



Leveraged Lion Capital

Fixed Income Research Report

04.01.20

LLC Portfolio Review

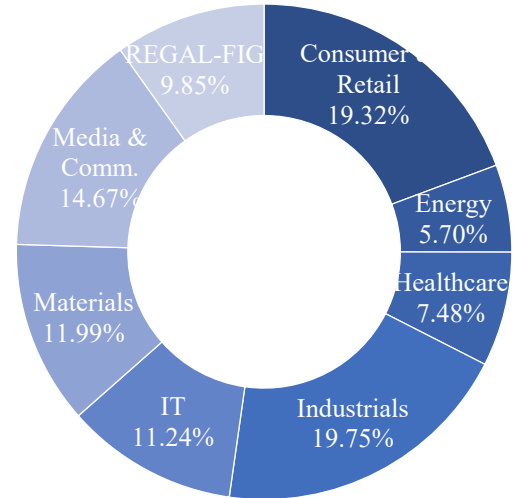
Portfolio Characteristics

Number of holdings	26
Average price	84.42
Average YTM	11.67%
Average total leverage	-
Average interest coverage	-

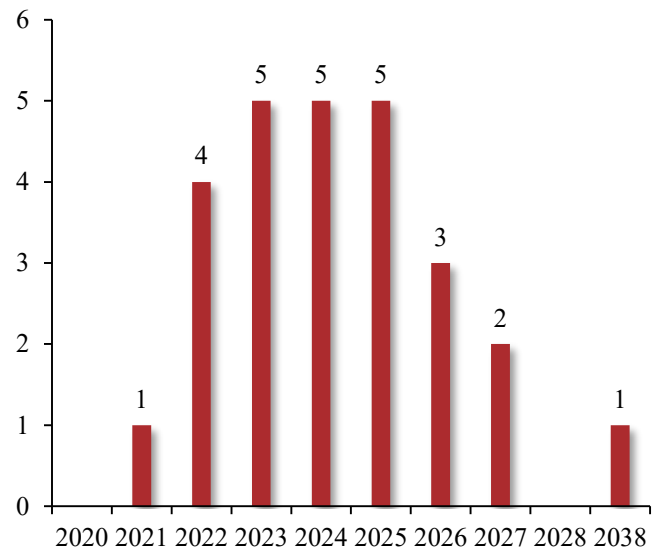
Credit Quality (# of holdings)

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)



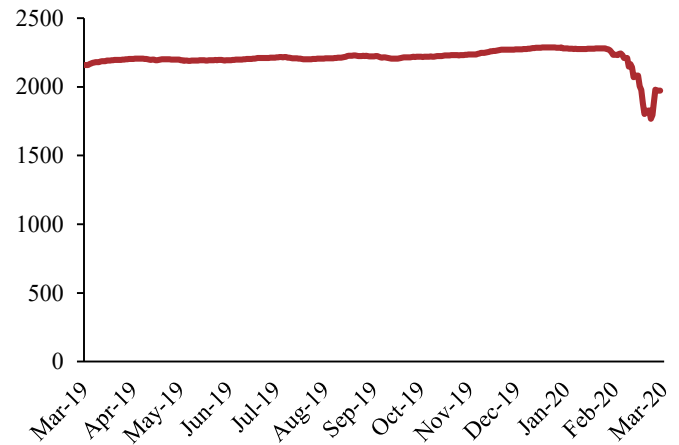
Maturity Distribution (# of holdings)



