

Leveraged Lion Capital

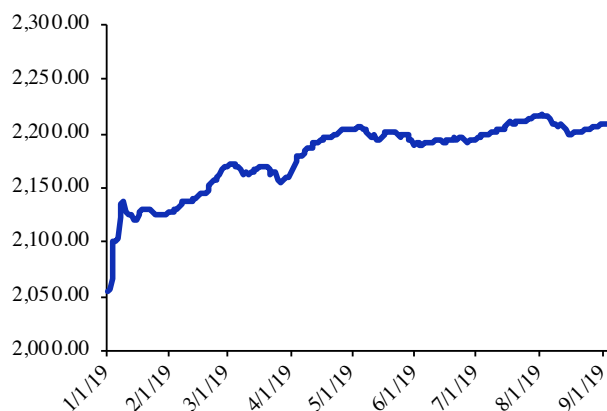
Fixed Income Weekly Report

September 2, 2019

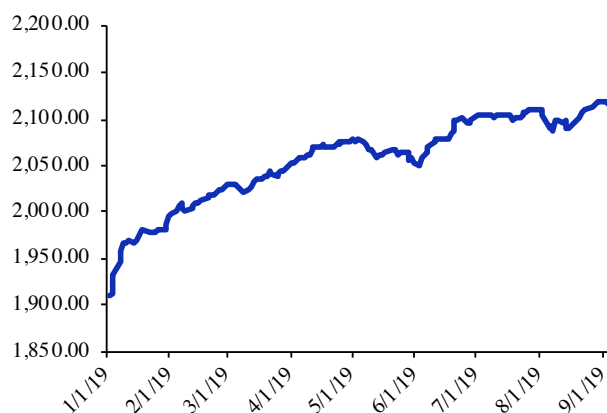
Loan & HY Bond Market Recap

- U.S. leveraged loan funds saw \$485mm of outflows for the week ended Sept. 4, following a similar outflow last week; Loan ETFs experienced inflows, while mutual funds saw severe outflows
- U.S. loan funds have suffered 42 straight weeks of withdrawals, sustaining the longest such streak on record
- New money volume has accounted for \$59.8bn of 3Q19 leveraged loan issuance; refinancing volume totaled \$45.3bn thus far
- U.S. high-yield funds saw less severe outflows of \$318.5mm for the week ended Sept 4.
- Bond-for-loan takeout activity continues to grow as fixed rate debt remains favorable in the declining interest rate environment

S&P/LSTA US Leveraged Loan 100 Index



Bloomberg Barclays US Corp HY Index



	S&P/LSTA US Leveraged Loan 100	Bloomberg Barclays US Corp HY
One-week	0.03%	0.01%
1-month	-0.14%	1.44%
YTD	7.54%	11.01%
Index Value	2209.36	2119.67
Wtd. Avg. Yield / YTW	6.20%	5.79%
OAS	-	4.06

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Portfolio Holdings Review

California Resources' 8% notes due 2022 traded down following disappointing 2Q earnings. The notes started the year trading in the high 70s, but have recently traded in the low 50s.

Pricing was firmed on **Hyperion's** \$340 million first- and second-lien refinancing. The \$240mm, 7-year first-lien loan was priced at L+550 bps, with 0% floor at 98. Initial OID talks were at 99.

The second-lien tranche was finalized at L+900 bps, with 0% floor at 97. Initial talks were at 98.

Pipeline – Upcoming Deals

Salt Mobile SA announced senior secured notes due 2026. Pricing date is set for September 9, 2019.

ALKU LLC announced a \$248mm credit facility (TLB and revolver) for an LBO by FFL Partners.

CPI International plans to use a \$195mm TLB add-on for the acquisition of the SATCOM Technologies antenna systems business from General Dynamics.

Dell International launched a \$4bn TLB to refinance its existing TLB. Commitments are due Sept. 12 with price talk of L+200-225 @99.75.

Recent Leveraged Loan Deals

Company	Purpose	Tranche Size	Spread (bps)	OID
Ancestry.Com Inc	Dividend	\$950.00 mm	L+425	99.00
NAVEX Global	M&A	\$100.00 mm	L+325	97.25
Q Holding Company	Refinancing	\$275.00 mm	L+500	99.50
Apex Tool Group	Amendment	\$1,049.00 mm	L+550	99.50
EverCommerce	Recapitalization	\$550.00 mm	L+550	98.00
Ascend Performance	Dividend	\$1,100.00 mm	L+525	98.00
Hyperion Materials	Refinancing	\$240.00 mm	L+550	98.00
Hyperion Materials	Refinancing	\$100.00 mm	L+900	97.00

