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Leveraged Finance
NEWS, ANALYSIS AND COMMENTARY
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Ceridian Holds Refinance Until Subsidiary IPO

BY DAVID HOLLEY

Ceridian plans to use proceeds from an IPO of its **Comdata** unit to repay part of its $3.5 billion of debt, said CFO **Lois Martin**.

"One of the big usages of it would be to delever the company and pay down the debt," Martin said in a May 29 telephone interview.

Ceridian is a provider of business services from human resources to payroll. Comdata – a business-to-business provider of electronic payments that is a wholly owned subsidiary of Minneapolis-based Ceridian – said April 2 it filed a confidential draft registration statement with regulators for an IPO.

On May 21 Ceridian sold $855 million of 8.125 percent notes due November 2017 that will be used to refinance $856 million of higher-coupon debt, saving $27 million in annual interest, Martin said. The notes do not have prepayment penalties, Martin said.

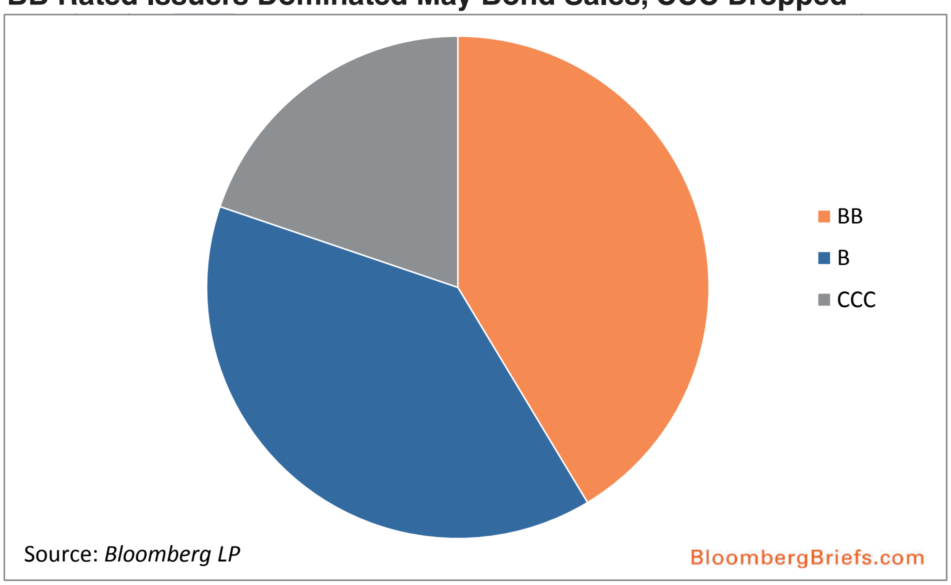

Lois Martin

The offering was three times oversubscribed, she said. "We had gone out pretty aggressive because we didn't feel like we had to do the deal if we didn't need to," Martin said.

Thomas H. Lee Partners acquired Ceridian in a $5 billion LBO in 2007, using debt including 11.25 percent senior notes and 12.25 percent PIK toggle notes, according to data compiled by Bloomberg. The May offering refinanced the LBO debt.

BLOOMBERG BAROMETER GOWRI GURUMURTHY, BLOOMBERG FIRST WORD ANALYST

BB Rated Issuers Dominated May Bond Sales, CCC Dropped



Higher-quality issuers accounted for most of the $34 billion of junk bonds priced in May, Bloomberg data show. BBs led issuance with 21 deals for $13.5 bilion, followed by single-Bs with $12.7 billion. CCC rated issuance fell to $6.5 billion from $12 billion in April. (Click 'i' icon on chart to see April.)

WEEK AHEAD

HILLMAN GROUP
June 2: Meeting for $610m cov-light TLB; $70m RC for LBO by CCMP

SHEARER'S FOODS
June 2: Meeting for $290m 1L cov-light TL, $225m 2L for acquisition

MERGERMARKET USA
June 2: Call, for $45m 1L TL add-on

CUSTOM SENSORS & TECHNOLOGIES
June 3: Meeting for $470m 1L TL, $120 2L

DAVITA HEALTHCARE PARTNERS
June 3: Meeting for $3.5b 7Y TLB

WAYNE FUELING SYSTEMS
June 3: Bank meeting

CONSOLIDATED CONTAINER
June 3: Lender call, $80m 2L TL

THE BRICKMAN GROUP
June 4: Meeting for $725m Incrm 1L TL maturing Dec. 2020 (See Page 2)

INSIDE

QUOTE OF THE WEEK

"Since 2007, LBOs have comprised 29 percent of total defaults in Fitch's U.S. high yield and leveraged loan default indices."

— Fitch Ratings in a note May 28

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Brentwood, Tennessee-based Comdata's public offering is expected to take place after a review by regulators and depends on the market environment, the company said.

Ceridian repaid $45 million on its $1.4 billion term loan in the first quarter of 2014, Martin said. The company, which has an excess cash flow sweep, had $119 million of free cash flow in 2013, she said.

Consolidated GAAP Ebitda increased 16 percent to $117.5 million in the first quarter of 2014 over the prior year. Revenue from its Internet-based cloud technologies increased 30 percent in the first quarter of this year from a year ago, Martin said.

Ceridian has $475 million of 11 percent notes due 2021 that can can't be called without a make-whole premium until March 2016, Bloomberg data show. The notes traded at 115.375 cents on the dollar, according to prices quoted by Bloomberg.

Its $720 million of 8.875 percent notes due 2019 traded at $113.25 cents on the collar May 29. The notes can be called at 106.656 cents on the dollar in July 2015.

Brickman Turns to Jefferies for Loans as Banks Balk

KKR's **Brickman Group** is using a different set of banks to finance a purchase after some of it's original lenders backed away due to regulatory concerns, according to two people with knowledge of the matter.

Morgan Stanley, Credit Suisse and **Goldman Sachs** are among lenders who helped finance KKR's buyout of the landscaper six months ago that aren't participating in a new $725 million loan needed to buy **ValleyCrest**. Some of the original lenders are abstaining because it may not meet underwriting standards outlined by U.S. banking regulators, said the people, who requested anonymity.

The new loan is being arranged by **Jefferies**, along with **Macquarie, Mizuho, Sumitomo Mitsui, Nomura** and **KKR**. The financing also includes a $100 million revolver.

The bank group that last year underwrote the debt backing KKR's buyout of Brickman also included **RBC, Macquarie, Mizuho, Sumitomo** and **UBS**, Bloomberg data show.

The financing is expected to be marketed to investors with total leverage of about 5.9 times Ebitda, according to another person with knowledge of the deal. That's down from 6.5 times Ebitda after KKR bought Brickman, the person said.

Earnings have risen since the buyout and there'll be cost saving synergies from the merger with ValleyCrest, the person said, citing reasons for the lower leverage.

A bank meeting for the ValleyCrest deal financing is scheduled for June 4.

Michael Duvally, a spokesman for Goldman Sachs; Mary Claire Delaney, a spokeswoman for Morgan Stanley; Drew Benson, a spokesman for Credit Suisse; and Kristi Huller, a spokeswoman for KKR, all declined to comment. A telephone call to LaNella Hooper-Williams, a spokesperson for Brickman, wasn't immediately returned.

— Christine Idzelis

DEAL WATCH

- A unit of **Tallgrass Energy** scrapped its effort to lower the pricing on a $718.4 million term loan due in 2018. Tallgrass Operations was seeking to pay interest at 3 percentage points over Libor, with a 1 percent floor, 0.25 percentage point less than the current rate. **Barclays** was arranging the debt as part of a larger re-pricing effort. The company also sought to refinance debt with a $206 million loan that pays interest at 3 percentage points more than Libor, with a 0.75 percent minimum. That portion of the deal wasn't pulled and was distributed to investors last week.

- **Apollo Management** may sell a 209 million euro AAA tranche of a 358 million euro CLO in the area of 140 basis points ovcer the benchmark. The arranger is **JPMorgan** and the legal final maturity is 13 years.

- **Advanced Micro Devices** plans to sell $400 million in senior notes due 2024 to fund a cash tender offer for 8.125 percent senior notes. The tender expires June 12 and the dealer manager is **JPMorgan**.

- **Southern Star Central** said June 2 that it intends to offer $450 million of senior notes due 2022 in a private offering. It plans to use net proceeds to repurchase any and all of its outstanding 6.75 percent senior notes due 2016 through two cash tender offers.

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MARKET NEWS
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Huntsman Plans Leverage Reduction With Free Cash

Huntsman plans to use some of as much as $500 million in annual free cash flow to repay debt as it seeks a higher credit grade, though it won't pass up business investments to do so, according to Chief Executive Officer **Peter Huntsman**.

