

Q4 2019

Floating-Rate Loan Market Monitor

FLOATING-RATE LOAN GROUP

E|V|M

An Eaton Vance Company



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A leader in floating-rate loan investment management, Eaton Vance presents Floating-Rate Loan Market Monitor, an in-depth review of the loan market through clear and impactful charts. Providing timely information across a broad array of topics relating to this distinctive asset class, Floating-Rate Loan Market Monitor serves as a helpful resource in providing connectivity between changing market events and implications for investors' loan allocation.

Use Floating-Rate Loan Market Monitor to educate on the loan market, provide updates on loan market conditions and explain the role of loans within portfolios.



Asset Class Review



Asset class review

Floating-Rate Loan primer

- Corporate debt issued by below-investment-grade borrowers
- Most issuers are significant in size and scale – and many are familiar household names
- Companies undertake loans for recapitalizations, acquisitions and refinancings
- Coupon income from floating-rate loans resets regularly (about every 40-60 days on average) to maintain a fixed spread over a variable base rate, usually LIBOR
- Loans are often referred to as “senior and secured”: They typically have the highest priority of claims in an issuer’s capital structure and are secured by specific collateral
- Other common monikers: bank loans, leveraged loans, senior loans (all are synonymous)

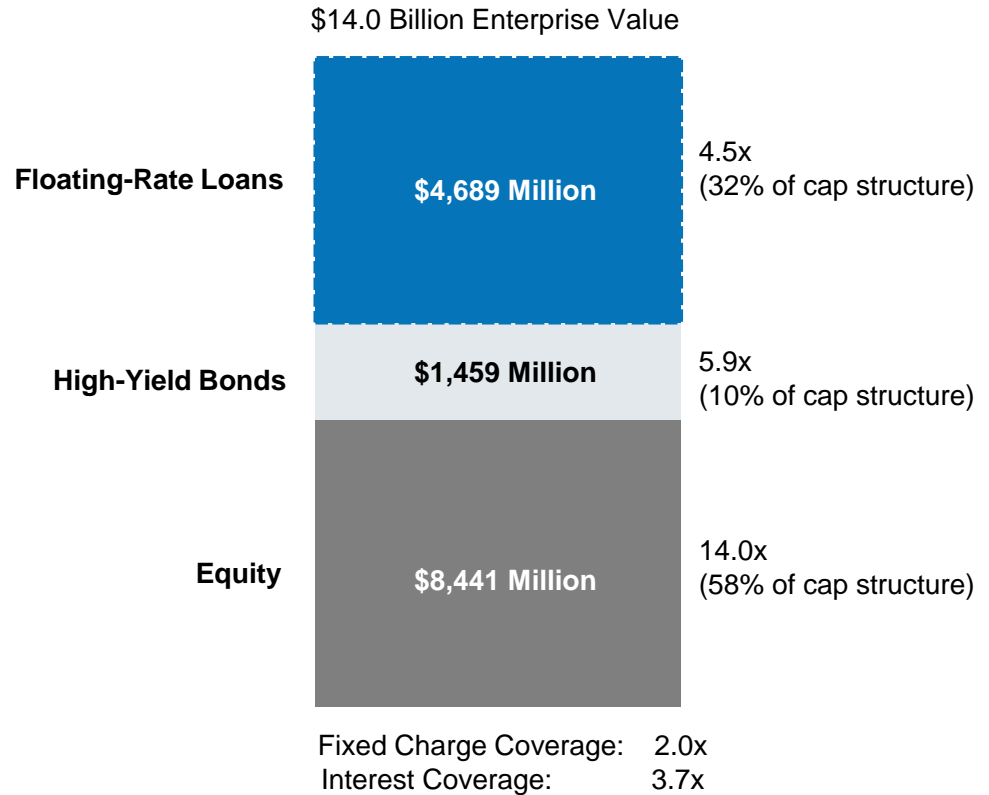


Asset class review

Fundamental lending proposition

- Floating-rate loans represent a senior layer of issuer capital structure
- Substantial junior capital cushion provides low loan-to-value
- Secured by collateral including issuer accounts receivable, inventory, property, plant, equipment and/or stock

Weighted Average Company Capital Structure: Sample
 \$4.7B Revenue & \$1.0B EBITDA



Source: Eaton Vance, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advice or a recommendation to buy or sell any particular security or adopt any particular strategy. The sample is an average of all loans currently tracked across the Eaton Vance loan platform as of 12/31/2019. Does not represent any particular issuer or product. EBITDA is defined as earnings before interest taxes depreciation and amortization.



