DerivativeFitch

Structured Credit
Europe
New Issue

Harbourmaster CLO 8 B.V.

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Ratings

Class	(EURm)	Rating	CE[1] (%)	Rating Description
A1	317.0	AAA	36.6	Ultimate P & Timely I
A2	84.0	AAA	19.8	Ultimate P & Timely I[2]
B	20.5	AA	15.7	Ultimate P & I
C	23.2	A	11.1	Ultimate P & I
D	21.1	BBB	6.8	Ultimate P & I
E	11.8	BB	4.5	Ultimate P & I
N	35.0	NR	n.a.	n.a.

[1] Credit enhancement in the form of subordination only based on a target portfolio amount of EUR500m
[2] Please note that while class A1 remains outstanding, deferral of interest of the class A2 notes would not lead to enforcement. Notwithstanding, the rating Fitch has assigned to the class A2 notes addresses timely payment of interest.
NR: Not rated

Summary

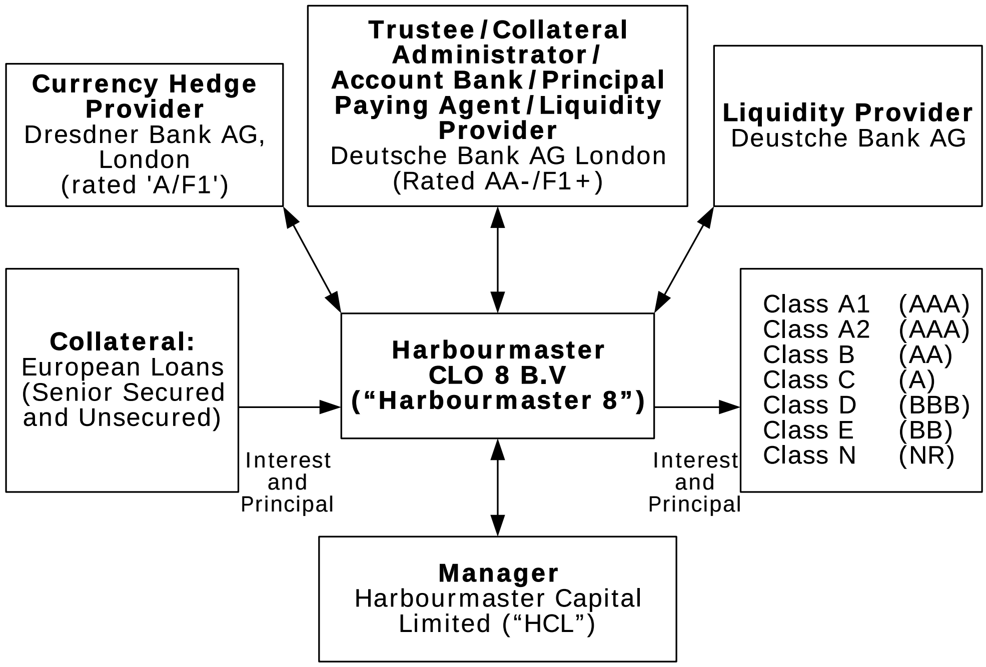
This transaction is a securitisation of European senior secured and unsecured loans. Fitch has assigned final ratings to the notes to be issued by Harbourmaster CLO 8 B.V. ("HM CLO 8" or "the issuer") as indicated at left. The issuer is a limited-liability company incorporated under the laws of the Netherlands. It will issue various classes of floating-rate notes (see table above) and will use the proceeds to purchase a EUR500 million portfolio of loans.

The portfolio will be actively managed by Harbourmaster Capital Limited ("Harbourmaster" or "the manager") over the life of the transaction. However, amortising proceeds will only be reinvested up to the payment date falling in March 2012 ("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 approximately 79.5% of the target portfolio, following which the portfolio will build to its target amount over a maximum of 270 days.

