

Active ETF innovation

Shaping the future of fixed
income with senior CLO ETFs

A conversation with **Amanda Rebello** (Global Head of ETF and Index Funds Client Coverage at UBS Asset Management) and **Christopher Kempton** (Global Head of Client Portfolio Management, Credit Investments Group at UBS Asset Management) covering strategy, ETF innovation, market trends and collaborative expertise.

Authors:



Amanda Rebello

is Global Head of ETF and Index Funds Client Coverage at UBS Asset Management. Based in London, she leads global client coverage across ETF and index strategies, partnering with investment and distribution teams to deliver outcome-oriented solutions. Her focus spans product innovation, market development and regulatory-aware implementation for clients. A key voice in active ETF adoption and structured solutions, she accelerates client engagement across regions.



Christopher Kempton

is Global Head of Client Portfolio Management at UBS Asset Management's Credit Investments Group, based in New York. He joined CIG in 2018 and is responsible for originating and developing credit solutions for institutional investors globally. Prior to joining CIG, he held responsibilities across portfolio management, and product and business development for alternative investments in New York, London and Zurich. He joined Credit Suisse in 2002, and holds a B.A. in Economics from Bucknell University and an M.B.A. from London Business School. He is a CFA Charterholder and holds the CFA Certificate in ESG Investing.

Established CLO platform: One of the largest CLO investment platforms globally, with over 28 years of experience in structured and non-investment-grade corporate credit investing

Deep credit expertise at scale: 70+ front office credit professionals, with an average tenure of 17 years of industry experience across senior investment decision team members

Global credit footprint: USD 60.4 billion in credit investments globally (as of 31 December 2025)

Long-standing ETF heritage: 25 years of ETF experience, with USD 1.1 trillion in indexed assets under management¹ and 400+ UBS ETFs¹, positioning UBS as a leading Europe-based index manager

ETFs as access and transparency vehicles: ETF structures designed to deliver daily liquidity, transparency and operational simplicity, while preserving institutional investment discipline

Rethinking access to structured credit

Senior CLO tranches have long been an established component of institutional credit portfolios, valued for their structural protections and floating-rate characteristics. What is evolving today is not the asset class itself, but how investors access it. Active ETFs combine the transparency, liquidity and efficiency of the ETF structure with the flexibility of active management, enabling more effective implementation of complex credit exposures such as CLOs.

To explore this evolution in more detail, this interview brings together two UBS Asset Management leaders, Amanda Rebello and Christopher Kempton, for an in-depth conversation on senior CLO ETFs. Their perspectives highlight not only the product's design and purpose, but also the broader strategic vision behind UBS Asset Management's active ETF platform and the collaborative expertise that supports it.

1. What makes senior CLO tranches a compelling entry point for active ETF innovation?

Christopher: The global CLO market is over USD 1 trillion today, with senior tranches (AAA- and AA-rated tranches) making up around 70%–75% of the total. There are a few attributes that we think make them compelling, including their limited exposure to interest-rate fluctuations, the structural seniority of the senior tranches and the yield premium they have offered historically versus corporate bonds.

This is a large and established asset class with an active secondary market, which we think makes it an appropriate fit for an ETF wrapper. There is complexity associated with CLO structures, so having a manager with the experience and resources to analyze and manage a portfolio is key.

Amanda: From an ETF innovation perspective, the point isn't to "package complexity" but to make institutional-quality portfolio construction more accessible in a transparent wrapper. The ETF format can make implementation easier for some investors, but it also increases the importance of process – how you build, manage and risk-control the portfolio day to day. That's where active management becomes a differentiator: it gives you the flexibility to respond as market conditions change, while maintaining a consistent focus on credit quality and portfolio discipline.

2. How does the Credit Investments Group translate its 26+ years of credit experience into an ETF structure?

Christopher: We have been active in this market for nearly 30 years, and have not only been an investor in CLO tranches during that period but also one of the largest CLO

issuers. We have a team of over 70 people focused on analyzing and managing non-investment-grade credit, including CLOs, and bring resources from across that team into our investment process. Our investment process has been designed to leverage the resources we have, by not only understanding the details of any individual CLO we might be looking to invest into, but also the management team behind it, as well as the underlying pool of loans. We are fortunate to be able to work with an experienced ETF team in creating this fund, and were able to replicate our process into a structure that is designed to be transparent, liquid and operationally efficient for investors.