Asset class review

Taxonomy of floating-rate loans

	US Investment Grade	US Floating-Rate Loans	US High Yield
Size of Market	\$5.81 T	\$1.19 T	\$1.21 T
# of Issues	6,109	1,455	1,775
Credit Quality	A3/Baa1	B+	B1
Base Rate	US Treasuries	LIBOR	US Treasuries
Coupon Structure	Fixed	Floating	Fixed
Duration	7.9 yrs.	--	3.3 yrs.
Yield to Worst	2.8%	6.1%	5.4%
Maturity	11.5 yrs	4.9 yrs	6.0 yrs

Sources: Bloomberg Barclays, ICE Data Indices LLC, and LCD, an offering of S&P Global Market Intelligence. Data as of 12/31/2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. US Investment Grade measured by the Bloomberg Barclays US Corporate Index. US Floating-Rate Loans measured by the S&P/LSTA Leveraged Loan Index. US High Yield measured by the ICE BofA US High Yield Index.



Asset class review

Sample loan market issuers

Issuer	Industry	Maturity Date	Spread	Corp. Ratings
Avolon Aerospace	Equipment Leasing	Jan 2025	L+200	BBB-/Baa2
BMC Software	Electronics/Electrical	Oct 2025	L+425	B/B2
Change Healthcare	Health Care	Mar 2024	L+275	B+/B1
Charter Communications	Cable & Satellite Television	Apr 2025	L+200	BBB-/Ba1
Cineworld	Leisure Goods/Activities/Movies	Feb 2025	L+250	BB-/B1
Dell	Electronics/Electrical	Sep 2025	L+200	BBB-/Baa3
Grifols	Drugs	Jan 2025	L+225	BB+/Ba2
Intelsat Jackson	Telecom	Nov 2023	L+375	B/B1
Nielsen Finance	Publishing	Oct 2023	L+200	BBB-/Ba1
Reynolds Group	Containers & Glass Products	Jan 2023	L+300	B+/B1
Scientific Games	Lodging & Casinos	Aug 2024	L+275	B+/Ba3
Univision	Radio & Television	Mar 2024	L+275	B/B2
Valeant Pharmaceuticals	Drugs	Jun 2025	L+300	BB-/Ba2
Vici Properties	Lodging & Casinos	Dec 2024	L+225	BBB-/Ba3
Virgin Media	Cable & Satellite Television	Jan 2028	L+250	BB-/Ba3

Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational and illustrative purposes only. This is an example only and is not intended to represent the allocation of any fund/account/strategy. This list represents a sample of some of the larger and more liquid loans in the S&P/LSTA Leveraged Loan Index. This sample is not necessarily representative of the other issuers in this index, which will vary based on factors including size and liquidity. This information is not to be construed as investment advice or a recommendation to buy or sell any particular security. Investors should consult an investment professional prior to making any investment decisions. It is not possible to invest directly in an index. See end of material for important additional information and disclosures.



Market Update



Market update

Floating-rate loan quarterly dashboard

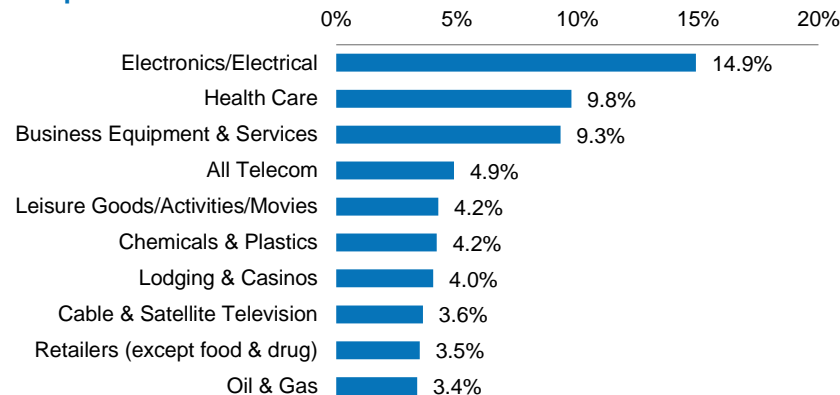
Index Statistics

Total Par Outstanding (\$B)	\$1,193.29
Number of Issuers	1,176
Number of Facilities	1,455
Bid Price	\$96.72
Nominal Spread	L+352
Discounted Spread (3 Years)	L+461
Years to Maturity	4.92 yrs.
Yield to Maturity	6.13%

