
Secondary Loan Trading

A Return to the “New Normal”?

Ted Basta, LSTA

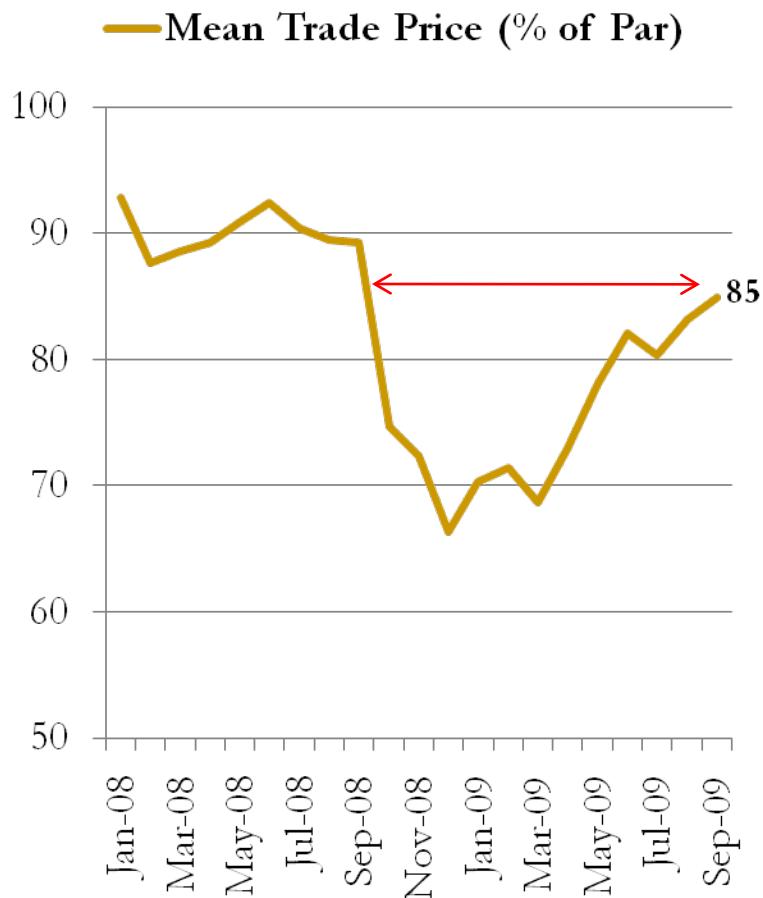
Austin Garrison, JPM

James Nessel, CITI

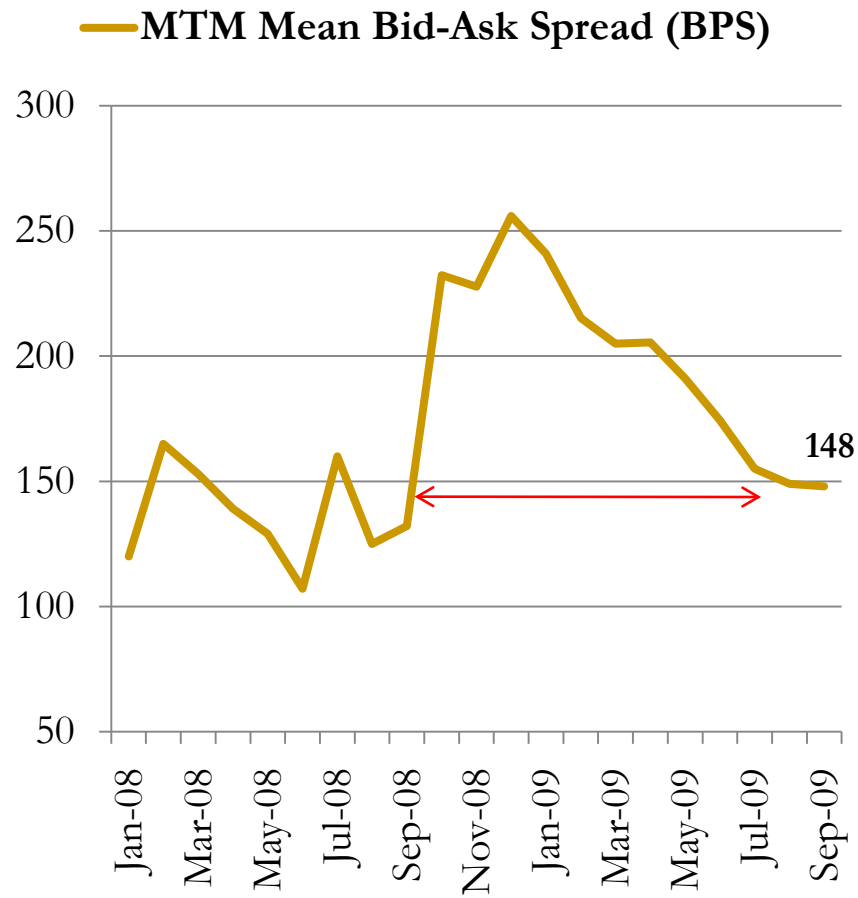
Andrew Sveen, EATON VANCE

Barry Zamore, CREDIT SUISSE

The Secondary Loan Market Rally of 2009

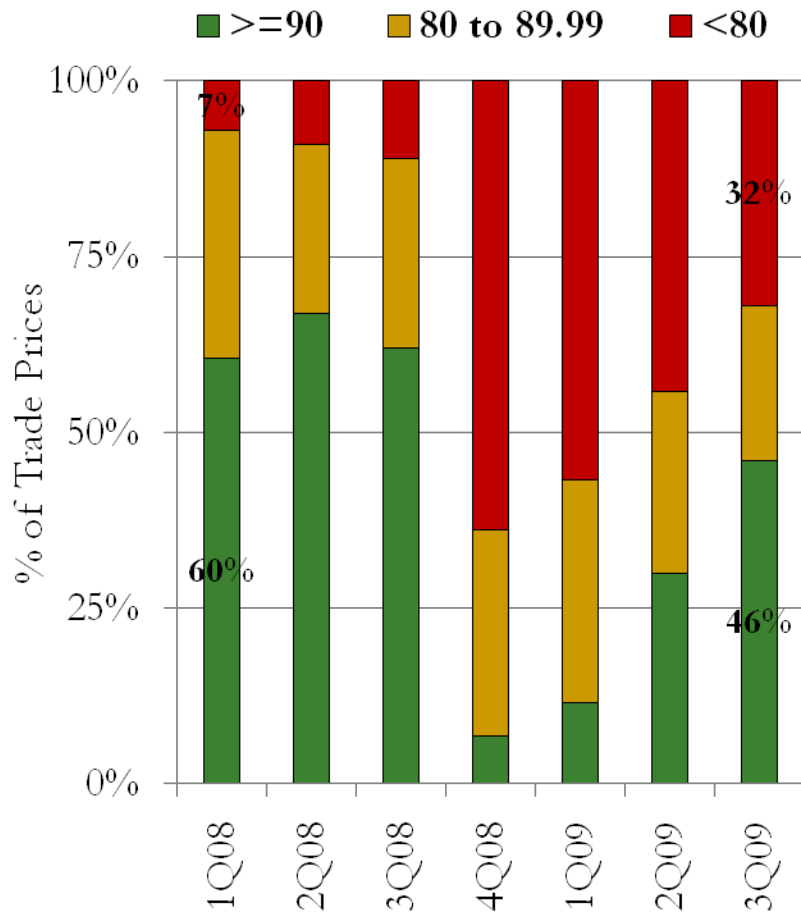


Source: LSTA Trade Data Study

