MOODY'S INVESTORS SERVICE

CREDIT OPINION
31 July 2018

New Issue

Closing date

31 July 2018

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Bayfront Infrastructure Capital Pte. Ltd.

New Issue – A project finance and infrastructure loan-backed transaction

Capital structure

Exhibit 1
Definitive ratings

Class	Ratings(a)	Amount ($ millions)	Share of Capital Structure (%)	Effective Subordination (%)(b)	Coupon(c)
A Notes	Aaa (sf)	320.60	70.00	30.00	6m USD Libor + 1.45%
B Notes	Aa3 (sf)	72.60	15.85	14.15	6m USD Libor + 1.95%
C Notes	Baa3 (sf)	19.00	4.15	10.00	6m USD Libor + 3.15%
Subordinated Notes	Not rated	45.80	10.00	n/a	Residual
Total		458.00	100.00		

(a) Our ratings address the expected losses posed to investors by the legal final maturity in 2038 and address only the credit risks associated with the transaction. Other non-credit risks have not been addressed but may have a significant effect on yield to investors.
(b) Effective subordination is based on the target par amount of the portfolio.
(c) 6m USD-Libor = six-month USD-Libor.
Source: Joint Global Coordinators

Summary

Bayfront Infrastructure Capital Pte. Ltd. is a project finance collateralized loan obligation (CLO) cash flow securitization, backed by a $458 million portfolio of bank-syndicated senior project finance and infrastructure loans to projects in Asia Pacific and the Middle East. The issuer has entered into purchase and sale agreements and master participation agreements to acquire or to participate in the loans which form the $458 million initial portfolio.

Clifford Capital Pte. Ltd. (Clifford Capital or the collateral manager) will manage this CLO. This is the collateral manager's first CLO. We believe, based on our knowledge of its organizational structure, staffing, experience in the infrastructure loan market, systems and controls, that the collateral manager is capable of managing this CLO. For further discussion about the collateral manager, see the "Asset description" section of this report.

Credit strengths

» ***High credit quality portfolio:*** The weighted average rating factor (WARF) of the identified portfolio, based on credit estimates, is 722 before applying the credit estimate notching adjustments, and 975 after applying the credit estimate notching adjustment. (See "Asset description")

» ***High asset recovery prospects:*** Bank-syndicated senior project finance and infrastructure loans historically have had high recovery rates. Part of the portfolio in this CLO is likely to benefit from external credit support, which will also improve their recovery prospects. (See "Asset analysis - Additional asset analysis")

» ***Short transaction life:*** The weighted average life of the identified portfolio is about five years. The transaction only has a two-year reinvestment period. (See "Asset description - Assets as of the closing date")

» ***No currency mismatch and limited interest rate mismatch:*** Both the loans and the notes are denominated in US dollars and pay floating-rate interest payments linked to USD-Libor. (See "Asset description")

» ***No long-dated assets:*** All the loans in the identified portfolio have maturities before the legal maturity date of the CLO. The collateral manager has no right to consent to asset maturity amendments that result in the asset's extending maturity beyond the CLO's legal maturity date. (See "Asset analysis - Additional asset analysis")

» ***Remote likelihood of OC-based event of default:*** An over-collateralization (OC)-based event of default and the associated liquidation of the portfolio are unlikely, because the event of default par ratio trigger of 102.5% is well below the initial OC level of 149.2%. (See "Additional structural analysis")

Credit challenges

» ***Unrated loan portfolio:*** None of the underlying project and infrastructure loans are rated by us. We assigned a credit estimate to each of the loans in the portfolio. (See "Asset description" and "Asset analysis - Additional asset analysis")

» ***High loan and sector concentration risk:*** The identified portfolio only includes loans relating to 30 projects, with a high exposure to a few projects and in certain sectors such as oil, gas and commodities, and power generation non-renewables. Certain projects also involve common off-takers or guarantors. (See "Asset analysis - Additional asset analysis")

» ***High loan participation exposure:*** The issuer has entered into master participation agreements with several highly rated banks with respect to 46% of the identified portfolio, instead of purchasing them directly. (See "Asset analysis - Additional asset analysis")

» ***High country risk:*** 36% of the identified portfolio is to projects located in countries with speculative grade foreign currency country ceilings, although over half of these projects benefit from external credit support in the form of guarantees or insurance policies. (See "Asset analysis - Additional asset analysis")

» ***Recovery period may be long:*** The recovery after a loan default may take several years because liquidity for defaulted project finance loans in these regions is uncertain and any workout may take a long time. (See "Asset analysis - Additional asset analysis")

» ***First CLO of the collateral manager:*** The collateral manager has experience in managing infrastructure loans, but it does not have prior CLO management experience. The portfolio is not expected to be actively traded by the collateral manager. The collateral manager has no right to conduct discretionary trading in this transaction. (See "Asset description" and "Asset analysis - Additional asset analysis")

