Bayfront IABS VII Pte. Ltd.

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The transaction closed on 25 November 2025. The portfolio was transferred to the issuer between 8 October 2025 and 22 October 2025. The ratings assigned above are based on the portfolio information as of 18 November 2025 provided by the originator.

Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other material should be reviewed prior to any purchase.

Capital Structure

Class	Final Rating	Outlook	Amount (USDm)	CE (%)	Interest rate (%)	Legal final maturity
X	AAAsf	Stable	17.0	30.00	SOFR + 1.05%	April 2048
A	AAAsf	Stable	476.8	30.00	SOFR + 1.28%	April 2048
B	NRsf	N.A.	105.8	15.01	SOFR + 1.60%	April 2048
C	NRsf	N.A.	42.3	9.01	SOFR + 2.95%	April 2048
D	NRsf	N.A.	28.2	5.01	SOFR + 5.00%	April 2048
Subordinated	NRsf	N.A.	35.4	-	-	April 2048
Total			**705.5**			**April 2048**

Notes: Credit enhancement (CE) is based on the par amount of USD705.5 million (including the undrawn commitment facility). NRsf – not rated. N.A. – not applicable. SOFR – daily non-cumulative compounded secured overnight financing rate.
Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Bayfront IABS VII Pte. Ltd. (Bayfront VII), the issuer, is a project finance (PF) CLO transaction backed exclusively by project finance and infrastructure-related corporate loans and bonds. The transaction is managed by Clifford Capital Markets Pte. Ltd.

The ratings address the timely payment of interest and ultimate repayment of principal by the legal final maturity date for class X, A and B. Class C and D interest is deferrable so long as the more senior notes are still outstanding.

Key Rating Drivers

Asset Credit Quality: The average credit quality of the initial portfolio is between 'BB+' and 'BB', which is notably higher than the typical 'B' average credit quality in corporate loan CLOs. The weighted-average rating factor (WARF) of the initial portfolio is 10.58 and Fitch Ratings expects it to remain about this level during the replenishment period, as the portfolio should remain largely static throughout, with the collateral manager having limited replenishment rights.

An issuer rated in the 'BB' category denotes elevated vulnerability to default risk. However, the notes benefit from appropriate CE and standard structural features, largely similar to those in corporate loan CLOs.

Asset Security: The initial portfolio consists of 66.0% project finance assets and 34.0% corporate infrastructure assets by outstanding principal amount. The weighted-average recovery rate (WARR) of the initial portfolio is 71.2% for the project finance assets and 58.0% for the corporate exposure. Fitch's recovery rate assumptions for various rating cases take into account the historically robust recovery rates in project finance assets across jurisdictions and through business cycles.

Portfolio Composition: The three largest industries account for 51.6% of the initial portfolio balance, based on Fitch's customised industry classification for infrastructure-related assets. The initial portfolio consists of 44 distinct obligors, with the top five representing 23.5% of the portfolio balance, indicating high obligor concentration. The portfolio is highly diversified geographically, with assets domiciled in 17 countries and assets in the top-five countries comprising 57.7% of the portfolio.

Cash Flow Analysis: Fitch used a customised proprietary cash flow model to replicate the transaction's principal and interest priority of payments and assess the effectiveness of various

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structural features. In Fitch's stress scenarios, the class X can withstand default and recovery assumptions consistent with its assigned rating.

We applied a one-notch deviation from the cash flow model-implied rating for class A, as credit was given because its principal repayment ranks higher, above class B interest payments, in the post-acceleration priority of payments and the sequential paydown of notes with scheduled principal repayments.

Additional Credit Support: 11.5% of underlying assets in the initial portfolio have currency and interest rate swaps. Subordinated notes can be issued to Clifford Capital Holdings Pte. Ltd. (CCH, AAA/Stable) and affiliates during the life of the transaction to cover termination payments due from the issuer to the hedge providers in some circumstances, including defaults on the assets and certain additional termination events, and the cost of replacing the hedge transactions, subject to a maximum of USD28.2 million, which would otherwise compromise note payments.

Criteria Variations: Fitch adopted a variation from the *Structured Finance and Covered Bonds Country Risk Rating Criteria* in light of the geographic diversification of the portfolio. An alternative country coverage matrix approach was devised to assess the country risk of the transaction in place of the hard rating caps.

Fitch also applied variations from the *CLOs and Corporate CDOs Rating Criteria* to reflect key differences in historical performance and structural features between project finance, infrastructure corporate assets and non-infrastructure-related corporate assets. We removed the correlation uplift for emerging market assets, customised the application scope of the obligor concentration uplift (OCU) and adjusted the rating-case recovery rate assumptions for project finance loans.

Highlights

Effect	Highlight
+	**Higher Quality Project Finance Assets:** The average credit quality of the initial portfolio is between 'BB+' and 'BB', which is considerably higher than the 'B' average quality in typical corporate loan CLOs. Project finance loans, which typically have higher credit quality and historically robust recoveries across jurisdictions and economic cycles, make up 66.0% of the notional size of the initial portfolio.
-	**Higher Obligor Concentration:** The initial portfolio comprises only 44 distinct obligors, significantly fewer than in standard corporate loan CLOs. Fitch believes the higher obligor concentration introduces additional risks as unexpected underperformance of a small group of large assets can have a material impact on the credit quality of the rated notes. The idiosyncratic risks are mitigated by factors such as the portfolio's higher credit quality and global diversification, typical structural features of project finance loans supporting liquidity as well as Fitch's full coverage of credit assessments on the underlying assets. To address the high obligor concentration risk, Fitch applies a stress in the asset analysis of this transaction, with criteria variations to reflect the mitigants.
+	**Global Diversification:** The initial portfolio is geographically diversified, which Fitch views as a strong mitigant to risks, such as default correlation, obligor concentration and sovereign-related risks. However, 74.9% of the portfolio's notional size are assets in countries that Fitch regards as emerging markets, which are associated with higher local economic and market risks, transfer and convertibility risk as well as regulatory risk. These risks are incorporated in the underlying assets' credit assessment to an extent and Fitch conducts an additional country risk assessment in our portfolio analysis.
+	**Amortising Portfolio:** The portfolio comprises amortising assets and scheduled principal repayments, which will be used to repay the notes sequentially. This will lead to a build-up in the CE of the rated notes over time, which is credit positive compared with regular corporate CLOs, where the underlying assets typically have bullet payment structures.