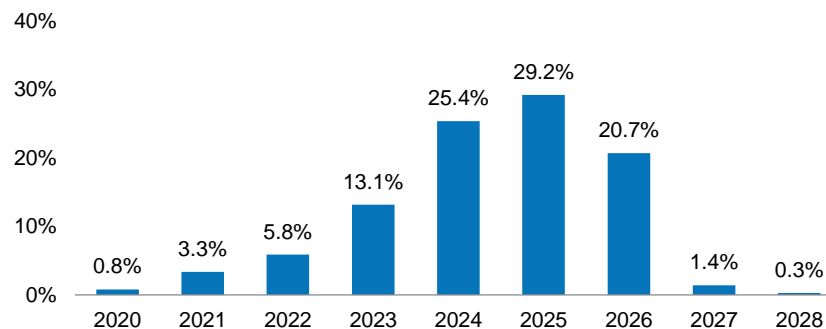
Loan Type

First Lien	96.87%
Second Lien	3.13%

Top 10 Industries



Maturity Breakdown



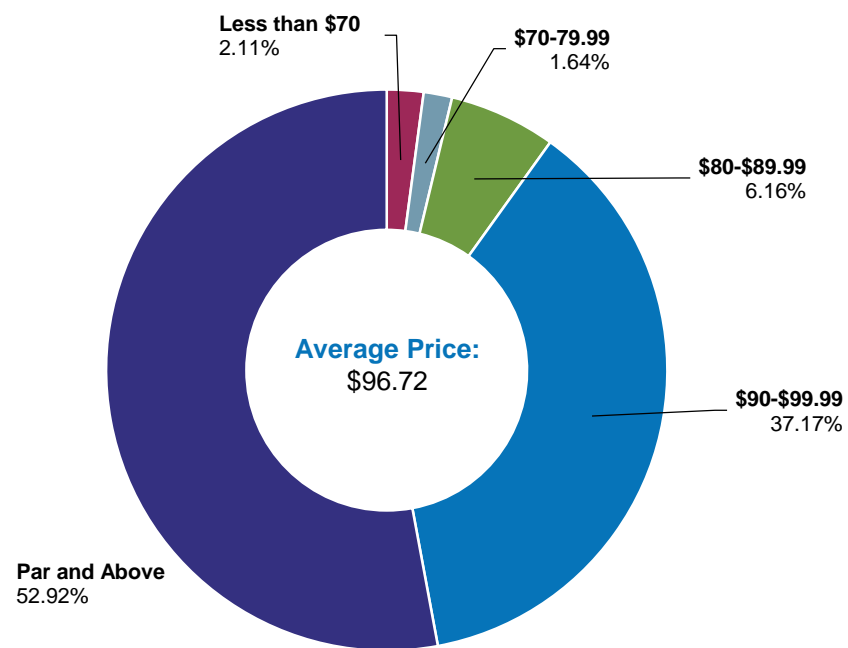
Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures. Maturity breakdown excludes defaulted facilities and is based on par amount outstanding. Spread, yield and maturity data excludes defaults.



