

Executive Summary

Both high yield (HY) bond and leveraged loan returns were negative in February due to rising economic growth concerns related to the rapidly spreading novel coronavirus. Year-to-date (YTD) leveraged loan returns of -0.93% best those of HY bonds which have returned -1.90%.

High Yield Bond Summary & Performance

Source: JP Morgan

The HY bond asset class returned -1.88% in February as yields and spreads increased 72 bp and 110 bp, respectively, to end the month at 6.84% and 584 bp. Much of the sell-off was centered around the energy sector with significant market spread widening occurring mostly in a handful of days during the last week of the month. Despite the uptick in market volatility late in the month, gross new issue activity of ~\$30b in February was substantially higher than the ~\$23b in volume the market has averaged during the month in the recent past. Refinancings were the major driver of issuance in February as they represented 73% of new issue volume. YTD, refinancings now represent 79% of total issuance. Including distressed exchanges, the US HY bond default rate stands at 2.49%, down 40 bp month-over-month but up 123 bp year-over-year (y/y).

Best Performing Industries MTD:

- Telecom (+0.53%)
- Cable & Satellite (+0.30%)
- Housing (-0.03%)

Best Performing Industries YTD:

- Housing (+0.81%)
- Healthcare (+0.58%)
- Telecom (+0.38%)

Worst Performing Industries MTD:

- Energy (-7.82%)
- Broadcasting (-2.94%)
- Transportation (-2.72%)

Worst Performing Industries YTD:

- Energy (-9.81%)
- Broadcasting (-3.17%)
- Gaming, Lodging, Leisure (-2.72%)

Performance by Ratings MTD:

- CCC-rated bonds (-1.23%)
- BB-rated bonds (-1.69%)
- B-rated bonds (-1.86%)

Performance by Ratings YTD:

- CCC-rated bonds (-1.03%)
- BB-rated bonds (-1.41%)
- B-rated bonds (-2.04%)

Floating Rate Loan Summary & Performance

Source: JP Morgan

Leveraged loans returned -1.45% in February against the backdrop of a heavy late month coronavirus related sell-off. New issue activity remained robust for most of the month however as a heavy ~\$72b of loans priced during the month. This is well above typical February volumes in the recent past of ~\$51b. Refinancing & repricing deals continued to fuel issuance by representing ~64% of February volumes. YTD, refinancing and repricing deals now represent 78% of total issuance. Gross US CLO (collateralized loan obligation) volume of ~\$30b in February marked a substantial increase from January's seasonally light volumes and is over double the issuance volume the market has averaged in February during the recent past. That being said, most of the volume has gone toward refinancing & reset deals with net issuance actually down y/y in February. Including distressed exchanges, the leveraged loan default rate stands at 2.10%.

Best Performing Industries MTD:

- Financial (-0.93%)
- Media (-0.94%)
- Technology (-0.98%)

Best Performing Industries YTD:

- Food & Beverages (-0.41%)
- Healthcare (-0.42%)
- Financial (-0.45%)

Worst Performing Industries MTD:

- Energy (-3.49%)
- Metals & Mining (-3.28%)
- Retail (-2.64%)

Worst Performing Industries YTD:

- Energy (-3.13%)
- Metals & Mining (-2.22%)
- Retail (-1.94%)

Performance by Ratings MTD:

- B-rated loans (-1.39%)
- BB-rated loans (-1.51%)
- Split B/CCC-rated loans (-2.99%)

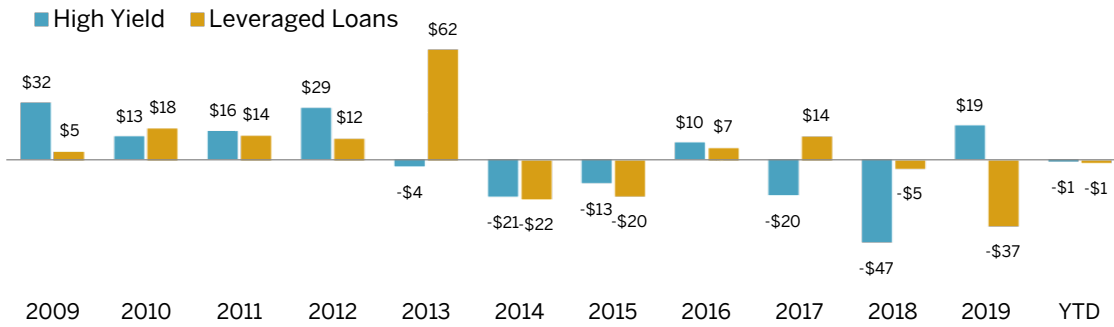
Performance by Ratings YTD:

