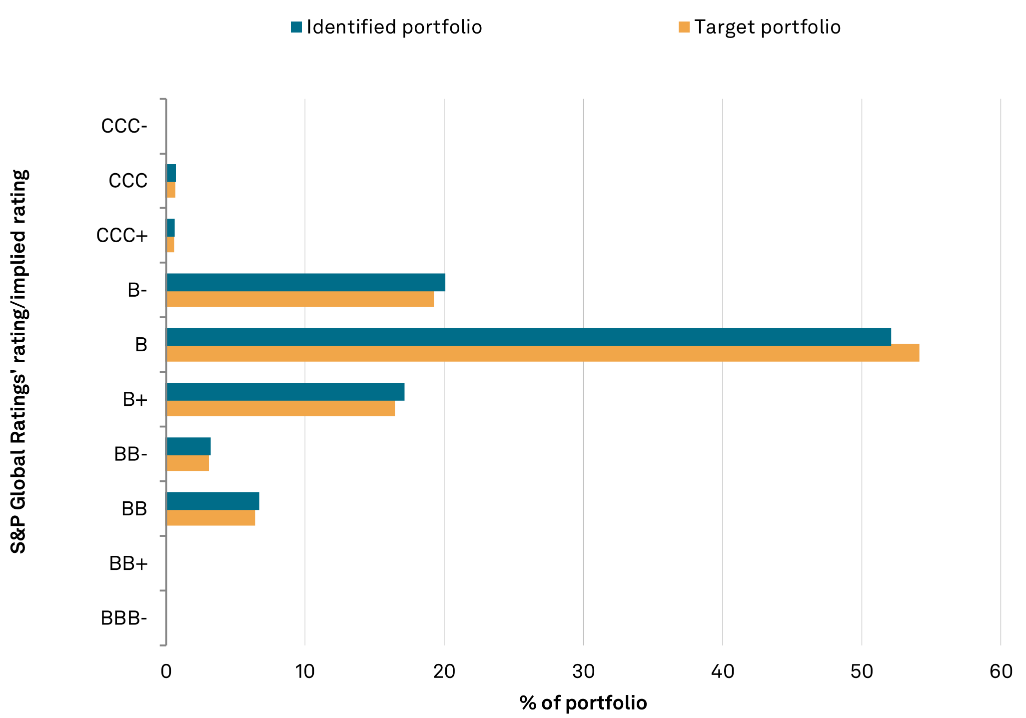



## Ratings distribution

Chart 2 shows the ratings distribution in the portfolio. Of the underlying collateral obligations, 98.7% have ratings assigned by us (including private, confidential and credit estimates). The remaining 1.3% were derived based on ratings assigned by other nationally recognized statistical rating organizations.

Chart 2

## Rating distribution






## Recovery rating distribution

Table 7 presents the recovery rates modeled to calculate the targeted portfolio's BDRs and actual recovery rates. Chart 3 presents our recovery rates distribution of the portfolio. Of the underlying collateral obligations, 98.2% have recovery ratings assigned by us (including a recovery rating of 3 (55%) provided by the CM for €14.6 million of unidentified assets). For assets that don't have recovery ratings, we have applied table 4 in our guidance (see "Guidance: Global Methodology And Assumptions For CLOs And Corporate CDOs", published June 21, 2019).

Table 7

## Collateral WARR

| Liability rating | Modeled WARR (%) | Target pool WARR (%) | Actual WARR on identified portfolio (%) |
|---|---|---|---|
| AAA (sf) | 37.56 | 37.56 | 37.69 |
| AA (sf) | 47.34 | 47.34 | 47.46 |
| A (sf) | 53.31 | 53.31 | 53.43 |
| BBB- (sf) | 60.08 | 60.08 | 60.19 |
| BB- (sf) | 64.96 | 64.96 | 65.06 |

