Regatta XIII Funding Ltd.

New Issue Report

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Global Structured Finance Rating Criteria (May 2018)

CLOs and Corporate CDOs Rating Criteria (February 2018)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (February 2018)

Exposure Draft: Structured Finance and Covered Bonds Counterparty Rating Criteria (May 2018)

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Capital Structure

Class	Rating	Rating Outlook	Amount ($ Mil.)	CE (%)[a]	Interest Rate (%)[b]	Final Maturity
X	NRsf	N.A.	5.65	—	3mL + 0.65	July 2031
A-1	AAAsf	Stable	367.50	35.0	3mL + 1.12	July 2031
A-2	NRsf	N.A.	60.25	24.3	3mL + 1.75	July 2031
B	NRsf	N.A.	27.25	19.5	3mL + 2.10	July 2031
C	NRsf	N.A.	35.00	13.3	3mL + 3.10	July 2031
D	NRsf	N.A.	35.00	7.1	3mL + 5.95	July 2031
E	NRsf	N.A.	12.70	4.8	3mL + 8.50	July 2031
Subordinated	NRsf	N.A.	58.75	N.A.	Residual	July 2031
Total			**602.10**			

Ratings are not a recommendation to buy, sell or hold any security. The offering circular and other material should be reviewed prior to any purchase. [a]Credit enhancement (CE) is based on the target par amount of $565.0 million. [b]Transaction documents provide mechanisms to replace LIBOR with an alternative rate under certain scenarios that involve consent of a majority of each of the controlling class and the subordinated notes, at the discretion of the manager. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR..

Transaction Summary

Regatta XIII Funding Ltd. (the issuer) is an arbitrage cash flow collateralized loan obligation (CLO) that will be managed by Napier Park Global Capital (US) LP (Napier Park). Net proceeds from the issuance of the secured notes and subordinated notes will be used to purchase a portfolio of approximately $565.0 million of primarily senior secured leveraged loans. The CLO will have an approximately five-year reinvestment period and a two-year noncall period.

Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 35.0% for class A-1 notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the 'AAAsf' stress scenarios. The degree of CE available to class A-1 notes is below the average CE of recent 'AAAsf' CLO issuances; however, cash flow modeling indicates performance in line with other Fitch-rated 'AAAsf' CLO notes.

'B' Asset Quality: The average credit quality of the indicative portfolio is 'B', which is comparable with recent CLOs. Issuers rated in the 'B' rating category denote a highly speculative credit quality; however, in Fitch Ratings' opinion, class A-1 notes are unlikely to be affected by the foreseeable level of defaults. Class A-1 notes are projected to be able to withstand default rates of up to 58.1%.

Strong Recovery Expectations: The indicative portfolio consists of 97.9% first lien senior secured loans and 2.1% second lien loans. Approximately 91.3% of the indicative portfolio has strong recovery prospects, or a Fitch-assigned recovery rating of 'RR2' or higher, resulting in a base case recovery assumption of 78.6%. In determining the class A-1 notes' rating, Fitch stressed the indicative portfolio by assuming a higher portfolio concentration of assets with lower recovery prospects and further reduced recovery assumptions for higher rating stresses, resulting in a 37.5% recovery rate in Fitch's 'AAAsf' scenario.

Transaction Comparison

	Regatta XIII Funding Ltd.	Regatta XI Funding Ltd.	1Q18–3Q18[a] Average	Minimum	Maximum
Collateral Manager	Napier Park Global Capital (US) LP	Regatta Loan Mgmt	—	—	—
Target Portfolio Amount ($ Mil.)	565.0	500.0	528.2	193.5	1,479.0
Closing Date	7/16/18	6/26/18	—	—	—
Reinvestment (Years)	5.0	5.0	4.6	0.0	6.1
Non-Call (Years)	2.0	2.1	1.9	0.5	4.0
Maturity Date	7/15/31	7/17/31	—	—	—
Senior 'AAA' Spread (bps)	112	107	103	60	137
Notes — Credit Enhancement					
Senior 'AAA' CE (%)	35.0	36.0	37.7	31.8	55.4
Structure					
Senior OC Test (Class)	A	A/B	—	—	—
Initial Senior OC Test Cushion (%)	10.0	10.0	10.0	8.9	10.7
Portfolio Covenants and Concentration					
Max. WAL (Years)	9.0	9.1	8.6	5.3	10.1
Initial Target Moody's WARF	2738	2716	2718	2324	3292
Max. CCC Assets (%)	7.5	7.5	7.6	7.5	15.0
Min. WAS (%)	3.30	3.20	3.30	2.85	4.75
Initial WAS All-In Rate (%)	3.31	3.35	3.43	2.97	5.02
Max. Fixed Assets (%)	5.0	5.0	5.2	0.0	10.0
Min. WAC (%)	6.50	6.50	6.77	3.10	10.00
Max. Single Obligor (Top 5) (%)[b]	2.5	2.5	2.5	2.0	3.5
Max. Single Obligor (Below Top 5) (%)[b]	2.0	2.0	2.0	1.0	3.0
Max. Single Industry (Largest) (%)	15.0	15.0	14.9	12.5	20.0
Max. Single Industry (2nd Largest) (%)	12.0	12.5	12.3	12.0	17.5
Max. Single Industry (3rd Largest) (%)	12.0	12.5	11.6	10.0	15.0
Max. Single Industry (4th Largest) (%)	12.0	10.0	10.7	8.0	13.5
Max. Single Industry (Below Top 4) (%)	10.0	10.0	10.0	8.0	12.5
Min. Senior Secured (%)	90.0	90.0	90.8	90.0	96.0
Max. 2nd Lien (%)	10.0	10.0	9.2	4.0	10.0
Max. Subordinate (%)	0.0	0.0	0.1	0.0	10.0
Max. Senior Unsecured (%)	10.0	10.0	9.0	2.5	10.0
Max. Covenant-Lite (%)	55.0	60.0	65.4	10.0	95.0
Max. Long-Dated Collateral (%)	0.0	0.0	0.4	0.0	7.5
Max. Other Than U.S. (%)	20.0	20.0	19.7	10.0	20.0

