



Beyond Traditional Asset Class Definitions: A Case for Portfolio Inclusion

European CLO Equity

Brian Ratner

Pradyumna Dwivedi

March 2026

Executive Summary

European CLO equity offers a compelling combination of income, transparency, and structural resilience that distinguishes it from both public markets and private alternatives. For long-term allocators seeking income, transparent risk measurement and return streams genuinely differentiated from existing private market exposure, European CLO equity merits serious consideration as a strategic allocation.

- Since 2014, the asset class has delivered annualized returns approaching 15% with drawdowns comparable to European public equities—a pairing that should attract more institutional attention than it currently receives.
- Quarterly distributions begin within 6-9 months of issuance, provide tangible income throughout a vehicle's life and progressively reduce effective capital at risk.
- CLOs offer more transparent, mark-to-market risk measurement than private debt and private equity strategies where reported NAV volatility is dampened by appraisal methodologies and therefore understates true economic variability.
- As structured credit vehicles backed by diversified portfolios of European leveraged loans, European CLOs benefit from the depth and liquidity of Europe's €400+ billion leveraged loan market and from EU regulatory requirements mandating CLO manager risk retention of at least 5%.

Against this constructive backdrop, CLO manager dispersion has widened to unprecedented levels, elevating the importance of manager selection and favoring diversified, professionally managed multi-manager approaches, particularly for institutions allocating €5–150 million to this asset class.

This white paper examines the structural characteristics of the European CLO market and analyzes the current dynamics driving record issuance activity in 2024-2025, including the active reset and refinancing cycle that has materially improved equity economics as liability costs have repriced materially tighter. Through detailed performance comparisons against private equity, private debt and public equity benchmarks, and analysis of cashflow generation, vintage performance and portfolio construction benefits, we demonstrate why European CLO equity represents a distinctive and differentiated addition to institutional alternatives portfolios.

Table of Contents

1. A brief overview of CLOs	3
CLO lifecycle	4
2. European CLO market overview and growth	6
Current market dynamics	8
Liquidity	9
3. Performance characteristics and comparative analysis	10
Performance relative to public and private markets	10
Understanding volatility differences across asset classes	11
4. Correlation analysis and portfolio benefits	13
Downside profile and stress behavior	14
European CLO equity as a portfolio diversifier	16
Interpreting risk adjusted returns	17
Portfolio efficiency gains from inclusion of European CLO equity	17
5. European CLO equity vs private market strategies	19
Vintage year performance comparison	21
Timing and manager dispersion	22
European CLO equity cashflows	24
Capital deployment and distribution dynamics	25
6. Misconceptions and mitigating factors: CLOs in context	26
7. Implementation approaches: Accessing European CLO equity	27
8. Conclusion	28
Appendix	29
References	32

1. A brief overview of CLOs

A Collateralized Loan Obligation (CLO) is an actively managed, structured, high-yielding investment asset class consisting of securitized senior secured corporate loans. These corporate loans—also known as leveraged loans—are typically issued by below-investment-grade companies backed by private equity firms. They are syndicated and actively traded in the secondary market. A CLO typically holds a portfolio of leveraged loans and issues a series of debt obligations (tranches) with different credit ratings, along with an unrated equity tranche.

The CLO equity tranche receives residual interest cash flows from the leveraged loan portfolio after senior and mezzanine tranches are paid, typically targeting 15-20% annualized distributions (though actual returns vary with performance).

In exchange, it bears the first-loss risk, absorbing initial defaults and losses with no fixed coupon or principal protection.

This gives the equity tranche the highest risk-reward profile in the CLO structure—offering strong upside potential but also potential mark-to-market volatility and exposure to the credit risk of the underlying loan portfolio.

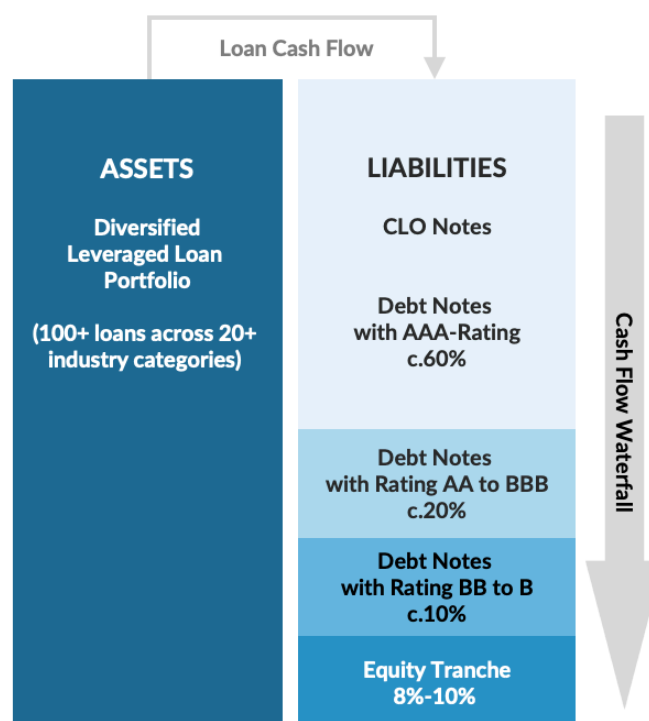


Figure 1: CLO structure

Since the Global Financial Crisis (GFC), European CLOs operate under robust regulatory frameworks that significantly enhance the alignment of interests between investors and CLO managers. The EU Risk Retention rules, implemented under the Capital Requirements Regulation (CRR) and Alternative Investment Fund Managers Directive (AIFMD), require CLO managers or sponsors to retain a material economic interest of at least 5% in the securitization. This retention must be maintained on an ongoing basis and

cannot be hedged or sold, creating permanent alignment between managers and investors throughout the CLO's life. European CLO managers satisfy this requirement by retaining a vertical slice of all tranches, by holding the majority of the equity tranche or by raising dedicated risk retention capital from third-party investors. Whether funded from the manager's balance sheet or through external capital, this retention cannot be hedged or eliminated.

CLO lifecycle

The CLO lifecycle includes several key phases as shown in Figure 2. During the warehousing period (lasting 3–12 months before the CLO is issued), the manager acquires 50–60% of the target collateral using the arranging bank's balance sheet. In the ramp-up period (3–6 months starting when the CLO is issued), the remaining collateral is purchased to reach the required portfolio size. The non-call period (typically the first 1.5–2 years of reinvestment) prevents equity holders from calling or refinancing the debt tranches. After the reinvestment period ends (typically 4–5 years), the post-reinvestment (amortization) phase uses principal proceeds to repay debt tranches in order of seniority, with any remaining cash distributed to equity until wind-down.

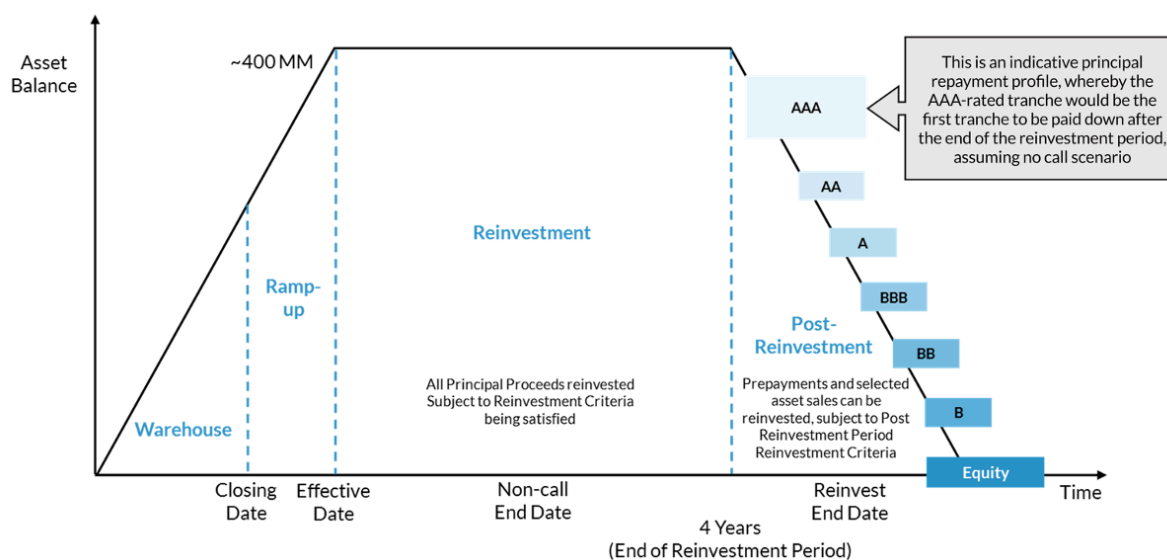


Figure 2: CLO lifecycle

Throughout the CLO's life, over-collateralization (OC) tests provide critical structural protections that safeguard debt holders while ensuring sustainable equity distributions. These tests measure whether the par value of the loan portfolio provides sufficient coverage for each debt tranche. If OC tests fail—indicating the portfolio value has declined relative to the outstanding CLO debt tranches—cash flows are redirected from equity distributions to pay down senior debt tranches until tests are restored to passing levels. This structural mechanism aligns manager and equity holder interests with prudent risk management, as both parties are economically motivated to maintain healthy OC cushions through disciplined credit selection and proactive management of deteriorating positions. Importantly, even during severe market stress such as the 2020 COVID crisis, the vast majority of European CLOs maintained passing OC test levels and continued equity distributions, demonstrating the resilience of the structure. Well-managed CLOs typically maintain substantial OC cushions above minimum test levels, providing buffer against adverse credit events and market volatility.

European CLO structures include provisions allowing managers to reset or refinance transactions, providing valuable flexibility to optimize returns for equity holders as market conditions evolve. A refinancing involves repricing the CLO's debt tranches to reflect current market spreads, effectively reducing the cost of funds without altering the underlying loan portfolio or extending the CLO's timeline. A reset is more comprehensive, typically extending both the reinvestment period and the CLO's legal maturity while simultaneously refinancing debt tranches. Resets allow managers to continue actively trading the loan portfolio and deploying capital into new opportunities rather than entering the amortization phase.

From the equity holder's perspective, both mechanisms can significantly enhance returns. Refinancings reduce interest payments to debt tranche holders, increasing the excess spread available to equity. In periods of tightening CLO debt spreads—such as the current environment where AAA and mezzanine tranches have repriced substantially lower than 2020-2022 levels—refinancings can add 100-200 basis points annually to equity returns. Resets provide even greater value by extending the period of active management and cash flow generation, particularly valuable when the underlying loan portfolio is performing well and trading opportunities remain attractive. A CLO approaching its reinvestment period end might face several years of amortization with declining returns; a reset allows the manager to maintain full reinvestment flexibility and continue generating trading gains for equity holders. Note that these transactions require approval from equity holders and typically from a portion of debt holders, ensuring appropriate governance and alignment.

2. European CLO market overview and growth

The European leveraged finance market has demonstrated resilience amid evolving credit conditions in recent years. As shown in Figure 3, institutional term loan (TLB) issuance has provided the dominant financing channel for leveraged European borrowers in recent years – exceeding €100 billion annually in 2024-2025 and surpassing high-yield bond volumes in four of the past five years.

