



Leveraged Lion Capital

Fixed Income Research Report

03.02.20

LLC Portfolio Review

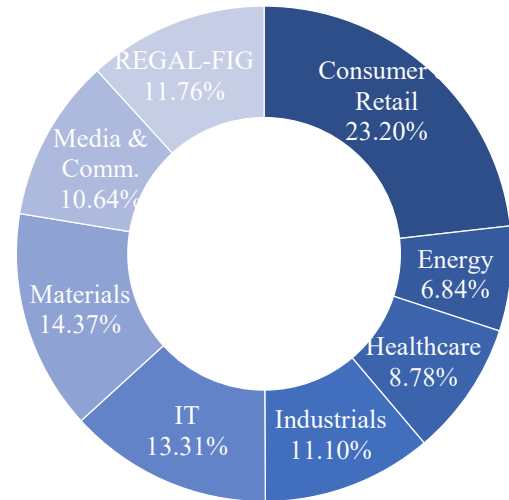
Portfolio Characteristics

Number of holdings	26
Average price	98.33
Average YTM	5.60%
Average total leverage	4.17x
Average interest coverage	5.46x

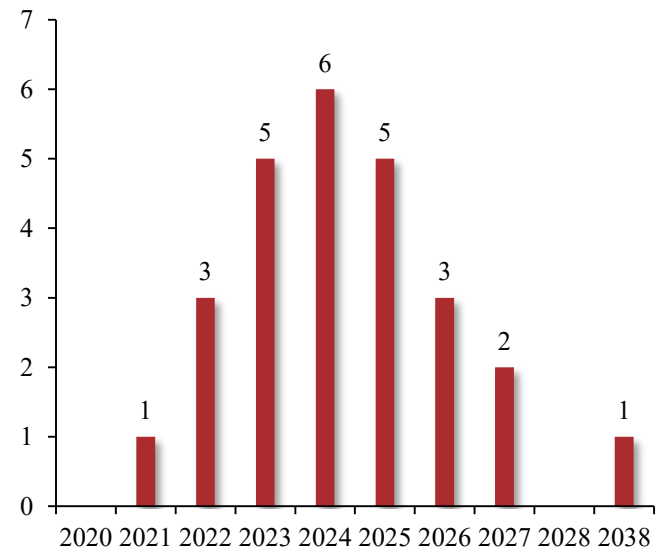
Credit Quality (# of holdings)

Bank Loans	57.08%
BB+	10.00
BB	15.00
BB-	10.00
B+	20.00
B	35.00
High Yield Corporates	22.60%
BB-	50.00
B+	16.67
B	16.67
B-	16.67
CCC-	0.00
Cash & Cash Equivalents	20.32%

Sector Allocation (% of total assets)



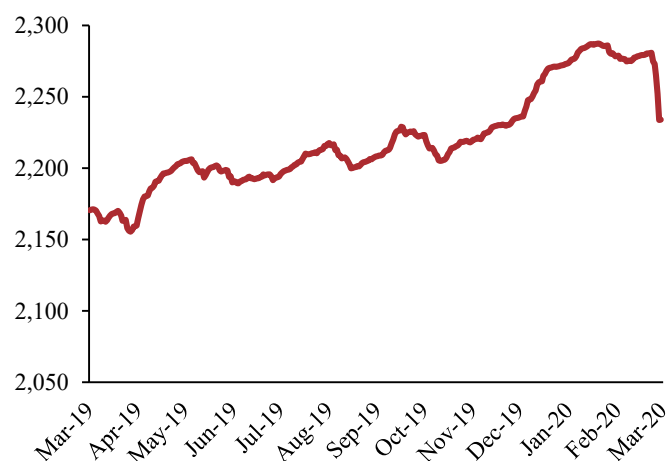
Maturity Distribution (# of holdings)