[a]Average, minimum and maximum calculations consider all arbitrage CLOs priced during 1Q18–3Q18 (through July 9, 2018) and backed by portfolios of broadly syndicated loans. [b]Only the top three obligors may be up to 2.5% for Regatta XIII and XI, with all other obligors limited to 2.0%.

Fitch's analysis centered on a Fitch stressed portfolio, which was created by making adjustments to the indicative portfolio to reflect permissible concentration limits and collateral quality test levels, as described in this report. References to the Fitch stressed portfolio in this report reflect the portfolio created by Fitch.

Asset Analysis

The Fitch Portfolio Credit Model (PCM) was used to determine hurdle default rates (rating default rates, or RDRs) and expected portfolio recovery rates (rating recovery rates, or RRRs) for the ‘AAAsf’ rating level. The PCM was run on the indicative portfolio, as well as a Fitch stressed portfolio created according to the portfolio concentration limits and collateral quality tests, as described below. Fitch’s analysis focused on the Fitch stressed portfolio given the manager’s ability to reinvest principal proceeds.

The indicative portfolio presented to Fitch included 383 assets from 326 primarily high-yield (HY) obligors, including 25 unidentified obligors with assumed characteristics representing 10.6% of the portfolio. Fitch considered the indicative portfolio to be of similar diversity in terms of rating and recovery distributions and obligor and industry concentrations relative to recently issued CLOs.

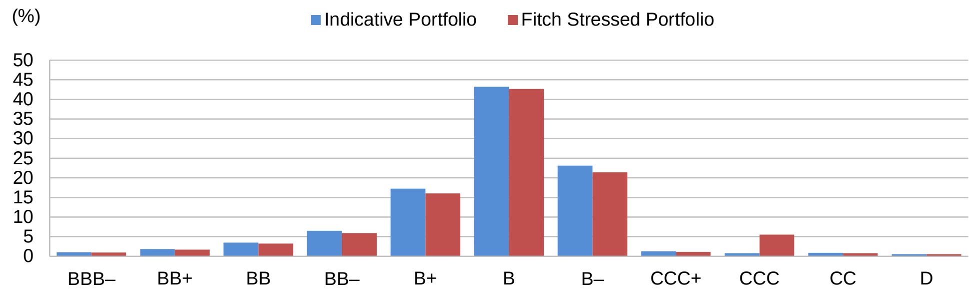
Asset Quality

The weighted average rating of the indicative portfolio is approximately ‘B’. Fitch has an explicit rating or a credit opinion for 35.6% of the portfolio par balance; ratings for 53.3% of the total portfolio were derived using Fitch’s Issuer Default Rating (IDR) equivalency map. In addition, 10.6% of the portfolio were unidentified obligors and were indicated to be rated within the ‘B’ rating category. The remaining 0.5% of the portfolio did not have a public rating or credit opinion and were assumed to be rated ‘CCC’.

Distribution of Assets Considered CCC+ or Lower

Fitch IDR Mapping	Portfolio (%)
Rated ≤ CCC+	3.0
No Public Rating	0.5
Total	**3.5**

Rating Distribution

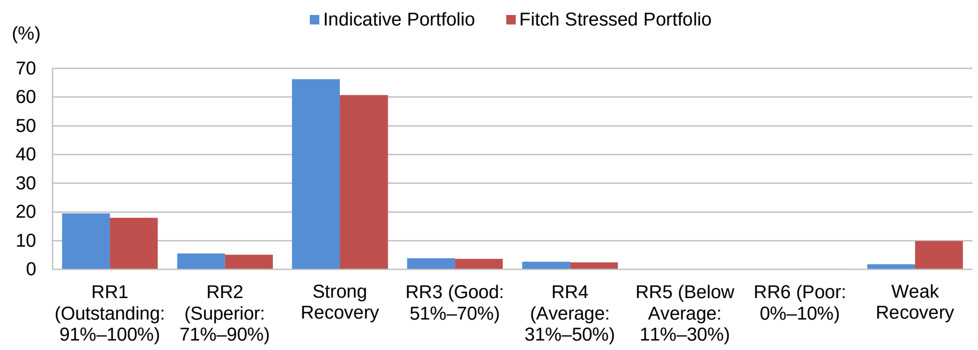


Fitch considers 3.5% of the indicative portfolio to be rated in the ‘CCC’ rating category or below, including 0.5% of defaulted obligations. The transaction has a 7.5% concentration limitation for permitted exposure to ‘CCC’ rated collateral (as defined by Moody’s; excluding defaulted obligations). The exposure to assets rated ‘CCC+’ or below (excluding defaulted) in the Fitch stressed portfolio was increased to reach the 7.5% permitted exposure.