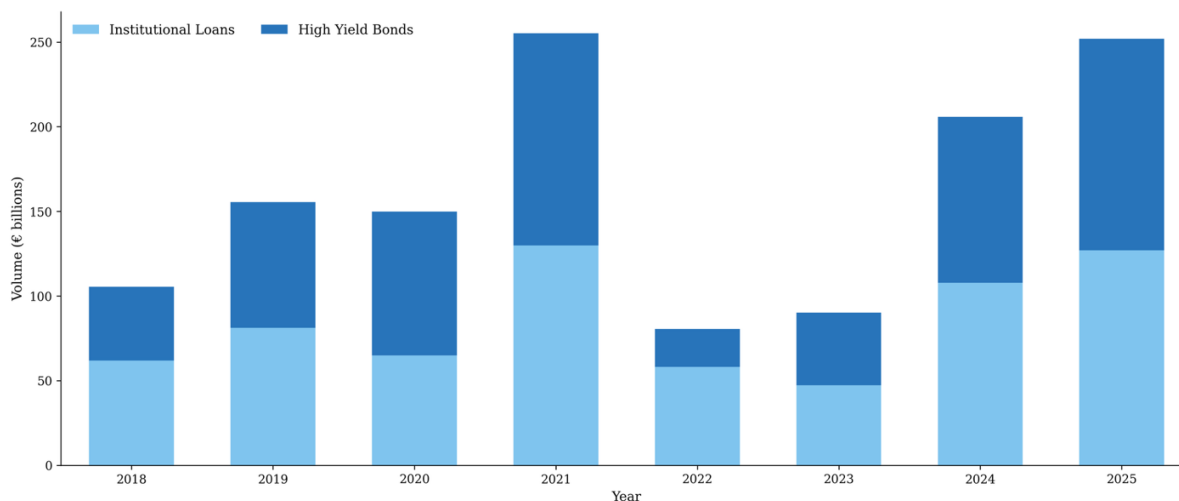


Figure 3: European leveraged finance volume (Source: PitchBook LCD, 2025)¹

Average TLB spreads have tightened substantially from approximately 500 bps in early 2022 to 350 bps by mid-2025, as shown in Figure 4 below, reflecting improving credit sentiment and strong technical demand for floating-rate assets. However, total debt/EBITDA leverage multiples have modestly increased from 5.0x to approximately 5.5x over the past two years, indicating borrowers have utilized favorable market conditions to increase leverage, although these remain well below pre-GFC levels of 6.0-6.5x.

This sustained depth in the institutional loan market has provided a robust collateral foundation for CLO formation, supporting continued issuance momentum and favorable portfolio construction dynamics. The breadth of available credits enables CLO managers to construct well-diversified portfolios of loans across multiple sectors and geographies, reducing concentration risk versus pre-GFC CLOs. The depth and liquidity of the institutional loan market remain critical drivers of European CLO market growth and performance potential.

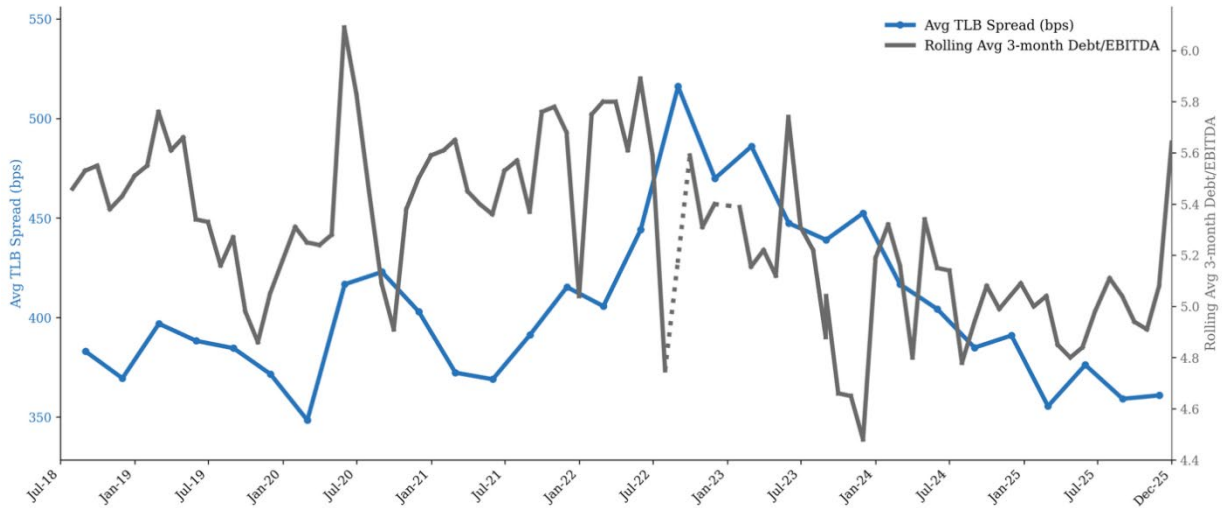


Figure 4: European leveraged finance spread and leverage (Source: PitchBook LCD, 2025)²

The European CLO market experienced robust growth through the mid-2000s, peaking at €35.5 billion in 2006 before collapsing during the GFC to near-zero issuance between 2009-2012. Following a gradual recovery beginning in 2013, the market entered a sustained growth phase from 2013-2019, reaching €29.8 billion, with only a brief COVID-related decline in 2020 before surging to €38.6 billion in 2021. After moderating to approximately €26 billion in both 2022 and 2023, the market achieved a record €48.4 billion in 2024, with 2025 figures surpassing this milestone at €60 billion in new issuance alone, underscoring the market's exceptional momentum and positioning 2025 as the strongest year on record.

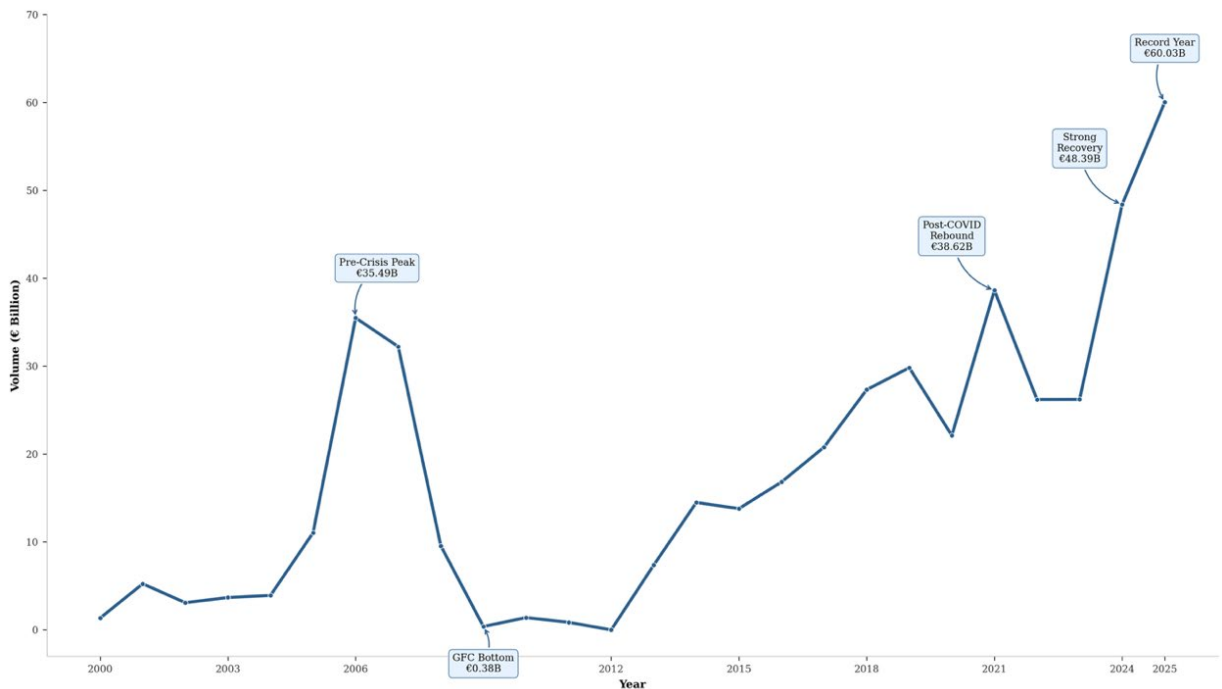


Figure 5: European CLO annual new issuance volume (Source: PitchBook LCD, 2025)³

Current market dynamics

European CLO issuance activity in 2025 was €126.40 billion, surpassing 2024's full-year total of €82.21 billion by over 53%, with strength distributed evenly between new issuance (€60 billion) and refinance/reset activity (€66.37 billion). The elevated refinance/reset volume—nearly doubling 2024's €33.82 billion—signals strong manager confidence and favorable market conditions enabling proactive optimization of existing deals, while this robust performance represents a significant recovery from the muted 2022-2023 period and established a new record for the European CLO market.

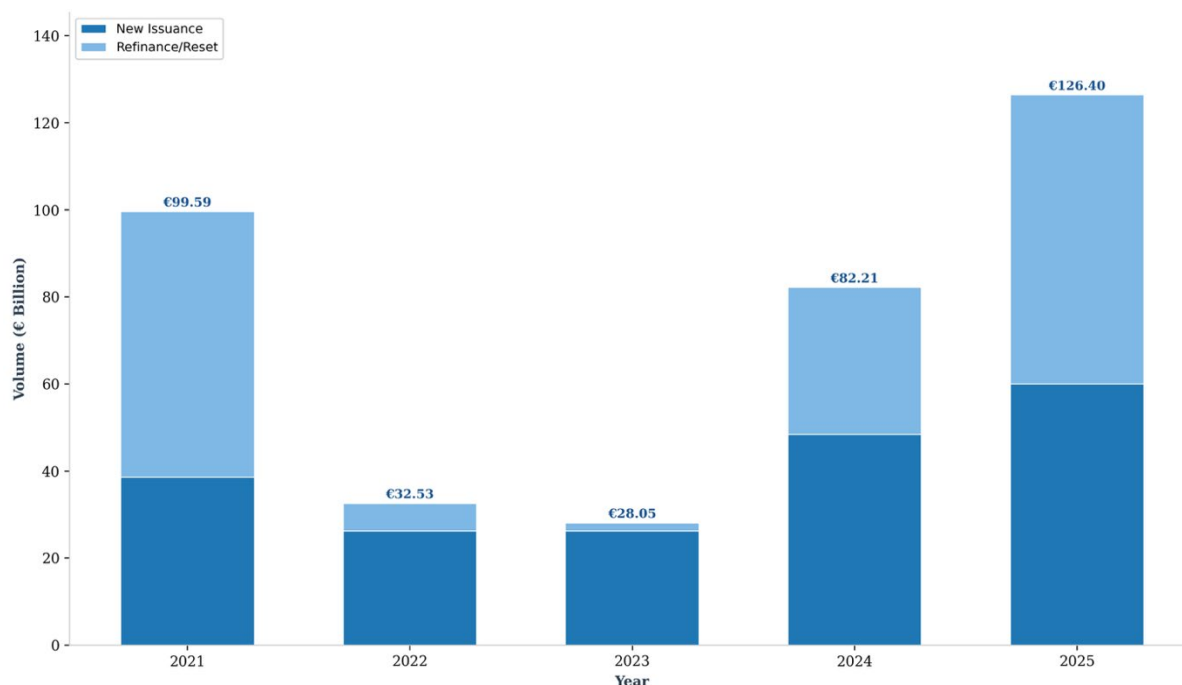


Figure 6: Recent European CLO annual cumulative volume (Source: PitchBook LCD, 2025)¹

The current European leveraged loan market exhibits generally favorable conditions for CLO formation and active credit management, though with evolving credit dynamics requiring close monitoring. As of late January 2026, approximately 88%⁴ of loans trade above 90, with the majority (74%) trading at or near par (100-101), reflecting a fundamentally healthy core market. However, the portion of loans trading below 80 has increased from 3.4% at the end of June 2025 to approximately 6% in mid-January 2026, indicating persistent stress in lower-quality segments concentrated primarily in the 70-79 range.

In addition, loan spreads have continued to tighten through January 2026 despite this distressed cohort, suggesting strong technical demand and investor confidence in the broader market; however, the increasing bifurcation creates meaningful dispersion for skilled managers to demonstrate selection capabilities and avoid problem credits. The current environment rewards active management and rigorous credit selection—key strengths of top-tier European CLO managers.

