

Rating Actions Taken On Astrea IV Pte. Ltd. And Astrea VI Pte. Ltd.

December 22, 2022

Overview

- As part of our surveillance review process, we evaluated the four Astrea private equity CFO securitizations that we rate and identified Astrea IV Pte. Ltd. and Astrea VI Pte. Ltd. for further analysis.
- We upgraded Astrea IV's class A-1 bonds to 'AA- (sf)' from 'A+ (sf)', primarily due to the class A bonds being fully reserved ahead of their scheduled call date in June 2023.
- We also affirmed our rating on Astrea VI's class A-1 bonds at 'A+ (sf)', based on our views on the transaction's performance since closing and the current outlook of the private equity markets.

CHICAGO (S&P Global Ratings) Dec. 22, 2022--S&P Global Ratings today raised its rating on Astrea IV Pte. Ltd.'s class A-1 bonds to 'AA- (sf)' from 'A+ (sf)' and affirmed its rating on Astrea VI Pte. Ltd.'s class A-1 bonds at 'A+ (sf)'.

The Astrea transactions we rate are managed by Azalea Investment Management Pte. Ltd., a Singapore investment management company that invests in private equity. These transactions are collateralized fund obligation (CFO) securitizations backed by cash flows from static portfolios of limited partner interests in private equity funds, diversified by vintage, sector, geography, and strategy. We only rate the class A-1 bonds from each transaction.

As of the Dec. 14, 2022, semiannual distribution date, Astrea IV's reserve account has accumulated \$400 million, which is sufficient to redeem both the class A-1 and class A-2 bonds in full on their scheduled call date on June 14, 2023. According to the transaction documents, the issuer has a mandatory obligation to redeem the class A-1 bonds with the funds in the reserve account. Funds in the reserve account are invested in securities allowed by the transaction documents, and will not be affected by future performance of the underlying private equity funds. We analyzed the eligible temporary investments for the reserve account and minimum counterparty requirements for the currency hedges, and raised the rating on the class A-1 bonds to 'AA- (sf)' from 'A+ (sf)'.

As of the Sept. 18, 2022, semiannual distribution date, Astrea VI has reserved \$172 million since closing, exceeding the scheduled amount by approximately \$17.5 million. The excess reserve deposit was due to the satisfaction of the performance threshold for clause 13 of the priority of payments. Additional contributions to the reserve account will not reduce scheduled reserve amounts on future distribution dates. \$382 million Singapore dollars, or approximately \$285 million equivalent, is required to fully redeem the class A-1 bonds on the March 18, 2026,

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scheduled call date. Astrea VI met its performance threshold upon paying \$421 million to the sponsor on the first three distribution dates, due to strong distributions from the underlying funds since closing. However, until the reserve account meets its target of \$515 million, sized to cover both class A-1 and class A-2 bonds, the underlying private equity funds' future performance can continue to impact the transaction's ability to make future reserve deposits. Our cash flow analysis indicated weaker model implied results than those from closing, because the stronger than anticipated distributions to date could imply lower future distributions based on our datasets of J-curves derived from historical private equity fund performance. Given the current economic backdrop of higher interest rates and lower deal volume, we recognize the downside risk of lower returns and extended holding periods of underlying portfolio companies. Nonetheless, we view an affirmation of the 'A+ (sf)' rating for the class A-1 bonds as appropriate given the transaction's performance to date, reserved amount being ahead of schedule, and credit enhancement available to the class A-1 bonds.

We will continue to monitor the transactions and take further rating actions as we deem necessary.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | General: Foreign Exchange Risk In Structured Finance--Methodology And Assumptions, April 21, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009
- Criteria | Structured Finance | CDOs: CDO Spotlight: Global Criteria For Private Equity Securitization, Jan. 18, 2006

Related Research

- Global Credit Outlook 2023: No Easy Way Out, Dec 1, 2022
- Economic Outlook U.S. Q1 2023: Tipping Toward Recession, Nov 28, 2022
- Take Notes: Private Equity Collateral Fund Obligations In 2022, May 12, 2022
- Astrea IV Pte. Ltd. Class A-1 Bonds Rating Raised, Nov. 15, 2021
- Presale: Astrea VI Pte. Ltd., Feb 25, 2021
- Presale: Astrea IV Pte. Ltd., May 23, 2018

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