The final ratings are based on available credit enhancement, which will be provided through subordination, as well as excess spread and structural protection covenants. The final ratings on the A1 and A2 notes address ultimate repayment of principal at maturity and timely payment of interest when due according to the terms and conditions of the notes. For all other classes of notes, the final ratings address ultimate payment of principal and interest, including deferred interest, at maturity according to the terms of the notes.

Credit enhancement in the form of subordination for the class A1 notes totals 36.6%, and is provided by the class A2 (16.8%), the class B notes (4.1%), the class C notes (4.6%), the class D notes (4.2%), the class E notes (2.4%) and the class N subordinated notes (4.5%). Note that some of the EUR35m proceeds from the subordinated notes will be used to pay certain initial expenses of the issuer and will therefore not be available as subordination.

Derivative Structure Diagram



Source: Transaction documents

Credit Committee Highlights

Asset-Specific Rating and Recovery Rates

Each asset will be analysed by Fitch’s European leveraged finance group (“ELF”) prior to its inclusion in the portfolio. ELF will assign and maintain issuer ratings and asset-specific recovery rates, in line with Fitch’s updated criteria (See “*Criteria for Use of Recovery Ratings in Collateralized Loan Obligations Ratings*”, dated 13 September 2006).

Collateral Asset Manager Rating

Fitch assigned Harbourmaster Capital Management Limited a CDO Asset Manager Rating of ‘2’ (‘CAM2’) for leveraged loans in September 2004, which was affirmed in November 2006, based on the manager’s strong credit underwriting skills and workout experience. This rating was factored into the analysis by adjusting the rating default rate (“RDR”) produced by VECTOR according to Fitch’s CDO rating criteria.

Treatment of ‘CCC’ Assets and Discounted Assets in the Overcollateralisation Tests

For the purpose of calculating the class A overcollateralisation (“OC”) test ratio (which will divert interest and/or principal to repay the notes sequentially), any assets with a loan rating of ‘CCC+’ or below that form more than 7.5% of the portfolio balance will be accounted for at the lower of the weighted average market value and the weighted average assumed recovery amount. Discounted assets will be valued at their purchase price for all OC tests. Both treatments mean that the collateral portfolio value is more accurately reflected in the overcollateralisation test.

Structure

The notes will be issued by HM CLO 8, a bankruptcy-remote special-purpose vehicle incorporated under the laws of the Netherlands. Its activities are limited to those directly related to its primary purpose: acquiring the collateral; entering into, among others, the collateral management agreement with Harbourmaster and the liquidity facility agreement with Deutsche Bank AG, London branch ("Deutsche Bank", rated 'AA-(AA minus)/F1+'); and issuing the notes to finance the purchase of the assets. All the rated notes will have a contractual right over the portfolio of assets owned by the issuer.

Key Information

Portfolio Characteristics

Type of Assets: Mainly senior secured leveraged loans

Total Portfolio: EUR500m

Max. Weighted-Average Life ("WAL"): Eight years (seven at the end of the reinvestment period)

Reinvestment Period: Up to the payment date falling in March 2012

Non-call Period: Up to the payment date falling in March 2010

Weighted Average Rating Factor (Dependent on Matrix Scenario): 24.5 – 30

Structure

Collateral Manager: Harbourmaster Capital Limited

Arranger and Book Runner: Dresdner Bank AG, London branch (rated 'A/F1')

Currency Hedging Counterparty: Dresdner Bank AG, London branch

Liquidity Provider: Deutsche Bank AG, London branch (rated 'AA-(AA minus)/F1+')

Collateral Administrator: Deutsche Bank AG, London branch

Trustee: Deutsche Trustee Company Limited

Deferral of Interest

Non-payment of interest on class A1 – or, if that class is redeemed, the then most senior tranche – will constitute an event of default under the notes. In this event, the trustee, at its discretion or at the request of 75% of the senior 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 75% of the senior noteholders that may include liquidation of the collateral. While the class A1 notes are outstanding, deferral of interest on any of the subordinated notes will not constitute an event of default. For the A2 notes such amounts will be paid including accrued interest when available at subsequent payment days. Notwithstanding, the rating Fitch has assigned to the class A2 notes addresses timely payment of interest. For all other classes of notes such amounts will be added to the outstanding principal amount of the relevant tranche and will be considered in the calculation for the OC tests (see Structural Protection).