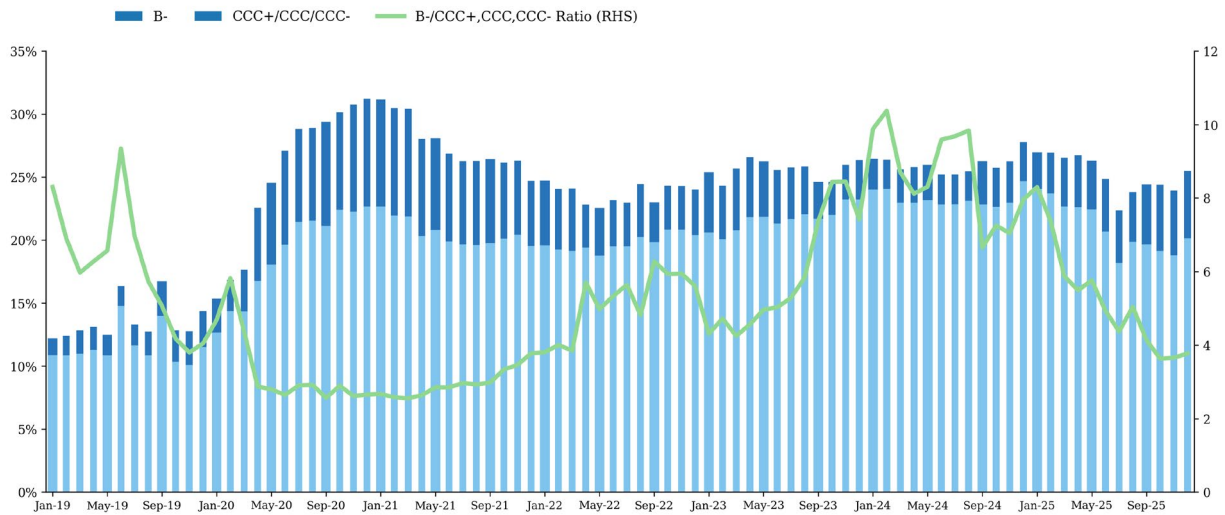


Figure 7: ELLI B- and CCC Components (Source: PitchBook LCD, 2025)⁴

Liquidity

The European CLO equity secondary market demonstrated resilient liquidity⁵ throughout 2025, with trading activity and BWIC volumes for equity tranches expanding notably from prior years. Market participants report consistent price discovery and active two-way markets for first-loss positions, dispelling the misconception that CLO equity lacks tradability. While senior tranches (especially AAA rated) continue to dominate overall secondary volume⁶—as is typical in structured credit markets—the data confirms that established liquidity exists for CLO equity, enabling investors to execute transactions to cut or add exposures. This secondary market accessibility differentiates CLO equity from private credit strategies, where interim liquidity exists only in a nascent secondary market for LP fund interests—typically at substantial discounts to NAV. CLO equity investors can routinely adjust manager exposures, reduce underperforming positions or capitalize on temporary price dislocations during market stress periods, leading to greater portfolio flexibility.

3. Performance characteristics and comparative analysis

Performance relative to public and private markets

Historical data shows that European CLO equity has delivered competitive long-term performance relative to both public equities and private market alternatives. For the period Q1 2014 – Q2 2025, European CLO equity generated an annualized return of 14.73%, compared with 4.21% for European public equities and 8.1% for global public equities over the same period. This period represents the post-GFC CLO market structure and coincided with European equities' weakest decade in recent history; global equity comparison may provide broader context.

Private equity delivered comparable absolute performance over this period (13.43% annualized), but with valuations based on appraisal methodologies that tend to smooth interim volatility and delay the recognition of losses or gains until liquidity events occur. As a result, private equity's reported volatility understates the true economic variability embedded in portfolio companies. In contrast, CLO equity valuation reflects transparent, observable market pricing, enabling investors to assess risk and adjust allocations more dynamically.

Table 1 provides comprehensive annualized performance statistics across asset classes for the period Q1 2014 – Q2 2025, illustrating these performance and risk-adjusted return differentials.

Table 1: Annualized return statistics (Q1 2014 – Q2 2025)

Asset Class / Statistics	Mean Ann (%)	Vol Ann (%)	Sharpe (Euribor)	Sortino (Euribor)	Max DD (%)
EUR CLO Equity ⁷	14.73	18.63	0.789	0.887	-30.46
US CLO Equity ⁷	11.64	20.23	0.574	0.702	-37.87
Private Equity ⁸	13.43	12.77	1.049	1.129	-19.74
Private Debt ⁸	8.14	6.25	1.298	1.287	-10.3
Global Public Equity ⁹	8.1	15.42	0.524	0.592	-26.78
EUR Public Equity ⁹	4.21	16.87	0.248	0.34	-30.5
Real Estate ⁸	8.07	8.5	0.946	1.713	-13.86
Infrastructure ⁸	6.64	10.3	0.643	0.674	-21.95

Source: Citi 2025⁷, PitchBook 2025⁸, Bloomberg 2025⁹

Note: Performance statistics are based on quarterly total return series from Q1-2014 to Q2-2025. This period was selected due to data availability and represents the post-crisis CLO market structure, which differs materially from earlier CLO vintages. Returns and volatility are annualized from quarterly data; Sharpe and Sortino ratios use the average Euribor 3-month rate over the period as the risk-free rate. The Sortino ratio focuses exclusively on downside risk, measuring excess return relative to the volatility of negative quarterly returns only (annualized in the same manner as standard volatility). Maximum drawdown represents the largest peak-to-trough decline in cumulative returns over the full period, capturing the worst historical loss from any high point to a subsequent low. EUR CLO performance based on Citi analysis of 78 paid down transactions (2013-2023 vintages). CLO equity returns are based on compounded quarterly returns calculated from monthly return series from Citi. Global and European public equity returns are based on compounded quarterly returns calculated from monthly MSCI AWI IMI and MSCI Europe Standard return series, respectively, sourced from Bloomberg. Private market returns (private equity, private debt, real estate, infrastructure) are based on adjusted quarterly return series sourced from PitchBook; inherent smoothing inflates Sharpe ratios versus mark-to-market CLO pricing. No transaction costs or fees are included. Past performance is not indicative of future results.

Notably, European CLO equity's maximum drawdown of -30.46% is virtually identical to European Public Equity's -30.5%, while delivering 10.5 percentage points of additional annualized return (14.73% vs 4.21%).

Understanding volatility differences across asset classes

Reported volatility must be interpreted in the context of each asset class's valuation methodology:

- CLO equity is priced based on actual secondary market transactions, producing timely and transparent valuations that reflect changes in loan spreads, liability costs, and technical market conditions.
- Private debt generally uses quarterly appraisal-based NAVs, which smooth drawdowns because managers revalue assets using internal models rather than market prices.
- Private equity marks are tied to infrequent financing rounds or exit events, resulting in less frequent price adjustments.

This methodological divergence explains why private debt reports lower volatility, despite holding broadly similar underlying credit exposures. When comparing asset classes, investors should focus on economic risk and realized cash returns rather than reported NAV volatility, as appraisal smoothing can artificially suppress measured drawdowns during periods of market stress. Sharpe ratios for private markets are therefore overstated, as true economic volatility is not captured in reported figures. Direct comparison of Sharpe ratios across these methodologies is therefore problematic; investors should focus on absolute returns and maximum drawdowns as more comparable risk measures. Figure 8 illustrates these distribution profile differences visually, showing European CLO equity's wider interquartile range and more pronounced tail events compared to private debt's compressed distribution due to stale pricing, while demonstrating comparable median returns to private equity with more transparent real-time pricing. The chart reflects this methodological difference: private debt's tight distribution is partially a function of appraisal-based valuation smoothing rather than genuinely lower economic risk.

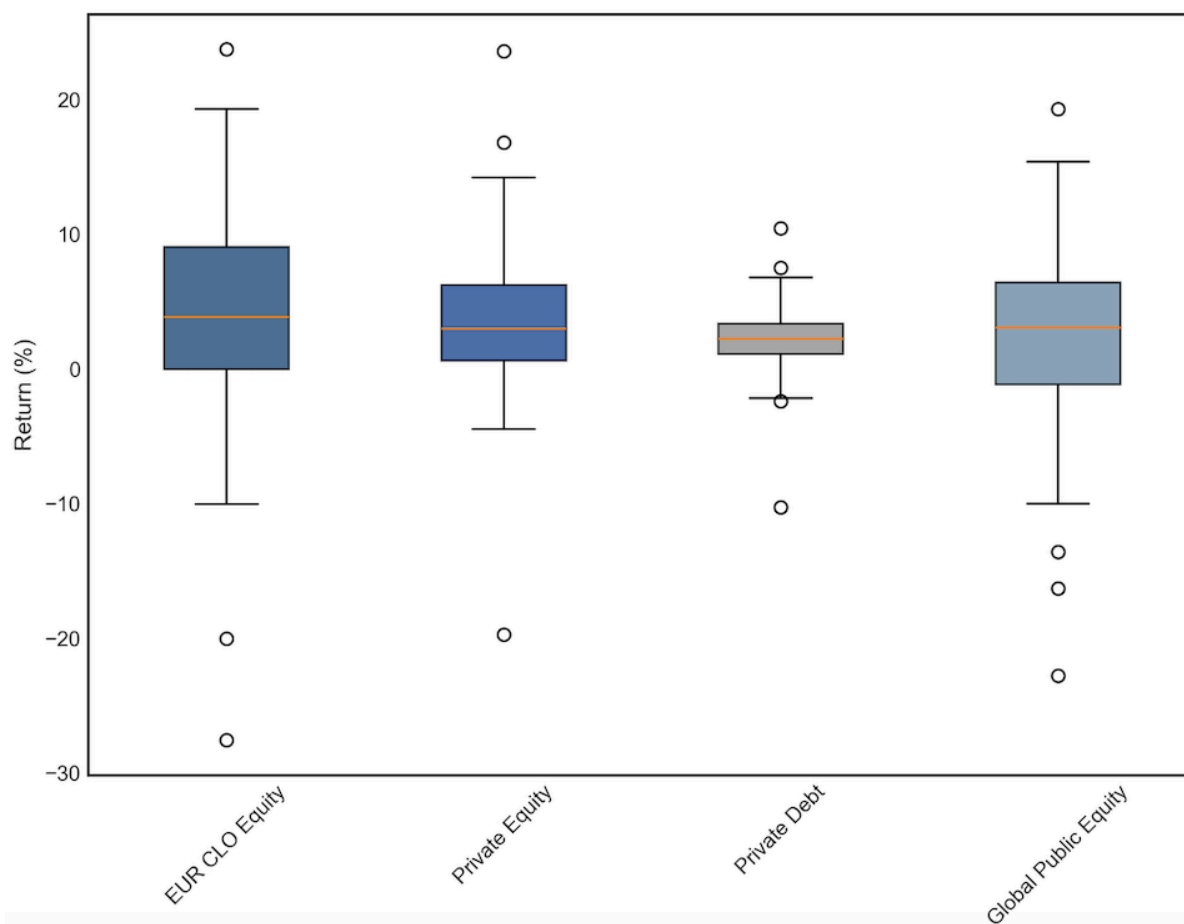


Figure 8: Distribution profile- European CLO equity vs other asset classes Q1 2014 – Q2 2025 (Source: Citi 2025⁷, PitchBook 2025⁸, Bloomberg 2025⁹)

European CLO equity occupies an intermediate position in the return distribution spectrum relative to private debt and private equity. CLO Equity exhibits substantially higher reported volatility, wider interquartile ranges, and more pronounced tail events compared to private debt in both positive and negative directions. However, CLO equity's mark-to-market pricing based on observable secondary market transactions captures real-time volatility, while private debt's quarterly appraisal-based valuations inherently smooth returns and dampen reported volatility.

Relative to private equity, European CLO equity demonstrates comparable median returns and interquartile ranges, with similar downside tail risk but somewhat more constrained extreme upside outliers. This reflects CLO equity's senior secured position and structural leverage limits, which provide downside protection, but cap maximum returns compared to equity ownership. Notably, private equity returns shown here are also subject to appraisal smoothing, though typically less pronounced than private debt given the longer hold periods and episodic exit-driven realizations.

This hybrid profile—offering greater return variability and real-time risk measurement compared to private debt, while providing more structural downside protection than private equity—supports CLO equity's role as a complementary diversifier. Allocations to European CLO equity can introduce meaningful return enhancement without the valuation opacity of private debt or the delayed distribution profile of private equity, while benefiting from transparent, market-based pricing that provides investors with accurate risk assessment.

