



Leveraged Lion Capital

Fixed Income Research Report

11.18.19

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Fixed Income Weekly Report

LLC
November 18, 2019

LLC Portfolio Review

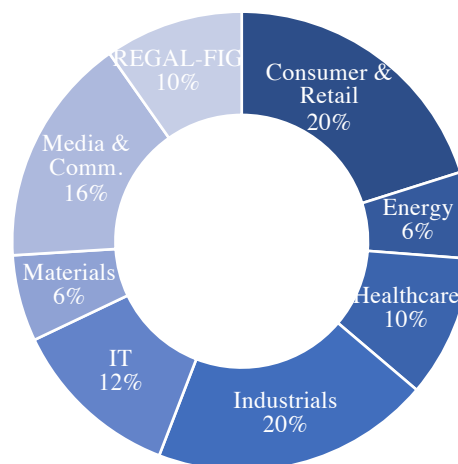
Portfolio Characteristics

Number of holdings	28
Average price	97.90
Average YTM	5.84%
Average total leverage	4.17x
Average interest coverage	5.46x

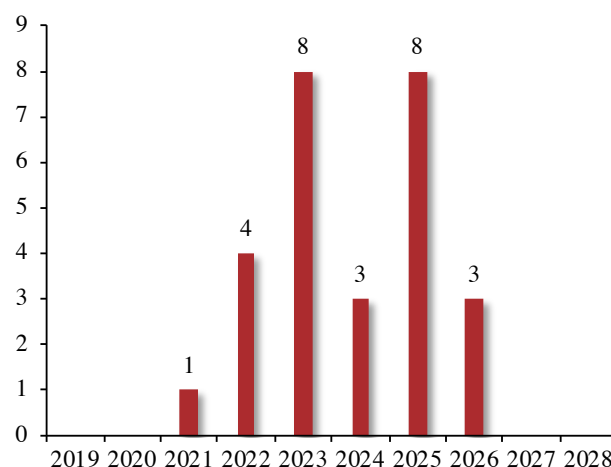
Credit Quality (# of holdings)

Bank Loans	72.63%
BBB-	13.64
BB+	9.09
BB	13.64
BB-	18.18
B+	22.73
B	22.73
High Yield Corporates	26.45%
BB-	33.33
B+	16.67
B	16.67
B-	16.67
CCC-	16.67
Cash & Cash Equivalents	0.92%

Sector Allocation (% of total assets)



Maturity Distribution (# of holdings)



Loan & HY Bond Market Recap

- Approximately 28 loans (up to \$24bn) are in general syndication as borrowers try to complete deals before the holiday slowdown
- 2020 loan supply is projected at \$300bn - \$200bn, which is greater than 2019's annualized figure but below the previous two years' level
- The difference between BB and single-B new issue loan spreads has widened to post-crisis highs
- According to the Bloomberg Barclays U.S. Corp. HY Index, option adjusted spreads widened to 379 bps from 369 bps last week; the index's total return for the week was -0.05%

Top Leveraged Loan Movers

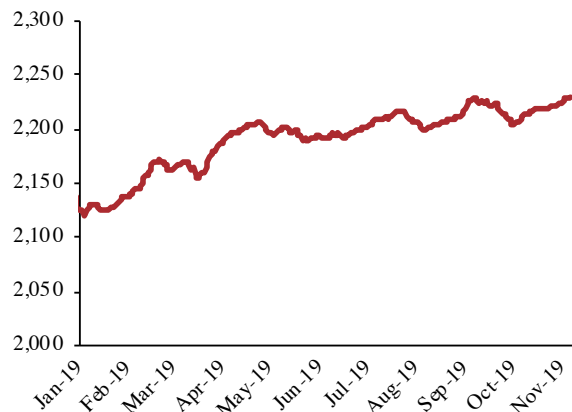
Leaders:

1. Party City's 1L TL +4.75% to 84.00
2. Alorica's 1L TLB +4.50% to 90.00
3. Rackspace Hosting's 1L TLB +4.00% to 92.50
4. iQor US Inc's 1L TLB +3.88% to 86.25
5. Peabody Energy's 1L TLB +3.88% to 82.38

