



Leveraged Lion Capital

FICC Research Report

2.10.23

LLC Portfolio Review

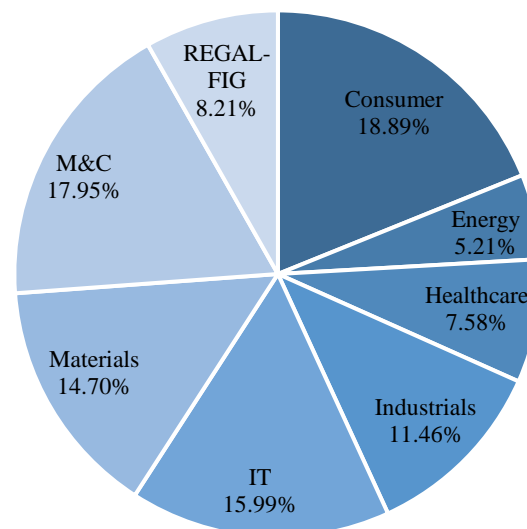
Portfolio Characteristics

Number of holdings	20
Average price	92.93
Average YTM	8.57%

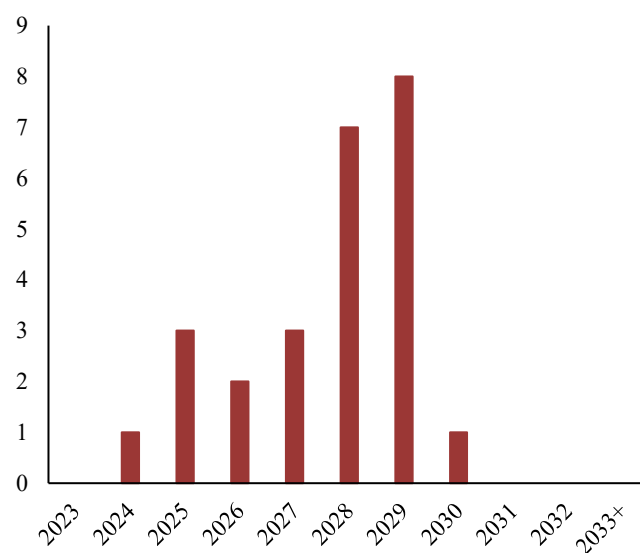
Credit Quality (# of holdings)

Bank Loans	18.90%
BB+	20.00%
BB	40.00%
B+	20.00%
B	20.00%
High Yield Corporates	81.10%
BB+	10.00%
BB	15.00%
BB-	20.00%
B+	15.00%
B	30.00%
B-	10.00%
Cash & Cash Equivalents	0.00%

Sector Allocation (% of total assets)



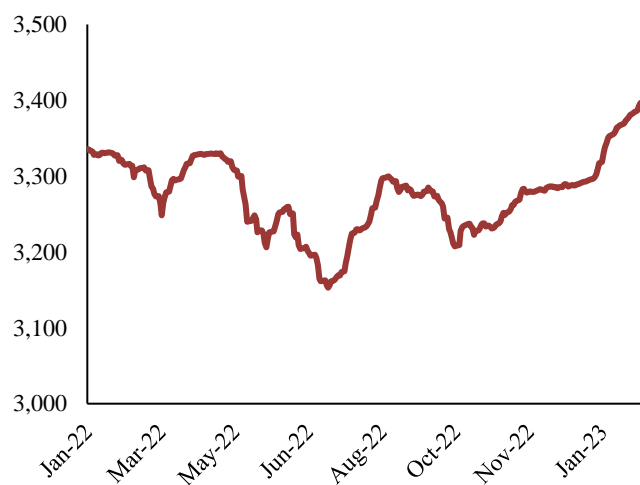
Maturity Distribution (# of holdings)



