

**Structured Credit
Europe
New Issue**
CDO Analytics

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Finance**

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Key Parties

Collateral Manager	Harbourmaster Capital Limited ('CAM1-')
Arranger	Goldman Sachs International
Trustee	BNY Corporate Trustee Services
Account Bank	The Bank of New York (rated AA-/F1+)
Hedge Counterparty	various
Liquidity Facility Provider	The Bank of New York (rated AA-/F1+)

Source: Transaction documents

Related Research

- "Criteria for Cash Flow Collateralised Debt Obligations", 11 October 2006
- "Global Rating Criteria for Collateralised Debt Obligations", 4 October 2006

Global Senior Loan Index Fund 1 B.V.

Ratings^a

Class	(EURm)	Rating	CE ^b (%)	Rating description
A1 Term Notes	453.1	AAA	29.28	Ultimate P & timely I
A2 Term Notes	42.4	AAA	22.67	Ultimate P & timely I
Fund Notes	156.5	BBB-	-1.75 ^d	Ultimate P & I ^c
Total	652.0			

^a As announced in Fitch's Rating Action Commentary titled "Fitch Clarifies Position on New Issue CDO Ratings", published 6 November 2007, Fitch Ratings is currently in the process of reviewing its rating methodology and model assumptions for all new issue CDO ratings. Investors should be aware that Fitch is reassessing its analytic views which could impact existing ratings, including the ratings assigned to the securities in this new issue report.

^b Credit enhancement in the form of subordination only based on a target portfolio amount of EUR640,800,000

^c The rating on the Fund Notes may be withdrawn once the rated balance is reduced to zero. Further to this, the rating does not address any investor action, including optional redemption and direct liquidity redemption on the called Fund Notes (see Direct Liquidity Redemption)

^d Note that some of the EUR156.5m proceeds from the Fund Notes were used to pay certain initial expenses of the issuer and are therefore not available as subordination.

This transaction is a securitisation of primarily European senior secured loans. Fitch has assigned final ratings to the notes to be issued by Global Senior Loan Index Fund 1 B.V. (GSLI Fund 1 or the issuer) as indicated above. The issuer is a limited-liability company incorporated under the laws of the Netherlands. It issued various classes of floating-rate notes (see table above) and will use the proceeds to purchase a EUR640.8m portfolio of loans.

The portfolio is managed by Harbourmaster Capital Limited (Harbourmaster or the manager) over the life of the transaction. However, amortising proceeds will only be reinvested for a period of six years starting from the closing date (the reinvestment period). Unscheduled principal proceeds can be reinvested for a further two years, subject to compliance with certain criteria. As of the closing date, the issuer has purchased or committed to purchasing 80% of the target portfolio. The issuer is expected to build up its target amount over a maximum of 180 days.

The final ratings are based on available credit enhancement, which is provided through subordination, as well as excess spread and structural protection covenants. The final ratings on the A1 and A2 Term Notes address ultimate repayment of principal at maturity and timely payment of interest when due according to the terms and conditions of the notes. The rating of the Fund Notes addresses the ultimate repayment of the rated balance from available funds (interest and principal) received and a stated coupon until the rated balance is zero. All principal and excess interest after senior payments, including those on the A1 and A2 Term Notes, will be used to reduce the rated balance of the Fund Notes. The rating on the Fund Notes may be withdrawn once the rated balance is reduced to zero. Further to this, the rating does not address any investor action, including optional redemption and direct liquidity redemption on the called Fund Notes (see *Direct Liquidity Redemption*).

Credit enhancement in the form of subordination for the class A1 Term Notes totals 29.28%, and is provided by the class A2 (6.61%) and the Fund Notes (22.67%). (Note that some of the EUR156.5m proceeds from the Fund Notes were used to pay certain initial expenses of the issuer and are therefore not available as subordination).

Credit Committee Highlights

Asset-Specific Ratings and Recovery Rates

Each asset was analysed by Fitch's European Leveraged Finance Group (ELF) prior to its inclusion in the portfolio. ELF assigns and maintains issuer ratings and asset-specific recovery rates, in line with Fitch's updated criteria (see "*Criteria for Use of Recovery Ratings in Collateralised Loan Obligations Ratings*", dated 13 September 2006).

Foreign Exchange Risk

From the closing date, the issuer may invest up to 40% of the portfolio notional into non-euro obligations denominated in an "applicable currency". These assets will either be asset swapped with one of the hedging counterparties (in accordance with Fitch's rating criteria), or macro swapped (up to 20% of the portfolio) if denominated in US dollars (USD) by a cancellable cross currency swap. However, in certain situations, this hedge may not fully cover the FX risk. The scenarios under which this may occur and the mitigants to such risks are described below (see *Hedging of Foreign Exchange Risk*).

Collateral Asset Manager Rating

Fitch upgraded Harbourmaster Capital Management Limited to a CDO Asset Manager rating of '1-' ('CAM1-') for leveraged loans on 17 October 2007, based on the manager's solid track record and superior performance of its CLOs, superior access to collateral and experience in distressed debt workout. This rating was factored into the analysis by adjusting the rating default rate (RDR) produced by VECTOR according to Fitch's CDO rating criteria. An updated manager profile is available on our website, www.derivativefitch.com.

Direct Liquidity Redemption

Any Fund noteholder has the option to call the notes, or part of the notes, on any payment date after the initial direct liquidity redemption date (June 2009) at the then current market value, provided that certain conditions are met (see *Direct Liquidity Redemption*). The purpose of the conditions is to mitigate any negative impact on the noteholders who remain invested in the transaction. Direct liquidity redemptions are limited to an overall maximum of 50% of the initially issued Fund Notes. The mechanism provides for the proportional redemption of the class A1 and class A2 Term Notes (together the class A Term Notes) at par, including any accrued and unpaid interest. It also allows whole payments to be made for any foregone margin payments for a period of up to four years after closing.