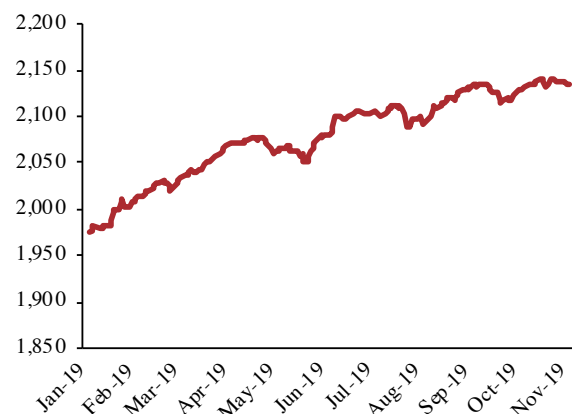
Laggards:

1. Town Sports' 1L TLB -6.13% to 77.88
2. Syniverse Holdings' 2L TL -4.63% to 70.88
3. Global Tel*Link Corp's 1L TL -3.13% to 83.00
4. GIP III Stetson I's 1L TLB -2.50% to 87.50
5. CDS US Intermediate's 1L TLB -2.50% to 86.00

S&P/LSTA US Leveraged Loan 100 Index



Bloomberg Barclays US Corp HY Index



	S&P/LSTA U.S. Leveraged Loan 100	Bloomberg Barclays U.S. Corp HY
1-month	0.70%	0.19%
YTD	8.52%	11.86%
Index value	2229.39	2135.87
52-week high	2229.39	2140.44
Wtd. avg. yield / YTW	6.04%	5.71%
OAS	-	3.79

