



Leveraged Lion Capital

Fixed Income Research Report

09.21.20

LLC Portfolio Review

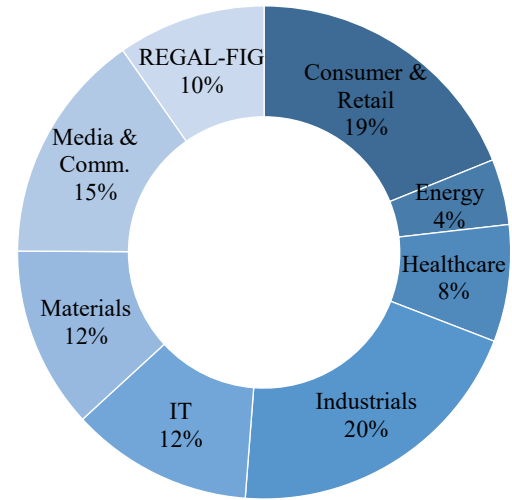
Portfolio Characteristics

Number of holdings	21
Average price	92.26
Average YTM	9.87%
Average total leverage	-
Average interest coverage	-

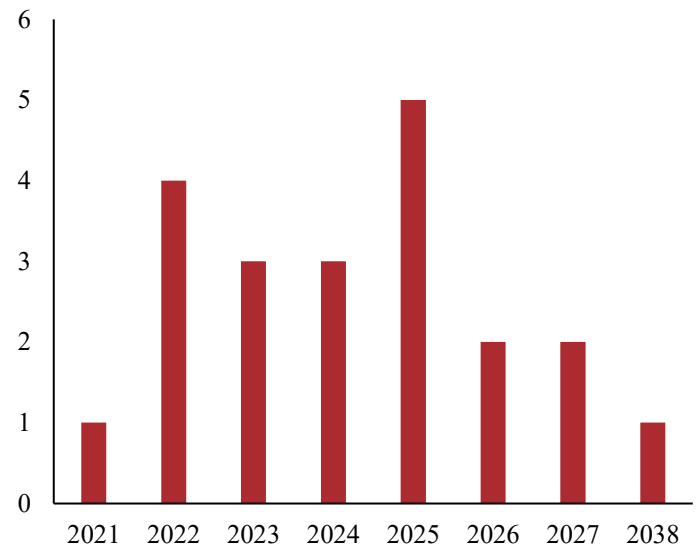
Credit Quality (# of holdings)

Bank Loans	54.19%
BB+	5.26%
BB	15.79%
BB-	10.53%
B+	21.05%
B	36.84%
High Yield Corporates	25.49%
BB-	42.86%
B+	14.29%
B	28.57%
B-	14.29%
CCC-	0.00%
Cash & Cash Equivalents	20.32%

Sector Allocation (% of total assets)



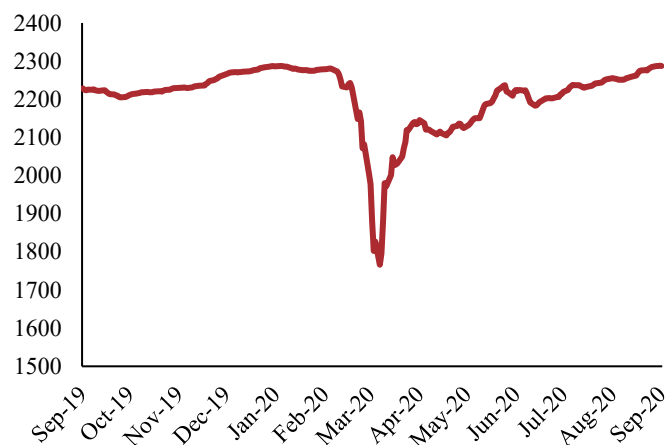
Maturity Distribution (# of holdings)



Loan & HY Bond Market Recap

- High-yield funds saw an inflow of \$526.00 mm this week, almost erasing last week's outflow total. 21 of the past 25 weeks have been inflows, a grand total of \$56.31 bn over the span
- The total launched volume in the leveraged loan market totaled \$19.25 bn this week. Some of the big issuers who decided to shift from secured bonds to leveraged loans this week were Consolidated Communications, Michaels Stores, and Pactiv Evergreen
- Looking at B-rated credits, pricing continued to trend tighter with average spreads around L+459, down from L+471 last week