Transaction Structure

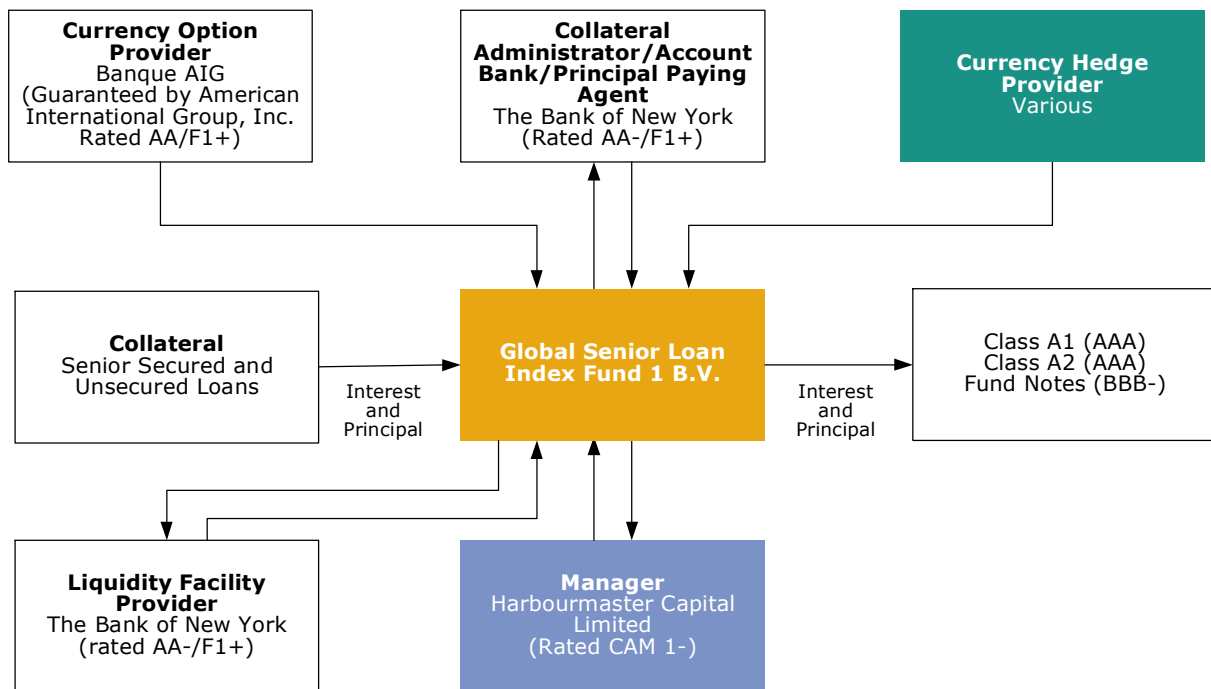
The notes are issued by GSLI Fund 1, a bankruptcy-remote SPV incorporated under the laws of the Netherlands. Its activities are limited to those directly related to its primary purposes: acquiring the collateral; entering into, among others, the collateral management agreement with Harbourmaster; the liquidity facility agreement; and issuing the notes to finance the purchase of the assets. All the rated notes have a contractual right over the portfolio of assets owned by the issuer.

Hedging of Foreign Exchange Risk

From the closing date, the issuer may invest up to 40% of the portfolio notional into non-euro obligations. Assets that are solely denominated in USD will be hedged by a corresponding cross currency swap in the same currency up to a maximum of 20% (equivalent to the size of the cross currency swap) and through the use of "out-of-the-money" FX options purchased upfront. The cross currency swap will mature in January 2020. The maturity of the USD assets bought under the cross currency swap will be less than or equal to the maturity of the cross currency swap with exception of USD assets bought under the swap not exceeding 5% of the total investment amount which may mature after January 2020. For assets denominated in other currencies, including USD exposures

over and above 20%, the issuer will enter into reviewed asset swap transactions, which cover for FX risks upon default, amortisation and prepayment.

Structure Diagram



Source: Transaction documents

The use of a cross currency swap does not fully eliminate the FX risks in the transaction. Therefore an understanding of the residual FX risks and the hedges in place to mitigate those risks are important and are listed below:

- FX Risks Upon Mismatch:** As soon as a USD asset default occurs, a currency mismatch is created as the remaining USD assets are not sufficient to cover the notional exchanges under the cross currency swap. The repayment of the cross currency swap is thus subject to FX risks as euro proceeds converted at the then prevailing spot rate may be required for repayment of this liability. Also, between the time when a currency mismatch in the structure occurs and the cure of the mismatch, USD Libor payments owed to the cross currency swap provider may not be matched by the income generated by the USD assets. In this situation, the basis exchange payment of the cross currency swap is subject to FX risk as euro proceeds (including those Euribor payments received under the cross currency swap) may have to be converted at the then prevailing spot rate to pay the basis exchange under the cross currency swap. These risks may be managed via a number of routes, including the sale or purchase of assets in such relevant currency, the sale “out-of-the-money” FX options and/or the use principal and/or interest proceeds as applicable.
- Amortisation:** Following the reinvestment period, principal proceeds received are expected to be used to cancel the USD macro swap. This payment strategy keeps the cross currency swap balanced with the portfolio currency buckets, subject to a mismatch cushion, and any cross currency swap outstanding at maturity will be cancelled.

3. **USD Depreciating:** In a situation where the euro appreciates against the USD, the relative income in euro terms generated by the USD bucket is reduced, which limits the availability of excess spread that protects the rated tranches. This has been addressed within the cash flow modelling of the transaction by applying Fitch's standard FX stresses.

The efficiency of the hedging strategy, the acceleration process and the use of FX options were captured in Fitch's cash flow modelling, incorporating the relevant currency stresses, and thus the structure mitigates all the above issues sufficiently to reach the stated ratings.