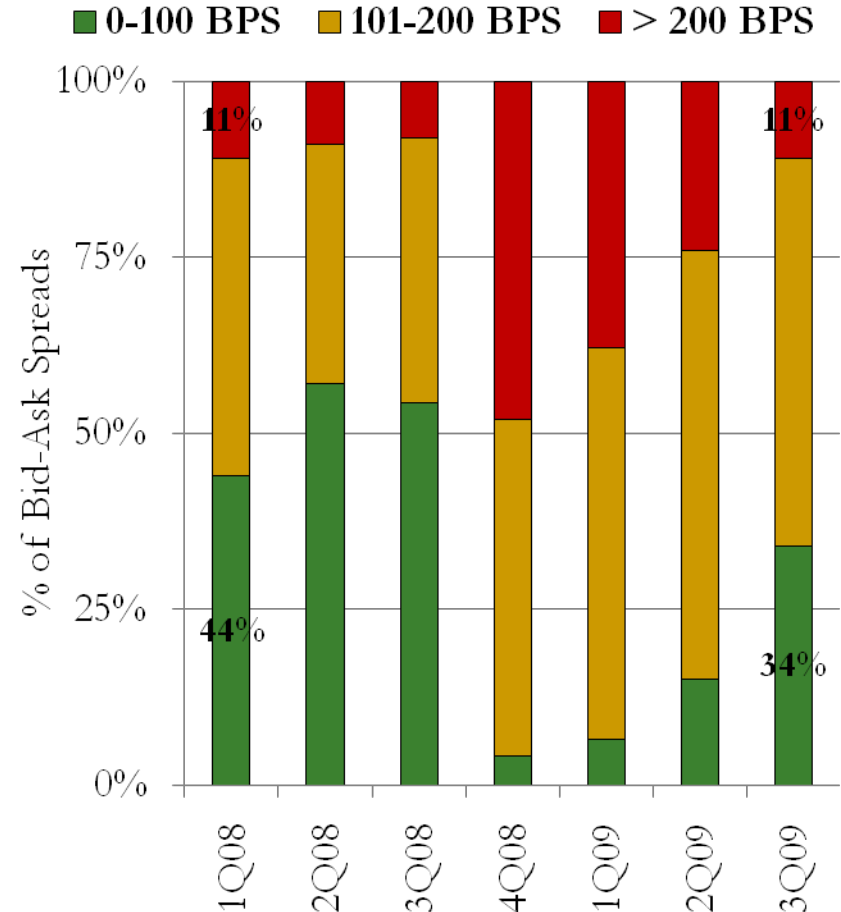


Source: LSTA/LPC MTM Pricing

Trade Prices Rise & MTM Bid-Ask Spreads Tighten



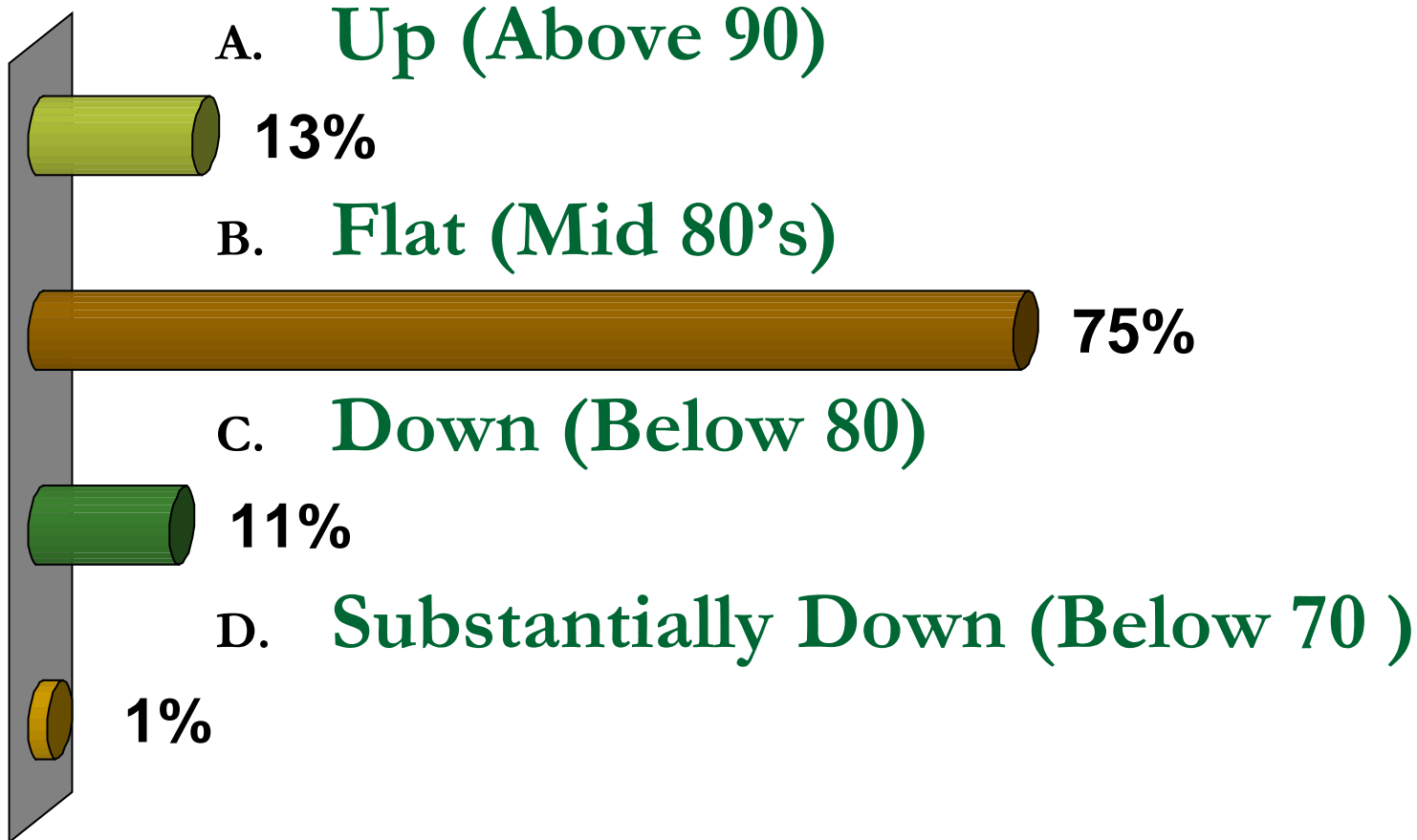
Source: LSTA Trade Data Study



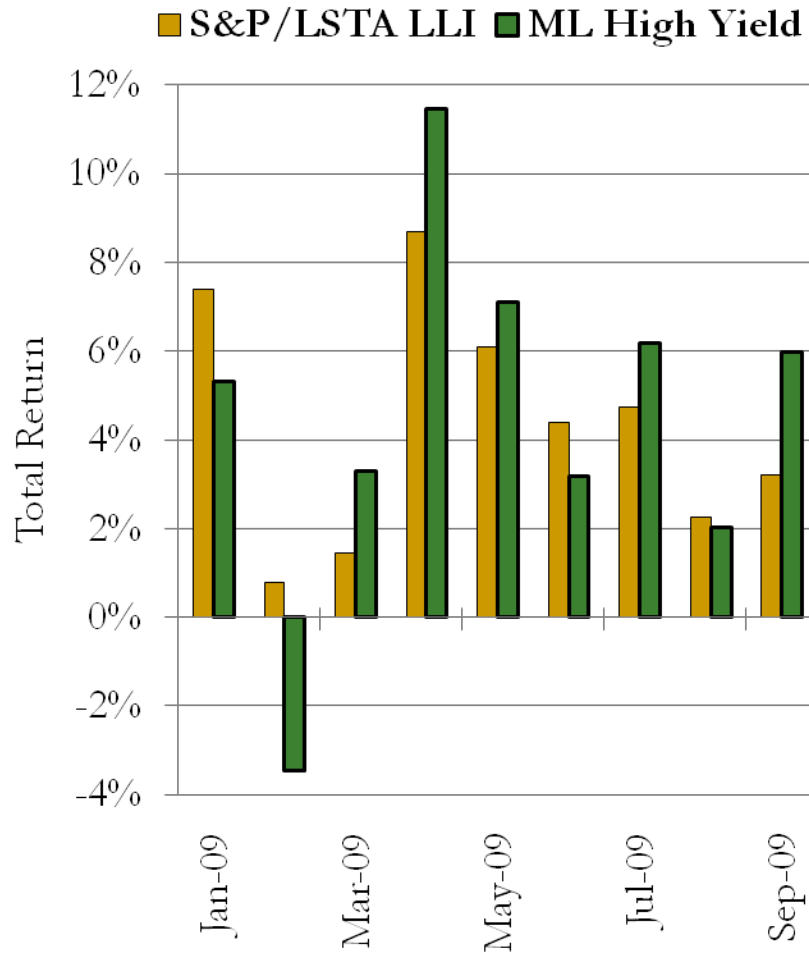
Source: LSTA/LPC MTM PRICING



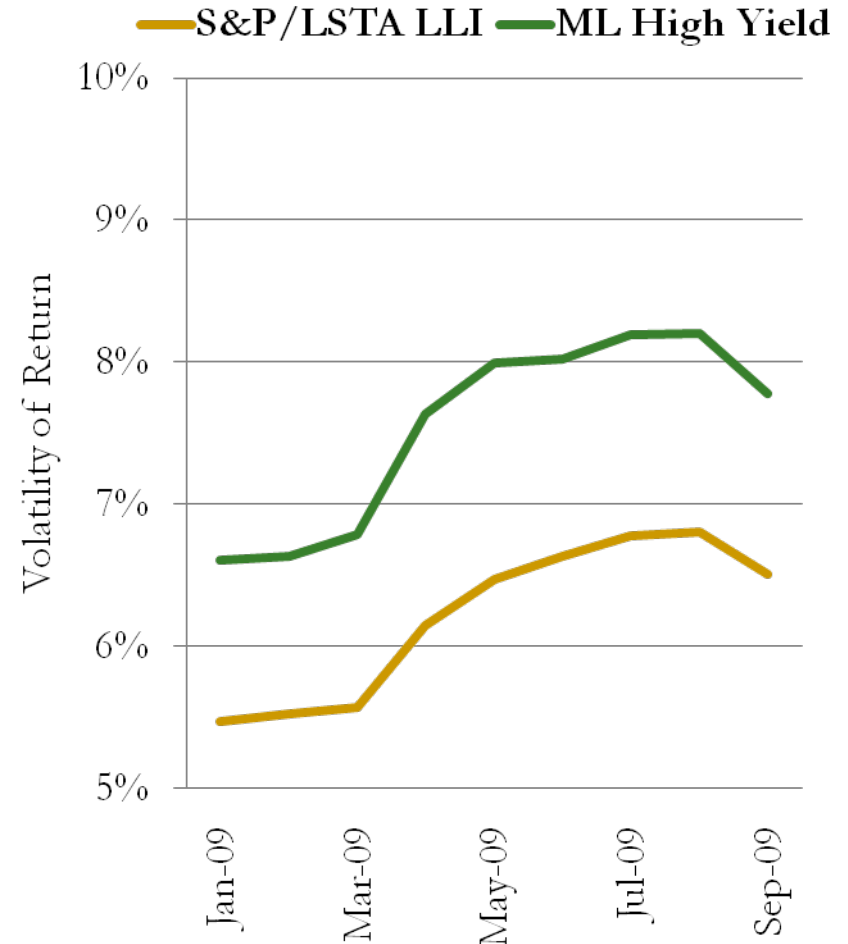
Audience Poll: Year-End Secondary Trading Level Where Will Loans be Trading at by Year-End?



