



# Leveraged Lion Capital

FICC Research Report

01.25.23

## LLC Portfolio Review

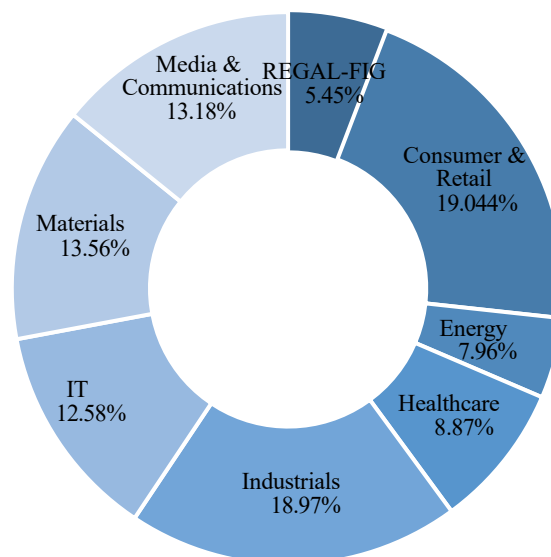
### Portfolio Characteristics

Number of holdings	25
Average price	89.97
Average YTM	7.01%

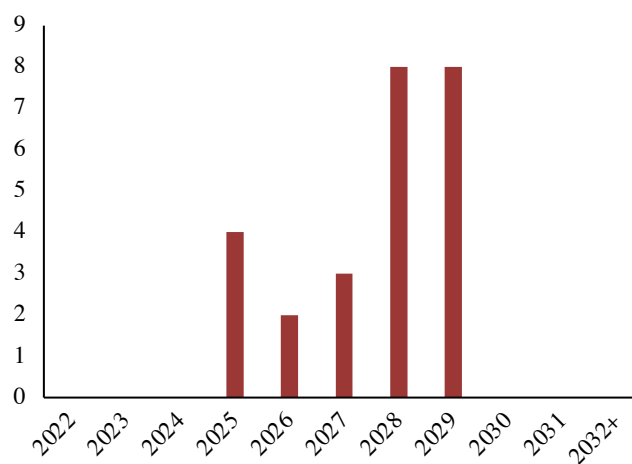
### Credit Quality (# of holdings)

<b>Bank Loans</b>	<b>11.33%</b>
BB+	0.00%
BB	20.00%
BB-	0.00%
B+	20.00%
B	20.00%
<b>High Yield Corporates</b>	<b>46.87%</b>
BB	16.67%
BB-	22.22%
B+	11.11%
B	33.33%
B-	0.00%
<b>Cash &amp; Cash Equivalents</b>	<b>41.80%</b>

### Sector Allocation (% of total assets)



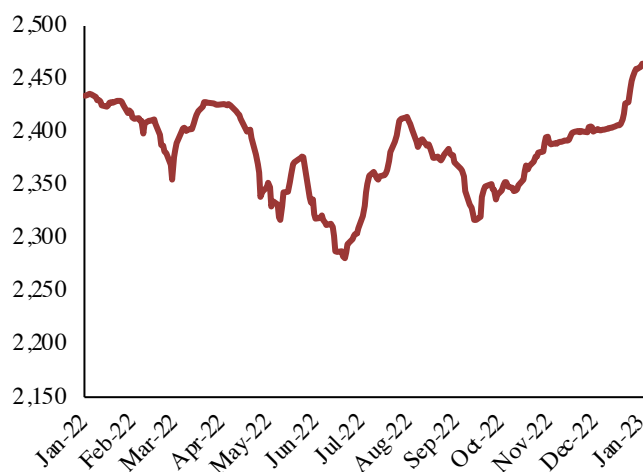
### Maturity Distribution (# of holdings)



### Loan & HY Bond Market Recap

- In the leveraged loan primary market, issuances fell 21.37% to \$18.40 bn in December, compared to \$23.40 bn in November
- Leveraged loan mutual fund outflows deepened to \$3.60 from \$2.20 bn in November
- All-purpose high yield bond volume decreased 77.45% to \$2.30 bn, from \$10.20 bn in November;
- HY Issuances related to refinancing decreased the most, falling nearly 100.00% from the \$4.00 bn dealt in the prior month