Deferral of Interest

Non-payment of interest on class A1 or A2 notes will constitute an event of default under the notes. In this event, the trustee, at its discretion or at the request of the controlling noteholders, may declare that all outstanding notes are due and payable. In such a scenario, the trustee would take appropriate actions at its discretion or the request of the controlling noteholders, which may include liquidation of the collateral.

The Fund Notes will receive interest on an available funds basis; deferral of interest on the Fund Notes, which can only occur on the stated coupon (the stated coupon is paid while the rated balance is greater than zero), will not constitute an event of default.

Fund Notes Call Option

On any payment date after the end of the non-call period in January 2011, the issuer, acting on behalf of the majority of the Fund noteholders, may call the transaction, provided that all the rated notes and applicable senior fees can be repaid in full. This would result in principal proceeds being applied to the redemption of any outstanding notes, in order of priority.

Direct Liquidity Redemption

On any payment date on or after the initial direct liquidity redemption date (July 2009), the issuer, acting on behalf of the applicable portion of the Fund noteholders, may call part of the transaction at its current net asset value (NAV), provided that all direct liquidity conditions are met. This would result in liquidation of an equivalent portion of the portfolio, resulting in the designated principal proceeds being applied to the redemption of an equivalent portion of Term Notes, payment of any swap cancellation costs and collateral management termination fees, among others, and the remaining proceeds flowing to the redeeming Fund Notes. Therefore, the rating of the Fund Notes does not address any investor action, including direct liquidity redemption. A direct liquidity redemption request must be received 90 calendar days before such payment date and the conditions are validated 20 business days before the payment date. The conditions to satisfy to accept a direct liquidity redemption request are as follows:

1. The overcollateralisation (OC) test and interest coverage (IC) test are satisfied.
2. The OC test is not worsened after any direct liquidity redemption as compared to had such direct liquidity redemption not taken place.
3. The portfolio profile tests are satisfied or maintained or improved.
4. No event of default has occurred and is continuing, or no event of default will occur as a direct consequence of the direct liquidity redemption.
5. The issuer is able to realise the minimum direct liquidity redemption amount, including the equivalent portion of Term Notes (including make-whole amounts), swap cancellation costs and collateral management termination fees redeemed due to such redemption.
6. The asset value ratio (the ratio of the market value of assets to outstanding liabilities) of the portfolio is greater than or equal to the asset value ratio before such direct liquidity redemption.
7. The aggregate principal amount outstanding of the Fund Notes is at least EUR78m and 50% of the initial principal amount.

Additionally, any direct liquidity redemption is subject to rating agency affirmation on the class A1 Term Notes.

Furthermore, all portfolio profile tests may not be made worse following any direct liquidity redemption, taking into account the corresponding sale of assets compared to had such redemption not occurred if they were failing before such direct liquidity redemption.

This imposes on the manager acting on behalf of the issuer that such direct liquidity redemption leaves all remaining noteholders in the same credit position after such redemption. Further to this, the manager acting on behalf of the issuer can deny a direct liquidity redemption request due to certain circumstances, including market disruption or if the manager believes the redemption could render any test or covenant materially more difficult to satisfy.

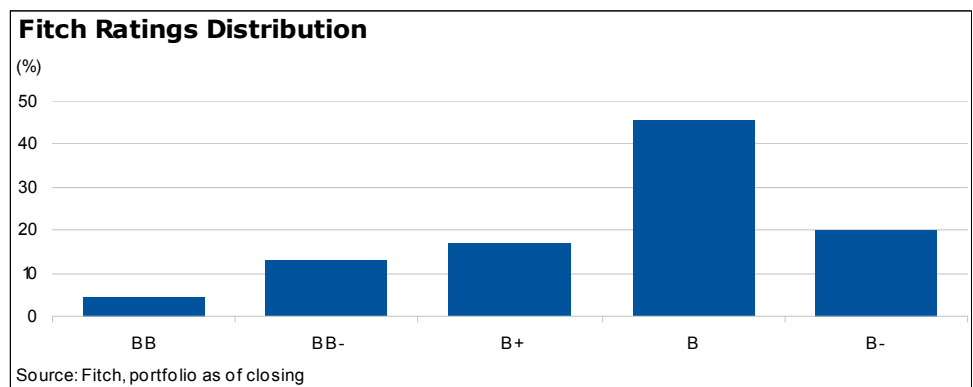
Collateral

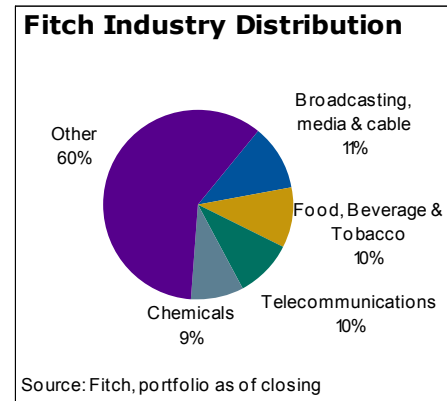
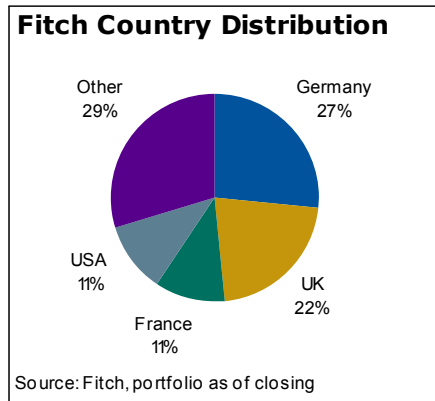
The collateral comprises primarily senior secured loans or sub-participations of senior secured loans entered into with highly rated financial institutions (see *Counterparty Risk*). Each asset must comply with the eligibility criteria at the time of inclusion, which include a minimum Issuer Default Rating or IDR (as opposed to an asset rating) of at least ‘B-’ from Fitch.