Class N Subordinated Notes Call Option

On any payment date after the end of the non-call period in March 2010, the issuer, acting on behalf of the majority of the class N 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.

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.

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 (quarterly) and the assets, which could be semi-annual or annual.

The semi-annual and annual interest-smoothing will require some interest proceeds to be deposited in the semi-annual/annual interest-smoothing account up to the next payment date if:

- the proportion of annually paying loans exceeds 5% and more than 25% of these loans are paying interest in one quarter.

- the proportion of semi-annually or annually paying loans exceeds 25% and more than 75% of these loans are paying interest in one quarter.

The provider of the liquidity facility is Deutsche Bank AG, London branch ('AA-/F1+'). If Deutsche Bank is downgraded below 'F1', it will be required either to 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 EUR10,000,000 and cannot be drawn after a breach of any OC tests.

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: Harbourmaster CLO 8 B.V. Offering Circular

Account Bank and Eligible Investments

The issuer will hold monies in the principal and interest account, which will be held with Deutsche Bank. If Deutsche Bank 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 euro;
- 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 following payment date

Currency Hedging

Some of the portfolio may be invested in assets denominated in currencies other than euro. The currency risk arising from such assets will be hedged by the issuer through asset swaps that are initially entered with Dresdner Bank, London branch (rated 'A/F1').

Any hedging counterparty will be subject to replacement conditions that comply with Fitch's swap criteria. (See "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004 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 sought by Fitch; or
- post collateral in favour of the issuer that satisfies Fitch's swap criteria.

As any currency hedge provider must at all times have a minimum rating of 'F1' and 'A+', Dresdner Bank as initial currency hedge counterparty will post collateral in favour of the issuer to comply with Fitch's counterparty requirements.

The Reference Portfolio

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-(B minus)' 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 approximately 79.5% of the target portfolio; the issuer will purchase the remainder over the following 270 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 270 days insofar as the portfolio guidelines are satisfied.

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, it 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 5.25 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.

Following the ramp-up period, available principal receipts can only be held for three payment periods, after which such funds either have to be reinvested or used to redeem the notes in order of seniority.

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 ratings of the class A1 notes have not been downgraded below their initial level;
- all the requirements of 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

Minimum ObligorIssuer Default Rating	B-(B Minus)
Maximum Per Obligor rated B+ or lower (EURm)	12.5
Maximum Per Obligor Rated BB- or Above (EURm)	15.0
Maximum Senior Unsecured (EURm)	25.0
Maximum Per Industry (EURm)	75.0
Three Largest Industries (EURm)	175.0
Maximum US and Canada (EURm)	75.0
Maximum Non-EUR Loans (EURm)	100.0
Maximum Debtor In Possession Loans (EURm)	25.0
Maximum Chains of Sub-Participations (EURm)	25.0
Maximum Sub-Participations (EURm)	100.0
Maximum Weighted Average Life (in Years) During the First Two Years of the Transaction	8
Maximum Weighted Average Life (in Years) at the End of the Reinvestment Period	7

Source: Harbourmaster CLO 8 B.V. Offering Circular

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 criteria are breached before the inclusion of a new asset, the purchase of the asset must either maintain or improve that specific portfolio criterion. Deutsche Bank, 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 WAS and the minimum WARR, as shown in the table below.