### S&P/LSTA US Leveraged Loan 100 Index



### Notable Moves in Secondary Market

- In the secondary market, the LSTA 100 traded up over the past month to 2,467.63
- Additionally, the Bloomberg Barclays High Yield Index is up 2.57% from last month to 2,265.99
- The S&P U.S. High Yield Corporate Bond index increased 97 bps to 706.83 over the past week

### Bloomberg Barclays US Corp HY Index



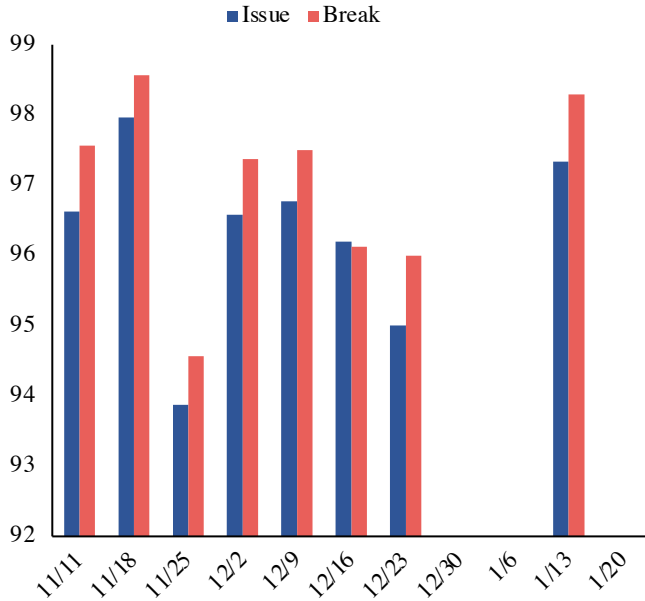
#### S&P/LSTA U.S. Leveraged Loan 100

#### Bloomberg Barclays U.S. Corp HY

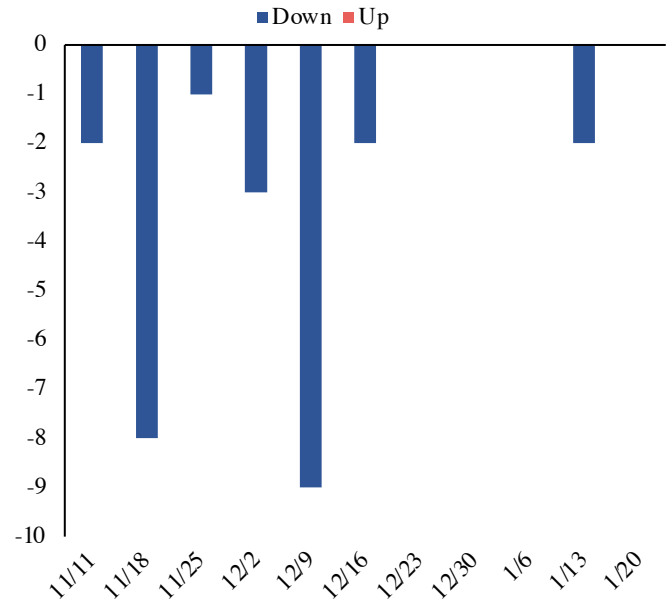
1-month	2.69%	2.57%
YTD	1.36%	-8.00%
Index value	2,467.63	2,265.99
52-week high	2,467.63	2,463.02
52-week low	2,281.05	2,094.77