Fitch’s ELF group will assign a shadow rating to any asset not publicly rated prior to its inclusion in the portfolio at closing or thereafter. ELF will assign and maintain IDRs and asset-specific recovery ratings, which will be used to determine the compliance with the weighted-average rating factor (WARF) and the weighted-average recovery rate (WARR).

Ramp-Up Period

As of the closing date, the issuer has purchased or committed to purchasing 80% of the target portfolio; the issuer will acquire the remainder of its target portfolio over the following 180 days. As some of the proceeds will continue to be held in cash, the interest received on the assets may fall short of the interest due on the notes (negative carry cost). The collateral manager must ensure that sufficient cash flow from the assets and liquidity are available to cover scheduled interest distributions on the notes. The period between the closing date and the effective date (the ramp-up period) may be shorter than 180 days insofar as the portfolio guidelines are satisfied. The main pool characteristics of the 80% ramped up portfolio are represented below:





Sales and Reinvestment

The collateral manager may, at any time, sell defaulted or credit-impaired assets. This feature gives the manager the flexibility to mitigate losses in a high-default environment and allows for the possible avoidance of potential defaults on assets the manager determines to be at significant credit risk. In addition, the manager may sell assets whose value has appreciated since purchase to lock in the profit. Furthermore, the manager may trade up to 20% of the aggregate collateral balance during any calendar year at its full discretion. Any sales proceeds (including purchased interest) are classified as principal, except accrued interest sold, which is counted as interest proceeds.

The issuer is entitled to reinvest collateral proceeds received from the redemption, maturity or sale of assets during the six years following the closing date (the reinvestment period). Reinvestment is subject to compliance with the portfolio guidelines and the coverage tests described under *Structural Protection*. With regard to the reinvestment of scheduled principal receipts and sale proceeds from defaulted collateral, all coverage tests must be met. Unscheduled principal receipts (including sales proceeds for non-defaulted assets) may be invested even if the test is breached where, following reinvestment, the test value would be improved or at least maintained.

On the date of the reinvestment, each reference obligation must satisfy each of the stipulated eligibility criteria, including the following:

- It must have a minimum rating of at least 'B-'.
- The collateral obligation is not, at the time it is purchased and within the reasonable commercial judgement of the manager, considered to be a defaulted collateral obligation, a current pay obligation or a credit impaired collateral obligation.
- The relevant loan provides for payment of interest on a floating-rate basis.
- The relevant loan is not convertible into, or exchangeable for, equity and is not a margin stock.
- The collateral obligation in respect of each loan has a final repayment date falling on or prior to the legal maturity in 2023.

Following the reinvestment period, scheduled principal collections will be used to redeem the notes in order of seniority. Unscheduled principal collections may still be reinvested for another two years so long as the following criteria are met:

- The rating of the class A1 Term Notes has not been downgraded below its initial level.
- All the requirements of the portfolio profile tests are satisfied both before and after making the purchase.
- All the coverage tests are satisfied both before and after making the purchase.

- The expected maturity of the new asset is no longer than the expected maturity of the asset that it replaces.

Portfolio Guidelines

(Measured in percent of the total investment amount)

Maximum per obligor – up to five obligors can represent 1.5% each	1.25
Maximum senior unsecured loans (%)	5.0
Maximum per industry (%)	15.0
Three largest industries (%)	35.0
Maximum non European Obligor (%)	20.0
Maximum non-EUR loans (%)	40.0
Maximum sterling loans (%)	10.0
Maximum chains of sub-participations (%)	5.0
Maximum sub-participations and synthetic securities (%)	20.0
Maximum weighted-average life (in years) during the reinvestment period	10
Maximum weighted-average life (in years) at the end of the reinvestment period	4

^a Any asset that is denominated in USD and is not hedged via an asset perfected swap will be valued at the initial spot rate applicable to the cross currency swap
Source: Global Senior Loan Index Fund 1 B.V. Offering Memorandum

At the time of their inclusion, new loans must comply both with the specific eligibility criteria for individual assets and the portfolio criteria (see *Portfolio Guidelines* table above). If any of the portfolio guidelines are breached before the inclusion of a new asset, the purchase of the asset must either maintain or improve that specific portfolio criterion. The Bank of New York, in its role as collateral administrator, will monitor compliance before the inclusion of new assets, which may occur between payment dates (this would require recalculation of the OC tests). The portfolio criteria are designed to limit the issuer's exposure to certain risks while allowing some flexibility in areas in which the asset manager has expertise.

The maximum WARF will be subject to the minimum weighted-average spread (WAS) and the minimum WARR.

CAM1 Matrix

Fitch maximum	24.5	25.5	26.5	27.5	28.0	28.5	29.0	29.5	30.0
Weighted average rating factor									

Fitch Minimum Weighted Average Spread (%)

Minimum Fitch weighted average recovery rate (%)									
80	1.70	1.75	1.79	1.81	1.84	1.86	1.90	1.93	1.98
79	1.70	1.76	1.80	1.82	1.85	1.87	1.91	1.94	2.01
78	1.70	1.76	1.80	1.83	1.85	1.88	1.92	1.94	2.04
77	1.71	1.76	1.82	1.84	1.86	1.91	1.96	2.01	2.08
76	1.71	1.76	1.84	1.84	1.87	1.94	2.00	2.07	2.11
75	1.73	1.77	1.84	1.87	1.91	1.98	2.04	2.10	2.14
74	1.74	1.78	1.84	1.89	1.94	2.01	2.08	2.13	2.17
73	1.78	1.83	1.88	1.93	2.01	2.08	2.14	2.20	2.26
72	1.81	1.87	1.93	1.97	2.07	2.15	2.19	2.27	2.34
71	1.85	1.91	1.97	2.09	2.15	2.21	2.26	2.32	2.38
70	1.89	1.94	2.00	2.20	2.22	2.26	2.33	2.37	2.41
69	1.93	2.00	2.07	2.26	2.30	2.35	2.40	2.47	2.49
68	1.97	2.05	2.14	2.32	2.37	2.43	2.47	2.56	2.57
67	2.00	2.09	2.21	2.41	2.45	2.53	2.59	2.68	2.71
66	2.03	2.13	2.27	2.49	2.53	2.63	2.71	2.79	2.85
65	2.07	2.17	2.33	2.58	2.62	2.79	2.95	3.05	3.19

Source: Global Senior Loan Index Fund 1 B.V. Offering Memorandum

The maximum weighted-average life (WAL) of the portfolio should not exceed 10 years during the first year of the transaction, stepping down to four years at the end of the reinvestment period.