2009 HY Bond Rally Barely Outperforms Loan Rally



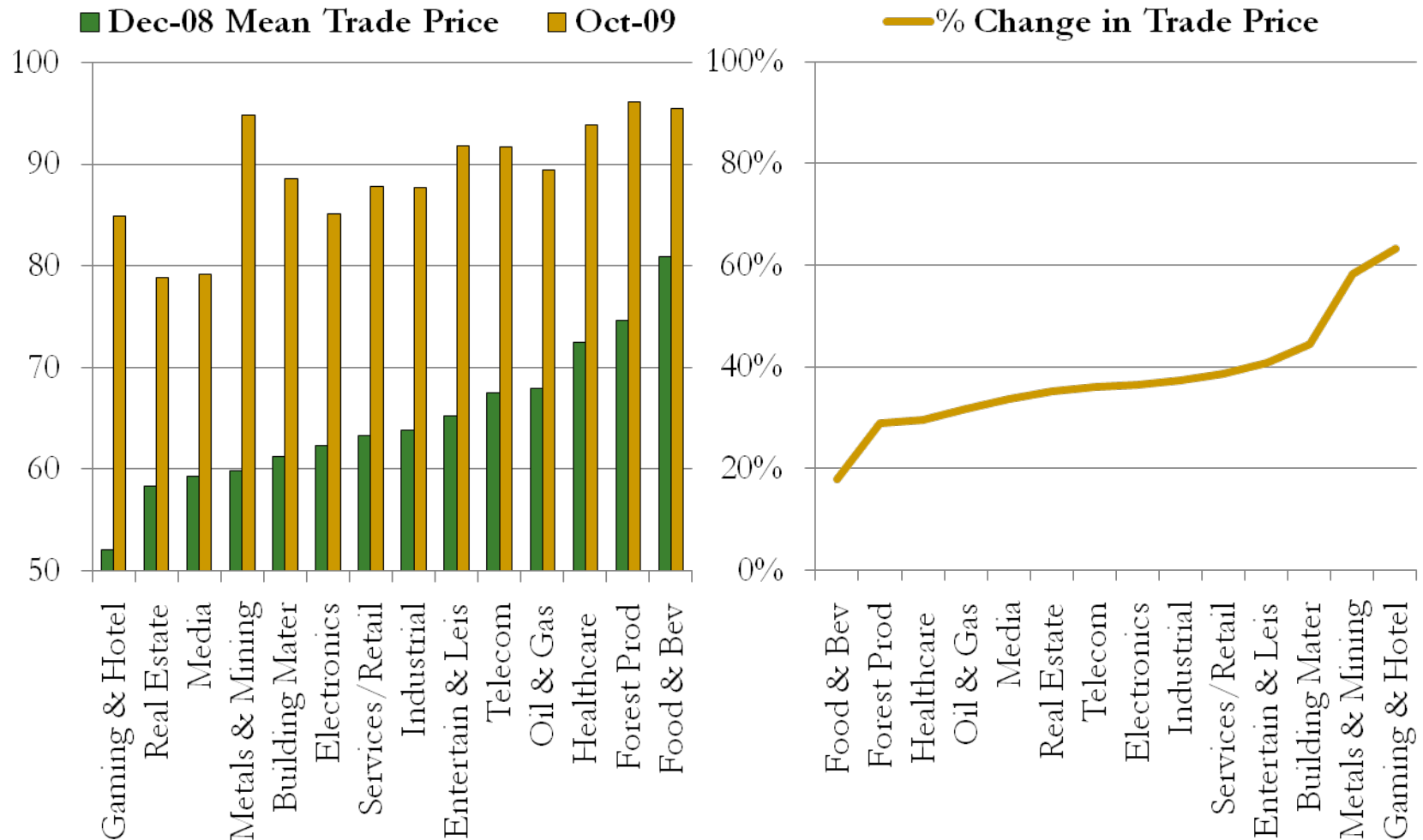
Source: S&P/LSTA LLI



Source: S&P/LSTA LLI



2009 Industry Performance



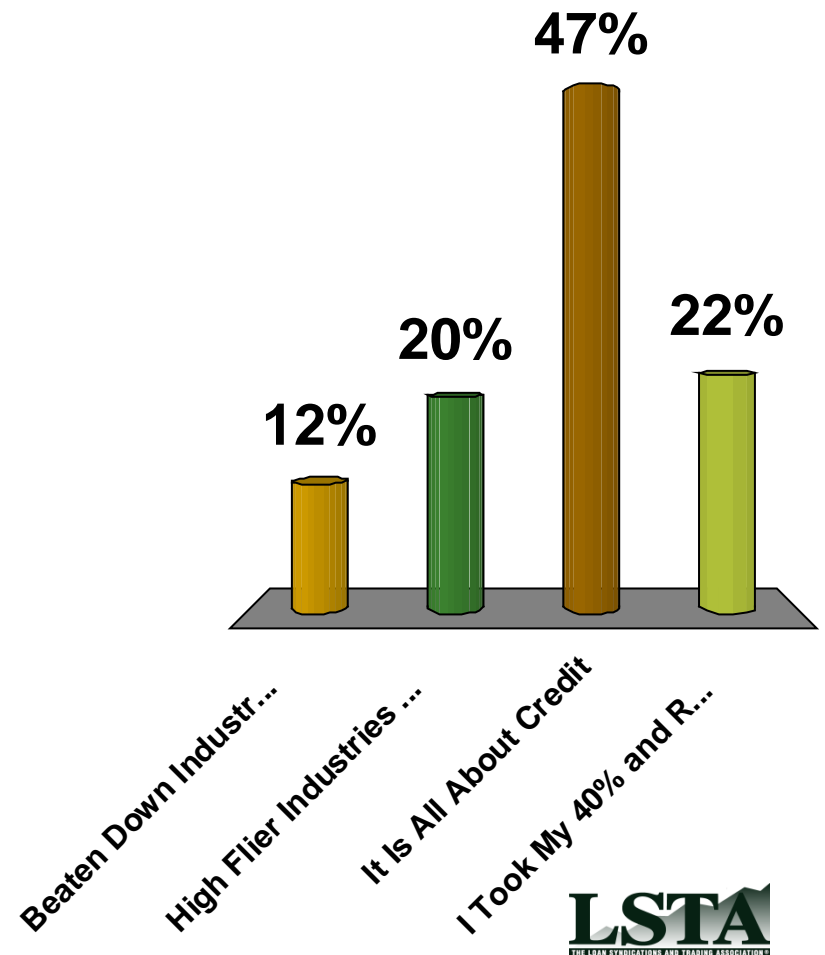
Source: S&P/LSTA LLI & LSTA Trade Data Study



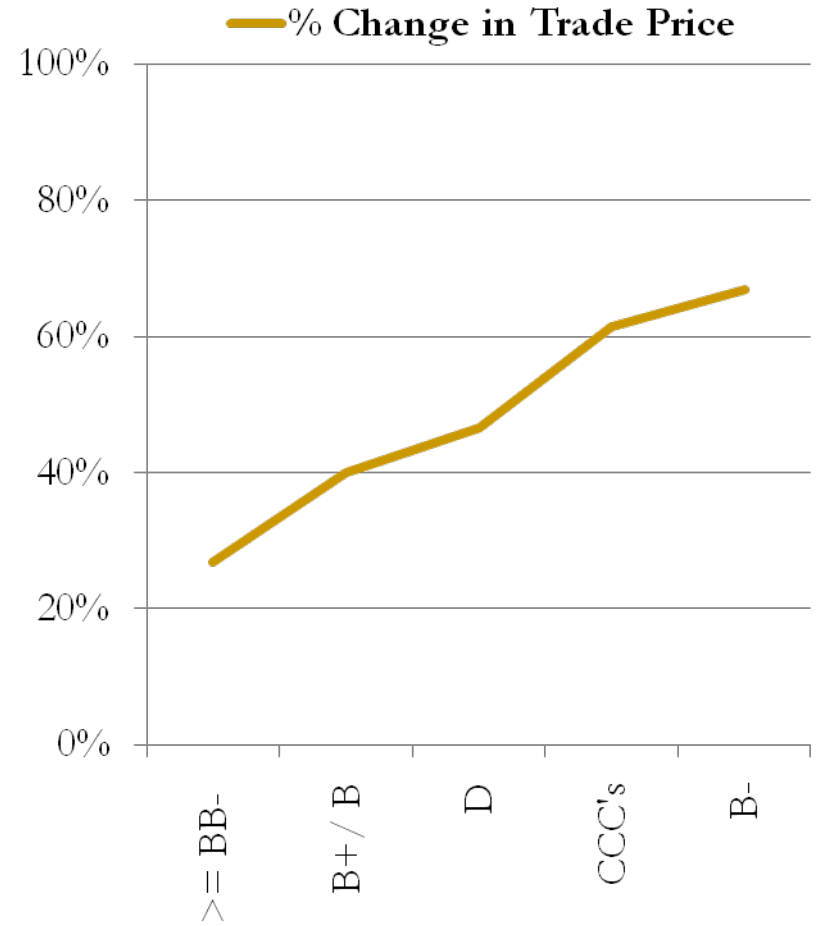
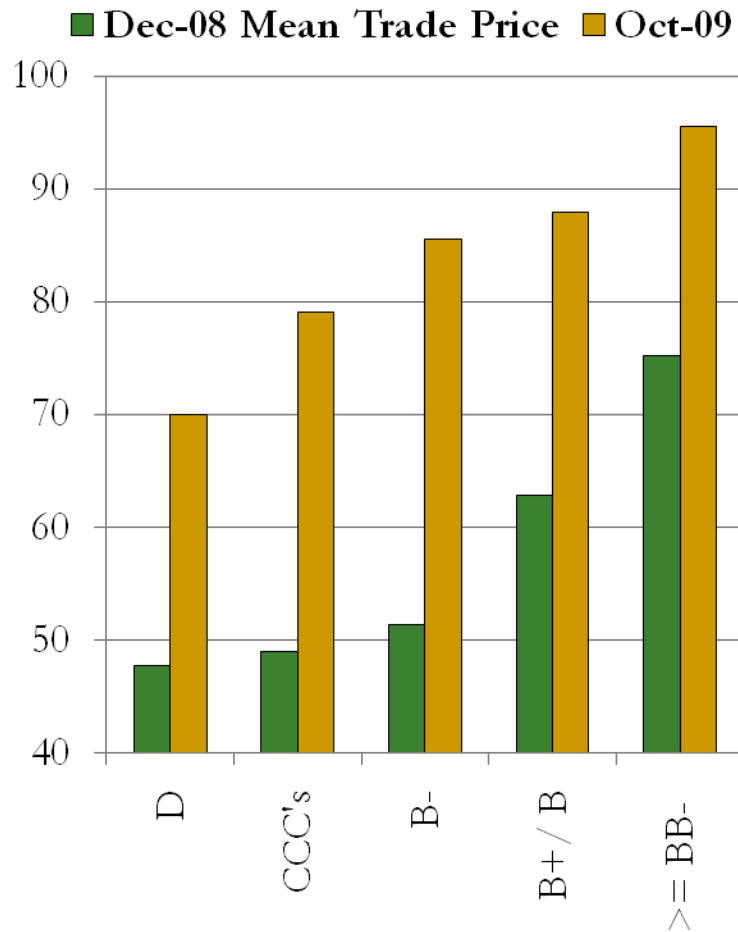
Audience Poll: Industry Selection