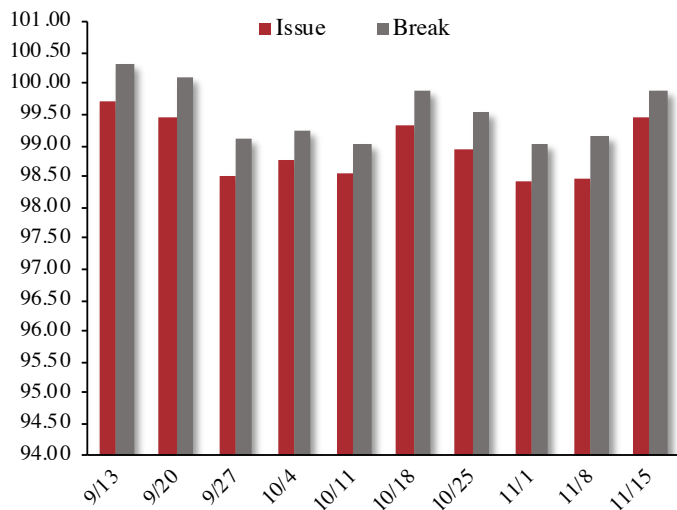
Source: Bloomberg

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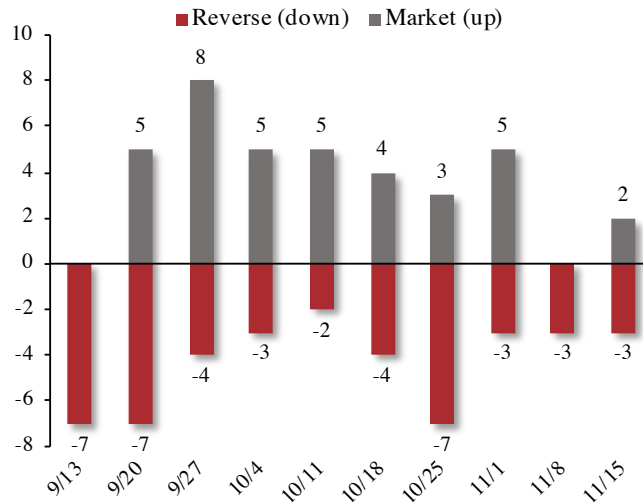
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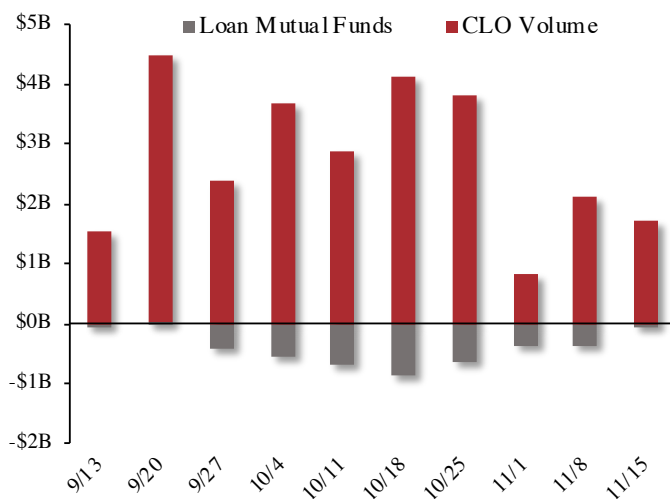
Prices (first-lien deals)