Source: Bloomberg, LSTA

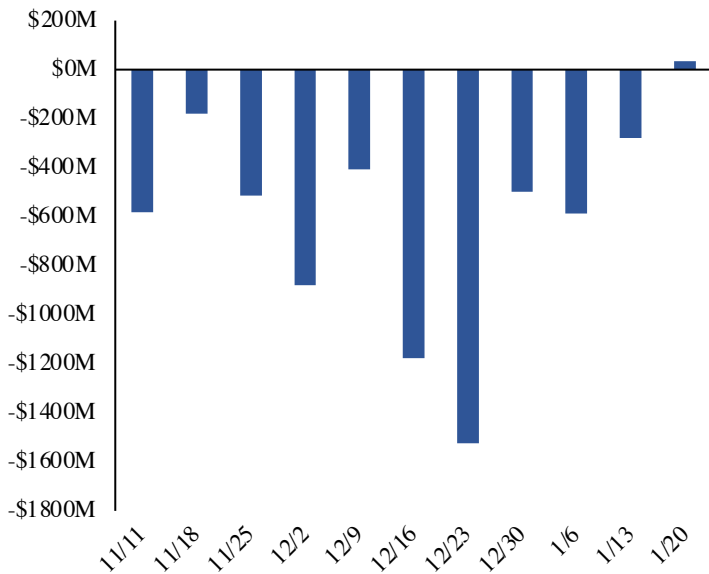
## Prices (first-lien deals)



