CLO Valuation and Investor Due Diligence



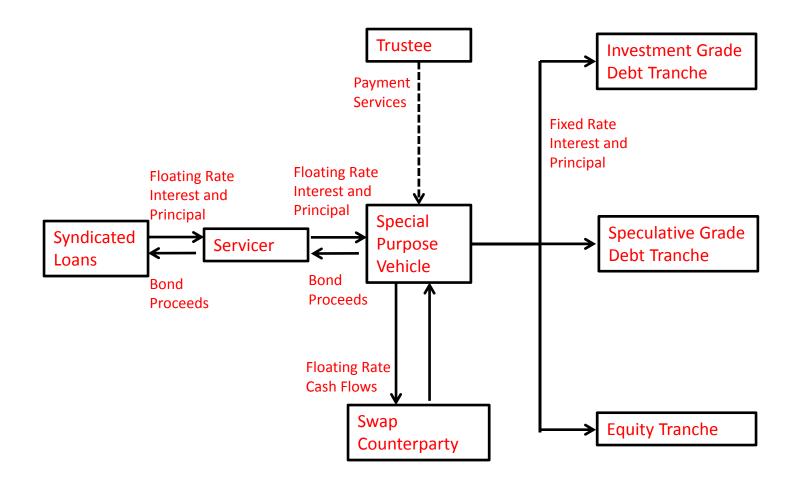
A Presentation by Dr. Stanley J. Feldman



Topic Outline

		Page
•	Structure of Basic CLO	2
•	Identification of CLO Risks	3
•	CLO Case Study: Fair Value of CLO Tranches	
	 Valuation of the CLO Portfolio Using Portfolio Replication Valuation of CLO Tranches 	5 9
•	Overview of Axiom Valuation's Credit Risk Platform	11
•	Axiom Valuation Overview	14

Structure of Basic CLO



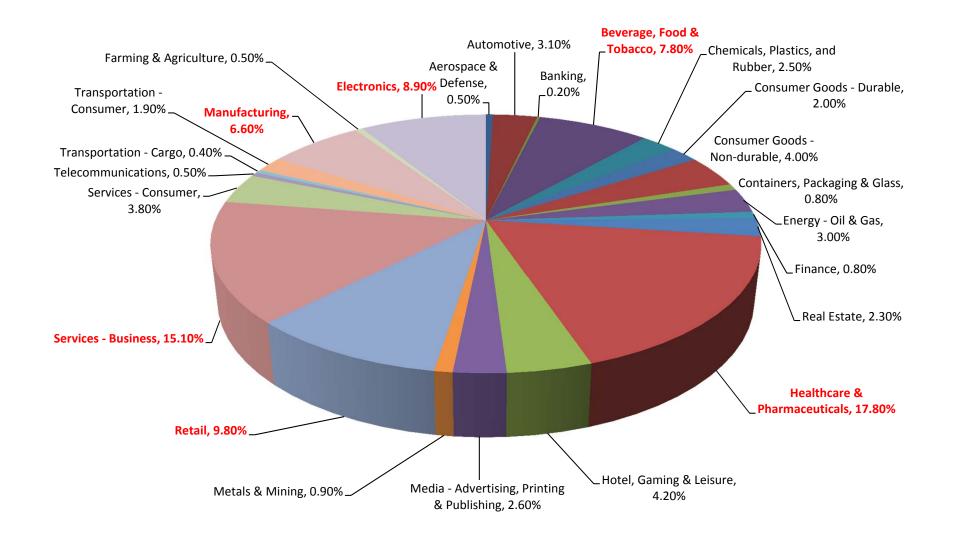
Identifying CLO Risks

- Transparency Risk
 - -Incomplete information on the obligor (e.g. private firm), stale credit rating, no rating assigned to collateral
- Portfolio Credit Risk
 - Independent credit risk of individual assets
 - Cross industry credit risk: business operations are correlated
- Counterparty Risk
 - Swap counterparty
 - Servicer risk
- Interest rate risk
- Liquidity risk