Key characteristics

Exhibit 2
Asset characteristics

Portfolio Metrics	Identified Pool*	Covered Sub-Pool***	Uncovered Sub-Pool***
Portfolio Par Amount	$458,000,000	$139,162,500	$318,837,500
Weighted Average Rating Factor (WARF) before notching adjustment	722	183	958
Weighted Average Rating Factor (WARF) after notching adjustment**	975	261	1,287
Weighted Average Spread (WAS)	2.5%		
Weighted Average Recovery Rate (WARR)	76%		
Weighted Average Life (WAL)	5.4 years		
Moody's Asset Correlation	29%		
Key Asset Types			
Participation Loan	46%		
Long-Dated Assets	Nil		
Key Party			
Collateral Manager	Clifford Capital Pte. Ltd.		

*The identified portfolio represents the assets in the initial portfolio.
**Two notches of downward adjustment was applied to the largest credit estimates representing 30% of the total portfolio in accordance with the Updated Approach to the Usage of Credit Estimates in Rated Transactions cross-sector rating methodology.
***Covered sub-pool includes the covered portion of loans in the identified portfolio that are covered by external credit providers under certain types of guarantees or insurance policies. The uncovered portion of the covered loans are included in the uncovered sub-pool.
****The WARF indicated above has not accounted for the stress that we applied to the idealized default probability, based on the rating factor of each asset, in our model for the project finance and infrastructure assets in accordance with footnote 13 in Moody's Approach to Rating Collateralized Debt Obligations Backed by Project Finance and Infrastructure Assets.
Sources: Joint Global Coordinators, Moody's Investors Service

Exhibit 3
Securitization structure characteristics

Key Dates	
Closing Date	31 July 2018
Latest Effective Date	Closing date
First Payment Date and Payment Frequency	11 January 2019 and semiannually thereafter
End of Non-Call Period	11 July 2022
End of Reinvestment Period	11 July 2020
Legal Final Maturity	11 January 2038
Key Parties	
Issuer	Bayfront Infrastructure Capital Pte. Ltd.
Collateral Manager	Clifford Capital Pte. Ltd.
Trustee	DB International Trust (Singapore) Limited
Transaction Administrator	Deutsche Bank AG, Singapore Branch
Joint Global Coordinators	Citigroup Global Markets Singapore Pte. Ltd, Standard Chartered Bank
Lead Managers	Citigroup Global Markets Singapore Pte. Ltd., Standard Chartered Bank, DBS Bank Ltd., The Hongkong and Shanghai Banking Corporation Limited and SMBC Nikko Capital Markets Limited
Co-Manager	MUFG Securities EMEA plc
Class	**Effective Subordination(%)**
A Notes	30.00
B Notes	14.15
C Notes	10.00

Source: Joint Global Coordinators

Asset description

The CLO is backed by an initial portfolio of 37 bank-syndicated senior project finance and infrastructure loans to 30 projects in various countries in Asia-Pacific and the Middle East.

The collateral manager selected the initial portfolio for an amount equal to $458 million, the target initial par amount of the portfolio.

Target initial par amount

The CLO's target initial par amount represents the aggregate par amount of assets in the initial portfolio.

Identified portfolio

The exhibits below provide information about the identified portfolio. All the loans in the identified portfolio are denominated in US dollars and pay USD-Libor-linked interest, either quarterly or semiannually.

None of the loans are rated by us. We have undertaken credit estimates for each of them, assessing some of them at investment-grade level (Moody's credit estimate rating factor of 610 or lower) and some of them at non-investment grade level (Moody's credit estimate rating factor of 940 or higher).

Exhibit 4

Credit estimate rating factor distribution of the identified portfolio

Percentage relative to the identified portfolio's par amount

Credit Estimate Rating Factor	% of pool (after notching adjustment)**	% of pool (before notching adjustment)
10-40	15.2%	15.2%
70-180	18.4%	18.4%
260-610	23.5%	23.5%
940-1350	11.8%	29.0%
1766-2220*	N/A	13.8%
1766-2720	31.0%	N/A
Total	**100%**	**100%**

* Most of the loans in this category have a credit estimate of 1766.
**Two notches of downward adjustment was applied to the largest credit estimates representing 30% of the total portfolio in accordance with the Updated Approach to the Usage of Credit Estimates in Rated Transactions cross-sector rating methodology.
Source: Moody's Investors Service

