



# Leveraged Lion Capital

Fixed Income Research Report

2.11.22

## LLC Portfolio Review

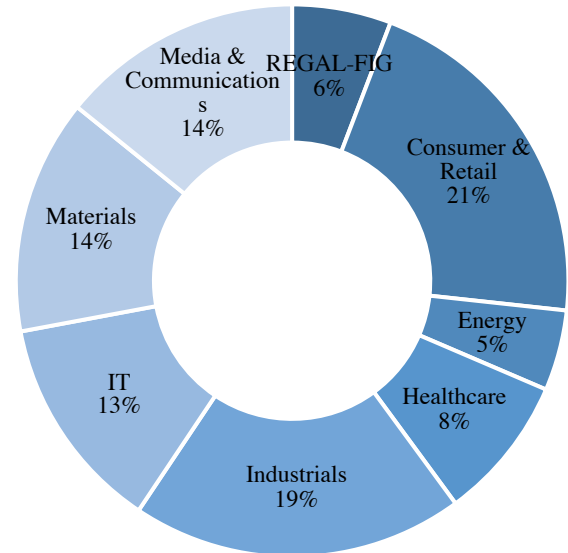
### Portfolio Characteristics

Number of holdings	24
Average price	100.62
Average YTM	4.23%

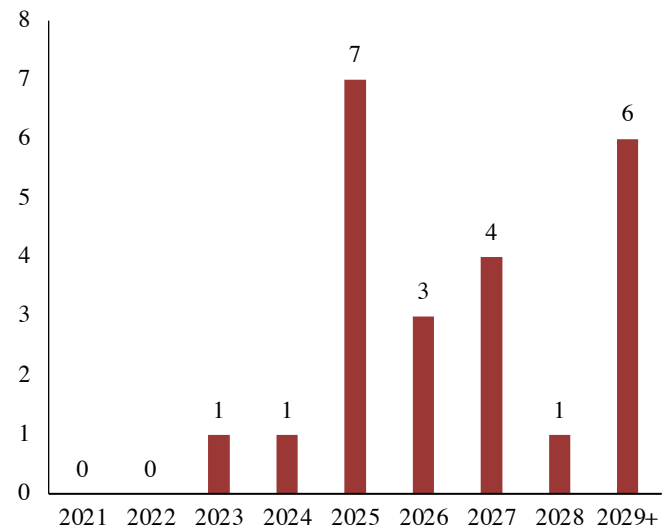
### Credit Quality (# of holdings)

<b>Bank Loans</b>	<b>13.05%</b>
BB+	0.00%
BB	4.35%
BB-	4.35%
B+	4.35%
B	0.00%
<b>High Yield Corporates</b>	<b>47.81%</b>
BB-	8.69%
B+	17.39%
B	13.04%
B-	8.69%
CCC-	0.00%
<b>Cash &amp; Cash Equivalents</b>	<b>36.83%</b>

### Sector Allocation (% of total assets)



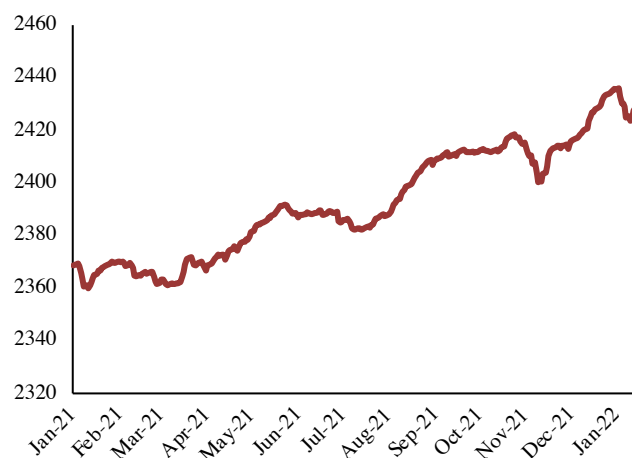
### Maturity Distribution (# of holdings)



