Structured Finance Watch

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EUROPEAN STRUCTURED FINANCE MONITOR

- AIG's CLO and RMF's CFO are highlights in a quiet week

Primary round-up for week of August 14

The traditional August lethargy maintained its grip on the market this week, with barely a whisper of new issue activity, which was restricted to CDOs.

On Monday AIG Global Investment Group priced **Euro-Galaxy CDO**, a EUR 383mm leveraged loan deal via Morgan Stanley. Like recent other CLOs, the deal priced fairly tight: its EUR 178.5mm 7.7-year Triple A note, for example, was talked at 3ME+24bp but printed at 22bp. And all other tranches hit price talk.

The target portfolio is 87% senior secured loans and 13% mezzanine/second lien, with 60% ramp-up expected at closing.

And pricing is likely later today (Friday) for Eurocredit CDO V, a EUR 600mm transaction for Intermediate Capital Managers Ltd, led by Goldman Sachs.

Other leveraged loan deals in the market include Investec Principal Finance's second European CLO, Gresham Capital CLO II, via CIBC, and Leveraged Finance Europe Capital IV, from BNP Paribas. Winchester Capital also has Moorgate CLO II in the market via Deutsche, and Blackstone is readying Regent's Park via JP Morgan.

Also in the pipeline is multi-manager Confluents CLO, a EUR 2.6bln transaction led by Calyon. Further details about the transaction are anticipated later this month.

Another trade to price this week was **RMF Four Seasons**, a collateralised fund obligation managed by RFM Investment Managers. Its senior tranche rated Triple A came at 3ME+37bp.

And at the start of the week pricing details emerged for Morgan Stanley's synthetic CDO of ABS, **Colonnade I**, lead managed by Bear Stearns and issued from the Aeolus CDO shelf.

The deal mimics certain aspects of cash deals such as the payment of excess spread – although as the underlying obligations are referenced synthetically the excess spread is calculated from the amounts paid by credit default swap counterparty Morgan Stanley to the issuing vehicle.

The EUR 324mm super senior swap has been initially retained, although EUR 110.5mm of credit-linked notes were sold publicly. The most senior public tranche, the EUR 49.7mm 9.05-year Triple A priced at 3ME+35bp, followed by the Double A at 53bp, the Single A at 85bp, the Triple B at 185bp and the Double B at 500bp. There was also a EUR 15.5mm sub-piece, which was 20% retained.

Colonnade 1's portfolio contains 73 assets, containing RMBS, CMBS, ABS and other CDOs. These have a BBB weighted average rating and a six year replenishment period.

Staying with CDOs, Fitch this week said its synthetic collateralised debt obligation (SCDO) has shown stable credit quality in H106. The index's Weighted Average Rating Factor (WARF) deteriorated 7% in H106, versus 8% in H105, according to the rating agency.

The index was rebalanced in July to better take into account merger activity. General Electric and Altria had been the most commonly referenced names, but these have been replaced by AT&T and Federated Department Stores as the first and second most commonly seen names in the index. VNU remains the most common speculative-grade name.

The index remains focused on the US banking and finance entities, although exposure to US autos has fallen from the fourth most referenced sector at the end of April 2006 to fifth overall at the end of July.

Telecoms' participation in the index, on the other hand, continues to grow despite this sector suffering the second highest number of downgrades in H106.

One CDO added to the pipeline this week was **Mars 2006**, a partially-funded synthetic securitisation of Dutch SME loans from ING. Marketing is expected to begin at the end of August.

The reference portfolio will likely total around EUR 4.5bln, with around EUR 500mm of funded notes on offer beneath a super senior credit default swap.

Also this week Moody's explained its reasons for having put the Triple B tranches from Egg Banking credit card Pillar issues on review.

It is concerned that Egg's strategy of offering certain delinquent credit card borrowers restructured terms could make charge-offs appear lower and excess spread higher.

The tranches remain on review and more discussions are taking place between Moody's and Egg.