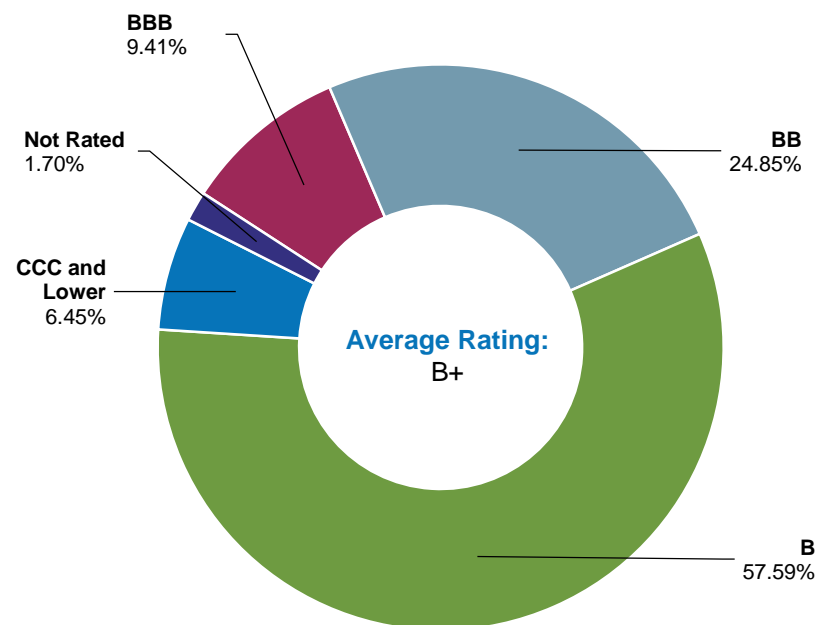
Market update

Floating-rate loan quarterly dashboard

Breakdown by Bid Price



Breakdown by Facility Rating

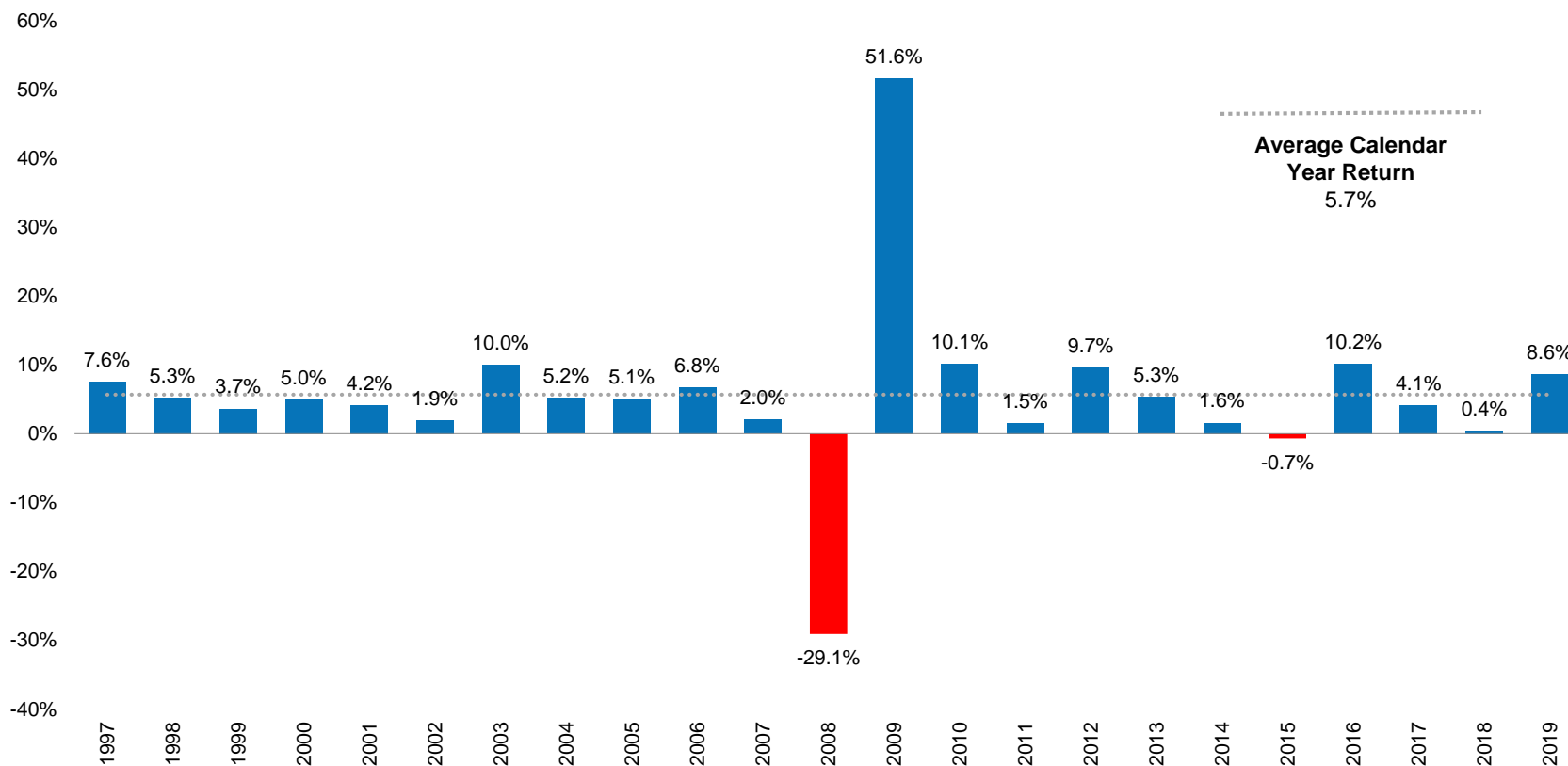


Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures. Breakdown by bid price includes performing loans only.