Loan & HY Bond Market Recap

- In the leveraged loan market, there were 7 new issuances to start the month, totaling \$4.38 bn
- The default rate of the Morningstar LSTA Index climbed to 0.83% in January, compared to 0.72% in December
- In the HY bond market, there were 10 new issuances totaling \$6.30 bn WTD
- US HY funds reported inflows of \$871.00 mm this week, following two weeks of outflows (1.7 bn); funds now stand at \$900.00 mm in inflows MTD

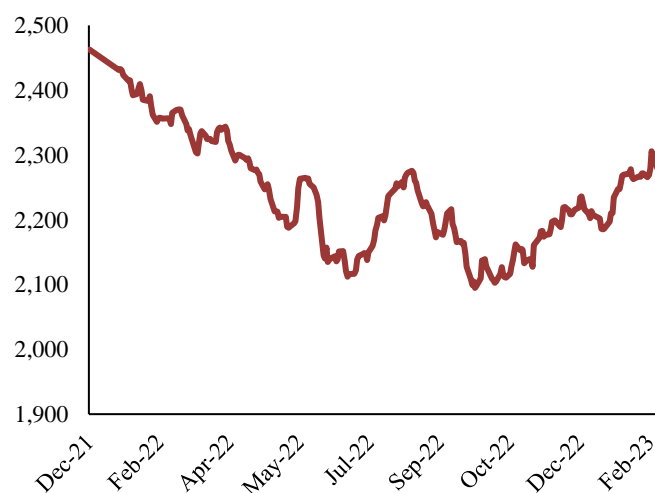
S&P/LSTA US Leveraged Loan 100 Index



Notable Moves in Secondary Market

- In the secondary market, the LSTA 100 traded up 88 bps since the last report (Jan 25th) to 3,404.97
- The Bloomberg Barclays US Corp HY Index traded up 59 bps to 2,279.40 over the same period
- The Credit Suisse High Yield Bond Fund has traded up 54 bps to \$1.93 MTD

Bloomberg Barclays US Corp HY Index



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

Bloomberg Barclays U.S. Corp HY

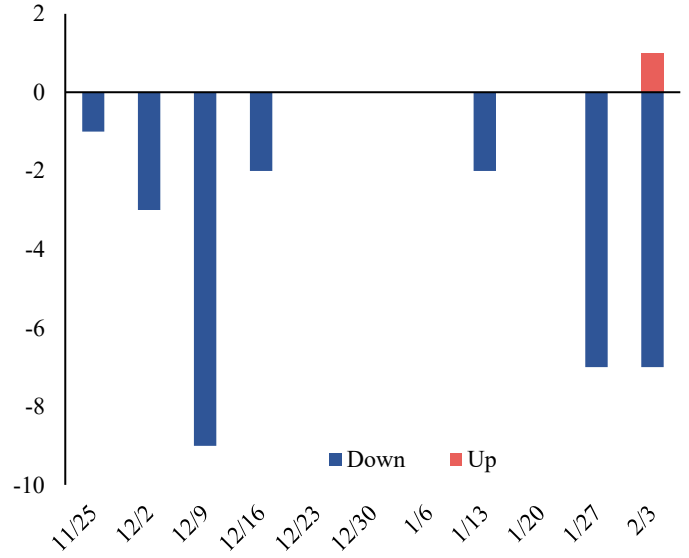
1-month	2,269.01	3,380.98
YTD	2,236.37	3,263.82
Index value	2,279.40	3,404.97
52-week high	2,432.86	3,404.97
52-week low	2,094.77	3,153.22