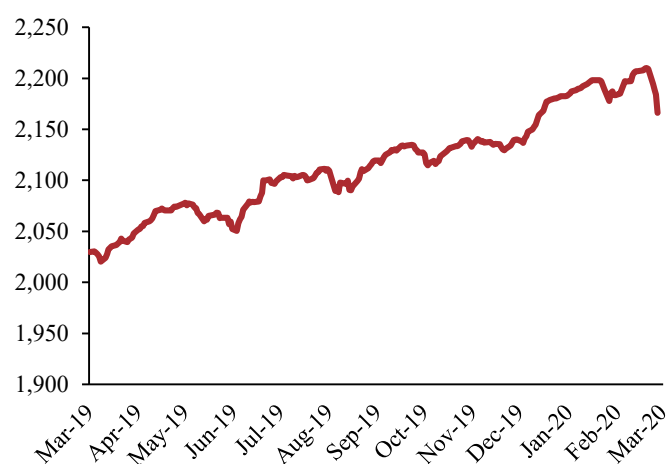
Loan & HY Bond Market Recap

- US leveraged loan funds saw another week of outflows experiencing \$952 mm in money drained from funds
- US HY funds also saw outflows this week totaling \$4.2 bn, while high grade bond funds saw inflows of \$3.65 bn
- Primary markets nearly came to a halt with high yield bond sales seeing no deals priced, and leveraged loans only seeing \$1.2 bn in launched volume
- Both the LSTA 100 and the Bloomberg Barclays HY Index saw their YTD gains erased this past week, with the LSTA 100 posted its biggest percentage-point drop since 2011 at -0.72%

S&P/LSTA US Leveraged Loan 100 Index



Bloomberg Barclays US Corp HY Index



Top Leveraged Loan Movers

Leaders:

1. Orion Engineered Carbons' 1L TLB +4.00% to 100.00
2. Give & Go Prepared Food's 1L TLB +3.63% to 100.13
3. Travelport Finance's 1L TL +3.50% to 90.25
4. BCP Raptor LLC's +2.13% to 90.88
5. Mallinckrodt's 1L TLB +1.25% to 89.25

Laggards:

1. Crown Finance US Inc's 1L TLB -3.38% to 94.75
2. Michaels Stores Inc's -2.88% to 93.00
3. Sabre GBLB Inc's 1L TLB -2.88% to 97.38
4. Avaya Inc's 1L TLB -2.38% to 96.13
5. US Silica's 1L TLB -2.13% to 85.38

S&P/LSTA U.S. Leveraged Loan 100

Bloomberg Barclays U.S. Corp HY

	S&P/LSTA U.S. Leveraged Loan 100	Bloomberg Barclays U.S. Corp HY
1-month	-1.95%	-1.41%
YTD	-1.74%	-1.38%
Index value	2233.66	2152.56
52-week high	2287.33	2210.18
Wtd. avg. yield / YTW	6.27%	6.23%
OAS	-	5.00

