



Insights

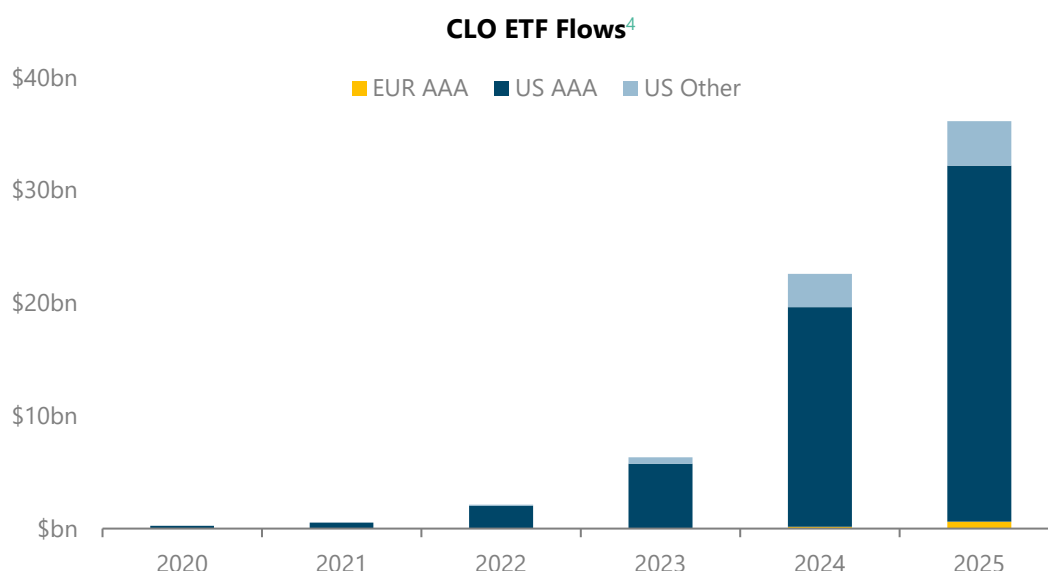
The One Year Anniversary of Europe's First CLO ETF

5 minute read, September 2025

One Year In

10th September marks the one-year anniversary of the launch of Fair Oaks AAA CLO ETF (FAAA) – the first European CLO ETF. FAAA has had a successful first year and the fund has returned 4.25% (in Euro)¹ for investors outperforming its peers.² FAAA has also been recognised by the ETF community and was awarded the New ETF Issuer Of The Year and Innovative ETF Of The Year by ETF Stream.³ FAAA has also allowed us as a team to engage with new investors and counterparties and we are appreciative of all those new connections. While it has been a remarkably busy first year, there is still further to go as we look to expand the investor base in European CLO ETFs. We believe FAAA presents an attractive opportunity and wanted to take a moment, at its one-year anniversary, to reflect on its performance and potential for growth.

Global CLO ETF AUM has grown from just \$0.1bn in 2020 to over \$35bn by August 2025. As the chart below illustrates, AAA tranches continue to dominate this expansion, now representing \$32bn of total CLO ETF assets.⁴



The US market has been the main driver, with ETFs representing c.3.4% of the \$1 trillion US CLO market and over 22% of the 2024 US AAA primary market. By contrast, European CLO ETFs remain a very small part of the market – just 0.2% of the €311 billion EU CLO market and 2.2% of the 2024 primary AAA issuance.⁴

While it is true that for now European ETFs are less exposed to inflows/outflows, CLO ETFs globally have demonstrated their ability to transact in an orderly manner during times of volatility such as during April 2025. This is because CLO ETFs, despite their meaningful size in the US fixed income ETF market, remain a small part of the overall CLO market, where other investors include large banks insurance and pension funds. For more