S&P/LSTA US Leveraged Loan 100 Index



Bloomberg Barclays US Corp HY Index



Notable Moves in Secondary Market

- In the secondary markets, the Bloomberg Barclays HY Index increased by 0.10% while the LSTA 100 increased by 0.21%
- The largest gainers in the US high-yield space this week included Ferroglobe PLC's 2022 notes (+35.96%) and Algeco Global Finance's 2023 notes (+15.13%)
- The biggest losers in the US high-yield market this past week were CCF Holdings LLC's 2023 notes (-36.31%) and Transocean Inc.'s 2041 notes (-28.72%)

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	1.38%	0.62%
YTD	0.59%	1.32%
Index value	2286.81	2214.21
52-week high	2287.66	2224.73
52-week low	1766.72	1750.98

Source: LevFin Insights, S&P Global

Leveraged Lion Capital

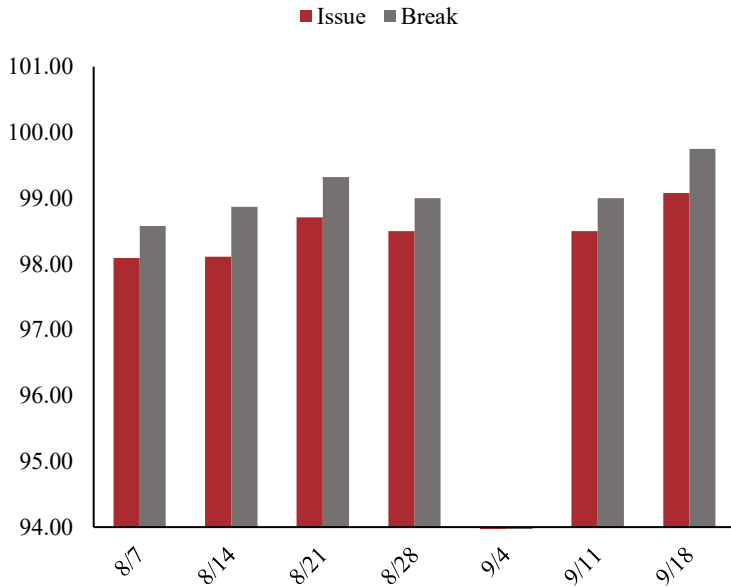
LLC

Fixed Income Weekly Report

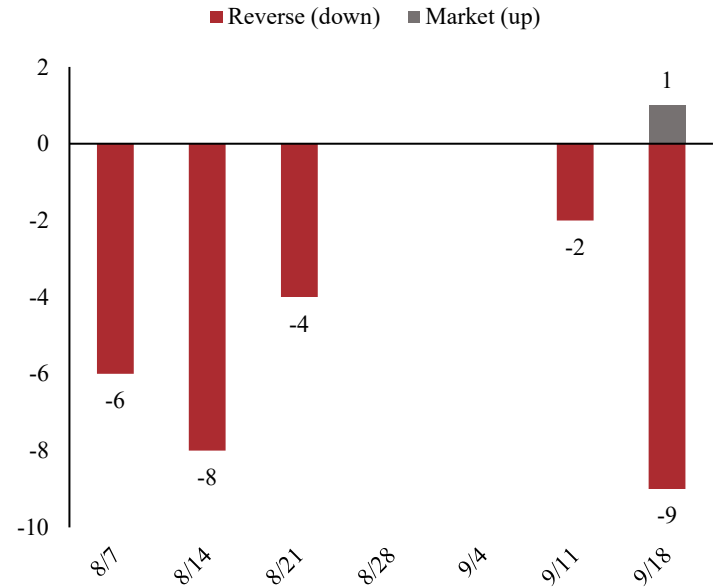
September 21st, 2020

+1.38%

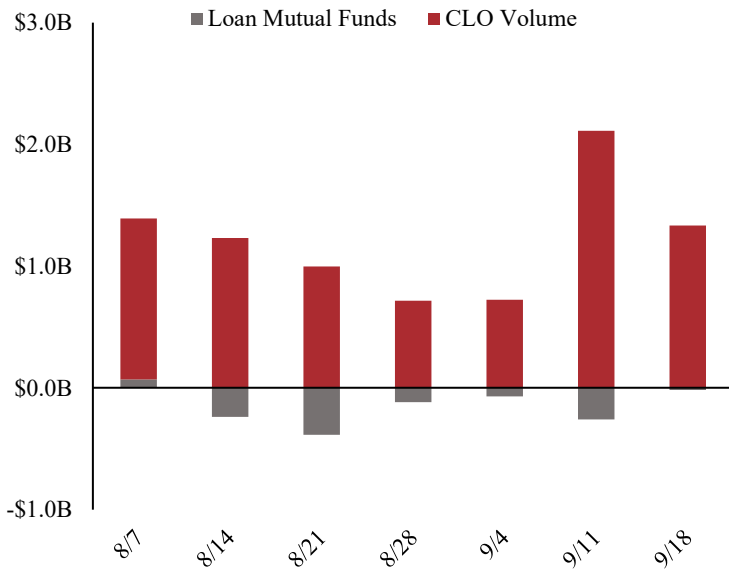
Prices (first-lien deals)