Key Rating Driver (Negative/Positive/Neutral)

Rating Impact	Key Rating Driver
Positive	Asset Credit Quality
Positive	Asset Security
Negative	Portfolio Composition
Neutral	Cash Flow Analysis
Positive	Additional Credit Support
Neutral	Criteria Variations

Source: Fitch Ratings

Applicable Criteria

Global Structured Finance Rating Criteria (November 2024)

Structured Finance and Covered Bonds Counterparty Rating Criteria (November 2023)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (October 2025)

Structured Finance and Covered Bonds Country Risk Rating Criteria (June 2025)

CLOs and Corporate CDOs Rating Criteria (July 2023)

Single- and Multi-Name Credit-Linked Notes Rating Criteria (December 2023)

Foreign-Currency Stress Assumptions for Residual Foreign-Exchange Exposures in Covered Bonds and Structured Finance - Supplementary Data File (August 2025)

Related Research

Rating Confirmations in Structured Finance and Covered Bonds (November 2019)

Effect	Highlight
+	**'AAA' Rated Sponsor Provides Mitigants to Currency Risks:** The initial portfolio contains four loans denominated in foreign currencies and two fixed-rate bonds, which could expose the transaction to currency and interest rate risk. The foreign-currency loans are hedged by cross-currency swaps, with the currency risk hedged up to their legal final maturities while the fixed-rate bonds are hedged by interest rate swaps. These swaps are not balance-guaranteed, which may result in a material termination payment from the transaction in some circumstances, such as a default in the underlying foreign-currency loan. Additional subordinated notes will be issued to CCH and affiliates to cover any termination payment due from the issuer, with cumulative additional subordinated note issuance up to a maximum amount of approximately 4.0% of the initial total issuance. Fitch believes the mechanism sufficiently mitigates the currency risks at the point of swap termination. In addition, costs associated with replacing any terminated swap agreement due to, for example, certain additional termination events that Fitch deems unconventional, will also be covered. The reliance of the note ratings on the rating of the sponsor should reduce as loans with swap arrangements are paid off and the transaction's CE builds up over time.
+	**Experienced Collateral Manager:** Clifford Capital Markets, previously known as BIM Asset Management, is an experienced collateral manager for PF CLOs, with collateral management responsibility for the previous six PF CLOs in the Bayfront series. It is an affiliate of CCH, which benefits from strong support from the Singapore government (AAA/Stable/F1+).

Source: Fitch Ratings

Key Transaction Parties

Role	Name	Fitch rating	Fitch research
Collateral manager	Clifford Capital Markets Pte. Ltd.	Not rated	n.a.
Collateral sub-manager	Clifford Capital Asset Management Pte. Ltd.	Not rated	n.a.
Trustee and registrar	Citicorp International Limited	Not rated	n.a.
Account bank	DBS Bank Ltd.	AA-/Stable/F1+	Fitch Affirms DBS Group Holdings and DBS Bank at 'AA-'/Stable, Upgrades GSRs to 'aa-'
Custodian	Citibank, N.A., Singapore Branch	A+/Stable/F1	Fitch Affirms Citigroup Inc. at 'A'/'F1'; Outlook Stable
Bridge facility provider	Clifford Capital Holdings Pte. Ltd.	AAA/Stable/F1+	Fitch Publishes Clifford Capital Holdings' 'AAA' Rating; Outlook Stable

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Transaction Comparisons

Bayfront VII is an infrastructure CLO backed by a globally diversified portfolio comprising project finance and infrastructure-related corporate loans and bonds, similar to the previous six publicly rated CLO transactions sponsored by CCH.

Transaction Comparison

	Bayfront VII	BIC VI	BIC V	BIC IV	BIC III
Collateral manager	Clifford Capital Markets Pte. Ltd.[a]	Clifford Capital Markets Pte. Ltd.	Clifford Capital Markets Pte. Ltd.	Clifford Capital Markets Pte. Ltd.	Clifford Capital Markets Pte. Ltd.
Portfolio amount (USDm)	705	527	508	410	403
Closing date	November 2025	March 2025	July 2024	September 2023	September 2022
Reinvestment (years)	3.0	3.0	3.0	3.0	3.0
Non-call (years)	3.0	3.0	3.0	3.0	3.0
Portfolio characteristics and concentration					
Initial weighted-average life (years)	5.4	5.8	5.7	5.7	5.6

Transaction Comparison

	Bayfront VII	BIC VI	BIC V	BIC IV	BIC III
Initial Fitch WARR (%)	66.7	-	-	-	-
Initial Fitch WARF (%)[b]	10.6	-	-	-	-
Initial 'CCC' assets (%)	0.0	0.0	0.0	0.0	0.0
Initial weighted-average spread (%)[c]	2.6	2.5	2.5	2.7	2.4
Number of loan and bonds	46	35	37	40	28
Number of distinct obligors	44	35	36	33	26
Initial largest obligor (%)	5.0	-	-	-	-
Initial top-five obligors (%)	23.5	-	-	-	-
Initial largest country of risk (%)	15.6	-	-	-	-
Initial largest three countries of risk (%)	39.2	-	-	-	-
Initial project finance loans/bonds (%)	66.0	69.9	74.0	89.2	92.6
Initial corporate loans/bonds (%)	34.0	30.1	26.0	10.8	7.4
Initial bank participation loans (%)	18.8	8.6	12.7	34.5	27.5
Initial covered (%)	1.0	4.6	4.3	22.9	15.9

[a] Formerly known as BIM Asset Management Pte. Ltd.
[b] Fitch WARF includes notch-downs on certain participation loans.
[c] The initial weighted-average spread takes into account the withholding tax lien on one asset and the lower assumed yield on the undrawn commitment facility associated with another asset.
Source: Fitch Ratings, transaction documents

Portfolio Management

Reinvestment

The transaction features a three-year replenishment period, during which the proceeds from full prepayments and sale of disposed assets from the portfolio can be used to purchase eligible assets to replenish the portfolio. The manager can alternatively distribute the proceeds to the notes sequentially, according to the priority of payments.

Any portfolio replenishment is subject to a Fitch rating confirmation that confirms the inclusion of proposed assets will not adversely affect the ratings of the rated notes. Considering the relatively infrequent asset prepayments and stable post-reinvestment credit quality in past transactions, as well as the requirement of receipt of a rating confirmation from Fitch, we conducted credit analysis based on the initial portfolio, without assuming stresses in the portfolio credit quality and composition. However, Fitch will monitor the portfolio composition and may adjust the portfolio composition assumptions in periodic surveillance reviews if Fitch observes signs of negative portfolio credit migration.

Undrawn Commitments

The portfolio includes an undrawn committed facility sized at USD6.0 million associated with one expansion facility asset in the portfolio. The commitment to fund the undrawn facility will be the issuer's unsecured obligation. The issuer will fund the undrawn commitments from the subscription proceeds of the notes and has opened an undrawn commitment account to deposit the reserved proceeds.

