

## Widening CLO Spreads Offer Good Buys: Panelists 12/09/2008

--Leela Parker

Widening collateralized loan obligation spreads are producing investment opportunities for patient investors. AAA CLO bonds are trading at 700 basis points over LIBOR and AAs at spreads of 1400-1500 bps over the benchmark, according to panelists at the **Opal Financial** CLO summit.

In assessing opportunities, investors should look at specific managers' trading strategies over the last couple of months and in the next six months going forward, advised **Lynn Hopton**, senior managing director at **Riversource Investments**. For investors who have not played in this market, CLOs offer attractive current yields, she added.

According to panelists, U.S. pension funds are looking seriously at investing in this space. In addition, the large amounts of cash coming from widespread hedge fund redemptions will have to go somewhere and panelists said it will be brought to the table early next year.

Prudently using capital in a dislocated market can translate into opportunities, said **John Calabrese**, managing director at **Guggenheim Capital Markets**. But taking advantage of those opportunities requires "sticky" capital, or the ability to lock up capital for a few years in order to see returns on recovery, said **Steven Oh**, managing director at **AIG Investments**.