What Industry Segments Would You Overweight in Your Portfolio to Beat the Benchmark in 4Q09?

- A. Beaten Down Industries
(Media, Real-Estate, and Hotel/Gaming)
- B. High Flier Industries
(Healthcare, Oil/Gas, and Food/Beverage)
- C. It Is All About Credit
- D. I Took My 40% and Ran;
Sitting Out 4Q09



2009 Credit Performance



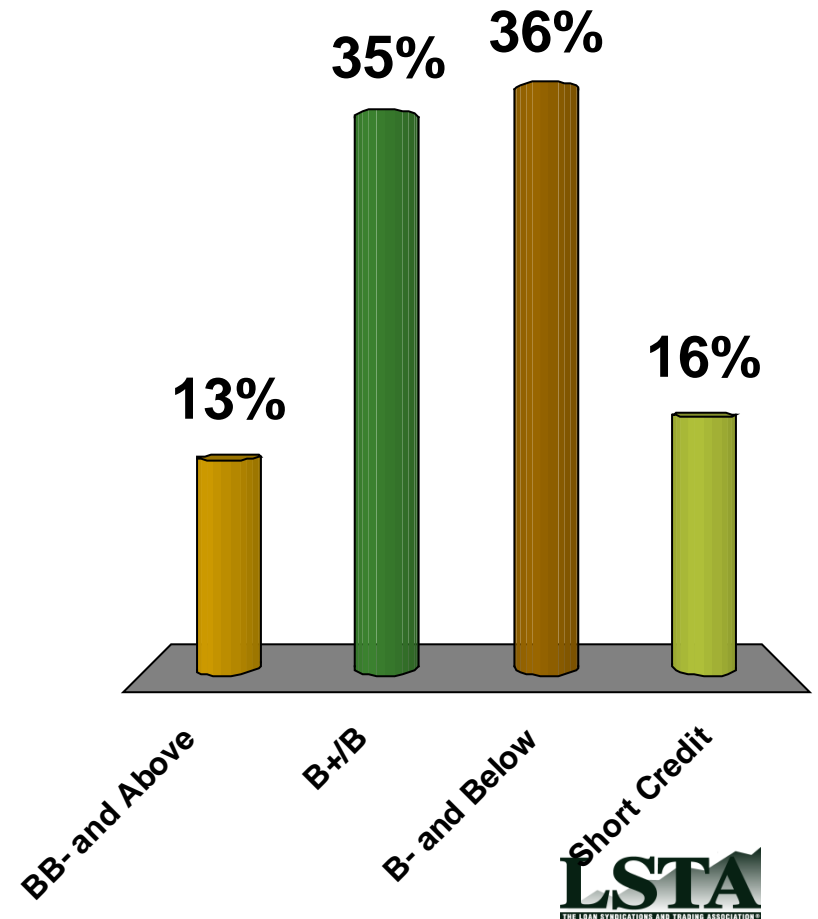
Source: S&P/LSTA LLI & LSTA Trade Data Study