Credit Analysis

The credit analysis followed a two-step process. In the first step, the Fitch Default VECTOR model (VECTOR) was run to determine the hurdle default rates for each rating level. The model was run on a number of hypothetical worst-case portfolios, which were created on the basis of the portfolio eligibility criteria.

In the second step, the structural protection (OC and IC tests) and excess spread were analysed in a custom-built cash flow model. The resulting breakeven default rates (which show the maximum default rate a tranche could withstand without loss) for each tranche and rating level were compared to the hurdle rates produced by VECTOR. For a tranche to pass, the hurdle rate had to be below the breakeven default rate.

Fitch Default VECTOR Model

VECTOR is Fitch's main quantitative portfolio analysis tool. The model simulates the joint default behaviour for a portfolio of credit exposures, taking into account an asset's specific default probability (DP) and asset correlation. The underlying methodology is based on the structural form model, which holds that a company defaults if the value of its assets falls below the value of its liabilities. The DP, which is used to compute the default threshold for each asset, is derived from the issuer rating and historical default studies. Asset correlations are based on equity studies performed by Fitch (see "*Global Rating Criteria for Collateralised Debt Obligations*", dated 4 October 2006 and available at www.fitchratings.com).

The issuer ratings for the individual assets will be provided by Fitch's ELF Group, which will analyse each loan prior to its inclusion in the portfolio. ELF will also provide specific recovery rate assumptions for each asset.

A specific worst-case portfolio was created for the WARF/WAS/WARR combination, as defined by the portfolio criteria, which was run through the VECTOR model. One of the tested scenarios was a WARF of 27.5 (see table below for VECTOR RDRs). The WARR tested was 70% tiered to 55% at the 'AAA' level and the initial WAS run was 230bp.

Vector Results for a WARF 27.5 Portfolio with a WARR of 70%

Rating	Rating default rate (RDR) (%)	Weighted-average recovery rate (%)
AAA	50.60	55.00
BBB-	35.76	70.00

Source: Fitch

Fitch has given credit for Harbourmaster's solid track record and superior performance of its CLOs, superior access to collateral and experience in distressed debt workout, as reflected in the assigned asset manager rating of 'CAM1-' (see *Collateral Manager*). This was factored into the analysis by reducing the RDR produced by VECTOR as outlined below.

Credit for CAM1- Asset Manager Rating

Notes rating	RDR reduction (%)
AAA	5.0
AA	8.0
A	10.0
BBB	12.5
BB	17.0

Source: Fitch

For example, if the RDR is 50.60% at the 'AAA' level, the reduction will be applied as follows:

$$50.60\% \times (1 - 5.0\%) = 48.07\%$$

Cash Flow Analysis

Fitch has adapted its cash flow model to reflect the specific structural protection provided in this transaction (see *Structural Protection*). The model was run for different default timings, FX and interest rate stresses, forming a total of 243 scenarios for the hypothetical portfolios in respect of WARF/WAS/WARR, as described in Fitch's "*Criteria for Cash Flow Collateralised Debt Obligations*", dated 11 October 2006 and available at www.derivativefitch.com. Recoveries were assumed to be realised 24 months after default.

The analysis showed that the protection provided for each of the tranches would be sufficient to withstand the default hurdles/losses produced by the VECTOR model for the individual rating assigned to each tranche.

Counterparty Risk

Sub-Participation Agreements

The issuer may enter into sub-participations up to an amount equal to 20% (subject to the rating of the counterparty) of the portfolio notional. These sub-participations in senior secured loans will be acquired from financial institutions rated at least 'A'. The maximum exposure to any single counterparty will depend on that counterparty's rating. Sub-participations expose the issuer to counterparty risk; however, this is mitigated by the minimum rating of 'A' on these counterparties, as well as specific counterparty and portfolio limitations that are outlined in the bivariate risk table below.

Bivariate Risk Table

Fitch rating	Per counterparty (%)	Aggregated (%)
AAA	20.0	20.0
AA+	10.0	20.0
AA	10.0	20.0
AA-	7.5	15.0
A+	5.0	10.0
A	5.0	10.0

Source: Global Senior Loan Index Fund 1 B.V.. Offering Memorandum

Liquidity Facility and Interest-Smoothing Account

The liquidity facility and the interest-smoothing accounts held with the account bank will mitigate potential timing mismatches between the frequency of interest payments on the liabilities (semi-annual) and the assets, which could be annual.

The annual interest-smoothing will require some interest proceeds to be deposited in the annual interest-smoothing account up to the next payment date if the proportion of annually paying loans exceeds 5% and more than 50% of these loans are paying interest in one period of six months.

If The Bank of New York (rated AA-/F1+) as the liquidity facility provider is downgraded below 'F1', it has to either find a replacement counterparty or guarantor within 30 calendar days or to deposit any undrawn commitment under the liquidity facility in a standby liquidity account. Under the liquidity facility agreement, the issuer can draw funds up to the amount of any accrued but unpaid interest in respect of the assets (excluding defaulted assets) to meet its payment obligations under the notes. The liquidity facility is capped at EUR9,780,000 and cannot be drawn after a breach of the OC test.

