



Leveraged Lion Capital

Fixed Income Research Report

09.03.21

LLC Portfolio Review

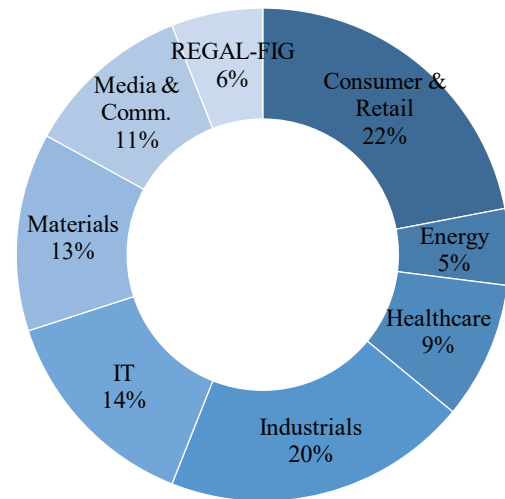
Portfolio Characteristics

| | |
|--------------------|--------|
| Number of holdings | 19 |
| Average price | 105.19 |
| Average YTM | 4.92% |

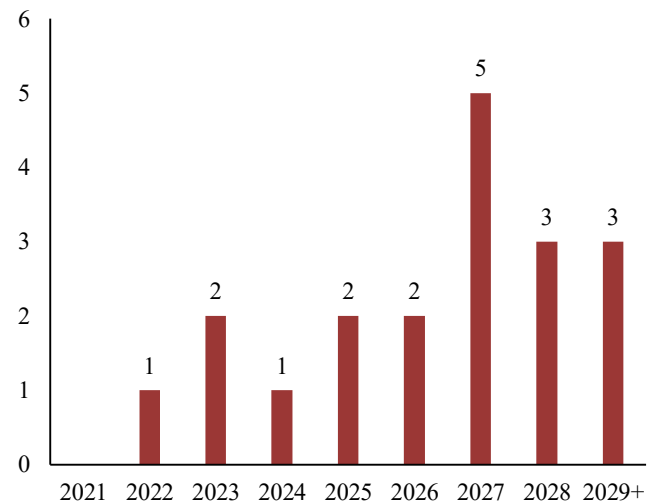
Credit Quality (# of holdings)

| | |
|------------------------------------|---------------|
| Bank Loans | 15.50% |
| BB+ | 0.00% |
| BB | 33.33% |
| BB- | 0.00% |
| B+ | 50.00% |
| B | 16.67% |
| High Yield Corporates | 31.64% |
| BB- | 23.08% |
| B+ | 15.38% |
| B | 15.38% |
| B- | 23.08% |
| CCC- | 0.00% |
| Cash & Cash Equivalents | 52.86% |

Sector Allocation (% of total assets)



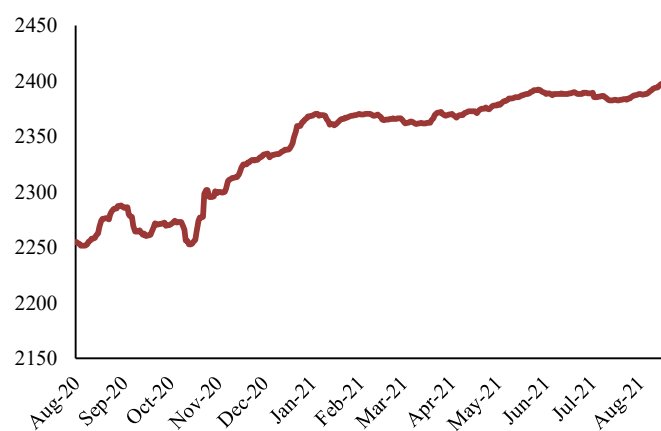
Maturity Distribution (# of holdings)