Table 7

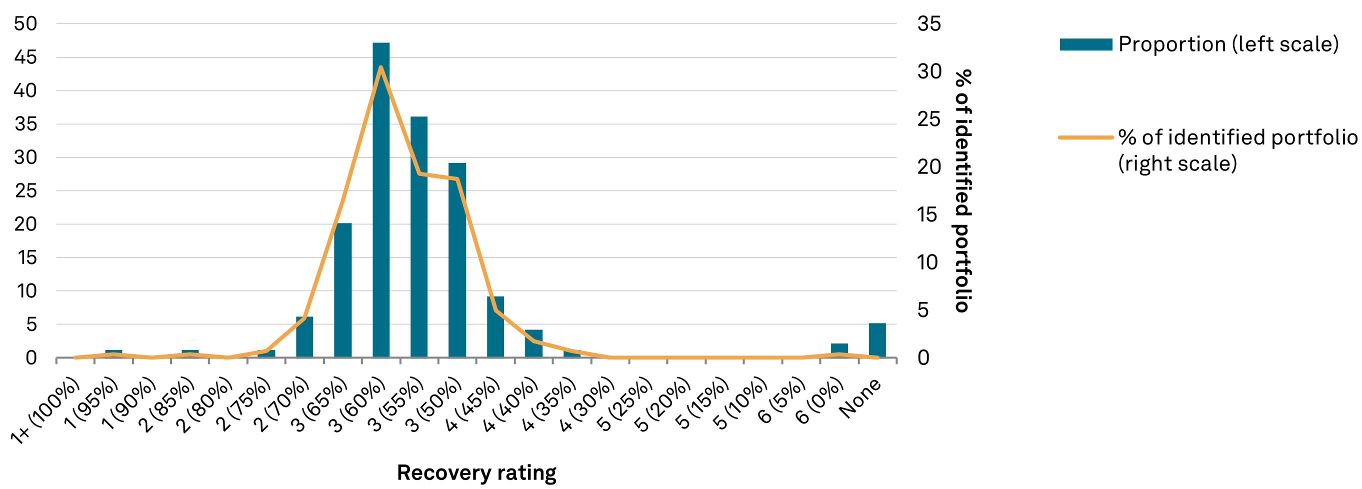
## Collateral WARR (cont.)

| Liability rating | Modeled WARR (%) | Target pool WARR (%) | Actual WARR on identified portfolio (%) |
|---|---|---|---|
| B- (sf) | 66.21 | 66.21 | 66.17 |

During the ramp-up period (generally six months from closing), the manager will buy assets to reach the modeled WARR considered in our analysis. WARR--Weighted-average recovery rate.