Exhibit 5

Sector and sub-sector distribution of the identified portfolio

Percentage relative to the identified portfolio's par amount

Sectors and Sub-sectors	% of Identified Pool	Covered Sub-Pool*	Uncovered Sub-Pool*
Oil/Gas and Commodities	**39.5%**	**9.7%**	**29.8%**
LNG	22.8%	5.2%	17.6%
OIL	16.7%	4.5%	12.2%
Power Generation Non-Renewables	**28.4%**	**8.5%**	**19.9%**
Power- Electricity Contracted (Coal/Gas)	28.4%	8.5%	19.9%
Power Generation Renewables	**13.1%**	**2.0%**	**11.1%**
Power-Renewables: Hydro	7.6%	0.0%	7.6%
Power-Renewables: Wind	3.3%	0.0%	3.3%
Power-Renewables: Solar	2.2%	2.0%	0.2%
Large Infrastructure (Market Risk)	**12.7%**	**8.2%**	**4.5%**
LNG Terminal (other non-regulated gas or electricity infrastructure asset)	7.0%	2.5%	4.5%
Toll road networks, tunnels, bridges, car parks	5.7%	5.7%	0.0%
Regulated Assets/Utilities	**6.3%**	**2.1%**	**4.3%**
Water, Sewage	4.1%	0.0%	4.1%
Regulated Airports	2.2%	2.1%	0.1%
Total	**100.0%**	**30.4%**	**69.6%**

* Covered sub-pool includes the covered portion of loans in the identified portfolio that are covered by external credit providers under certain types of guarantees or insurance policies. Uncovered portion of the covered loans are included in the uncovered sub-pool.
Source: Moody's Investors Service

Exhibit 6

Country distribution of the identified portfolio

Percentage relative to the identified portfolio's par amount

Country of Project	Foreign Currency Country Ceiling	Foreign Currency Country Rating	% of Identified Pool	Covered Sub-Pool*	Uncovered Sub-Pool*
Australia	Aaa	Aaa	19.5%	5.2%	14.4%
Hong Kong	Aaa	Aa2	2.2%	0.0%	2.2%
Singapore	Aaa	Aaa	3.7%	0.0%	3.7%
Kuwait	Aa2	Aa2	4.4%	0.0%	4.4%
Malaysia	A1	A3	2.5%	0.0%	2.5%
Saudi Arabia	A1	A1	3.3%	0.0%	3.3%
Thailand	A2	Baa1	0.5%	0.0%	0.5%
Indonesia	A3	Baa2	14.2%	2.5%	11.7%
India	Baa1	Baa2	3.3%	0.0%	3.3%
Oman	Baa2	Baa3	10.7%	0.0%	10.7%
Jordan	Ba1	B1	4.4%	4.1%	0.2%
Bangladesh	Ba2	Ba3	2.2%	0.0%	2.2%
Vietnam	Ba2	B1	14.0%	13.7%	0.2%
Sri Lanka	Ba2	B1	2.2%	2.1%	0.1%
Papua New Guinea	B1	B2	5.5%	0.0%	5.5%
Mongolia	B1	B3	7.5%	2.7%	4.8%
Total			**100.0%**	**30.4%**	**69.6%**

* Covered sub-pool includes the covered portion of loans in the identified portfolio that are covered by external credit providers under certain types of guarantees or insurance policies. Uncovered portion of the covered loans are included in the uncovered sub-pool.

Source: Moody's Investors Service

Collateral Manager

Clifford Capital Pte. Ltd. ("Clifford Capital" or collateral manager) is the collateral manager of the transaction. This is the first CLO transaction of the collateral manager. It acquired the Subordinated Notes at closing and intends to retain the Subordinated Notes.

Clifford Capital is incorporated in Singapore in 2012. It is 40.5% indirectly owned by Temasek Holdings (Private) Limited (Aaa stable) in Singapore. It has a public policy mandate to support Singapore-based companies in their overseas ventures, specifically in the infrastructure and offshore marine sectors.

The collateral manager, as an agent for the CLO, is responsible mainly for (1) selecting the initial portfolio of assets; (2) identifying new assets for the issuer to purchase following the receipt of unscheduled principal collections and proceeds from the sale of assets during the reinvestment period; (3) identifying credit-impaired assets and deciding whether to sell credit-impaired and defaulted assets during the transaction life; and (4) ensuring that the CLO is in compliance with its contractual obligations, and together with the CLO's trustee and transaction administrator, periodic reporting.

The exhibit below details key attributes of the collateral manager.

Exhibit 7

Collateral manager details

Attribute	Metric
Management Entity	Clifford Capital Pte. Ltd.
Assets Under Management	$2 billion as of 31 December 2017
CLO Team	Staff span across different departments
Number of Staff	About 40
Average Number of Years of Experience	About 20 years
Number of CLOs Currently Managed	0
Number of Obligors Covered by Credit Analysts	About 40 project finance loans and investments

Source: Clifford Capital Pte. Ltd.

Assets as of the closing date

The portfolio is not expected to be actively traded during the entire transaction life.