Source: Bloomberg, LevFin Insights

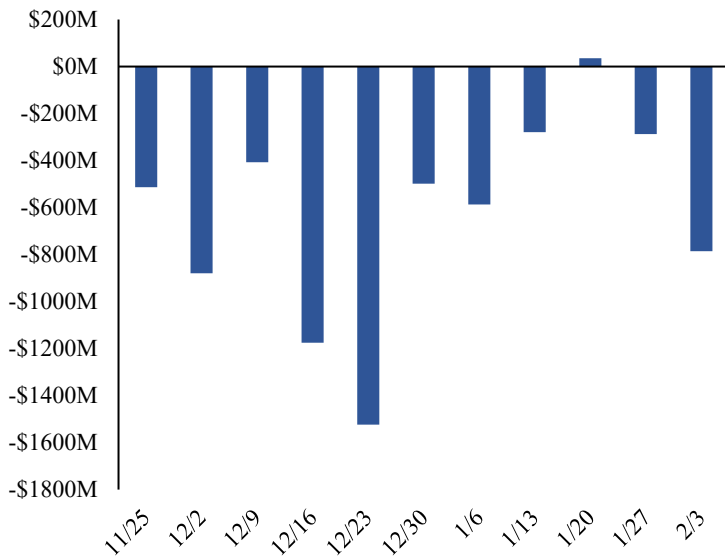
Prices (first-lien deals)