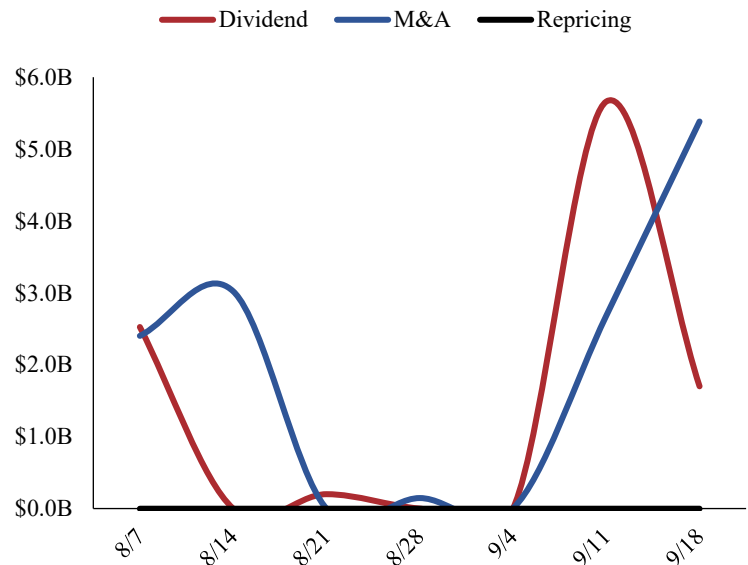
Flex Activity



Fund Flows

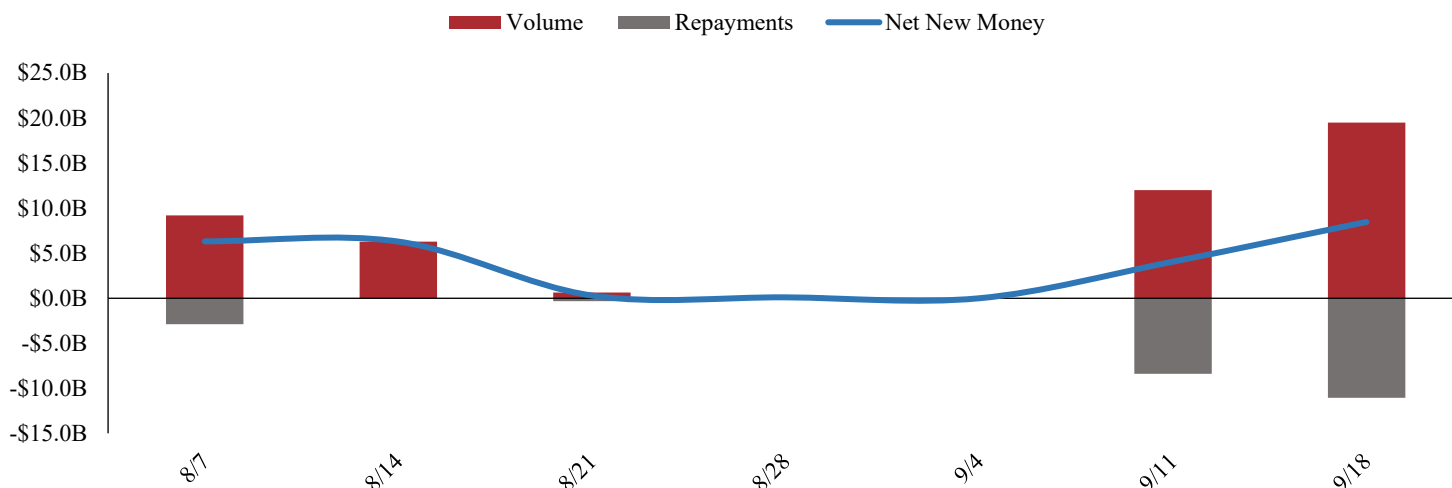


Launched Deal Volume by Purpose



Source: LevFin Insights

Net Launched Volume



Recent Leveraged Loan Deals

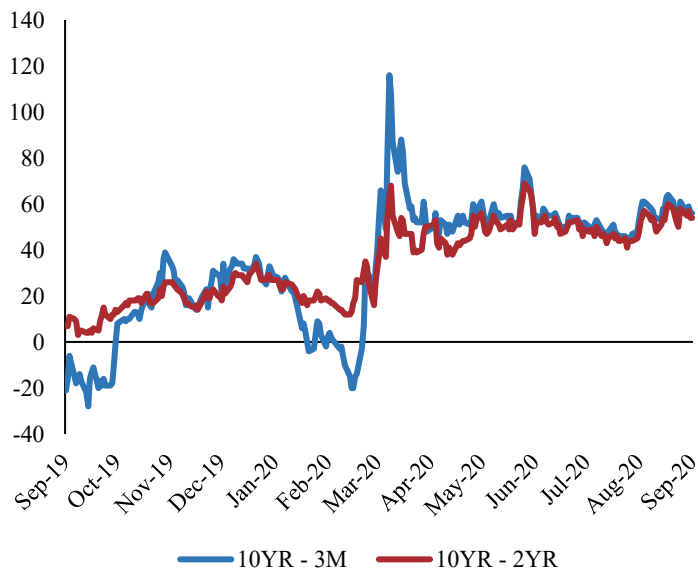
Company	Purpose	Tranche Size	Spread (bps)	OID
Avaya Inc.	Refinancing	\$800.00 mm	L+425	98.00
Consolidated Communications	Refinancing	\$1,500.00 mm	L+475	98.50
Starwood Property Trust	Refinancing	\$250.00 mm	L+350	99.00
Aveanna	GCP	\$185.00 mm	L+625	98.00
ECi Software	M&A	\$810.00 mm	L+375	99.50
Michaels Stores	Refinancing	\$1,670.00 mm	L+350	98.50
Delta Air Lines Inc.	GCP	\$3,000.00 mm	L+375	99.00