Chart 3

### Recovery rating distribution





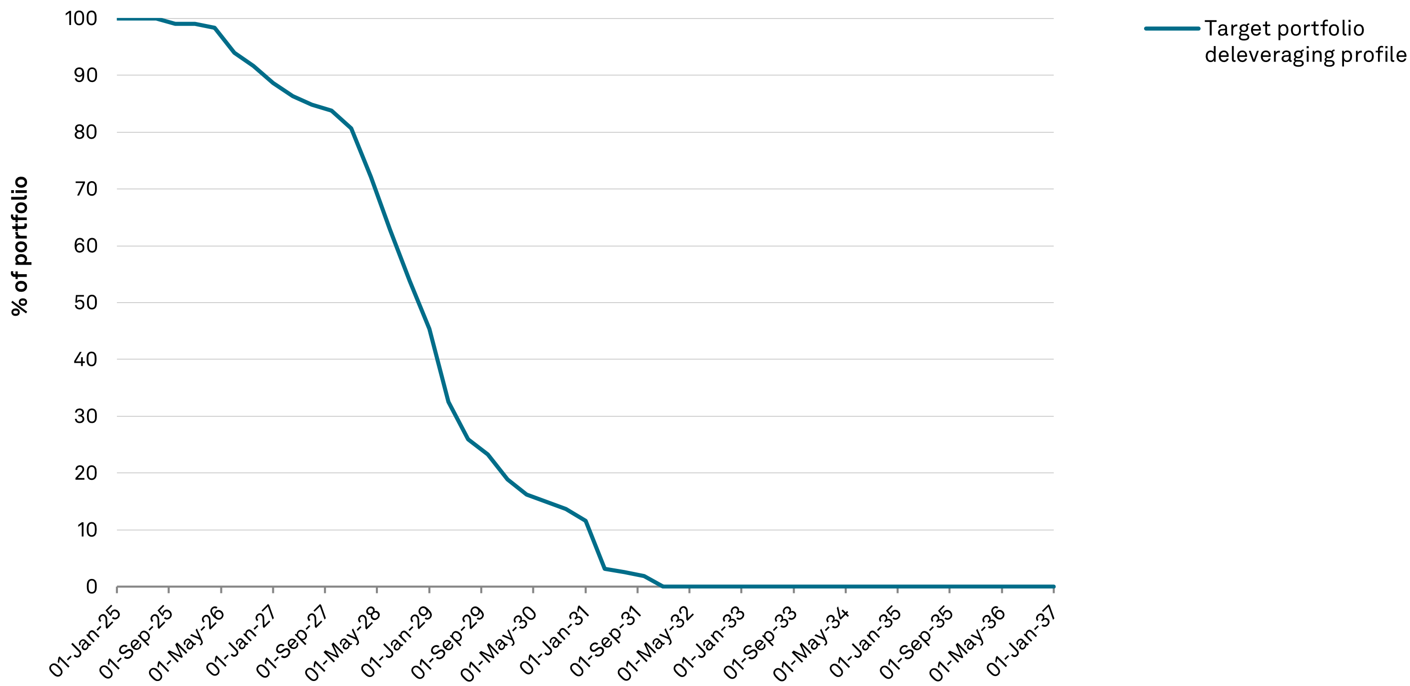

## Deleveraging profile

Chart 4 shows the portfolio's deleveraging profile. For our cash flow analysis, we have used a standard amortization profile of 4.50 years in line with table 6 in our guidance (see "Guidance: Global Methodology And Assumptions For CLOs And Corporate CDOs", published June 21, 2019).

Chart 4

### Target portfolio deleveraging profile

Based on the legal final maturity date






## Portfolio Investment Guidelines

The underlying portfolio will primarily comprise euro-denominated senior secured loans and bonds to broadly syndicated corporate borrowers. Some of the portfolio limitations are outlined below in table 8 which the CM is expected to comply with during the life of the transaction.

Table 8

### Portfolio profile test

| Type of obligation | Limit (%) |
|---|---|
| Minimum senior secured loans or senior secured bonds | 96.00 |
| Maximum second-lien loans, senior unsecured obligations, high yield bonds, and mezzanine obligations | 4.00 |
| Minimum senior secured loans | 70.00 |
| Maximum single obligor, provided up to three obligors may each represent up to 3.00% of the aggregate collateral balance | 2.50 |

Table 8

## Portfolio profile test (cont.)

| Type of obligation | Limit (%) |
|---|---|
| Maximum collateral obligations of a single obligor (in the case of collateral obligations are not secured senior obligations) | 1.50 |
| Maximum currency hedge obligations, unhedged collateral obligations and principal hedged obligations | 20.00 |
| Unhedged collateral obligations and principal hedged obligations | 2.50 |
| Maximum obligations of an obligor which is a collateral manager portfolio company | 10.00 |
| Maximum single S&P industry, provided that any one S&P industries may comprise up to 15.00% each and any further one single industry may comprise up to 12.00% | 10.00 |
| Maximum obligors domiciled in countries with a credit rating from S&P Global Ratings below 'AA-' | 20.00 |
| Maximum obligors domiciled in countries with a credit rating from S&P Global Ratings below 'A-' | 10.00 |
| Maximum obligors domiciled in countries with a credit rating from S&P Global Ratings below 'BB-' | 5.00 |
| Maximum covenant-lite loans | 25.00 |
| Maximum participations | 5.00 |
| Maximum current pay obligations including any current pay obligations that are uptier priming debt | 2.5 |
| Maximum corporate rescue loans and any defaulted uptier priming debt (maximum 2% from a single obligor [not more than 2.0%] shall consist of uptier priming debt that is a defaulted obligation) | 5.00 |
| Maximum PIK obligations | 5.00 |
| Maximum S&P Global Ratings' credit rating of 'CCC+', 'CCC' and 'CCC-' | 7.50 |
| Maximum annual obligations | 1.00 |
| Maximum unfunded amounts under revolving obligations or delayed drawdown CDOs | 5.00 |
| Maximum fixed-rate obligations | 12.50 |
| Maximum discount obligations | 25.00 |
| Maximum credit estimate obligations | 10.00 |
| Maximum distressed exchanges obligations | 2.5 |
| Maximum obligations with a maturity date falling on a date that is 11 years from the closing date | 10.00 |
| Indebtedness of obligor between €200 million and €250 million | 5.00 |
| Maximum uptier priming debt and any obligation issued by an asset priming obligor is 0.00%, or if the class A investor condition is satisfied | 2.50 |

Under the transaction documents, certain conditions must be satisfied before collateral is bought for or sold from the portfolio (see tables 9 and 10).