The committed facility is scheduled to be fully drawn in December 2025, the end of the facility's availability period, to the maximum capacity. However, the draw may be delayed depending on the developmental progress of the project. If the draw is not made as anticipated, we expect the undrawn committed facility to extend its availability period and remain open to the obligor for future draws if needed. Alternatively, if the committed facility is cancelled, the collateral manager may at its discretion apply the proceeds to purchase new assets or repay the notes according to the priority of payments.

Fitch conducted the asset analysis assuming the committed facility is fully drawn at transaction closing. For cash flow analysis, Fitch assumed a modest discount to the weighted-average spread of the portfolio between transaction closing and December 2025 to account for the lower yield on the undrawn commitment account.

Asset Analysis

The Fitch Portfolio Credit Model (PCM) was used to determine hurdle default rates or rating default rates (RDRs) for various rating levels. Fitch's analysis focused on the initial portfolio as the portfolio has a low migration risk, considering the collateral manager can reinvest only the proceeds from full prepayments and sale of disposed assets from the portfolio and the stable post-reinvestment credit quality in past transactions. Fitch has conducted a credit and recovery assessment on all the underlying obligors and projects in the initial portfolio. Fitch's credit opinions assigned on the underlying assets were point-in-time but are expected to be refreshed on an annual basis. Characteristics of the initial portfolio are outlined in the tables below.

Asset Characteristics

Fitch component	Initial portfolio
Assets (count)	46
Obligors (count)	44
Top-five issuers (%)	23.5
Weighted-average life (years)	5.4
Weighted-average tenor (months)	94
Weighted-average recovery rate (%)	66.7
Fitch weighted-average rating factor[a]	10.6
Weighted-average rating	BB+/BB
Rated < 'CCC+' (%)	0.0
Defaulted (%)	0.0
Corporate (%)	34.0
Bonds (%)	3.8
Covered (%)	1.0
Construction phrase (%)	0.0
Non-US dollar (%)	7.7
Participation (%)	18.8

[a] Fitch WARF includes notch-downs on certain participation loans.
Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Rating Sources

Rating component (%)	Initial portfolio
Fitch infrastructure and project finance credit opinion	61.2
Fitch infrastructure and project finance public ratings	2.4
Fitch corporate credit opinion	35.0
Fitch corporate public ratings	1.4

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Top-Five Industry Concentration

Fitch industry (%)	Initial portfolio
Coal/gas power	22.2
Oil/gas production/storage	16.5
Renewable power	12.9
Oil/gas pipelines	11.2
Data centre	10.5

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Top-Five Countries of Risk

Fitch country (%)	Initial portfolio
US	15.6
India	12.1
Saudi Arabia	11.6
Brazil	10.7
Qatar	7.7

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Sector and Industry Correlation

Fitch applied a customised classification of sectors and subsectors specific to infrastructure-related industries. In addition, Fitch determined certain industries as locally driven industries, for which we applied the same-sector and same-industry correlation add-on only if the two assets are domiciled in the same jurisdiction. For example, we assumed zero same-sector and same-industry correlation between a renewable power project in India and another in Indonesia. We believe the performance of those industries is largely influenced by local market conditions and regulations and less by the global market dynamics and risk events.

For industries that Fitch perceives as globally exposed, or not only locally driven, we applied the same-sector and same-industry correlation add-on for assets domiciled in different countries, which is the standard approach for regular corporate CLOs as described in Fitch's *CLOs and Corporate CDOs Rating Criteria*.

In the initial portfolio, at transaction closing, 26.8% of the assets by outstanding balance were in Fitch's locally driven industries and 73.2% in globally exposed industries.

The full list of sector and industry classifications that Fitch applies to this transaction is outlined in the table below.

Infrastructure-Related Sectors and Industries

Locally driven	Globally exposed
Renewable energy	Oil and gas production and storage
Telecommunication towers	Oil and gas pipelines
Electricity transmission	Oil and gas ships
Bridges and tolls	Airports and ports
Schools	Conventional power
Hospitals	Warehousing and logistics
Water and sewage	Automobile
	Building and materials
	Data centres

Source: Fitch Ratings

Emerging-Market Correlation

Fitch did not apply the 10% correlation add-on for assets domiciled in emerging-market countries in this portfolio, which is a variation from the *CLOs and Corporate CDOs Rating Criteria*. Fitch essentially assumed the same base, same-region and same-country correlation for all assets in the portfolio. This reflects Fitch's observation that the difference in default rates of project finance loans in developed and emerging-market countries has historically been small.

We believe this small gap in default rates is adequately reflected in Fitch's asset credit assessment of the underlying assets, which takes into account the risks affecting project finance loans in emerging-market risks, including local economic and market risks as well as transfer and convertibility risks.

Currency Hedges on Non-USD and Fixed-Rate Assets

All assets in the initial portfolio that are denominated in non-US dollar currencies or pay fixed-rate interest have entered a currency or interest rate swap agreement. The swaps are not balance-guaranteed and therefore can introduce risks to the transaction in certain termination scenarios.

For example, when an asset with a cross-currency hedge defaults, the hedge agreement can be terminated with a senior termination payment due from the issuer to the hedge provider in the scenario of an appreciation in the local currency, as the termination payment is calculated based on the marked-to-market exchange rate on the scheduled notional. In Fitch's foreign-exchange stress scenario for high-investment-grade rating cases, the termination payment in this case can exceed the asset's par value. This high termination payment risk is mitigated by the arrangement that additional subordinated notes can be issued to CCH and affiliates to cover the termination payments due from the issuer to the hedge providers, subject to a maximum amount of approximately 4.0% of total notes issued at closing.

In addition, the proceeds from the additional issuance can also be used to cover the costs associated with replacing the terminated hedge agreements in circumstances such as certain additional termination events that Fitch deems as unconventional in the market. This is a sufficient mitigant to the risk that the cost of replacement may be high and unpredictable, particularly in the scenario of exchange-rate volatility. This arrangement means the note ratings are limited by the sponsor's Long-Term Issuer Default Rating (IDR), which is currently 'AAA' with a Stable Outlook. However, we expect the linkage between the sponsor's rating and the note ratings to be reduced over time as the hedged assets pay off and the transaction's CE builds up over time.

Our asset analysis also considers a scenario in which an asset with foreign-exchange exposure defaults, which would result in the termination of the cross-currency swap, leaving the recovery proceeds unhedged against extreme movements in the market exchange rate over the relatively long recovery period. We therefore applied an additional haircut to such assets' recovery rate assumptions, according to Fitch's stresses on foreign-currency exchange rates.