Recent High-Yield Bond Deals

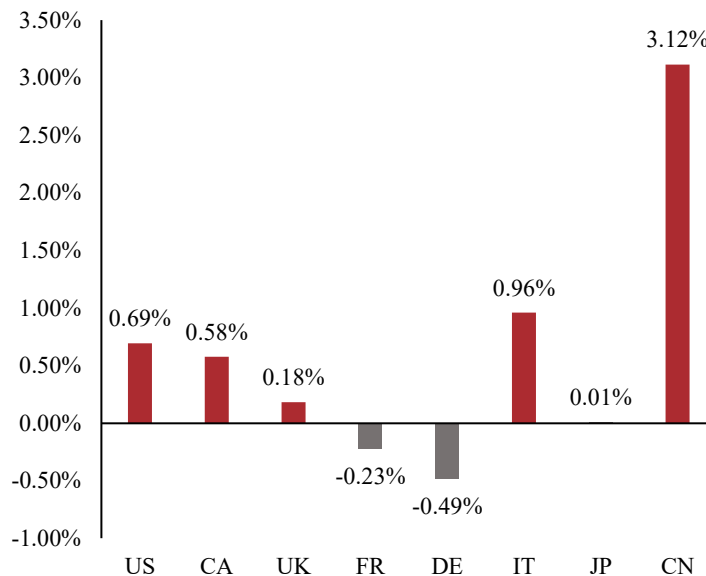
Company	Purpose	Tranche Size	Coupon	Issue Price
Consolidated Communications	Note Redemption	\$750.00 mm	6.500%	100.00
Alliance Data Systems	Repay Bank Debt	\$500.00 mm	7.000%	100.00
First Quantum Minerals	Note Redemption	\$1,500.00 mm	6.875%	100.00
Methanex	Note Redemption	\$700.00 mm	5.125%	100.00
Michaels Stores	Repay Bank Debt	\$375.00 mm	4.750%	100.00
Oppenheimer Holdings	Note Redemption	\$125.00 mm	5.500%	100.00
Energizer Holdings Inc.	Refinancing	\$800.00 mm	4.375%	100.00
L Brands Inc.	Note Redemption	\$1,000.00 mm	6.625%	100.00

Source: LevFin Insights

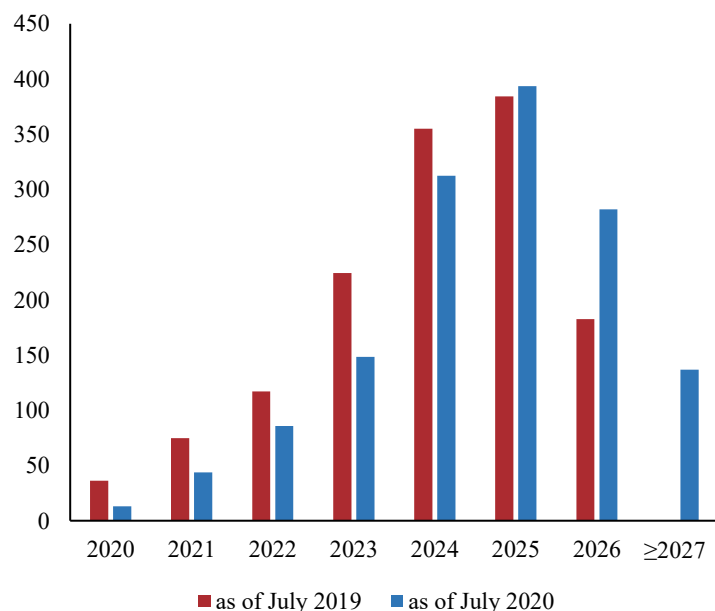
Treasury Yield Curve Spreads



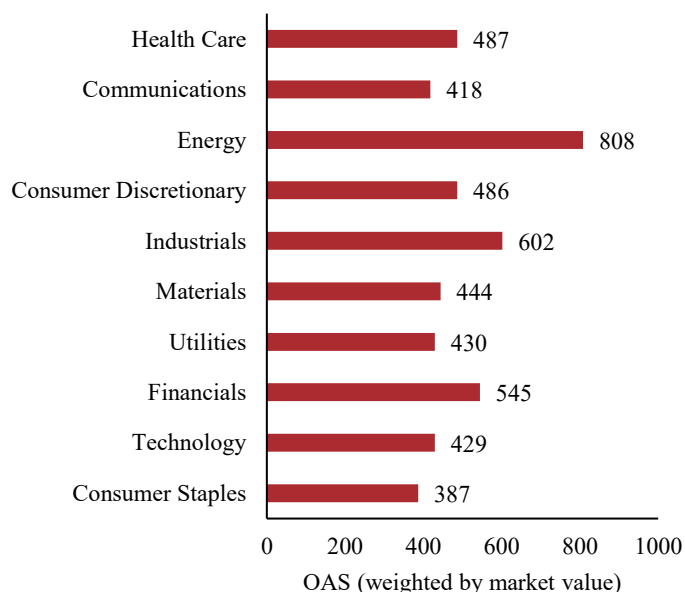
10-year Government Bond Yields



Maturity Distribution



HY OAS by Sector



Source: LevFin Insights & St. Louis Fed

Special Topics & Notable Developments Cont.