Source: Bloomberg

Leveraged Lion Capital

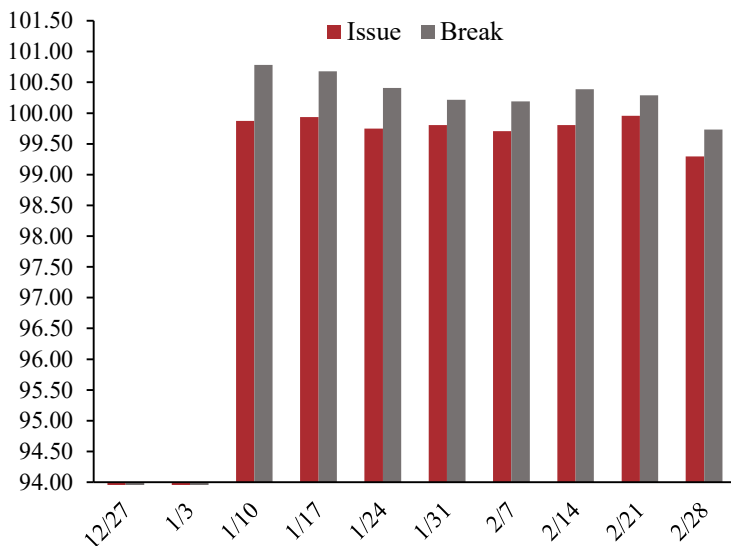
Fixed Income Weekly Report

+1.38%

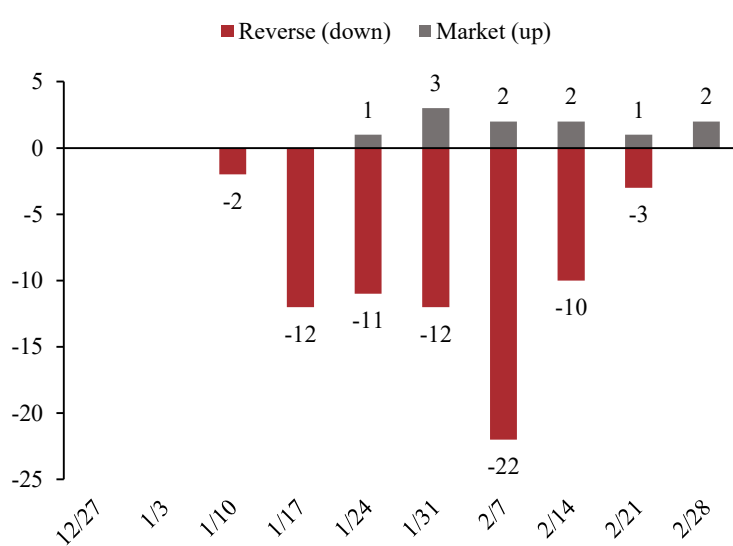
LLC

March 2nd, 2020

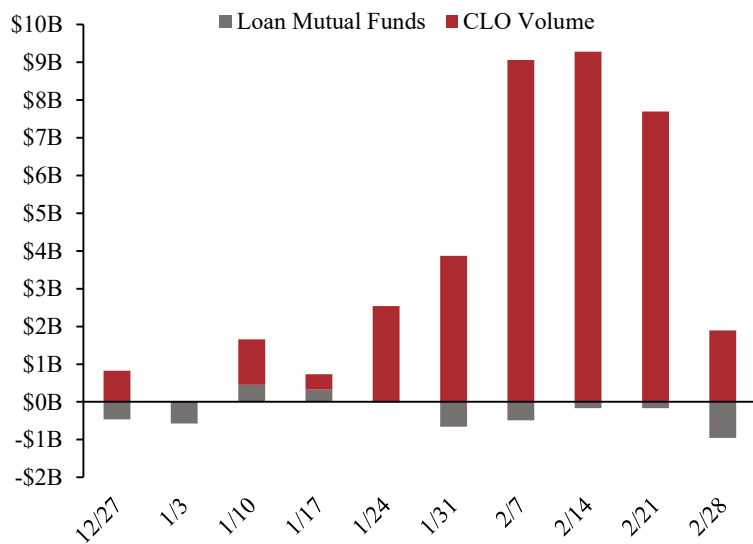
Prices (first-lien deals)



