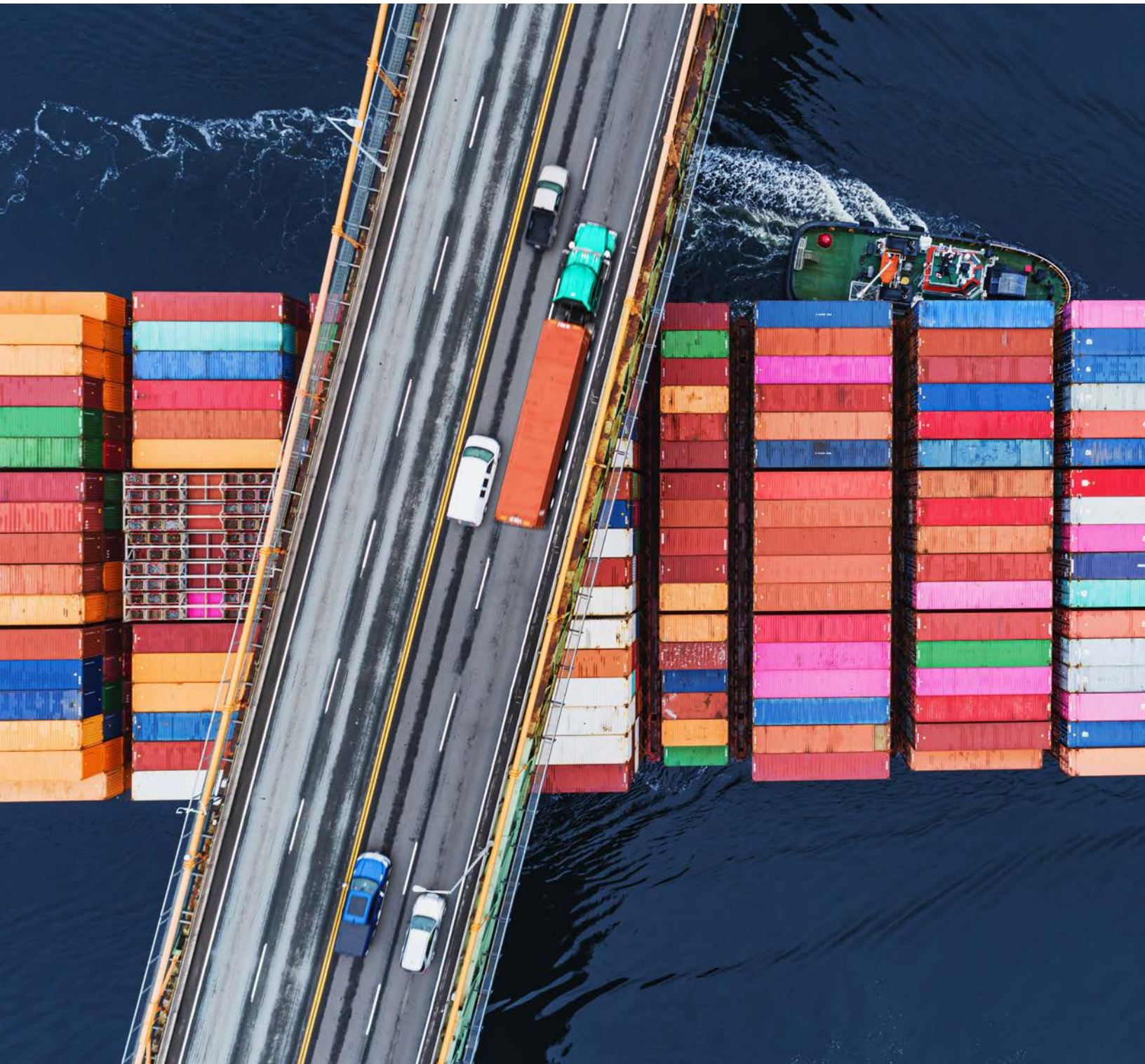
CIBC

CIBC ASSET MANAGEMENT

CIBC Income Advantage Funds

Gain an advantage with high-quality CLOs



The opportunity in collateralized loan obligations

What is a CLO?