- B-rated loans (-0.76%)
- BB-rated loans (-1.24%)
- Split B/CCC-rated loans (-1.58%)

As of February 29, 2020	Performance		Characteristics				
	Month	YTD	Spread	YTD Change	Average Price	Yield to Worst	Yield to Maturity
10-Year US Treasuries	3.81%	7.67%	---	---	---	1.1%	1.1%
Bbg Barclays Aggregate Bond Index	1.80%	3.76%	64 bp	+10 bp	\$109.07	1.7%	1.7%
JP Morgan BB-B Rated Loan Index	-1.63%	-1.34%	458 bp	+60 bp	\$96.88	5.3%	---
ICE BofA 1-3 Year BB-B Rated Index	-1.38%	-1.21%	456 bp	+197 bp	\$99.67	5.6%	5.9%
ICE BofA BB-B Rated Non-Distressed Index	-1.22%	-1.09%	388 bp	+122 bp	\$102.52	4.9%	5.2%
ICE BofA BB-B Rated Index	-1.44%	-1.37%	437 bp	+154 bp	\$100.97	5.4%	5.7%
ICE BofA High Yield Index	-1.55%	-1.55%	524 bp	+152 bp	\$98.24	6.3%	6.5%

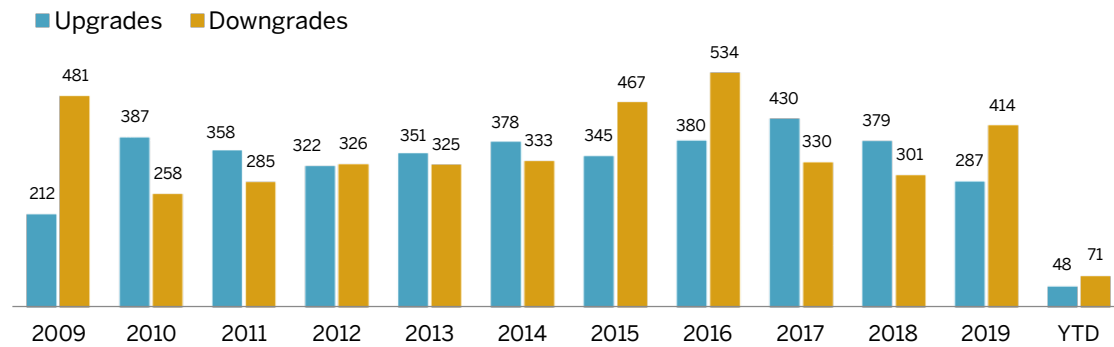
Mutual Fund Flows (\$Billion)

Source: JP Morgan



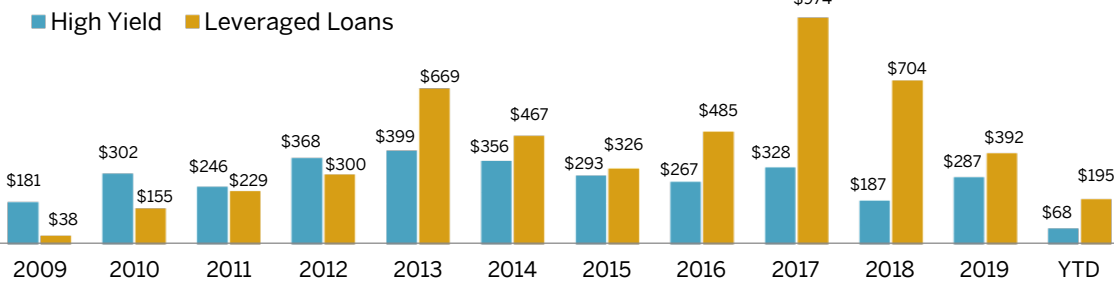
High Yield Upgrades/Downgrades (Issuer)

Source: JP Morgan



Gross New Issuance Volume (\$Billion)

Source: JP Morgan



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	436 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	352 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	552 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	1,192 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%	2.5%



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