"I don't think we would be inclined to pass up 30 to 40 percent return projects to pay off low- to mid-single digit debt," Huntsman said in a May 30 telephone interview.

The chemical maker is seeking to reduce its ratio of net debt to Ebitda to around 2.5 from about 3, said Huntsman, son of founder and chairman **Jon M. Huntsman**.

Huntsman had $3.9 billion of debt as of March 31 and $237 million of free cash flow in 2013, according to data compiled by Bloomberg. The manufacturer, with corporate offices in Salt Lake City and operating headquarters in Texas, is rated BB with a negative outlook by **S&P** and Ba3 with a stable outlook by **Moody's**.

The company is in the process of acquiring a business from **Rockwood Holdings** using a $1.2 billion term loan due 2021 that would be funded when the deal closes, which is expected to be in the third quarter, Huntsman said.

Huntsman sold 145 million euros of 5.125 percent bonds due 2021 at 103.25 cents on the dollar May 28, according to data compiled by Bloomberg. It was an add-on to a 300 million euro offering of 5.125 percent notes in December that was used to repay a term loan, CFO **J. Kimo Esplin** said in the fourth-quarter 2013 earnings call Feb. 11.

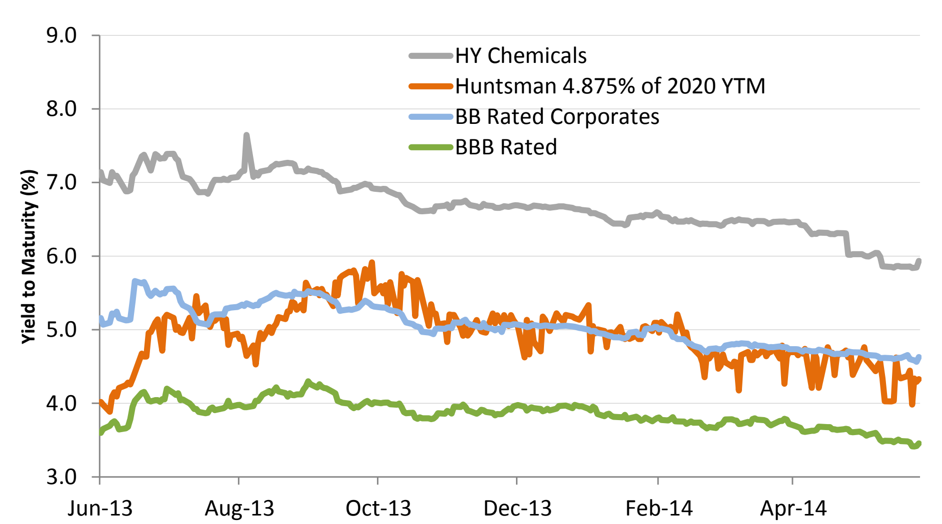
Peter Huntsman declined to comment about what debt the company may try to repay first. The company will "pay down the shorter-maturity notes and so forth. We'll take advantage of those on a bit by bit," he said.

Huntsman has $650 million of 4.875 percent notes due November 2020 which traded at 103.25 cents May 29, according to Trace. It also has $350 million of 8.625 percent notes due March 2020 that can be called at 104.313 starting March 2015 and traded at 109.375 cents May 28. There is also $530 million of 8.625 percent bonds due March 2021 that can be called at 104.313 cents starting September 2015. The notes traded at 111.75 cents on the dollar May 23, according to Trace.

The company may decide to spin out the business acquired from Rockwood in an IPO in about two years if it performs as expected, Huntsman said. Repaying the debt used for the acquisition would be a top priority for the proceeds, he said.

— David Holley

Most-Liquid Huntsman Bond Trades Through BB Average



Source: *Bloomberg LP* BloombergBriefs.com

ON THE MOVE

■ **RBS** plans to cut hundreds of U.S. jobs before stiffer capital rules are implemented. The bank will cut staff in its U.S. special situations group, said a person with knowledge of the matter. The firm is scaling back in agency residential mortgage-backed securities, non-agency MBS and U.S. collateralized loan obligations, and no affected employees have been notified, the person said last week.

■ **Sterne Agee** ousted its long-time Birmingham, Alabama-based chief executive and promoted a New York bond trader to chairman. "The recent changes were not the result of a single event, but a well thought out and strategic course of action," **Eric Needleman**, Sterne Agee's new chairman and chief executive of its broker-dealer, wrote in a memo to clients. Needleman was previously head of fixed income. After more than doubling its credit trading, sales and research unit in less than four years, the private, mostly employee-owned Sterne Agee is building out its investment-banking, equities and mortgage businesses, according to the memo. Needleman is going to remain based in New York. He joined Sterne Agee in January 2009 after heading high-yield sales, trading and research at **KBC Financial Products** and started his career at **Lehman Brothers**. It carried out its first two junk-debt sales in the past few months, managing a $300 million high-yield bond issue by **Teekay Offshore Partners** on May 22 and a $345 million offering from **Seaspan** in March, according to the memo. On May 23, the firm replaced its leader, **James Holbrook** Jr.

■ **BAML** hired **Gregg Brody**, a high-yield energy analyst, from **JPMorgan**. Brody will be replacing **Kelly Krenger**, who is leaving BAML, and will report to **Larry Bland**, head of U.S. credit research.

VERBATIM

What high-yield issuers and investors are saying at conferences and on investor calls about the high-yield debt markets.

Comments have been edited and condensed.

- **Pilgrim's Pride**: "We are positioned to expeditiously reduce debt. We expect to finance the acquisition [of Hillshire] with a combination of existing cash balances and new debt financing. By the end of 2015, we expect to have a leverage ratio of 3.5 times net debt to Ebitda. JBS current leverage is 3.26 times net debt to Ebitda, and at the time of closing, we expect our combined leverage ratio to be at approximately 4 times net debt to Ebitda. Currently, we have two pieces of debt, the 2018 notes that we pay 7.875 percent, and we have the new term loan that we negotiated last year, where we pay Libor plus 175 basis points. We are not using the term loan today, so we still have the 2018 notes outstanding. When you look at the markets today – and we're looking at the markets because we're thinking about renegotiating 2018 notes – the markets are much better than they were when we assumed that debt. On the term loan, Libor plus 175 basis points, it seems like a good rate for us as of the moment."

— CEO Bill Lovette, CFO Fabio Sandri and Pilgrim's Pride owner JBS's CEO Wesley Batista, , on a call about its bid for Hillshire Brands May 27

- **Tyson Foods**: "We think the all-in average financing costs will be about 3.5 percent average interest rates. There will be a big term loan that we will rapidly pay down with cash flows and then put some bonds behind it. We are definitely open to issuing equity. In fact, you probably saw it in our letter to Hillshire, that we're prepared to issue equity. That's not a part of this deal, I want to be clear on that, but we are, of course, certainly prepared to issue equity as part of our capital structure to have a nice, strong capital structure that is comfortably within investment-grade ratings. We're prepared to issue equity to de-lever it very quickly. And then, obviously, the combined cash flows will be phenomenal, and we can de-lever it even further."

— Dennis Leatherby, CFO, on a call about its attempt to outbid Pilgrim's Pride for Hillshire May 29

- **Brown Shoe**: "Cash and equivalents for the quarter were \$36.7 million and we ended the quarter with no borrowings against our revolving credit agreement, down \$66 million year-over-year. We also improved our debt to capital ratio to 28.8 percent from 39.1 percent last year. [Regarding acquisitions] we're always, first of all paying attention to the business that we have as we've done these last couple of years and always doing that going forward. If the right thing comes along and we identify it, we certainly think that we do have room in our portfolio to add if the right thing came along."

— Russell Hammer and Diane Sullivan, CFO and CEO, on a first-quarter 2014 earnings call May 28

> *We're looking at the markets because we're thinking about renegotiating 2018 notes.*
>
> *— Pilgrim's Pride*

- **Goodyear Tire**: "We have reallocated an additional \$400 million to debt reduction, further strengthening our leverage metrics, a very critical priority for the company. Our original plan in September of 2013 targeted getting us to a 2.3 times to 2.5 times leverage target, and that got us into the ballpark, what we want to do with the additional \$400 million is accelerate that path and by the end of 2016 get to a 2.0 times or 2.1 times leverage target. Achieving investment grade is a commitment that we have."

— Laura Thompson, CFO, at a KeyBanc Capital Markets industrial automotive transportation conference May 29

- **Oshkosh:** "We refinanced \$250 million of a 8.25 percent debt with new debt that carries an interest rate of 5 percent and 3.80 percent, a nearly 300 basis point reduction. Looking ahead, our strategy is to continue to remain opportunistic as we look at the best routes to drive shareholder value with free cash flow."