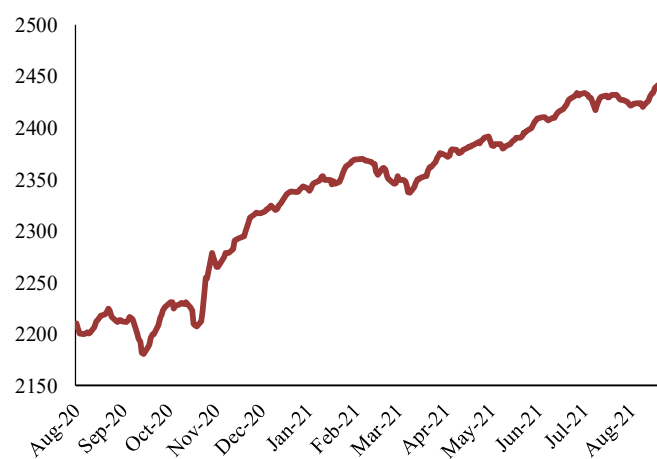
Loan & HY Bond Market Recap

- Over the month of August, the high yield bond primary market continued to see strong issuance volumes. Total supply ended at \$34.47 bn, up from \$29.96 bn in July but down significantly from last year's record August supply of \$52.80 bn
- Refinancings represented the bulk of new issuances at \$19.84 bn. Interestingly, LBO and dividend-related financings in the HY space accounted for just 2.00% and 4.00% of total supply, respectively
- In the leveraged loan market, all-in pricing for in August was L+470 bps, up from L+444 bps last month
- Gross launched volume started strong, with \$15.38 bn across 31 transactions pricing in the first week, before waning off over the rest of the month
- The week ended 8/6/21 marked the only investor-friendly flex ratio last month

S&P/LSTA US Leveraged Loan 100 Index



Bloomberg Barclays US Corp HY Index



Notable Moves in Secondary Market

- In the secondary markets, the LSTA 100 Index and the Bloomberg Barclays High Yield Index both traded up around 0.66% over the last month
- Additionally, the ICE BofA U.S. HY Index returned 0.545% in August, bringing YTD performance to 4.640%
- The ICE BofA U.S. HY Index average yield to worst ended the month at 3.95% compared to 4.02% at the end of July