Account Bank and Eligible Investments

The issuer will hold monies in the principal and interest account, which will be held with The Bank of New York (rated AA-/F1+). If The Bank of New York is downgraded below 'F1', the issuer must find a replacement account bank with a minimum rating of 'F1' within 30 days.

The issuer may also invest available funds in eligible securities, so long as:

- they are denominated in euros or USD;
- they are rated 'AAA' and/or 'F1+' by Fitch (or 'AAA/V1+' in the case of money market funds); and
- the maturity is prior to the next payment date.

Currency Hedging Counterparties

The issuer will enter into asset swap transactions for all non-euro and non-USD denominated obligations not hedged via the cross currency swap. More specifically, loans in currencies other than euros and USD will be hedged through perfect asset swap transactions. The perfect asset swap transactions and cross currency swap may be with different counterparties and the documentation is subject to review by the rating agencies. Additionally, the issuer entered into FX options with Banque AIG (guaranteed by American International Group, Inc. rated AA/F1+), subject to minimum rating guidelines. In particular, any currency hedge provider must at all times have a minimum rating of 'A' and 'F1'.

The initial hedging counterparties are Bank of America N.A. (rated AA/F1+), Dresdner Bank AG (rated A+/F1+) and Banque AIG (guaranteed by American International Group Inc. rated AA/F1+). Any hedging counterparty is subject to replacement conditions that comply with Fitch's swap criteria (see "*Counterparty Risk in Structured Finance Transactions: Hedge Criteria*", dated 1 August 2007 and available at www.fitchratings.com).

In particular, if the currency hedge counterparty is downgraded below 'A/F1', it must, within 30 calendar days and at its own expense, take one of the following actions:

- find a replacement counterparty or guarantor with the minimum ratings; or
- post collateral in favour of the issuer that satisfies Fitch's swap criteria.

Synthetic Securities

The issuer may invest in synthetic securities referencing corporate obligations subject to the eligibility criteria. In the case of a synthetic security, the issuer will be exposed to the respective counterparty, which will be addressed by specific counterparty requirements and portfolio limitations. Moreover, funded and unfunded synthetic securities will be subject to a minimum counterparty rating of 'A/F1'.

Structural Protection

In addition to the protection provided by subordination, the class A noteholders benefit from structural mechanisms that allow interest proceeds (including excess spread) to be used to redeem the class A Term Notes and make up any principal losses in the collateral portfolio.

The structural protection is based on OC and IC tests. The structure includes an OC test for the Term Notes, calculated by dividing the aggregate value of the assets (par value plus principal collection accounts) by the outstanding amount of the relevant tranche plus the outstanding amounts of any senior-ranking tranche. Defaulted assets are accounted for at the lower of their market value and the assumed recovery amount (recovery rate multiplied by the par value).

The Term Notes also benefit from an IC test that monitors whether expected interest due from the collateral (plus interest on the various accounts) is sufficient to cover interest due on the class A1 and A2 Term Notes.

If the OC or IC tests are not satisfied, the issuer must use interest and principal proceeds (to the extent of the shortfall) to pay down the outstanding notes in order of priority until the tests are in compliance again. For example, a breach of the Term Notes' OC test would redirect interest proceeds from funds remaining after the payment of deferred interest on the Term Notes in the interest waterfall, up to the amount necessary to satisfy the test. If interest proceeds are not sufficient to cure the breach of the OC test, principal proceeds available after the payment of interest on the Term Notes in the principal waterfall will be redirected to repay the notes in order of priority, up to the amount necessary to satisfy the test.

The calculation of the OC test takes into account discounted assets, which are taken at their purchase price. This ensures that the OC test more accurately reflects the actual value of the collateral portfolio.

USD assets that are swapped under the cross currency swap will be valued at the exchange rate specified under that swap and all assets not denominated in euros and subject to an asset perfected swap will be valued at the specified exchange rates under the respective swap.

Coverage Tests

	Trigger versus actual value^a (%)	Definition
Class A	118.3 vs. 129.32	Par coverage amount divided by the sum of the class A1, A2 notional
Interest coverage test		
Class A	125.0	Interest coverage numerator divided by the interest due to the class A1 and A2 notes on the following payment date
Reinvestment test		
	122.7 vs. 129.32	Par coverage amount divided by the sum of the class A1, A2 notional

Aggregate collateral balance

For the purpose of the par coverage amount, assets are included at their par value except for:

- defaulted assets: included at the lower of their market value and the recovery amount (asset-specific recovery rate multiplied by the par value);
- discounted assets (assets purchased at 90% and below): included at the purchase price (until the market value is above 90% for 30 business days); and
- the excess of 5% of the par coverage amount of assets with a loan rating of 'CCC+' and below will be included at the lower of the recovery amount and the 'CCC' average market value (note that the loan rating for senior secured loans is generally higher than the issuer rating)

Any asset that is denominated in USD and is not hedged via a perfect asset swap will be valued at the initial spot rate applicable to the cross currency swap

^a Actual OC test values are based on a target portfolio balance of EUR640.8m

Source: Global Senior Loan Index Fund 1 B.V., Offering Memorandum

For the purpose of calculating the Term Notes' OC ratio, the proportion of assets on which the loan rating (as opposed to the issuer rating) is 'CCC+' and below that exceeds 5% of the portfolio will be accounted for at the lower of the WA market value and the WA recovery amount. Please note that, for secured loans, the loan rating is usually higher than the issuer rating.

The structure also includes a reinvestment test, calculated in the same way as the Term Notes OC test but ranking junior to it, which would be breached first. This test will redirect

interest proceeds only, which will be reinvested in additional collateral during the reinvestment period (50% of the available interest proceeds).

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Details of the transaction's performance are available to subscribers at www.fitchresearch.com. Further information on this service is available at www.derivativefitch.com.