— Wilson Jones, president and COO, at a KeyBanc industrial, automotive & transportation conference May 29

- **Clean Harbors**: "Our long-term debt is \$1.4 billion. And that equates to a leverage ratio of about two times. We wouldn't want to go over the leverage of three times, but even with that, we have good dry powder there for additional investments in our business from a leverage standpoint."

— James Rutledge, president and CFO, at a KeyBanc industrial, automotive & transportation conference May 29

- **Esterline Tech**: "Cash flow from operations was \$84 million, somewhat lower than last year, but still a very healthy number despite working capital metrics that are working against us. Improvement in working capital is one of our key strategic plan metrics. The biggest opportunity we have in working capital without any question and we will drive it down, is in inventory. We have great cash flow generation and maybe we were a little lazy there. We're not going to be lazy going forward. I'm used to focusing on that. Improvement in working capital is one of our key strategic plan metrics and it will be improved going forward."

— Robert David George, CFO, on a second-quarter 2014 earnings call May 29

- **Lions Gate**: "While we don't provide guidance on that, we're very focused on providing free cash flow, so what I would tell you is that we expect to continue converting a significant portion of our adjusted free cash flow or adjusted Ebitda to free cash flow. In addition, I would note that we've reduced our cash interest to an annual run rate of just under \$40 million and cash taxes should continue to be \$15 million to \$20 million a year as we extend our NOLs into fiscal 2017. We feel very good about our free cash flow conversion."

— Jon Feltheimer, CEO, on a fourth-quarter 2014 earnings call May 30

CREDIT FOCUS

SRIDHAR NATARAJAN

EveryWare CFO Seeks Waivers as Deadline Looms

EveryWare Global lenders face the prospect of giving up some creditor protections after the maker of **Oneida** cutlery and **Anchor Hocking** glassware said it risks insolvency without the waivers.

The company needs the waivers or an injection of capital before a May 30 deadline that would make the $250 million loan immediately callable and "in the worst case, may lead to insolvency," Chief Financial Officer **Bernard Peters** said by telephone on May 23.

EveryWare, which fell out of compliance at the end of the first quarter, is in talks with as many as seven banks that hold a majority of its debt to secure concessions from more than half the holders, he said.

The housewares maker failed to generate enough cash flow to satisfy leverage and maintenance covenants on the loan after a drop in spending by consumers and restaurateurs resulted in losses in six of the past seven quarters. Lenders may be left with as little as 10 cents on the dollar should the company become insolvent, **S&P** said in a May 16 note.

"A restructuring before the end of the year appears inevitable," said **Stephanie Harter**, an analyst at S&P. "The company is deeply exposed to weaker spending in its retail and food-service business segments. The company will not be in compliance with its covenants for the rest of 2014."

Peters, who declined to identify the banks, said EveryWare directors have formed a committee that along with **Jefferies** is evaluating options.

Mayura Hooper, a spokeswoman for loan underwriter **Deutsche Bank**, did not return e-mails seeking commen.

EveryWare, which has a $12 million equity commitment letter from **Monomoy Capital Partners**, would need its largest shareholder to provide more cash to furnish $18.7 million that the company needs to remedy the breach, Peters said. It might also seek additional capital from another investor, he said.

Joshua Hochberg, a spokesman for Monomoy at Sloane, declined to comment on that company's financing plans for EveryWare.

Monomoy owns 59 percent of EveryWare, which has a stock market value of $26 million, data compiled by Bloomberg show. The shares jumped 17 percent May 28 to $1.16. That compares with a July high of $13.24, data show. Its borrowings were $291 million at the end of last quarter.

"While it's not impossible to get a larger equity commitment, the sheer amount needed especially relative to the company's current market cap, makes it uncertain," said **Raya Sokolyanska**, an analyst at **Moody's**. "They will still likely need lender concessions."

Discussions over an amendment are complicated by Ebitda that plunged "dramatically" last quarter, Sokolyanska said.

Ebitda slumped to $15.9 million in the year ended March, from $42.3 million a year ago, data compiled by Bloomberg show. That pushed the ratio of debt to Ebitda to more than 18 times on an unadjusted basis.

Monomoy had acquired glassware maker Anchor Hocking in 2007 and then purchased Oneida, the maker of food storage products, in 2011. They were combined in March 2012.

The company obtained the loan last year to support expansion after a special-purpose acquisition company acquired EveryWare from funds managed by Monomoy.

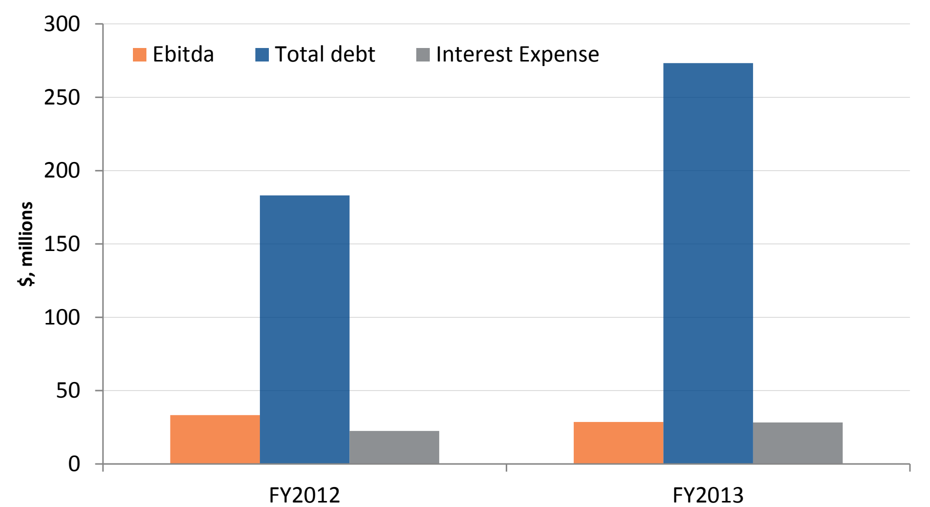
EveryWare has been buffeted by slowing consumer spending on its products as well as weakness in its food-service segments that together represented more than 64 percent of sales last year, data compiled by Bloomberg show.

The consumer segment includes products sold to retailers, grocery stores and as well as to consumers through its website. The food-service business deals with hotels and chain restaurants, which have seen business slow because of the harsh winter that led to lower occupancy rates and fewer diners, according to S&P's May 16 report.

The term loan that EveryWare obtained last year, required the company to keep its leverage less than 5 times at the end of the first quarter of 2014. Under the current agreement, that requirement further drops to 4.75 times by the end of the year and less than 4 times by June 2016.

"The large earnings decline in the first quarter was unexpected," Sokolyanska said. "If they don't reach an agreement with lenders, they could file for bankruptcy protection."

EveryWare Debt Rose 49% Last Year, Interest Expense Increased



Source: *Bloomberg LP*

BloombergBriefs.com

LOAN MARKET FOCUS

CHRISTINE IDZELIS AND KRISTEN HAUNSS

Fed's Junk-Loan Caution Spurs Accounting Alchemy, Issuers Boost Add-Backs

Lenders are increasingly allowing junk-rated borrowers to adjust their earnings to make them look more creditworthy as U.S. regulators increase pressure on banks to refrain from underwriting too-risky deals.

Such tweaks, which are permissible under more and more credit agreements, can help companies stay in compliance with their loan terms or to raise debt.

More than half of loans this year for issuers backed by private-equity firms allow them to boost earnings by an unlimited amount through projected cost savings from acquisitions and "any other action contemplated by the borrower," said **Vince Pisano**, an analyst at **Xtract Research**, citing a sample he's reviewed.

Riskier borrowers may have more incentive to show better financial metrics because the Federal Reserve and the Office of the Comptroller of the Currency are increasing pressure on banks to adhere to underwriting criteria they laid out last year amid concern that the market is getting frothy. Issuers such as **Thoma Bravo's TravelClick** have used adjustments, called add-backs, to raise earnings and decrease leverage when seeking funding.

With banks trying to fit their deals into the regulatory guidelines, investors have to be more diligent in determining "what is real versus what is accounting" gimmicks, said **Beth MacLean**, who manages $14 billion in loans at Pimco.