The collateral manager may direct the issuer to sell defaulted assets and certain credit-impaired assets. The sale of credit-impaired assets is subject to the satisfaction of all over-collateralization (OC) and interest coverage (IC) tests (the coverage tests), and the aggregate principal amount of credit-impaired assets that are sold within every semi-annual collection period cannot exceed 15% of the initial portfolio par amount. Any further sale of credit-impaired assets would be subject to it not resulting in a reduction or withdrawal of the then outstanding rating of each class of the rated notes.

The trading of assets at the collateral manager's discretion is not allowed.

Reinvestment period

There is a two-year reinvestment period in this transaction, which begins on the closing date. During the reinvestment period, the collateral manager may direct the issuer to use unscheduled principal collections and proceeds from the sale of assets to purchase new assets, provided (1) no event of default is happening, (2) all coverage tests are satisfied, and (3) the proposed asset purchase does not result in a reduction or withdrawal of the then outstanding rating of each class of rated notes. All new purchased assets must have a credit estimate assigned by us.

During the reinvestment period, all scheduled asset collections, and if no eligible investment can be found, all unscheduled collections and sale proceeds will be used to amortize the rated notes sequentially.

Amortization period

The CLO does not permit any reinvestment or asset purchase after the reinvestment period. Scheduled and unscheduled principal collections and proceeds from the sale of assets will be used to amortize the notes in a sequential order.

Asset analysis

Primary asset analysis

Modeling

Our CDOROM™ and CDOEdge™ models are the principal models that we use to rate this CLO. We apply the Monte Carlo simulation framework in CDOROM™ to model the collateral loss distribution for this CLO. The simulated defaults and recoveries for each of the Monte Carlo scenarios define the pool's loss distribution.

The country ceiling event risk is modeled in two steps in CDOROM™. In the first step, we simulate whether a country ceiling event occurs. All loans with projects domiciled in countries where country ceiling events are simulated to occur would be simulated to default in the model.

In the second step, for loans with projects in countries where country ceiling events are simulated not to occur in the first step, we simulate whether the loans default.

For loans under participation agreements, the loans would default if either the loan or the counterparty to the participation agreement is simulated to default in CDOROM™.

The identified portfolio is used in our initial rating analysis because the issuer has entered into purchase and sale agreements and master participation agreements to acquire or to participate in the loans which form the initial portfolio, and such portfolio is not expected to be actively traded by the collateral manager, with no discretionary trading. Furthermore, the credit characteristics of the portfolio will be reassessed by us at the time we receive each new asset purchase proposal from the collateral manager.

We note the following portfolio characteristics of the identified portfolio.

Exhibit 8

Base-case modeling attributes

Attribute	Metric
Portfolio Par Amount	$458,000,000
WARF (after credit estimate adjustment)	975
Asset correlation of the portfolio	29%
WAS	2.5%
WARR	76%
WAL (years)	5.4

Sources: Joint Global Coordinators, Moody's Investors Service

Additional asset analysis

Notch-down adjustment on credit estimates

None of loans in the identified portfolio is rated by us. We will assign a credit estimate to all assets before such assets can be included in the portfolio.

The portfolio is concentrated in 37 loans across 30 projects only, and many of them constitute more than 3% of the portfolio individually at closing. The loans related to the largest credit estimates representing 30% of the pool will be subject to a two notches haircut.

This adjustment is primarily to account for the unmonitored nature of credit estimates (hence, credit estimates are subject to potentially higher volatility than ratings) and also that credit estimates are typically assigned based on limited analysis than for ratings.

We expect to review the credit estimates as the collateral manager requests and provides updated information to us at least once every 12 months from each of the last assignment date.

External credit support

A portion of the identified portfolio benefits from external credit support such as political risk insurance or commercial risk insurance (covered loans) provided by export credit agencies, insurers or multilateral financial institutions such that the issuer (or lender of record in the case of a loan under participation agreement) will be able to recover losses from the cover providers.

Some of the external credit support only provides a partial coverage of the loss amount, meaning the issuer or the beneficiary of such credit support will not be able to claim the full loss amount.

The covered portion of the identified portfolio is about 30% of the initial par amount of the portfolio.

In our analysis of credit estimates for covered loans, we take into account the terms and coverage of the credit support arrangements. For partially covered loans, we assign a separate credit estimate to the covered portion and the uncovered portion of each covered loan.

We use a higher mean and lower standard deviation as the recovery assumptions of the covered portion, to reflect that these exposures generally have a higher recovery prospect.

Adjustment on default probability on project finance and infrastructure loans

We apply a default probability adjustment on the loans so that along with applying high recovery assumptions of the loans, the modeled expected loss would be equal to the idealized expected loss commensurate with the credit estimate of the loans.

For instance, for project finance loans with a mean recovery rate assumption of 75%, the default probability stress is 120% and for project finance loans with a mean recovery rate assumption of 65%, the default probability stress is around 57%.

