



Setting up and Managing a CLO Platform

June 2026

Setting up a CLO platform takes expertise, patience and capital

This CLO Insights piece deals with the benefits and challenges of setting up and growing a CLO business.

The Debut Issue

The main challenge facing a debut CLO manager is that there is no track record. Some Investors' internal policies even restrict them from investing in a debut CLO because of this problem. It is arguably safer to invest in an established CLO manager where performance has been proven over multiple cycles.

However, debut CLO managers often bring a number of benefits for Investors, including:

- A fresh perspective on credit
- Absence of troubling legacy assets
- A clear focus on sustainability
- Greater agility in managing assets
- Up to date systems
- Increased competition for incumbents
- More choice for investors.

Those Investors that can invest with a debut CLO manager rightly want to see a fully resourced team, established infrastructure and a well thought out investment strategy. Investor diligence includes:

- The skills and experience of the team
- The robustness of the investment process
- Compliance with the Risk Retention regulations (see [CLO Insights: Risk Retention Deep Dive](#))
- Appropriate regulatory approval
- Access to collateral
- Trading skills
- Financial viability of the CLO Manager in the early years

Investors will generally seek a premium return for their investment in a debut CLO manager to compensate for the extra work involved and the relative lack of liquidity of their investment. They can also often negotiate other terms to their advantage.

From a CLO Manager's perspective, managing a CLO comes with a range of additional requirements compared to managing a loan portfolio in the ordinary course. In addition to managing the credit risk and performance of the portfolio, a CLO manager must also monitor compliance with the various asset eligibility criteria, portfolio concentration tests and rating agency requirements that come with a CLO Platform.

The CLO manager therefore needs to hire staff with the required expertise and build the necessary infrastructure (see [CLO Insights: The Cast](#)).

New CLO managers also require significant equity support. The bank providing the warehouse financing ahead of CLO issuance will require the CLO manager to provide, or source investors in, the subordinated warehouse debt. In addition, under the EU and UK securitisation regulations, the originator, sponsor or original lender to a securitisation transaction must retain a 5% economic interest during the life of the CLO. For new managers without substantial capital, this can be a barrier to entry and growth.

It is not until the CLO platform has reached critical mass at ca. €1+ billion AUM that the Collateral Management fees are sufficient to cover the initial investment and pay the running costs.

Scalability

There are notable scale benefits to Investors and Managers as a CLO Platform grows:

- The track record becomes established
- The portfolio broadens as more approved assets are brought onto the platform
- The CLO notes have more liquidity
- The Investor base grows
- Liability pricing is more competitive
- Only incremental increases in personnel are needed as the platform grows
- Overheads are shared across more CLOs
- The platform becomes a more meaningful counterparty to arrangers
- Long term revenue base for the Manager (to compensate for the initial investment)

Additional Diligence

As a CLO Platform grows, Investors should be asking some additional questions:

- Consistency of strategy
- Cadence of issuance
- Recruitment and retention of staff
- Impact of new technology
- Allocation and overlap between CLO portfolios
- Position sizes across the platform
- Par Build
- Access to collateral
- Cash management
- Reduced flexibility
- Asset monitoring
- Timely reporting
- Operational capabilities

Conclusion

New CLO Managers need to be prepared to invest for the long term in order to build a CLO Platform. They need to offer a credible investment proposition to initial Investors and demonstrate sustainable long-term performance to attract new investors and grow the platform.

Produced in association with Weil, Gotshal & Manges (London) LLP.



Contact Us



Rob Reynolds

Managing Director

Head of CLO

Pemberton Capital Advisors LLP

rob.reynolds@pembertonam.com

T: 020 3841 8358

M: +44 (0)770 6338 302

Disclaimer

This document is intended only for the person to whom it has been delivered and is solely for discussion / information purposes.

Any third-party information (including any statements of opinion and/or belief) contained herein is provided by Pemberton Capital Advisors LLP ("we", "our" or "us") and has not been independently verified.

Statements of opinion, market or performance information and any forecasts or estimates contained in this document are prepared on the basis of assumptions and conclusions reached and are believed to be reasonable by us at the time.

No representation, warranty, assurance or undertaking (express or implied) is given (and can therefore not be relied upon as such), and no responsibility or liability is or will be accepted by us or any of our affiliates or our respective officers, employees or agents as to the adequacy, accuracy, completeness or reasonableness of the information, statements and opinions expressed in this document. Any opinions expressed in this document do not constitute legal, tax or investment advice and can therefore not be relied upon as such. Please consult your own legal or tax advisor concerning such matters.

The information contained in this document (which does not purport to be comprehensive) is believed to be accurate only at the date of this document and does not imply that the information herein is correct at any time subsequent to the date hereof and such information is subject to change at any time without notice. The views expressed herein are subject to change based on market and other conditions and we give no undertaking to update the information, to reflect actual events, circumstances or changes in expectations or to provide additional information after its distribution, even in the event that the information becomes materially inaccurate.

The recipient acknowledges and agrees that no person has, nor is held out as having, any authority to give any statement, warranty, representation, assurance or undertaking on our behalf. No part of this document may be reproduced in any manner without our written permission.

This document has been prepared and issued by Pemberton Capital Advisors LLP. Pemberton Capital Advisors LLP is authorised and regulated by the Financial Conduct Authority ("FCA") and entered on the FCA Register with the firm reference number 561640 and is registered in England and Wales at 5 Howick Place, London SW1P 1WG, United Kingdom. Registered with the US Securities and Exchange Commission as an investment adviser under the U.S. Investment Advisers Act of 1940 with CRD No. 282621 and SEC File No. 801-107757. Tel: +44(0) 207 993 9300.

The information in this document does not constitute legal or other professional advice of Weil, Gotshal & Manges (London) LLP.

www.pembertonam.com

Pemberton is a registered trademark. © Pemberton