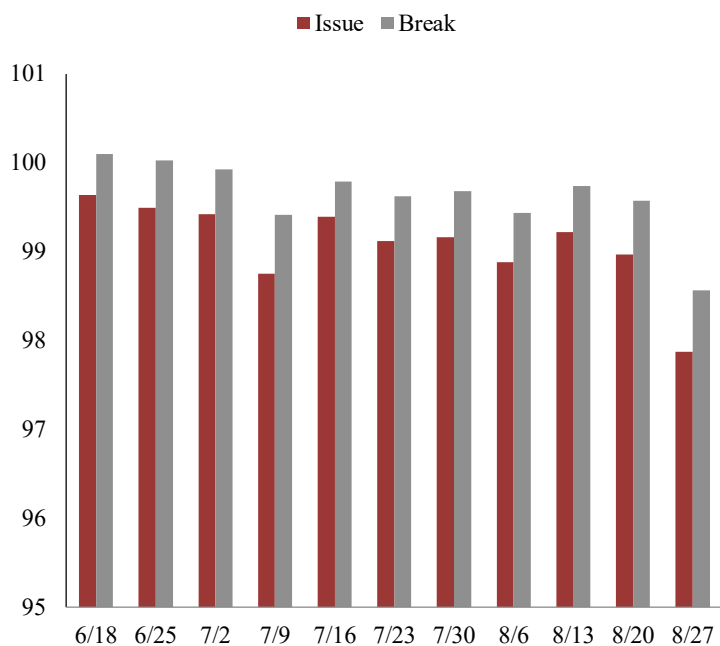
S&P/LSTA U.S. Leveraged Loan 100

Bloomberg Barclays U.S. Corp HY

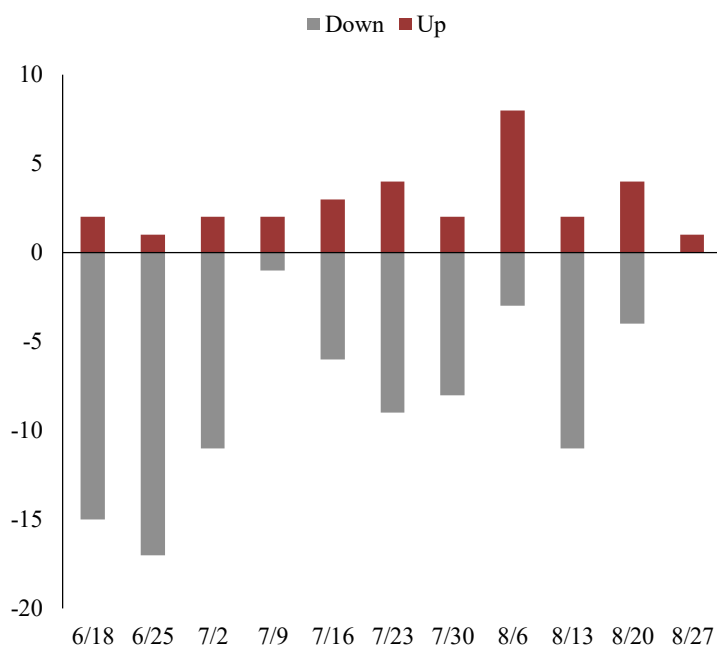
| | S&P/LSTA U.S. Leveraged Loan 100 | Bloomberg Barclays U.S. Corp HY |
|--------------|----------------------------------|---------------------------------|
| 1-month | 0.66% | 0.66% |
| YTD | 2.59% | 4.72% |
| Index value | 2398.51 | 2448.15 |
| 52-week high | 2398.51 | 2448.15 |
| 52-week low | 2251.09 | 2180.44 |

Source: LevFin Insights, S&P Global, Bloomberg

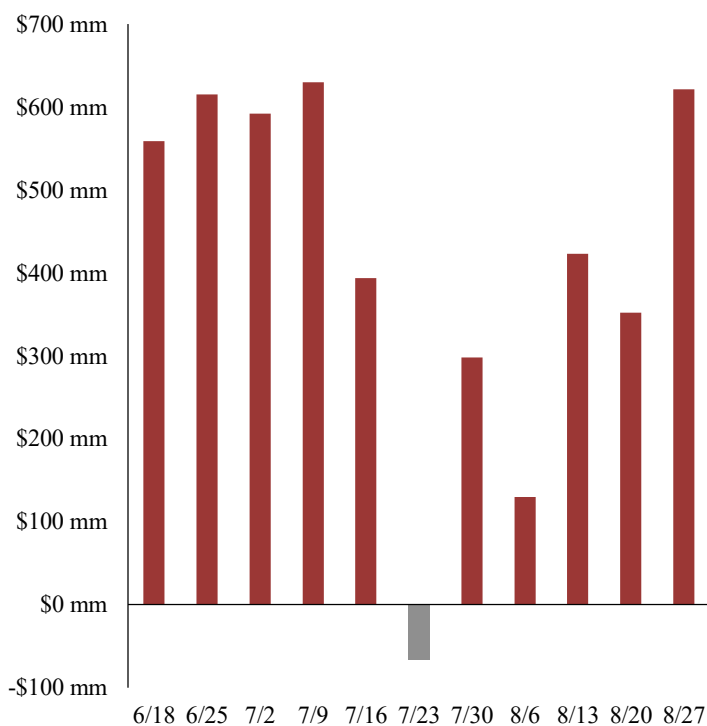
Prices (first-lien deals)