CLO Case Study: Fair Value of CLO Tranches

Axiom Client CLO Collateral Portfolio Industry Breakdown



Develop Raw Credit Rating: Beverage, Food & Tobacco Example

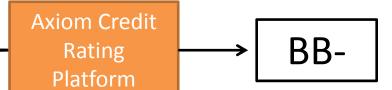
Industry Financials

Axiom Credit Rating Platform

Industry Raw Rating

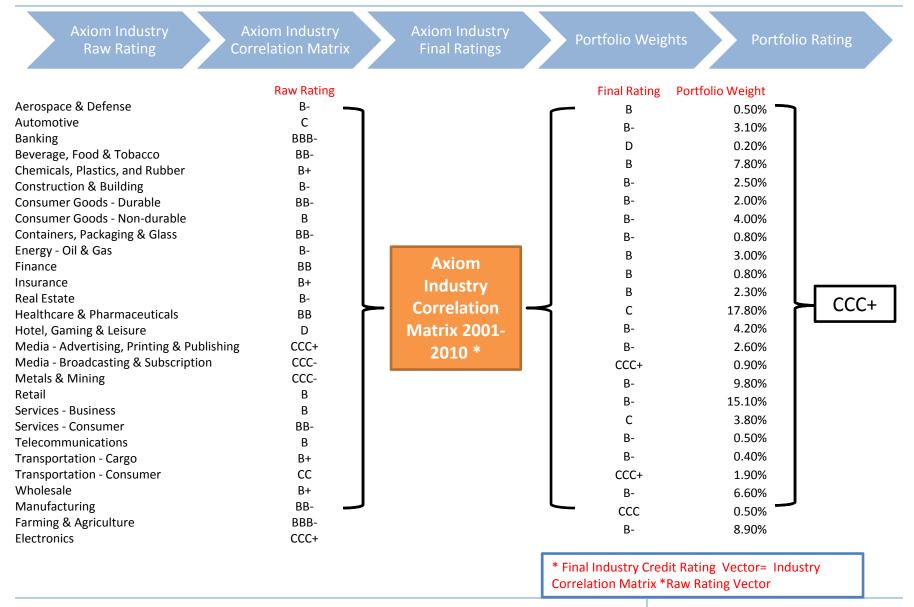
RMA Beverage, Food & Tobacco Industry Data Source: RMA

Net Sales	\$1,356,736,053
Cost of Sales (Calculated)	\$1,059,484,380
Gross Profit	\$297,251,671
Operating Expenses	\$220,078,304
Operating Profit	\$77,193,868
All Other Expenses (net)	\$15,644,888
Profit Before Taxes	\$61,858,277
Cash & Equivalents	\$31,100,426
Trade Receivables (net)	\$108,267,136
Total Current Assets	\$296,341,214
Fixed Assets (net)	\$239,859,607
Intangibles (net)	\$70,160,056
Notes Payable-Short Term	\$48,172,709
Cur.MatL/T/D	\$20,296,093
Trade Payables	\$68,565,424
Total Current Liabilities	\$192,116,905
Long-Term Debt	\$123,210,832
Net Worth	\$295,328,076
Total Liabilites & Net Worth	\$651,296,391