Participation Interest

The portfolio comprises eight obligors that are participation interest, or 18.8% by outstanding principal balance. In a participation interest, there is no direct contractual relationship between the obligor and the issuer, and hence, the issuer assumes the performing risk of both the underlying obligor and the participation grantor.

Fitch applied an adjustment to the credit assessment of the participation interests in the portfolio based on the credit assessment of the underlying obligor and the participation bank, according to our Two-Risk CLN Matrix in the *Single- and Multi-Name Credit-Linked Notes Rating Criteria*. The matrix shows that when no inference of the joint default risk can be identified, our calculation of the joint probability of default between the underlying obligor and the participation grantor would indicate whether a notching adjustment is needed. We assumed the credit quality of three participation loans to be one notch lower than their initial credit opinion for the portfolio analysis.

Withholding Taxes

One asset in the initial portfolio has a withholding tax lien, where 5% of the interest accrued on the asset will be withheld. We adjusted the asset yield of the portfolio modestly to account for the withholding tax on the one asset.

Recovery Assumptions

Fitch assigned Recovery Ratings to all underlying assets in the portfolio, which are used to indicate the asset-specific recovery rate assumptions at the 'BBsf' rating case for infrastructure corporate assets in the portfolio. The Recovery Ratings are a combined outcome of the recovery estimate derived based on the assessment of the recovery prospect of the underlying assets and the country-specific Recovery Rating cap. The country-specific Recovery Rating caps are typically lower for emerging-market assets than developed-market assets.

For project finance assets, Fitch assumes the recovery rate at 'BBsf' is the historical observed long-term recovery rate level in project finance defaults. Exceptions are made when the Recovery Rating assigned on an asset signals a particularly weak recovery prospect, in which case Fitch would rely on the assigned Recovery Rating instead of historical observations for recovery rate assumptions. Fitch effectively uses the assigned Recovery Rating as an indication of expected underperformance or outperformance in recoveries relative to historical levels for each asset.

As a variation from the *CLOs and Corporate CDOs Rating Criteria*, we applied the recovery rate tiering assumptions for Group 1 countries to all assets in the portfolio, regardless of the jurisdiction of the assets. This reflects our observation that recovery rates realised on project finance defaults have historically been robust through economic cycles and showed limited difference across regions and countries at various levels of development.

Fitch applies the asset-specific recovery rates for each asset in the portfolio at rating cases above 'BBsf' according to the recovery rate tiering table in the *CLOs and Corporate CDOs Rating Criteria*. Fitch assumes a recovery lag of 30 months for assets domiciled in developed markets and 36 months for assets domiciled in emerging markets based on historical data. The weighted-average recovery lag is 35 months, and the rounded lag of 36 months is used for cash flow analysis in all rating cases.

Obligor Concentration Stress

The portfolio comprises only 44 distinct obligors, which is significantly fewer than the obligor counts in typical US and EMEA corporate CLOs and therefore has markedly higher obligor concentration.

For typical corporate CLOs with a small number of assets, Fitch applies additional stresses via the OCU, which applies a 50% correlation uplift and a 25% recovery rate haircut on obligors that are deemed large in the portfolio. The large obligors are defined by the largest obligors up to a maximum of 15 for which the aggregate notional size is in excess of 30%, or any individual obligor that is at least 6.5% of the portfolio notional size.

We believe the high obligor concentration in this PF CLO portfolio is mitigated by several aspects: the credit quality of this portfolio is notably higher than that in regular corporate CLOs; project finance loans typically have structural features that help alleviate short-term liquidity stress and restrictions on the expansionary activities of the issuer; and the portfolio is globally diversified.

Fitch therefore applied a customised OCU for this transaction. We applied the correlation uplift to the largest obligors up to a maximum of 10, instead of the standard 15, for which the aggregate notional size is in excess of 30% or any individual obligors that is at least 6.5% of the portfolio notional size. This customised approach reduced the number of obligors selected for OCU stress on probability of default. We applied the OCU correlation stress on three obligors in this portfolio.

The obligors for which we applied the OCU recovery haircut were selected using the standard approach described in the *CLOs and Corporate CDOs Rating Criteria*. One exception was made for an obligor with strong recovery prospects, indicated by the high Recovery Rating assigned. We applied the OCU recovery rate stress on six obligors in this portfolio.

Country Risk

Assets domiciled in emerging-market countries made up 74.9% of the portfolio by outstanding balance. Fitch believes these are more susceptible to country-related risks, including deterioration in local economic and operating conditions and transfer and convertibility risks. These risks are incorporated in the credit assessment of the underlying assets, but we believe additional factors have to be considered for assigning higher ratings to the notes.

Fitch applied a customised approach to address country-related risks instead of imposing rating caps to the rated notes since the portfolio's exposures are spread among lower correlated regions and countries, according to our *Structured Finance and Covered Bonds Country Risk Rating Criteria*. Fitch assesses the geographical concentration risk using country coverage matrices, which assesses whether the portfolio default rate at each rating case is sufficient to cover the exposure when all assets in certain countries are assumed to default.

For example, the 'AAAsf' rating case portfolio RDR must be sufficient to cover the highest default exposure among the following cases, where the country cap is, according to the *Structured Finance and Covered Bonds Country Risk Rating Criteria*, defined as the lower between the sovereign's Local-Currency IDR, with its maximum notch uplift, and the Country Ceiling:

- All assets located in the largest one country in the portfolio with a 'AAA' or lower country cap default, and
- All assets located in the largest two countries in the portfolio with a 'AA+' or lower country cap default, and
- All assets located in the largest three countries in the portfolio with an 'A+' or lower country cap default, and
- All assets located in the largest four countries in the portfolio with a 'BBB+' or lower country cap default, and
- All assets located in the largest five countries in the portfolio with a 'BB+' or lower country cap default, and
- All assets located in the largest six countries in the portfolio with a 'B+' or lower country cap default, and
- All assets located in the largest eight countries in the portfolio with a 'CCC+' or lower country cap (including not rated) default.

Tables below show the country risk assessment in the matrix format. The number of countries where all asset domiciled in them are assumed defaulted varies by rating case. Based on the country coverage matrices, the 'AAAsf' RDR was floored at 35.1%, and the 'AA+sf' RDR was floored at 30.0%. The floored RDRs were used for cash flow analysis.