Asset Security

The indicative portfolio consists of 97.9% first lien senior secured loans and 2.1% second lien loans. Fitch has assigned asset-specific recovery ratings or recovery estimates to 32.0% of the indicative portfolio. For assets to which no asset-specific recovery ratings or recovery estimates have been assigned, Fitch applied the standard Fitch recovery rate assumptions for assets based in the same jurisdiction and having the same ranking in the capital structure (as determined in Fitch’s “CLOs and Corporate CDOs Rating Criteria,” available at www.fitchratings.com).

Recovery Distribution



The transaction’s concentration limitations specify that a minimum of 90.0% of the portfolio must consist of first lien senior secured loans (excluding first lien last-out loans). Up to 10.0% of the portfolio may consist of first lien last-out loans, second lien loans and unsecured loans.

In its construction of the Fitch stressed portfolio, Fitch assumed 10.0% of the portfolio consists of assets with junior priority claims or no claims on the underlying security and, thus, is expected to demonstrate weak recovery prospects.

Obligor and Industry Concentration

The concentration limitations allow maximum exposure of 2.5% for up to three obligors. No other obligors may exceed 2.0% of the portfolio, and obligors of non-senior secured loans are further limited to 1.0% of the portfolio. Fitch accounted for the maximum allowable obligor concentration for the top five obligors in its construction of the Fitch stressed portfolio.

Top Five Industry Concentrations

Industry	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)
Business Services	12.0	15.0
Banking and Finance	9.4	12.0
Computer and Electronics	9.3	12.0
Gaming and Leisure and Entertainment	7.5	9.5
Industrial and Manufacturing	6.7	6.2

The transaction also permits concentrations of up to 15.0% in one Moody's industry and up to 12.0% in the next three largest Moody's industries, with all other industry concentrations capped at 10.0%. Fitch accounted for the maximum allowable industry concentration in the top three industries in its construction of the Fitch stressed portfolio.

Top Five Obligor Concentrations

Obligor	Fitch Rating	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)	Fitch Industry	Seniority
1	B	0.8	2.5	Farming and Agricultural Services	Senior Secured Loan
2	B	0.7	2.5	Environmental Services	Senior Secured Loan
3	B	0.7	2.5	Gaming and Leisure and Entertainment	Senior Secured Loan
4	B	0.6	2.0	Gaming and Leisure and Entertainment	Senior Secured Loan
5	B	0.6	2.0	Business Services	Senior Secured Loan

Weighted Average Life

The indicative portfolio has a weighted average life (WAL) of approximately 5.3 years, while the transaction is initially covenanted to a 9.0-year WAL that steps down to zero with each quarterly payment period. Fitch assumed a 9.0-year WAL in the Fitch stressed portfolio.

Additional Portfolio Concentrations

In addition to the permitted 'CCC' bucket, seniority restrictions and industry and obligor concentrations, the documents include other notable concentration limitations. Exposures to fixed-rate assets, participations and debtor-in-possession loans are kept to a minimum. The issuer is not permitted to invest in bonds, notes, step-up and stepdown securities, bridge loans, leases, synthetic assets or structured finance assets.

The concentration limitations and collateral quality tests are further detailed in Appendix B.

Cash Flow Analysis

Fitch used a customized proprietary cash flow model to replicate the principal and interest waterfalls (described in detail in Appendix A), as well as the various structural features of the transaction and to assess their effectiveness, including the structural protection provided by excess spread diverted through the overcollateralization (OC) and interest coverage (IC) tests. The cash flow model was run using the PCM outputs for both the indicative portfolio and the Fitch stressed portfolio.

The transaction documents provide the manager with the flexibility to choose certain combinations of covenants, including the minimum weighted average spread (WAS), maximum weighted average rating factor (WARF) and minimum diversity score, toward which the portfolio will be managed.

Interest Income

Fitch's analysis of the indicative portfolio accounted for the actual spreads on indicative portfolio assets (including LIBOR floors) while the analysis of the Fitch stressed portfolio assumed all floating-rate assets earn 3.30% over LIBOR without additional benefit from LIBOR floors. The transaction documents permit a maximum of 5.0% fixed-rate collateral with a minimum weighted average coupon (WAC) of 6.5%. Fitch tested a portfolio comprising 100% floating-rate assets and a portfolio consisting of 95.0% floating-rate and 5.0% fixed-rate assets. The latter scenario generally resulted in the most constraining model results and, therefore, was considered as the Fitch stressed portfolio assumption.

Additionally, the Fitch stressed portfolio assumed that 5.0% of the underlying assets pay interest less frequently than quarterly. The transaction documents prohibit investments in assets that pay interest less frequently than semiannually.

OC, IC and Interest Diversion Tests

The structure includes standard OC tests, IC tests and an interest diversion test. Failure of an OC or IC test will result in interest or principal proceeds, as applicable, being diverted to redeem the rated notes sequentially. The IC tests will not be applicable until the determination date occurring immediately prior to the second payment date.

The interest diversion test is calculated as a class D OC test and is only applicable during the reinvestment period. Upon failure of this test, the lesser of 50% of the remaining interest proceeds and the required cure amount will be deposited into the collection account as principal proceeds. The coverage tests are further detailed in Appendix B.

Cash Flow Model Outputs

Break-even default rates (BDRs) show the maximum portfolio default rates class A-1 notes could withstand in stress scenarios without experiencing a loss. BDRs for class A-1 notes were then compared with the PCM hurdle rates at the applicable rating stress.