Our ratings or credit estimates of the loans address the expected loss of the loans, which quantitatively is the product of default probability and loss severity of the loan. The adjustment on the modeled default probability is to counterbalance our high mean recovery rate assumptions (that is, low severity) on the project finance and infrastructure loans such that the expected loss of the loans represented by the ratings or credit estimates will be maintained.

High project concentration

The identified portfolio only includes 37 loans relating to 30 projects, with a high exposure to a few of them. We correlate loans at 100% for those that relate to the same project or same loan guarantor so that when one of them defaults, all of them would default in the same simulation.

The largest and second-largest project exposures account for almost 9.7% and 7.5% of the target closing portfolio, respectively, although the largest and second-largest uncovered project exposure account for 5.5% and 4.8% of the target closing portfolio.

The Class A, B and C notes' credit enhancement is sufficient to cover the fifth-largest, second-largest and largest uncovered project exposures in the target closing portfolio, respectively.

High sector concentration

The identified portfolio of loans is concentrated in certain sectors such as oil, gas and commodities (39.5% of the identified portfolio) and power generation non-renewables (28.4%). Credit quality deterioration in a single sector may have an outsized negative impact on the CLO. External credit support and notes' subordination are key mitigants to this risk.

We reviewed the nature of each project in the oil, gas and commodities as well as power generation non-renewables sectors, and expect only part of them (or 54% of the identified portfolio) to be negatively affected by a severe fall in the oil prices. For instance, projects that are commodity users versus commodity sellers will face different impacts from the commodity price movement.

We consider stress scenarios assuming higher asset correlation or by lowering the credit estimates on portion of the pool in which the projects are expected to be negatively affected by lowering commodity prices (see Exhibit 11).

We also consider other stress scenarios assuming generally higher asset correlation across the entire pool. We determined that the potential rating volatility of the notes under these stress scenarios was acceptable.

High country risk

The underlying projects are domiciled in various countries in the Asia-Pacific and Middle East regions. The majority of the projects are domiciled in countries with a non-Aaa foreign-currency country ceiling assigned by us (see Exhibit 6).

36% of the loan portfolio is to projects located in countries with speculative grade foreign currency country ceilings, although over half of these projects benefit from external credit support in the form of guarantees or insurance policies.

A further 35% of the loan portfolio is to projects located in countries with foreign currency country ceilings in the single-A and Baa range.

We take the country risk into account in our quantitative analysis. External credit support and notes' subordination are key mitigants to this risk.

High loan participation exposure

The issuer has entered into master participation agreements with several highly rated banks, that are the lenders of record of those loans, to participate in about half of the portfolio of loans, instead of purchasing them directly.

As such, the CLO would be exposed to the counterparty risk of those banks, the risk that they do not comply with its covenants under the participation agreements and the operational risk of relying on them to pass on the cash flow of the loans to the CLO.

Of all the participation loans, 29% relate to Aa-rated lenders of record and 71% relate to single-A-rated lenders of record. We take this counterparty risk into account in our quantitative analysis.

Long recovery period for defaulted loans

The recovery period following the default of project finance and infrastructure loans may span several years because the liquidity of the trading market in Asia may be low and the workout may take a long time. The collateral manager is not obliged to direct the issuer to sell the defaulted loans by a certain date.

In our default study research (*click here for link*), we observed a longer recovery period for defaulted bank project finance and infrastructure loans in Asia, compared with that in North America and Western Europe.

We expect the covered loans to receive recoveries sooner than the uncovered loans because there is a claim process in place that will facilitate orderly recoveries.

For the uncovered portion of the pool, we model that recoveries will be received three years following loan default and assume that the recoveries will increase at an accretion rate equal to Libor plus 2% per annum. This accretion rate has considered the weighted average interest rate of the identified portfolio during the transaction term as a proxy. For the covered portion of the pool, we assume recoveries will be received one year following loan default.

Some projects are under construction

About 24% of the portfolio of loans relates to four projects that are still under construction. These projects are near completion and benefit from credit mitigants such as construction completion guarantees provided by sovereign entities, the sponsor or export credit agencies, insurers or multilateral financial institutions.

Common off-takers or guarantors' risks

Certain underlying projects involve common off-takers or guarantors, thus increasing the asset correlation of the portfolio. We take into account this additional asset correlation in our quantitative analysis.

Withholding tax on some assets

Withholding tax applies to almost half of the identified portfolio of the loans, either because of the incorporation of the CLO issuer or the lender of record of loans under a participation agreement. We model the net interest earnings on the identified portfolio in our quantitative analysis.

No long-dated asset and restriction of asset maturity amendment

There is no long-dated asset in the identified portfolio. The collateral manager may not consent to amendments that extend the maturity of any asset beyond the legal maturity date of the notes. In addition, the collateral manager may not consent to an asset maturity amendment for a total principal par amount of assets exceeding 10% of the initial portfolio par amount during the transaction life. These reduce the risk that the collateral manager would need to liquidate assets remaining at the CLO's maturity date (long-dated assets).