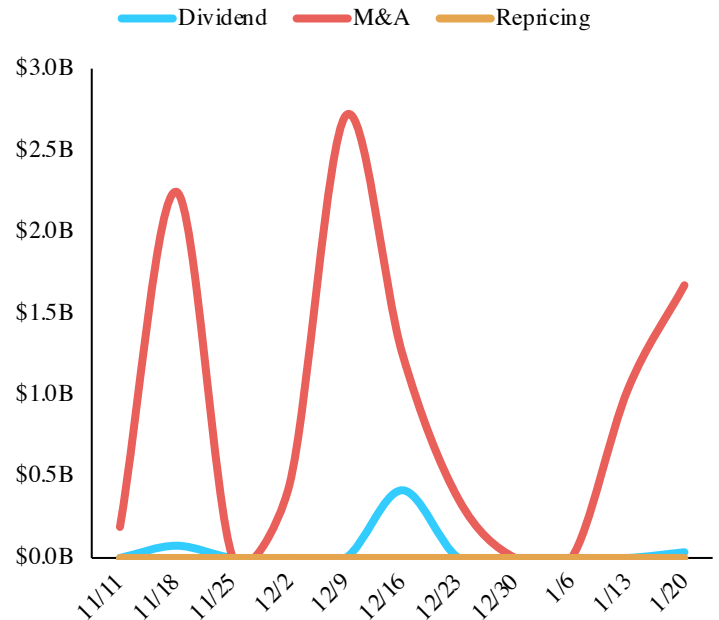
## Loan Flex Activity



## Leveraged Loan Mutual Fund Flows

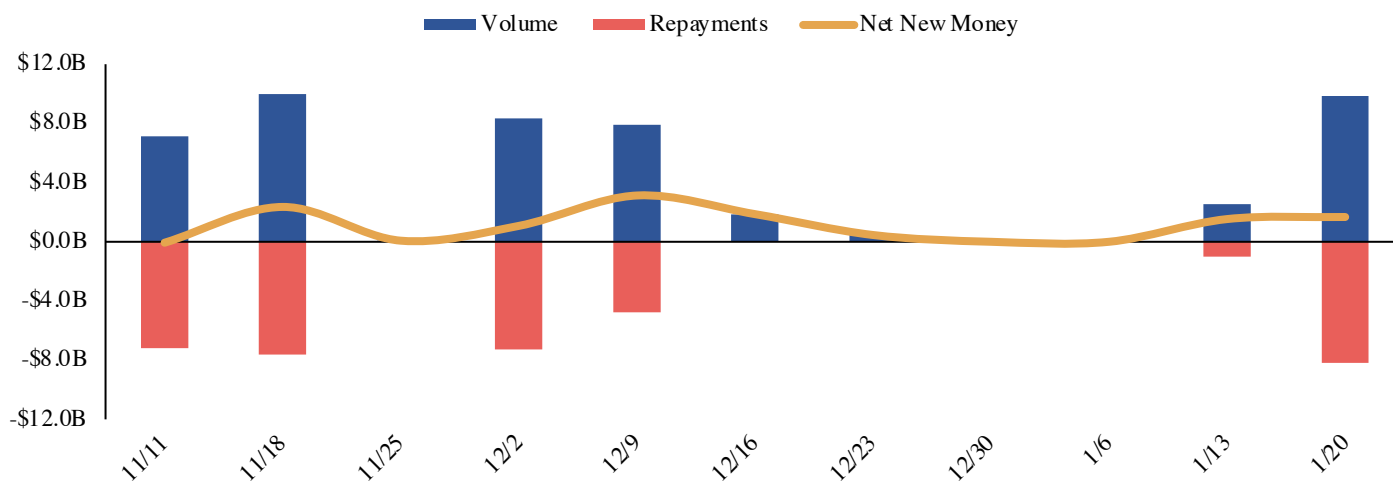


## Launched Deal Volume by Purpose



Source: LevFin Insights

### Net Launched Volume



### Recent Leveraged Loan Deals

Company	Purpose	Tranche Size	Spread (bps)	OID
RelaDyne	M&A	\$250.00 mm	S+500	96.50
Ciena Corp	M&A	\$500.00 mm	S+250	99.50
WHP Global	M&A	\$175.00 mm	S+550	96.00
Merchants Fleet	LBO	\$700.00 mm	S+625	99.00
Pro Mach Inc.	General Purposes	\$100.00 mm	S+500	95.00
Cablevision	Amendment	\$2,008.00 mm	S+450	98.00
Walker & Dunlop	Refinancing	\$200.00 mm	S+300	98.00
Mariner Wealth Advisors	General Purposed	\$100.00 mm	S+425	95.50

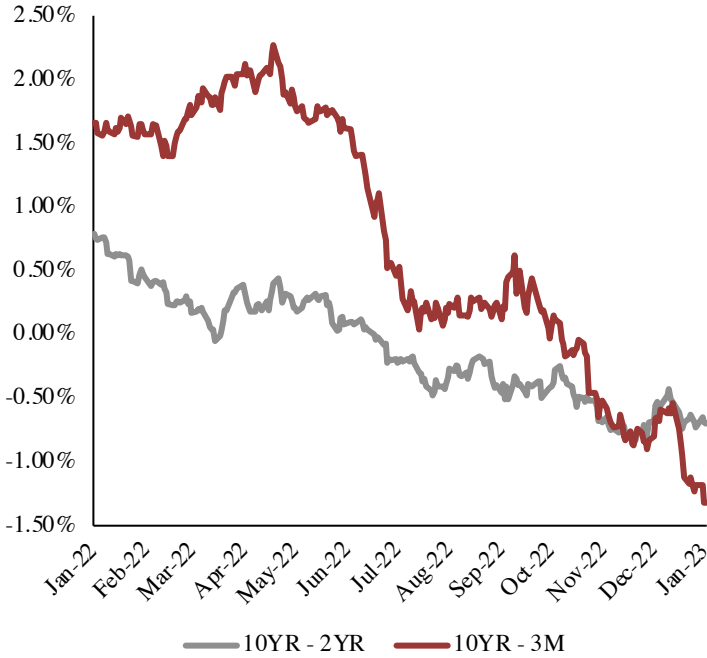
### Recent High-Yield Bond Deals

Company	Purpose	Tranche Size	Coupon	Issue Price
Genesis Energy	General Purposes	\$500.00 mm	8.88%	100.00
Bombardier Inc.	Repayment	\$750.00 mm	7.50%	100.00
Clean Harbors Inc	Repayment	\$500.00 mm	6.38%	100.00
Crestwood Holding LLC	Repayment	\$600.00 mm	7.38%	100.00
DISH Network Corp.	General Purposes	\$1,500.00 mm	11.75%	100.00
Sealed Air Corporation	M&A	\$775.00 mm	6.13%	100.00
Transocean Ltd	Refinancing	\$1,175.00 mm	8.75%	100.00
W&T Offshore Inc.	Repayment	\$275.00 mm	11.75%	100.00