Recent High-Yield Bond Deals

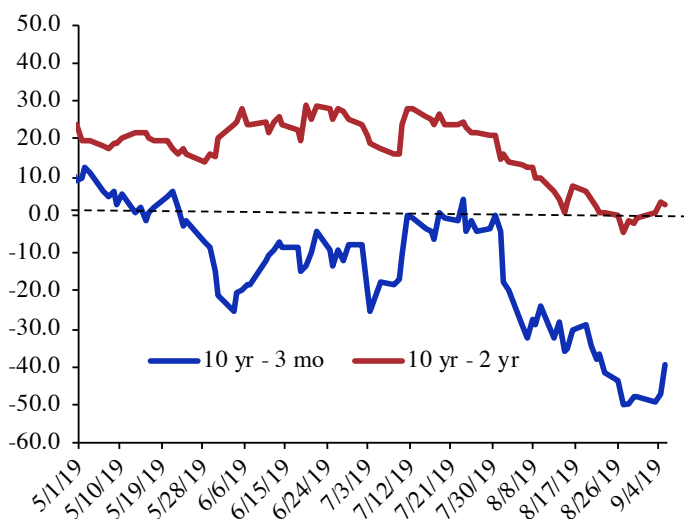
Company	Purpose	Tranche Size	Coupon	Price
Iron Mountain Inc	General Corporate Purposes	\$1,000.00 mm	4.875%	100.00
Murphy Oil	Refinancing	\$500.00 mm	4.75%	100.00
Yum! Brands	Refinancing	\$800.00 mm	4.75%	100.00
Icahn Enterprises	General Corporate Purposes	\$500.00 mm	4.75%	100.00
Tenet Healthcare	Refinancing	\$1,500.00 mm	5.125%	100.00
Tenet Healthcare	Refinancing	\$2,100.00 mm	4.875%	100.00
Tenet Healthcare	Refinancing	\$600.00 mm	4.625%	100.00

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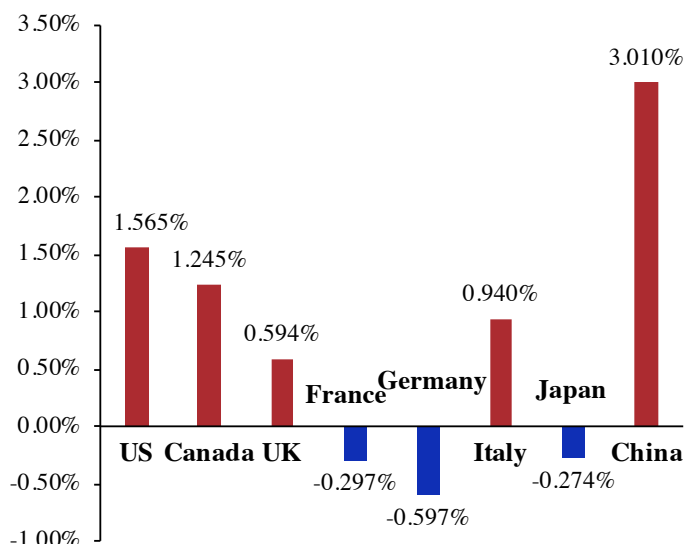
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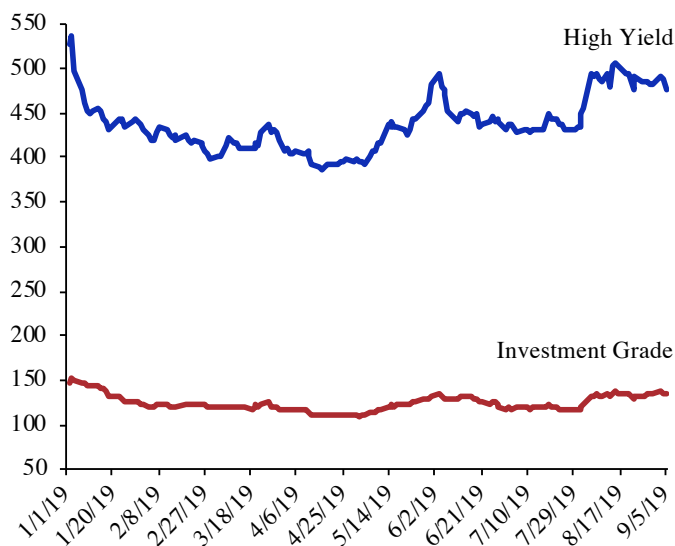
Treasury Yield Curve Spreads