Country Risk Assessment

Rating case	**AAAsf**		
Applicable country cap at or below	Maximum no. of countries where assets are assumed to be in default	No. of countries where assets are assumed to be in default in Bayfront VII portfolio	% of portfolio assumed to be in default
AAA	1	1	15.6
AA+	2	2	23.6
A+	3	3	30.0
BBB+	4	4	35.1
BB+	5	3	13.8
B+	6	1	1.0
CCC+ or NR	8	1	1.0

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Rating case	**AA+sf**		
Applicable country cap at or below	Maximum no. of countries where assets are assumed to be in default	No. of countries where assets are assumed to be in default in Bayfront VII portfolio	% of portfolio assumed to be in default
AA+	1	1	12.1
A+	2	2	22.8
BBB+	3	3	30.0
BB+	4	3	13.8
B+	5	1	1.0
CCC+ or NR	6	1	1.0

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd., Clifford Capital Markets Pte. Ltd.

Cash Flow Analysis

Fitch used a customised proprietary cash flow model to reflect the principal and interest priority of payments, as well as the various structural features of the transaction, and to assess their effectiveness, including the structural protection provided by excess spread diverted through the overcollateralisation (OC) and interest coverage (IC) tests. Each model run considers nine stress scenarios to account for different combinations of default timings and interest rate stresses. The cash flow model was run using the PCM outputs for the initial portfolio, with floors on the portfolio default rates applied according to the Country Risk section above.

Break-Even Default Rates – Initial Portfolio

(%)	Class X	Class A
Break-even default rate	87.4	30.6
PCM hurdle default rate (RDR)	35.1	35.1
Assumed recovery rate (RRR)	28.7	28.7
CE	30.00	30.00
Default cushion	52.3	-4.5
Model-implied rating (MIR)	AAAsf	AA+sf

Source: Fitch Ratings

Fitch believes the notes can withstand an elevated level of defaults and low recoveries. We use this, as well as other factors such as the extent of the cushion, in analysing the initial portfolio and the strong performance in our sensitivity scenarios.

The model-implied rating of the class A note at the initial point selected is 'AA+sf', without modeling the post-acceleration priority of payments. However, Fitch determined that the incentive and likelihood of the controlling class A noteholders directing the trustee to declare an event of default following a non-payment of interest on class B are high. After an event of default is declared, available funds from enforcement would be applied to pay down class A principal before class B interest, which would lead to class A passing the 'AAAsf' rating case stress.

In addition, we expect the scheduled principal amortisation of the portfolio assets to pay down the rated notes sequentially, and the CE level of class A to increase over time. We therefore applied a one-notch upward deviation from the model implied rating of 'AA+sf' and assigned 'AAAsf' for the class A notes. The final rating on class X is equal to its model-implied rating.

Final Rating Sensitivity

Rating Sensitivity on Initial Portfolio

	X	A
Target rating	AAAsf	AAAsf
Default probability (DP) - 125% DP multiple	AAAsf	AA+sf
Default probability (DP) - 150% DP multiple	AAAsf	AA+sf
Recovery rates (RRs) - 75% RR multiple	AAAsf	AA+sf
Recovery rates (RRs) - 50% RR multiple	AAAsf	AAsf
Combined stress - 125% DP multiple and 75% RR multiple	AAAsf	AA+sf
Combined stress - 150% DP multiple and 50% RR multiple	AAAsf	AA-sf
Combined stress - 75% DP multiple and 125% RR multiple	AAAsf	AAAsf

Note: class A sensitivity ratings may include the one-notch upward deviation from the MIR if the post-acceleration waterfall in the sensitivity scenario indicates a higher passing rating than the MIR.
Source: Fitch Ratings

The Rating Sensitivity section provides insight into the model-implied sensitivities the transaction faces when one assumption is stressed, while holding others equal. The modelling process uses the estimation and stress of these variables to reflect asset performance in a stressed environment.

The Rating Sensitivity section provides insight into the model-implied sensitivities the transaction faces when one assumption is stressed, while holding others equal. The modelling process uses the estimation and stress of these variables to reflect asset performance in a stressed environment. The results below should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors. It should not be used as an indicator of possible future performance.

No change or positive change
Negative change within same category
-1 category change
-2 category change
-3 or larger category change
See report for further details

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Variability in key model assumptions, such as decreases in recovery rates and increases in default rates, could result in a downgrade. Fitch evaluated the notes' sensitivity to potential changes in these metrics. The sensitivity ratings shown above, which may include the one-notch uplift over the MIR for class A if the post-acceleration priority of payments indicates a higher passing rating than the MIR, are stable for class X, but are less stable, between 'AA-sf' and 'AA+sf', for class A.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Upgrade scenarios are not applicable to the class X and A notes as these notes are in the highest rating category of 'AAAsf'.

Transaction Structure

The transaction is a CLO backed by a portfolio of senior project finance and corporate infrastructure loans and bonds across multiple jurisdictions and sectors. The issuer is a bankruptcy-remote, special-purpose vehicle incorporated and organised under the laws of Singapore. The issuer has entered into purchase and sale agreements with Clifford Capital Asset Finance Pte. Ltd. (CCAF) and Clifford Capital Credit Solutions Pte. Ltd., both of which are affiliates of CCH, to acquire the underlying portfolio; 81.2% of the portfolio was acquired by novation or transfer, while the remaining was acquired through the participation agreements between CCAF and the relevant participating lender on record.

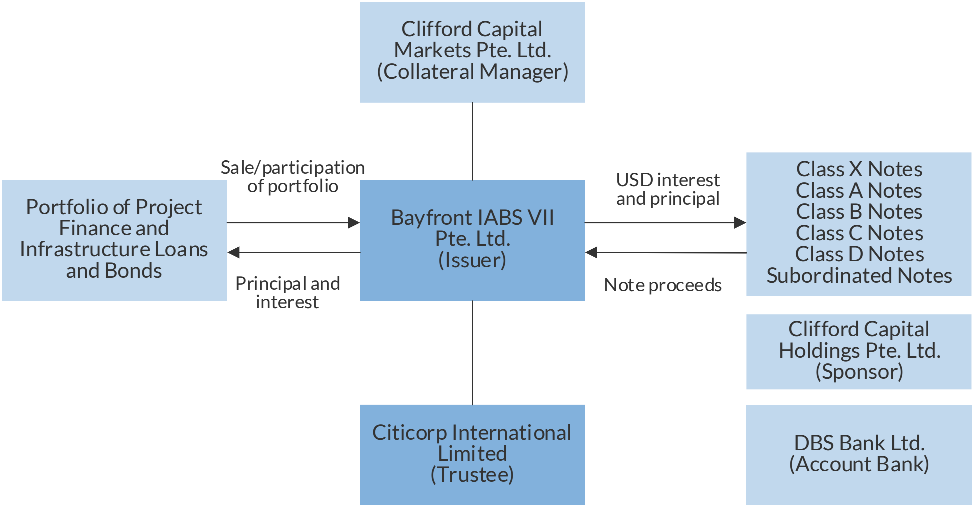
The issuer has issued five classes of US dollar floating-rate notes - class X, A, B, C and D - and an equity tranche in the form of US dollar subordinated notes. The rated notes are secured by the underlying portfolio of assets. Payments to the notes will be made semi-annually or quarterly following a payment frequency switch event. The structure allows an option for the collateral manager to change the payment frequqency to quarterly, if the quarterly paying obligations exceed a certain proportion in the portfolio.