4. Correlation analysis and portfolio benefits

European CLO equity demonstrates meaningful diversification benefits relative to traditional asset classes. For adjusted quarterly returns over the period Q1 2014 – Q2 2025, European CLO equity exhibits correlations of 0.47 to private debt, 0.55 to private equity, and 0.62-0.69 to public equities—materially lower than the 0.77-0.92 correlations observed among traditional alternative and public market investments.

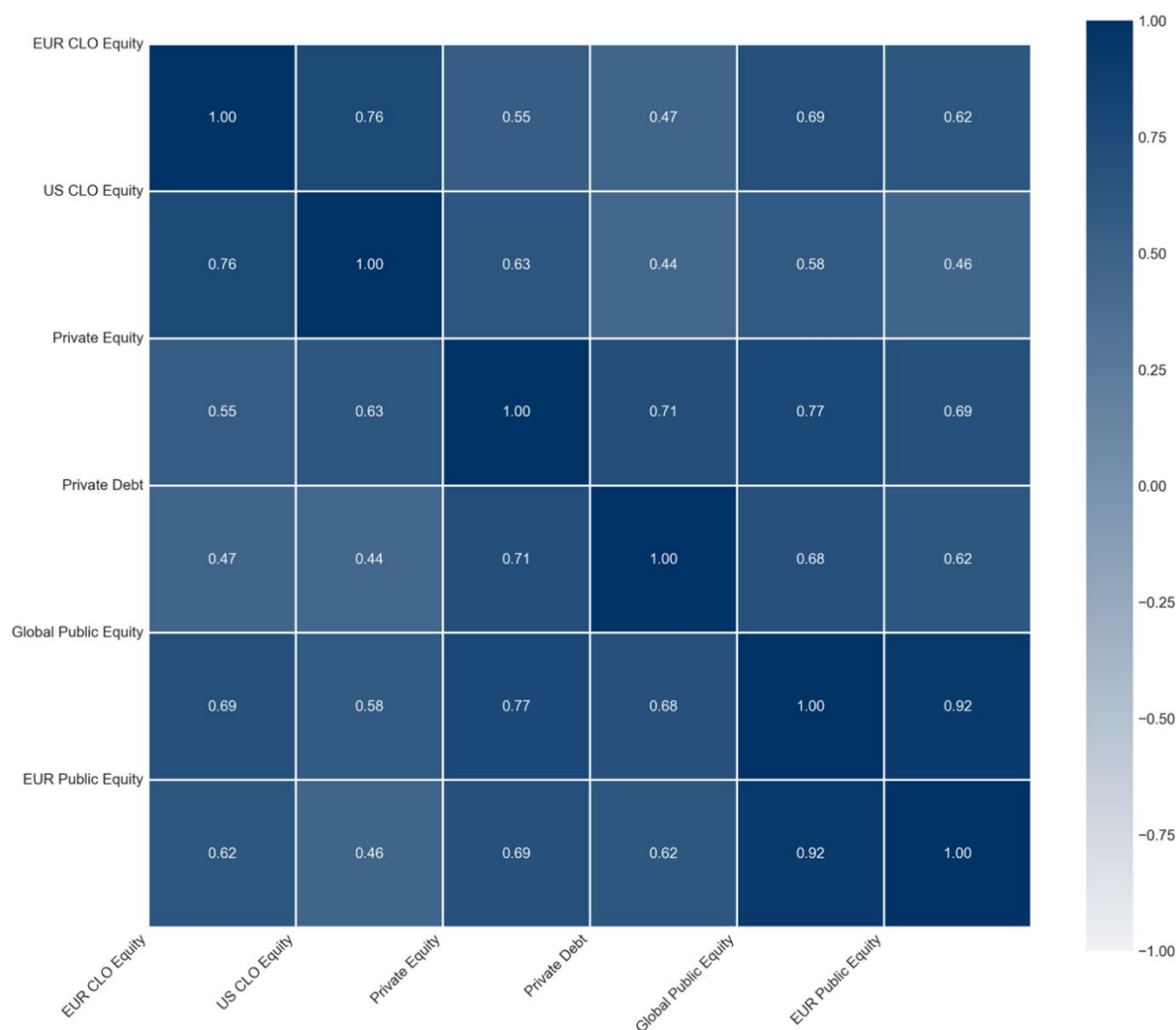


Figure 9: Correlation heatmap (Source: Citi 2025⁷, PitchBook 2025⁸, Bloomberg 2025⁹)

However, these correlation benefits are not static across all market environments. As shown in Figure 10, European CLO equity demonstrates strong diversification potential versus global public equity during normal market conditions, with correlations frequently falling to near-zero or negative levels (as seen in extended expansionary periods and notably in 2023–2025). However, this benefit diminishes sharply during periods of broad market stress, when correlations rise toward 0.75–1.0 (evident in the 2020 COVID-19 shock and 2022 inflation/rate-hike episode), reflecting synchronized risk-off behavior across credit-sensitive assets.

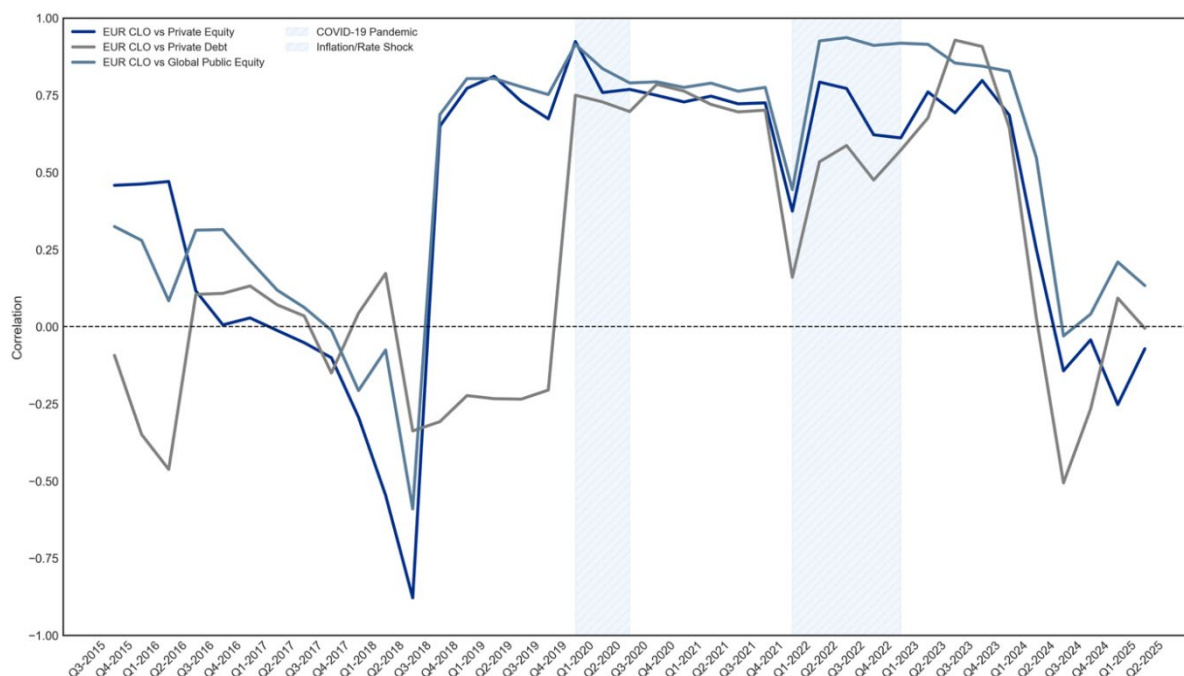


Figure 10: Rolling 8-quarter correlations (*Source: Citi 2025⁷, PitchBook 2025⁸, Bloomberg 2025⁹*)

The recent decline in correlations post-2022 suggests that, in the current easing cycle and softer-landing environment, allocations to European CLO equity can enhance portfolio diversification with limited additional drawdown risk.

Downside profile and stress period behavior

CLO equity has experienced deeper mark-to-market downside during systemic risk-off periods than private market strategies, reflecting its real-time valuation transparency. The distribution of negative quarterly returns highlights European CLO equity's typical resilience relative to public equity during downturns, though with more frequent extreme tail events during severe market dislocations. As shown in Figure 11, for the period between Q1, 2014 – Q2, 2025, European CLO equity shows a median negative return of approximately -5%, with a narrower interquartile range (-7% to -3%) compared to European Public Equity (-10% to -2%). Notably, the main distribution whiskers (excluding outliers) show maximum downside of approximately -10% for CLO equity versus -16% to -17% for public equities.

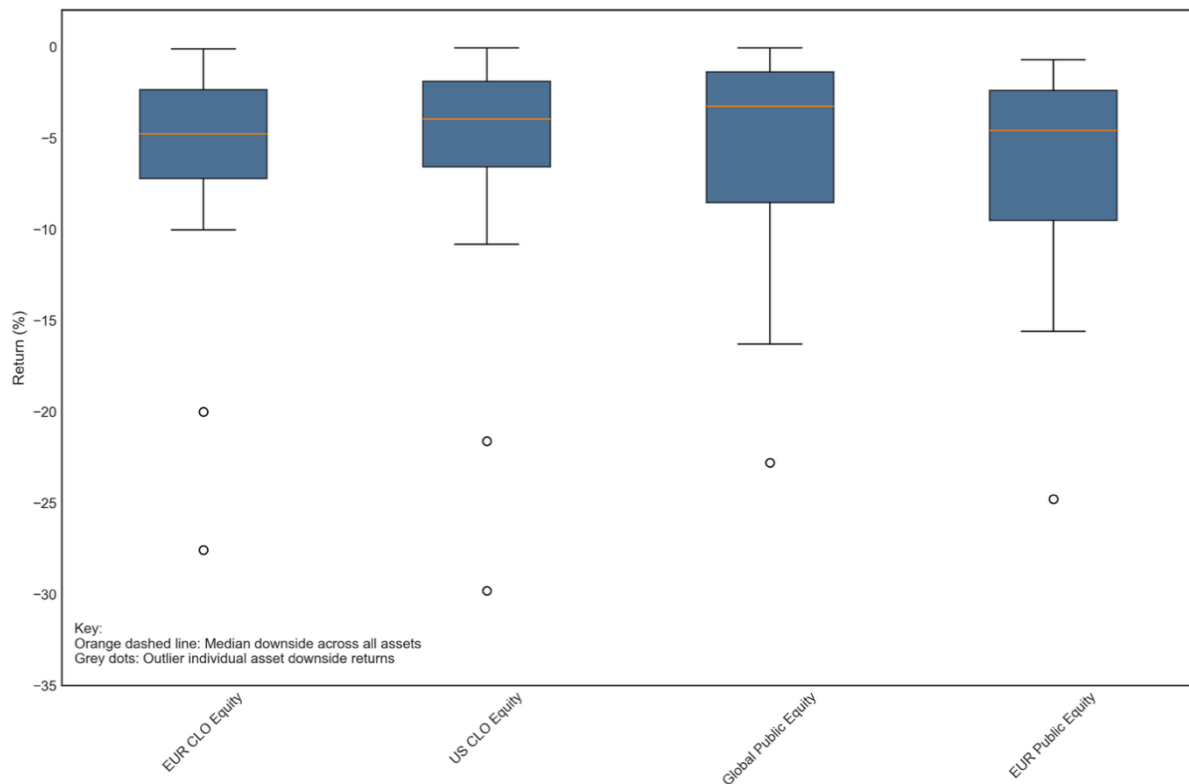


Figure 11: Downside profile of negative quarterly returns distribution (Source: Citi 2025, Bloomberg 2025)

However, CLO equity does exhibit more extreme tail events, with a few quarterly outliers reaching -20% to -28%—deeper than the worst public equity quarters observed at -25%. These extreme events typically occur during periods of severe market dislocation (such as the Q1 2020 COVID crisis) when secondary market liquidity diminishes and mark-to-market pricing captures maximum risk-off sentiment, even as underlying loan portfolios continue performing.

Critically, these mark-to-market dislocations often present attractive buying opportunities for patient capital, as CLO equity cash flows continue uninterrupted unless there is true portfolio impairment resulting in failed over-collateralization tests—a rare occurrence even during the 2020 COVID crisis when the vast majority of CLOs maintained passing test levels and continued distributions. The disconnect between secondary market pricing and underlying economic performance during stress periods creates compelling entry points for institutional investors with dry powder.