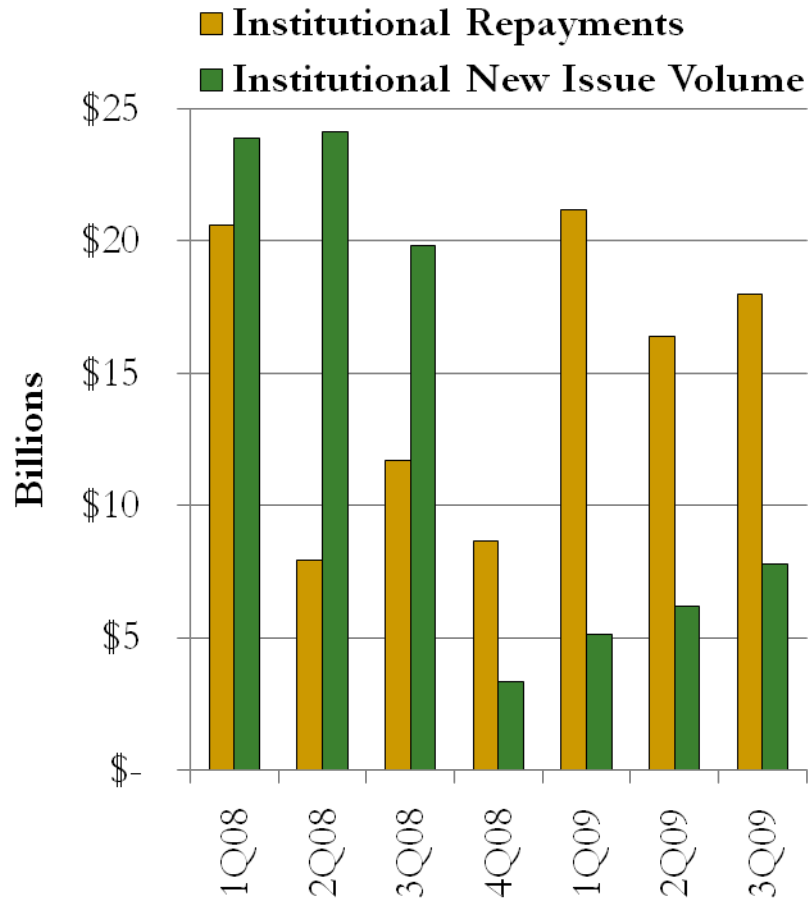
Audience Poll: 4Q09 Credit Selection

What Rating Segment Would You Overweight in Your Portfolio to Beat the Benchmark in 4Q09?

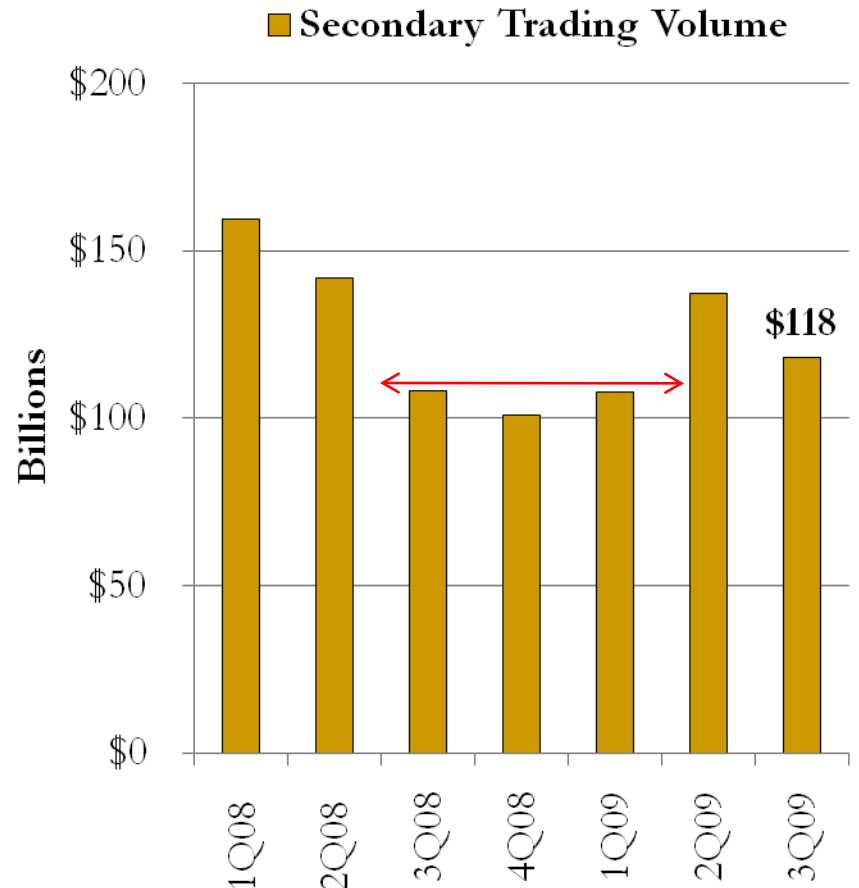
- A. BB- and Above
- B. B+ / B
- C. B- and Below
- D. Short Credit