Foggy Horizon for Corporate Credit

- Since the beginning of the pandemic we have seen a rush to the credit markets by both corporations and investors, spurring an impressive rally across the broader space
 - Looking at the Credit Suisse loan index, the average bid of a leveraged loan is down just 3.30% since the start of the bear market on February 20th. In addition, that average bid price is (93.47) is up 22.20% since the lows that were seen on March 23rd, citing an almost complete price recovery
- With all this being said, the upcoming presidential election hints at a relatively unclear next couple of months for investment grade credit via the current state of options market
 - In options markets, there is an extremely high demand for purchases of options *in November* on the CDX, or the credit default swap index – which is a benchmark built with various CDS
 - This high demand alludes to a potential hedge against a selloff in November, around the time of the presidential election. This wariness around November can be credited to the uncertainty around the amount of economic stimulus that would be available given the possible election outcomes
- In other news surrounding the CDX, it was recently announced that the index will undergo its “biggest upgrade in more than a decade” on September 21st
 - The CDX will be dropping the companies who became fallen angels during the pandemic, turning back to a true investment grade index. Some of these companies include Ford and Macy’s who both recently were downgraded to junk

LLC Holdings – Specific News

- In REGL/FIG, after being recently downgraded by S&P to B- from B, Lindblad Expedition takes another hit as S&P had further claimed that they could downgrade the company again in the near future
 - If the cruise industry stays in the current standstill, Lindblad’s cash flow could remain repressed
 - Despite this news, company insiders remain bullish and have continued to buy up equity
- In Consumer, GameStop’s outlook was recently changed to stable from negative by S&P. This change comes on the heels of some great news surrounding the company. All of the visibility regarding upcoming console launches gives investors a better look into the soon-to-be-improved cash flow of GME. GameStop’s equity has traded to its highest level in about a year
- In IT, Lattice Semiconductor was recently upgraded to BB- with a stable outlook by S&P. This comes as a result of management’s push to improve credit metrics, which they have successfully done by reducing debt levels. In addition, S&P believes that Lattice will be able to maintain industry-leading EBITDA margins throughout the rest of 2020 and into 2021

Source: Bloomberg, Wall Street Journal, LevFin Insights

Upcoming Economic Calendar

Day	Time	Report	Period	Previous	Forecast
Monday 9/28	10:30 am	Dallas Fed Manufacturing Index	September	8.0	n/a
Tuesday 9/29	8:30 am	Wholesale Inventories (MoM)	August	-0.3%	n/a
Tuesday 9/29	9:00 am	S&P Home Price (YoY)	July	3.5%	n/a
Wednesday 9/30	8:30 am	GDP Growth Rate (QoQ)	Q2	-5.0%	n/a
Wednesday 9/30	8:30 am	Corporate Profits (QoQ)	Q2	-12.4%	n/a
Wednesday 9/30	10:00 am	Pending Home Sales (MoM)	August	5.9%	n/a
Thursday 10/01	8:30 am	Personal Spending (MoM)	August	1.9%	n/a
Thursday 10/01	10:00 am	Construction Spending (MoM)	August	0.1%	n/a
Friday 10/02	8:30 am	Non Farm Payrolls	September	1.3 mm	n/a

Previous Economic Calendar

Day	Time	Report	Period	Previous	Actual
Monday 9/14	11:00 am	Consumer Inflation Expectations	August	2.9%	3.0%
Tuesday 9/15	8:30 am	Import Prices (MoM)	August	1.2%	0.9%
Tuesday 9/15	9:15 am	Industrial Production (MoM)	August	3.5%	0.4%
Wednesday 9/16	8:30 am	Retail Sales (MoM)	August	0.9%	0.6%
Wednesday 9/16	10:00 am	Business Inventories (MoM)	July	-1.1%	0.1%
Thursday 9/17	8:30 am	Housing Starts	August	1.5 mm	1.4 mm
Friday 9/18	10:00 am	Michigan Inflation Expectations	September	3.1%	2.7%

Source: Trading Economics