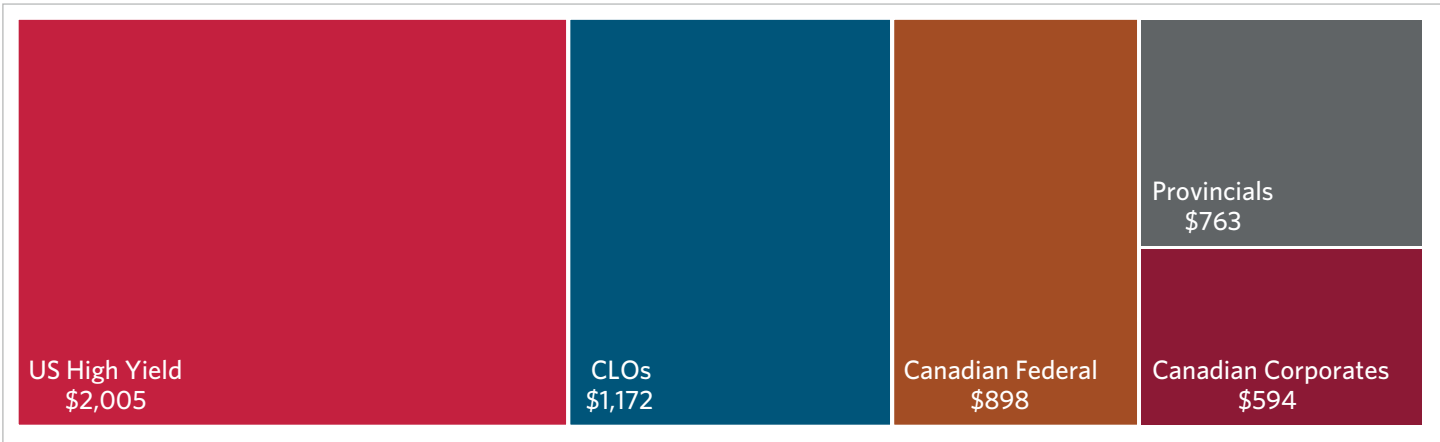
A Collateralized Loan Obligation (CLO) is a financial instrument that pools corporate senior loans into a single package. CLOs are divided into layers known as tranches, each with different levels of risk and return.

High quality CLOs are simply combined portfolios of loans made to some of the largest and mid-sized companies in the US. CLOs represent a $1.2 trillion dollar market, bigger than Canadian Government, Provincial and Corporate bonds. CLOs are offered across the quality spectrum, but the majority are AAA rated securities, representing about 60% of the entire CLO market.

Size of CLO market compared to more familiar bond markets

(in billions)

While the CLO market may be less familiar to retail investors, it is a significant and well-established segment of the financial landscape, surpassing the size of many traditional bond markets.