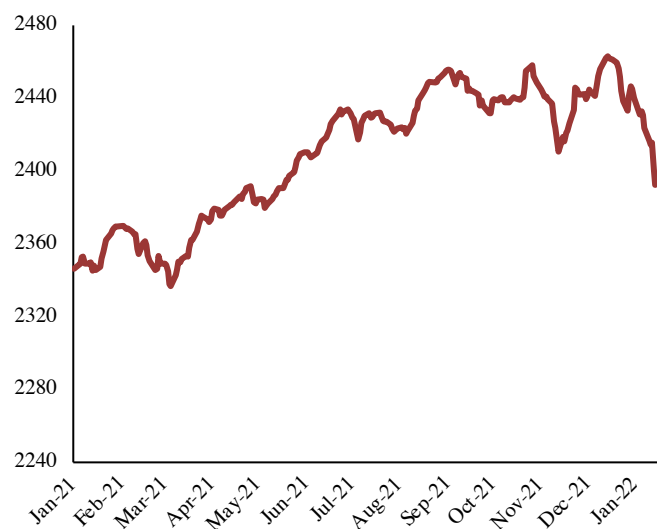
### Loan & HY Bond Market Recap

- Over the past week in the leveraged loan primary market, 13 issuers priced \$8.70 bn in gross volume and \$6.20 bn on a net basis, down from \$16.10 bn last week
- M&A-related activity accounted for \$4.20 bn across six transactions
- Investors are moving out of high yield bonds and into leveraged loans amid current market volatility
- Loan mutual funds saw \$1.37 bn of net inflows this past week along with four newly-issued CLO deals priced for \$2.24 bn
- Last Friday's jobs data spurred a huge sell-off in government bonds along with recent new issuance slowing

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



### Bloomberg Barclays US Corp HY Index



### Notable Moves in Secondary Market

- In the secondary market, the LSTA 100 traded up 0.04% over the past month to 2,429.34
- Additionally, the Credit Suisse Leveraged Loan Index ended Thursday at 98.56% of par
- The Bloomberg Barclays High Yield Index is down from its 52-week high of 2,460.01 a month ago to 2,383.98

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

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

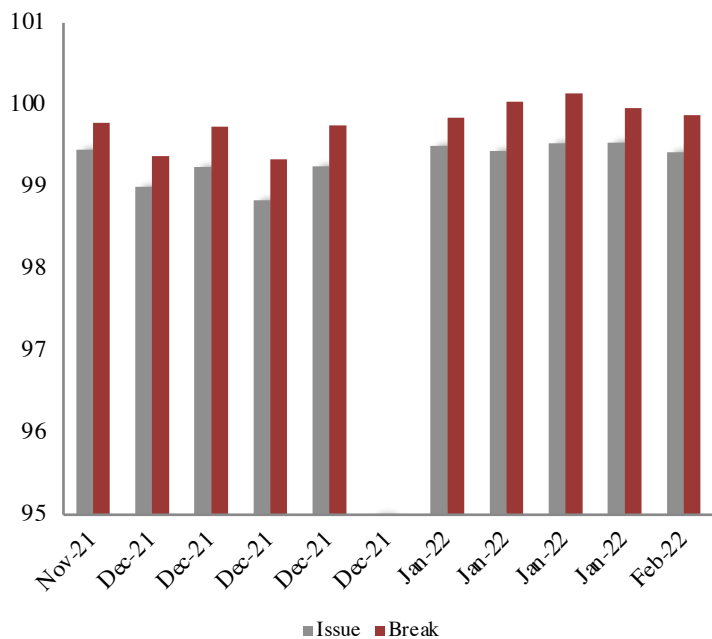
	S&P/LSTA U.S. Leveraged Loan 100	Bloomberg Barclays U.S. Corp HY
1-month	0.04%	(3.41%)
YTD	0.37%	1.55%
Index value	2,429.34	2,383.98
52-week high	2,433.93	2,460.01
52-week low	2,368.47	2,350.52

