

Research-Driven Approach to AAA CLO Investing

"We're focused on credit quality, structural integrity, and portfolio durability. These principles guide every aspect of our CLO research and sets our fund apart in a competitive market." – Queenie Mak, Senior Credit Analyst, CIBC Asset Management

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It is often challenging for investors to differentiate one CLO (Collateralized Loan Obligation) fund from another. While many funds may appear similar on the surface, the quality of oversight and loan selection can vary significantly. At CIBC Asset Management, the Credit Research Team's rigorous due diligence distinguishes the CIBC Income Advantage Funds, providing investors confidence in the fund's stability and performance. Led by Trevor Bateman, CFA, CA, the team employs a disciplined research framework and professional oversight to ensure every investment aligns with the fund's objective of investing in a diversified portfolio of high-quality US floating rate CLOs.

This commitment to oversight and research is particularly important in the CLO space, where the underlying complexity can make it difficult for investors to assess risk and quality. By leveraging one of the largest credit research teams in Canada, CIBC Asset Management offers a level of scrutiny and expertise that few can match.

Three-pronged research framework

At the heart of CIBC Asset Management's approach to CLO investments is a three-pronged research framework: **top-down analysis, bottom-up analysis, and a holistic portfolio review**. This comprehensive process ensures that every investment aligns with the fund's objectives.

1. Top-down analysis

The CIBC Income Advantage Funds invest in numerous CLO funds, each holding hundreds of loans. The top-down approach starts with an evaluation of the managers of each underlying CLO fund. The team assesses their track records, institutional strengths, and ability to navigate volatile market conditions, including their performance during challenging periods such as fluctuating interest rate environments or geopolitical uncertainties. Additionally, the team ensures that CLO structures include sufficient over-collateralization, providing an added layer of security for investors.

"We evaluate individual CLO managers' track records by checking their performance on a monthly basis," Queenie explains. "We also assess their institutional strengths, such as size, scale, and platform size – generally, bigger is better. Additionally, we monitor their ability to manage times of volatility, such as during Liberation Day or the recent fluctuating interest rate environment."

2. Bottom-up analysis

While the top-down approach focuses on the broader structure and management of CLOs, the bottom-up analysis looks at individual loan portfolios. The team scrutinizes each portfolio to identify potential risks, such as lower-rated loans, and investigates the CLO manager's strategies for mitigating these risks.

"We do our due diligence to understand the CLO manager's exit strategy for these lower-rated loans," Queenie explains.

This granular level of analysis ensures that the team is not only aware of potential risks but also confident in the strategies employed by CLO managers to mitigate them.

3. Holistic portfolio review

The final layer of the research process is a holistic review of the overall portfolio. This step helps the fund avoid concentration risks and maintain diversification across borrowers, industries, and CLO managers.

By combining insights from the top-down and bottom-up analyses, the credit research team ensures that the portfolio is resilient and well-positioned to deliver stable income for investors.

“At the end of the day, we invest in CLO managers with good reputations, deep knowledge of loan markets, and strong skill sets to navigate market uncertainty,” Queenie notes.

Collaboration with portfolio management team

CIBC Asset Management’s credit research team is one of the largest in Canada, providing a significant advantage in navigating the complex CLO market. Every CLO investment undergoes a rigorous diligence process, which includes a review of underlying holdings, legal documentation, scenario simulations and other analyses. Investments that meet these standards are added to an approved list for potential inclusion in the portfolio.

The Credit Research Team actively engages with CLO managers to understand their strategies, performance, and market positioning. This hands-on approach helps identify high-quality opportunities and avoid potential pitfalls.

“Given the scale of this market and the number of issuers out there, we can actually pick and choose what makes sense for us,” explains Adam Ditkofsky, Senior Portfolio Manager at CIBC Asset Management. “Queenie has been meeting with various CLO managers, understanding their strategies, and identifying which ones are performing and which ones are not. This ensures we’re selecting the highest quality investments for our investors.”

The value of professional management

CIBC Income Advantage Funds draw upon CIBC’s 50+ years of experience as an active fixed income investor. We actively manage the fund to ensure we are maximizing the yield advantage for clients while also maintaining a well diversified portfolio. Our dedicated credit research team applies independent analysis to ensure that every investment meets the high standards required of high-quality securities.

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.



About CIBC Asset Management

At CIBC Asset Management, we believe that every customized investment solution begins with research and rigour. We specialize in a variety of investment solutions such as equities, fixed income, currency management, liability-driven investments, asset allocation, and responsible investments.

Across a spectrum of investment solutions, we commit to robust research. Dedicated sector and regional analysts focus on industry research and security-specific idea generation. Our investment professionals leverage deep and diverse expertise by sharing proprietary research across asset-class teams. By sharing insight across asset class teams, we maximize opportunities to add value to our client portfolios.

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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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