CHICAGO--(BUSINESS WIRE)--Fitch Ratings expects to assign the following rating and Rating Outlook to Octagon Investment Partners XX, Ltd./LLC:

--$384,000,000 class A notes 'AAAsf'; Outlook Stable.

Fitch does not expect to rate the class B, C, D, or E notes or the subordinated notes.

TRANSACTION SUMMARY

Octagon Investment Partners XX, Ltd. (the issuer) and Octagon Investment Partners XX, LLC (the co-issuer) together comprise an arbitrage cash flow collateralized loan obligation (CLO) that will be managed by Octagon Credit Investors, LLC (Octagon). Net proceeds from the issuance of the secured and subordinated notes will be used to purchase a portfolio of approximately $600 million of primarily senior secured leveraged loans. The CLO will have a four-year reinvestment period and a two-year noncall period.

KEY RATING DRIVERS

Sufficient Credit Enhancement: Credit enhancement (CE) of 36.0% for class A notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in a 'AAAsf' stress scenario. The degree of CE available to class A notes is slightly lower than the average CE of recent CLO issuances.

'B+/B' Asset Quality: The average credit quality of the indicative portfolio is 'B+/B,' which represents somewhat higher credit quality compared to recent CLOs. Issuers rated in the 'B' rating category denote a highly speculative credit quality; however, in Fitch Ratings' opinion, class A notes are unlikely to be affected by the foreseeable level of defaults. Class A notes are projected to be able to withstand default rates of up to 58.8%.

Strong Recovery Expectations: The indicative portfolio consists of 94.2% first lien senior secured loans. Approximately 92.8% of the indicative portfolio has either strong recovery prospects or a Fitch-assigned recovery rating of 'RR2' or higher.

Consistent Portfolio Parameters: The concentration limitations and collateral quality test levels are within the range of limits set in the majority of recent CLOs. Fitch addressed the impact of the most prominent risk-presenting concentration allowances in the Fitch stressed portfolio analysis.

RATING SENSITIVITIES

Fitch evaluated the structure's sensitivity to the potential variability of key model assumptions, including decreases in recovery rates and increases in default rates or correlation. Fitch expects the class A notes to remain investment grade even under the most extreme sensitivity scenarios. Results under these sensitivity scenarios ranged between 'A+sf' and 'AAAsf' for the class A notes.

The expected ratings are based on information provided to Fitch as of July 1, 2014. Sources of information used to assess these ratings were provided by the arranger, J.P. Morgan Securities LLC, and the public domain.

Key Rating Drivers and Rating Sensitivities are further detailed in the accompanying presale report, available at ' www.fitchratings.com '.

Additional information is available at ' www.fitchratings.com '.

Applicable Criteria & Related Research:

--'Global Structured Finance Rating Criteria' (May 20, 2014);

--'Global Rating Criteria for Corporate CDOs' (Aug. 8, 2013);

--'Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds' (Jan. 23, 2014);

--'Counterparty Criteria for Structured Finance and Covered Bonds' (May 14, 2014).

Applicable Criteria and Related Research: Octagon Investment Partners XX, Ltd./LLC (US Structured Credit)

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750904

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748821

Global Rating Criteria for Corporate CDOs

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715492

Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=725537

Counterparty Criteria for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=837658