Sources: LevFin Insights, S&P Global, Bloomberg

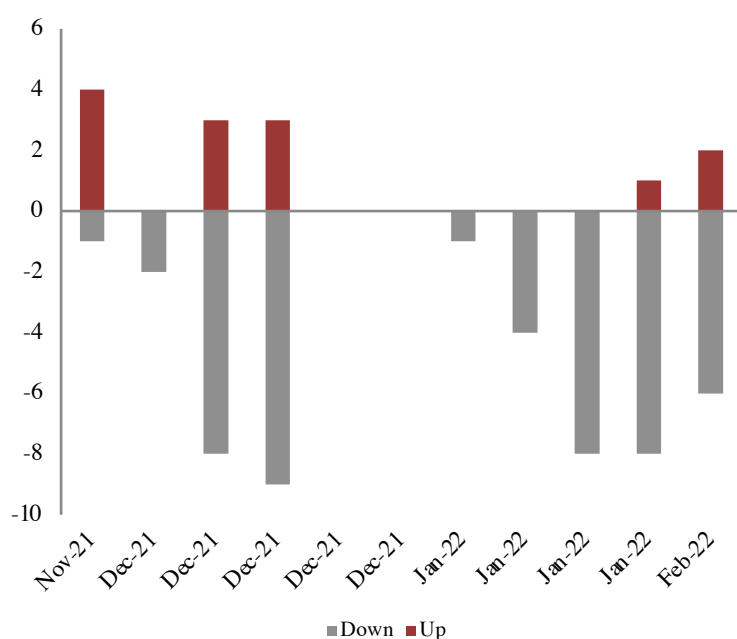
# Leveraged Lion Capital

+1.38%

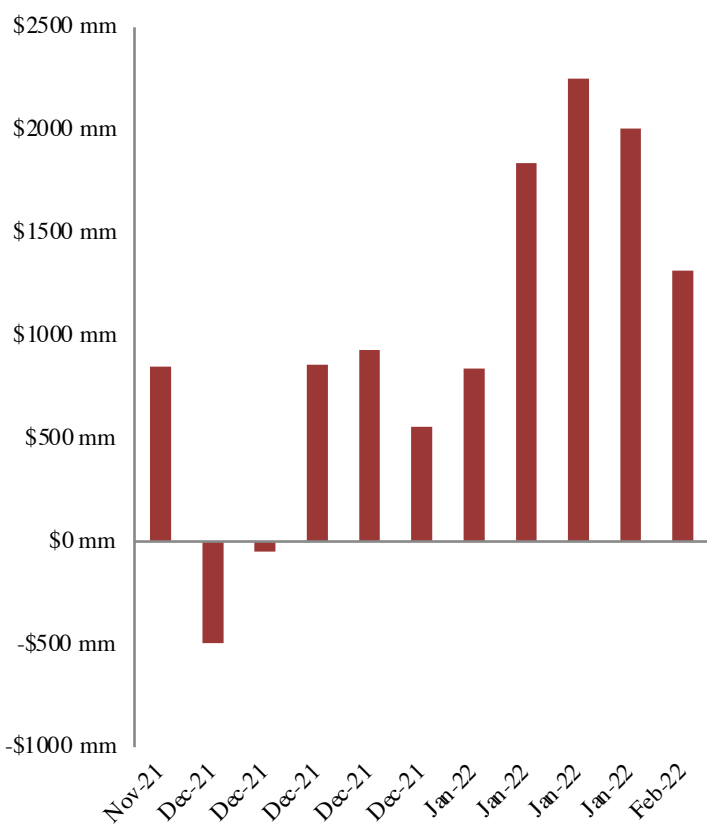
## Prices (first-lien deals)