Non-payment of interest on class X, A or B notes will constitue an event of default, while the interest on class C and D notes are deferrable up to the legal final maturity so long as there are more senior tranches of notes outstanding. The notes will be redeemed on legal final maturity, unless redeemed earlier.

The collateral manager manages the portfolio on behalf of the noteholders, including monitoring the credit performance of the portfolio, purchase and dispositon of assets.

The transaction features a three-year replenishment period, during which the proceeds from full prepayments and sale of disposed assets from the portfolio can be used to purchase assets to replenish the portfolio. The collateral manager can alternatively distribute the proceeds to the noteholders according to the priority of payments.

Structure Diagram



Source: Fitch Ratings, transaction documents

Overcollateralisation Test and Interest Coverage Test

The transaction features OC and IC tests to divert the excess spread away from the junior tranches to protect the more senior tranches. Failure of an OC or IC test will result in interest or principal proceeds, where applicable, being diverted to redeem the notes sequentially to the extent that the OC and IC levels are maintained above the documented thresholds. The OC tests are effective from the first payment date while IC tests are effective from the second payment date.

The OC ratio is calculated by dividing the adjusted collateral principal amount, after taking into account certain haircuts as per below, by the sum of outstanding principal amount of the applicable class of notes and all classes senior to such class. The IC ratio is calculated by dividing the interest collections prior to the next payment date minus any senior expenses, collateral management base fee and interest due to bridge facility provider by the interest due and payable to the applicable class of notes and all classes senior to such class.

Coverage Tests

Test	Trigger (%)	Cushion (%)
OC		
Class A/B[a]	112.7	5.0
Class C	105.9	4.0
Class D	103.8	1.5
IC[b]		
Class A/B[a]	110.0	N.A.
Class C	102.5	N.A.
Class D	N.A.	N.A.
Event of default OC		
Par value event of default[c]	102.5	15.2

[a] For the avoidance of doubt, amounts owing to class X are also included in the denominator of the test ratio of class A/B.
[b] Not applicable until the determination date prior to the second payment date.
[c] Calculated as class A OC ratio (with no haircuts to deferring or discount or 'CCC' obligations and no principal-financed accrued interest; defaulted obligations included at market value). If an event of default occurs based on the par value event-of-default trigger, holders of at least a majority of the outstanding class A notes may direct the enforcement of the transaction.
Source: Bayfront IABS VII Pte. Ltd.

Key OC Test Haircuts

Asset type	Haircut description
Defaulted and deferring obligations	Defaulted assets are included at the lower of their (i) Fitch collateral value[b], and (ii) Moody's collateral value. However, defaulted assets held for more than three years after default are included at zero.
Excess 'CCC' obligations	The greater of assets (a) rated 'Caa' and below by Moody's in excess of 10.0% of the collateral principal amount and (b) rated 'CCC+' and below by Fitch in excess of 10.0% of the collateral principal amount are included at market value.
Long-dated obligations	Long-dated obligations are included at the lesser of (i) liquidation value[a], and (ii) market value.

[a] Liquidation value means the lower of (i) with respect to any long-dated obligation: (a) 90% (or 80% for a debt security) of its principal balance, where its stated maturity is less than or equal to six months beyond the legal final maturity of the notes; (b) 80% (or 75% for a debt security) of its principal balance, where its stated maturity is more than six months but less than or equal to 12 months beyond the legal final maturity of the notes; (c) 70% (or 50% for a debt security) of its principal balance, where its stated maturity is more than 12 months but less than or equal to 24 months beyond the legal final maturity of the notes; and (d) 50% (or 25% for a debt security) of its principal balance, where its stated maturity is more than 24 months beyond the legal final maturity of the notes, and (ii) the lower of (x) Fitch collateral value and (y) 70% of the collateral market value.
[b] Fitch's collateral value means the lower of the collateral market value and the asset-specific recovery rate published or communicated by Fitch to the issuer or the collateral manager multiplied by the principal balance of the asset. Where no asset-specific recovery rate is provided to the collateral manager by Fitch, the mid-point of the Fitch-assigned Recovery Rating of the asset is assumed as the Fitch recovery rate.
Source: Bayfront IABS VII Pte. Ltd.

Simplified Pre-Acceleration Interest Priority of Payments

1	Taxes and senior expenses up to the expense cap
2	Any supplemental amount to the reserve account up to the reserve cap amount at the direction of the collateral manager
3	Collateral management base fee due to the collateral manager
4	Any accrued upfront fee, commitment fee or interest under the bridge facility
5	Pari-passu to pay (1) class X interest, (2) class A interest, and (3) any amounts scheduled to be paid to the hedge counterparty and termination payments in connection with any priority hedge termination events[a]
6	Class B interest
7	If either of the class A/B IC or OC test is not satisfied, to redeem the notes sequentially from class X to D to the extent necessary to restore the compliance with such tests
8	Class C interest[b]
9	If either of the class C IC or OC test is not satisfied, to redeem the notes sequentially from class X to D to the extent necessary to restore the compliance with such tests
10	Class C deferred interest
11	Class D interest[b]
12	If the class D OC test is not satisfied, to redeem the notes sequentially from class X to D to the extent necessary to restore the compliance with such test
13	Class D deferred interest
14	Collateral management subordinated fee due to the collateral manager
15	Remaining expenses beyond the expense cap that are still unpaid
16	To pay any deferred collateral management fee not yet paid to the collateral manager
17	To pay the hedge counterparty any amounts not yet paid pursuant to 5 above
18	Any residual amount to the subordinated notes

[a] Termination payment arising from (a) the SPV being the sole defaulting party, (b) bankruptcy, dissolution or insolvency with respect to the SPV being the sole defaulting party, (c) the liquidation of the portfolio due to an event of default, and (d) a change in law after the issue date, which makes it unlawful for the SPV to perform its obligations under the hedge agreement.
[b] Excluding deferred interest but including interest on deferred interest
Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd.