That said, public equities offer daily liquidity with deep secondary markets, while CLO equity trades in a less liquid secondary market and is therefore best suited for investors with medium-term horizons who can look through temporary mark-to-market volatility to the underlying cash-generating fundamentals. For patient capital able to withstand periodic illiquidity and capitalize on dislocated entry points, European CLO equity's contained downside in typical risk-off periods, combined with structural protections that maintain cash distributions even during severe market stress, reinforces its role as a complementary diversifier offering meaningful return potential with differentiated risk characteristics from public markets.

European CLO equity as a portfolio diversifier

Adding a modest allocation to European CLO equity within a 60/40 equity-bond framework delivers a near-linear increase in annualized return with only marginal additional volatility, resulting in a steadily improving Sharpe within the 2–10% allocation range. At a 5% allocation, the portfolio achieves approximately 75 basis points of additional return with less than 30 basis points of incremental volatility, demonstrating the diversification benefits of low-correlated CLO equity exposure.

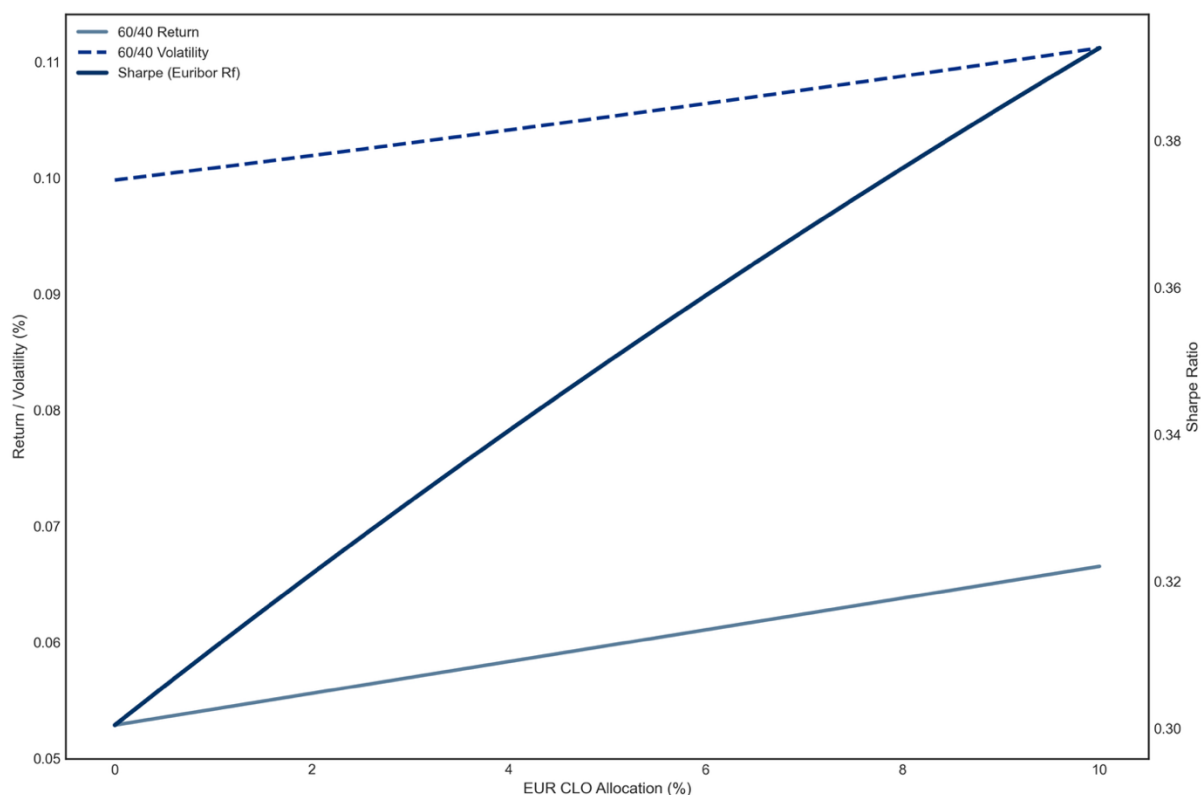


Figure 12: Mean-variance optimization based on historical returns January 2014 - June 2025 (Source: Citi 2025⁹, Bloomberg 2025¹⁰)

Note: 60/40 portfolio: 60% MSCI ACWI IMI Index / 40% Bloomberg Euro Aggregate Bond Index. EUR CLO equity assumptions: 14.73% annualized return, 18.63% volatility, 0.69 correlation to equity, 0.16 correlation to bonds. Assumes quarterly rebalancing. For each allocation level (0% to 10% in 0.5% steps), the CLO equity weight replaces an equivalent portion of the bond allocation. The Sharpe ratio uses the average annualized Euribor 3-month rate over the period as the risk-free rate. All calculations are based on historical realized returns and do not incorporate forward-looking assumptions, transaction costs, or liquidity premia. Past performance does not guarantee future results.

As shown in Figure 12, returns increase from approximately 5.5% to 6.5% (100 basis points improvement) as European CLO equity allocation increases from 0% to 10%, while volatility increases only from 9.5% to 10% (50 basis points). The Sharpe ratio improves continuously from 0.30 to 0.39 (30% improvement) across this allocation range, demonstrating that even modest allocations can meaningfully enhance risk-adjusted portfolio outcomes.

This near-linear improvement reflects European CLO equity's combination of attractive absolute returns (14.73% annualized), moderate correlation to traditional 60/40 components (0.69 to equities, 0.16 to bonds), and structural characteristics that provide differentiated return streams. The analysis suggests that

strategic allocations in the 5-10% range can enhance portfolio efficiency without introducing excessive concentration risk to any single alternative strategy.

Interpreting risk-adjusted returns

On a risk-adjusted basis, European CLO equity generated a Sharpe ratio of 0.789, materially higher than European public equities (0.248) and global public equities (0.524), and approaching the levels of appraisal-based private market strategies. While private debt exhibited the highest reported Sharpe ratio (1.298), this is largely a function of valuation smoothing rather than inherently lower credit risk, as discussed in the section on downside profile.

The data suggests that European CLO equity has historically delivered attractive risk-adjusted returns relative to public markets, while offering real-time transparency that investors do not receive from appraisal-based private strategies. This transparency can support more informed portfolio management decisions and facilitate more precise risk budgeting. European CLO equity's Sharpe ratio of 0.789 substantially exceeds both European Public Equity (0.248) and Global Public Equity (0.524), indicating more efficient return generation per unit of risk despite mark-to-market pricing transparency.

The combination of competitive absolute returns, superior risk-adjusted performance versus public equities, meaningful diversification benefits through low correlation to traditional asset classes, and transparent mark-to-market pricing positions European CLO equity as a differentiated alternative allocation. For investors seeking enhanced yield and return potential with honest real-time risk assessment, European CLO equity offers characteristics that distinguish it from both public markets and appraisal-based private alternatives.

Portfolio efficiency gains from inclusion of European CLO equity

The addition of European CLO equity enhances portfolio efficiency by expanding the set of achievable risk-return combinations, offering higher expected returns for a given level of volatility or lower volatility for the same return. As shown in Figure 13, the tangency portfolio, which maximizes the Sharpe ratio at 0.67 (annualized return of 7.49% and volatility of 7.71%), allocates approximately 10.5% to European CLO equity within the risky portion, providing empirical support for modest overall allocations of 2–6% as near-optimal under realistic institutional constraints. Model Portfolio A, reflecting average endowment allocations¹¹, lies above the frontier, illustrating the illiquidity premium and valuation smoothing inherent in private markets, while Model Portfolio B, aligned with average pension fund allocations¹², positions close to the frontier, indicating a well-balanced approach is near-optimal; both models significantly outperform a traditional 60/40 portfolio, underscoring the diversification benefits of alternatives.

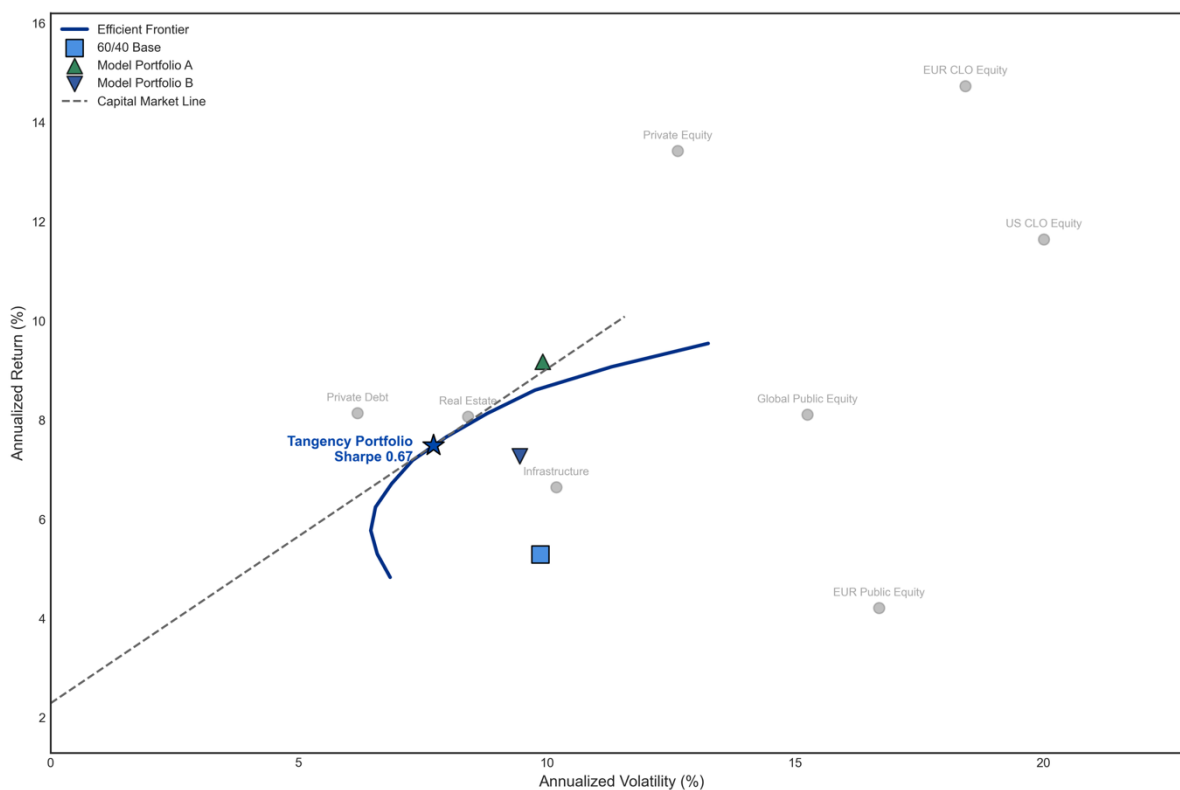


Figure 13: Efficient frontier with European CLO equity exposure (Source: *Citi 2025*, *PitchBook 2025*, *Bloomberg 2025*^{9,10})

Note: The efficient frontier and Capital Market Line are derived from historical quarterly total return series (Q1-2014 to Q2-2025). The frontier assumes no short-selling, weights summing to 100%, and practical constraints: max 15% per alternative asset class (EUR CLO equity, US CLO equity, private equity, private debt, real estate, infrastructure) and total alternatives capped at 50%; public equity and fixed income capped at 30% each. The tangency portfolio is the maximum Sharpe ratio point using the sample-average Euribor 3-month rate as the risk-free rate. Model Portfolio A (30.9% global public equity, 10.2% global bonds, 35.0% private equity, 11.0% private debt, 7.8% real estate, 5.0% infrastructure) reflects average endowment allocations (NACUBO-Commonfund Study). Model Portfolio B (42.3% global public equity, 21.1% global bonds, 13.8% private equity, 6.3% private debt, 9.1% real estate, 3.2% infrastructure) reflects average pension fund allocations (Public Plans Data, Center for Retirement Research at Boston College, 2024 aggregate). The Capital Market Line combines the tangency portfolio with the risk-free asset. No transaction costs, fees, taxes, or forward-looking assumptions are included. Past performance is not indicative of future results.