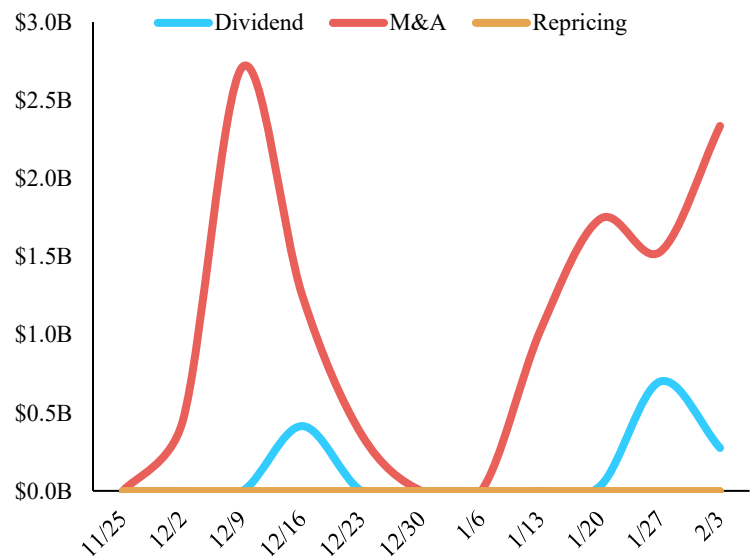
Loan Flex Activity



Leveraged Loan Mutual Fund Flows

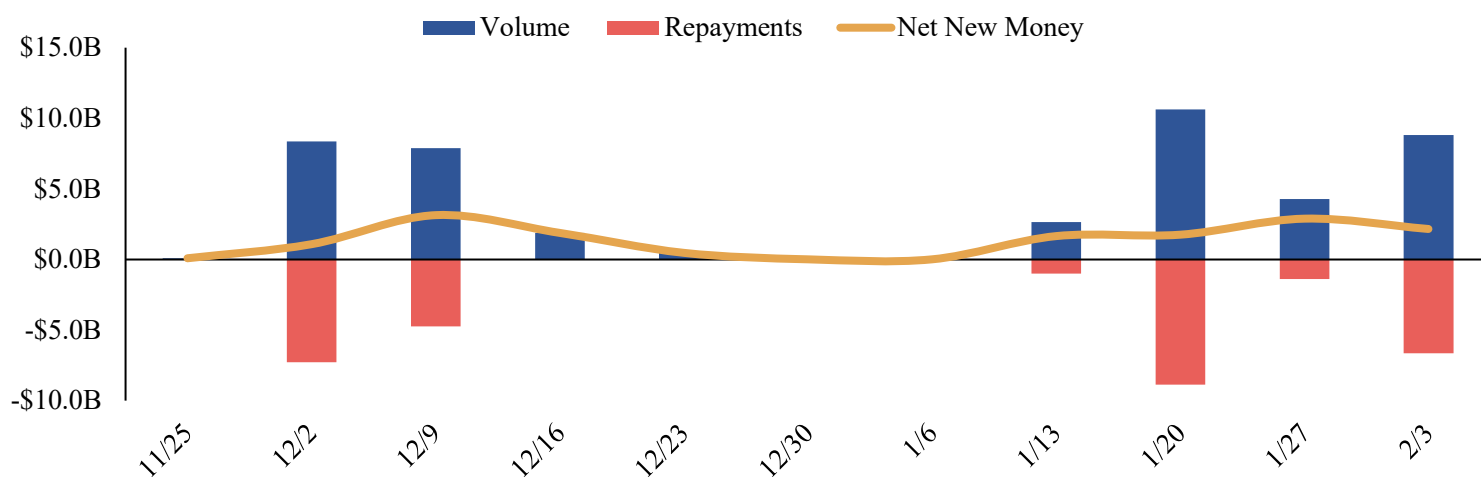


Launched Deal Volume by Purpose



Source: LevFin Insights

Net Launched Volume



Recent Leveraged Loan Deals

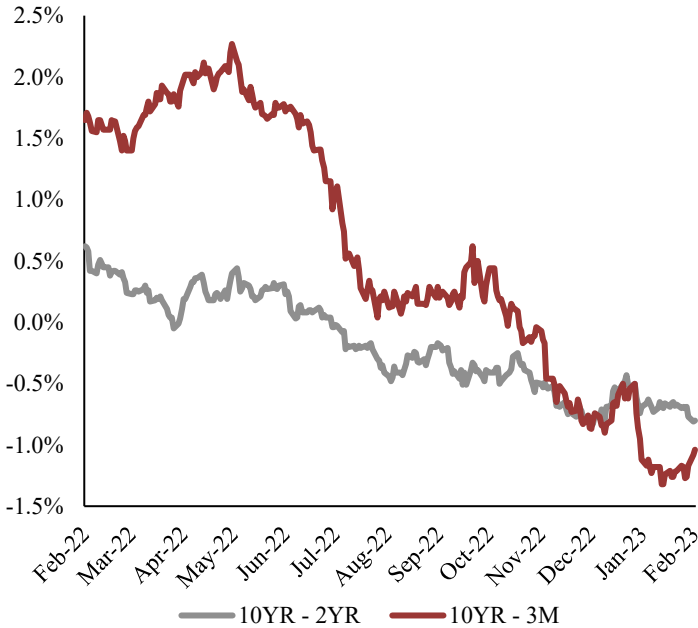
Company	Purpose	Tranche Size	Spread (bps)	OID
H.B. Fuller	Refinancing	\$2,000.00 mm	S+250	99.00
Roper Industrial	LBO	\$1,856.73 mm	S+450	96.50
Blackstone CQP Holdco	Dividend	\$275.00 mm	L+350	100.00
First Brands	M&A	\$300.00 mm	S+500	96.00
American Greetings Corp	Amendment	\$402.00 mm	S+600	97.00
Bowlero	Refinancing	\$900.00 mm	S+350	99.50
Brazos Midstream	Refinancing	\$800.00 mm	S+375	99.00
Del Monte Foods Inc	Refinancing	\$125.00 mm	S+425	98.56