Simplified Pre-Acceleration Principal Priority of Payments

1	To pay the amounts not yet paid in steps 1 to 13 in interest priority of payments
2	On and from the second payment date, to make principal repayments on the bridge facility until fully repaid
3	To repay the class X notes in an amount equal to the class X principal amortisation amount[a]
4	On a redemption date or a special redemption date, make payments on the notes in accordance with the notes' principal payment sequence
5	During the replenishment period, apply the replenishment proceeds to acquire replenishment collateral
6	To repay the notes sequentially from class X to D
7	To pay the amounts not yet paid in step 14 to 17 in interest priority of payments
8	Any residual amount to the subordinated notes

[a] Class X principal amortisation amount means, for each payment date starting from the first payment date, the lessor of (a) the principal amount outstanding on class X notes and (b) the principal proceeds remaining for such payment date after application of the amounts referred to in steps 1 and 2 in principal priority of payments.
Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd.

Simplified Post-Acceleration Priority of Payments

1	Taxes and senior expenses up to the expense cap
2	Collateral management base fee due to the collateral manager
3	Any accrued upfront fee, commitment fee or interest under the bridge facility
4	Bridge facility principal until fully repaid
5	Any amounts scheduled to be paid to the hedge counterparty and termination payments in connection with any priority hedge termination events
6	Class X and A interest pro rata and pari passu
7	Class X and A principal pro rata and pari passu until full redemption
8	Class B interest
9	Class B principal until full redemption
10	Class C interest and deferred interest
11	Class C principal until full redemption
12	Class D interest and deferred interest
13	Class D principal until full redemption
14	Remaining expenses beyond the expense cap that are still unpaid
15	To pay any deferred collateral management fee not yet paid to the collateral manager
16	To pay any collateral management fee not yet paid to the collateral manager, and any amounts that are not yet paid pursuant to 1 above
17	To pay the hedge counterparty any amounts not yet paid pursuant to 5 above
18	Any residual amount to the subordinated notes

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd.

Reserve Account

The transaction features a reserve account in the name of the issuer and held by the account bank to be used for payment of transaction closing costs and ad hoc administrative expenses, and not for reserving of interest or liquidity amounts. On the issue date, the issuer has deposited into the reserve account an amount equal to the reserve account cap. The collateral manager has the discretion to increase the balance on the deposit in the reserve amount up to the reserve account cap.

Payment Frequency Switch Event

A payment frequency switch event can be declared to change the payment frequency of the notes to quarterly after taking into account the proportion of the obligations in the pool that are paying quarterly (i) at the collateral manager's discretion, or (ii) if (a) the aggregate principal balance that are quarterly paying is greater than or equal to 80% of the aggregate principal balance and (b) the class A/B IC coverage ratio is less than 100%, both (i) and (ii) subject to the condition that a rating agency confirmation has been received. The mechanism helps mitigate the cost of negative carry arising from payment frequency mismatch between assets and liabilities when the quarterly paying obligations in the pool become excessive.

Notes' Early Redemption

The transaction has a three-year non-call period, and following the expiry of the non-call period the subordinated noteholders have the option to redeem all the outstanding class X through D notes. The collateral manager can also redeem the senior notes (i) at any time after the three-year non-call period if the principal amount falls below 15% of the initial par amount of the pool or (ii) after an occurrence of a tax event on any payment date. Fitch analyses the transaction up to the legal final maturity of the transaction.

Rating Confirmations

Fitch is not a transaction party and has no obligation to provide rating confirmations. We will continue to exercise our discretion in choosing to issue a rating confirmation or otherwise. Where relevant to our ratings, we prefer to issue public commentary on the rating impact of the change. Fitch's approach to and concerns regarding rating confirmation are highlighted in Rating Confirmations in Structured Finance and Covered Bonds.

Disclaimer

Fitch relies in its credit analysis on legal and/or tax opinions provided by transaction counsel for the avoidance of doubt. Fitch has always made clear that it does not provide legal and/or tax advice or confirm that the legal and/or tax opinions, or any other transaction documents, or any transaction structures, are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions. dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Counterparty Risk

Fitch assesses counterparty risk under our Structured Finance and Covered Bonds Counterparty Rating Criteria to be in line with the ratings assigned based on the documentation provisions and analytical adjustments described in the following table.

Counterparty Risk Exposures

Counterparty type	Counterparty name	Minimum ratings under criteria	Minimum ratings and remedial actions Under documents	Relevant mitigants/analytical adjustments
Transaction account bank	DBS Bank Ltd.	'A' or 'F1'	'A' or 'F1': replacement within 30 calendar days	N.A.
Bridge facility provider	Clifford Capital Holdings Pte. Ltd.	'A' or 'F1'	'A' or 'F1': replacement within 30 calendar days	N.A.
Custodian	Citibank, N.A., Singapore Branch	'A' or 'F1'	'A' or 'F1': replacement within 30 calendar days	N.A.

Source: Fitch Ratings, Bayfront IABS VII Pte. Ltd.

Criteria Application, Model and Data Adequacy

Criteria Application

See page 2 for the list of Applicable Criteria.

Fitch applies the *CLOs and Corporate CDOs Rating Criteria* as our sector-specific criteria under the overarching framework provided by the Global Structured Finance Rating Criteria, which is the master criteria for the sector. The Structured Finance and Covered Bonds Country Risk Rating Criteria outlines Fitch's approach to assigning and maintaining structured finance and covered bond ratings, where the relevant sovereign's Local-Currency IDR is below 'AAA'. The remaining criteria listed under Applicable Criteria are cross-sector criteria that outline Fitch's approach to counterparty risk and interest rate change vulnerability that are relevant for the ratings.

Criteria Variations

Fitch applies an alternative approach to address the country risk of the transaction instead of applying rating caps following the approach in the *Structured Finance and Covered Bonds Country Risk Rating Criteria* for multi-jurisdictional transactions. The alternative approach is in the form of country coverage matrices, where we assess the adequacy of the modeled portfolio default rate in relation to the assumed asset default exposure in the case of sovereign defaults. The default exposure assumed varies by the country composition of the portfolio as well as the rating case (see Country Risk).

The variation was applied as the transaction's country-related risks are mitigated by the portfolio's high geographical diversification. This criteria variation resulted in lifting the 'BBBsf' rating cap on the notes, which would have been imposed by applying the criteria without the variation. Fitch conducted a forward-looking analysis that confirmed the note ratings assigned are resilient against expected increasing country concentration over time.

In addition, variations from the *CLOs and Corporate CDOs Rating Criteria* were adopted for the analysis of the project finance CLO transaction.