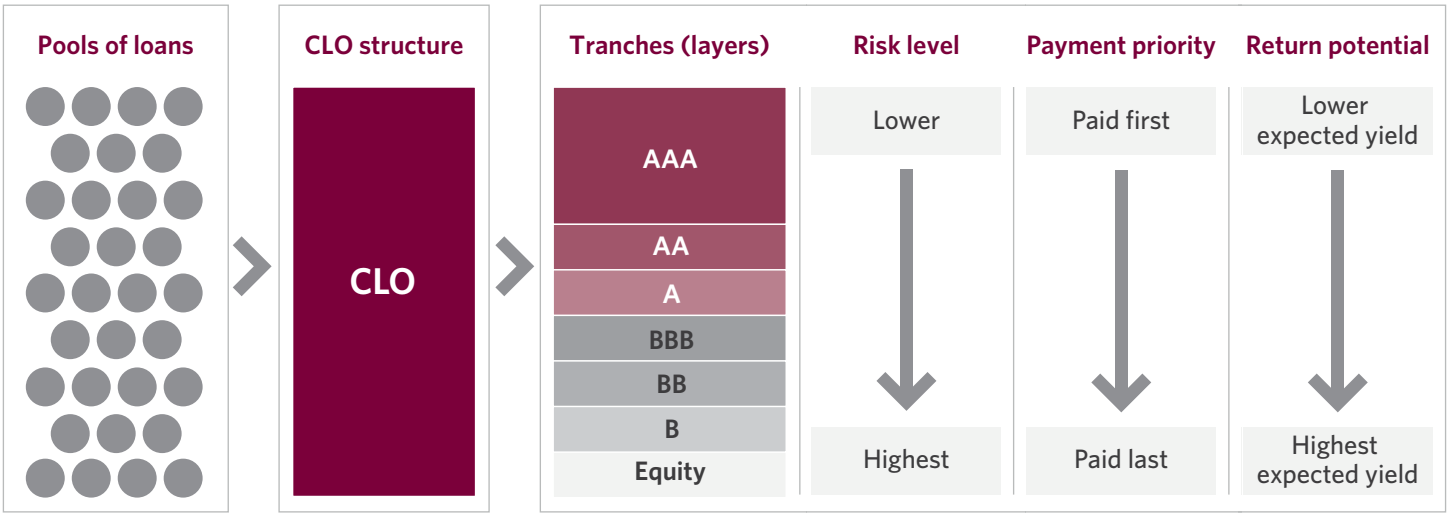
Source: JPMorgan, Bloomberg

Based on market value, Canadian dollar equivalents

As of February 2025

Structure of CLOs

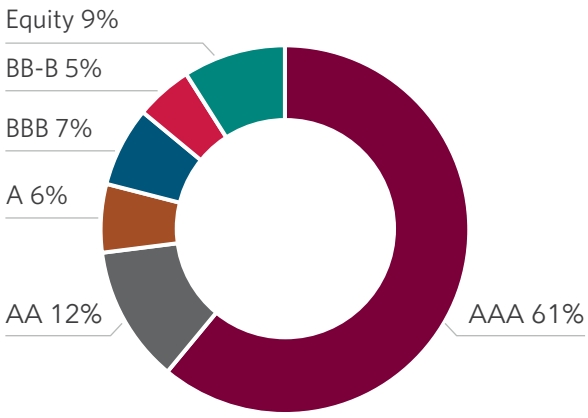
CLOs consists of a portfolio of many loans from various borrowers. These loans generate cash flows that form the CLO structure. Tranches represent varying levels of risk and return, with each tranche having a specific payment priority. This layered approach offers diverse investment options for different risk tolerances. Payments are made sequentially in a waterfall process, with tranches arranged from lowest to highest risk.



For illustrative purposes only; not intended to describe any specific CLO.

It is important to note that CLOs are rated by credit rating agencies, which assess the likelihood of default on the underlying loans. Higher-rated tranches, such as AAA, indicate lower default risk, while lower-rated tranches carry higher risk but also the potential for greater returns.

Market breakdown by size and credit quality



In the CLO market, AAA-rated tranches account for approximately 61% of the overall market share, underscoring a strong demand for high-quality investments. The emphasis on AAA-rated tranches highlights the market's focus on stability and reliability, making them an attractive option for investors looking to diversify their portfolios with secure income streams.

Source: JPMorgan

Based on market values - As of February 2025

Why invest in CLOs

Access to a distinct asset class

CLOs represent a distinct asset class, offering investment opportunities that may not be available through traditional fixed-income options.

Capture higher-yield potential

CLOs provide an opportunity for higher yields compared to traditional fixed-income investments, making them an attractive option for income-seeking investors.

Floating rate advantage

Many CLOs feature floating-rate instruments that adjust to changes in interest rates, offering potential protection against rising rates and enhancing income stability.

Broad fixed income diversification

Investing in CLOs allows access to a diversified pool of senior secured loans, helping to spread risk across various sectors and reduce reliance on any single investment.

CIBC Income Advantage Funds

CIBC Income Advantage Funds aim to provide enhanced income through high-quality CLOs.

Enhance your income potential

Build a more robust income stream with the potential for higher yields in today's evolving fixed income landscape.

Access top-tier credit quality

Gain exposure to a unique asset class of predominately AAA-rated CLOs, generally considered to have strong credit quality and lower risk relative to other fixed income segments.

Mitigate interest rate risk

Focused on floating rate securities to help manage interest rate risk while seeking to provide consistent income in changing market conditions.

Strengthen your portfolio with diversification

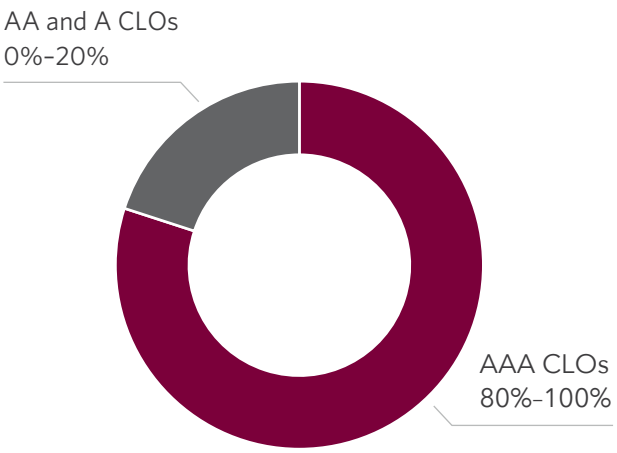
Diversify your portfolio holdings with exposure to high credit quality CLOs, offering low correlation to traditional fixed-income securities, helping to reduce volatility and enhance your portfolio's resilience over time.