5. European CLO equity vs private markets strategies

European CLO equity and private credit share certain similarities—both provide exposure to non-investment-grade corporate debt, seek double-digit net returns through current income and capital appreciation, utilize floating-rate structures tied to EURIBOR and offer illiquidity premiums for medium- to long-term investors. However, fundamental differences in structure, diversification, valuation methodology, and implementation distinguish these strategies in ways that have significant implications for portfolio construction and risk management.

Table 2: European CLO equity vs. European private credit comparison

	European CLO Equity	European Private Credit
Asset Structure & Diversification	Exposure to 100+ broadly syndicated loans across multiple sectors and geographies through a single vehicle	Direct lending to 20-50 borrowers with larger position sizes
Borrower Size	Predominantly larger companies with €75+ million EBITDA; debt deals typically €500+ million	Focus on traditional middle market with EBITDA ≤€75 million
Leverage	Structural leverage of 8-10x at vehicle level with over-collateralization test protections	Lower fund-level leverage (0-2x)
Embedded Optionality	Refinancings, resets, and active manager trading throughout CLO life	Positions generally held to maturity with limited interim optimization
Secondary Market Liquidity	Established secondary market with regular pricing; variable liquidity with wider spreads during stress periods	Essentially no secondary liquidity until fund maturity; nascent secondary markets at substantial discounts
Valuation Methodology	Mark-to-market pricing based on observable secondary transactions; transparent valuations reflecting current market conditions	Quarterly appraisal-based valuations using DCF models and manager judgment; inherently smooths returns and dampens reported volatility

	European CLO Equity	European Private Credit
Volatility Characteristics	Higher reported volatility due to mark-to-market pricing (e.g., 25-30% drawdown in 2020 COVID crisis with immediate price adjustment)	Lower reported volatility due to stale pricing; maintained stable NAVs during 2020 despite similar underlying credit exposure
Risk Transparency	Honest real-time risk assessment enabling tactical decision-making	Smoothed returns may understate true portfolio risk and mask deteriorating conditions
Reporting Transparency	Monthly trustee reporting with full disclosure of all holdings, prices, ratings, defaults, and portfolio metrics	Quarterly reporting with less granular position-level disclosure, particularly for proprietary deals
Regulatory Alignment	EU regulations require 5% risk retention throughout CLO life; cannot be hedged or sold	Carried interest alignment but no mandatory permanent capital at risk requirement
Fee Structure	CLO-level senior and subordinated management fees totaling 40-50 bps on collateral (~400-500bps on equity assuming 10x leverage), subject to negotiated fee rebates for large or repeat investors, plus performance-based fees of 20% of equity distributions above the 12% equity IRR hurdle	All-in fees typically 250-400 bps on invested equity capital including management fees (150-200 bps) and carried interest (20% above 8% preferred return hurdle)
Time to First Distribution	Quarterly distributions beginning 6-9 months after CLO closing	Typically 2-4 years before positive cash flows due to capital deployment and J-curve effects

This framework underscores the complementary yet differentiated roles that European CLO equity and private credit can play within a diversified alternatives allocation. CLO equity provides immediate cash distributions, transparent mark-to-market pricing, structural protections through senior secured positioning, and established secondary market liquidity—characteristics that distinguish it from the extended lock-up periods, appraisal-based valuations, and limited interim liquidity typical of private credit strategies.

The fee structures of CLO equity and private credit are not directly comparable on a headline basis, as CLO management fees (40-50 bps plus incentive fee above a 12% equity return hurdle) are charged on total

collateral assets while private credit fees (150-200 bps plus 20% carried interest above an 8% hurdle) are charged on equity capital. Adjusting for CLO structural leverage of approximately 10x, the effective fee burden on equity capital is higher than private credit, although this is partially offset by the CLO's higher performance hurdle (12% vs 8%). Large CLO equity investors and multi-manager funds can also negotiate rebates on subordinated management fees. Given that both structures report returns net of all fees, net returns to investors remain the most meaningful basis for comparison—on which basis European CLO equity has historically delivered materially superior risk-adjusted performance.

Vintage year performance comparison

Vintage data from 2014-2023 strongly supports the inclusion of European CLO equity as a high-conviction alternative allocation. Using Public Market Equivalent (PME) methodology to enable direct comparison across asset classes with different cash flow patterns, Figure 14 demonstrates that European CLO equity has delivered competitive to superior risk-adjusted performance across recent vintages versus private equity, private debt and global equities.

During the 2020-2023 period, European CLO equity (PME basis) generated returns comparable to or exceeding private equity, while significantly outperforming global public equities. The 2023 vintage shows particularly strong CLO equity performance at approximately 31% (PME), benefiting from the combination of elevated EURIBOR, wide credit spreads, and the opportunity to acquire loans at discounted prices that subsequently appreciated. It should be noted that the most recent private equity vintages (2020-2023) remain early in their lifecycle and subject to J-curve effects, meaning their reported interim IRRs may not yet reflect the ultimate realized returns that typically materialize upon portfolio company exits in years 5-10. Nonetheless, the PME methodology accounts for differences in cash flow timing across asset classes, providing a more accurate comparison than simple IRR analysis.

The data show that when adjusted for cash flow patterns, European CLO equity delivers compelling returns relative to both private markets and public equities. However, the 2023 vintage's exceptional performance warrants additional context: as described below, managers who ramped portfolios via secondary purchases during the market dislocation captured substantial gains from discounted loan prices (70-85) that subsequently appreciated, while some CLOs called within 12-18 months generated elevated IRRs through time compression with more modest cash-on-cash multiples, reflecting a fundamentally different return profile. These factors highlight how deployment timing and strategy can impact vintage-level returns.

This performance, combined with the structural protections and quarterly income generation inherent in CLO equity, reinforces its role as a valuable portfolio diversifier. However, investors should note that vintage performance varies across market cycles and deployment approaches. Earlier vintages (2015-2018) showed more moderate returns as compressed spreads and tighter market conditions limited alpha generation opportunities. The variance across vintages—and within vintages based on deployment strategy—underscores that both entry timing and manager selection remain key determinants of CLO equity returns; a dynamic explored in greater detail in the next section.

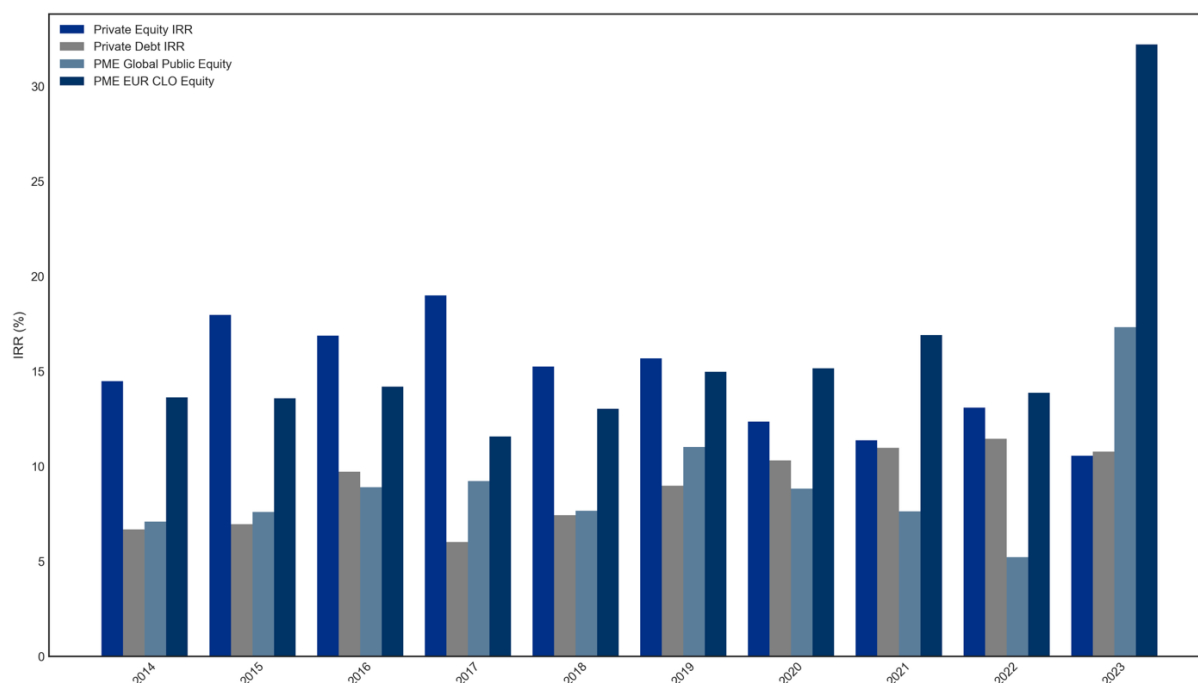


Figure 14: Vintage year performance (Source: Citi 2025¹³, PitchBook 2025^{13,14}, Bloomberg 2025⁹)

Note: Vintage year performance comparison shows Internal Rate of Return (IRR) for private equity and private debt vintages alongside Public Market Equivalent (PME) returns for the global public equity (MSCI AWI IMI Index) and EUR CLO equity. PME is calculated using the Kaplan-Schoar methodology, replicating the timing and magnitude of private cash flows into the public index to measure relative performance on a cash-flow-matched basis. $PME > \text{private IRR}$ indicates outperformance (private investment generated higher returns than the public benchmark with the same cash flows); $PME < \text{private IRR}$ indicates underperformance. PME calculations assume cash flows begin in Q1 of the vintage year, distributions are reinvested in the public index at the time received, and the horizon runs from vintage start to the latest available quarter in the dataset. No fees, taxes, liquidity constraints, or reinvestment timing adjustments are included. All figures are historical; past performance is not indicative of future results.

Timing and manager dispersion

The variance in IRRs across vintages underscores that entry timing remains a key determinant of CLO equity performance. As shown in Figure 15, deals issued in 2014 and between 2019–2021 achieved median realized IRRs in the 12–16% range, reflecting favorable reinvestment conditions and opportunistic liability pricing. By contrast, 2015–2018 vintages delivered more moderate outcomes with medians in the 9–11% range, constrained by compressed spreads and limited reinvestment flexibility. For the 2022–2023 cohorts, elevated liability costs were partially offset by acquiring discounted collateral during market dislocations that subsequently appreciated, with unrealized median IRRs remaining in the 16–17% range despite ongoing seasoning.

Performance dispersion has widened dramatically since 2020, emphasizing the critical importance of manager selection. During 2013–2019, the interquartile range (25th to 75th percentile) typically spanned 300–400 basis points, with top-quartile managers achieving IRRs of 12–15% while bottom-quartile managers delivered 9–11%. In stark contrast, 2022–2023 vintages exhibit extreme dispersion: top-quartile managers approach 32–33% IRRs while bottom-quartile managers generate only 1–7%, creating a performance spread exceeding 2,500 basis points. Importantly, median CLO equity performance for 2022–2023 vintages remained in the 16–17% range, which compares favorably to median private credit returns of 8–10% over similar periods. This demonstrates that even median manager selection delivers competitive returns, while

top-quartile selection offers substantial alpha potential. The difference between selecting a top-quartile versus bottom-quartile manager represents a potential 25+ percentage point annual IRR differential.

The extraordinary dispersion observed in 2022-2023 vintages reflects strategic divergence as much as manager skill. Two distinct approaches dominated that cohort: managers who ramped portfolios opportunistically through secondary purchases during the dislocation, then called positions within 12-18 months as loan prices recovered — generating elevated IRRs through time compression but more modest cash-on-cash multiples — and managers who ramped portfolios through traditional warehouse facilities, waited for liability spreads to tighten, and structured transactions to term out over a full reinvestment period, targeting durable distributions rather than early exit. Neither approach is inherently superior; each is better suited to different market conditions.