Demand Outpaces Supply, Secondary Trading Volume Approaches Pre-Lehman Levels



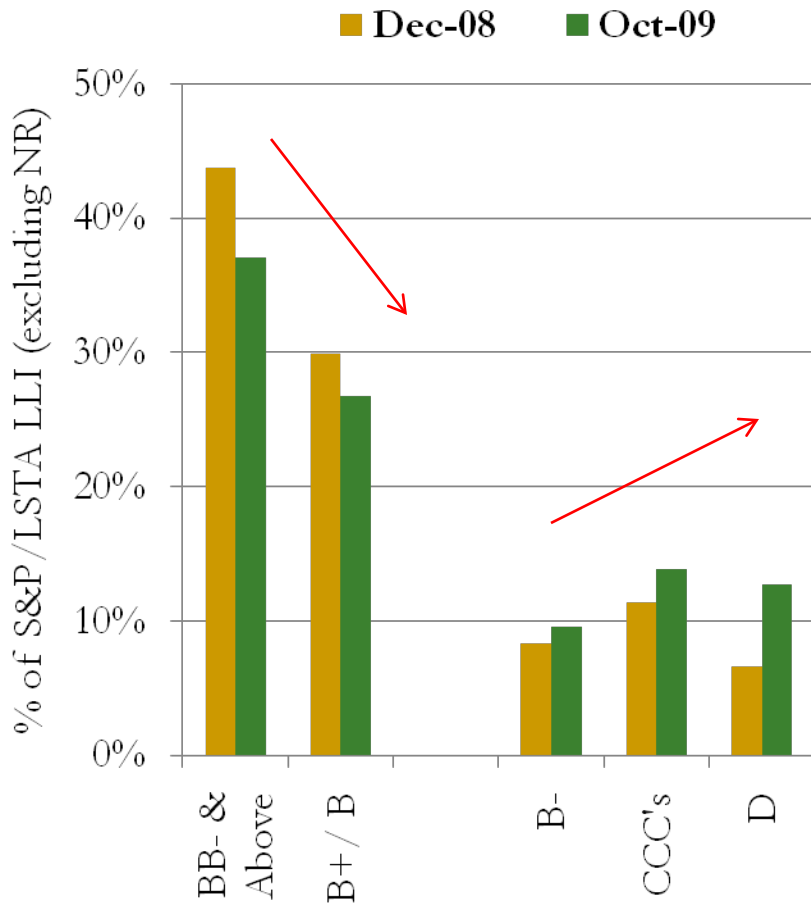
Source: S&P LCD



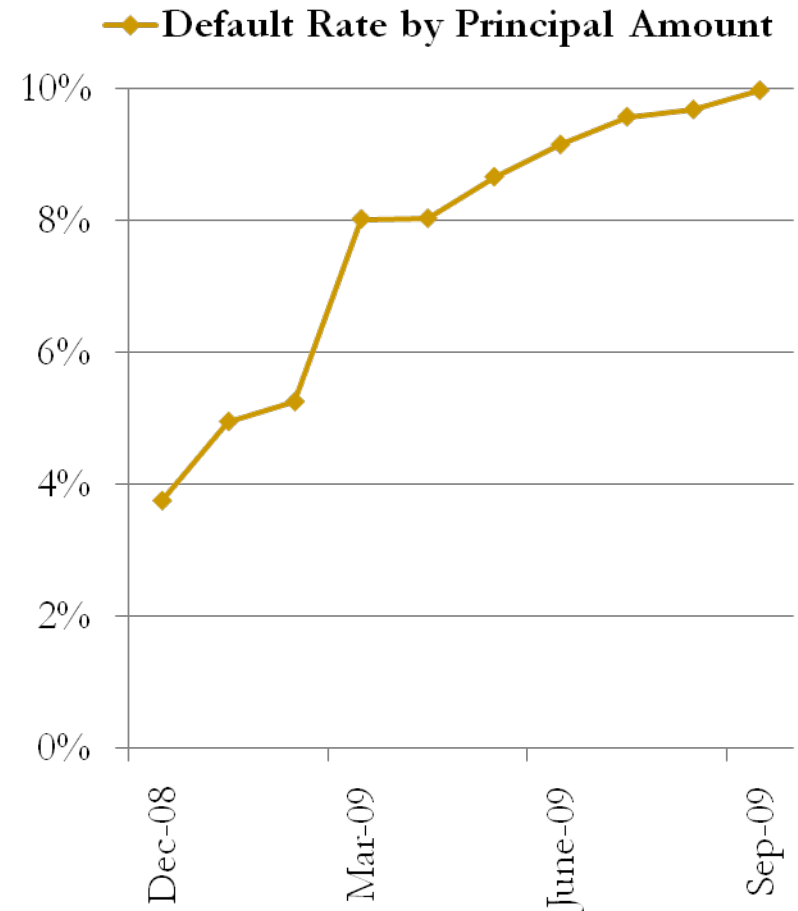
Source: LSTA Trade Data Study



Continued Downward Credit Migration and a Higher Default Rate are Fundamental Concerns



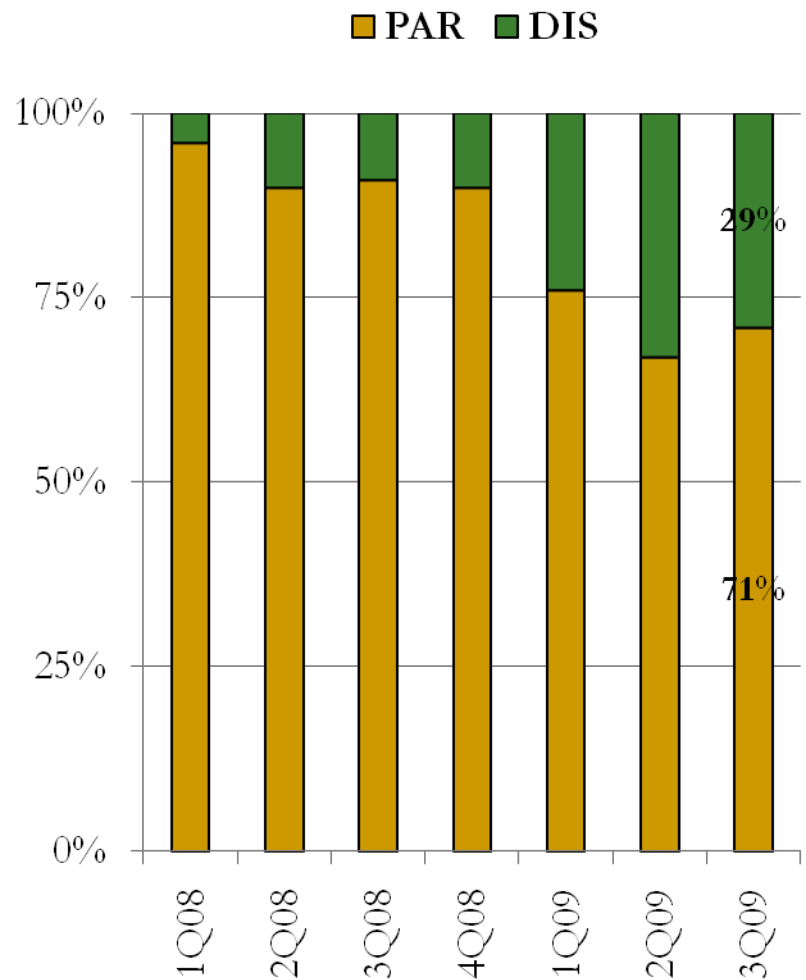
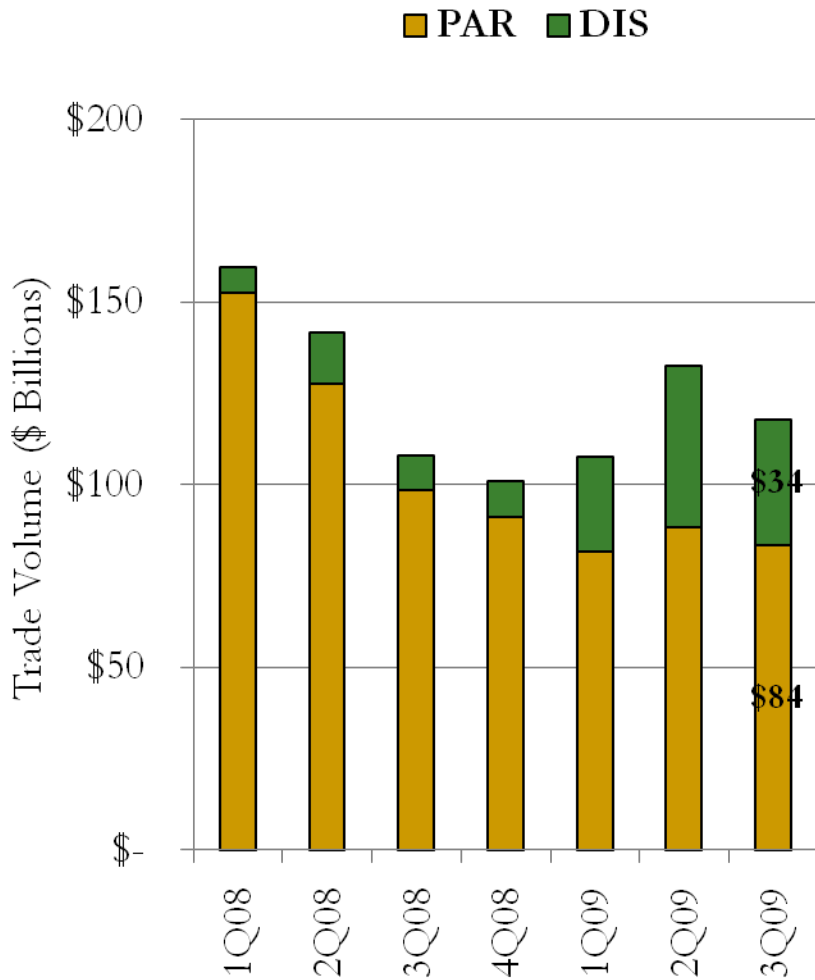
Source: S&P/LSTA LLI