The table on the following page presents the lowest BDR of the nine stress scenarios in the analysis of both the indicative and Fitch stressed portfolios. Class A-1 notes passed the 'AAAsf' PCM hurdle rate in all nine stress scenarios when analyzing the indicative portfolio with a minimum cushion of 10.9%. When analyzing the Fitch stressed portfolio, the class A-1 notes passed the 'AAAsf' PCM hurdle rate in seven out of nine stress scenarios, with two marginal failures of 2.4% and 2.2% below the threshold.

PCM RDRs and RRRs for the Fitch Stressed Portfolio

Rating	RDR (%)	RRR (%)
AAAsf	60.5	37.5
AAsf	55.9	46.2
Asf	50.5	52.3
BBBsf	46.7	58.2
BBsf	40.4	66.8
Bsf	36.5	74.0

Break-Even Default Rates

(%)

Portfolio	Indicative[a]	Fitch Stressed[a]
Class	A-1	A-1
Break-Even Default Rate	58.2	58.1
Assumed Recovery Rate	40.8	37.5
PCM Hurdle Rate	47.3	60.5
Default Cushion	10.9	(2.4)
Default Timing	Front	Mid
LIBOR	Up	Up

[a]Fitch stressed portfolio based on assumed 9.0-year WAL, 95.0% floating-rate assets paying a 3.30% WAS, 5.0% fixed-rate assets paying a 6.5% coupon, and maximum second lien, obligor and industry concentrations. The indicative portfolio consists of 100% floating-rate assets.

Given the marginal failures for the class A-1 notes, Fitch tested their performance at a level one notch below the 'AAAsf' rating hurdle; the notes passed the 'AA+sf' PCM hurdle rate in all nine scenarios with a minimum cushion of 6.3%.

Additionally, when testing a stressed portfolio consisting of 100% floating-rate assets, the class A-1 notes passed the ‘AAAsf’ PCM hurdle rates in seven out of nine stress scenarios with two marginal failures of 0.7% each. The indicative portfolio consists of 100% floating-rate loans.

Fitch was comfortable assigning an ‘AAAsf’/Outlook Stable rating to the class A-1 notes because it believes these classes can sustain a robust level of defaults, combined with low recoveries, as well as other factors, such as the strong performance of these classes in the sensitivity scenarios and the degree of cushion in the performance of these classes when analyzing the indicative portfolio.

Rating Sensitivity

In addition to its analysis of the indicative and Fitch stressed portfolios, Fitch analyzed the notes’ sensitivity to the potential variability of key model assumptions. The rating sensitivity analysis is based on the Fitch stressed portfolio. These sensitivities only describe the model-implied impact of a change in one or more of the input variables. This is designed to provide information about the sensitivity of the rating to key model assumptions. It should not be used as an indicator of possible future performance. The key model assumptions analyzed are described in the following sections.

Rating Sensitivity to Default Probability

Multipliers of 125% and 150% are applied to the mean RDR, with the increase added to all other rating-level RDRs.

Rating Sensitivity to Recovery Rates

Multipliers of 75% and 50% are applied to the RRR for all rating levels.

Rating Sensitivity to Combined Stress

A 125% default probability multiplier and 75% recovery rate multiplier, as described above, are applied.

Rating Sensitivity

	Class A-1
Sensitivity to:	Lowest Rating
Default Probability (DP) – 125% DP Multiplier	AAsf
DP – 150% DP Multiplier	A+sf
Recovery Rates (RRs) – 75% RR Multiplier	AAsf
RRs – 50% RR Multiplier	A+sf
Combined Stress – 125% DP Multiplier, 75% RR Multiplier	A+sf

Portfolio Management

The transaction will have an approximately five-year reinvestment period. Discretionary sales are permitted at any time (other than during a restricted trading period), subject to certain conditions, and are limited to 25% of the portfolio during any 12-month period (as measured by the portfolio balance at the beginning of such 12-month period). The manager will be permitted to sell defaulted assets, equity securities and credit-risk and credit-improved obligations at any time.

After the reinvestment period, the manager may reinvest proceeds from the sale of credit-risk obligations, as well as unscheduled principal payments, subject to certain conditions as outlined in the Conditions to Reinvestment table on the following page. Reinvestment after the reinvestment period must occur within the longer of (x) 30 business days after receipt of the applicable proceeds or (y) the last day of the related collection period.

Conditions to Reinvestment

	During Reinvestment Period		After Reinvestment Period	
	Type of Proceeds: Scheduled/Unscheduled Principal Payments, Discretionary Sales, Credit-Improved Sales and Any Other Sales Proceeds	**Type of Proceeds: Credit-Risk Sales and Defaulted Obligations Sales**	**Type of Proceeds: Unscheduled Principal Payments and Volker Rule Dispositions**	**Type of Proceeds: Credit-Risk Sales**
Collateral Quality Tests	Satisfaction, or if failing, maintain or improve.		Satisfaction, or if failing, maintain or improve.	
Concentration Limitations	Satisfaction, or if failing, maintain or improve.		The limitation on 'CCC' exposure must be satisfied. All others, satisfaction, or if failing, maintain or improve.	
Coverage Tests	Satisfaction, or if failing, maintain or improve.	Each coverage test must be satisfied.	Each OC test must be satisfied.	
Maturity Requirements	N.A.		The stated maturity of the new obligation must be the same or earlier than that of the related prepaid or sold credit risk obligation.	
Par Amount Requirements	Either (i) APB of all collateral shall be maintained or increased or (ii) APB of all collateral and principal proceeds shall be greater than the RTPB.	Any of: (i) APB of collateral purchased with sale proceeds will at least equal such sale proceeds, (ii) APB of all collateral shall be maintained or increased, (iii) ACPA is maintained or increased or (iv) APB of all collateral and principal proceeds shall be greater than the RTPB.	Either (i) the APB of all collateral shall be maintained or increased or (ii) the APB of all collateral plus principal proceeds is greater than or equal to the RTPB.	The APB of all collateral obligations purchased at least equals the related sales proceeds.
Rating Requirements	N.A.		The Moody's rating must be the same or higher than that of the related prepaid or sold credit risk obligation.	
Restricted Trading Period	N.A.		A restricted trading period must not be in effect.	
Amend and Extend Provisions	The manager may consent to a maturity extension of a collateral obligation only if: (i) the the extended maturity is no later than the stated maturity of the notes, unless (x) such amendment is a credit amendment (or in connection with bankruptcy, insolvency, restructuring or workout) and (y) long-dated obligations do not exceed 1.0% of the portfolio, and (ii) the WAL test will be satisfied, or if failing, mainted or improved after giving effect to such maturity extension and any identified reinvestments, provided that the WAL test shall not apply if the maturity extension is a credit amendment or in connection with an insolvency/bankruptcy/reorganization or debt restructuring. These restrictions will not apply if the manager intends to sell such collateral within 30 business days after the effective date of such maturity amendment; if it is not sold, such obligation will be treated as defaulted.			