WARF/WAS/WARR Guideline

WARF*	**24.50**	**25.50**	**26.50**	**27.50**	**28.00**	**28.50**	**29.00**	**29.50**	**30.00**
Min WARR* (%)				**WA Spread* (bp)**					
74.00	174	183	197	206	210	216	223	230	237
72.00	185	193	210	218	225	234	240	248	256
70.00	191	207	220	235	241	248	256	263	271
69.00	199	215	229	245	252	263	267	276	283
68.00	207	222	238	255	261	269	277	287	294
65.00	224	239	261	286	295	307	321	331	342

* Excluding defaulted assets
Source: Harbourmaster CLO 8 B.V. Offering Circular

The maximum weighted average life ("WAL") of the portfolio should not exceed eight years during the first two years of the transaction, stepping down to seven years at the end of the reinvestment period.

Collateral Manager

Harbourmaster is a Dublin-based specialist asset management company dedicated to the management of primarily senior secured loans through the Harbourmaster programme (nine CLOs issued since March 2001). 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 17 staff, including 10 portfolio managers and research analysts, and five administration personnel, all dedicated to the Harbourmaster programme. As at 31 October 2006, CDO assets under management ("AUM") totalled EUR5.2bn.

The 'CAM2' rating of Harbourmaster, assigned in September 2004 and affirmed in November 2006, is based on an ordinal rating scale between '1' and '5', with '1' being the best.

This rating reflects Harbourmaster's extensive experience as one of the longest established CLO managers in Europe, its leading competitive position, resulting superior access to collateral highly documented credit research practices supporting stable investment strategies, substantial experience in distressed debt workout and solid track record.

In 2006, Harbourmaster has continued its strong organic growth (AUM have grown by 55% since 31 December 2005), while expanding its staffing, consolidating its internal processes and infrastructure and maintaining its credit discipline. Indeed, in addition to three credit analysts, HCM has hired two seasoned professionals with over 10 year experience in restructuring and structuring respectively. The further integration of Wall Street Office software into Harbourmaster's procedures has enhanced the control environment and administration processes. Finally, the performance of Harbourmaster CLOs has been strong, both for debt and equity holders. In July 2006, Harbourmaster CLO1 was called, demonstrating Harbourmaster ability to generate strong performance over five years: the ratings of all tranches were stable and a 16.8% internal rate of return was generated over the period.

A more detailed description of the company and Fitch's CAM ratings can be found in the CDO Asset Manager Report for Harbourmaster Capital Management Ltd, dated 27 November 2006 and available at www.fitchratings.com.

Replacement of the Manager

Harbourmaster, as the manager, could be replaced without cause at the request of 75% of each class of notes outstanding, or "for cause" at the request of the majority of the noteholders of the controlling class by aggregate principal amount. Among others, a "for cause" replacement would occur when, on any measurement date falling on or after the effective date, the class A2 OC ratio was equal to or less than 95%.

Structural Protection

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

The structural protection is based on OC and interest coverage ("IC") tests, which are described in more detail under *Financial Covenants*. The structure includes an OC test for each class of rated notes, calculated by dividing the aggregate value of the assets (par value plus principal collection accounts) by the outstanding amount of the relevant class plus the outstanding amounts of any senior-ranking class. 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 class A1 and A2 notes will also benefit from an IC test that monitors whether expected interest due from the collateral (plus interest on the various accounts) will be sufficient to cover interest due on the class A1 and A2 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 class E OC test would redirect interest proceeds from funds remaining after the payment of deferred interest on the class E 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 class E 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 (see definition in *Financial Covenants*), which are taken at their purchase price. This ensures that the OC test more accurately reflects the actual value of the collateral portfolio.

For the purpose of calculating the class A OC ratio, the proportion of assets on which the loan rating (as opposed to the issuer rating) is 'CCC+' and below that exceeds 7.5% 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. For the remaining OC tests, 'CCC' assets will be taken at par value.