Collateral manager assessment

We believe that Clifford Capital is capable of managing this CLO because of its experience in managing project finance and infrastructure loans in Asia-Pacific and the Middle East.

As of 31 December 2017, Clifford Capital has committed over $2 billion of loans and investments since its inception.

Clifford Capital has a euro commercial paper program, guaranteed by the Singapore government, which is rated P-1 by us. Despite the government guarantee, Clifford Capital operates its business on a commercial basis.

We had an on-site operation review meeting with the collateral manager in March 2018. We view its staffing, experience in the infrastructure loan market, operational systems and controls as adequate to support its CLO platform.

Securitization structure description

The CLO has issued several classes of notes that receive semi-annual interest payments and certain principal payments following asset scheduled payments, prepayments and sale of certain assets, in order of seniority.

In addition, the CLO has issued one unrated class of subordinated notes that receive only residual interest and principal payments.

We measure the credit risk of the CLO's notes using our CDOROM™ and CDOEdge™ models; the latter model incorporates both the CLO's structural features and asset characteristics.

This CLO is structured using a bankruptcy-remote special-purpose entity incorporated in Singapore that issues liabilities as listed in Exhibit 1.

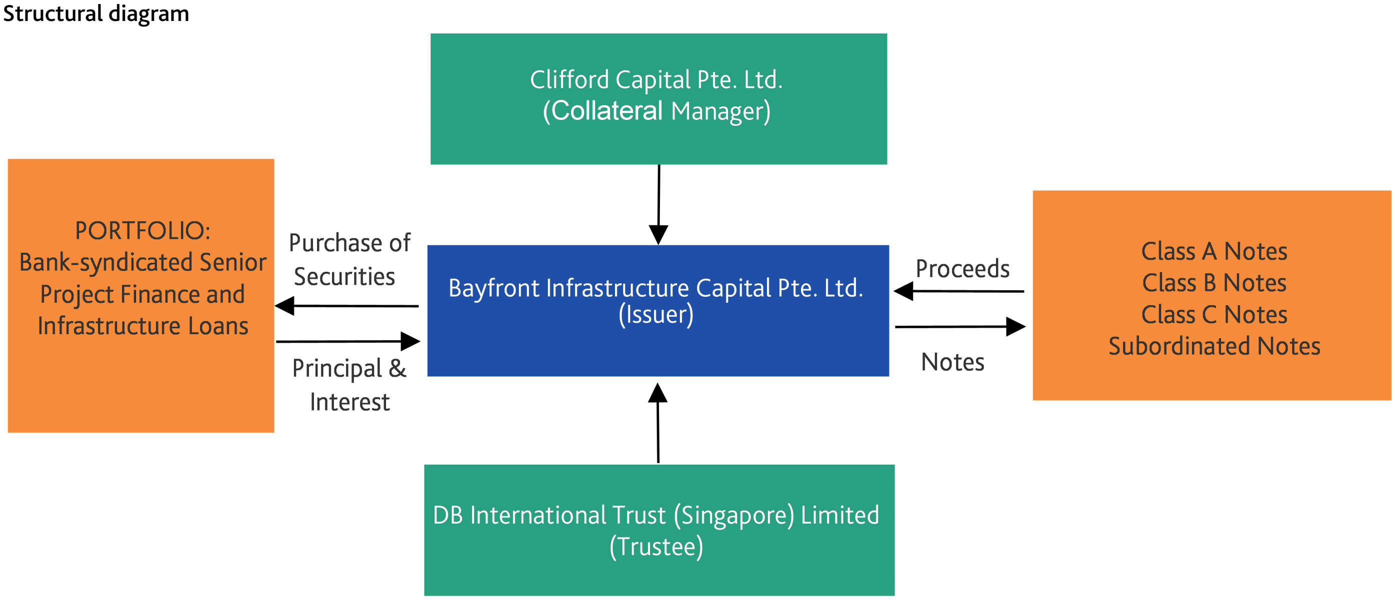
The proceeds from the issuance are invested in loans that generate cash flow from interest and principal, as we describe in the "Asset description" section above. The cash flow is distributed in accordance with the CLO's priority of payments, subject to the coverage tests.

Structural diagram

The exhibit below shows the CLO's key parties and cash flow.

Exhibit 9

Structural diagram



Source: Moody's Investors Service

Detailed description of the structure

Priority of payments

This CLO's payment waterfall is consistent with that of a typical CLO. The CLO pays the notes sequentially in both the interest and principal waterfalls. Both waterfalls include coverage tests (see the "Priority of Payment" for interest and principal waterfall details).