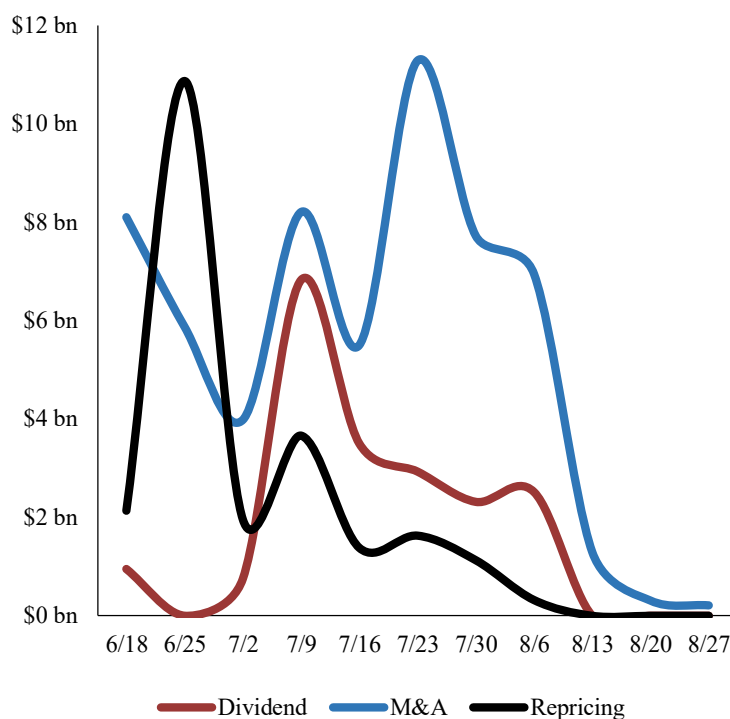
Loan Flex Activity



Leveraged Loan Mutual Fund Flows

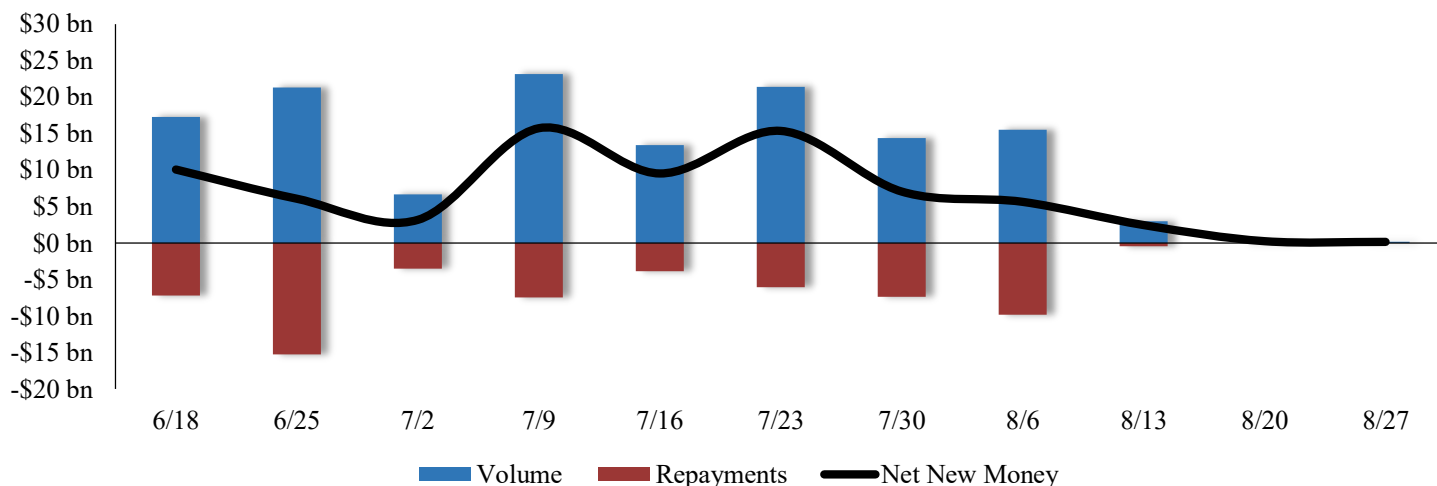


Launched Deal Volume by Purpose



Source: Capital-Structure.com

Net Launched Volume



Recent Leveraged Loan Deals

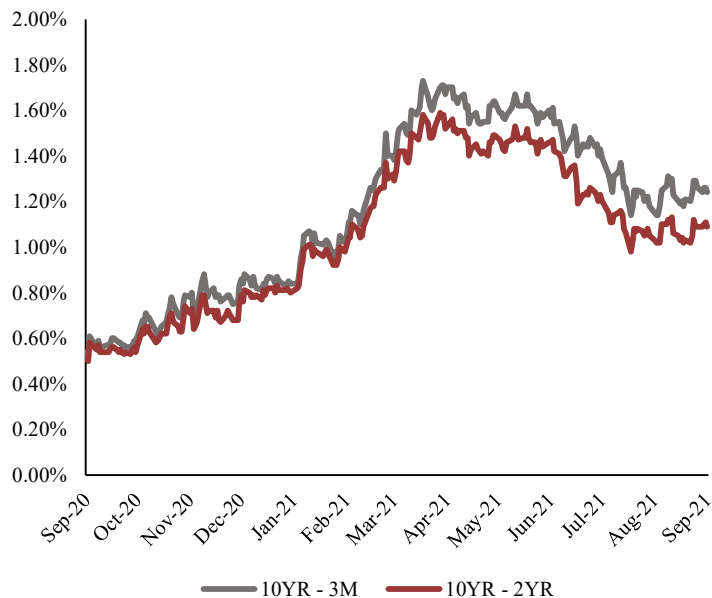
| Company | Purpose | Tranche Size | Spread (bps) | OID |
|------------------|-------------|----------------------|--------------|--------------|
| LendingTree | Refinancing | \$450.00 mm | L+400 | 99.00 |
| Sylvamo Corp. | M&A | \$550.00 mm | L+450 | 99.00 |
| Motel 6 | Refinancing | \$300.00 mm | L+500 | 99.00 |
| Centuri Group | M&A | \$1,145.00 mm | L+250 | 99.00 |
| Multiplan Inc. | Refinancing | \$1,325.00 mm | L+425 | 99.00 |
| Berlin Packaging | Refinancing | \$1,195.00 mm | L+375 | 99.00 |
| Pro Mach Inc. | Dividend | \$1,990 mm | L+400 | 99.50 |