Coverage Tests

	Trigger versus Actual Value* (%)	Definition
Class A	112.5 vs. 124.7	Par coverage amount divided by the sum of the class A1, A2 notional
Class B	109.0 vs. 118.6	Par coverage amount divided by the sum of the class A1, A2, B notional
Class C	106.5 vs. 112.4	Par coverage amount divided by the sum of the class A1, A2, B, C notional
Class D	104.0 vs. 107.3	Par coverage amount divided by the sum of the class A1, A2, B, C, D notional
Class E	101.5 vs. 104.7	Par coverage amount divided by the sum of the class A1, A2, B, C, D, E notional
Interest Coverage Test		
Class A	105.0	Interest coverage numerator divided by the interest due to the class A1 and A2 notes on the following payment date
Class E Stabilisation Test		
Class E	102.2 vs. 104.7	Par coverage amount divided by the sum of the class A1, A2, B, C, D, E notional

* Actual OC test values are based on a target portfolio balance of EUR 500m
Source: Harbourmaster CLO 8 BV Offering Circular

The structure also includes a class E stabilisation test, calculated in the same way as the class E 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 (65% of the available funds) and used to accelerate redemption of the class E notes (35%). After the reinvestment period, 65% of the available funds will be used to redeem the notes in order of seniority and 35% to accelerate the redemption of the class E notes.

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.

Financial Covenants

Par Coverage Amount

Funded par value of the assets (excluding the par value of discounted assets; the par value of defaulted assets and (in the case of the A OC test only) the excess 'CCC' par value):

(+) for discounted assets, the product of: (i) the purchase price; and (ii) the par value;
(+) for defaulted assets, the product of the par value and the lower of: (i) the WA market value; and (ii) WA recovery rate.
(+) (in the case of the A OC test only) for the excess 'CCC' proportion, the product of the par value and the lower of: (i) the WA market value; and (ii) WA recovery rate.

Discounted Assets

Any assets for which the purchase price at the time of acquisition by the issuer was less than 90% of par. An asset ceases to be a discounted asset if the average market value over the last 30 days prior to the determination date is higher than 95% of par.

Excess 'CCC' Proportion

The proportion of assets in excess of 7.5% of the portfolio notional for which the loan rating is 'CCC+' or below. Note that the loan rating for senior secured loans is generally higher than the issuer rating.

Interest Coverage Numerator

The interest and commitment fees received plus interest due but unpaid on the next payment date:

(+) scheduled interest on the balances of the accounts held with the account bank;
(–) amounts due as senior fees and expenses (including the senior management fee);
(–) amounts due from the issuer to the counterparty under the interest rate and foreign currency hedging agreements.

Class E Stabilisation Test

Ranks after the class E OC test in the interest waterfall. This test will redirect interest proceeds only, which will be reinvested in additional collateral during the reinvestment period (65% of the available funds) and used to accelerate the redemption of the class E notes (35%). After the reinvestment period, 65% of the available funds will be used to redeem the notes in order of seniority and 35% to accelerate the redemption of the class E notes.

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 each WARF/WAS/WARR combination (see section entitled *The Reference Portfolio*), as defined by the portfolio criteria, which were run through the VECTOR model.

Fitch has given credit for Harbourmaster's strong credit underwriting and workout experience, as reflected in the assigned asset manager rating of 'CAM2' (see *Collateral Manager*). This was factored into the analysis by reducing the RDR produced by VECTOR as outlined below.

Credit for CAM2 Asset Manager Rating

Notes Rating	RDR Reduction (%)
AAA	2.5
AA	4.0
A	5.0
BBB	8.0
BB	12.0

Source: Fitch

For example, if the RDR is 50% at the 'AAA' level, the reduction will be applied as follows:

50% x (1 - 2.5%) = 48.75%

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 and interest rate stresses, as described in Fitch's "*Criteria for Cash Flow Collateralised Debt Obligations*", dated 11 October 2006 and available at www.derivativefitch.com. Fitch assumed that recoveries were realised 24 months after default. In total, nine scenarios were run for each of the hypothetical portfolios in respect of WARF/WAS /WARR.

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.

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.fitchratings.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.