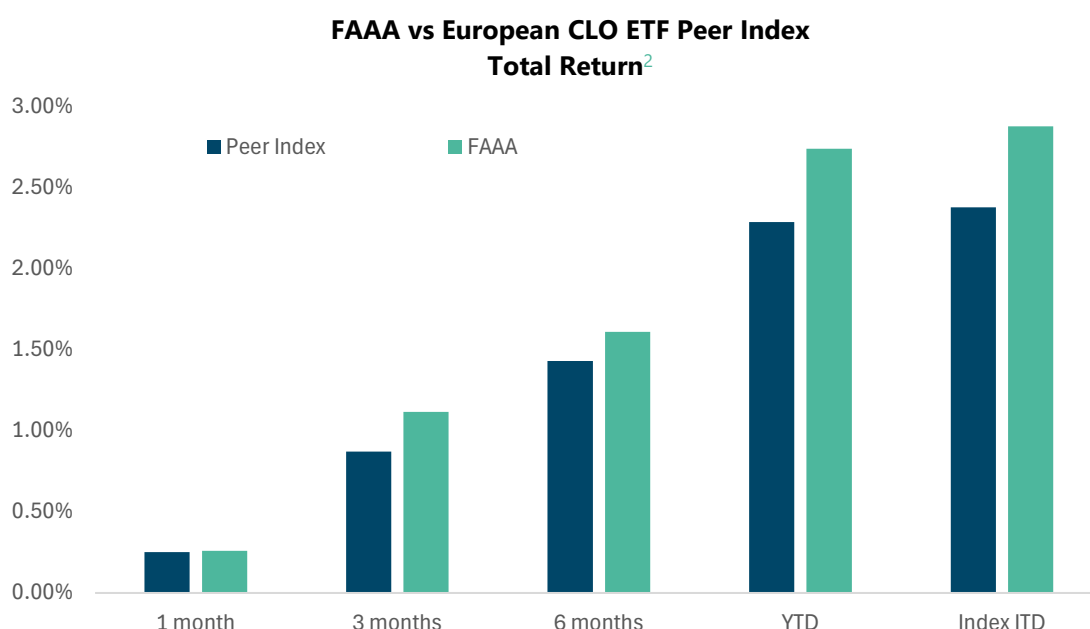
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information on this topic, please refer to Issue No. 3 of our 'CLO Investor' series: [CLO resilience amidst volatile markets](#).

We believe that European CLO ETFs should therefore be of interest to non-US investors looking to gain exposure to this investment opportunity, who are currently unable to access US CLO ETFs for reasons such as tax inefficiency or that US ETFs do not comply with EU or UK investors' risk retention obligations.

As noted above, Fair Oaks AAA CLO ETF (FAAA) has returned 4.25%¹ since inception – in line with our expectations at the time. Additionally, with the launch of competing products we're able to perform a comparison of the performance to alternatives. FAAA has delivered a +2.88% net performance since the launch of the second CLO ETF, this compares favourably to +2.38% over the same period for an index of the other European CLO ETFs.² We believe that the results reflect the benefits of a focused investment process and long-standing expertise in CLOs.



Recent moves in government bond markets add to the appeal of CLOs. Notably, since July month-end, French 10-year government bond yields widened by 25 bps while the broader Euro 10-year government bond index has widened by 11bps.⁵ By contrast, AAA CLOs – floating rate by design and backed by senior secured corporate loans – are less exposed to changes in political, fiscal or interest rate outlooks. Their resilience, combined with spreads that continue to offer attractive relative value, in Fair Oaks' opinion, makes them a compelling alternative within fixed income portfolios.

Looking ahead, the current yield on FAAA is 3.3% with a yield to maturity of 3.6%.⁶ With corporate credit spreads near all-time tights, we think it presents an attractive opportunity to earn a pickup in the current market environment. Investors who want to capture the higher base rates in other currencies can access this opportunity across currencies in a flexible and cost-effective way. Fair Oaks offers multiple currency-hedged AAA CLO ETFs: **FAAA / LA** (EUR dist.), **EAAA** (EUR acc.), **XAAA** (GBP-hedged acc.), and **UAAA** (USD-hedged acc.). All share classes provide flexible listed access to the AAA CLO market with no increase in TER or additional fees and can be transacted across a number of exchanges including the London Stock Exchange, Deutsche Borse Xetra and Borsa Italiana. Institutional investors can access Fair Oaks CLO ETFs in the primary market without zero cost for creations and redemptions, making it easy to transact or rebalance without friction.

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Taken together, the combination of limited ETF penetration in Europe, encouraging relative performance, and the return of volatility in traditional government bond markets presents a compelling case for European AAA CLO ETFs.

Thank you for all the support over the last year and we look forward to the future growth of the market.

Should you have any queries, please do not hesitate to contact us.



Endnotes

1. Fair Oaks Capital as at 10-Sep-25. Inception to date (1-year) performance, net of fees and expenses.
2. Fair Oaks Capital and Bloomberg data as at 29-Aug-25. Peer index comprised of whole European AAA CLO ETF market excluding FAAA. Peer Index performance is calculated as a weighted average. Index inception corresponds to the inception date of the oldest comparable ETF (19-Dec-2024). Performance is net of fees and expenses.
3. ETF Stream as at 29-Nov-24. www.etfstream.com/articles/etf-stream-reveals-winners-of-etf-awards-2024.
4. Fair Oaks Capital and Bloomberg data as at 29-Aug-25.
5. JP Morgan data as at 02-Sep-25. France 10 yr Mid Yield, Euro 10 yr Mid Yield.
6. Fair Oaks Capital as at 29-Aug-25. Based on the current valuation of the assets in the Fund's base currency and current rating at month-end. Due to rounding errors, the percentages in rating breakdown and geographic breakdown may not sum to 100%. Currency breakdown of CLO investments excludes cash balance.

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