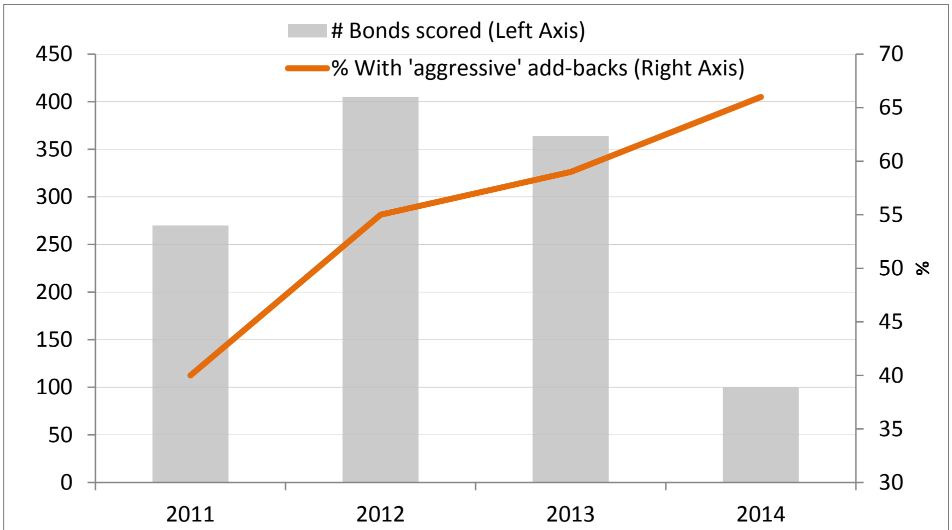
Some earnings increases are "very justifiable," such as savings from actual job cuts, while others can be "very egregious," she said.

Companies that have booked excessive costs have some latitude to reduce those expenses based on projected cost savings. About 40 percent of this year's LBOs had debt of more than six times Ebitda, up from less than 30 percent last year, according to **S&P**'s Capital IQ LCD.

The Fed, OCC and FDIC said in March 2013 that debt levels of more than six times Ebitda "raises concerns."

Loan agreements have "dramatically weakened" and it's easier than ever for borrowers to boost earnings in more ways than investors may realize, including "extremely speculative" cost savings, said Pisano. Those that do cap add-backs limit them to about 25 percent of Ebitda, up from 15 percent a year ago, he said.

'Aggressive' Add-Backs Jump as Percentage of Junk Issuance



Source: *Moody's*

About 66 percent of junk-rated bonds sold this year scored by **Moody's** included at least one adjustment to earnings the credit rater considered "aggressive," up from 59 percent in 2013 and just 40 percent in 2011.

"People don't pull back the hood of the car and look at the engine on a day-to-day basis," said **Jason Rosiak**, head of portfolio management at Pacific Asset Management, which manages about $4.4 billion. "That is why bankers are able to create selective accounting for each deal."

Credit Suisse marketed $560 million of term loans for Thoma Bravo's $930 million purchase of TravelClick this month with higher earnings after adjustments for both deferred revenue and planned cost savings. It was pitched to investors with leverage of 6.6 times.

Moody's estimated the debt level at 9.7 times Ebitda, not including those factors, after the private-equity firm's takeover. Including deferred revenue, Moody's, which rates TravelClick B3, calculated leverage of about seven times.

"TravelClick basically doubled the amount of debt on its books with no increased earnings," said **Peter Trombetta**, a Moody's analyst.

Holden Spaht, a managing partner at Thoma Bravo, and Drew Benson, a spokesman for Credit Suisse, declined to comment.

M/A-COM signed a $350 million loan agreement this month with no caps on Ebitda adjustments based on cost savings estimated from any action planned within two years, according to Pisano. **Goldman Sachs** led the financing.

Husrav Billimoria, a spokesperson for M/A-COM, didn't immediately respond to a phone call and e-mail seeking comment. Michael DuVally, a spokesman for Goldman, declined to comment.

Just because lending agreements allow add-backs doesn't mean companies will necessarily use them, said **Jessica Reiss**, an analyst at Moody's who focuses on covenants and credit agreements. Companies may "ask for the ability to do a lot of different things," she said.

Borrowers will continue to get flexible terms until banks are unable to sell their deals, Rosiak said. Investment firms "have to run their own numbers and get back to the basics of credit investing," he said.

Q&A

Buyers 'Waiting in the Wings' to Take Advantage of Any CLO Sell-Off: 3i's Fraser

Insurance companies, hedge funds and pension funds would be potential buyers of dips in the CLO market, said **John Fraser**, managing partner at **3i Debt Management U.S**. 3i has nine U.S. CLOs under management and a tenth in the works, as well as a $110 million senior loan fund. He spoke to Bloomberg Brief's James Crombie on May 19.

Q: Where are we in the credit cycle?

A: We're still mid-cycle. We're seeing a lot more give and take between investors in the market and issuers.

Q: Where's the stress?

A: Second liens and triple Cs continue to be priced too tight for the credit risk, but that's a function of the fact that you have a segment of the market that in some ways are encouraged to reach for yield. [That is] the CLOs that no longer have access to the high-yield bond market.

Q: Are structures getting looser?

A: Covenants are to a large degree gone from our market because the private equity sponsors do virtually anything in their power in order to avoid maintenance financial covenants. They'd rather pay more in spread, they'd rather sell at a deeper discount, they'd rather tweak other aspects of the structure before they give up on maintenance covenants.

Q: Is that always bad for investors?

A: Not always. While we would always prefer to have a maintenance covenant, because it gives you that much more control, a covenant is not what pays us back. What pays us back is a company with the fundamental credit quality to generate sufficient cash flow to service its debt and maintain its business – if not grow it – and retain sufficient value to pay us back if they run into trouble. We probably end up being a little more conservative in the types of companies we invest in.

Q: What is your investment bias?

A: Towards more defensive industry sectors, we have a fair amount of exposure to health care. We tend to gravitate towards more of the service health-care providers who in some instances are a little less subject to the regulatory compensation pressures that facilities-based companies are experiencing. We like food and beverage, we like power generation and other utilities. We like oil and gas midstream companies – pipelines, distribution, storage. We're staying away from pure commodities unless we feel a commodity is very much at the bottom of a cycle. We tend to be very careful about anything that is technology-related.

Q: Is there relative value in bonds?

A: We participate sporadically in bonds of companies that we know well and that we think represent good value. Frankly we don't see too many of those these days because the bond market's pretty tight.

Q: What worries you about loans?

A: The near-term risk is that short-term rates do start to rise and it takes a little while for loans to benefit because of Libor floors. That could put a little bit of a damper on secondary market prices.

Q: How will risk retention affect CLOs?

A: I think that the managers and the other investors in CLO capital structures figure it out. That may mean amending deals, that may mean refinancing deals. I don't see a wholesale dumping of triple As or double As. There are probably investors waiting in the wings to buy them if that starts to happen that would probably put a floor on it. We've seen mutual funds becoming much more involved in the CLO triple A market. Hedge funds are certainly getting more active as they find sources of leverage to create better returns. Some pension funds are investing some of their fixed income exposure and if those guys are investing, they can bring big dollars to the table. They would look at any pull back in the triple A market very opportunistically.

Q: Do you expect more spread compression?

A: It will probably grind tighter. I don't think that means 125 or 130 basis points. Maybe you get into the 130s, but the market would need to grow even more dramatically to get it much tighter than that.

Q: Do loan ETFs make sense?

A: ETFs should be for developed liquid markets and the advent of the loan ETF in a market that has settlement issues, where – like the high-yield bond market – liquidity can dry up at certain points in the cycle, it causes me some concern.

Q: What is the opportunity in Japan?

A: They are becoming once again open to a variety of different ways of investing in the U.S. loan market. Up until a couple of years ago, there were one or two CLO investors who were focused almost exclusively on triple As. That investor base has started to broaden and expand to other parts of the capital structure. But they've also started to show interest in investing in loan funds, in separate accounts, some using leverage, some not using leverage. It suggests a growing level of sophistication about understanding a market and how it works and then developing ways to invest in it.