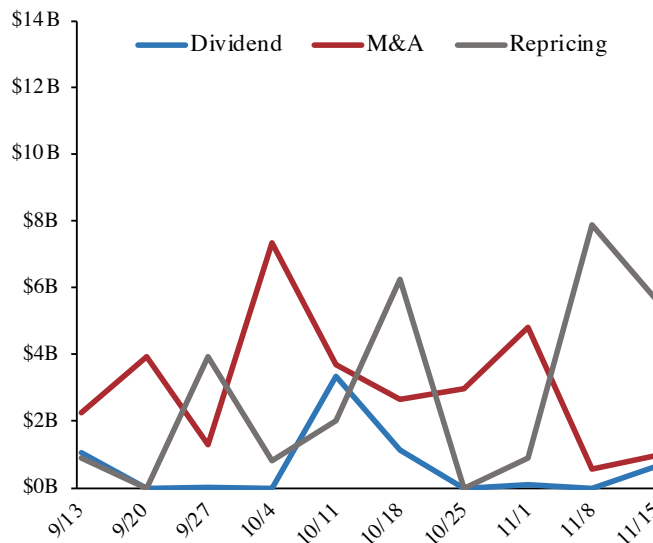
Flex Activity



Fund Flows



Launched Deal Volume by Purpose



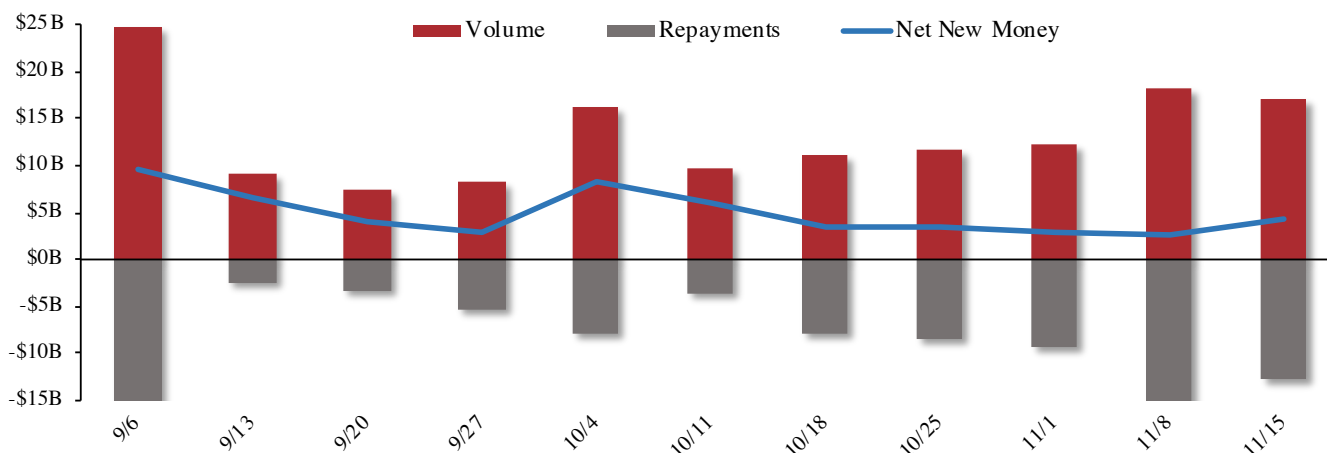
Source: LevFin Insights

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Net Launched Volume



Recent Leveraged Loan Deals

Company	Purpose	Tranche Size	Spread (bps)	OID
Allsup's Convenience Stores	LBO	\$525.00 mm	L+625	96.00
Bowlero	GCP	\$105.00 mm	L+350	99.50
Forest City Realty Trust	Repricing	\$1,241.00 mm	L+350	99.50
On Assignment Inc	Repricing	\$490.30	L+175	100.00
SBA Communications	Repricing	\$2,370.00 mm	L+175	100.00
Univar Solutions	Refinancing	\$400.00 mm	L+200	99.75
Alight Solutions	M&A	\$105.00 mm	L+300	99.88
HelpSystems LLC	LBO	\$725.00 mm	L+475	99.00

Recent High-Yield Bond Deals

Company	Purpose	Tranche Size	Coupon	Price
Prestige Brands	Refinancing	\$400.00 mm	5.125%	100.00
Univar Solutions	Refinancing	\$500.00 mm	5.125%	100.00
Hertz Global Holdings	Refinancing	\$900.00 mm	6.000%	100.00
On Assignment Inc	Refinancing	\$550.00 mm	4.625%	100.00
Restaurant Brands	Refinancing	\$750.00 mm	4.375%	100.00
Cascades Inc	Refinancing	\$350.00 mm	5.125%	100.00
Cascades Inc	Refinancing	\$300.00 mm	5.375%	100.00
Murphy Oil Corp	Refinancing	\$550.00 mm	5.875%	100.00

Source: LevFin Insights

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Taylor Twamley, Director of Credit Research