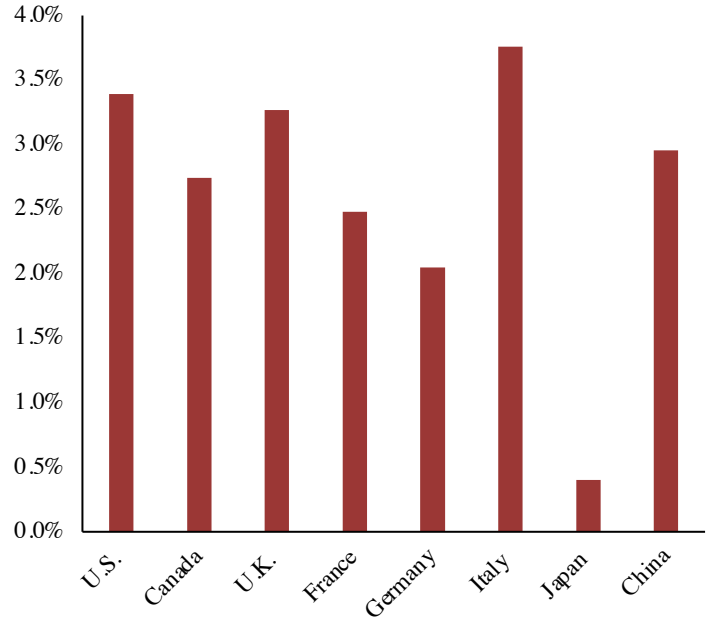
Source: LevFin Insights



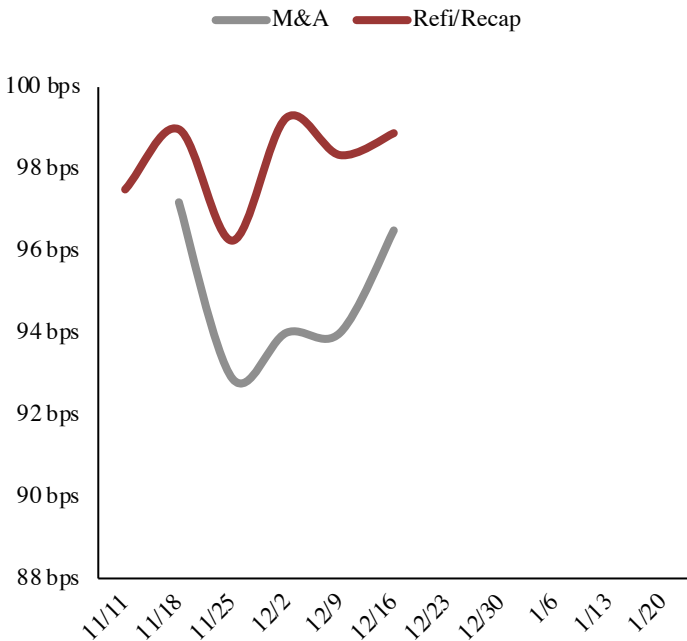
## Treasury Yield Curve Spreads



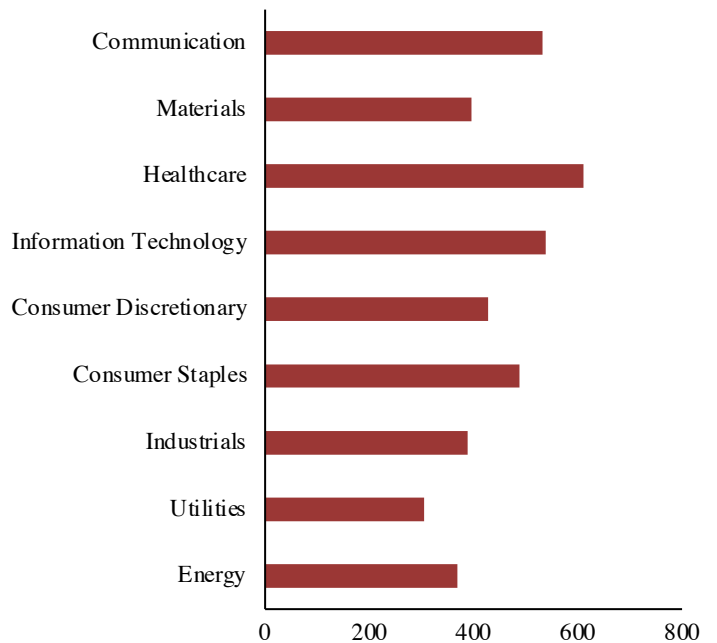
## 10-year Government Bond Yields



## Avg. Gap Between Issue and Break Price



## HY OAS by Sector



Source: St. Louis FRED, Bloomberg

### Special Topics & Notable Developments

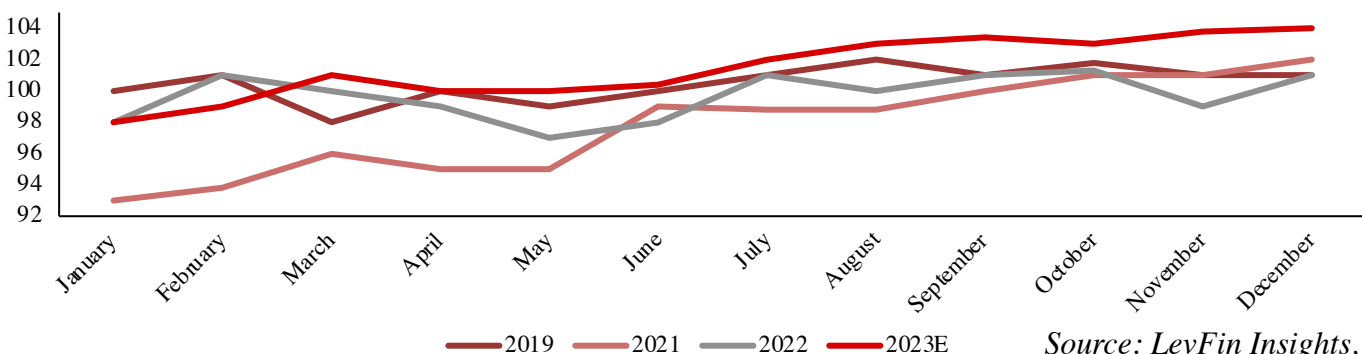
#### DISH's Add-On Financing Leads Rush of New HY Deals

- High-yield debt markets surged last week with eight new deals totaling \$6.35 bn hitting the screens by Tuesday
- Dish Networks headlined the new deals after it upsized its add-on by \$500.00 mm for the third time in the past three months, totaling a tap of \$1.50 bn
- The additional financing was applied to their 2027 first-lien notes, offering a coupon of 11.75% and a yield of 10.55%; the total amount outstanding is now \$3.50 bn
- Dish has been losing wireless subscribers since it acquired Boost Mobile for \$1.40 bn in 2020 through the government structured T-Mobile merger with Sprint
- The objective of this financing is to buildout the company's wireless infrastructure to potentially become a leader in 5G networking and improve their market share
- Loan activity paled in comparison with the busy bond market, with a trio of new launches, totaling \$1.33 bn
- High yield bonds have been resilient in the current rising rate environment; returns have been negatively correlated (0.3) with those of US Treasuries over the rate hiking period

#### The Reopening of China and its Impact on Oil Prices

- The Chinese government recently announced the reopening of tourism on January 8, following the removal of their COVID-19 restrictions, which previously required a nationwide lockdown; Following the announcement, oil prices immediately rose 1.00%
- Prior to this news, weak industrial activity and mild weather in developed countries like China had kept oil demand at very low level
- Being that China is the second largest consumer of oil in the world (15.4 mb/d), the reopening is set to boost global oil demand this year to a new record high; World total oil demand is projected to reach 103 mm barrels per day by August 2023
- The United States is set to combat this demand as foreign production dwindles; Bans on imports of seaborne crude and \$60.00 price caps imposed by several countries have forced Russian oil output to fall by 200,000 barrels per day, and OPEC+ production to fall by 870,000 per day
- Forecasts of oil demand rapidly increasing are very contingent on the success of China's post-lockdown recovery, which will require their largest oil importers to be fully-operational this year

#### Global Oil Demand (mb/d)



Source: LevFin Insights, Reuters