N.A. – Not applicable. APB – Aggregate principal balance. RTPB – Reinvestment target par balance. ACPA – Adjusted collateral principal amount. WAL – Weighted average life.
Notes: Conditions to reinvestment outlined above assume additional assets meet the definition of a collateral obligation as defined in the indenture. Reinvestments must not cause a retention deficiency. Identified reinvestments are a series of reinvestments occurring within a 10-business day period to which the investment criteria above are applied as whole, rather to any one single reinvestment in that period (subject to certain conditions). Credit amendment is any maturity amendment that, in the manager's judgement, is necessary to (i) prevent the collateral from becoming a defaulted obligation or (ii) to minimize material losses on the collateral due to the material adverse financial condition of the obligor. Credit amendments are subject to a 7.5% cap, measured cumulatively since the last day of the reinvestment period.

Counterparty Risk

Collateral Manager

Fitch views Napier Park as satisfactory for the management of the transaction.

The transaction will be managed by Napier Park. Fitch evaluated Napier Park and determined its capabilities satisfactory in the context of the ratings assigned to the transaction and the investment parameters that govern its activities. For a detailed assessment of the manager, see Fitch's profile for Napier Park, available on our website at www.fitchratings.com.

As compensation for managing the portfolio, the manager will receive senior and subordinated management fees of 20bps and 30bps per annum, respectively, as well as an incentive management fee of 20% of remaining proceeds once the subordinated securities achieve a 12% internal rate of return. The management fees are in line with those of recent CLOs. The fee arrangements would be an important factor in facilitating the replacement of the manager if this becomes necessary for any reason.

Hedge Counterparties

The notes and the portfolio assets are largely expected to reference the same index, minimizing basis risk. No hedging strategies are included in the analysis at this time. Fitch would evaluate any credit implications of future entry into a hedge agreement at such time.