Our approach to building a portfolio of CLOs

CIBC Income Advantage Funds invest in CLOs in a similar approach as large institutions, as AAA-rated CLOs are primarily held by major banks, insurance companies, and pension funds. These institutions view CLOs as high-quality income investments that provide a steady income stream, offering greater appeal than other fixed income options while mitigating credit and interest rate risks. Our strategy is the same—capturing income advantages often unavailable to individual investors.

CIBC Income Advantage Funds: CLO portfolio composition

A breakdown of our credit ratings, illustrating the range of high-quality CLO segments, primarily focusing on AAA-rated portions with exposure to AA/A-rated securities for diversification.



Discover how CIBC Income Advantage Funds can work in your portfolio

A flexible fixed income solution for different investor needs.

For income seekers:

Enhance yield potential with CLOs. CLOs can offer enhanced yield potential. Their ability to provide higher returns compared to traditional fixed income investments may be particularly appealing to those aiming to maximize their income.

Example: An investor with a portfolio of government bonds finds that by allocating a portion to this fund, they can potentially achieve higher overall portfolio income.

For cash holders:

Put idle cash to work with income-generating assets. This strategy can help generate consistent income without locking up funds, providing a flexible option for cash-heavy investors who seek better returns while maintaining liquidity.

Example: An investor has excess cash due to changing financial goals. Instead of leaving it in a low-yield savings account, they allocate a portion to this fund, earning a potential stream of income while staying liquid.

For balanced investors:

Diversify beyond traditional bonds. Accessing a broader range of fixed income assets can help manage risks and reduce overall portfolio volatility.

Example: An investor looking to balance risk and return may consider adding this fund to a traditional stock and bond mix to create an allocation that aims to deliver both income and diversification benefits.

For growth investors:

Unlock income opportunities while managing risks. This fund can complement the growth potential of existing investments by adding another layer of diversification.

Example: An investor holding a portfolio primarily in equities is looking for ways to earn higher income without taking on excessive equity risk. By allocating a portion to this fund, they introduce an income-generating asset class that complements their long-term growth strategy.

Benefit from professional fixed income expertise

The CIBC Income Advantage Funds leverage over 50 years of experience as an active fixed income investor. Our approach to CLOs is no different; we actively manage the fund to maximize yield advantages for our clients while maintaining a highly diversified portfolio.

Our dedicated credit research team conducts independent analyses of these investments, ensuring that each investment choice meets its high-quality rating. This rigorous process reflects our commitment to delivering value and stability to our investors.

Specialist research teams dealing with duration, term structure, sector allocation, real return bonds, high-yield bonds, foreign bonds.

Dedicated credit analysis team for investment grade, CLOs, private debt, high-yield bonds, money market and preferred shares; overseen by the Credit Committee.

Collaboration with other asset class teams, leveraging expertise across the firm on capital market research, interest rates, foreign bond markets as well as the equity research.

Portfolio management

Jean Gauthier, CFA
Managing Director and Chief Investment Officer, Global Fixed Income and Equities
Joined CIBC Asset Management: 2017
Industry experience since: 1991

Sandor Polgar, CFA
Portfolio Manager
Joined CIBC Asset Management: 2023
Industry experience since: 2006

Adam Ditkofsky, CFA
Senior Portfolio Manager
Joined CIBC Asset Management: 2008
Industry experience since: 2005

Aaron Young, CFA
Executive Director and Head, Client Portfolio Management
Joined CIBC Asset Management: 2023
Industry experience since: 2010

Credit research and collateral analysis

Queenie Mak, CFA
Senior Credit Analyst
Joined CIBC Asset Management: 2022
Industry experience since: 2015

Supported by 6+ dedicated credit research professionals.

Discover if CIBC Income Advantage Funds are right for you by speaking with your licensed financial professional or visit renaissanceinvestments.ca/CLO.

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CIBC Income Advantage Fund and CIBC U.S. Dollar Income Advantage Fund, (the Funds) invest primarily in a diversified portfolio of U.S. floating-rate collateralized loan obligations (CLOs) rated AAA. The Funds intend to invest at least 80% of their assets in AAA rated CLOs (at the time of purchase) but may also invest in CLO AA and/or A rated CLO tranches (at the time of purchase). This rating does not constitute a guarantee, may be downgraded, and in stressed market environments, it is possible that even senior CLO tranches could experience losses due to actual defaults, increased sensitivity to defaults due to collateral default, and the disappearance of the subordinated/equity tranches, market anticipation of defaults, as well as negative market sentiment with respect to CLO securities as an asset class.

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