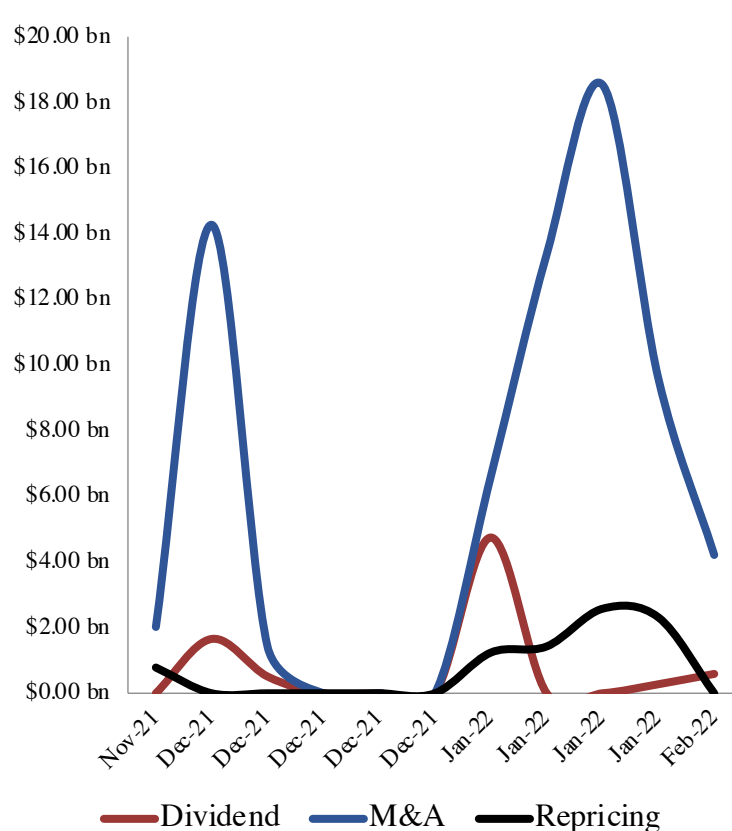
## Loan Flex Activity



## Leveraged Loan Mutual Fund Flows

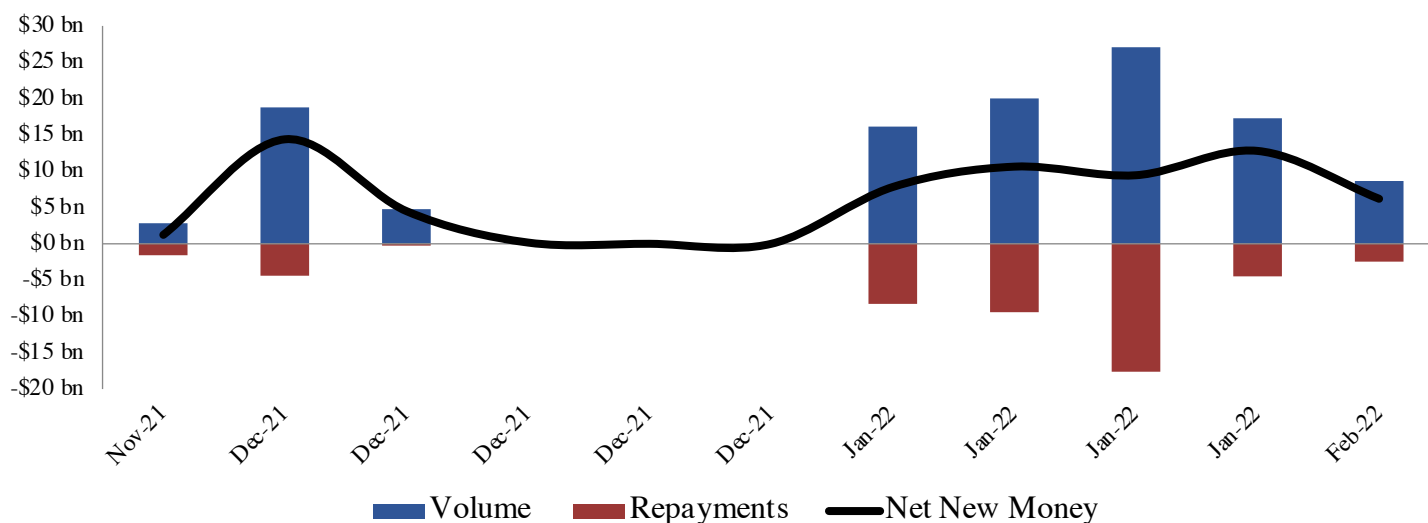


## Launched Deal Volume by Purpose



Source: Capital-Structure.com

### Net Launched Volume



### Recent Leveraged Loan Deals

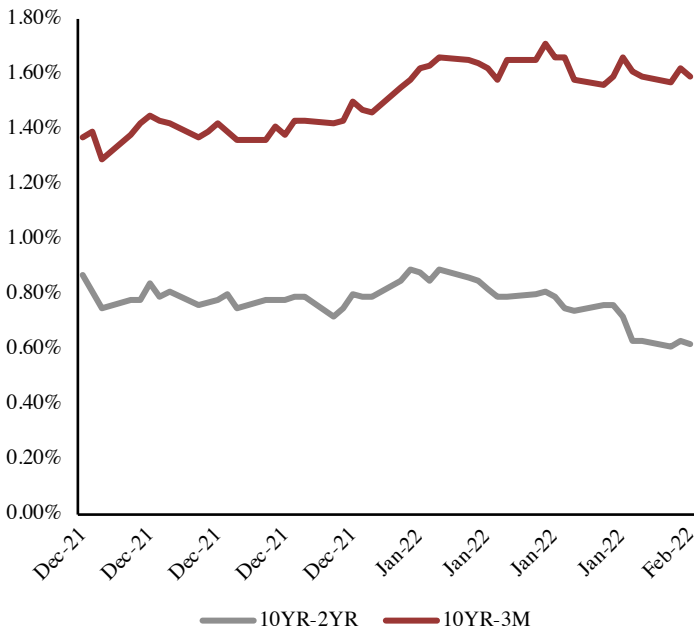
Company	Purpose	Tranche Size	Spread (bps)	OID
Athletico Physical Therapy	M&A	\$975.00 mm	S+425	99.50
Symplr	M&A	\$300.00 mm	S+450	99.75
Syniverse Technologies	M&A	\$1,165.00 mm	S+425	99.00
NortonLifeLock	M&A	\$3,690.00 mm	S+200	99.50
Athenahealth	LBO	\$6,900.00 mm	S+350	99.50
Crocs Inc.	M&A	\$2,000.00 mm	S+350	99.50
Inspire Brands	Repricing	\$2,575.00 mm	S+300	100.00
Tropicana Products Inc.	LBO	\$2,725.00 mm	S+325	99.75