Table 9

## Summary of trading conditions during reinvestment period

| Conditions to reinvest proceeds from each type of assets sold/received | Coverage tests | New asset minimum par amount | S&P CDO Monitor test† | Concentration limitations |
|---|---|---|---|---|
| Defaulted (including recovery on defaulted assets) | Satisfy§ | Not less than 100% of the sale proceeds* | Not required | Satisfy otherwise maintain or improve |
| Credit risk | Satisfy otherwise maintain or improve§ | Not less than 100% of the sale proceeds of assets sold* | Not required | Satisfy otherwise maintain or improve |

Table 9

## Summary of trading conditions during reinvestment period (cont.)

| Conditions to reinvest proceeds from each type of assets sold/received | Coverage tests | New asset minimum par amount | S&P CDO Monitor test† | Concentration limitations |
|---|---|---|---|---|
| Discretionary | Satisfy otherwise maintain or improve§ | Not less than 100% of the principal balance of assets sold* | Satisfy otherwise maintain or improve | Satisfy otherwise maintain or improve |
| Credit improved | Satisfy otherwise maintain or improve§ | Not less than 100% of the principal balance of assets sold* | Satisfy otherwise maintain or improve | Satisfy otherwise maintain or improve |
| Unscheduled principal (including recoveries) | Satisfy otherwise maintain or improve§ | Not less than 100% of the principal balance of assets sold* | Satisfy otherwise maintain or improve | Satisfy otherwise maintain or improve |
| Scheduled principal | Satisfy otherwise maintain or improve§ | Not less than 100% of the principal balance of assets sold* | Satisfy otherwise maintain or improve | Satisfy otherwise maintain or improve |

*Alternatively, if the aggregate collateral balance of the portfolio exceeds the reinvestment target par balance. §Interest coverage ratio on or after second interest payment date & class F par value, after the end of the reinvestment period. †From the effective date.

Table 10

## Summary of trading conditions after reinvestment period

| Conditions to reinvest proceeds from each type of assets sold/received | Coverage tests | New asset minimum par amount | Limitations | New asset with an equal or a higher rating | New asset with the same or a shorter maturity |
|---|---|---|---|---|---|
| Credit risk | Passing before and after | Not less than 100% of the sale proceeds of assets sold | Satisfy otherwise maintain or improve | Yes | Yes* |
| Unscheduled principal | Passing before and after | Not less than 100% of the principal balance of assets generating proceeds | Satisfy otherwise maintain or improve | Yes | Yes* |

Note: Discretionary trading, credit improved obligations trading, scheduled principal received from collateral, and recoveries from defaulted assets cannot be reinvested. * unless purchased pursuant to a trading plan in which case, these will be satisfied on a weighted average basis

# Note Payment Considerations

## Overcollateralization, interest coverage, and interest diversion tests

The rated notes benefit from certain structural features that require sequential mandatory redemption upon a breach of any overcollateralization or interest coverage test. Additionally, during the reinvestment period, the rated notes benefit from the reinvestment of up to a certain amount of the excess interest proceeds, captured upon breach of the transaction's interest diversion test (see table 11).

Table 11

## Overcollateralization, interest coverage, and interest diversion tests

| Class | Actual O/C (%) | Min. O/C required (%) | Min. I/C required (%) |
|---|---|---|---|
| A/B | 135.69 | 125.69 | 120.00 |
| C | 126.10 | 119.10 | 115.00 |
| D | 115.87 | 109.87% | 110.00 |
| E | 110.13 | 105.63% | 105.00 |
| F (applicable during reinvestment period) | 106.95 | 102.95% | N/A |
| Interest diversion test based on the class F (applicable during the reinvestment period) | 106.95 | 103.45% | N/A |

O/C--Overcollateralization. I/C--Interest coverage. N/A--Not applicable.

## Payment priorities

Under the transaction documents, the collateral's interest and principal collections are payable according to separate payment priorities. On each payment date during and after the reinvestment period, unless at the stated maturity or an acceleration following an event of default occurs, proceeds will be distributed in the priority outlined in table 12.