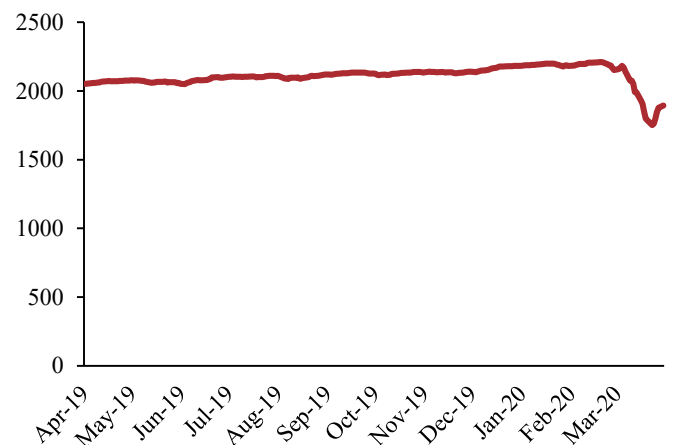
Loan & HY Bond Market Recap

- The primary market for both leveraged loans and HY corporate bonds have seen its third consecutive week of no deals priced
- Loan funds saw outflows of \$2.09 bn for the week, while high yield funds also saw \$2.03 in outflows
- According to Fitch Ratings, US leveraged loan and high yield bond default rates are estimated to reach 6% in 2020 and up to 9% in 2021
- In the secondary market, both asset classes saw high levels of volatility, beginning the week down, but higher quality credits recovering at the end of the week

S&P/LSTA US Leveraged Loan 100 Index



Bloomberg Barclays US Corp HY Index



Notable Moves in Secondary Market

- Altice/SFR Group 7.35% secured notes due in 2026, was one of the biggest issuances on record at \$5.19 bn, and has traded up to par from the mid-80s
- Kraft-Heinz's 3% notes due in 2026 up 3 bps to 94.5, but still down 5 bps MTD
- US Foods 5.875% notes due in 2024 traded up to 90.5 from the high-80s last week
- Boeing 3.2% notes due in 2029 are trading around 78 cents on the dollar from around 95 cents on the dollar before the credit market crash caused by COVID-19

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	-8.30%	-11.77%
YTD	-9.88%	-12.68%
Index value	2048.59	1905.89
52-week high	2287.33	2210.18
Wtd. avg. yield / YTW	8.79%	-
OAS	-	-