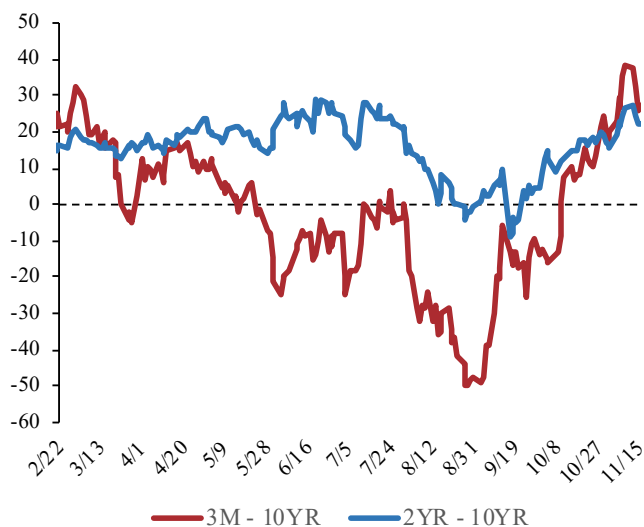
Pennsylvania State University

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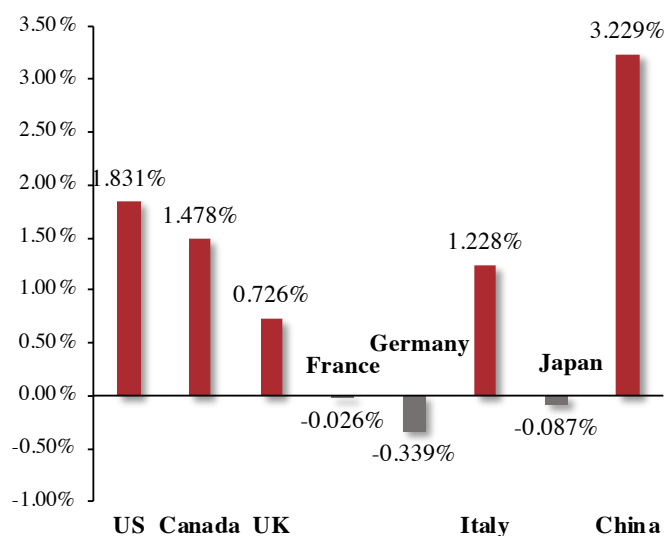
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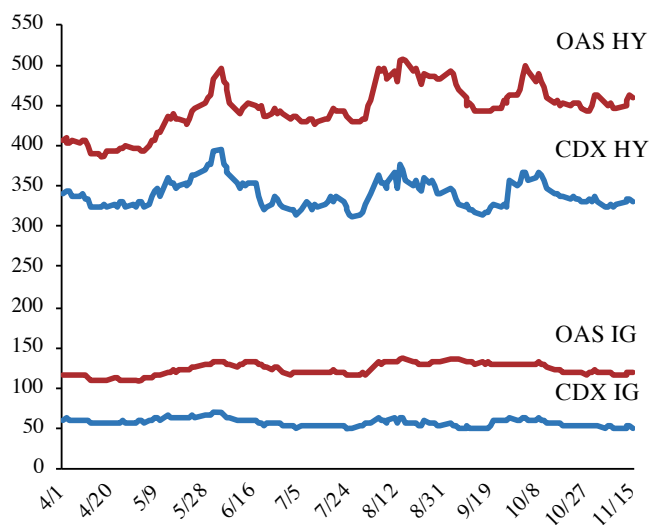
Treasury Yield Curve Spreads



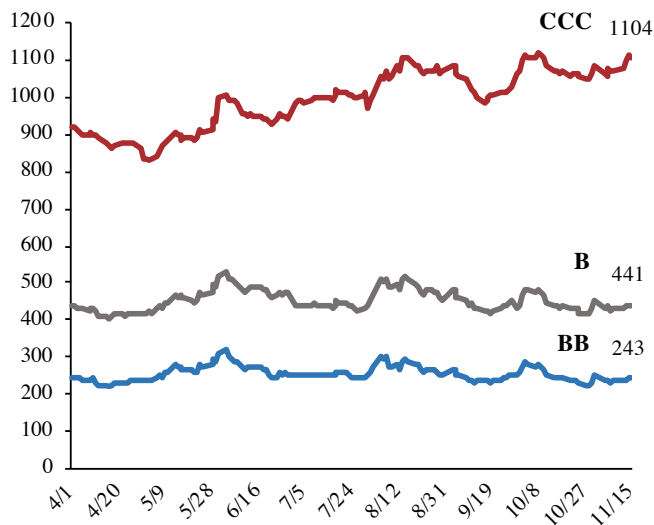
10-year Government Bond Yields



Corporate Credit OAS & CDS Spreads



ICE BofAML US High-Yield Index YTW



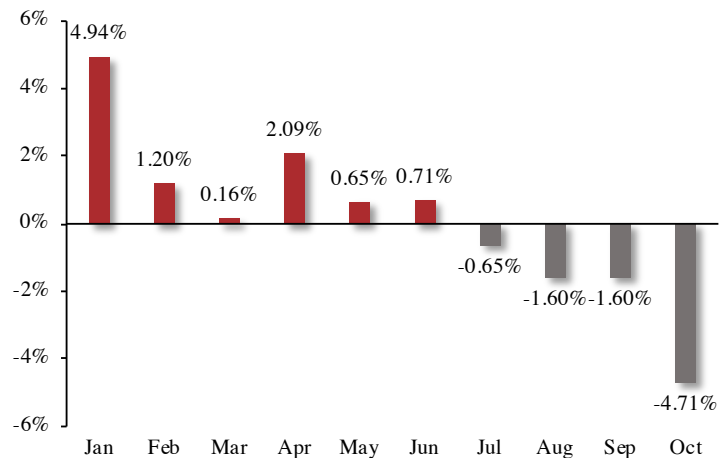
Source: Bloomberg & FactSet

Special Topics & Notable Developments

Trouble in the CLO Market

- After an impressive first half of the year, CLOs have lost their momentum as concerns over the complex vehicles and cracks in the loan market have weighed on performance
- After returning 10% through June, CLO bonds have rapidly declined, erasing almost all gains on the year
- These declines bring high-yield bonds into question, which have yet to slowdown; Double-B CLO bond yields are 5% wider than that of similarly rated U.S. junk bonds
- Overreaction in CLO market or indication of worsening credit conditions to come?