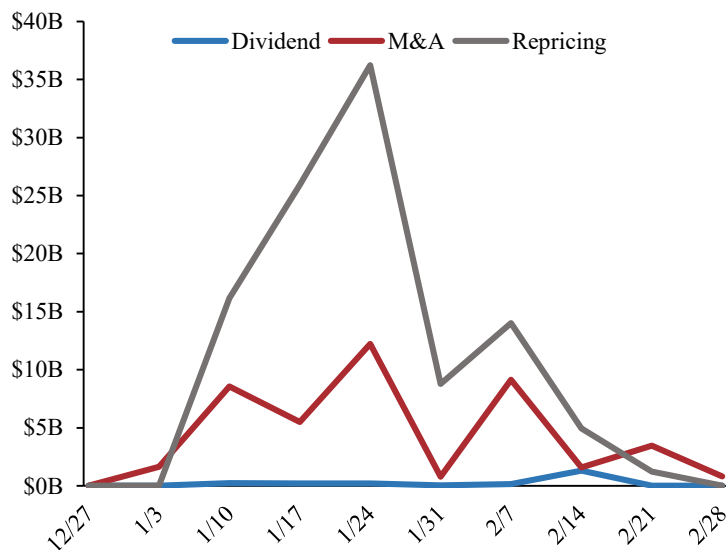
Flex Activity



Fund Flows

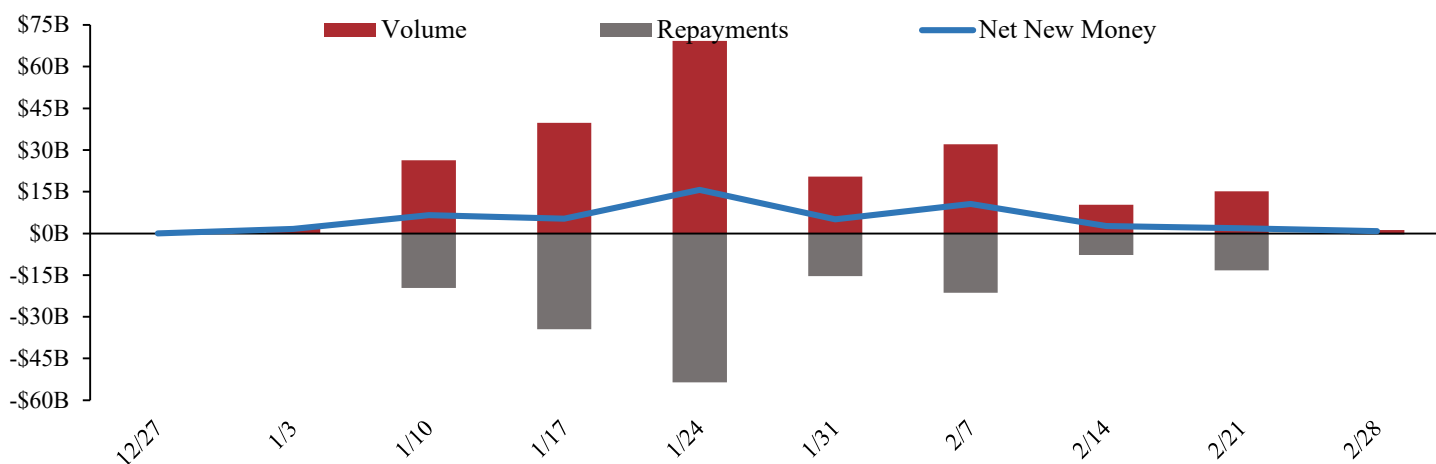


Launched Deal Volume by Purpose



Source: LevFin Insights

Net Launched Volume



Recent Leveraged Loan Deals

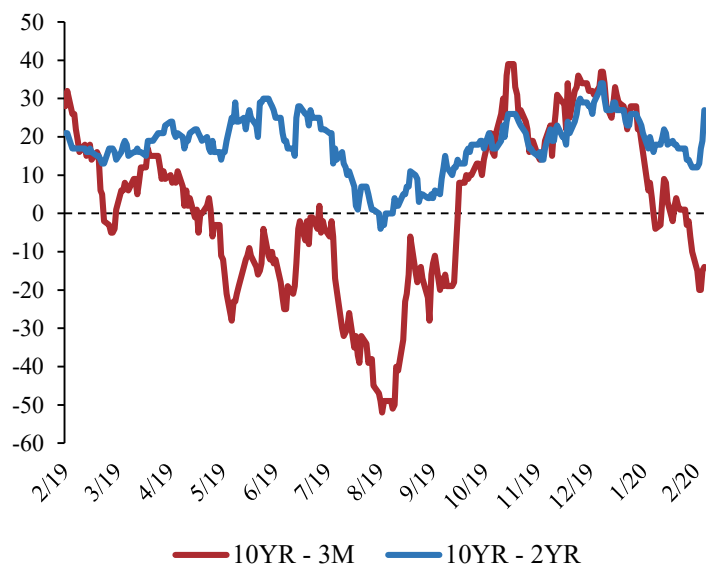
Company	Purpose	Tranche Size	Spread (bps)	OID
Hornblower Cruises & Event	Refinancing	\$25.00 mm	L+450	99.75
American Express	Dividend	\$1,280.00 mm	L+400	98.00
Astra	LBO	\$475.00 mm	L+550	98.50
Innovative Xcessories	LBO	\$695.00 mm	L+500	99.00
Vistage Worldwide Inc	Refinancing	\$80.00 mm	L+400	99.50
Invenergy LLC	Repricing	\$390.00 mm	L+300	100.00
Octave Music Group	Amendment	\$315.00 mm	L+525	99.00
Tecomet Inc	Dividend	\$165.00 mm	L+350	99.50