3. Can you tell us more about how you go about managing a strategy like this? How often are decisions revisited?

Christopher: We will constantly be in the market, looking at both primary and secondary deal flow, allowing us to anticipate any shifts or changes in pricing, issuance levels or where relative value might be. Having been in the market for such a long time, we have been able to build deep relationships, and we actively engage with market participants on a daily basis. Being a CLO issuer and loan manager ourselves provides us with additional insights into how the underlying credit market is performing as well, supplying context on how to position our exposures.

Amanda: Active also means being deliberate about where you want exposure and why. For example, you may adjust allocations across vintages as relative value evolves, or rotate exposure based on the quality of underlying collateral and manager style. The key is that decisions are driven by a repeatable research framework rather than market noise. In an ETF, you also need to balance responsiveness with discipline, so it's about making informed changes when they matter, not reacting for the sake of it.

4. How does this ETF manage risk in a segment that's traditionally perceived as complex?

Christopher: One reason we launched our first CLO ETF focusing on senior tranches is the resilience they have demonstrated over time. Senior CLO tranches (i.e. AAA and AA tranches) sit at the top of the CLO structure and benefit from a significant amount of subordination, essentially meaning that they are very remote from any default risk in the underlying portfolio of loans. Today we have data on the CLO market going back 30 years. During that time we have never seen any AAA CLO tranches default, and only one AA default in the US (and none in Europe).

We will conduct deep due diligence on the underlying CLO manager, as well as the specific CLO we are looking at. This will include understanding the team managing the fund, their track record managing CLOs and the platform they are part of. We will also assess deal structures at the individual transaction level, including looking under the hood at the underlying pool of loans. Having a team of credit analysts and PMs with years of experience in the credit markets that we can leverage is something that we think is crucial to having as deep an understanding as possible of where potential risks might be.

At the portfolio level, risk is managed in a variety of ways, including ensuring we are diversified across managers, vintages and individual deals. We also pay close attention to how individual positions aggregate, including concentration, correlation and liquidity considerations, to ensure the portfolio is robust and performs through market cycles.

Amanda: The perceived complexity is real, so the answer is not to oversimplify, but to put strong controls in place. We look at diversification across managers, vintages and structures, and we monitor exposures that can drive concentration risk. We also consider liquidity dynamics and how the portfolio could behave across different market regimes. In other words: clear guidelines, consistent monitoring and an institutional approach to risk oversight.

5. What's the expected duration and yield profile of the fund and how does it evolve through active positioning?

Christopher: CLO tranches by their nature will have very little exposure to interest-rate fluctuations, as their coupons will adjust to the prevailing market interest rates, typically

on a quarterly basis. Because of this, they will have lower interest-rate duration than many traditional fixed income segments, which is one of the reasons why they are excellent portfolio diversifiers. Senior tranches also offer a significant spread premium versus similarly rated corporates, providing a yield pickup as well. There can be opportunities to add incremental yield as well, for instance through the addition of junior AAA or AA tranches into the portfolio, when we believe those are attractive from a relative value point of view.

Amanda: Importantly, we should be careful about framing this in terms of "targets." The yield and income characteristics will evolve with market conditions and portfolio composition. Active positioning helps us manage that evolution – by adjusting exposure as spreads compress or widen, as issuance changes or as relative value shifts across vintages – while maintaining a consistent focus on credit quality and portfolio resilience.

6. Where do senior CLO tranches fit within a broader fixed income allocation, and how can they be accessed through an ETF structure?

Christopher: Senior CLO tranches can provide a variety of use cases for fixed income investor. First, they have exhibited low correlation to other fixed income asset classes and can serve to improve the risk-return profile of a fixed income portfolio significantly. Second, they offer a spread premium versus similarly rated corporate bonds, while also providing regular income in the form of quarterly coupon payments. And third, they have historically provided very resilient returns due to their position at the top of the capital structure. When comparing CLO tranche price performance during periods of volatility, for instance, they have regularly outperformed other liquid fixed income instruments. This is in addition to their strong historical default performance, as I mentioned earlier.