Market update

Performance: Calendar year index returns

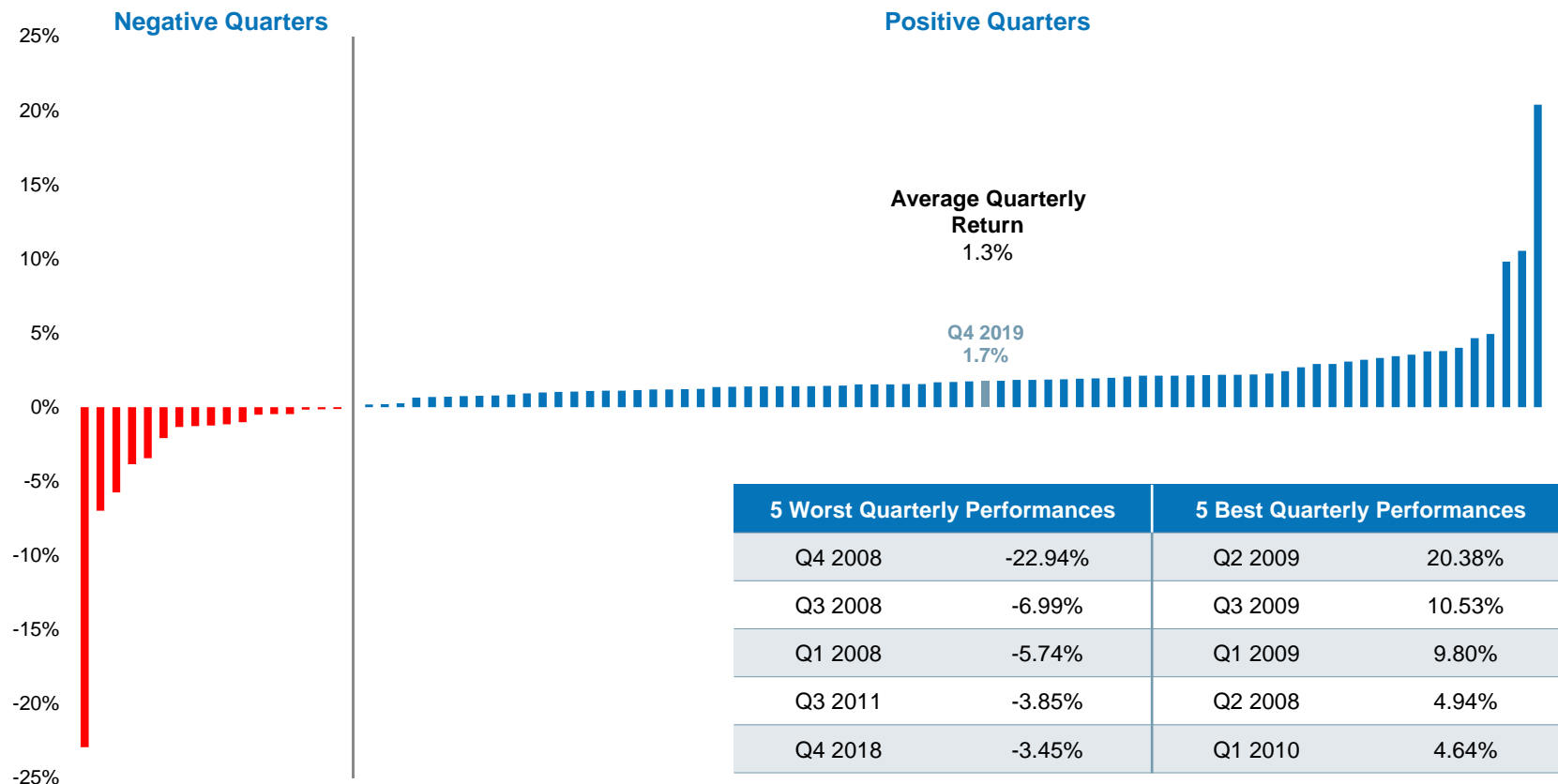


Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Performance measures the S&P/LSTA Leveraged Loan Index. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.



