

Executive Summary

Both high yield (HY) bonds and leveraged loans recovered some lost ground in April as optimism around announced governmental stimulus helped offset growing economic damage from COVID-19. Year-to-date (YTD) leveraged loan returns of -9.16% best those of HY bonds which have returned -11.24% so far.

High Yield Bond Summary & Performance

Source: JP Morgan

The HY bond asset class returned +3.57% in April as yields and spreads decreased 109 bp and 110 bp, respectively, to end the month at 8.91% and 839 bp. This partial recovery from March's sell-off was driven primarily by significant governmental stimulus helping to offset continued COVID-19 related economic pressure. Given the improved market sentiment in April, new issuance climbed to ~\$37b as companies tapped credit markets to raise cash. While gross volumes were somewhat higher than average April issuance, net volumes were amongst the highest levels of issuance recorded. Specifically, issuance for general corporate purposes & acquisitions accounted for 75% of April volumes or ~\$28b. YTD, refinancings remain the main driver of volume by representing 58% of issuance. Including distressed exchanges, the US HY bond default rate stands at 4.92%, up 142 bp month-over-month and 354 bp year-over-year.

Best Performing Industries MTD: <ul style="list-style-type: none"> Energy (+14.27%) Gaming + Leisure (+4.99%) Utility (+4.16%) 	Best Performing Industries YTD: <ul style="list-style-type: none"> Utility (-1.07%) Technology (-2.27%) Healthcare (-2.44%)
Worst Performing Industries MTD: <ul style="list-style-type: none"> Transportation (-6.07%) Broadcasting (-2.17%) Media (-1.06%) 	Worst Performing Industries YTD: <ul style="list-style-type: none"> Energy (-33.51%) Transportation (-23.40%) Gaming + Leisure (-15.82%)
Performance by Ratings MTD: <ul style="list-style-type: none"> BB-rated bonds (+4.74%) B-rated bonds (+3.01%) CCC-rated bonds (+2.56%) 	Performance by Ratings YTD: <ul style="list-style-type: none"> BB-rated bonds (-7.08%) B-rated bonds (-11.99%) CCC-rated bonds (-15.09%)

Floating Rate Loan Summary & Performance

Source: JP Morgan

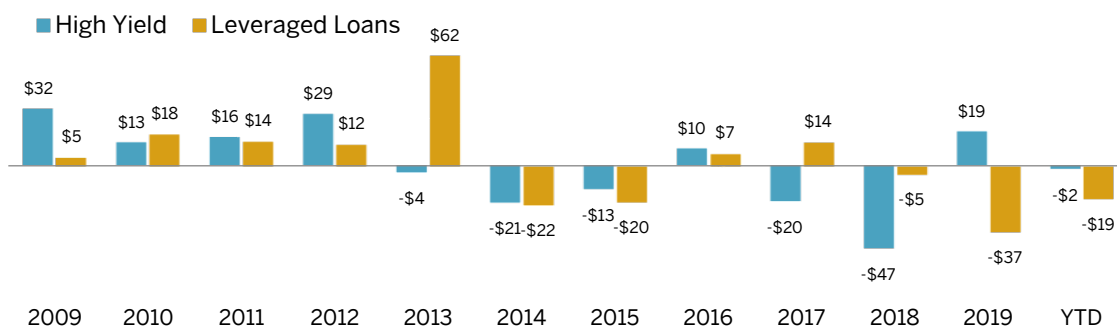
Leveraged loans returned +4.42% in April as COVID-19 related economic damage was somewhat offset by stimulus driven optimism. New issue activity remained muted in April with only \$7.7b of loans pricing during the month. This is well below typical April volumes of \$38b and stands in sharp contrast to HY issuance trends in April. Acquisition financing was the main driver of issuance for the month again, but refinancing and repricing deals remain the main driver YTD by representing 74% of total issuance. Gross US CLO (collateralized loan obligation) volume of ~\$4b in April was only marginally lower than March's anemic volumes as new issuance remains challenging to place in the current market environment. Refinancing activity, at 53% of total issuance YTD, remains the largest driver of CLO volumes despite minimal March & April refinancings. Including distressed exchanges, the leveraged loan default rate stands at 2.97%.

Best Performing Industries MTD: <ul style="list-style-type: none"> Energy (+8.41%) Metals & Mining (+8.19%) Chemicals (+6.36%) 	Best Performing Industries YTD: <ul style="list-style-type: none"> Cable & Satellite (-4.27%) Telecom (-4.53%) Utility (-5.04%)
Worst Performing Industries MTD: <ul style="list-style-type: none"> Transportation (-0.94%) Cable & Satellite (+2.57%) Broadcasting (+2.74%) 	Worst Performing Industries YTD: <ul style="list-style-type: none"> Energy (-27.74%) Retail (-16.50%) Transportation (-15.37%)
Performance by Ratings MTD: <ul style="list-style-type: none"> B-rated loans (+5.18%) BB-rated loans (+3.93%) Split B/CCC-rated loans (+3.54%) 	Performance by Ratings YTD: <ul style="list-style-type: none"> BB-rated loans (-6.64%) B-rated loans (-9.46%) Split B/CCC-rated loans (-24.28%)