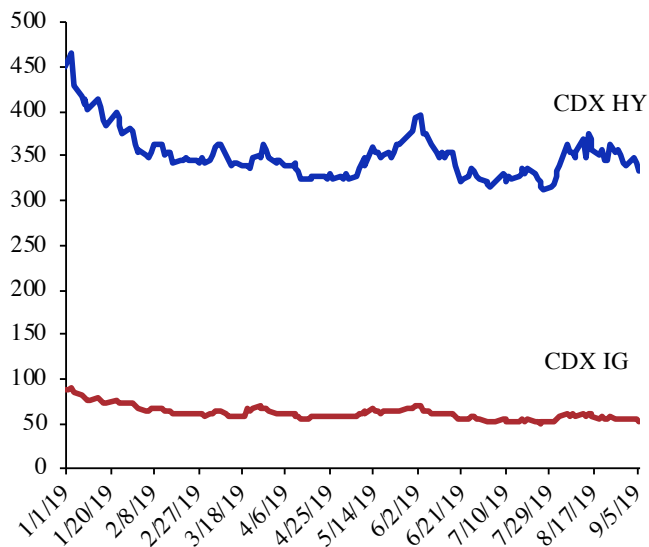
10-year Government Bond Yields



Corporate Credit OAS



CDS Spreads



Special Topics & Notable Developments

Japan's Ineffective Monetary Policy

Following the asset price bubble that rocked Japan and wiped out half of the Nikkei stock index, the country's economy has been far too stagnant...

In response, the BOJ turned to aggressive monetary policy by becoming the first central bank to cut its overnight rate to zero in 1999

- QE began in 2001, which eventually led to ETF purchases in 2010
- BOJ currently owns 80% of Japan's ETF market and 43% of JGB market

Since cutting rates to zero in 1999, Japan's economy has yet to recover:

- 1% economic growth
- 3.2% avg. stock market return
- Most indebted country in the world
- Flat yield curve, well-below 2% inflation target
- Overnight rate sits at -0.1%

Why has this stimulus been so ineffective?

- Top-heavy population is in prime savings years
 - Aging population – more people over 80 than under 10 years of age
 - Partly attributable to high life expectancy and low fertility rates

Spillover into Europe and the US?

- Failing monetary policy in Europe – Ex: Germany
- 30% of the US workforce will retire in the next 5 to 10 years
- Most money in US money market funds since the financial crisis

Germany's Federal Budget Restrictions

- 10-year Bund Yields have reached -70 bps
- German government sold 30-year bonds at a negative yield due to weak demand
- Inflation remains muted around 1.6% with a manufacturing PMI reading of 43.5

Clearly cutting rates and QE has proved to be ineffective, so why not revert to fiscal stimulus?

- Constitutional law limits the net new federal budget deficit to 0.35% of economic output during periods of economic growth
- However, GDP growth of -0.1% in Q2 2019 showed a contracting economy

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LLC
September 2, 2019

Current Economic Calendar

Day	Time	Report	Period	Previous	Actual
Tuesday 9/3	9:45 am	Markit manufacturing PMI	August	49.9	50.3
Tuesday 9/3	10:00 am	ISM manufacturing index	August	51.2%	49.1%
Tuesday 9/3	10:00 am	Construction spending	July	-0.7%	0.1%
Wednesday 9/4	Varies	Motor vehicle sales	August	16.9 mm	17.1 mm
Thursday 9/5	8:30 am	Weekly jobless claims	8/31	216,000	217,000
Thursday 9/5	9:45 am	Markit services PMI	August	50.9	50.7
Thursday 9/5	10:00 am	ISM nonmanufacturing	August	53.7%	56.4%
Thursday 9/5	10:00 am	Factory orders	July	0.5%	1.4%
Friday 9/6	8:30 am	Nonfarm payrolls	August	164,000	--
Friday 9/6	8:30 am	Unemployment rate	August	3.7%	--
Friday 9/6	8:30 am	Average hourly earnings	August	0.3%	--

Previous Economic Calendar

Day	Time	Report	Period	Previous	Actual
Monday 8/26	8:30 am	Durable goods orders	July	1.8%	2.1%
Monday 8/26	8:30 am	Core capex orders	July	0.9%	0.4%
Tuesday 8/27	9:00 am	Case-Shiller home price index	June	3.3%	3.1%
Tuesday 8/27	10:00 am	Consumer confidence index	August	135.8	135.1
Thursday 8/29	8:30 am	Weekly jobless claims	8/24	211,000	215,000
Thursday 8/29	8:30 am	GDP revision	Q2	2.1%	2.0%
Thursday 8/29	10:00 am	Pending home sales index	July	2.8%	-2.5%
Friday 8/30	8:30 am	Personal income	July	0.5%	0.1%
Friday 8/30	8:30 am	Consumer spending	July	0.3%	0.6%
Friday 8/30	8:30 am	Core inflation	July	0.2%	0.2%
Friday 8/30	9:45 am	Chicago PMI	August	44.4	50.4
Friday 8/30	10:00 am	Consumer sentiment index	August	92.1	89.8