Primary market details for deals priced the week of August 11

14 Aug	Euro-Galaxy (AIG Global Investment Group) via Morgan Stanley					
Class	**Size**	**M/S**	**WAL**	**Legal**	**Coupon**	**Notes**
A1	EUR 178.5mm	Aaa/AAA	7.7 yrs	15 yrs	3ME+22bp	Leveraged loan CLO
A2 DD	EUR 88.0mm	Aaa/AAA	7.7 yrs	15 yrs	3ME+24bp	comprises an expected 87%
B1	EUR 16.0mm	Aa2/AA	9.8 yrs	15 yrs	3ME+38bp	senior loans and 13%
B2 FXD	EUR 12.0mm	Aa2/AA	9.8 yrs	15 yrs	4.6034	mezzanine/second lien
C	EUR 23.0mm	A2/A	10.5 yrs	15 yrs	3ME+60bp	loans with 60%
D	EUR 13.0mm	Baa2/BBB	10.8 yrs	15 yrs	3ME+150bp	ramp-up expected on
E	EUR 13.5mm	Ba2/BB	11.1 yrs	15 yrs	3ME+380bp	closing.
Sub	EUR 36.5mm	NR/NR	NA	15 yrs	Residual	
16 Aug	**RMF Four Seasons**					
Class	**Size**	**S/M/F**	**WAL**	**Legal**	**Coupon**	**Notes**
S	EUR 23.5mm	AAA/Aaa/AAA	5y	2013	3ME+37bp	Collateralised fund obligation. There is
M1	EUR 18.8mm	AA/Aa1/AA+	5y	2013	3ME+70bp	EUR 141mm credit facility available to
M2	EUR 11.75mm	A/Aa3/A	5y	2013	3ME+110bp	purchase shares (EUR 117.5mm) and
M3	EUR 16.45mm	BBB/Baa1/BBB	5y	2013	3ME+210bp	pay interest (EUR 23.5mm).
P1	EUR 17mm	nr		2013	n/a	
P2	EUR 30mm	nr			n/a	

Ratings news for August 16

Issuer	Class(es)	Agency	From	To	Comment
Illiad Investment Series 1	A, B, C	Fitch	AAA, AA+, A	AAA, AAA, AAA	Seasoning has increased and credit quality
Illiad Investment Series 3	A, B, C	Fitch	AAA, AAA, A-	AAA, AAA, AA	remained stable.

Near-term ABS/MBS/CDO pipeline

Type	Deal description
ABS	**Chapel 2006-1** EUR 550mm Dutch consumer loan ABS via Merrill
ABS	**Russian Standard Bank** USD 400mm auto loan ABS via HVB/JPM
ABS	**GRTN** Italian electricity fee payments
CMBS	**IXIS CIB** EUR 436mm Italian CMBS on two loans via IXIS CIB
CMBS	**Windermere** Lehman EUR 1-1.5bln German multi-family CMBS expected autumn
RMBS	**Alliance & Leicester** UK RMBS via Barclays/Citigroup
RMBS	**Douro 2** Portuguese RMBS planned for after summer by Banco BPI
RMBS	**Lloyds** UK RMBS expected later this year
CDO	**Angel Court** synthetic corporate CDO for JPM AM readying via Calyon
CDO	**Confluents** EUR 2.6bln multi-originator leveraged loans CLO via Calyon
CDO	**Daphne Finance II** partially-funded balance-sheet synthetic CLO for Calyon
CDO	**Dekania CDO II** EUR300mm insurance exposure CDO via Merrill Lynch
CDO	**Eurocredit CDO V** EUR 600mm leveraged loan CLO for Intermediate Capital
CDO	**Euro-Galaxy CLO** EUR 350mm leveraged loan CLO for AIG via MS
CDO	**Gresham Capital CLO II** EUR 300mm lev loan CLO for Investec via CIBC
CDO	**Leveraged Finance Europe IV** EUR 276.8mm lev loan CLO via BNP Paribas
CDO	**Lusitano SME** EUR 800mm+ Portuguese SME deal for BES
CDO	**Mars 2006** EUR 4.5bln partially-funded synthetic Dutch SME CDO from ING
CDO	**Moorgate CLO III** EUR 500mm leveraged loan CLO from Winchester Capital via DB
CDO	**Regents Park** EUR 500mm lev loan CLO for Blackstone via JP Morgan
CDO	**Sciens CFO I** Collateralised fund obligation from Sciens via Bear Stearns

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