| Cloudera | LBO | \$1,640.00 mm | L+375 | 99.00 |

Recent High-Yield Bond Deals

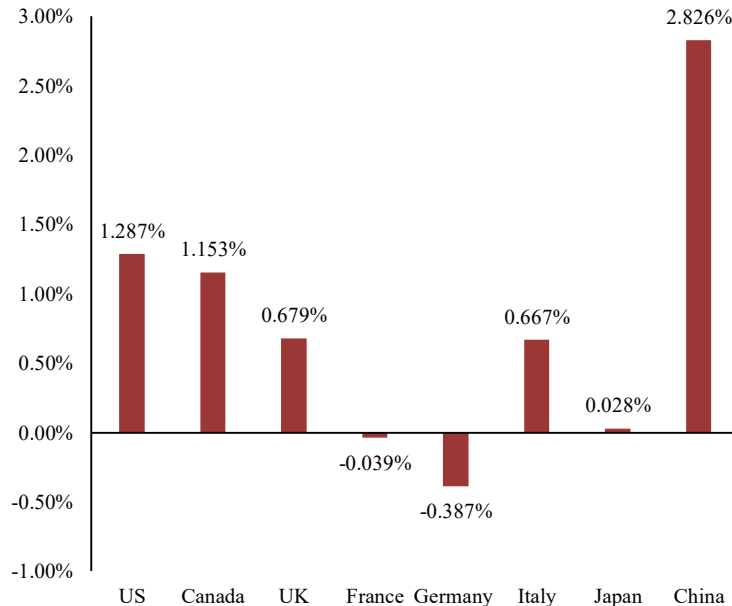
| Company | Purpose | Tranche Size | Coupon | Issue Price |
|--------------------------------|---------------------------|----------------------|---------------|---------------|
| Multiplan Inc. | Refinancing | \$1,050.00 mm | 5.500% | 100.00 |
| SouthWestern Energy | Refinancing | \$1,200.00 mm | 5.375% | 100.00 |
| Seaworld Parks & Entertainment | Refinancing | \$725.00 mm | 5.250% | 100.00 |
| Carvana | Corporate Purposes | \$750.00 mm | 4.875% | 100.00 |
| Royal Caribbean | Corporate Purposes | \$1,000.00 mm | 5.500% | 100.00 |
| Bombardier | Refinancing | \$750.00 mm | 6.000% | 100.00 |
| NRG Energy | Refinancing | \$1,100.00 mm | 3.875% | 100.00 |
| Uber Technologies | M&A | \$1,500.00 mm | 4.500% | 100.00 |