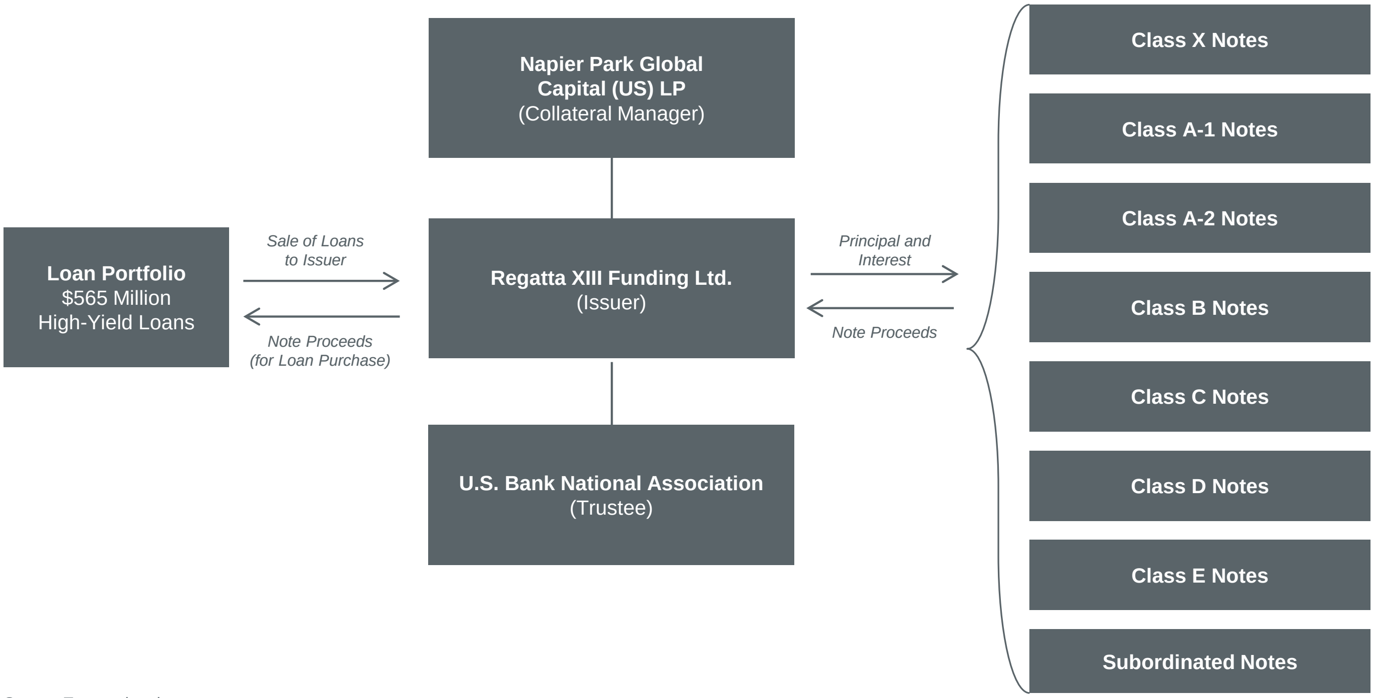
Other Counterparties

Provisions for the eligible investments to be purchased with intra-period interest and principal collections, as well as the rating requirements of the institutions at which the issuer's various bank accounts will be established, are expected to conform to Fitch's counterparty criteria for supporting note ratings of up to 'AAAsf'. Eligible investments are required to mature or be putable at par prior to the next payment date. Requirements for other counterparties, such as the trustee, also conform to Fitch criteria.

Transaction and Legal Structure

The notes will be issued by Regatta XIII Funding Ltd., which is a bankruptcy-remote, special-purpose vehicle organized under the laws of the Cayman Islands. The rated notes are secured by the underlying portfolio of assets. Payments on the notes will be made quarterly, commencing in January 2019.

Transaction Structure



Source: Transaction documents.

Regulatory Matters

Volcker Rule

The transaction documents contain provisions designed to address Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule). According to the documents, the issuer will initially rely on Section 3(c)(7) of the U.S. Investment Company Act of 1940 for its exemption from registration as an investment company, possibly causing the issuer to be considered a covered fund and, thus, subject to the Volcker Rule.

To address Volcker Rule concerns, the transaction does not permit the purchase of bonds, letters of credit or other securities. The issuer intends to qualify for the loan securitization exclusion.

Risk Retention

The transaction is not intended to comply with U.S. or EU risk retention regulations.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Criteria Application, Model and Data Adequacy

Criteria Application

The key criteria report utilized in the rating of this transaction is titled "CLOs and Corporate CDOs Rating Criteria," available on Fitch's website at www.fitchratings.com. Additional criteria used in Fitch's analysis are listed on page 1.

Model

The modeling analysis followed a two-step process. First, Fitch analyzed the portfolio's default and recovery probabilities using its PCM. Second, Fitch analyzed the structure using its proprietary cash flow model, as customized for the transaction's specific structural features, both in accordance with the CLO and corporate CDO criteria.

Data Adequacy

The majority of the underlying assets or risk-presenting entities have ratings or credit opinions from Fitch and/or other nationally recognized statistical rating organizations and/or European Securities and Markets Authority-registered rating agencies. Fitch has relied on the practices of the relevant groups within Fitch and/or other rating agencies to assess the asset portfolio information.

Overall, Fitch's assessment of the asset pool information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events with a review. Events that may trigger a review include, but are not limited to, the following:

- Asset defaults, paying particular attention to restructurings and recoveries.
- Portfolio migration, including assets being downgraded to 'CCC+' or below or portions of the portfolio being placed on Rating Watch Negative or Rating Outlook Negative.
- OC or IC test breach.
- Breach of concentration limitations or portfolio quality covenants.
- Issuance of any additional notes.
- Future changes to Fitch's rating criteria.

Surveillance analysis is conducted on the basis of the then-current portfolio. Fitch's goal is to ensure that the assigned ratings remain an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers on Fitch's website at www.fitchratings.com.

Appendix A: Priority of Payments

Waterfalls

	Interest Waterfall		Principal Waterfall
1	First, taxes and governmental fees; second, administrative expenses (subject to a cap of 0.0175% + $250,000 p.a.)	1	First, taxes and governmental fees; second, administrative expenses (subject to a cap of 0.0175% + $250,000 p.a.)
2	Senior management fee (0.20% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in full any payment to hedge counterparties or interest on the class X, A-1 and A-2 notes	2	Senior management fee (0.20% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in full any payment to hedge counterparties or interest on the class X, A-1 and A-2 notes
3	Any hedge payments and hedge termination payments	3	Any hedge payments and hedge termination payments
4	First, class X and A-1 interest, pro rata; second, class X principal amortization amount; third, previously unpaid class X principal amortization amount	4	First, class X and A-1 interest, pro rata; second, class X principal amortization amount; third, previously unpaid class X principal amortization amount
5	Class A-2 interest	5	Class A-2 interest
6	Class A coverage tests	6	Class A coverage tests
7	First, class B interest; second, class B deferred interest	7	Class B coverage tests
8	Class B coverage tests	8	Class C coverage tests
9	First, class C interest; second, class C deferred interest	9	Class D coverage test
10	Class C coverage tests	10	If class B is controlling class: first, class B interest; second, class B deferred interest
11	First, class D interest; second, class D deferred interest	11	If class C is controlling class: first, class C interest; second, class C deferred interest
12	Class D coverage test	12	If class D is controlling class: first, class D interest; second, class D deferred interest
13	During the reinvestment period only, if the interest diversion test is not satisfied, the lesser of (i) 50% of remaining interest proceeds or (ii) the required cure amount to be used for the purchase of additional collateral or invest in eligible investments	13	If class E is controlling class: first, class E interest; second, class E deferred interest
14	If effective date ratings confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the note payment sequence	14	If effective date ratings confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the note payment sequence
15	Subordinated management fees (0.30% p.a.), plus any deferred subordinated management fees	15	On any special redemption date, the special redemption amount in accordance with the note payment sequence
16	Unpaid administrative expenses	16	During the reinvestment period only, to purchase additional collateral or invest in eligible investments
17	Unpaid hedge payments and hedge termination payments	17	After the reinvestment period, to make payments in accordance with the note payment sequence
18	At the direction of the manager, the supplemental reserve amount	18	After the reinvestment period, subordinated management fees (0.30% p.a.), plus any deferred subordinated management fees
19	If the class E OC test is not satisfied, 50% of remaining interest proceeds to repay class E notes	19	After the reinvestment period, to pay any unpaid administrative expenses
20	To pay the subordinated notes until an IRR of 12% is achieved	20	After the reinvestment period, to pay unpaid hedge payments and hedge termination payments
21	To the manager, as the incentive fee amount, 20% of the remaining interest proceeds	21	To pay the subordinated notes until an IRR of 12% is achieved
22	Remainder to the subordinated notes	22	To the manager, as the incentive fee amount, 20% of the remaining interest proceeds
		23	Remainder to the subordinated notes