Coverage tests

Exhibit 10

OC and IC tests

Tests	Trigger Level	Initial level
Class A/B OC Test	111.5%	116.5%
Class C OC Test	106.6%	111.1%
Class A/B IC Test	110.0%	n/a
Class C IC Test	105.0%	n/a

IC tests are applicable starting from the second notes payment date.
Source: Transaction documents

OC test: OC tests, present in all CLOs, provide protection for the CLO's notes. If the OC level for a particular class or several classes of notes falls below the OC trigger for that class, the deal diverts cash flow to repay the senior-most outstanding class of notes until the breached OC ratio meets the trigger level.

Common to most CLOs, excess Caa assets are carried at the lower of (1) their market values, and (2) our mean recovery rate assumption in the calculation of the OC ratios. Excess Caa assets are those Caa securities whose aggregate principal balance exceeds 10% of the portfolio's principal balance.

IC test: IC tests, which measure a CLO's excess interest cash flow, also provide protection for the CLO's notes. If the IC level for a particular class or several classes of notes falls below the IC trigger for that class, the deal diverts cash flow to repay the senior-most outstanding class of notes until the breached IC ratio meets the trigger level.

Security interest, bankruptcy remoteness and safeguards against involuntary bankruptcy

Security interest: With minor exceptions, the assets of the CLO are pledged to the trustee for the benefit of the noteholders. Before closing, the CLO will certify to and provide representations affirming the validity of this pledge. The security interest granted can provide noteholders with additional protection and a greater degree of control in cases where difficulties have developed with the transaction's structure.

Bankruptcy remoteness: The CLO is a special-purpose entity, has no prior operating history and is established for the limited purposes of acquiring the assets, issuing the notes and performing certain related activities. Given this typical legal structure, we are able to analyze this transaction as bankruptcy remote.

Safeguards against CLO's involuntary bankruptcy: The CLO incorporates certain safeguards against the issuer's involuntary bankruptcy.

Note redemption

This CLO can effect an optional redemption of all rated notes in whole if the collateral manager confirms with the trustee in writing before selling the portfolio that there will be sufficient proceeds to fully redeem all of the notes, and if sufficient sales proceeds to redeem the notes are received by the issuer at least one business day before the optional redemption date. If any of these conditions are not met, the issuer will cancel the optional redemption and such a cancellation is not an event of default of the notes.

Securitization structure analysis

Primary structural analysis

Expected loss and modeling analysis

We expect the losses on the rated notes to be consistent with our benchmark rating targets. This expectation is based on our analysis using our CDOROM™ and CDOEdge™ models.

We apply the Monte Carlo simulation framework in CDOROM™ to model the portfolio loss distribution for this CLO. The simulated defaults and recoveries for each of the Monte Carlo scenarios define the pool's loss distribution.

CDOEdge™ is a cash flow model. We input pool default and recoveries assumptions, which maintain the pool loss distribution generated from CDOROM™, and also other modeling assumptions such as recovery delay, portfolio amortization schedule and yield vector to the model, to estimate the expected losses on a CLO's tranches.

The CDOEdge™ model incorporates various scenarios for default timing and floating interest rate paths, and allocates the cash flow arising from the portfolio in accordance with the CLO's documentation.

We fully describe our approach to modeling and rating this CLO in Moody's Global Approach to Rating Collateralized Loan Obligations and Moody's Approach to Rating Collateralized Debt Obligations Backed by Project Finance and Infrastructure Assets.

Additional structural analysis

OC analysis

Remote likelihood of OC-based event of default: We view the occurrence of an OC-based event of default and the associated liquidation of the portfolio as unlikely. The event of default par ratio trigger is set at 102.5%, below the initial level of 142.9%. The calculation, which is based on the ratio of the portfolio's par amount to the outstanding principal amount of the Class A notes, incorporates haircuts for defaulted assets, but not for Caa or deep-discount assets. Portfolio liquidation following an event of default based on breach of the trigger requires consent from either a supermajority of the controlling class or a supermajority of each class of notes, voting separately.

No currency mismatch risk

No currency mismatch: Since both assets and CLO notes are denominated in US dollars, there is no currency mismatch risk in this transaction.

Interest rate risk

Limited interest rate mismatch: Because this CLO issues only six-month USD-Libor-linked interest rate notes and the closing portfolio only contains either three-month or six-month USD-Libor linked loans, there could be little mismatch between the interest cash flow on the assets and liabilities.

Note redemption and cancellation analysis

Note redemption: This CLO can effect an optional redemption of the notes, which relies on the collateral manager's certification that there will be sufficient proceeds to fully redeem all of the notes.

Although many other CLOs apply haircuts to the assets' market values when determining the sufficiency of such proceeds, thereby providing a buffer against market value declines, this CLO does not incorporate such haircuts. Therefore, the transaction could face a situation in which there are insufficient liquidation proceeds to redeem the notes in full if a large decline in asset prices occurs during the redemption process.