Amanda: The ETF wrapper can also make it a practical implementation tool. It provides transparency and operational simplicity, which can help investors integrate structured credit exposure more efficiently. Ultimately, where it fits depends on what the investor is trying to solve for – income consistency, diversification within credit or a more balanced approach to risk in a higher-rate environment.

7. How is liquidity managed in an asset class that is still relatively new to the ETF landscape?

Amanda: From an ETF perspective, it's important to distinguish between the liquidity of the ETF and the liquidity of the underlying market. The ETF structure provides daily tradability for investors, supported by the authorized participant mechanism. From a portfolio management standpoint, liquidity is actively managed by diversifying exposures, avoiding unnecessary concentration and maintaining a disciplined approach to implementation so that adjustments can be made thoughtfully, even in more challenging market conditions.

Christopher: I would add here that the global CLO market has grown to over USD 1 trillion today, with the European CLO market increasing from EUR 60 billion of outstanding volume 10 years ago to close to USD 300 billion today.² Senior tranches make up 70%-75% of the market, and constitute a similar amount of secondary trading volumes.

On a portfolio level, maintaining diversification across managers, vintages or deals will also help to manage liquidity across the portfolio, as does our focus on established, seasoned managers, who will often have a stronger, more consistent demand than those which may have only recently entered the market.

8. How does your role shape the way you think about building and managing an ETF strategy like this?

Amanda: From my perspective, the starting point is always the investor experience. That means thinking carefully about how an ETF will be used in practice, how it fits into portfolios, how transparent it is and how reliably it does what investors expect it to do. My role involves translating sophisticated investment expertise into a structure that is intuitive, scalable and operationally robust. That requires close collaboration with investment teams to ensure that the ETF wrapper supports, rather than constrains, the underlying investment process.

9. How do you ensure consistent access to top-tier CLO managers when scaling this ETF strategy?

Christopher: We've built long-standing relationships over the past 26 years as a CLO manager and investor, giving us access to a broad network to source opportunities from. In addition to engaging with arrangers or trading desks as an investor, we are also engaging with them on our own transactions, giving us a regular and ongoing dialogue with them. Through this we are able to not only have a broad understanding of where market conditions are, but also secure access to the best opportunities, whether they be via the primary or secondary markets.

Amanda: Scaling also depends on process. Access alone isn't enough, you need a disciplined framework for manager selection, monitoring and portfolio integration. The goal is to scale while maintaining standards: credit quality, risk controls and the integrity of the research process. That institutional mindset is central to how we think about growth.

10. How does this approach compare with other recent CLO ETF launches in the market? What sets the UBS strategy apart?

Christopher: We want to bring our longstanding experience as a CLO manager and investor to an actively managed ETF format. CLO investing is the core of what we do and our investment process is designed around generating as holistic a view as possible of where opportunities and risk are, which we believe is key to generating sustained outperformance for our investors through cycles.

Amanda: And from a broader perspective, what sets UBS apart is the combination of capabilities: a deep credit investment platform, experience managing CLO exposures through cycles and an active ETF mindset that's focused on thoughtful implementation. The intent is not to chase trends; it's to bring institutional discipline into a modern format, in a way that supports investors who are looking for a high-quality, actively managed approach to structured credit exposure.

² Source: Bank of America Merrill Lynch Global Research; Intex. Data as of November 2025.

Adoption Snapshot

Active ETFs continue to gain momentum as investors seek flexible, risk-aware tools. In 2025, around one third of net new US ETF flows went into active strategies, up from 26% in 2024; In Europe, adoption remains at an earlier stage, but active ETFs are gaining momentum, supported by strong growth in flows.

Investing in ETFs and CLOs involves risks. ETF investments are subject to market fluctuations and may involve liquidity risk, tracking error and the risk that shares trade at a premium or discount to net asset value. CLO-related investments involve additional risks, including structural complexity and varying deal terms; leverage, subordination and portfolio tests; third-party risks involving service providers and rating agencies; limited secondary market liquidity; and the possibility that tranches may be called prior to stated maturity. These risks may increase under unusual market conditions and could adversely affect performance.

Source: UBS Asset Management, based on J.P. Morgan Asset Management and industry data.

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Source for all data and charts (if not indicated otherwise): UBS Asset Management.

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