### Recent High-Yield Bond Deals

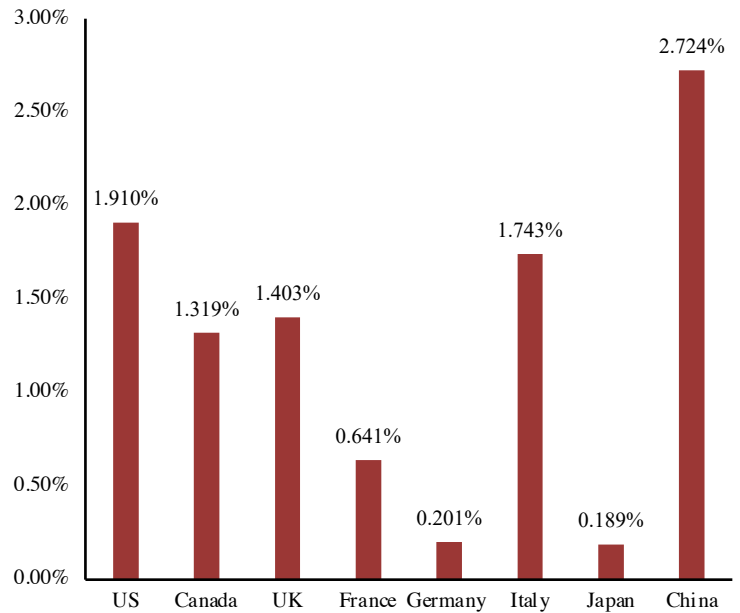
Company	Purpose	Tranche Size	Coupon	Issue Price
Bausch Health	Refinancing	\$1,000.00 mm	6.125%	100.00
Eco Material Technologies	M&A	\$525.00 mm	7.875%	100.00
Ero Copper	Refinancing	\$400.00 mm	6.500%	100.00
Oxford Finance	Refinancing	\$400.00 mm	6.375%	100.00
Lindblad Expeditions	Refinancing	\$360.00 mm	6.750%	100.00
Builders FirstSource	Refinancing	\$300.00 mm	4.250%	100.00
Charter Communications	Corporate Purposes	\$1,200.00 mm	4.750%	100.00
Commercial Metals	Corporate Purposes	\$300.00 mm	4.375%	100.00