Source: S&P LCD



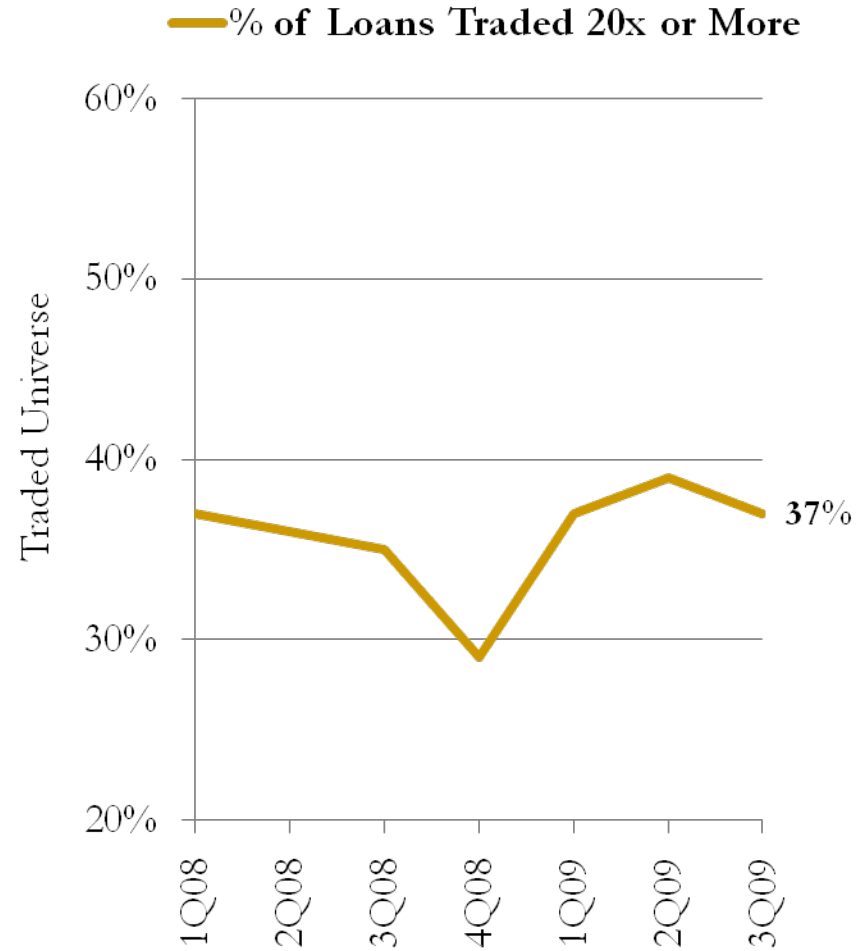
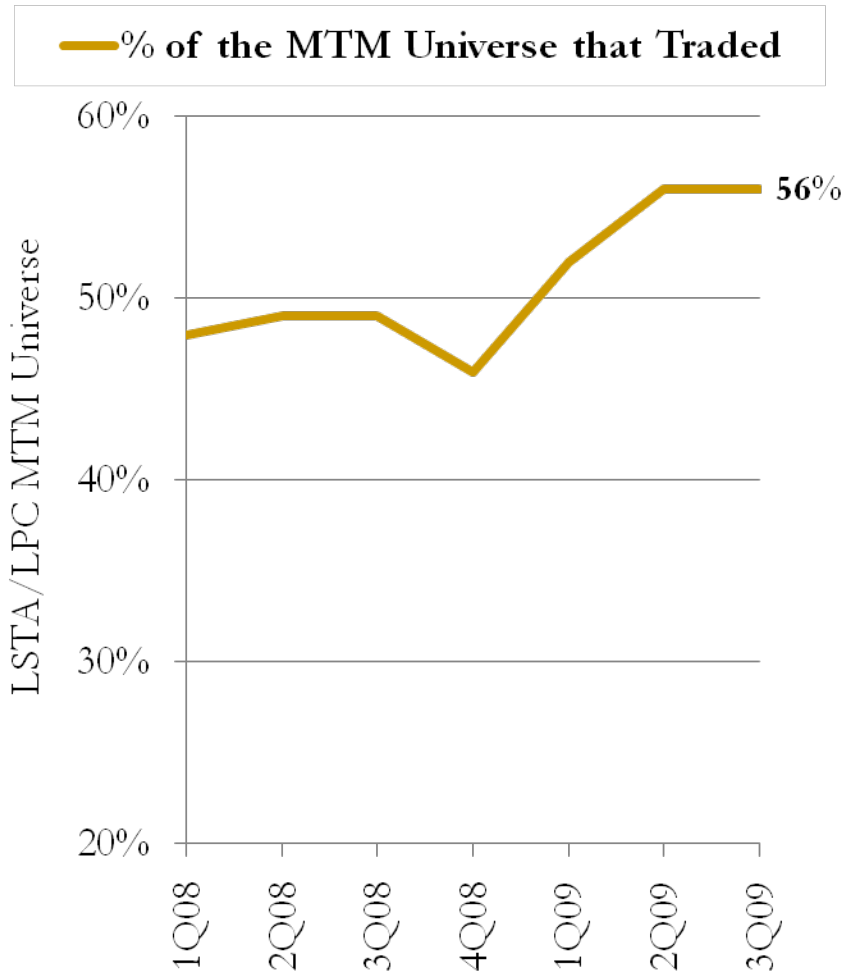
Par and Distressed Trade Volume by Dollar Value (\$)



Source: LSTA Trade Data Study



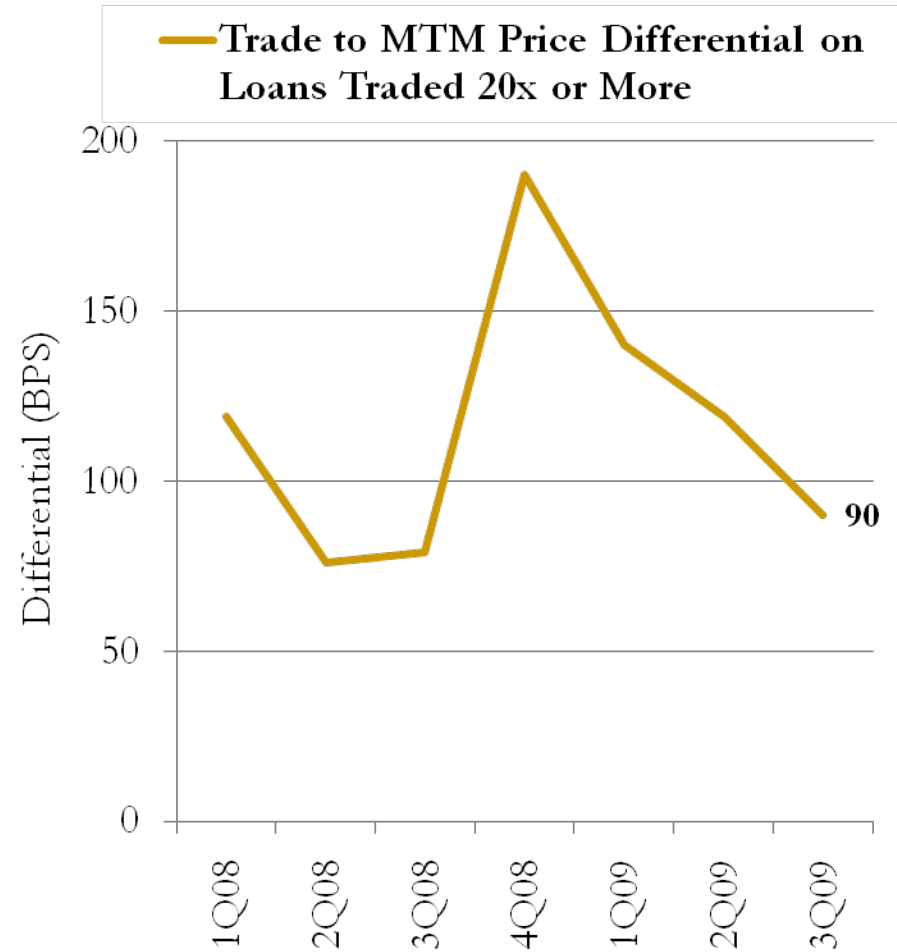
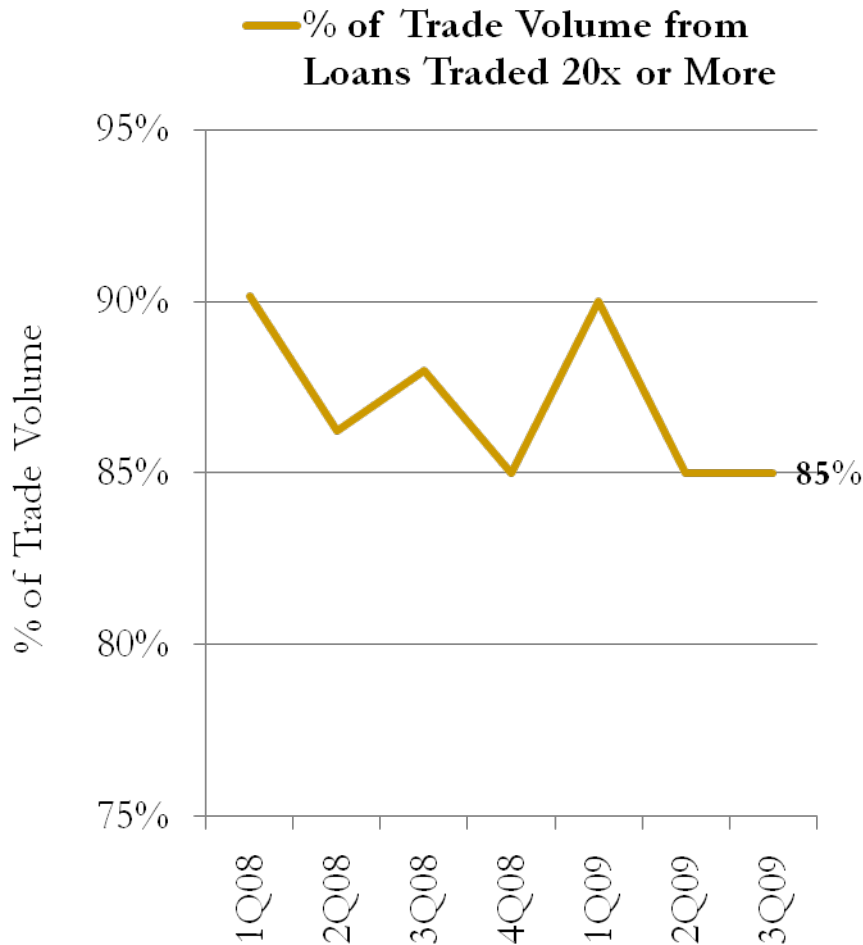
Quarterly Secondary Market Breadth & Depth



