



Rating Action: Moody's upgrades rating on Class C Notes issued by Bayfront Infrastructure Capital III Pte. Ltd.

17 Aug 2023

Singapore, August 17, 2023 -- Moody's Investors Service has upgraded the rating on the Class C Notes issued by Bayfront Infrastructure Capital III Pte. Ltd.

The affected rating is as follows:

Issuer: Bayfront Infrastructure Capital III Pte. Ltd.

...US\$43.0 million Class C Senior Secured Floating Rate Notes due 2044, Upgraded to Baa2 (sf); previously on Sep 23, 2022 Definitive Rating Assigned Baa3 (sf)

Bayfront Infrastructure Capital III Pte. Ltd. is a project finance collateralized loan obligation (CLO) cash flow securitization. As of the end of July 2023, the CLO was backed by a US\$368 million portfolio, encompassing 27 bank-syndicated senior project finance and infrastructure loans to 25 projects across Asia Pacific, the Middle East, and South America, and US\$15 million cash.

RATINGS RATIONALE

The rating upgrade on the Class C Notes is mainly prompted by an increase in the portfolio weighted average spread (WAS) linked to the recent transition to SOFR of most of the project and infrastructure loans and an increase in the credit enhancement available to the notes.

The credit enhancement available to the Class C notes has increased to 7.41%, from 7.05% at closing. The assets comprised of project and infrastructure loans, and cash currently held which will be distributed in October 2023. The cash comes from (a) principal payment from the project and infrastructure loans since the last payment date in April 2023 and (b) unscheduled principal prepayment from early paydown of two loans. The loan redemption proceeds from the unscheduled principal collections were partially reinvested to acquire two new and related project and infrastructure loans, and acquire more of two existing project and infrastructure loans in the asset portfolio. The collateral manager will distribute the remaining balance from the loan redemption proceeds through issuer's priority of payment on the next note payment date in October 2023.

Out of 27 loans in the portfolio, 19 loans (67.44% in the portfolio) have transited to SOFR as the reference rate, compared with 11% of the initial portfolio referring SOFR at deal close. These 19 loans will apply a fixed credit adjustment spread (CAS) to their SOFR reference rate on their next respective rate reset date. The rate reset for these 19 loans will be completed by October 2023. The portfolio WAS will increase to 2.6% in October 2023, from 2.4% at closing.

The pool credit quality has remained stable. The current weighted average rating factor (WARF) of the portfolio after applying the credit estimate notching adjustments is 1078, and without adjustments is 936. At closing, the WARF with notching adjustments was 1041, and without adjustments was 901.

Moody's uses a loan-by-loan Monte Carlo simulation framework in Moody's CDOROM™ to model the portfolio loss distribution for this CLO.

The key model inputs Moody's uses in its analysis, such as par, rating factor, and the recovery rate assumptions, are

based on its published methodology and could differ from the trustee's reported numbers. In its base case, Moody's analyzed the underlying loan portfolio as having a performing par of US\$368 million, a WARF of 1078 after applying the credit estimate notching adjustments over a weighted average life of 5.4 years and a weighted average recovery rate upon default of 69% (inclusive of external credit support for covered loans).

Methodology Underlying the Rating Action:

The principal methodology used in this rating was "Project Finance and Infrastructure Asset CLOs Methodology" published in November 2021 and available at <https://ratings.moodys.com/rmc-documents/355059>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the rating:

This transaction is subject to the performance of the underlying portfolio and the credit quality of the external credit support providers and counterparties of the participation agreements, which in turn is subject to a high level of macroeconomic uncertainty. The CLO manager's investment decisions and management of the transaction will also affect the performance of the rated securities.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

Moody's either did not receive or take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in this credit rating action.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody's. While Moody's uses Due Diligence Assessment(s) only to the extent that Moody's believes them to be reliable for purposes of the intended use, Moody's does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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