AT A GLANCE

Where you grew up: Eden, NC **Where you live now**: Darien, CT

If you could live anywhere else, it would be: Jackson, Wyoming

Favorite music: Jimmy Buffett

Hobby: Outdoor activities, including skiing, fly fishing

Recommended reading: The Boys in the Boat, Daniel James Brown

Favorite film: The Guns of Navarone

If you could have another career, it would be: Woodworking

Favorite food: Indian **Favorite restaurant where you live:** Coromandel

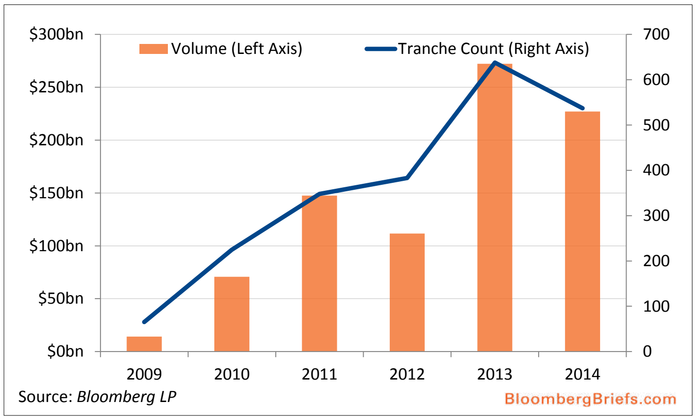
U.S. LOANS

LARA DEKE, BLOOMBERG DATA ANALYST

U.S. institutional loan issuance in the first four months of 2014 failed to match last year's brisk pace, though volume was still the second highest for a comparable period on record. Second-lien stood out, as investors took on more risk to get extra yield and volume hit an all-time high for a January-April period.

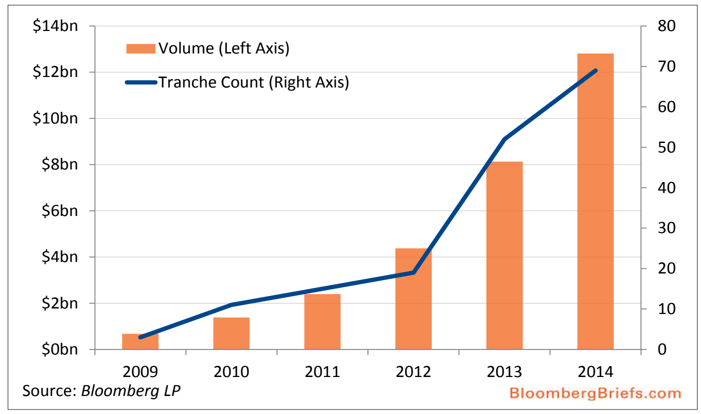
Continuing last year's trend, U.S. borrowers did a greater proportion of transactions with covenant light structures. They also took advantage of growing appetite for floating rate assets to sell deals at tighter margins.

Volume Fell vs. 2013, Second Highest Jan.-April



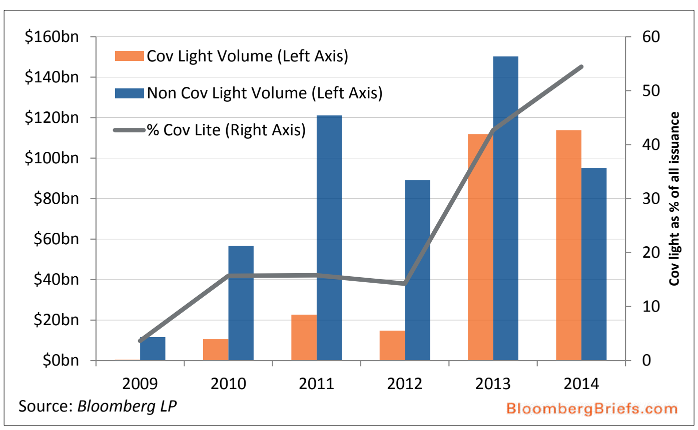
Total volume of U.S. loan issuance was just over $227 billion in the Jan.1-April 30 period. This was 17 percent lower than the record set in 2013, still more than double the corresponding period of 2012.

Second-Lien Issuance Jumped to Record



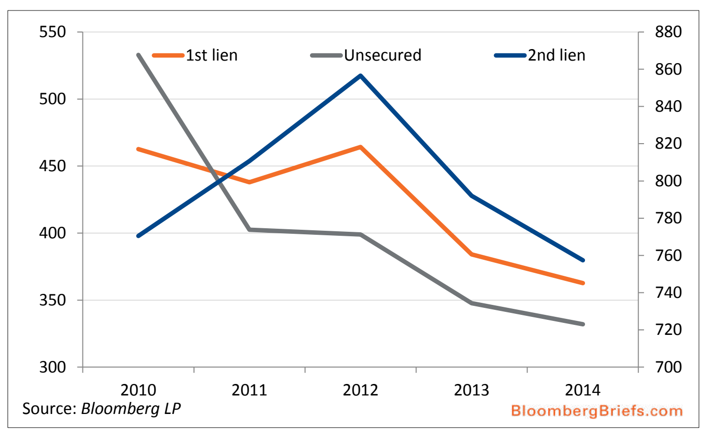
Second-lien loan issuance jumped to $12.8 billion from 69 transactions in the first four months, up from $8.1 billion from 52 deals in the corresponding period of 2013.

Covenant Light Became Dominant Structure



More than half the institutional loans issued in the first four months were covenant light, at $114 billion in volume. This marked the first Jan.-April period in which covenant light accounted for more than 50 percent.

Margins Hit New Low, Second Lien Fell Most



The margin on first-lien loans averaged 363 basis points over Libor in the first four months, down from 384 basis points a year earlier. Spreads on second-lien transactions fell to 757 basis points from 792 basis points.

LOANS

U.S. Institutional Loan Pipeline

BORROWER	SPONSOR	AMOUNT (M)	TENOR (YRS)	MARGIN (L+)	RANK	PRICE	L FLOOR	CALL PROTECT	UOP	LEADS	COMMIT DATE
Henniges Auto	Littlejohn	285	7.0	375-400	1L	99.00	100	101 SC 6-Mo	Refi	BARC/BAML/UBS	3-Jun
Blue Bird Brody	Cerberus	250	-	450	1L	99.00	100	101 SC 6-Mo	Div recap	SG/MQ/5TH3RD	3-Jun
Polymer Group	Blackstone	355	5.5	425	1L	99.75A	100	101 SC 6-Mo	Acq, refi	CITI/BARC/RBC/HSBC	4-Jun
Swift Transport.	-	450	7.0	300		99.50	100	-	Refi	BAML	5-Jun
Schrader Intl	Mad Dearborn	80	4.0	400	1L	99.50	100	101 SC 6-Mo	Refi	BARC	5-Jun
Ameriforge	First Reserve	65	5.5	-	1L	99.5A	-	-	Acq	DB/GS/RBC/UBS/BNP	5-Jun
Ameriforge	First Reserve	35	6.5	-	2L	101A	-	-	Acq	DB/GS/RBC/UBS/BNP	5-Jun
Gray TV	-	500	-	300	1L	99.50	100	-	Acq, refi	WF/BAML/RBC	6-Jun
Vantiv	-	1000	7.0	300-325	1L	99.50	75	101 SC 6-Mo	Acq, refi	JPM	6-Jun
ConvergeOne	Clearlake	190	6.0	475	1L	99.00	100	101 SC 6-Mo	LBO	CS	12-Jun
ConvergeOne	Clearlake	80	7.0	800	2L	99.00	100	103/102/101	LBO	CS	12-Jun
Peak 10	GI Partners	330	7.0	450	1L	99.00	100	101 SC 6-Mo	LBO	CS	12-Jun
Peak 10	GI Partners	130	8.0	750	1L	99.00	100	102/101	LBO	CS	12-Jun
Shearer's Foods	OTPP, Wind Pt	290	7.0	-	1L	-	-	-	Acq	CS	16-Jun
Shearer's Foods	OTPP, Wind Pt	225	8.0	-	2L	-	-	-	Acq	CS	16-Jun
CST	Carlyle/PAI	470	7.0	-	1L	-	-	-	-	DB/BAML/MIZ	-
CST	Carlyle/PAI	120	8.0	-	2L	-	-	-	-	BAML/DB//MIZ	-
Mergermarket	BC Partners	45	7.0	350	1L	-	100	-	Acq	UBS	-
DaVita	-	3500	7.0	-		-	-	-	Refi	BARC/WF	-
Consolidated Container	Bain	80	-	-	2L	-	-	-	-	Citi	-
Brickman	KKR	725	5.5	300	1L	-	100	-	Acq	JF/MQ/MZ/SMBC/NM/KKR	-
Long Term Care	Stone Point	175	-	525-550	1L	99.50	100	101 SC 12-Mo	LBO	RBC	-
Creative Circle	Morgan Stan. PE	150	-	-	1L	-	-	-	Refi, div	SG	-
Creative Circle	Morgan Stan. PE	35	-	-	2L	-	-	-	Refi, div	SG	-
Arizona Chemical	American Sec	675	7.0	-	1L	-	-	-	-	GS/CS/JEF/STRH	-
Arizona Chemical	American Sec	205	8.0	-	1L	-	-	-	-	GS/CS/JEF/STRH	-
Ryman Hospitality	-	400	7.0	-	-	-	-	101 SC 6-Mo	Refi	DB/WF/JPM/BAML/USB	-