We first modified the application scope of the OCU stress. We applied the correlation uplift to the largest issuers up to a maximum of 10 (instead of 15 as the standard approach in the criteria) for which the aggregate notional size is in excess of 30%. This resulted in applying the correlation uplift stress to three instead of seven large obligors in the portfolio. In addition, we exempted one asset from being applied the OCU recovery haircut given its strong recovery prospects. This reflects Fitch's view that the concentration risks in this pool are mitigated by the portfolio's higher credit quality and global diversification, the structural features of project finance loans supporting liquidity as well as Fitch's full coverage of credit assessments on the underlying assets.

Fitch then assumed the recovery rates for the portfolio's project finance assets based on the observed long-term recovery level in project finance defaults for the 'BBsf' rating case, unless the assigned Recovery Rating indicates a particularly weak recovery prospect, in which case Fitch's recovery assumption at 'BBsf' is based on the assigned Recovery Rating. This is a variation from the criteria where Fitch typically assumes the 'BBsf' recovery rate based on the Recovery Ratings, which includes country-specific Recovery Rating caps. This reflects the observation that recovery rates historically realised on project finance defaults have been robust through economic cycles and have shown limited difference across regions and countries at varied levels of development.

Thirdly, Fitch applied the same recovery rate tiering assumptions for assets located in Group 1, 2 and 3 countries. This deviates from the standard approach on corporate CLOs where Fitch applies deeper recovery haircuts on assets domiciled in Group 3 countries, most of which are emerging markets. This criteria variation was used based on our observation that recovery rates on infrastructure loan defaults have been highly consistent between developed and emerging markets.

Fourthly, Fitch did not apply the default correlation uplift for assets domiciled in emerging markets, considering the relatively small difference in historical default rates between developed and emerging-market assets.

The four variations from the *CLOs and Corporate CDOs Rating Criteria* resulted in the model-implied ratings of class X and A being zero and six notches, respectively, above the rating levels that exclude the variations.

Models

The models below were used in the analysis. Click on the link for the model (if published) or for the criteria for a description of the model.

Fitch Portfolio Credit Model

Global CLO Cash Flow Model

Data Adequacy

All the underlying assets or risk-presenting entities have ratings or credit opinions from Fitch. Fitch has relied on the practice of the relevant groups within Fitch to assess the asset portfolio information.

Overall, and together with any assumptions referred to above, Fitch's assessment of the information relied upon for the rating agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

Use of Third-Party Due Diligence Pursuant to SEC Rule 17g-10

Fitch was provided with third-party due diligence information from BDO USA, P.C. The third-party due diligence focused on a review of a worksheet in preparation for securitisation of the initial portfolio, based on agreed-upon procedures between the originator and the third-party due diligence provider. Fitch considered this information in our analysis, and the findings did not have an impact on our analysis or conclusions. A copy of the ABS Due Diligence Form-15E and accompanying reports received by Fitch in connection with this transaction may be obtained through the links contained on the bottom of the related rating action commentary.

Surveillance

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

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

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

Appendix 1: Origination and Servicing

CCH is the parent holding company of Clifford Capital Group, an infrastructure credit platform founded in 2012, focusing on originating, distributing, managing and investing in infrastructure debt globally with a strong public policy mandate. Clifford Capital Group is headquartered in Singapore and benefits from strong support from the Singapore government, with a policy mandate to support companies with a Singapore nexus.

The group has a long history in the infrastructure financing sector, with cumulative origination of over USD11 billion. Clifford Capital Group also has a strong record in managing infrastructure ABS programmes, with six public issues to date and a 0% loss rate.

Origination

Clifford Capital Group originates loans and bonds from two channels: direct lending and partnerships with other banks. The loans follow the same investment and due diligence process, regardless of origination channels. Clifford Capital Group has the capacity to underwrite transactions across multiple sectors, such as energy and utilities, natural resources, digital and social infrastructure, and transportation and industrial, with deep domain knowledge in each sector.

The group also partners with multiple international and regional banks to source eligible loans. It has established a take-out eligibility framework with certain banks through memoranda of understanding that stipulate the loan criteria to facilitate the process.

Loan Investment and Due Diligence

The loan investment and credit review process starts with screening for “red flags”, including background checks such as sanctions and exclusion lists. Clifford Capital Group has a list of projects that it does not participate in, such as those that deal with wildlife trade, weapons or gambling.

The process subsequently moves to the pre-screening stage, where the credit committee will examine the key characteristics and risks of the transaction presented by the deal team.

After a loan passes the pre-screening stage, the deal team will carry out a detailed due diligence on the loan, including credit and ESG factors and legal due diligence, before submitting a credit memo to the credit committee for final approval. Legal due diligence is especially important for project and infrastructure loans as it typically involves a security package. The documents may be governed by multiple laws and jurisdictions and require legal opinions from counsels. In terms of credit risk assessment, full due diligence will also be conducted on the finance agreements, project agreements, engineering, procurement and construction contracts or guarantees.

The group has implemented an approval matrix for credit or ESG events pertaining to its loan investments. In the case of a risk event, the loan transaction in question will require different levels of approval, depending on the nature of the risk and the severity of the event. The most severe would have to be scrutinised by the group risk committee.

Risk Management and Credit Monitoring

Clifford Capital Group’s credit monitoring of its loan assets is undertaken by a dedicated collateral management team, and consists of four major components - regular credit reviews, covenant monitoring, portfolio exposure analysis and reporting of any material environmental and social (E&S) incidents.

Transactions are reviewed in different formats with varied levels of frequency. Transactions are reviewed at least once every year but can be reviewed more frequently for transactions on a watch list, which are assets that are experiencing credit challenges. The format and extent of the review will depend on the credit rating of the transaction.

The collateral management team will also actively monitor all the covenants and report their compliance to the relevant credit officer monthly, with any financial covenant breaches escalated to the credit risk team as soon as the team is made aware. Any approval for covenant deferrals and waivers for any covenant breaches will need to be approved by the relevant approval authority, in line with the group’s transaction approval matrix.

Clifford Capital Group updates and reviews the overall portfolio on a regular basis to ensure that the portfolio satisfies its risk concentration policy. The group's portfolio is also tracked monthly to provide a snapshot to senior management on exposure by geography, industry, borrower or sponsor and the key credit counterparties. These exposures are then monitored against existing limits as set out in the risk concentration policy to ensure compliance, and to determine the available headroom for future transactions.

In addition, portfolio information is reported to the group risk committee on a quarterly basis. Clifford Capital Group also conducts regular portfolio stress testing to assess a company's ability to absorb losses and remain solvent in remotely possible scenarios.

Any material E&S incidents that occur at the loan assets will also be reported and escalated internally to ensure that the appropriate stakeholders are informed. In addition, the collateral management team will also follow up with the relevant obligors on remedial actions.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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