Cash Flow Arbitrage Deal, Europe / CDO

Capital Structure – Total Issuance EUR512.6m

Class	Rating	Size (EURm)	CE[3] (%)	PMT Freq	Basis	Spread / Coupon (%)	Ist IPD	Maturity	ISIN
A1	AAA[1]	317.0	36.6	Quarterly	Euro Floater	0.22	14 Jun 2007	Dec 2022	XS0277549290
A2	AAA[1,2]	84.0	19.8	Quarterly	Euro Floater	0.32	14 Jun 2007	Dec 2022	XS0277553722
B	AA	20.5	15.7	Quarterly	Euro Floater	0.38	14 Jun 2007	Dec 2022	XS0277555693
C	A	23.2	11.1	Quarterly	Euro Floater	0.60	14 Jun 2007	Dec 2022	XS0277556667
D	BBB	21.1	6.8	Quarterly	Euro Floater	1.45	14 Jun 2007	Dec 2022	XS0277559687
E	BB	11.8	4.5	Quarterly	Euro Floater	3.75	14 Jun 2007	Dec 2022	XS0277560693
N	N.R.	35.0	n.a.						XS0277563283

[1] Timely payment of interest rating
[2] Please note that while the class A1 notes remain outstanding, a deferral of interest under the class A2 notes would not lead to enforcement.
[3] Credit enhancement in the form of subordination only based on a target portfolio amount of EUR500m

Key Information

Purpose	Arbitrage	Role	Party (Trigger)
Location of Assets	Europe	**Account Bank**	Deutsche Bank AG, London Branch ('F1')
Structure	Pass through, sequential	**Collateral Administrator**	Deutsche Bank AG, London Branch
Portfolio Composition	Primarily European senior secured leveraged loans	**Lead Manager**	Dresdner Bank AG London branch
Location of SPV	Netherlands	**Issuer**	Harbourmaster CLO 8 B.V.
Asset Manager Rating	'CAM 2'	**Asset Manager**	Harbourmaster Capital Limited
Primary Analyst	andreas.wilgen@derivativefitch.com	**Trustee**	Deutsche Trustee Company Limited
Secondary Analyst	laurent.chane-kon@derivativefitch.com	**FX Hedge Counterparty**	Dresdner Bank AG London branch ('A/F1')
Performance Analyst	christiane.kuti@derivativefitch.com	**Liquidity Facility Provider**	Deutsche Bank AG, London Branch ('F1')
		Credit Enhancement Type	Subordination, Excess Spread

Structural Information

A OC Test	112.5% – Class A1 and A2
B OC Test	109.0% – Class B and Above
C OC Test	106.5% – Class C and Above
D OC Test	104.4% – Class D and Above
E OC Test	101.5% – Class E and Above
E Stabilisation Test	102.2% – Class E and Above
A IC Test	105.0%* – Class A2 and Above
Revolving Period	Up to the Payment Date Falling in March 2012
Closing Date	14 December 2006
Min Rating	B-
Non-call Period	Up to the payment date falling in March 2010
Effective Date	14 September 2007 or before

* Applicable after Effective Date

Collateral

Pool Characteristics		Eligibility Criteria / Portfolio Tests	
Current Principal Balance (EURm)	397.3	Target Principal Balance (EURm)	500.0
Current WAL (Years)	6.9	Max WAL (Years)	8
Largest Industry (Telecoms) (EURm)	74.9	Max Largest Industry (EURm)	75.0
Three Largest Industries (EURm)	170.6	Max Three Largest Industries (EURm)	175.0
Non-EUR Loans (EURm)	48.8	Max Non-EUR Loans (EURm)	100.0
US & Canada (EURm)	44.7	Max. US & Canada (EURm)	75.0
DIP Loans (EURm)	0	Max DIP Loans (EURm)	25.0
Sub-Participations (EURm)	0	Max Sub-Participations (EURm)	100.0
Senior Unsecured (EURm)	0	Max Senior Unsecured (EURm)	25.0
WARF	26.25	Max WARF	Dependent on Matrix
WARR (%)	84.26	Min WARR	Dependent on Matrix
WA Spread (Floating) (bps)	256	Min WA Spread (bps)	Dependent on Matrix

Source: Transaction documents