Source: *Bloomberg LP* *LSRC <GO>*

CLO Market: Morgan Stanley Plans to Sell $622M CLO for Oak Hill Advisors

PLACEMENT AGENT	COLLATERAL MANAGER	SIZE	AAA TRANCHE	AAA COUPON	NOTES
BAML	Alcentra	$415m	$250m	L+150A	Expected to price this week
BNP	CIFC	$621m	$375m	TBD	45% ramped, expected to be 75% ramped at closing
Morgan Stanley	Oak Hill	$622m	$371m	TBD	Final maturity 12.1Y
JPMorgan	BlueMountain	$513m	$315m	TBD	$55.5m, AA/NR, talk:200-210bp
Citi	3i Debt	$617m	$257m	L+150bp	Priced at par, maturity: July 15, 2026
Morgan Stanley	Napier Park	$626m	$291m	L+141bp	DM 151, price 99.5
Barclays	Crescent	$511m	$311m	L+155bp	Priced at par, stated maturity: ~12Y
GreensLedge	MP Sr Credit	$358m	$228m	L+127bp	Legal final: July 15, 2023
MUFJ	Carlyle	$617m	$377m	L+147bp	Final maturity: May 15, 2025
BAML	Onex	$1bn	$366m	NA	$93.0m, Aaa/AAA, cpn:L+145, dm:150
JPMorgan	ING	$516m	$320m	L+145bp	A-2, $57.25m, NR/Aa2, coupon 3ML+200
Wells Fargo	Golub	$402m	$191m	L+175bp	BDC CLO, priced at par
Citi	Columbia	$621m	$250m	L+139bp	Yield L+149bp, stated maturity July 27, 2026
Deutsche	LCM	$721m	$441m	L+150bp	Maturity July 15, 2026
Goldman	Allstate	$570m	$344m	L+154bp	Priced at par, stated maturity 12Y

Source: *Bloomberg LP* *All new issue U.S. CLOs since May 12*

U.S. LEVERAGED LOAN INDEX RETURNS BY SECTOR

BLOOMBERG DATA

The JPMorgan Leveraged Loan Index returned 9 basis points for the week ending May 29, reaching a new all-time high value of 145.20. All 21 industry sectors generated positive returns, led by utilities, which jumped 89 basis points as the market worked through the Energy Future bankruptcy and related loan refinancings. The retail and gaming & leisure sectors were the worst performers, returning just 1 basis point each for the week.

— Spencer Cutter, Bloomberg Data Analyst

JPMorgan Leveraged Institutional Loan Index-Sector Returns and Characteristics

May 29, 2014

SECTOR	JP MORGAN TICKER	STW (BP)	YTW (%)	TOTAL RETURN, % [1,2]			
				1 WEEK	1M	3M	YTD
Automotive	JLLIAUTO	356.26	4.98	0.10	0.59	0.79	1.22
Broadcast	JLLIBRDC	433.74	5.92	0.02	0.56	1.16	2.86
Cable/Satellit	JLLICBLE	310.28	4.77	0.03	0.58	0.47	1.15
Chemicals	JLLICHEM	364.68	5.10	0.05	0.66	0.91	1.64
Consumer Prod.	JLLIPROD	397.26	5.50	0.10	0.26	0.44	1.37
Diverse Media	JLLIDVMD	520.44	6.67	0.16	1.11	2.05	3.15
Energy	JLLIENER	459.70	6.14	0.12	0.59	0.91	2.18
Financial	JLLIFINL	422.38	5.71	0.09	0.66	0.76	1.67
Food & Bev	JLLIFDBV	327.98	4.89	0.02	0.56	0.63	1.28
Gaming/Leisure	JLLIGAME	434.69	5.97	0.01	0.69	0.75	0.97
Healthcare	JLLIHLTH	372.44	5.21	0.02	0.63	0.80	1.46
Housing	JLLIHOUS	361.98	5.30	0.06	0.74	0.89	1.72
Industrials	JLLIINDU	377.05	5.34	0.04	0.53	0.80	1.59
Metals/Mining	JLLIMETL	409.03	5.49	0.07	0.79	0.73	1.44
Paper & Pack	JLLIPAPR	374.81	5.33	0.03	0.58	0.68	1.40
Retail	JLLIRETL	409.53	5.62	0.01	0.40	0.57	1.27
Services	JLLISERV	449.08	6.00	0.05	0.47	0.61	1.20
Technology	JLLITECH	387.88	5.42	0.07	0.61	0.91	1.68
Telecom	JLLITLCM	346.48	5.15	0.06	0.63	0.85	1.42
Transportation	JLLITRAN	387.27	5.18	0.06	0.53	0.80	1.68
Utility	JLLIUTIL	674.72	8.11	0.89	2.52	6.13	7.54
1L Leveraged Loans	JLLILLI	411.83	5.64	0.09	0.69	1.06	1.83
2L Leveraged Loans	J2LILLI	844.52	10.13	0.11	0.87	2.02	3.75
Loan Only	JLLILNOY	434.25	5.93	0.07	0.66	1.04	1.93
Loan & Bond	JLLILNBD	395.56	5.44	0.10	0.71	1.08	1.78
Libor Floor	JLLILFLR	393.84	5.51	0.06	0.63	0.82	1.55
No Libor Floor	JLLINLFL	564.16	6.74	0.38	1.21	2.86	4.04
Cov-Lite	JLLICOVL	369.31	5.35	0.05	0.62	0.74	1.37
Not Cov-Lite	JLLINCVL	461.35	5.99	0.14	0.77	1.41	2.31
Domestic	JLLIUS	414.42	5.66	0.09	0.70	1.09	1.86
International	JLLIINTL	388.27	5.53	0.07	0.51	0.67	1.58
BB	JLLIBB	303.40	4.58	0.02	0.53	0.58	0.92
Split BB	JLLISBB	366.61	5.19	0.07	0.67	0.92	1.58
B	JLLIB	432.39	5.88	0.08	0.66	0.92	1.86
Split B	JLLISBCC	853.85	9.74	-0.09	0.35	4.50	7.09
Not rated	JLLINR	700.94	8.33	0.14	0.72	1.72	3.47
US LEVERAGED LOAN INDEX	JLLILLI	411.83	5.64	0.09	0.69	1.06	1.83

Source: *JPMorgan Leveraged Loan Indices*

Notes:
1)Monthly and YTD performance data represents periods up to the current date.
2)*Green* / *red* color coding represents performance ranking of the top/bottom three sectors in the period.

JLLI INDEX <GO>

EUROPEAN LOANS

LUKE REEVE, BLOOMBERG DATA ANALYST

Western Europe Leveraged Loan Pipeline

BORROWER	SPONSOR	AMOUNT (M)	TENOR (YRS)	MARGIN	SENIORITY	FLOOR	UOP	LEADS	COMMIT DATE
Ahlsell	CVC	SEK 3000	6	400	1L	-	Acq/LBO/Refi	NOR	-
Ahlsell	CVC	EUR 115	6	400	1L	-	Acq/LBO/Refi	NOR	-
Ahlsell	CVC	NOK 2175	6	400	1L	-	Acq/LBO/Refi	NOR	-
Ahlsell	CVC	EUR 55	7	400	1L	-	Acq/LBO/Refi	NOR	-
Ahlsell	CVC	EUR 343	7	400	1L	-	Acq/LBO/Refi	NOR	-
Ahlsell	CVC	EUR 132	7	400	1L	-	Acq/LBO/Refi	NOR	-
Ahlsell	CVC	SEK 1000	6	400	1L	-	Acq/LBO/Refi/Capex	NOR	-
Alstom	Triton , CPPI	USD 425.32	-	-	1L	-	Acq/LBO	BARC, CITI, ING, RBS, SG	-
Alstom	Triton , CPPI	USD 164.64	-	-	2L	-	Acq/LBO	BARC, CITI, ING, RBS, SG	-
ASK Chemicals	Rhone Capital	EUR 42	6	400	1L	-	Acq/LBO	IKB, INVEST, HSBC,BYLB	-
ASK Chemicals	Rhone Capital	EUR 61	7	450	1L	-	Acq/LBO	IKB, INVEST, HSBC,BYLB	-
ASK Chemicals	Rhone Capital	EUR 15	6	400	1L	-	Acq/LBO/Capex	IKB, INVEST, HSBC,BYLB	-
B&M Retail	CDR	GBP 250	5	325	1L	-	Acq/LBO/Refi	BAML, CS, GS, RBC	-
B&M Retail	CDR	GBP 190	6	-	1L	-	Acq/LBO/Refi	BAML, CS, GS, RBC	-
DE Master Blenders	JAB Holding*	EUR 7500	-	-	1L	-	Acq/Refi	BAML, MS, JPM	-
Memora Inversiones	3i	EUR 197.4	-	-	1L	-	Acq/LBO/Refi	BOI, ING, MIZ	-
Parques Reunidos	Arle Capital	EUR	5	500	1L	-	LBO/Refi	RBS, MS	-
Parques Reunidos	Arle Capital	EUR	5	500	2L	-	LBO/Refi	RBS, MS	-
SPIE	AXA, CDR, CDPQ	EUR 570	4	400	1L	-	Acq/LBO/Refi/2nd Buy	NAT, SG	-
SPIE	AXA, CDR, CDPQ	EUR 167	4	400	1L	-	Acq/LBO/Refi/GCP	NAT, SG	-
SPIE	AXA, CDR, CDPQ	EUR 233	4	400	1L	-	Acq/LBO/Refi/GCP	NAT, SG	-
SPIE	AXA, CDR, CDPQ	EUR 100	4	325	1L	-	Acq/LBO/Refi/Capex	NAT, SG	-