Please call the Fitch analysts listed on the first page of this report for any queries regarding the initial analysis or the ongoing surveillance.

Global Senior Loan Index Fund 1 B.V.

Capital Structure – Total Issuance EUR652m

Class	Final Rating	Size (EURm)	CE ^b (%)	PMT freq	Basis	Spread/coupon (%)	First IPD	Maturity	ISIN
A1	AAA ^a	453.1	29.28	Semi-annual	Euro floater	0.58	18 Jul 2008	2023	XS0327321435
A2	AAA ^a	42.4	22.67	Semi-annual	Euro floater	1.20	18 Jul 2008	2023	XS0327323217
Fund Notes ^c	BBB ^{-d}	156.5	-1.75 ^e	Semi-annual	Fixed	0.25	18 Jul 2008	2023	XS0327323647

^a Ultimate payment of principal and timely payment of interest rating

^b Credit enhancement in the form of subordination only based on a target portfolio amount of EUR640,800,000

^c The rating on the Fund Notes may be withdrawn once the rated balance is reduced to zero. Further to this, the rating does not address any investor action, including optional redemption and direct liquidity redemption (see *Fund Notes* and *Direct Liquidity Redemption* above)

^d Ultimate repayment of the rated balance (from all available funds including principal and excess interest) and a stated coupon

^e Note that some of the EUR156.5m proceeds from the Fund Notes will be used to pay certain initial expenses of the issuer and will therefore not be available as subordination

Key Information

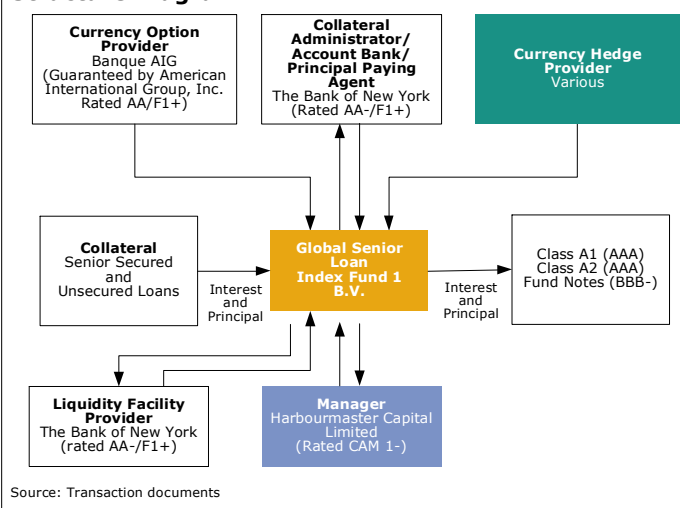
Purpose	Arbitrage	Role	Party (Trigger)
Location of assets	Europe	Account bank	The Bank of New York (F1+)
Structure	Pass-through, sequential	Collateral administrator	The Bank of New York
Portfolio composition	Primarily European senior secured leveraged loans	Issuer	Global Senior Loan Index Fund 1 B.V.
Location of SPV	Netherlands	Asset manager	Harbourmaster Capital Limited
Asset manager rating	'CAM1-'	Trustee	BNY Corporate Trustee Services Limited
Primary analyst	scott.duggal@derivatifitch.com	FX hedge counterparty	Various
Secondary analyst	jan.boeckelmann@derivatifitch.com	Liquidity facility provider	The Bank of New York (rated AA-/F1+)
Performance analyst	jeffery.cromartie@derivatifitch.com	Credit enhancement type	Subordination, excess spread

Structural Information

A OC test	118.3% – Class A1 and A2
Additional coverage test	122.7% – Class A1 and A2
A IC test	125.0% ^a – Class A2 and Above
Reinvestment period	Up to the payment date falling in June 2013
Closing date	December 11, 2007
Min rating	B-
Effective date	June 2008 or before

^a Applicable after effective date

Structure Diagram



Collateral

Pool characteristics as of closing date		Eligibility criteria/portfolio tests	
Current principal balance (EURm)	514.7	Target principal balance (EURm)	640.8
Current WAL (years)	6.4	Max WAL (years)	10
Largest industry (%)	11.2	Max largest industry (%)	15.0
Three largest industries (%)	31.2	Max three largest industries (%)	35.0
Non-EUR loans (%)	20.8	Max non-EUR Obligors (%)	40.0
Non European Obligors (%)	10.9	Max Non European Obligors (%)	20.0
Max sterling loans (%)	8.6	Max sterling loans (%)	10.0
Sub-participations & synthetic securities (%)	0	Max sub-participations (%)	20.0
Senior unsecured (%)	0	Max senior unsecured (%)	5.0
WARF	26.5	Max WARF	Dependent on Matrix
WARR (%)	80.6	Min WARR	Dependent on Matrix
WA spread (floating) (bp)	231	Min WA spread (bp)	Dependent on Matrix

Source: Transaction documents



Corporate Information

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Corporate Contact and CDO Contact

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Corporate Structure

Year Founded: 2000
Business form: Ltd.
Registration: The Financial Regulator,
Parent: Harbourmaster Capital Ltd

Employees: 35
Management : 4
Portfolio Managers: 6
Credit: 16
Administration : 10

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January 07, 2008

Harbourmaster Capital Management Limited

European Leveraged Loan CDO Asset Manager Profile

Harbourmaster Capital Management Ltd (HCM) is a Dublin-based specialist asset management company dedicated to the management of primarily senior secured loans through the Harbourmaster programme. The company, founded in 2000 by the two current principals, is owned by management (51%) and a consortium consisting of RIT Capital Partners and Clearbrook (49%). It currently has 35 staff, all dedicated to the Harbourmaster programme.

HCM's 'CAM1-' rating reflects the company's extensive experience as one of the longest established and largest European CLO managers, resulting in superior access to collateral, highly documented credit research practices supporting stable and consistently adhered to credit discipline, substantial experience in distressed debt workout and a solid track record throughout the credit cycle.