The mitigant to the risks is that the issuer can cancel the optional redemption and such a cancellation does not constitute an event of default under the terms of the CLO.

Note cancellation: No notes may be surrendered in this transaction.

Legal structure analysis

Safeguards against CLO's involuntary bankruptcy: The CLO includes provisions that we view as helpful to protect it against involuntary bankruptcy.

Methodology and monitoring

Rating methodologies

Moody's Approach to Rating Collateralized Debt Obligations Backed by Project Finance and Infrastructure Assets

To access this report, click on the link above. Note that this reference is current as of the date of publication of this report and that a more recent report may be available. All research may not be available to all clients.

Monitoring

We will monitor the ratings on an ongoing basis. We will announce and disseminate any subsequent changes in the ratings through our Client Service Desk, and we will publish a performance overview on a regular basis on our website.

Appendices

Parameter sensitivities

Parameter sensitivities provide a quantitative, model-indicated calculation of the number of notches that a rated structured finance security may vary if certain input parameters used in the initial rating process differ. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary.

To assess the sensitivity of the notes' ratings to changes in WARF and asset correlation, key assumptions, we modeled the transaction under alternative WARF and asset correlation.

If we apply a two notches down adjustment on the credit estimates of the loans in which we expect the projects to be negatively impacted by a severe fall in commodity prices, the WARF of the portfolio would deteriorate by 18% to 1146. Separately, if we increase the asset correlation assumption among those loans to 75%, the asset correlation of the portfolio would increase by 59% to 46%. As we note in the exhibit below, in these two parameter sensitivities, the expected losses of some of the notes would not be consistent with the assigned ratings.

Exhibit 11

Impact of WARF or asset correlation increase

Class	Base Case WARF x1.18 (1146)	Base Case asset correlation x 1.59 (46%)
Class A Notch Change	-1	-1
Class B Notch Change	-1	-2
Class C Notch Change	0	-1

*Summary of the impact of different default probabilities (expressed in terms of WARF levels) and asset correlation on the rated notes (shown in terms of the number of notches' difference versus the current model output, where a negative difference corresponds to higher expected loss), assuming that all other factors are held equal.
Source: Moody's Investors Service

Modeling scenarios

Apart from considering the characteristics of the identified portfolio in determining our base-case modeling assumptions, we considered the following additional sensitivity analysis:

1. Change the credit estimate of the largest aggregate loan exposures that relate to the same project to Caa2 (and separately, apply the same change to the second-largest aggregate loan exposures that relate to another project).
2. Multiply the base-case asset correlation of the portfolio by 1.5x.
3. Increase country risk correlations among countries in different regions to 25% from 1% in the base case.
4. Increase recoveries correlations to 20% from 10% in the base case.
5. Lengthen the portfolio amortization schedule by shifting 10% scheduled principal collection to be received at the legal maturity date.
6. Shorten the portfolio amortization by shifting the scheduled principal collection a year earlier.
7. Increase (and similarly reduce) recovery rate assumptions by 10% from the base-case assumptions (and correspondingly adjust the default probability assumptions on those loans).
8. Shorten the recovery lag period of the uncovered portion of the portfolio and apply a lower accretion rate.

Priority of payments

Application of interest proceeds

1. Taxes and fees
2. Trustee fees and expenses, subject to a cap
3. Administrative expenses, subject to a cap
4. Collateral manager fees
5. Interest on Class A
6. Interest on Class B
7. Class A/B coverage tests
8. Interest on Class C
9. Class C coverage tests
10. Deferred interest on Class C
11. Remaining trustee fees and expenses
12. Remaining administrative expenses
13. Residual to the subordinated noteholders

Application of principal proceeds

1. Steps 1 through 6 of interest waterfall if not fully paid
2. Class A/B coverage tests
3. Interest on Class C
4. Class C coverage tests
5. Deferred interest on Class C
6. On a redemption date or a special redemption date, make payments on the notes in accordance with the notes principal payment sequence
7. During the reinvestment period, to reinvest in additional assets, subject to the satisfaction of replenishment criteria or to principal account of the issuer pending for reinvestment at the discretion of the collateral manager
8. Make payments on the notes in accordance with the principal payment sequence
9. Steps 11 and 12 of the interest waterfall if not fully paid
10. Residual to the subordinated noteholders

*See Moody's Clarifies Policy for the issuance of RACs (January 2012), which makes clear that the provision of a RAC remains entirely within our discretion, and it may be that we will not provide a RAC even if the transaction documents, to which we are not a party, require it.

Sources used in this report

The sources we used in preparation of this report include:

» Moody's Investors Service

» Information from the Joint Global Coordinators

» Information from the collateral manager

» CLO's legal documents

Moody's related publications

» Moody's Approach to Rating Collateralized Debt Obligations Backed by Project Finance and Infrastructure Assets

To access this report, click on the link above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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