Recent High-Yield Bond Deals

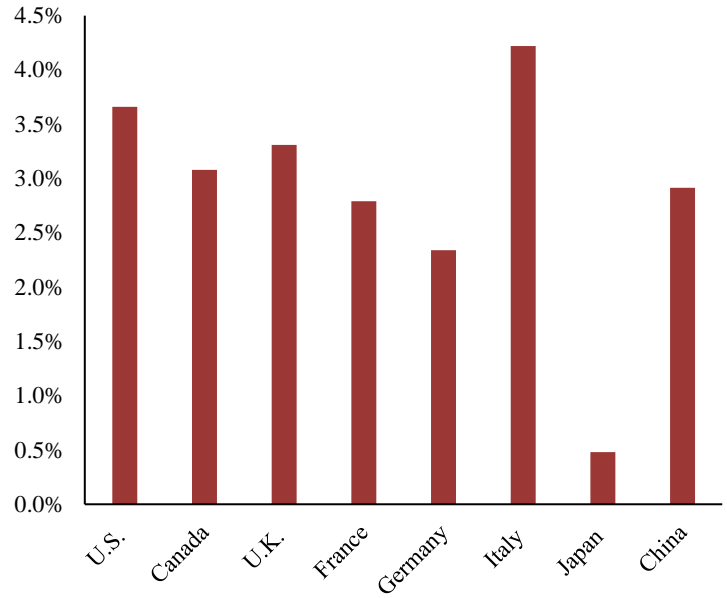
Company	Purpose	Tranche Size	Coupon	Issue Price
W.R. Grace	Repayment	\$350.00 mm	7.375%	100.00
Albertsons	Repayment	\$750.00 mm	6.500%	100.00
Alliant Holdings	Refinancing	\$1,250.00 mm	6.750%	100.00
The Nielsen Company	LBO	\$500.00 mm	9.290%	100.00
Uniti Group	Repayment	\$2,600.00 mm	10.500%	100.00
Martin Midstream	Repayment	\$400.00 mm	11.500%	100.00
Charter Communications	Repayment	\$1,100.00 mm	7.375%	100.00
Mauser Packaging Solutions	Refinancing	\$2,750.00 mm	7.875%	100.00