Table 12

## Waterfall payment priority

| Priority | Interest waterfall | Principal waterfall |
|---|---|---|
| A | Taxes and issuer profit amount | Payment of A through H of interest waterfall if previously unpaid |
| B | Accrued and unpaid trustee fees and expenses, up to the cap† | Cure class A/B coverage tests |
| C | Due and unpaid administrative expenses, up to the cap† | If class C is the controlling class, any unpaid interest |
| D | Transfers to expense reserve account | Cure class C coverage tests |
| E | (i) Senior preferred return notes interest, some of which may be deferred to purchase additional collateral or waived (such as deferred senior preferred return noteholders amount)(ii) Senior collateral management fee, some of which may be deferred to purchase additional collateral or waived (such as deferred senior collateral management amount)(iii) Catch up on previously due and unpaid (other than deferred senior preferred noteholder amounts), senior preferred return noteholder amount (iv) Catch up on previously due and unpaid (other than deferred senior management amounts), senior management fee | If class C is the controlling class, unpaid deferred interest |
| F | Any scheduled periodic hedge issuer payments, any currency hedge issuer termination payments, any interest rate hedge issuer termination payments, any FX forward issuer termination payments and any hedge replacement payments. | If class D is the controlling class, any unpaid interest |
| G | Class A notes' interest | Cure class D coverage tests |
| H | Class B-1 and B-2 notes' interest, pari passu | If class D is the controlling class, unpaid deferred interest |
| I | Cure class A/B notes' coverage tests | If class E is the controlling class, any unpaid interest |

Table 12

## Waterfall payment priority (cont.)

| Priority | Interest waterfall | Principal waterfall |
|---|---|---|
| J | Class C notes' interest | Cure class E coverage tests |
| K | Cure class C notes' coverage tests | If class E is the controlling class, any unpaid deferred interest |
| L | Class C notes' deferred interest | If class F is the controlling class, unpaid interest |
| M | Class D notes' interest, current period | Cure class F par value test |
| N | Cure class D notes' coverage tests | If class F is the controlling class, unpaid deferred interest |
| O | Class D notes' deferred interest | Redemption following an effective date rating event |
| P | Class E notes' interest, current period | Make payments under a special redemption event |
| Q | Cure class E notes' coverage tests | Purchase collateral in line with reinvestment criteria during reinvestment period. After reinvestment period, unscheduled principal proceeds and sale proceeds from the sale of credit risk obligation to purchased substitute collateral obligation or to principal account |
| R | Class E notes' deferred interest | Note redemption in line with priority |
| S | Class F notes' interest, current period | Payment of X through AA of interest waterfall if previously unpaid post reinvestment period |
| T | Cure class F par value test (after reinvestment period) | To any reinvesting noteholder in respect of any reinvestment amounts |
| U | Class F notes' deferred interest | Residual payments to equity and, where appropriate, collateral manager |
| V | Redemption/ purchase additional collateral obligation following an effective date rating event | |
| W | Reinvestment overcollateralization test, minimum of cure amount or 50% of remaining proceeds to either redeem notes or purchase additional collateral | |

Table 12

## Waterfall payment priority (cont.)

| Priority | Interest waterfall | Principal waterfall |
|---|---|---|
| X | (i) Subordinated preferred return notes interest, some of which may be deferred to purchase additional collateral or waived (such as deferred subordinated preferred return noteholders amount)(ii) Subordinated collateral management fee, some of which may be deferred to purchase additional collateral or waived (such as deferred subordinated collateral management amount)(iii) Catch up on previously due and unpaid (other than deferred subordinated preferred noteholder amounts), subordinated preferred return noteholder amount (iv) Catch up on previously due and unpaid (other than deferred subordinated management amounts), subordinated management fee(v) Deferred Senior collateral management amount(vi)Deferred Senior preferred return noteholders.(vii) Deferred subordinated collateral management fee(viii) Deferred subordinated preferred return noteholders(ix) Collateral manager advances and interest thereon | |
| Y | Any remaining trustee fees and expenses not paid under the cap† | |
| Z | Any remaining administrative expenses under the cap | |
| AA | Any payments relating to a defaulted hedge counterparty | |
| BB | Transfer to supplemental reserve account, any supplement reserve amount. | |
| CC | To any reinvesting noteholder in respect of any reinvestment amounts | |
| DD | Residual payments to equity and, where appropriate, investment manager | |

*0.15% per year (including payments made on unrated senior notes). §0.25% per year. †€300,000 per year plus 0.025% of the ending collateral balance.
Note: The note payment sequence is as follows: first the class A notes at the applicable redemption price until fully redeemed, then the class B1 and B2 notes in the same manner, then the class C notes including unpaid interest and deferred interest at the applicable redemption price until they fully redeem, then the class D to F notes in the same manner.