Recent High-Yield Bond Deals

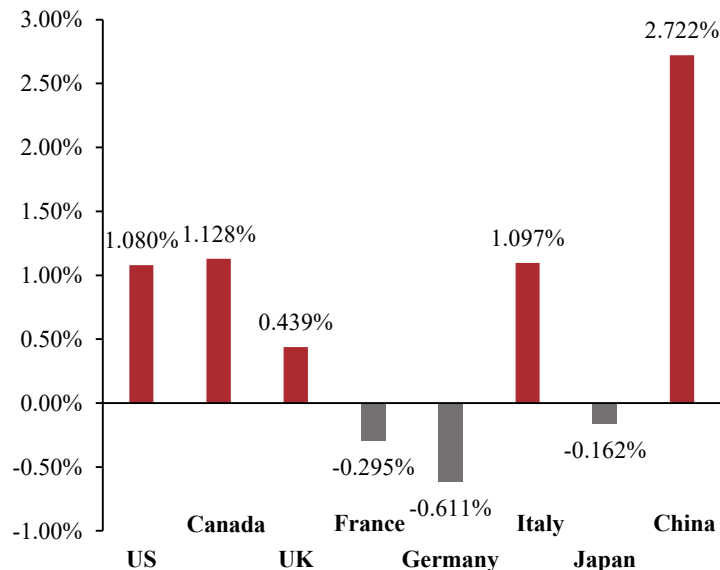
Company	Purpose	Tranche Size	Coupon	Issue Price
Graphic Packaging	Refinancing	\$450.00 mm	3.500%	100.00
American Airlines Group	GCP	\$500.00 mm	3.750%	100.00
Zayo Group LLC	LBO	\$1,500.00 mm	4.000%	100.00
Zayo Group LLC	LBO	\$1,080.00 mm	6.125%	100.00
Freeport-McMoRan Inc	Refinancing	\$700.00 mm	4.125%	98.59
Freeport-McMoRan Inc	Refinancing	\$600.00 mm	4.250%	100.00
MSCI Inc	Refinancing	\$400.00 mm	3.625%	100.00
Silgan Holdings Inc	Refinancing	\$200.00 mm	4.125%	99.50