Source: LevFin Insights, S&P Global, Bloomberg

Leveraged Lion Capital

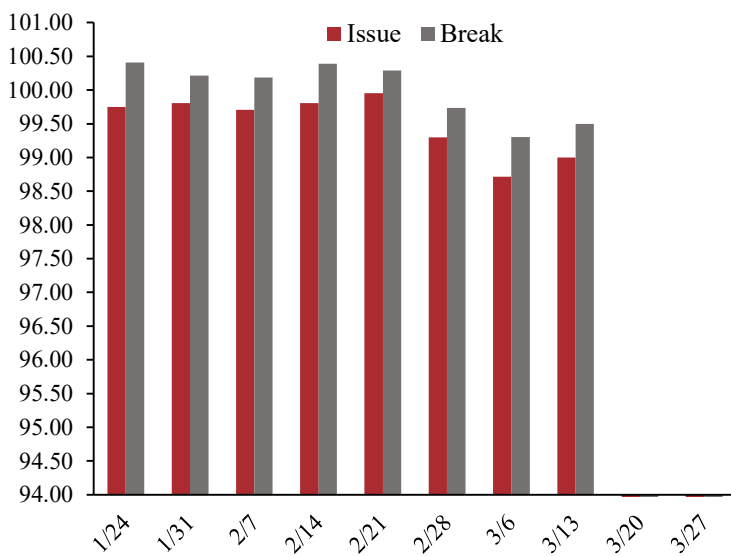
LLC

Fixed Income Weekly Report

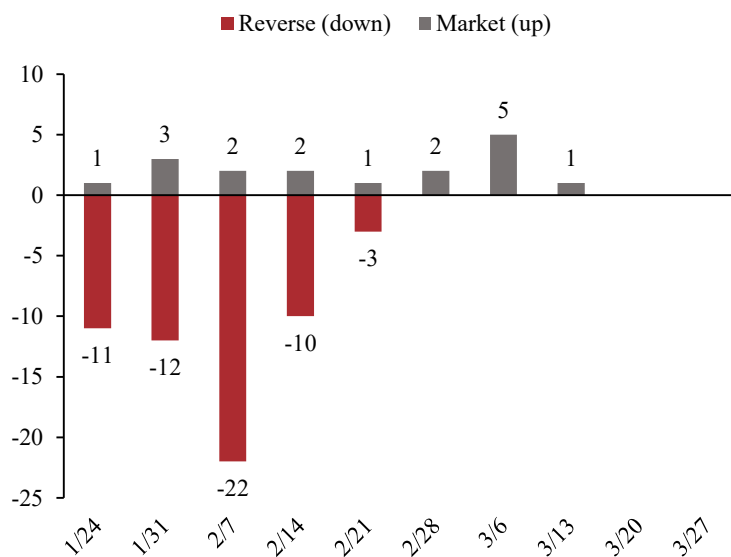
April 1st, 2020

+1.38%

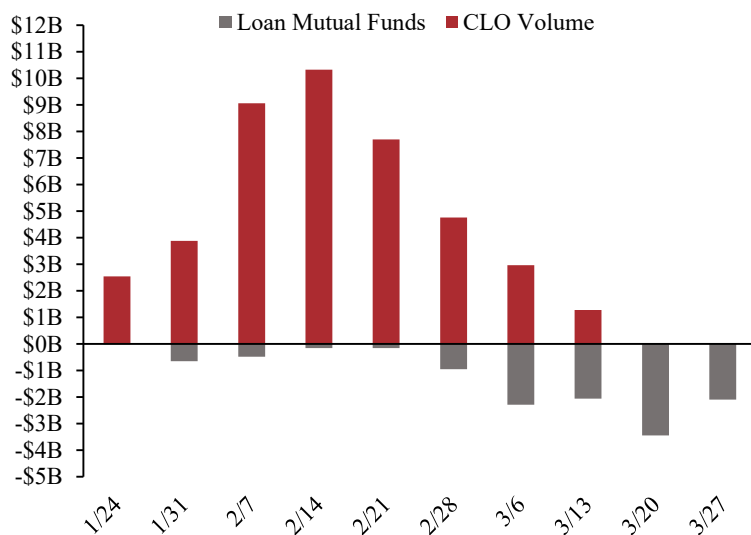
Prices (first-lien deals)