P.A. – Per annum. IRR – Internal rate of return. Note payment sequence: (i) first, class X and A-1 principal, pro rata; second, any class A-1 make-whole amount, (ii) class A-2 principal, (iii) class B interest and deferred interest, (iv) class B principal, (v) class C interest and deferred interest, (vi) class C principal, (vii) class D interest and deferred interest, (viii) class D principal, (ix) class E interest and deferred interest, (x) class E principal. Class X principal amortization amount: on each of the first seven payment dates, the lesser of (a) the remaining principal amount of class X notes and (b) $807,143.

Appendix B: Collateral Quality Tests, Concentration Limitations and Coverage Tests

Notable Concentration Limitations

Description	Limit
Minimum % of Senior Secured Loans and Eligible Investments	90.0
Maximum % of Second Lien Loans, First Lien Last-Out Loans and Unsecured Loans	10.0
Maximum % of Each of the Top Three Obligors	2.5
Outside the Top Three Obligors, Maximum % of Each Obligor	2.0
Maximum % of Obligors of Non-Senior Secured Loans	1.0
Maximum % of Largest Moody's Industry	15.0
Outside of the Largest Industry; Maximum % of Next Three Moody's Industries	12.0
Outside of the Top Four Moody's Industries; Maximum % of Single Moody's Industry	10.0
Maximum % of Securities Rated 'CCC+' or Below by S&P[a]	7.5
Maximum % of Securities Rated 'Caa1' or Below by Moody's[a]	7.5
Maximum % of Fixed-Rate Assets	5.0
Maximum % of Assets That Pay Less Frequently than Quarterly	5.0
Maximum % of Covenant-Lite Loans	55.0
Minimum % of U.S. Obligors	80.0
Maximum % of Current-Pay Assets	2.5
Maximum % of Long-Dated Obligations Received in Connection with Workout or Restructuring	2.0
Maximum % of DIP Collateral Obligations	5.0
Maximum % of Participation Interests (other than Closing Date Participations)	15.0
Maximum % of Assets Issued by Issuer with Total Indebtedness ≥ $200 Million and < $250 Million	7.5
Maximum % of Revolving Collateral Obligations and Unfunded Delayed Drawdown Collateral Obligations	10.0

[a]Excludes defaulted obligations.

Notable Prohibited Asset Types

Description
Bonds or Other Securities
Letter of Credit
Long Dated Assets [a]
Assets that Pay Less Frequently than Semiannually
Interest-Only Securities and Zero Coupon Bonds
Step-Up, Stepdown Obligations and Leases
Structured Finance Obligations and Synthetic Securities
Margin Stock
Small Obligor Loans [b] and Bridge Loans
Equity Securities (or Convertible into an Equity Security)
Obligations Purchased at a Price Below 60% of Par

[a]Other than long-dated assets acquired in connection with a workout or restructuring. [b]Small obligor loans are loans issued by an issuer with total indebtedness below $200 million.

Collateral Quality Tests

Description	Limit
Minimum Weighted Average Spread (at Close %)	3.30; Subject to Matrix and a Minimum of 2.00%
Minimum Weighted Average Coupon (%)	6.50
Maximum Weighted Average Life (Years)	9.0 (Declining to Zero)
Minimum Moody's Weighted Average Recovery Rate (%)	43.0
Maximum Moody's Weighted Average Rating Factor (at Close)	2825; Subject to Matrix and a maximum of 3300
Minimum Moody's Diversity Score (at Close)	80; Subject to Matrix

Appendix B: Collateral Quality Tests, Concentration Limitations and Coverage Tests (continued)

Coverage Tests

Test	Trigger (%)	Definition[a]
OC		
Class A	122.1	ACPA divided by A
Class B	116.2	ACPA divided by A + B
Class C	109.3	ACPA divided by A + B + C
Class D	103.6	ACPA divided by A + B + C + D
Class E	105.1	ACPA divided by A + B + C + D + E
Interest Diversion Test		
Interest Diversion Test	104.6	ACPA divided by A + B + C + D
IC		
Class A	120.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A notes
Class B	115.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A notes and B notes (excluding deferred interest, but including interest on deferred interest)
Class C	110.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A notes, B and C notes (excluding deferred interest, but including interest on deferred interest)
Par Value EOD[b]		
Par Value EOD	102.5	Aggregate principal balance of the collateral portfolio (with defaulted assets treated at market value) plus principal proceeds divided by the class A-1 principal amount outstanding