Source: LevFin Insights

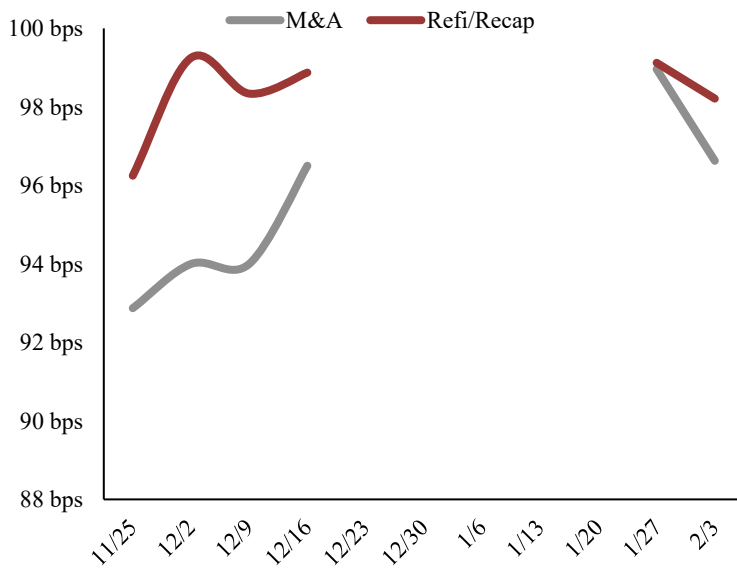
Treasury Yield Curve Spreads



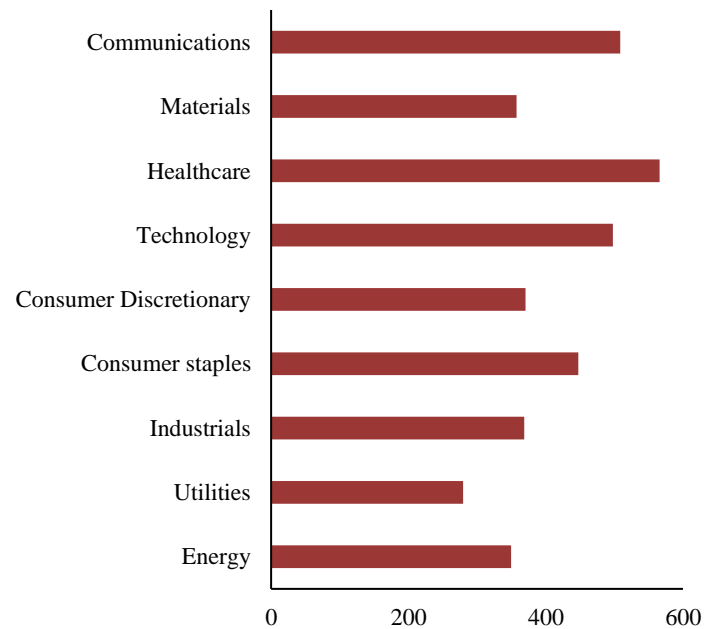
10-year Government Bond Yields



Avg. Gap Between Issue and Break Price



HY OAS by Sector



Source: LevFin Insights, St. Louis FRED

Special Topics & Notable Developments

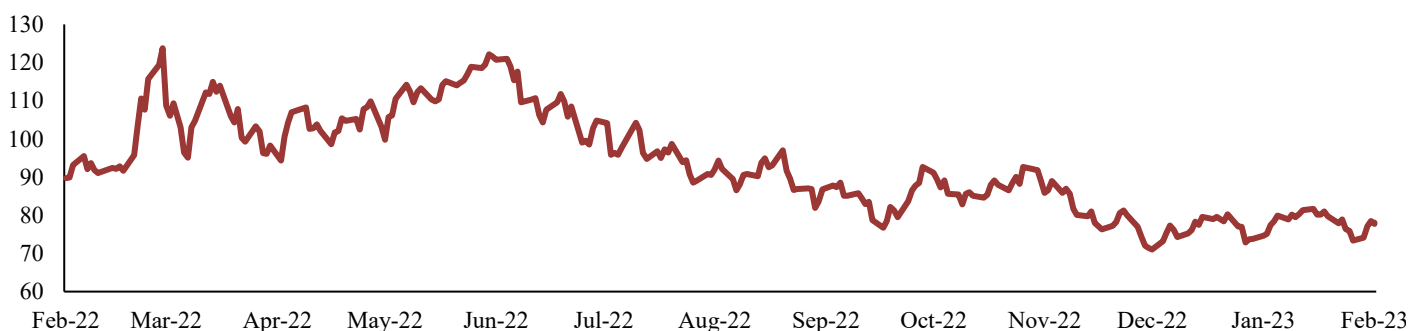
Bed Bath & Beyond Attempts to Escape Bankruptcy with Equity Offering

- Bed bath & Beyond has closed the public offering of convertible preferred shares and warrants announced yesterday, raising \$225.00 mm of initial gross proceeds and an additional \$800 mm of gross proceeds which will be paid in future installments
- The net proceeds of \$219.00 mm will be immediately applied to their ABL balance in order to enter into an amendment under the credit agreement to waive a default on the loan triggered in January
- The offering was underwritten by sole book-runner B. Riley Securities, who previously raised equity for distressed issuers AMC Entertainment and Exela Technologies
- An additional \$100.00 mm credit line will be extended from Sixth Street, who previously provided a \$375.00 mm lifeline to the company in August
- The company mentioned in their 8-K filed this week that there is a risk they may not have enough authorized common stock to make these instruments exercisable; To combat this risk, the company will abstain from issuing any unrelated equity for 90-days

Airfares Expected to Rise as Jet Fuel Becomes Costly

- Prices for jet fuel, a kerosene-based product, have been increasing since December due to diminished supplies after winter storms shut down refineries
- Rapid growth in Chinese demand further drove prices upward with the end of Covid restrictions and increased travel around the Lunar New Year
- The S&P Global Jet Fuel Price Index is up 20.00% since December 7, while prices on the east coast are up around 77.00%
- The International Energy Agency (IEA) forecasts that jet fuel will drive 44.00% of the 1.9 mm barrels a day of global oil-demand growth this year; last year, jet fuel only accounted for 6.00%
- The US's jet fuel inventories are at their lowest level since 1996, and new price caps on Russian refined fuel oil will continue to hinder global supply
- Jet fuel prices are determined by the sum of the cost of crude oil needed to make it and the premium charged by its makers and distributors; although crude oil costs are down 37% since June, premiums are the highest they've ever been at 38 cents/gallon
- Airfares have not yet priced in this activity, but we should expect see a sharp increase as we did in 2022

WTI Light Crude Oil Futures (USD)



Source: LevFin Insights, Reuters