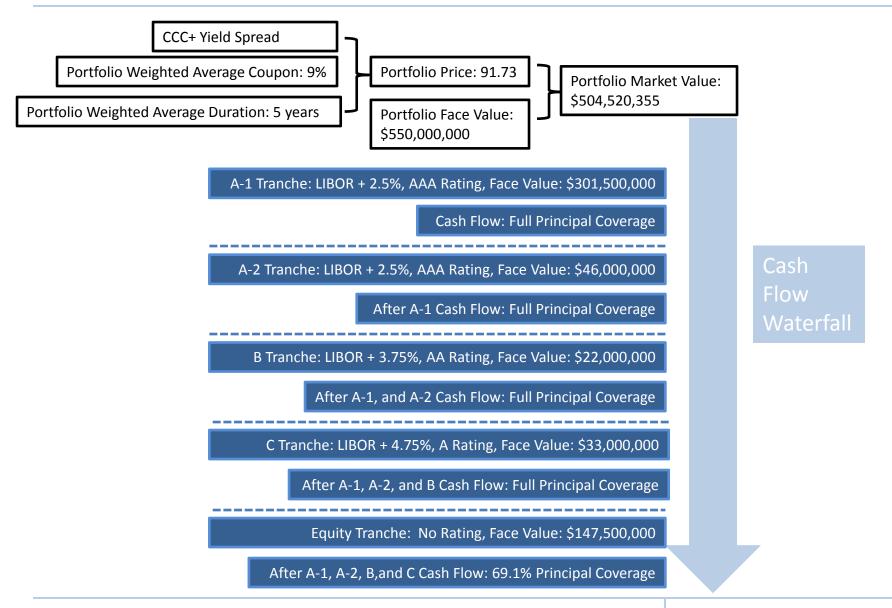




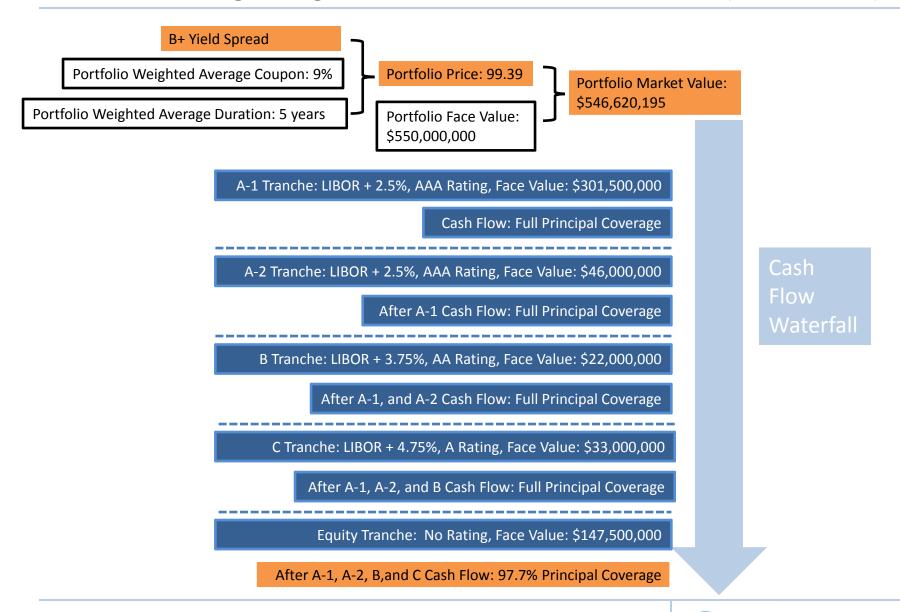
Develop Portfolio Credit Rating



Tranche Pricing Based on 2001-2010 Correlation Matrix

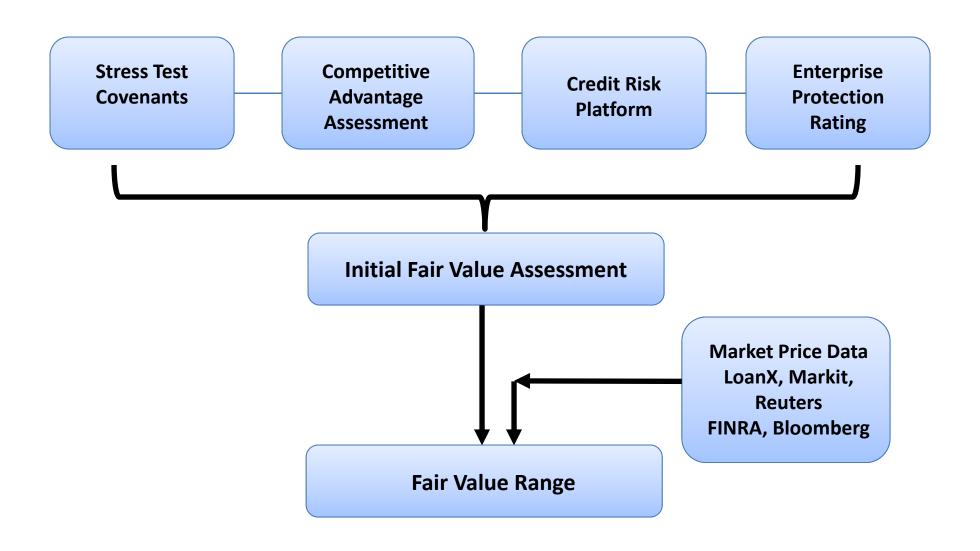


Tranche Pricing Using a Different Correlation Matrix (1990-2000)