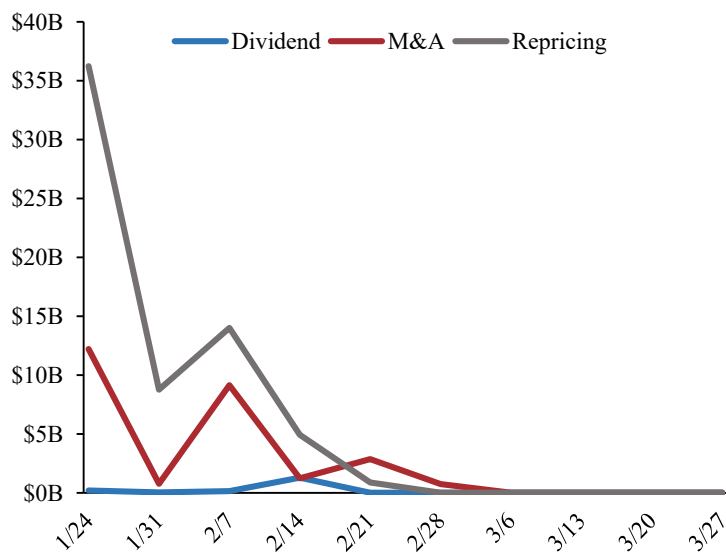
Flex Activity



Fund Flows



Launched Deal Volume by Purpose



Source: LevFin Insights

Net Launched Volume



Recent Leveraged Loan Deals

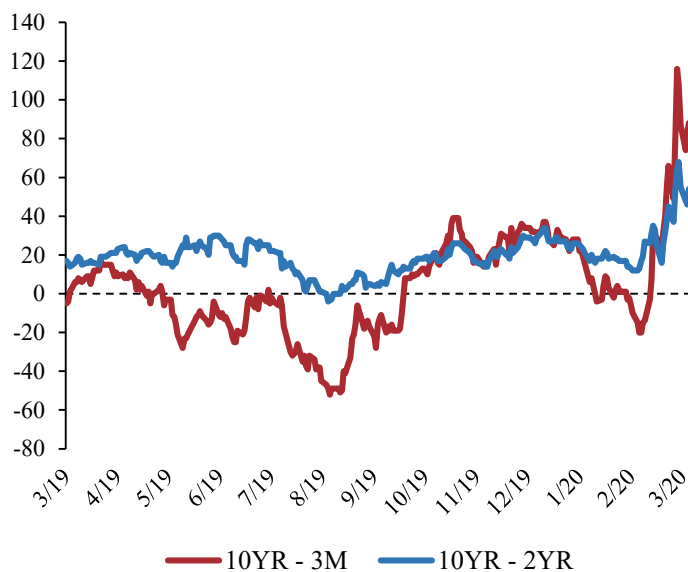
Company	Purpose	Tranche Size	Spread (bps)	OID
Service Logic	M&A	\$140.00 mm	L+425	99.00
Open Lending LLC	Dividend	\$170.00 mm	L+650	96.50
Tosca Services LLC	M&A	\$310.00 mm	L+500	97.00
Genesis HealthCare	M&A	\$350.00 mm	L+500	98.50
Science Applications (SAIC)	M&A	\$600.00 mm	L+225	99.00
Kissner Group Holdings	LBO	\$900.00 mm	L+450	99.00
Sundyne	LBO	\$535.00 mm	L+425	99.00
Duravant LLC	M&A	\$155.00 mm	L+425	99.50

Recent High-Yield Bond Deals

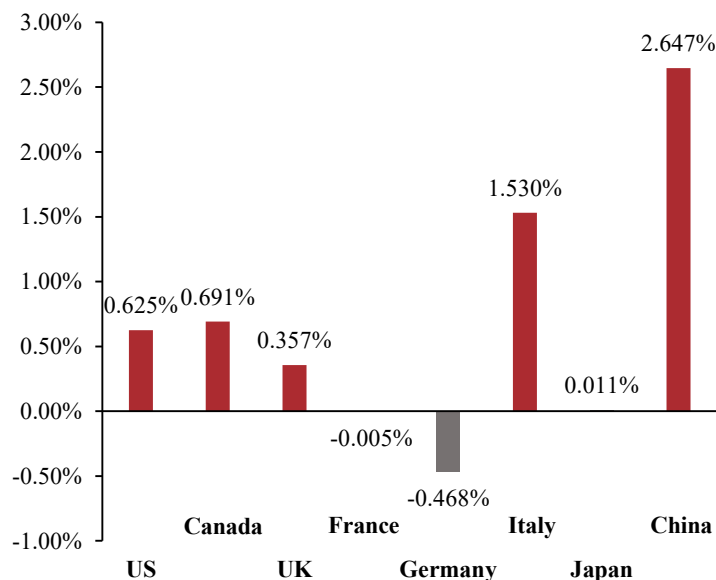
Company	Purpose	Tranche Size	Coupon	Issue Price
Charter Communications	GCP	\$1,100.00 mm	4.500%	102.50
Charter Communications	GCP	\$1,400.00 mm	4.500%	100.00
Science Applications (SAIC)	M&A	\$400.00 mm	4.875%	100.00
Cleveland-Cliffs Inc	M&A	\$725.00 mm	6.750%	98.783
Graphic Packaging	Refinancing	\$450.00 mm	3.500%	100.00
American Airlines Group Inc	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