As of April 30, 2020	Performance		Characteristics				
	Month	YTD	Spread	YTD Change	Average Price	Yield to Worst	Yield to Maturity
10-Year US Treasuries	0.72%	12.90%	---	---	---	0.6%	0.6%
Bbg Barclays Aggregate Bond Index	1.78%	4.98%	86 bp	+32 bp	\$109.93	1.3%	1.3%
JP Morgan BB-B Rated Loan Index	3.78%	-8.67%	714 bp	+316 bp	\$90.18	4.9%	---
ICE BofA 1-3 Year BB-B Rated Index	2.59%	-8.69%	733 bp	+474 bp	\$94.25	7.5%	7.6%
ICE BofA BB-B Rated Non-Distressed Index	3.95%	-7.12%	545 bp	+279 bp	\$97.27	5.9%	6.0%
ICE BofA BB-B Rated Index	4.18%	-8.25%	638 bp	+355 bp	\$93.97	6.8%	6.9%
ICE BofA High Yield Index	3.80%	-9.83%	761 bp	+389 bp	\$89.08	8.0%	8.2%

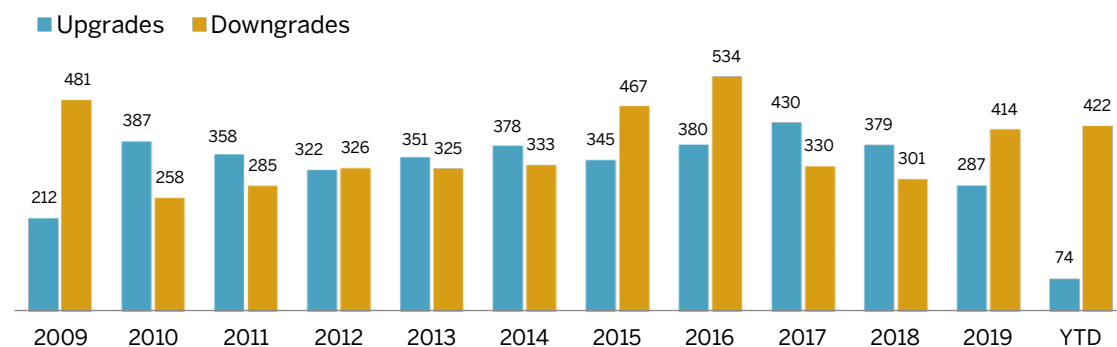
Mutual Fund Flows (\$Billion)

Source: JP Morgan



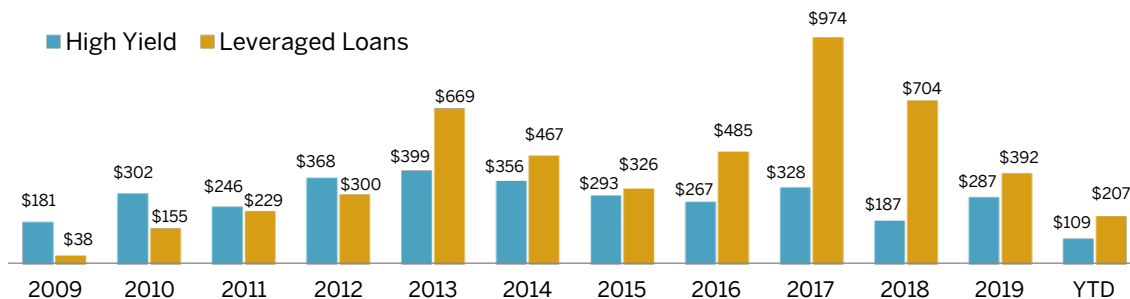
High Yield Upgrades/Downgrades (Issuer)

Source: JP Morgan



Gross New Issuance Volume (\$Billion)

Source: JP Morgan



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Spreads / Default Rates	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD
ICE BofA BB-B Rated Index	485 bp	612 bp	443 bp	344 bp	434 bp	558 bp	348 bp	297 bp	462 bp	283 bp	638 bp
ICE BofA BB Rated Index	399 bp	503 bp	357 bp	281 bp	336 bp	427 bp	286 bp	228 bp	365 bp	213 bp	542 bp
ICE BofA B Rated Index	573 bp	736 bp	524 bp	417 bp	549 bp	722 bp	432 bp	381 bp	578 bp	370 bp	802 bp
ICE BofA CCC Rated Index	874 bp	1,262 bp	943 bp	766 bp	976 bp	1,648 bp	977 bp	843 bp	1,102 bp	1,012 bp	1,731 bp
JPM HY Default Rate*	2.4%	2.2%	2.0%	2.1%	1.6%	2.8%	5.2%	2.5%	2.8%	3.2%	4.7%