

## Executive Summary

Both high yield (HY) bonds and leveraged loans recovered more lost ground in July as positive vaccine news, policy support, and a better than expected start to earnings season bolstered sentiment. Year-to-date (YTD) HY bond returns of -1.93% best those of leveraged loans which have returned -2.65% so far.

## High Yield Bond Summary & Performance

Source: JP Morgan

The HY bond asset class returned +4.55% in July as yields and spreads decreased 133 bp and 121 bp, respectively, to end the month at 6.24% and 601 bp. Promising vaccine news, a dovish Fed, talks on a second round of stimulus payments, and better than expected early earnings reports all helped drive the continued recovery. New issuance activity totaled \$26.7b in July, well below June's record setting volumes but above the ~\$21b in volume the month has averaged in the recent past. Refinancing deals were once again the main driver of monthly volumes, with ~\$20b (73% of gross volume) directed to refinancing deals in July. YTD, refinancings remain the main driver of issuance as well by representing 59% of total volume. Including distressed exchanges, the US HY bond default rate rose 19 bp month-over-month to 6.80%, a level not seen in 10 years. This increase in defaults remains largely driven by continued Energy sector distress.

### Best Performing Industries MTD:

- Cable & Satellite (+5.71%)
- Metals & Mining (+5.47%)
- Housing (+5.44%)

### Best Performing Industries YTD:

- Technology (+5.13%)
- Utility (+4.38%)
- Healthcare (+4.37%)

### Worst Performing Industries MTD:

- Transportation (-0.36%)
- Media (+3.30%)
- Consumer Products (+3.58%)

### Worst Performing Industries YTD:

- Energy (-19.00%)
- Transportation (-19.00%)
- Broadcasting (-6.63%)

### Performance by Ratings MTD:

- BB-rated bonds (+4.75%)
- B-rated bonds (+4.70%)
- CCC-rated bonds (+4.23%)

### Performance by Ratings YTD:

- BB-rated bonds (1.35%)
- B-rated bonds (-1.73%)
- CCC-rated bonds (-3.72%)

## Floating Rate Loan Summary & Performance

Source: JP Morgan

Leveraged loans returned +1.93% in July on improved market sentiment around earnings, vaccines, and governmental support for the economy. With fund flows and issuance trends continuing to favor the HY market, only \$12.5b of new loans priced during the month. This is well below the ~\$25b in issuance July has averaged in the recent past. Acquisition financing was the main driver of issuance for the month, but refinancing and repricing deals remain the main driver YTD by representing 67% of total issuance. Gross US CLO (collateralized loan obligation) volume of ~\$9b in July marks the second highest monthly issuance total this year. It also marks the third consecutive month of volume improvement the CLO market has seen since April's volume lows. Net new issue activity (65%) of total issuance YTD, remains the largest driver of CLO volumes. Including distressed exchanges the leveraged loan default rate now stands at 4.60%.

### Best Performing Industries MTD:

- Retail (+4.00%)
- Metals & Mining (+2.53%)
- Automotive (+2.49%)

### Best Performing Industries YTD:

- Telecom (+0.70%)
- Housing (+0.10%)
- Chemicals (+0.05%)

### Worst Performing Industries MTD:

- Transportation (-1.24%)
- Gaming & Leisure (+0.98%)
- Consumer Products (+1.54%)

### Worst Performing Industries YTD:

- Energy (-14.14%)
- Transportation (-12.82%)
- Gaming & Leisure (-9.02%)

### Performance by Ratings MTD:

- B-rated loans (+2.15%)
- Split B/CCC-rated loans (+1.86%)
- BB-rated loans (+1.74%)

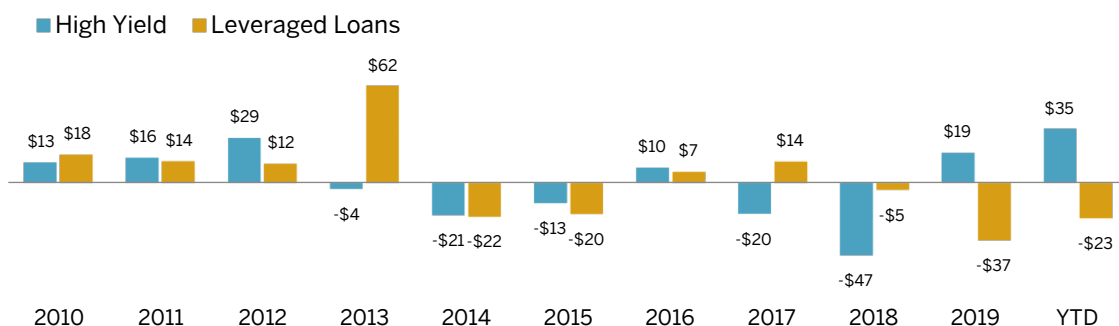
### Performance by Ratings YTD:

- B-rated loans (-1.99%)
- BB-rated loans (-2.59%)
- Split B/CCC-rated loans (-15.18%)

As of July 31, 2020	Performance		Characteristics				
	Month	YTD	Spread	YTD Change	Average Price	Yield to Worst	Yield to Maturity
10-Year US Treasuries	1.17%	14.17%	---	---	---	0.5%	0.5%
Bbg Barclays Aggregate Bond Index	1.49%	7.72%	69 bp	+15 bp	\$111.79	1.1%	1.1%
JP Morgan BB-B Rated Loan Index	1.31%	-3.75%	522 bp	+124 bp	\$95.44	5.4%	---
ICE BofA 1-3 Year BB-B Rated Index	3.02%	-1.87%	459 bp	+200 bp	\$100.02	4.7%	5.2%
ICE BofA BB-B Rated Non-Distressed Index	4.87%	1.20%	389 bp	+123 bp	\$104.03	4.2%	4.8%
ICE BofA BB-B Rated Index	4.80%	1.01%	428 bp	+145 bp	\$102.89	4.5%	5.1%
ICE BofA High Yield Index	4.75%	-0.33%	523 bp	+151 bp	\$99.47	5.5%	6.1%

Mutual Fund Flows (\$ Billion)

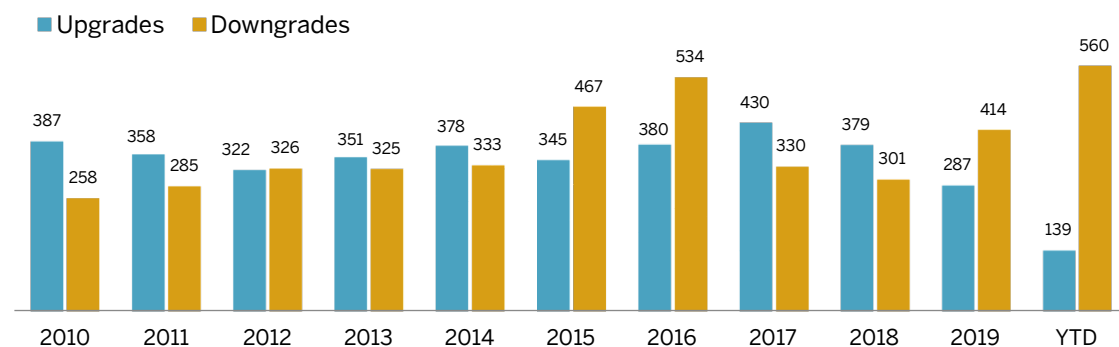
Source: JP Morgan



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High Yield Upgrades/Downgrades (Issuer)

Source: JP Morgan

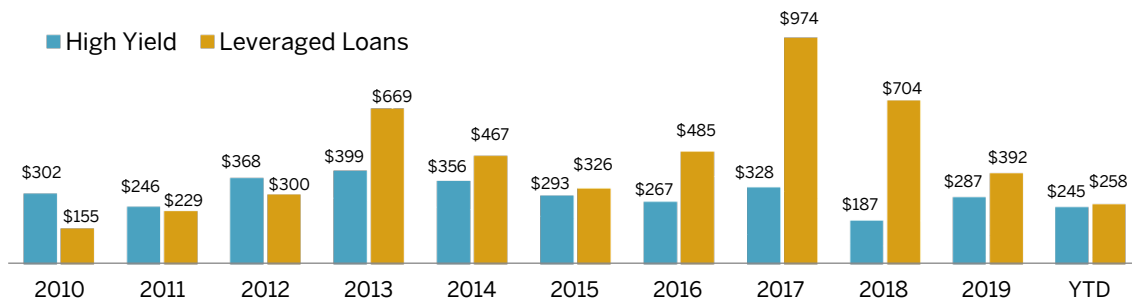


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Gross New Issuance Volume (\$ Billion)

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	427 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	359 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	547 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	1,248 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%	6.2%