Source: LevFin Insights

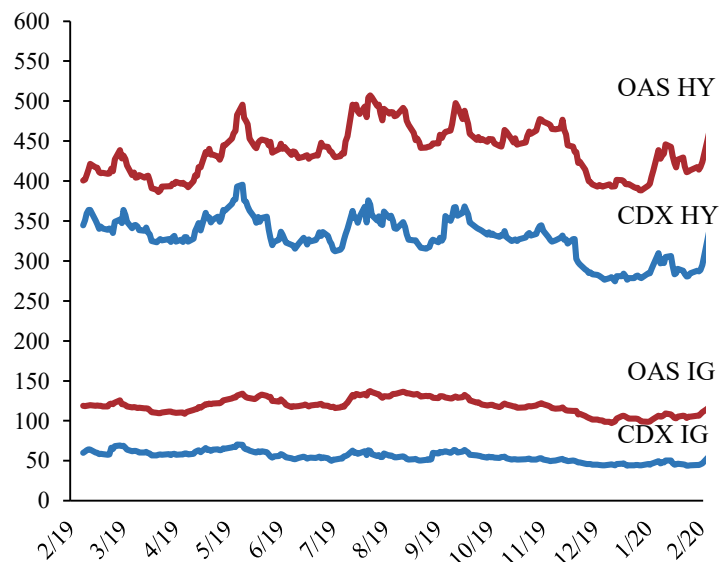
Treasury Yield Curve Spreads



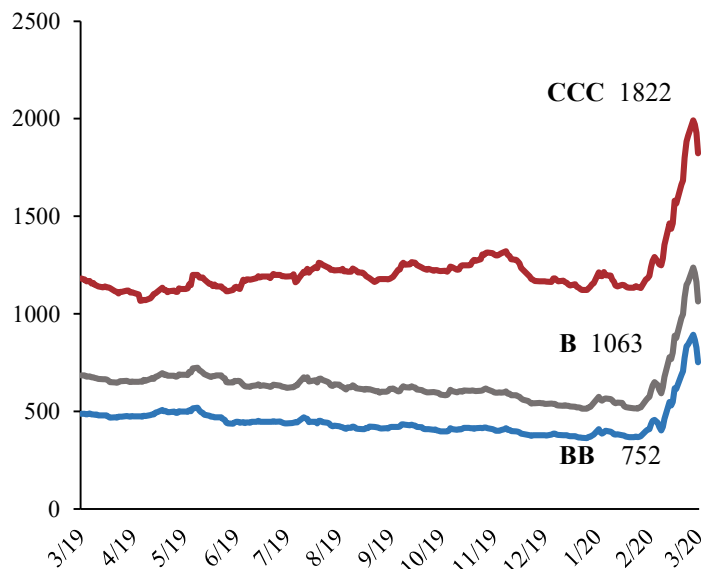
10-year Government Bond Yields



Corporate Credit OAS & CDS Spreads



ICE BofAML US High-Yield Index YTW



Source: WSJ & St. Louis Fed

Special Topics & Notable Developments

Rating Agencies Issuing Downgrades at Fastest Pace Since 2008

- As many companies deal with large debt loads amid a demand shortage due to COVID-19 pandemic, rating agencies, S&P Global Ratings and Moody's Investors Service, are both cutting ratings throughout entire industries
- There are very few companies that have been unscathed by the rating agencies during this current period as various sectors and both investment grade and junk rated companies have been downgraded
- At the two firms, downgrades have outpaced upgrades by 3 to 1, which is the most since the financial crisis
 - Of the 280 ratings cuts made by S&P Global this year, over 170 have happened in March
 - Moody's has cut 180 ratings, 20 of which were investment grade
- It is likely that this wave is going to continue as many companies have been loading up on cheap debt in the past, but another main concern is that the high debt levels along with the ongoing pandemic may result in high default rates, especially for B- and CCC companies

Investment Grade Companies See Debt Deals as HY Pipeline Stays Frozen

- Although both the leveraged loan and HY bond primary markets have remained inactive for the third consecutive week, investment grade companies had sold \$63 bn in new debt just by midweek
- Due to the lack of supply in new debt deals for junk rated companies, investors have been oversubscribing to the investment grade deals, therefore leading to lower new issue concessions
- In the European primary markets, investment grade deals have also carried the load in issuances with monthly sales over 100 billion euros

