MOODY'S

**Rating Action: Moody's upgrades ratings of notes issued by Bayfront Infrastructure Capital II Pte. Ltd.**

27 Sep 2023

Singapore, September 27, 2023 -- Moody's Investors Service has upgraded the ratings on the Class B, Class C and Class D Notes issued by Bayfront Infrastructure Capital II Pte. Ltd.

The affected ratings are as follows:

Issuer: Bayfront Infrastructure Capital II Pte. Ltd.

....US$33,300,000 Class B Senior Secured Floating Rate Notes due 2044, Upgraded to Aaa (sf); previously on Mar 18, 2022 Affirmed Aa1 (sf)

....US$22,100,000 Class C Senior Secured Floating Rate Notes due 2044, Upgraded to Aa3 (sf); previously on Mar 18, 2022 Affirmed A3 (sf)

....US$8,800,000 Class D Senior Secured Floating Rate Notes due 2044, Upgraded to A3 (sf); previously on Mar 18, 2022 Upgraded to Baa2 (sf)

Bayfront Infrastructure Capital II Pte. Ltd. is a project finance collateralized loan obligation (CLO) cash flow securitization. As of the end of August 2023, the CLO was backed by a US$309 million portfolio, encompassing 25 bank-syndicated senior project finance and infrastructure loans to 23 projects across Asia Pacific, the Middle East, and South America, and US$6.5 million cash.

RATINGS RATIONALE

The rating upgrades on the Class B,  Class C and Class D Notes are mainly prompted by an increase in the credit enhancement available to the notes. The rating upgrades on the Class C and Class D Notes also considered the portfolio concentration in projects located in India compared to the credit enhancement available to these notes.

The credit enhancement available to the Class B, C and D Notes has increased to 22.5%, 15.5% and 12.7% respectively, from 18.7%, 12.9% and 10.6% during the last rating action in March 2022. The assets comprised of project and infrastructure loans, and cash currently held which will be distributed in January 2024. The cash comes from principal payment from the project and infrastructure loans since the last payment date in July 2023.

The portfolio concentration in projects located in India, which has a long-term foreign-currency (FC) bond ceiling of A3, has reduced to 14.8% from 16.6% during the last rating action in March 2022. The credit enhancement available to the Class C Notes is now greater than the exposure to projects located in India. Class C's rating is now above India's FC bond ceiling. For Class D Notes, the credit enhancement of 12.7% is still less than the exposure to India.

Out of 25 loans in the portfolio, 16 loans (60.25% in the portfolio) have transited to SOFR as the reference rate, compared with none during the last rating action. These 16 loans will apply a fixed credit adjustment spread to their SOFR reference rate on their next respective rate reset date, and will be completed by December 2023. The portfolio' weighted average spread will increase to 2.4% in December 2023, from 2.3% in the last rating action.

The pool credit quality has remained stable. The current weighted average rating factor (WARF) of the portfolio after applying the credit estimate notching adjustments is 1127, and without adjustments is 975. For the last rating action in March 2022, the WARF with notching adjustments was 1164, and without adjustments was 982.

Moody's uses a loan-by-loan Monte Carlo simulation framework in Moody's CDOROM™ to model the portfolio loss distribution for this CLO.

The key model inputs Moody's uses in its analysis, such as par, rating factor, and the recovery rate assumptions, are based on its published methodology and could differ from the trustee's reported numbers. In its base case, Moody's analyzed the underlying loan portfolio as having a performing par of US$309 million, a WARF of 1127 after applying the credit estimate notching adjustments over a weighted average life of 4.7 years and a weighted average recovery rate upon default of 74.6% (inclusive of external credit support for covered loans).

Methodology Underlying the Rating Action:

The principal methodology used in these ratings was "Project Finance and Infrastructure Asset CLOs Methodology" published in November 2021 and available at https://ratings.moodys.com/rmc-documents/355059. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

This transaction is subject to the performance of the underlying portfolio and the credit quality of the external credit support providers and counterparties of the participation agreements, which in turn is subject to a high level of macroeconomic uncertainty. The CLO manager's investment decisions and management of the transaction will also affect the performance of the rated securities.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

Moody's either did not receive or take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in this credit rating action.

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The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, th function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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