Source: *Bloomberg LP*

LSRC <GO>

Western Europe Leveraged Loans Signed May 21-27

BORROWER	SPONSOR	AMOUNT (M)	TENOR (YRS)	MARGIN	RANK	UOP	LEADS	SIGNED
Synam	CVC	SEK 650	6	375	1L	Acq/LBO	SEB, NOR, SWED, DAN	5/27/2014
Synam	CVC	SEK 1850	7	425	1L	Acq/LBO	SEB, NOR, SWED, DAN	5/27/2014
Synam	CVC	SEK 350	6	375	1L	Acq/LBO/Capex	SEB, NOR, SWED, DAN	5/27/2014
Nets Holding	Advent, ATP, Bain	NOK 2440	7	350	1L	Acq/LBO	DAN, DB, JPM, MIZ, NOR, NYK, UBS	5/21/2014
Nets Holding	Advent, ATP, Bain	EUR 910	7	350	1L	Acq/LBO	DAN, DB, JPM, MIZ, NOR, NYK, UBS	5/21/2014

Source: *Bloomberg LP*

LSRC <GO>

BONDS

Toys R Us, Caesars in Biggest Risers Last Week

Ticker	Coupon	Maturity	Last Price	5-Day Change	Yield	5-Day Volume	52W Range Avg 30D Price Last Price
TOY	10.375	08/15/17	82.000	2.500	18.000	5000	
CZR	11.25	06/01/17	89.500	2.250	15.786	54000	
CZR	9	02/15/20	80.750	2.250	14.006	36000	
IPMT	10.25	05/15/18	76.500	2.000	18.965	13000	
CZR	9	02/15/20	80.000	1.750	14.231	53000	
XCO	8.5	04/15/22	105.250	1.750	7.378	4000	
GS	0	12/29/49	81.500	1.500	N.A.	14000	
CZR	8.5	02/15/20	79.875	1.375	13.693	58000	
ADT	4.125	06/15/23	94.125	1.125	4.939	18000	
RGP	5.5	04/15/23	103.125	0.937	4.921	12000	
AERDOS	9.25	11/13/19	93.000	0.900	10.990	6000	
MTNA	7	10/15/39	108.500	0.900	6.792	22000	
ICASA	8.9	02/04/21	104.850	0.850	7.708	11000	
ICICI	6.375	04/30/22	104.000	0.750	4.880	4000	
S	6.875	11/15/28	103.000	0.750	6.550	27000	
MEMATU	6.305	09/11/20	101.125	0.750	5.960	19000	
SITEL	11.5	04/01/18	97.250	0.750	12.412	6000	
FLEX	5	02/15/23	102.250	0.750	4.681	3000	
VRS	11.75	01/15/19	107.250	0.750	9.333	3000	
RGP	5.875	03/01/22	106.740	0.740	4.793	8000	

Source: *Bloomberg LP* *TACT<GO>*

CFG, Mongolian Mining Led Price Losers

Ticker	Coupon	Maturity	Last Price	5-Day Change	Yield	5-Day Volume	52W Range Avg 30D Price Last Price
CFGSP	9.75	07/30/19	97.000	-2.250	10.512	5000	
MONMIN	8.875	03/29/17	55.000	-2.000	35.295	5000	
BACR	8.25	12/29/49	108.350	-1.275	6.125	19000	
NIHD	10	08/15/16	30.500	-1.250	84.152	35000	
SANTAN	6.375	05/29/49	100.913	-1.087	6.160	20000	
ANR	6.25	06/01/21	69.000	-1.000	13.168	11000	
BTU	6.5	09/15/20	102.500	-1.000	6.014	4000	
BTU	6	11/15/18	104.250	-0.875	4.923	20000	
VIP	5.95	02/13/23	95.850	-0.850	6.583	13000	
TRUBRU	6.75	04/03/20	96.750	-0.750	7.444	18000	
MPEL	5	02/15/21	99.750	-0.700	5.043	3000	
PERTIJ	4.3	05/20/23	95.375	-0.640	4.945	11000	
BTU	6.25	11/15/21	100.188	-0.562	6.217	21000	
METINV	8.75	02/14/18	87.450	-0.550	13.134	7000	
RBS	6	12/19/23	107.449	-0.531	5.008	16000	
PDVSA	6	11/15/26	60.000	-0.500	12.745	317000	
BTU	7.875	11/01/26	105.250	-0.500	7.226	9000	
MRFGBZ	9.5	05/04/20	107.700	-0.430	5.859	18000	
MRFGBZ	9.875	07/24/17	110.625	-0.405	5.884	15000	
RBS	5.125	05/28/24	100.076	-0.389	5.115	84000	

Source: *Bloomberg LP* *TACT<GO>*

COST OF CREDIT — BOND MARKET

The tables below show a sampling of benchmark high-yield bonds, grouped by industry, with price changes.

TECHNOLOGY

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	CURRENT YIELD TO WORST	YTW 1M AVG LAST
ADV MICRO	7.750	08/01/20	B2|B	106.438	0.313	4.437	
FIRST DATA	12.625	01/15/21	Caa1|B-	120.313	0.313	7.467	
FREESCALE	5.000	04/15/18	B1|B	102.125	0.562	4.515	
NXP FUNDING	5.750	08/01/18	B1|BB-	107.125	0.062	3.957	
AVAYA INC	10.500	12/15/18	Caa1|CCC+	90.875	0.562	12.510	
SUNGARD	7.625	11/15/20	Caa1|B	110.000	0.062	3.348	

POWER/UTILITIES

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
AES CORP	8.000	06/01/20	Ba3|BB-	119.875	0.250	4.233	
CALPINE CORP.	7.500	02/15/21	B1|BB-	109.250	-0.125	3.223	
AMERIGAS FINANC	6.750	12/01/20	Ba2|	109.188	-0.062	3.505	
GENON ENERGY	9.875	10/15/20	B3|B	108.375	1.250	5.497	
NRG ENERGY	8.250	09/01/20	B1|BB-	110.563	-0.062	4.089	
AES CORP.	7.375	07/01/21	Ba3|BB-	115.063	0.250	4.822	

ENERGY

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
BASIC ENERGY	7.750	02/15/19	B2|B+	107.125	-0.125	3.057	
CHESAPEAKE	6.125	02/15/21	Ba1|BB+	112.500	-0.125	3.939	
KINDER MRGN	6.000	01/15/18	Ba2|BB	109.625	-0.313	3.160	
LINN ENERGY	7.750	02/01/21	B1|B+	107.750	0.125	6.524	
KODIAK OIL	8.125	12/01/19	B3|B	111.375	0.125	3.024	
TARGA RES.	6.875	02/01/21	Ba3|BB	107.625	-0.188	4.315	
TESORO CORP.	4.250	06/01/19	Ba2|BB+	105.375	-0.125	2.513	

COMMUNICATIONS

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
CEQUEL COM	6.375	09/15/20	B3|B-	106.188	0.750	4.884	
CLR CHNNL COM	9.000	03/01/21	Caa1|CCC+	106.813	0.500	7.116	
CLR CHNNL WW	7.625	11/15/22	B3|B	107.625	0.062	5.248	
CABLEVISION	8.625	10/15/20	B1|B	117.188	0.000	3.027	
FRONTIER	8.250	04/15/17	Ba2|BB-	117.000	-0.125	2.062	
INTELSAT JACK.	7.250	10/15/20	B3|B+	108.125	-0.250	3.786	
INTELSAT LUX.	6.750	06/01/18	Caa2|B-	106.438	0.188	3.403	
SIRIUS XM	5.750	04/01/15	B1|BB	105.250	-0.125	4.594	
SPRINT	6.900	05/01/19	B1|BB-	110.563	0.188	4.141	
UNIVISION	8.500	05/15/21	Caa2|CCC+	110.063	-0.187	4.142	

INDUSTRIAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
BOMBARDIER	7.750	03/15/20	Ba3|BB-	113.250	-0.250	5.065	
CASE NEW HOLL.	7.875	12/01/17	Ba1|BB+	117.625	-0.125	2.416	
NORTEK INC	8.500	04/15/21	Caa1|B	110.813	0.313	4.619	
DANA HOLDING	6.500	02/15/19	B2|BB+	105.875	-0.063	2.250	
GRAPHIC PACK.	4.750	04/15/21	Ba3|BB+	100.500	0.500	4.661	
PLY GEM IND.	6.500	02/15/18	Caa2|CCC+	98.063	-0.250	6.827	
FLORIDA EAST RR	6.750	02/01/17	B3|B	104.000	-0.063	5.593	

HEALTHCARE

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
TENET	8.000	08/01/20	B3|CCC+	109.438	0.188	3.007	
LIFEPOINT	6.625	02/01/18	Ba2|BB-	108.625	-0.063	2.442	
HOLOGIC	6.250	08/01/20	B2|BB	106.188	-0.062	3.052	
VALEANT	6.875	12/01/18	B1|B	105.250	-0.063	2.996	
BIOMET	6.500	10/01/20	B3|B-	108.625	-0.188	3.131	
CHS	7.125	07/15/20	B3|B-	109.125	0.437	4.137	
HCA	7.500	02/15/22	B3|B-	115.125	0.375	5.098	

FINANCIAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
ALLY FIN.	8.300	02/12/15	B1|BB	104.813	-0.250	1.289	
ALLY FIN.	8.000	11/01/31	B1|BB	125.000	0.562	5.694	
CIT GROUP	5.500	02/15/19	Ba3|BB-	108.438	0.188	3.507	
CIT GROUP	4.750	02/15/15	Ba3|BB-	102.438	-0.250	0.626	
NATL MONEY MART	10.375	12/15/16	B2|B	105.125	-0.063	5.558	
SPRINGLEAF FIN	5.400	12/01/15	B3|CCC+	104.625	-0.438	3.118	
CIT GROUP	4.250	08/15/17	Ba3|BB-	104.875	0.187	2.687	

BASIC MATERIALS

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
AK STEEL	7.625	05/15/20	Caa1|B-	100.813	-0.062	7.253	
HUNTSMAN	8.625	03/15/21	B2|B+	111.938	0.000	2.422	
CELANESE	6.625	10/15/18	Ba2|BB+	105.250	0.000	1.878	
CHEMTURA CORP	5.750	04/15/18	B1|BB-	103.438	0.188	4.938	
HEXION US/NOVA	8.875	02/01/18	Caa1|CCC+	104.375	-0.250	6.798	
NOVELIS	8.750	12/15/20	B2|B	111.375	-0.125	3.906	

CONSUMER CYCLICAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
CONTINENTAL	6.750	09/15/15	Ba2|BB-	101.563	-0.062	1.146	
GOODYEAR	8.250	08/15/20	B1|B+	110.500	-0.125	1.547	
HOVNANIAN	7.250	10/15/20	Ba3|B-	108.375	0.125	4.709	
LIMITED BRND	6.900	07/15/17	Ba2|BB-	113.813	-0.250	2.259	
JC PENNEY	5.650	06/01/20	Caa2|CCC-	85.875	1.250	9.040	
MICHAELS	7.750	11/01/18	B3|B	105.938	0.000	2.455	
NAVISTAR	8.250	11/01/21	B3|CCC-	103.938	0.188	6.869	
RITE AID	9.250	03/15/20	Caa1|CCC+	114.313	0.250	3.463	
ROYAL CARIBBEAN	7.250	03/15/20	Ba1|BB	116.125	-0.375	2.762	

CONSUMER NONCYCLICAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
CONSTELLATION	7.250	05/15/17	Ba1|BB+	115.250	-0.375	1.984	
DEAN FOODS	7.000	06/01/16	B2|B	109.563	-0.375	2.493	
B&G FOODS	4.625	05/01/21	B1|BB-	99.813	0.125	4.664	
SPECTRUM	6.750	06/15/18	B3|B	107.875	-0.063	3.307	
SUPERVALU	8.000	05/01/16	Caa1|B-	111.000	0.437	2.239	
DEL MONTE	7.625	02/15/19	Caa1|CCC+	104.032	-0.156	4.442	

The black range bar indicates variation over the last month between the highest and lowest yield to worst. The purple diamond shows the monthly average. The orange dot shows the yield at 4 p.m. on May 30.

EURO-DENOMINATED JUNK BOND TOTAL RETURNS BY SECTOR

BLOOMBERG DATA

The JPMorgan Euro High Yield Index rose 0.41 percent on a total return basis during the past week. The yield to worst dropped 10 basis points to 4.11 percent. Telecom was the top performing sector, returning 0.81 percent, while broadcast was the only industry to experience a loss, dropping 0.07 percent. Junior subordinated debt outperformed other ranks for the second week in a row, with a return of 1.03 percent.

— Aselya Kerimkulova, Benedict Metuh, Bloomberg Data Analysts

JPMorgan Euro High Yield Index-Sector Returns and Characteristics

May 29, 2014

SECTOR	JP MORGAN TICKER	STW (BP)	YTW (%)	TOTAL RETURN, % [1,2]			
				1 WEEK	1M	3M	YTD
Automotive	CEURAUTO	300.60	3.20	0.44	0.42	1.42	5.15
Broadcast	CEURBRDC	477.00	4.88	-0.07	0.55	1.74	5.16
Cable/Satellite	CEURCBLE	408.00	4.20	0.56	0.85	3.35	6.37
Chemicals	CEURCHEM	387.00	4.13	0.18	0.69	1.85	4.08
Consumer Prod.	CEURPROD	710.00	7.31	0.21	-0.45	1.61	3.18
Diverse Media	CEURDVMD	658.00	6.72	0.32	2.57	8.66	17.90
Energy	CEURENER	431.00	4.48	0.65	0.51	1.78	2.99
Financial	CEURFINL	306.00	3.47	0.57	1.45	4.85	7.83
Food & Bev	CEURFDBV	454.70	4.73	0.00	0.86	2.49	3.79
Gaming/Leisure	CEURGAME	515.00	5.33	0.53	3.41	5.70	5.31
Healthcare	CEURHLTH	375.00	4.09	0.17	0.89	2.63	3.97
Housing	CEURHOUS	291.00	3.14	0.21	0.46	1.69	3.33
Industrials	CEURINDU	356.97	3.90	0.44	0.72	2.09	4.95
Metals/Mining	CEURMETL	368.00	3.94	0.38	1.63	3.22	2.28
Paper & Pack	CEURPAPR	436.38	4.62	0.20	1.26	3.04	5.89
Retail	CEURRETL	499.00	5.21	0.35	0.74	2.33	2.75
Services	CEURSERV	459.00	4.75	0.15	0.58	2.27	4.37
Technology	CEURTECH	325.33	3.48	0.28	1.06	3.79	6.66
Telecom	CEURTLCM	376.47	4.12	0.81	1.39	3.45	6.89
Transportation	CEURTRAN	525.00	5.44	0.12	0.47	2.06	4.88
Utility	CEURUTIL	301.00	3.32	0.25	0.91	2.46	5.85
Senior Secured	CEURSNSC	482.00	5.01	0.37	0.96	2.71	4.60
Senior	CEURSENR	331.00	3.59	0.39	0.90	2.57	5.09
Senior Sub	CEURSNSB	361.00	4.11	0.57	1.77	6.24	10.29
Junior Sub	CEURJRSB	453.00	4.62	1.03	2.24	3.54	6.94
Developed	CEURDM	377.00	4.04	0.41	1.01	2.95	5.40
Emerging	CEUREM	520.00	5.36	0.41	1.30	3.74	6.60
BB	CEURBB	248.00	2.78	0.31	0.72	2.18	4.30
B	CEURB	461.00	4.81	0.34	0.83	2.78	5.15
CCC	CEURCCC	793.00	8.06	0.62	1.84	4.62	7.81
Euro High Yield	**CEURHYI**	**384.00**	**4.11**	**0.41**	**1.02**	**2.98**	**5.45**

Source: *JPMorgan Bond Indices*

Notes:

1)Monthly and YTD performance data is as of last fully completed monthly period.

2)Green / red color coding represents performance ranking of the top/bottom three sectors in the period.