Distressed Debt Levels Have Nearly Reach \$1 Trillion

- In less than a week, the distressed debt figure has reached \$934 billion, comprised of US corporate bonds yielding at least 10% above Treasuries and loans trading under 80 cents on the dollar
 - As mentioned last week, this figure does not include small/mid-sized companies, making this number smaller than the actual level of distressed debt
 - This level of distressed debt is the highest since its peak in April 2009
- Due to the ongoing price war between Saudi Arabia and Russia, oil prices have been around \$20 per barrel, briefly dipping under \$20 last week
 - As a result of this price war and a severe slowdown in demand, US energy companies make up the majority of distressed debt, accounting for \$161 bn, up from \$128 bn a week prior
- The only sector that is not currently under stress is the utilities sector, as industries ranging from retail to entertainment to autos have all experienced pain in the current market
 - Neiman Markets Group and AMC are examples of heavily hurt companies that are struggling due to consumers staying inside their homes
 - Additionally, even investment grade companies are experiencing trouble in the secondary market
 - For example, Ford, which is one of the biggest issuers of debt has seen many of its issued debt trading around or below 75 cents on the dollar

Source: Bloomberg

Upcoming Economic Calendar

Day	Time	Report	Period	Previous	Forecast
Monday 3/30	10:00 am	Pending Home Sales (YoY)	February	5.8%	1.5%
Monday 3/30	10:30 am	Dallas Fed Manufacturing Index	March	1.2	-6
Tuesday 3/31	10:00 am	CB Consumer Confidence	March	132.6	110
Wednesday 4/1	9:45 am	Markit Manufacturing PMI Final	March	50.7	49.2
Wednesday 4/1	10:00 am	ISM Manufacturing PMI	March	50.1	44
Thursday 4/2	8:30 am	Balance of Trade	February	-\$45.3 bn	-\$39 bn
Thursday 4/2	8:30 am	Initial Jobless Claims	3/28	3283K	3180K
Thursday 4/2	8:30 am	Exports	February	\$208.6 bn	\$209.5 bn
Thursday 4/2	8:30 am	Imports	February	\$253.9 bn	\$248.5 bn
Friday 4/3	8:30 am	Non Farm Payrolls	March	273K	-150K
Friday 4/3	8:30 am	Unemployment Rate	March	3.5%	4%
Friday 4/3	8:30 am	Participation Rate	March	63.4%	63.3%
Friday 4/3	9:45 am	Markit Composite PMI Final	March	49.6	40.5

Previous Economic Calendar

Day	Time	Report	Period	Previous	Actual
Monday 3/23	8:30 am	Chicago Fed National Activity	February	-0.33	0.16
Tuesday 3/24	9:45 am	Markit Composite PMI Flash	March	49.6	40.5
Tuesday 3/24	9:45 am	Markit Services PMI Flash	March	49.4	39.1
Tuesday 3/24	9:45 am	Markit Manufacturing PMI Flash	March	50.7	49.2
Tuesday 3/24	10:00 am	New Home Sales (MoM)	February	7.9%	-4.4%
Tuesday 3/24	10:00 am	Richmond Fed Manufacturing	March	-2	2
Wednesday 3/25	8:30 am	Durable Goods Orders (MoM)	February	0.1%	1.2%
Wednesday 3/25	8:30 am	Durable Goods Orders ex Def.	February	3.6%	0.1%
Thursday 3/26	8:30 am	GDP Growth Rate (QoQ) Final	Q4	2.1%	2.1%
Thursday 3/26	8:30 pm	Initial Jobless Claims	3/21	282K	3283K
Thursday 3/26	8:30 am	Corporate Profits (QoQ)	Q4	0.6%	2.1%
Friday 3/27	8:30 am	Personal Spending (MoM)	February	0.2%	0.2%
Friday 3/27	8:30 am	Core PCE Price Index (YoY)	February	1.7%	1.8%