This strengthens the case for a multi-manager approach on grounds beyond simply avoiding underperformers. A portfolio spanning multiple managers and deployment strategies is better positioned to capture whichever approach proves optimal in a given environment, rather than concentrating in a single strategy that may prove poorly suited to the next market cycle. Differences in reinvestment strategy, credit selection discipline, trading acumen, hedging efficiency, and liability management can define performance outcomes, and in an environment where those differences have produced return spreads exceeding 2,500 basis points, rigorous manager selection and ongoing monitoring are essential to capturing CLO equity alpha.

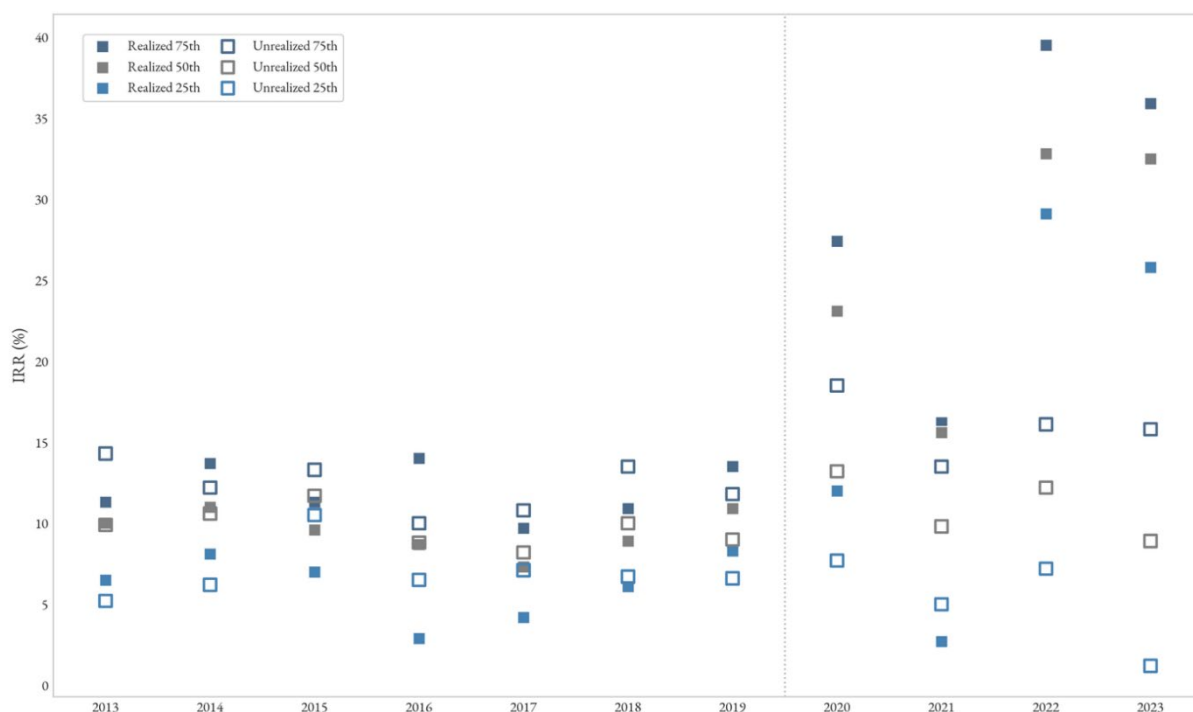


Figure 15: European CLO equity realized vs unrealized IRR percentiles by vintage (Source: BofA Global Research 2025⁵)

European CLO equity cashflows

A defining feature of European CLO equity is its consistent quarterly cash distribution profile, which distinguishes it fundamentally from private equity and provides meaningful portfolio income generation. As shown in Figure 16, European CLO equity delivered a median 3.9% distribution in Q3 2025, bringing year-to-date cumulative cash returns to 12.7%. These are actual cash distributions to equity holders, not mark-to-market valuations, providing tangible income that can support portfolio spending requirements or be reinvested opportunistically.

Quarterly income distributions begin 6 to 9 months after CLO closing and continue throughout the vehicle's life, contrasting sharply with private equity's J-curve pattern where investors experience negative cash flows for 3-5 years before receiving distributions. CLO equity holders receive regular quarterly distributions derived from the excess spread between loan portfolio interest income and CLO debt tranche payments, supplemented by trading gains and prepayment benefits (provided that the overcollateralization tests are passed). Even mature CLO portfolios continue generating cash flows as loans amortize and prepay, as evidenced by the sustained distribution rates across the 2015-2023 vintage spectrum shown in the chart.

Figure 16 shows that European CLO equity has delivered broadly consistent quarterly distributions over the past decade, with the EUR series maintaining a modest advantage over US CLO equity across most periods. For investors, this quarterly distribution profile offers several portfolio benefits: (1) income generation supporting spending requirements without asset sales, (2) cash flows that continue regardless of secondary market pricing volatility, (3) the ability to opportunistically reinvest distributions during market dislocations, and (4) tangible realized returns that compound over time rather than unrealized mark-to-market gains subject to reversal. These characteristics position CLO equity as an effective income-generating diversifier within alternatives allocations, particularly for investors with distribution needs or seeking to avoid the extended capital lock-up and delayed distributions inherent in private equity structures.

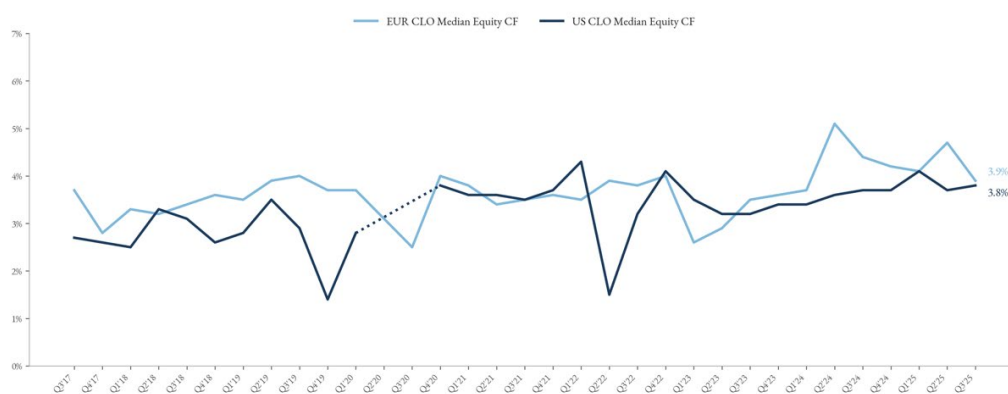


Figure 16: EUR and US CLO Equity Median Quarterly Cashflows (Source: Citi 2026^{16,17})

Capital deployment and distribution dynamics

European CLO equity exhibits a markedly different cash flow profile compared to private equity and private debt strategies. Unlike private equity and private credit funds, which draw down capital gradually over several years, CLO equity is funded at inception. As shown in Figure 17, this front-loaded deployment is offset by steady, recurring distributions which typically begin 6-9 months after issuance and are typically in the range of 10–15% of committed capital per annum. As a result, CLO equity's cumulative net cash flow

crosses breakeven around years six to seven, reaching approximately 40–45% of committed capital by year eleven. By contrast, private equity's deeper and more prolonged J-curve sees cumulative net cash flow trough near -60% around years four to five, only recovering to roughly breakeven on a cumulative net cash flow basis by years nine to ten, prior to the acceleration of exit-driven distributions that typically characterize the later years of a private equity fund's life. Private debt follows a similar trajectory, though with a marginally shallower drawdown. While private equity funds typically see further distributions beyond year eleven as portfolio exits accelerate, CLO equity achieves comparable or superior net returns on a significantly compressed timeline, offering investors potential advantages in capital efficiency and reinvestment optionality.

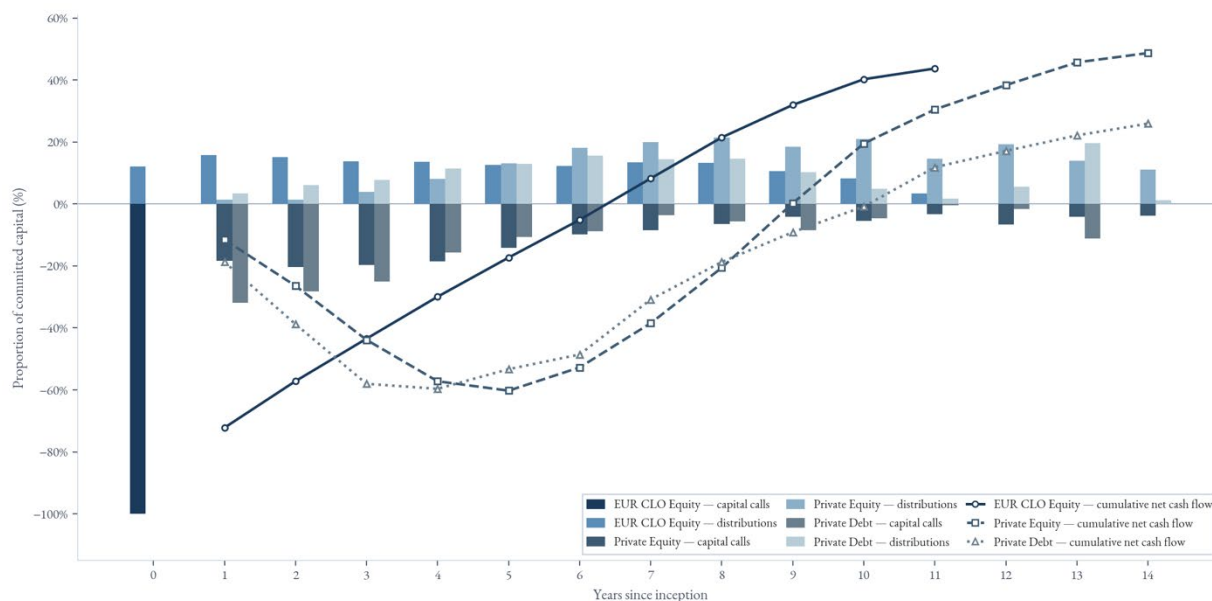


Figure 17: CLO equity deployment and distribution (Source: Moody's 2025¹⁸, PitchBook 2026¹⁹)

Note: European CLO equity cash flow data are sourced from Moody's and reflect 122 European CLO equity tranches of 2014–2016 vintage. Annual distributions represent the median across tranches of interest and principal receipts as a proportion of original tranche balance; the capital call of 100% is recorded at legal closing (year zero). The 2014–2016 vintage selection reflects the full CLO lifecycle and is used for this reason; investors should note that equity arbitrage conditions differed from the current market, and distributions for more recent vintages may vary. Private equity and private debt data are sourced from PitchBook (European Buyout and Direct Lending funds, as of Q2 2025) and reflect PitchBook's reported average annual cash flows and median cumulative net cash flow series respectively. All series are expressed as a proportion of original committed capital and aligned to years since inception. Private equity and private debt continue to generate distributions beyond year ten, reflecting the longer capital return cycle typical of closed-end fund structures. Past performance is not indicative of future results.

6. Misconceptions and mitigating factors: CLOs in context

Table 3: CLO misconceptions and mitigating factors

Misconception	Mitigating Factors
CLOs are overly complex and opaque	CLO structures are highly standardized, with well-defined rules governing collateral quality, overcollateralization (OC/IC) tests, and cash flow waterfalls. Third-party analytics platforms provide granular, time-series visibility into portfolio composition, performance metrics, and tranche-level data.
CLOs are too illiquid	Both CLO equity and debt tranches are actively traded in a well-established secondary market, supported by regular broker quotes and observable pricing. The underlying leveraged loans themselves exhibit robust secondary market liquidity, enabling CLO managers to adjust portfolios efficiently in response to market conditions.
CLOs are too risky	CLOs are collateralized predominantly by senior secured loans to large, diversified corporate borrowers, underwritten and originated by leading financial institutions. Unlike pre-GFC CDOs, CLOs do not include residential mortgages or subprime exposures. CLO equity tranches benefit from regular cash distributions (subject to OC/IC tests), which reduce the effective cost basis over time, while managers retain flexibility to sell deteriorating loans and reinvest proceeds opportunistically to maintain or build par value.
CLOs are too volatile	CLOs exhibit greater reported NAV volatility than private debt due to active secondary market pricing and mark-to-market valuations. However, this transparency contrasts with the smoothed, lagged reporting typical of private debt. Temporary price dislocations, arising from technical factors, market stress, or mispricing, often create attractive entry points that have been consistently capitalized upon over more than two decades. Rated European CLO debt tranches have demonstrated an exceptionally low historical loss rate (<0.1% since 2000) ²⁰ , underscoring the structural protection embedded in the vehicle.

