

US private equity firm hires bank for its debut CLO

Greenwich-based private equity firm Littlejohn & Co is planning to make its debut as a CLO manager after forming a new dedicated performing credit group and recruiting former Bear Stearns leveraged finance professionals Scott McKay and Dennis Talley.

There has yet to be a debut CLO manager in 2015 but Littlejohn looks like breaking that sequence having hired Morgan Stanley to structure the deal, known as Wellfleet CLO 2015-1.

Littlejohn was founded in 1996 by Angus Littlejohn and Michael Klein as a private equity firm with a focus on middle-market companies. The firm then moved into credit in 2005 and now feels that it has a competitive advantage in CLO management.

“There are many headwinds facing CLO managers including regulatory constraints,” says McKay. “But we feel we are in a strong position, with support from Littlejohn and its partners, to become a regular CLO issuer.”

He explains that Littlejohn funds allocate capital to the company’s private equity and debt groups - including



Michael Klein, Littlejohn

Littlejohn’s CLO unit. The asset manager raised \$2 billion for its fifth fund last July.

In addition to this, the partners at Littlejohn have committed to investing in the equity of upcoming Littlejohn CLOs.

Littlejohn’s new credit group will cover broadly syndicated US leveraged loans and

high yield bonds and has been named Wellfleet Credit Partners. The team will consist of a dedicated group of credit analysts and portfolio managers and will also benefit from the experience of professionals working in Littlejohn’s other debt units.

Previously, McKay and Talley worked at Doral Leveraged Asset Management, where they helped the firm raise three US CLOs – the first of which priced in 2010 as one of the first CLOs to launch after the crisis.

According to Talley, the CLO market remains attractive from the standpoint of equity returns but the new Littlejohn venture will look beyond this.

“While the initial effort will focus on CLO issuance, the team will also pursue opportunities in fixed income related areas such as managed accounts,” he says.