Source: LSTA Trade Data Study

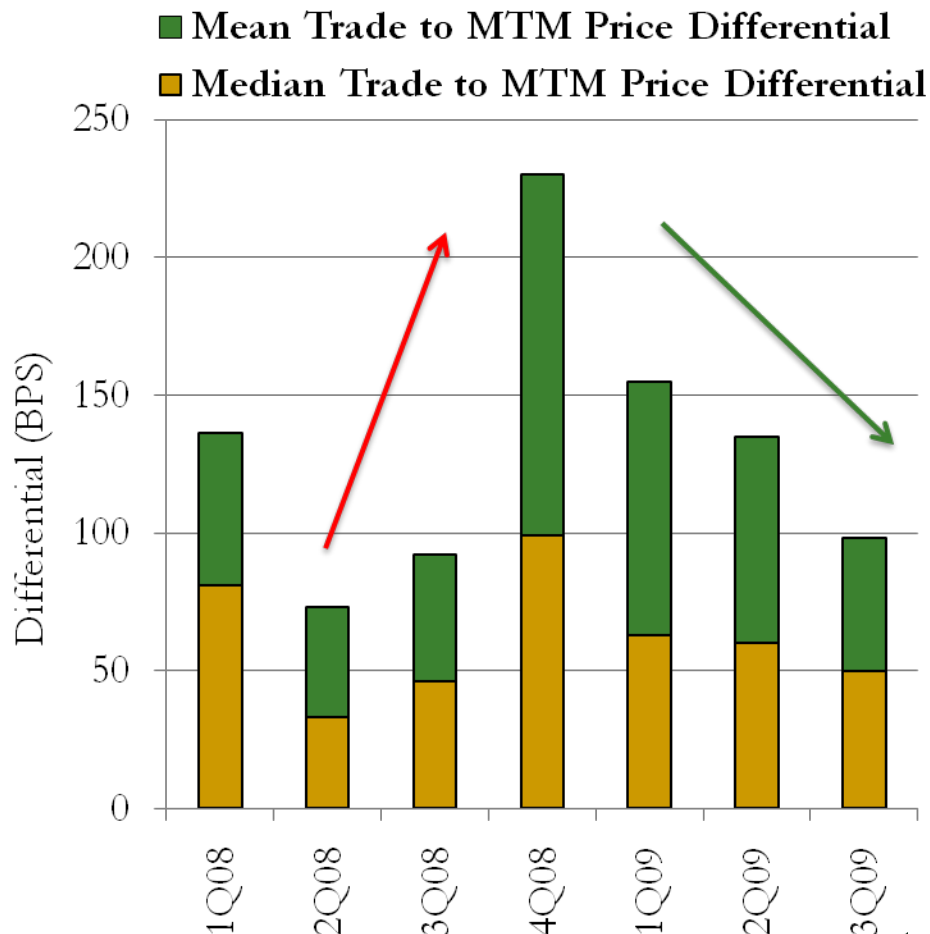
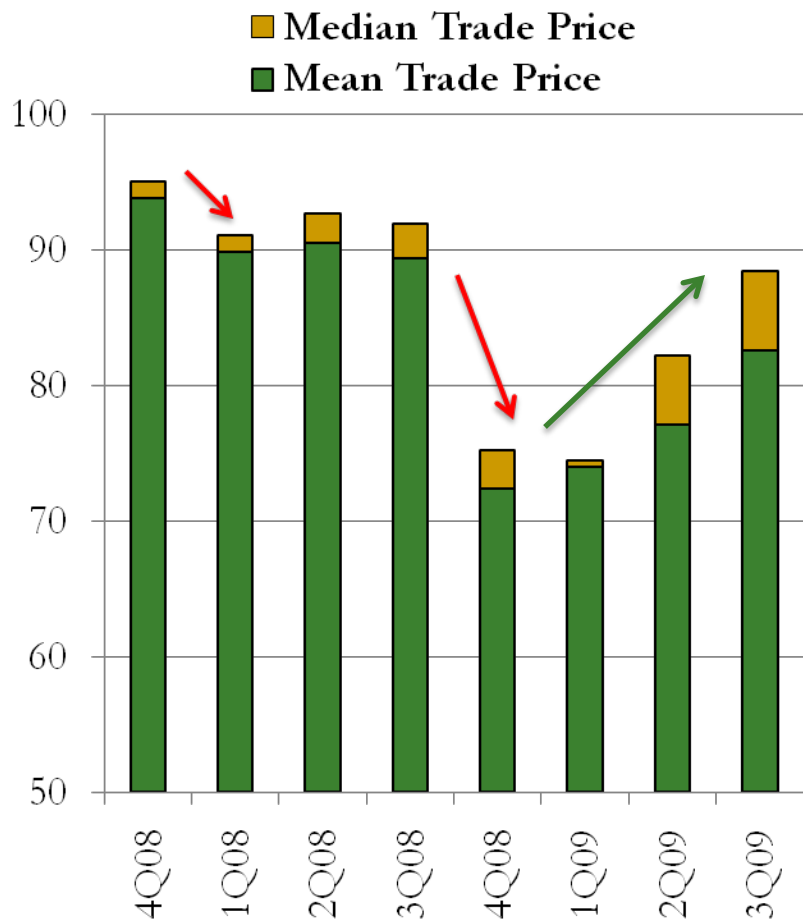


Higher Liquidity Leads to Higher MTM Accuracy



Source: LSTA Trade Data Study

MTM Price Accuracy is Correlated to Not Only Higher Prices, but Also Lower Volatility



Source: LSTA Trade Data Study