European Leveraged Loan CDOs Under Management

Name	Closing	Structure	Primary Asset	Original Size (EURm)
Harbourmaster CLO 3	Aug 02	Cash Flow	European Senior Secured Leveraged Loans	429.6
Harbourmaster CLO 4	Sept 04	Cash Flow	European Senior Secured Leveraged Loans	498.9
Harbourmaster CLO 5	Jul 05	Cash Flow	European Senior Secured Leveraged Loans	749.6
Harbourmaster CLO 6	Nov 05	Cash Flow	European Senior Secured Leveraged Loans	499.7
Harbourmaster Pro Rata 1	Apr 06	Cash Flow	(Pro Rata) European Senior Secured Leveraged Loans	851.6
Harbourmaster Pro Rata 2	Jul 06	Cash Flow	(Pro Rata) European Senior Secured Leveraged Loans	587.5
Harbourmaster CLO 7	Nov 06	Cash Flow	European Senior Secured Leveraged Loans	903.7
Harbourmaster CLO 8	Dec 06	Cash Flow	European Senior Secured Leveraged Loans	502.7
Harbourmaster CLO 9	May 07	Cash Flow	European Senior Secured Leveraged Loans	770.0
Harbourmaster Pro Rata 3	Jul 07	Cash Flow	(Pro Rata) European Senior Secured Leveraged Loans	612.0
Global Senior Loan Index Fund 1 B.V.	Dec 07	Cash Flow	European Senior Secured Leveraged Loans	650.0
Harbourmaster CLO 10	Dec 07	Cash Flow	European Senior Secured Leveraged Loans	500.0
Total				7,555.3

NB: Harbourmaster CLO 1 was called in July 06 at a 16.8% internal rate of return, and Harbourmaster CLO 2 was called in March 07 at a 12.1% internal rate of return, both realised over a greater than five year period.

Strengths

- One of the three largest and longest established European CLO managers.
- Market presence resulting in superior access to collateral.
- Strong control environment supported by comprehensive procedures.
- Highly documented credit intensive research practices.
- Disciplined and stable investment strategies.
- Superior CLO performance over a six-year track record.
- Substantial workout experience and expertise.

Challenges and Mitigants

- To maintain a solid track record in more difficult market conditions. HCM has already demonstrated superior performance through the cycle.

Company and Management Experience — '1- (minus)'

- The company was founded in 2000 by the two current principals, Fabio Salvalaggio and Stewart Wilkinson (20 and 15 years experience in leveraged/structured finance, respectively).
- Managing directors, Alan Kerr (seven years company tenure and 13 years industry experience) and Mark Moffat (who joined in February 2007 with 17 years industry experience) are co-heads of the business.
- Shareholders of Harbourmaster Capital Limited (HCL) are RIT Capital Partners plc and Clearbrook Capital Partner LLP (49%), HCM's principals (24.5% each) and HCM directors (2%).
- HCM's business model has focused on the management of CLOs of European senior secured loans since 1999.
- HCM is a rapidly growing and profitable company, as reflected by sound financials



Harbourmaster Capital Management Limited

Staffing – '1- (minus)'

- HCM employs 35 people, divided between the portfolio management, credit research and portfolio administration functions.
- Throughout its history, HCM has consistently maintained breadth and depth of staffing resources to match business growth.
- The 21 new hires in 2007 bolstered the team in all functions and in particular at the senior management level.
- In 2007, HCM achieved an effective specialisation of roles both in the front and middle office, reflective of a matured organisation.
- Staff turnover remains low, indicative of the team's long-term commitment, compensation and retention structures.

Procedures and Controls – '1- (minus)'

- While it does not have a separate risk or control function, HCM has a robust internal control environment, based on task segregation, second level of controls and management reporting.
- Well documented procedures provide detailed coverage of critical processes.
- The complete integration of Wall Street Office (WSO) into HCM's procedures has strengthened the effectiveness of controls, while reducing operational risks.

Portfolio Management – '1- (minus)'

- HCM adheres to a strict and stable credit discipline, resulting in superior selectivity (52% rejection rate).
- A pre-screening committee evaluates investment opportunities according to strictly defined criteria. The subsequent in-depth due diligence is documented in an investment proposal submitted to the credit committee and ratified by HCM and HCL boards.
- HCM has excellent access to collateral due to market presence and superior relations with arranging banks.
- The ongoing monitoring of the CLO portfolios and the 145 individual loans is formalised at weekly and monthly reviews.
- In line with its "buy and hold" approach, HCM leverages its superior workout competencies and experience, acquired both at the institutional and individual levels.

CDO Administration – '1- (minus)'

- HCM has developed intensive CLO and loan administration capabilities. These are based on effective workflows with counterparties and a close trustee oversight, and bolstered by the roll-out of the WSO system. However, Fitch notes that portfolio managers are increasingly involved in administrative tasks (e.g. reconciliation, trustee interface).
- Transaction set-up and modelling were enhanced in 2006, not only by WSO, but by proprietary cash flow models and other portfolio manager applications built for each CLO.

Technology – '1- (minus)'

- WSO was acquired in 2005, and full implementation was completed in Q3 2007.
- HCM uses complementary Excel-based front office applications for portfolio and risk management (including compliance monitoring), which are fed by a central database.
- WSO and Front Office applications are reconciled in a comprehensive and timely manner.

Performance – '1- (minus)'

- All the Harbourmaster CLOs have always been in compliance with their portfolio profile and coverage tests.
- No 'CCC+' or lower rated loans. There are currently no defaults across the Harbourmaster programme.
- All Harbourmaster CLOs have been consistently affirmed throughout their lives.
- Annualised return since inception exceeds targeted long-term return on all CLOs.
- New issue reports and additional performance information on all Harbourmaster CLOs is available at www.derivativefitch.com.

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