Market update

Performance: Distribution of quarterly returns



Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Performance measures the S&P/LSTA Leveraged Loan Index. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

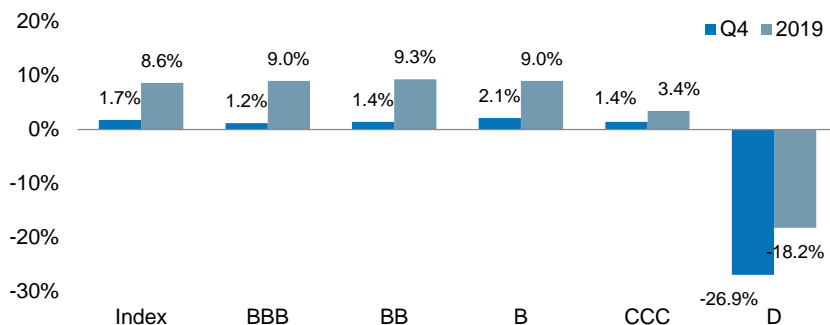


Market update

Performance: Credit tier and industry returns

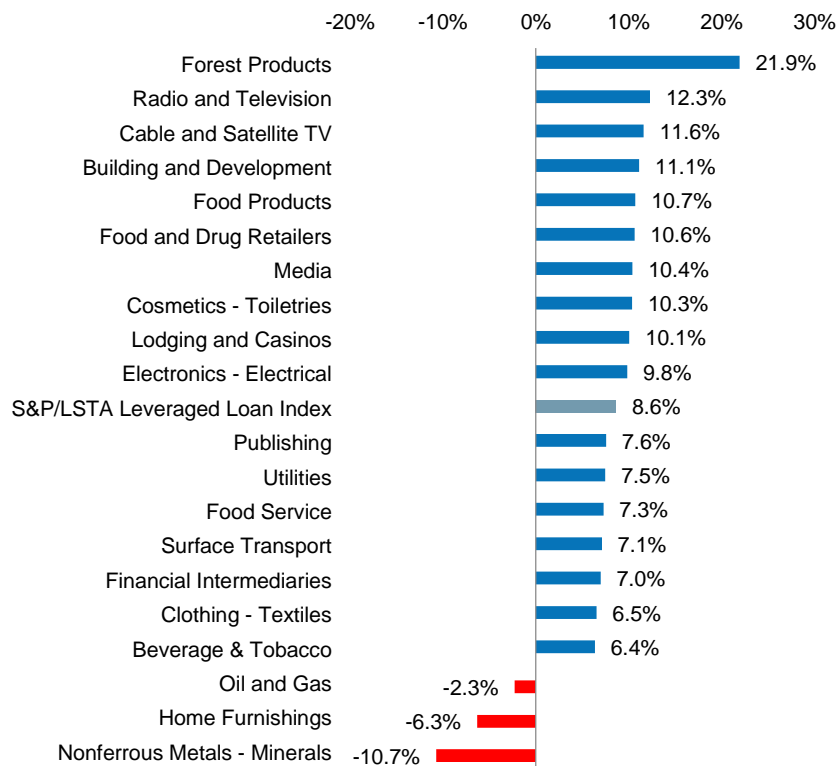
Credit Tier Performance

Q4 and Full Year 2019



Industry Performance

Top 10 and Bottom 10 Performers (Last 12 Months)



Credit Tier	% of Index	Price	Spread (bps)
Index	--	\$96.7	L+461
BBB	9.4	\$100.4	L+184
BB	24.9	\$99.7	L+278
B	57.6	\$97.7	L+471
CCC	6.1	\$82.6	L+1394
D	0.2	\$27.2	--

Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Performance measures the S&P/LSTA Leveraged Loan Index. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. See end of material for important additional information and disclosures. Credit tier spreads measure discounted spread to three years over LIBOR.