## Note redemption circumstances

Under the transaction documents, the notes can be redeemed before the stated maturity date of the transaction in the circumstances outlined below (see table 13).

Table 13

## Note redemption

| Redemption events | Redemption terms |
|---|---|
| Mandatory redemption | If any applicable coverage test is not satisfied, the notes may be redeemed, in whole or in part, on any payment date before their legal final maturity dates. If a mandatory redemption occurs, the issuer will use the available principal and interest proceeds to redeem the notes according to the priority of payments outlined in table 12. |
| Refinancing | After the non-call period (two years after closing), any class of notes may be redeemed, in whole but not in part, from refinancing proceeds. |
| Tax redemption | If a tax event occurs, at the direction of the controlling class of noteholders or of the subordinated noteholders, but subject to consent of the manager, the rated notes may be redeemed, in whole but not in part, on any payment date before their legal final maturity dates, in accordance with the note payment sequence.* |

*Note payment sequence is: First, the class A notes at the applicable redemption price until they fully redeem, followed by the class B1 and B2 notes in the same manner. Then, the class C notes including unpaid interest and deferred interest at the applicable redemption price until they fully redeem, followed by the class D to F notes in the same manner.

## Application Of Our CDO Monitor/Compliance With Our CDO Monitor Test

Our CDO Monitor is a tool that collateral managers use during the reinvestment period to determine if a particular trade or series of trades increases the risk to the rated liabilities.

The CDO Monitor test will be considered passing if the results indicate that the current portfolio produces an SDR that is equal to or below the transaction's BDR. There is no requirement that the CDO Monitor test be considered after the reinvestment period, or when reinvesting proceeds from the sale of a credit risk or defaulted obligation.

For this transaction, the non-model version of CDO Monitor will be used initially, with the option to switch to the model version.

## Events Of Default

Under certain conditions, the following events of default may result in the acceleration of payments to the preliminary rated notes or the collateral's liquidation:

- The issuer fails to pay interest, when due and payable, to the class A or B notes (within the related 10 business day grace period).
- A failure to pay principal payment or the redemption price on any rated class of notes when due and payable at the stated maturity date or any redemption date (each within the related five business day grace period).
- The issuer fails to disburse any amounts in accordance with the priority of payments within a 10 business day grace period.
- The portfolio balance (including cash and recovery on defaults) over the class A balance falls below 102.5%.
- Under the transaction documents, the issuer is required to register as an investment company under the Investment Company Act. This requirement will be in effect for 45 days.
- A material default in the performance or material breach of any covenant, or other issuer agreement that is not cured within the 45-day cure period.
- The issuer's voluntary or involuntary bankruptcy.
- It becomes unlawful for the issuer to perform or comply with one or more of its obligations.

## Surveillance

We will maintain active surveillance on the rated notes until the notes mature or are retired, or until our credit ratings on the transaction have been withdrawn. The purpose of surveillance is to assess whether the rated notes are performing within the initial parameters and assumptions applied to each rating category. The issuer is required under the terms of the transaction documents to supply periodic reports and notices to us to maintain continuous surveillance on the rated notes.

## Environmental, social, and governance

We regard the exposure to environmental, social, and governance (ESG) credit factors in the transaction as being broadly in line with our benchmark for the sector (see "ESG Industry Report Card: Collateralized Loan Obligations," published on March 31, 2021). Primarily due to the diversity of the assets within CLOs, the exposure to environmental credit factors is viewed as below average, social credit factors are below average, and governance credit factors are average. For this transaction, the documents prohibit assets from being related to certain activities, including, but not limited to weapons or firearms, illegal drugs or narcotics etc. Accordingly, since the exclusion of assets from these industries does not result in material differences between the transaction and our ESG benchmark for the sector, no specific adjustments have been made in our rating analysis to account for any ESG-related risks or opportunities.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | CDOs: Global Methodology And Assumptions For CLOs And Corporate CDOs, June 21, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Related Research

- Weekly European CLO Update, April 8, 2024
- CLO Pulse Q2 2023: The 'Snooze Drag' Takes Hold In Europe, Sept. 28, 2023
- Resilience Under Pressure Amid Tighter Financial Conditions, Sept. 26, 2023
- ESG Industry Report Card: Collateralized Loan Obligations, March 31, 2021

- 2017 EMEA Structured Credit Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016