Source: LevFin Insights

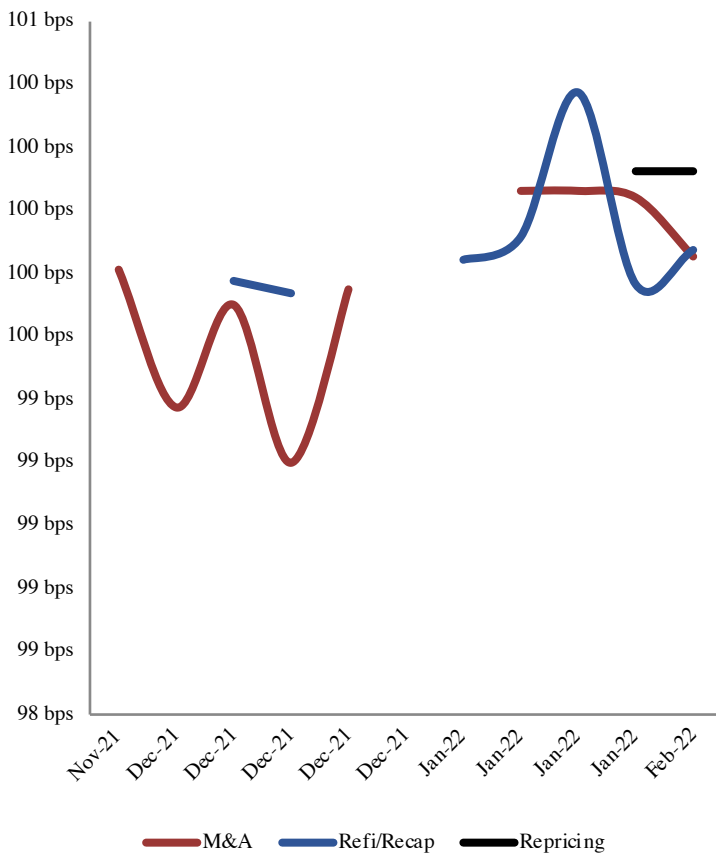
### Treasury Yield Curve Spreads



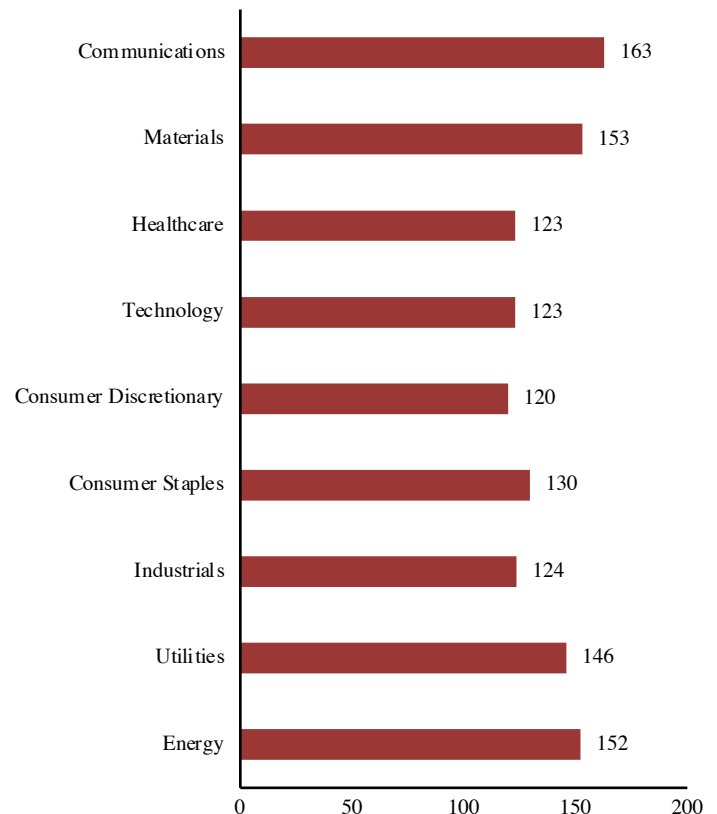
### 10-Year Government Bond Yields



### Avg. Gap Between Issue and Break Price



### HY OAS by Sector



Sources: Levfin Insights, St. Louis Fed

## Special Topics & Notable Developments

### SOFR Loans Dominate in January

- Of the 78 loans launched in January, 86.00% of them were SOFR-based
  - In the entire fourth quarter of 2021, SOFR deals represented only 10.00% of loans
- There are a few circumstances where a LIBOR loan can still be syndicated such as unregulated entities, or deals that were previous underwritten or funded in 2021
- Going forward, credit spread adjustments (CSAs) will start to become less prevalent as investors get used to new SOFR pricing
  - Of the 67 SOFR loans in January, 47 of them included a credit spread adjustment this is lower than the average CSA seen in the fourth quarter at 86.00% of deals including a CSA
- Massive inflows into leveraged loans will continue to accelerate the number of issuers transitioning to SOFR

### McAfee Shifts Funds to Loan Market

- McAfee upsized its term loans to reduce its dependence on the high-yield bond market given the current rate environment
  - The new \$300.00 mm loan upsizing reduces the unsecured notes to \$2.02 bn
  - The total loan amount is now \$5.16 bn, previously \$4.41 bn with terms set at SOFR + 400 bps with 10 bps credit spread adjustment, at the wide end of the original 375 – 400 bps margin guidance
  - Moody's said McAfee Corp.'s ratings were not impacted by the shift in the capital structure after their upsizing of total secured debt by \$300.00 mm
- Five issuers over the past week have shifted \$1.88 bn of funds to loans from high-yield including McAfee, Prince International, Scientific Games Lottery and Virtusa

### High Yield Bond Outflows

Rating Class	Flows Jan. 36 - Feb. 1	Flows Jan 19. - Jan 24	No. of Funds
High Yield	-\$3,067.00 mm	-\$365.00 mm	78
Investment Grade	\$1,240.00 mm	\$912.00 mm	243

Sources: Levfin Insights, Bloomberg