Source: LevFin Insights

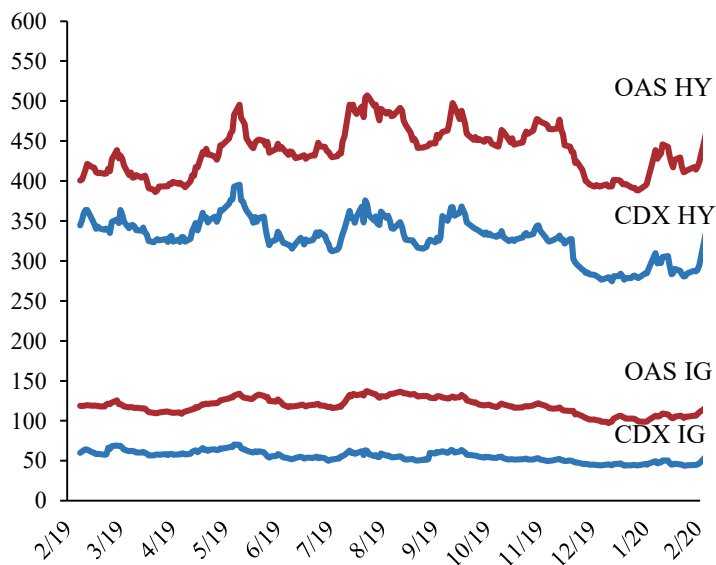
Treasury Yield Curve Spreads



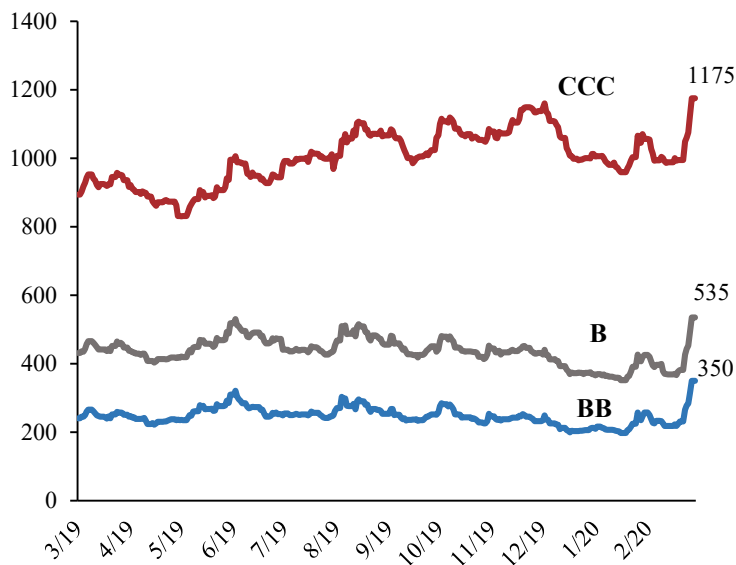
10-year Government Bond Yields



Corporate Credit OAS & CDS Spreads



ICE BofAML US High-Yield Index YTW

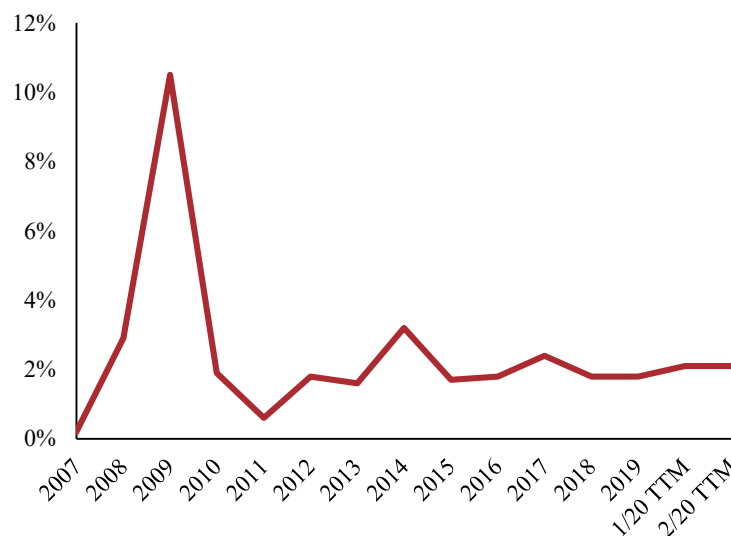


Source: Bloomberg & FactSet

Special Topics & Notable Developments

Leveraged Loan Default Volume More Than Twice 2019 YTD Figure

- Leveraged Loan default volume has risen to \$8.8 bn YTD, which is more than twice the \$3.4 bn in default volume this time last year
- For this January & February period, this total is the highest the market has seen since 2009, which saw \$22 bn in default volume
- The trailing 12-month default rate for February is at 2.1%, unchanged from January, and also higher than the 1.8% reported at the end of 2019
- Looking forward, there are a few big bankruptcies anticipated in the coming months including Frontier, Akorn Inc, and Mallinckrodt's generics business