Monthly return of U.S. double-B CLO bonds



Buy CCCs and Bet on a Prolonged Credit Cycle?

- Head of Fixed Income for Northern Trust Asset Management, Colin Robertson, made several optimistic comments in an interview with Bloomberg News; Among the bold predictions, he stated that CCC-rated bonds are attractive and the credit cycle still has room to run
- Where does credit go from here?
 - “I don’t see a recession on the horizon. We’re really close to a ceiling on where interest rates can go. I’d be really surprised if we don’t see one or two Fed easings by the end of the first quarter.”
- When does a recession hit?
 - “It’s not in my forecast for a number of years. I’d be willing to go through a period of five years. The cumulative growth of this recovery is just so shallow. There’s a lot more room to just have muted growth.”
- After confirming that he thinks the credit cycle has five more years...
 - “There continues to be a reach for yield, and the demographic shifts which make bonds attractive. Over the next 12 months, high-yield returns will be north of 6%... Investment grade’s going to be more like a 4% return.”
- Where’s the best relative value?
 - “A very highly diversified high-yield portfolio, both taxable and muni. That’s the number one spot I would be in fixed income. There’s a lot of opportunity in CCCs right now – you’ve just got to find the right ones.”
- What happens to credit if loans and CLOs blow up?
 - “That would be a risk case for me. If we had a really problematic issue in that market, high yield would hold up fine, but we could see some volatility.”

Source: Bloomberg & WSJ

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Upcoming Economic Calendar

Day	Time	Report	Period	Previous	Forecast
Monday 11/18	10:00 am	Home Builders' Index	November	71	-
Tuesday 11/19	8:30 am	Housing Starts	October	1.256 mm	-
Wednesday 11/20	2:00 pm	FOMC Minutes	-	-	-
Thursday 11/21	8:30 am	Weekly Jobless Claims	11/16	211,000	218,000
Thursday 11/21	8:30 am	Philly Fed Index	November	5.6	-
Thursday 11/21	10:00 am	Existing Home Sales	October	5.38 mm	-
Friday 11/22	9:45 am	Markit Manufacturing PMI	November	51.3	-
Friday 11/22	9:45 am	Markit Services PMI	November	50.9	-
Friday 11/22	10:00 am	Consumer Sentiment Index	November	95.7	-

Previous Economic Calendar

Day	Time	Report	Period	Previous	Actual
Tuesday 11/12	6:00 am	NFIB Small-Business Index	October	101.8	102.4
Wednesday 11/13	8:30 am	Consumer Price Index	October	0.0%	0.4%
Wednesday 11/13	8:30 am	Core CPI	October	0.1%	0.2%
Wednesday 11/13	11:00 am	Household Debt	Q3	\$13.9 tn	\$14.0 tn
Wednesday 11/13	2:00 pm	Federal Budget	October	-\$100 bn	-\$134 bn
Thursday 11/14	8:30 am	Weekly Jobless Claims	11/9	211,000	225,000
Thursday 11/14	8:30 am	Producer Price Index	October	-0.3%	0.4%
Friday 11/15	8:30 am	Retail Sales	October	-0.3%	0.3%
Friday 11/15	8:30 am	Retail Sales Ex-Autos	October	-0.1%	0.2%
Friday 11/15	8:30 am	Empire State Index	November	4.0	2.9
Friday 11/15	9:15 am	Industrial Production	October	-0.4%	-0.8%
Friday 11/15	9:15 am	Capacity Utilization	October	77.5%	76.7%
Friday 11/15	10:00 am	Business Inventories	September	-0.1%	0.0%