Source: LevFin Insights

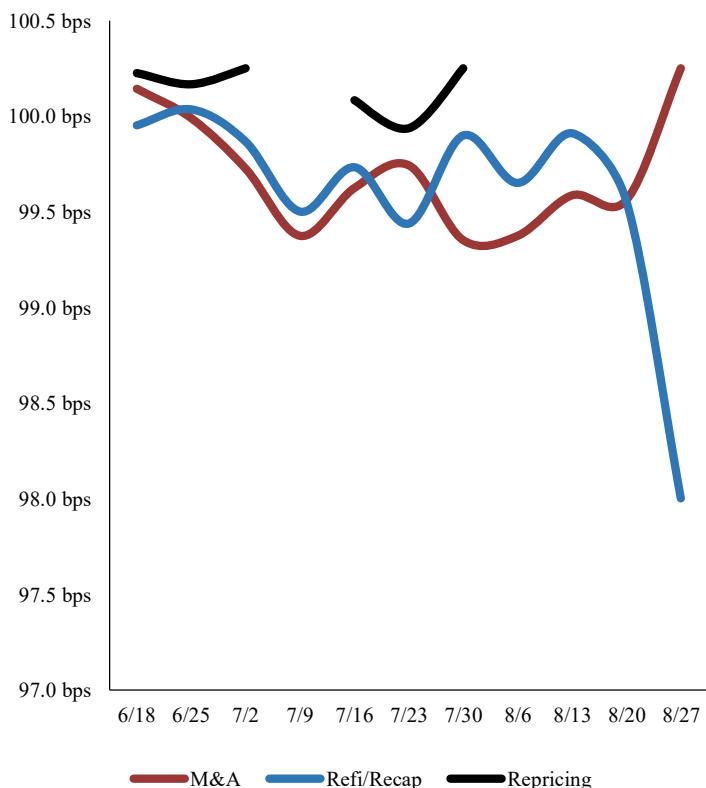
Treasury Yield Curve Spreads



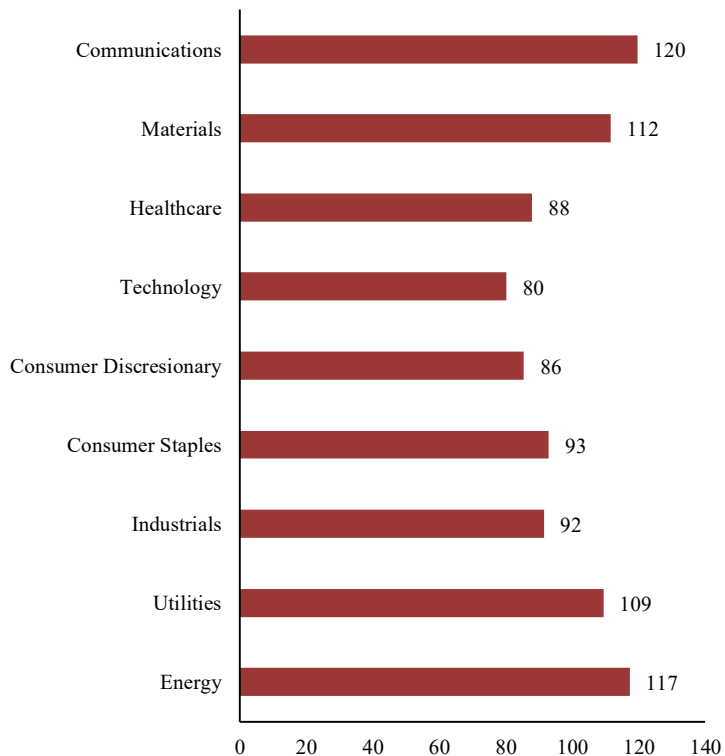
10-year Government Bond Yields



Avg. Gap Between Issue and Break Price



HY OAS by Sector



Source: Levfin Insights & St. Louis Fed

Special Topics & Notable Developments

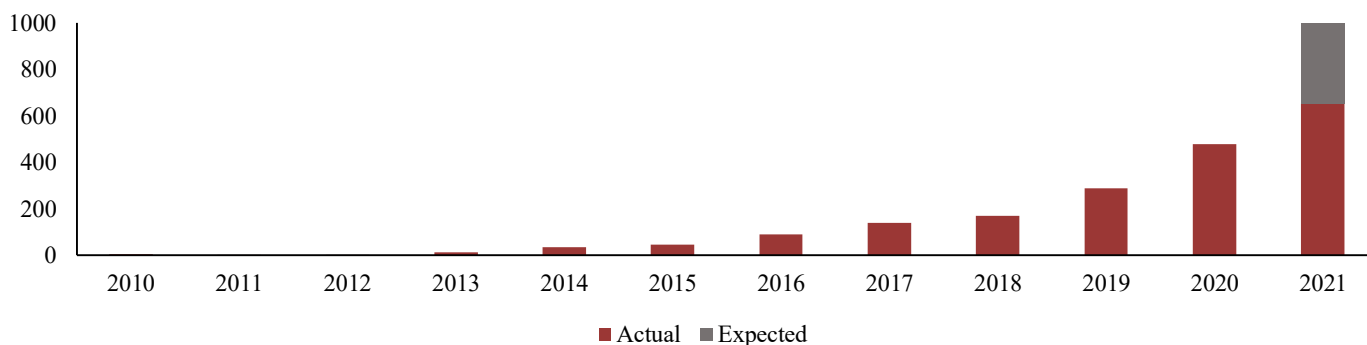
U.S. Treasury Yields Hold Steady

- The U.S. 10-Year Treasury yield has remained around 1.25 – 1.30% over the past few weeks, as Federal Reserve Chairman Jerome Powell’s statements last week regarding tapering asset purchases left bond investors indifferent
 - Wall St. analysts have been expecting a selloff of U.S. Treasuries, which would lead to increasing yields, due to high inflation and the potential tapering of Fed bond purchases
 - However, Chairman Powell stated that tapering could likely begin by the end of this year, although there is still “much ground to cover” before raising interest rates
 - This lack of conviction from the Fed, combined with a resurgence in COVID-19 cases due to the Delta variant, have dampened near-term economic expectations and kept the 10-year yield steady

Phillip Morris Issues ESG Bonds

- This cigarette producer is attempting to capitalize on investors’ desire to support “sustainable” companies
 - The issuance represents a large shift for the company, which has spent a large portion of its existence denying the harmful effects of its own products
 - Phillip Morris is also closing in on the acquisition of a UK-based asthma drug company called Vectura Group, which poses a potential ethical dilemma
 - “Green bonds” are tied to the following goals: increase the company’s smoke free revenue to 50.00% of total net revenue and increase the number of markets where it sells smoke-free products to 100 by 2025

Sustainable Debt Sales (\$ in bn)



Source: Bloomberg & WSJ