7. Implementation approaches: Accessing European CLO equity

Investors seeking European CLO equity exposure can pursue several implementation pathways, each offering distinct advantages and trade-offs based on internal resources, portfolio size, and investment objectives. The three primary approaches are:

- (1) **Direct manager selection**, where the investor builds and manages their own diversified CLO equity portfolio through direct relationships with multiple CLO managers
- (2) **Multi-Manager fund of CLO equity**, which provides the investor with professional manager selection, ongoing portfolio management, and the flexibility to pursue opportunistic allocations across both primary issuance and secondary market dislocations; and
- (3) **Single-Manager captive CLO equity**, where the investor concentrates capital with one high-quality manager, typically through a dedicated equity tranche or series of equity investments with a single platform.

The critical distinction centers on diversification versus tail risk management. With current performance dispersion exceeding 2,500 basis points between top-quartile (32-33% IRR) and bottom-quartile (1-7% IRR) managers, multi-manager structures reduce concentration in any single deployment strategy, capturing whichever approach proves optimal across varying market conditions. Professionally managed multi-manager funds provide optimal risk-adjusted returns and operational efficiency for most investors allocating €5-150 million to the asset class. Very large institutions with dedicated teams may implement direct manager selection to achieve diversification, while captive fund structures suit those investors with strong conviction in a specific manager despite concentration risk.

The table in the Appendix provides a detailed comparison across key investment, operational, and risk dimensions to assist institutions in evaluating which implementation approach best aligns with their organizational capabilities and portfolio objectives.

8. Conclusion

European CLO equity has delivered compelling risk-adjusted returns over time: 14.73% annualized (Q1 2014–Q2 2025) versus 4.21% for European public equities, with virtually identical maximum drawdowns. This performance reflects structural characteristics that distinguish it from traditional alternatives: regular quarterly cash distributions, mark-to-market transparency and structural protections through senior secured loan positioning. Unlike private equity and private debt, where valuation opacity can obscure deteriorating conditions and investor liquidity depends entirely on manager discretion, CLO equity offers transparent real-time pricing and an established secondary market.

However, successful implementation of this strategy depends on manager selection and diversification rather than asset class timing alone. Performance dispersion reflects both strategic divergence in deployment approach and differences in portfolio selection. Professionally managed multi-manager funds provide optimal risk-adjusted returns by mitigating significant single-manager concentration while capturing upside across multiple CLO manager platforms.

The near-term environment presents genuine headwinds. As of the time of writing, geopolitical developments and concerns about software sector valuations have reintroduced credit market volatility. These are real risks that investors should weigh carefully. At the same time, periods of volatility have historically created attractive entry points for CLO equity — both in the primary market and through secondary dislocations. For investors seeking enhanced yield, transparent pricing, and genuine portfolio diversification, European CLO equity merits serious consideration as a strategic alternatives allocation. With low correlation to both private equity and private debt — asset classes that dominate most institutional alternatives portfolios — it offers a genuinely differentiated return stream rather than incremental exposure to risks investors already hold. This diversification benefit, combined with the liquidity and transparency advantages of the structure, is particularly relevant during periods of market uncertainty.

Appendix

	Direct Manager Selection	Multi-Manager Fund of CLO Equity	Single-Manager Captive CLO Equity
Minimum Efficient Scale	€200-300 million+ to achieve meaningful diversification	€5-150 million; fund aggregates capital to achieve scale	€25-50 million for single CLO equity investment
Manager Diversification	15-25 managers if sufficient capital; investor controls selection	15-25 managers selected and monitored by professional team	Single manager; concentrated exposure to one platform
Portfolio Diversification	3,000+ underlying loans across multiple CLOs	3,000+ underlying loans across 50-70 CLOs spanning multiple vintages and managers	150-250 loans in single CLO or small series of CLOs from same manager
Internal Resources Required	CLO investment team with deep manager relationships and credit expertise	No internal CLO team required; outsourced to fund manager	Moderate; ability to conduct manager due diligence and ongoing monitoring
Manager Due Diligence	Institution conducts all quantitative analysis, qualitative assessment, on-site visits, and ongoing monitoring	Professional team maintains comprehensive manager coverage across 60+ CLO platforms	Institution evaluates single manager; less comprehensive due diligence scope
Primary Market Participation	Direct access to new issue CLO equity if relationships established	Fund manager secures allocations; benefits from scale and commitment	Priority access to captive manager's CLO equity tranches
Secondary Market Flexibility	Opportunistic secondary purchases if team has market coverage and sourcing	Fund manager actively monitors secondary market; deploys capital during dislocations	Can pursue secondary purchases of sponsoring manager's existing CLO equity tranches

Rebalancing Capability	Full control over manager allocation weights	Professional rebalancing based on relative value and manager performance	No rebalancing; locked into single manager
Vintage Diversification	Achieves vintage diversification if investing consistently over multiple years	Diversified across vintages in a single fund commitment	Concentrated in single vintage year or narrow vintage range
Performance Dispersion Risk	Mitigated through manager diversification if portfolio properly constructed	Mitigated through manager diversification if portfolio properly constructed	Full exposure to single manager
Operational Complexity	High; 15-25 separate manager relationships, reporting formats, distributions, custody	Low; single fund relationship with consolidated reporting and custody	Low; single manager relationship and CLO documentation
Reporting & Administration	Institution consolidates 15-25 disparate manager reports; complex tax reporting	Consolidated fund reporting; simplified tax documentation through single K-1 or equivalent	Single CLO reporting; less complex than multi-manager but no consolidation
Manager Monitoring	Institution conducts periodic reviews, annual on-sites, portfolio surveillance	Professional team maintains continuous monitoring and portfolio analytics	Institution monitors single manager relationship
All-In Cost Comparison	Higher all-in costs due to lack of scale and negotiating power despite no fund fee	Competitive; scale benefits and fee discounts often offset fund-level fees	Fee structure varies by sponsor
Time to Full Deployment	2-4 years to build diversified portfolio across vintages and managers	Immediate deployment through existing diversified fund portfolio	Immediate but concentrated

Liquidity / Exit Options	Must negotiate secondary sales of individual CLO equity positions; illiquid and time-consuming	Open-ended funds typically offer quarterly redemption windows; Closed-end funds provide no interim liquidity but offer more certain exit path as underlying CLO positions distribute capital over fund life (typically 5-7 years)	Open-ended funds may offer periodic redemptions (quarterly/annual); Closed-end funds require selling fund interest in secondary market (potential significant discounts) or waiting for underlying CLO positions to mature and wind down
Best Suited For	Larger institutions (€200 million+ CLO equity program) with dedicated resources, established manager relationships, and multi-year commitment	Investors allocating €5-150 million seeking professional management, diversification, and operational efficiency without internal team	Investors with strong conviction in specific manager, strategic relationships, or willing to accept concentration risk for perceived alpha
Primary Advantages	Maximum control and flexibility; no fund-level fees; direct manager relationships	Optimal diversification; professional management; operational simplicity; manager access; opportunistic secondary deployment	Simplicity; direct manager relationship; potential for outsized returns if manager outperforms
Primary Disadvantages	Requires substantial investment in internal resources and scale; high operational burden; difficult to achieve sufficient diversification below €200-300 million	Delegates control to fund manager charging fund-level fees	Extreme concentration risk; no diversification; vulnerable to manager underperformance (2500bps spread between top and bottom quartile); no flexibility

References:

1. PitchBook Leveraged Commentary & Data European Credit Markets Quarterly Wrap Q4 2025
2. PitchBook Leveraged Commentary & Data Quarterly European Leveraged Lending Review Q4 2025
3. PitchBook Leveraged Commentary & Data Global CLO Volume Report 2025
4. PitchBook Leveraged Commentary & Data European Leveraged Loan Index Factsheet February 2026
5. Morgan Stanley European CLO Secondary Market Analysis, 2025
6. Structured Credit Investor, "CLO secondary depth improves as triple-A activity dominates" (November 2025). Available at: <https://www.structuredcreditinvestor.com/news-analysis/clos/84386/clo-secondary-depth-improves-as-triple-a-activity-dominates>
7. Citi EUR CLO Scorecard July 2025 for Citi US and EUR monthly CLO returns July 2025
8. PitchBook Private Capital Indexes Q2 2025
9. Bloomberg Custom History MSCI AWI IMI + MSCI Europe Standard Index 2014 - 2025
10. Bloomberg Euro Aggregate Bond Index 2014 – 2025
11. NACUBO – Commonfund Study of Endowments 2024; Available at: <https://www.nacubo.org/Research/2024/NACUBO-Commonfund-Study-of-Endowments>
12. Public Plans Data (PPD), Center for Retirement Research at Boston College Quick Facts National Data; Available at: <https://publicplansdata.org/quick-facts/national>
13. PitchBook Private Equity Benchmarks: Q1 2025 with preliminary Q2 2025 data
14. PitchBook Private Debt Benchmarks: Q1 2025 with preliminary Q2 2025 data
15. BofA Securities European CLO Equity Performance July 2025
16. Citi European CLO Equity CFs and IRR 2025
17. Citi US CLO Scorecard January 2026
18. Moody's European CLO Equity Cohort 2014-16 Analysis Q4 2025
19. PitchBook Europe Buyout and Direct Lending Cashflow Profile Q1 2026
20. S&P Global: CLO Spotlight: Twenty-Five Years Strong: European CLOs' Lifetime Default Rate Is Only 1.5%, April 2024; Available at: <https://www.spglobal.com/ratings/en/regulatory/article/240418-clo-spotlight-twenty-five-years-strong-european-clos-lifetime-default-rate-is-only-1-5-s13072276>

Disclaimer:

This white paper has been prepared by Alegra Capital solely for informational and educational purposes. It is not intended to constitute, and should not be construed as, investment advice, a recommendation to purchase or sell any security or financial instrument, or an offer to sell or a solicitation of an offer to buy any security or financial instrument. The information and opinions contained herein are provided as of the date of publication and are subject to change without notice.

The analysis, projections, and assessments presented are derived from historical data, assumptions, and methodologies sourced from third-party providers, including PitchBook Leveraged Commentary & Data, Structured Credit Investor, Morgan Stanley, Citi Research, Bloomberg, NACUBO–Commonfund, Public Plans Data (Center for Retirement Research at Boston College), Moody's, S&P Global, and BofA Securities. Alegra Capital has not independently verified the accuracy, completeness, or timeliness of such third-party information and makes no representations or warranties, express or implied, as to its reliability or fitness for any particular purpose. Third-party data, methodologies, and assumptions may vary from those of Alegra Capital and could materially affect the results presented.

All investments involve significant risk, including the possible loss of principal. Actual results may differ materially from those expressed or implied herein due to a variety of factors, including but not limited to market volatility, economic conditions, interest rate movements, credit events, liquidity constraints, regulatory changes, geopolitical developments, and other unforeseen risks. No representation is made that any investment strategy, portfolio, or allocation will achieve its objectives or avoid losses.

Alegra Capital, its affiliates, officers, directors, employees, and agents expressly disclaim any and all liability, whether direct, indirect, incidental, consequential, special, punitive, or exemplary, arising out of or in connection with the use of, reliance on, or inability to use this white paper or any information contained herein, even if advised of the possibility of such damages.

Prospective investors should seek independent advice from qualified financial, legal, tax, and investment professionals before making any investment decision. This white paper is not directed to, nor intended for distribution to or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to applicable law or regulation.

© Alegra Capital 2026 – All rights reserved.

Contact

Alegra Capital AG
Churerstrasse 22
CH-8808 Pfäffikon SZ
Switzerland
Phone + 41 43 305 00 70

Alegra Capital (Lie) AG
Wuhrstrasse 6 / P.O. Box 159
LI-9490 Vaduz
Liechtenstein
Phone + 423 230 14 14

info@alegracapital.com

www.alegracapital.com