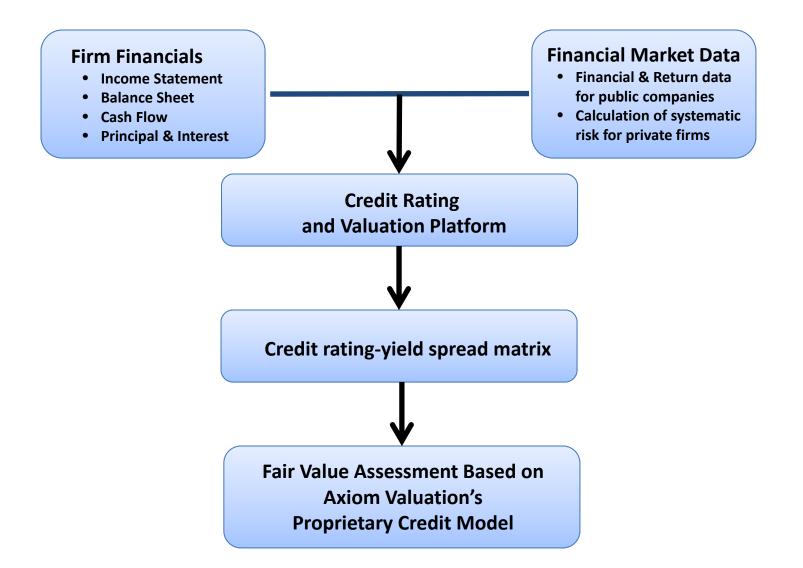


Overview of Axiom Valuation's Credit Risk Platform

Axiom Valuation's Fair Value Assessment Framework



Axiom Valuation's Credit Rating Model



Why Choose Axiom Valuation?

Our Principals Offer Both Academic Rigor and Real World Experience.

Principals

- Dr. Stanley Feldman, Ph.D., Chairman and Chief Valuation Officer
 - Former member of the FASB's Valuation Resource Group, an advisory panel on establishing fair value standards
 - Tenured Associate Professor of Finance at Bentley University, retired
 - Primary researcher on numerous refereed published articles on valuation related issues
 - Author of two well known books on valuation
- Roger Winsby, CMEA, President



Well Positioned to Meet Fair Value Review Requirements

- Stable and scalable resource base allows Axiom Valuation to increase the number of assets it fair values and still meet hard financial reporting deadlines.
- Real world experience in fair valuing illiquid fixed income instruments.
- Our work has been vetted by the all leading auditing firms.
- We fair value all types of financial securities from vanilla fixed income instruments to complex derivatives.
- Axiom Valuation is the most cost-effective valuation firm in the country.

Axiom Valuation

Axiom Valuation is a nationally recognized financial security and business valuation firm. We have conducted valuation assignments for clients throughout the U.S., Europe and Asia. We regularly conduct fair value assignments for financial institutions in terms of fair valuing portfolio assets and liabilities as well as acting as an advisor and assessing whether internal transfers between funds meet the fair value standard. Our Co-founder and Chairman, Dr. Stanley Jay Feldman, was a member FASB's Valuation Resource Group, an advisory group to FASB on fair value issues. Axiom Valuation develops and updates a state-of-the-art credit risk platform to value debt instruments effectively, efficiently, and with full documentation of assumptions and findings.

For more information, please visit www.axiomvaluation.com www.avairas.com www.hedgefundvalue.com

201 Edgewater Drive, Suite 255, Wakefield, MA, 01880 781-486-0100