[a]A equals class A-1 and A-2 principal amounts outstanding, B equals class B principal amounts outstanding, C equals class C principal and deferred interest amounts outstanding, D equals class D principal and deferred interest amounts outstanding, and E equals class E principal and deferred interest amounts outstanding. Note: Adjusted collateral principal amount (ACPA) equals aggregate principal balance of assets plus principal cash. In the ACPA calculation, assets are generally included at their par value, except for: deferring securities, included at the Moody's collateral value; defaulted assets (if defaulted ≤ three years, Moody's collateral value, or if defaulted > three years, zero); discount obligations, included at purchase price multiplied by principal balance; the excess of the greater of (i) assets rated 'Caa1' or below by Moody's in excess of 7.5% of portfolio (excluding defaulted obligations) or (ii) assets rated 'CCC+' or below by S&P in excess of 7.5% of portfolio (excluding defaulted obligations), included at lower of market value or par; and long-dated assets with a stated maturity (x) ≤ 18 months after the stated maturity of the notes are included at 70% of par or (y) > 18 months are given zero credit. [b]If an EOD occurs under this clause, holders of a majority of the controlling class may direct the sale and liquidation of the portfolio.

Source: Transaction documents.

Appendix C: Additional Structural Features

Under each structural feature listed below are notable provisions that are typically present in some form in CLO indentures. Comments are only provided for certain notable provisions not explicitly stated in the indenture.

Note Surrender/Repurchase

Provisions for issuer repurchase or the surrender or cancellation of notes do not introduce additional credit risk to the rated notes.

Typical Provisions:	Comments
Note Surrender/Cancellation: Notes cannot be surrendered or cancelled without payment.	
Note Repurchases – Principal Proceeds: The issuer may not repurchase notes using principal proceeds**.**	
Note Repurchases – External Proceeds: Notes may be repurchased using proceeds from external sources. Unless the notes are purchased in sequential order, the principal balance of repurchased notes will continue to be included for calculation of OC ratios until notes senior to them are redeemed.	

Additional Issuance

Credit risk potentially introduced by provisions for the issuance of additional notes is appropriately mitigated as noted below. In any event, Fitch expects to evaluate the impact of any additional issuance at the time of such occurrence.

Typical Provisions	Comments
Additional issuance is proportional across all classes of notes, except junior mezzanine and/or subordinated notes which may be issued in a greater proportion.	Other than class X notes, or on a pro rata basis for all classes subordinate to class A-1 notes.
The terms of the new notes are identical to those of the existing notes, except the issuance price and interest rate.	
The floating-rate spread of the new notes is the same or lower than that of the existing notes of such class, or the fixed coupon of the new notes is the same or lower than that of the existing notes of such class.	Additional notes of an existing class may be issued as either floating- or fixed-rate notes, independent of the original coupon type of such class. Fitch will be notified of any additional issuance.
Additional notes must be issued at a price equal to or greater than par.	No price restrictions; mitigated by OC test requirements.
The degree of compliance with each OC test must be maintained or improved after such issuance.	
Proceeds from the note issuance will be treated as principal proceeds and/or used to purchase collateral.	

Repricing

Provisions for the issuer to reprice certain notes are not expected to add credit risk to the notes. In any event, Fitch expects to evaluate the impact of a repricing at the time of such occurrence.

Typical Provisions	Comments
Nonconsenting noteholders are redeemed at full principal, interest and any deferred interest.	
Floating-rate notes are repriced to a lower floating spread, or fixed-rate notes are repriced to a lower fixed coupon.	
All classes of notes are eligible to be repriced.	Class X notes are not eligible.

Appendix C: Additional Structural Features (continued)

Optional Redemption and Refinancing of All Notes

Provisions for an optional redemption or refinancing of all secured notes do not introduce additional credit risk to the rated notes.

Typical Provisions	Comments
Redemption Price includes full principal, interest and any deferred interest, and all original notes are repaid in full.	Plus, if such refinancing occurs prior the make-whole end date in January 2021, any class A-1 make-whole amount due.

Partial Refinancing

Credit risk potentially introduced by provisions for a partial refinancing is appropriately mitigated as noted below. In any event, Fitch expects to evaluate the impact of a partial refinancing at the time of such occurrence.

Typical Provisions	Comments
For each class being refinanced: redemption price includes full principal, interest and any deferred interest, and entire class must be repaid in full.	Plus any class A-1 make-whole amount due.
The floating-rate spread of the new notes is the same or lower than that of the refinanced notes of such class, or the fixed coupon of the new notes is the same or lower than that of the refinanced notes of such class.	The spread of an individual class may be increased if the weighted average spread of all refinancing obligations is lower than that of all classes being refinanced. Floating-rate notes may be refinanced with fixed-rate obligations (and vice versa), so long as LIBOR plus the spread (or fixed coupon) of the refinanced notes is less than the fixed coupon (or LIBOR plus the spread) of the refinancing obligations. If such refinancing occurs prior the make-whole end date in January 2021, additional spread restrictions may apply to the class A-1 notes. Fitch will be notified of any partial refinancing.
The principal amount of any new class of notes is the same as that of the refinanced notes of the corresponding class.	
The stated maturity of any new class of notes is the same or later than that of the refinanced notes of the corresponding class.	
The priority of payments and seniority of the secured notes are maintained.	

The ratings above were solicited and assigned or maintained at the request of the rated entity/Issuer or a related third party. Any exceptions follow below.