LIBOR Sees Its Biggest Drop Since 2008

- The three-month LIBOR rate declined 11.8 bps to 1.46275% on Friday, marking its biggest one-day slide since 2008
- This drop is demonstrating investors' outlooks into the path of the Federal Funds Rate
- The futures market shows that investors are pricing in nearly 94 bps in rate cuts in 2020, which is up from just 48 bps a little over a week ago

CCC Bonds Under Increased Pressure Due to Energy

- Since more than a third of energy debt is trading at distressed levels and 11% of debt in the CCC index being in the energy sector, any declines in the CCC index is being accelerated by the decline in total return for the debt of energy companies
- Oil prices are trading down to near 14-month lows, and energy bonds in the high yield space are on the path to their worst decline since 2016
- The HY energy index declined 2.18% on Thursday, which heavily contributed to the 1.19% loss in the CCC index
- Without including energy names, the CCC index is actually up 0.19% YTD

Junk Bonds Still Expensive After Selloff

- Even after the selloff last week, high yield bonds are still expensive relative to how levered the company is
- Based on the earnings reports of 77% of companies and estimates for the remaining companies, the spread that investors get paid per each turn of leverage has been shrinking and is now only as cheap as 2016

Source: Bloomberg & Moody's Investors Service

Upcoming Economic Calendar

Day	Time	Report	Period	Previous	Forecast
Monday 3/2	9:45 am	Markit Manufacturing PMI	February	51.9	50.8
Monday 3/2	10:00 am	ISM Manufacturing PMI	February	50.9	50.2
Monday 3/2	10:00 am	Construction Spending (MoM)	January	-0.2%	0.5%
Wednesday 3/4	9:45 am	Markit Composite PMI	February	53.3	49.6
Wednesday 3/4	9:45 am	Markit Services PMI	February	53.4	49.4
Wednesday 3/4	10:00 am	ISM Non-Manufacturing PMI	February	55.5	54.2
Thursday 3/5	8:30 am	Initial Jobless Claims	2/29	219K	226K
Thursday 3/5	8:30 am	Nonfarm Productivity (QoQ)	Q4	-0.2%	1.4%
Thursday 3/5	10:00 am	Factory Orders (MoM)	January	1.8%	-0.4%
Friday 3/6	8:30 am	Non Farm Payrolls	February	225K	165K
Friday 3/6	8:30 am	Balance of Trade	January	\$-48.9 bn	\$-45.8 bn
Friday 3/6	8:30 am	Unemployment Rate	February	3.6%	3.6%
Friday 3/6	8:30 am	Labor Participation Rate	February	63.4%	63.4%

Previous Economic Calendar

Day	Time	Report	Period	Previous	Actual
Monday 2/24	8:30 am	Chicago Fed National Activity	January	-0.51	-0.25
Monday 2/24	10:30 am	Dallas Fed Manufacturing Index	February	-0.2	1.2
Tuesday 2/25	10:00 am	CB Consumer Confidence	February	130.4	130.7
Tuesday 2/25	10:00 am	Richmond Fed Manufacturing	February	20	-2
Wednesday 2/26	10:00 am	New Home Sales (MoM)	January	2.3%	7.9%
Thursday 2/27	8:30 am	Durable Goods Orders (MoM)	January	2.9%	-0.2%
Thursday 2/27	8:30 am	QoQ GDP Growth Rate 2 nd Est.	Q4	2.1%	2.1%
Thursday 2/27	8:30 am	Initial Jobless Claims	2/22	211K	219K
Friday 2/28	8:30 am	Personal Income (MoM)	January	0.1%	0.6%
Friday 2/28	8:30 am	Personal Spending (MoM)	January	0.4%	0.2%
Friday 2/28	8:30 am	PCE Price Index (YoY)	January	1.5%	1.7%
Friday 2/28	8:30 am	Core PCE Price Index (YoY)	January	1.5%	1.6%
Friday 2/28	8:30 am	Goods Trade Balance Adv	January	\$-68.67 bn	\$-65.50 bn