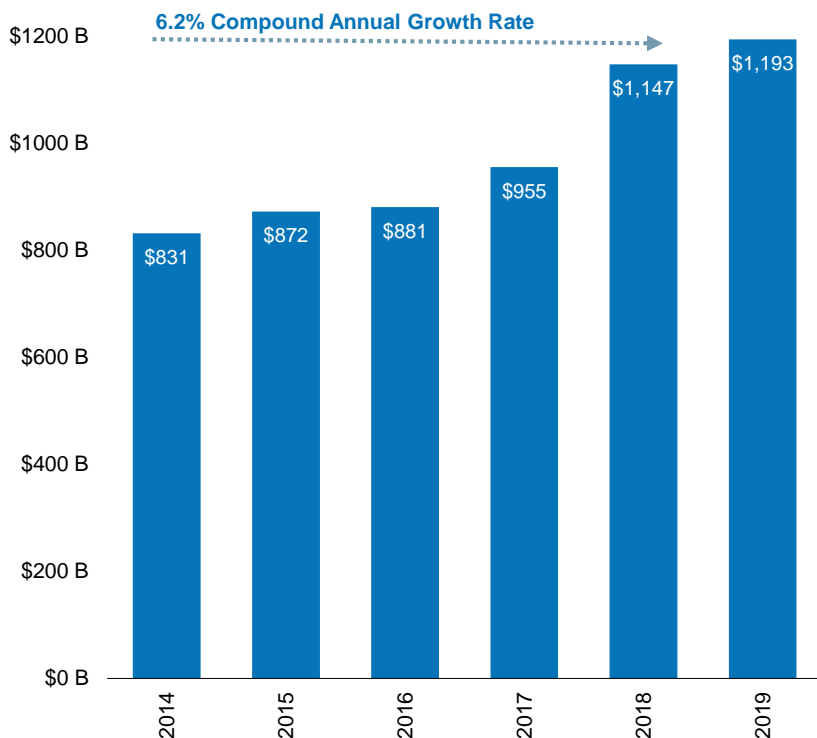


Market update

Technical factors: Market size and trading volume

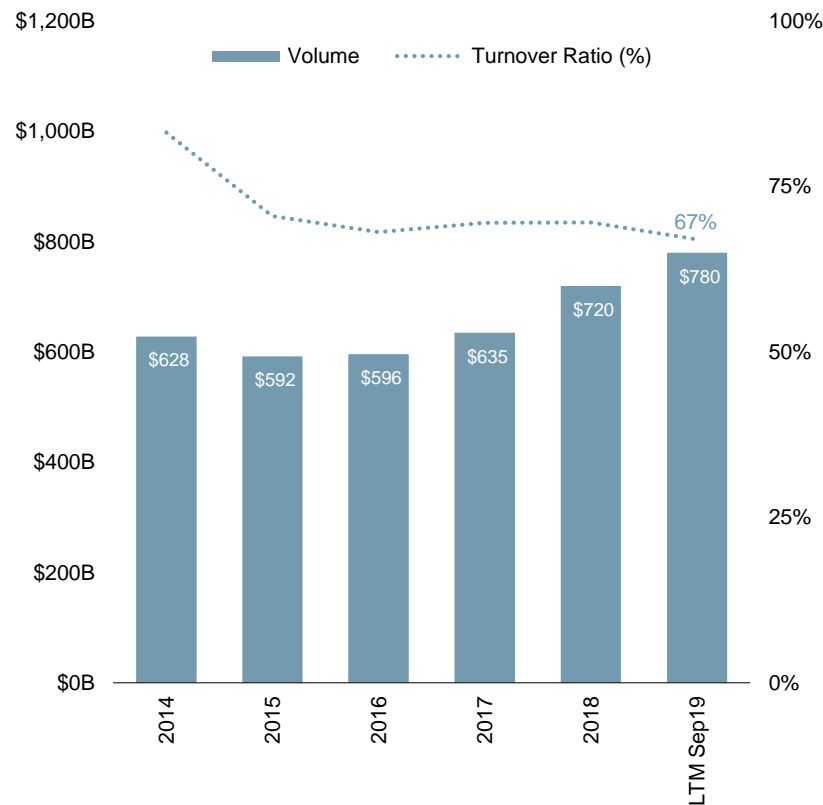
Market Size

Par Amount of Outstanding Loan Market



Trading and Turnover

US Trading Volume and Annual Loan Turnover Ratio



Source: LCD, an offering of S&P Global Market Intelligence, LSTA Trade Data Study, 12/31/2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. Amount of outstandings measures the S&P/LSTA Leveraged Loan Index. It is not possible to invest directly in an Index.

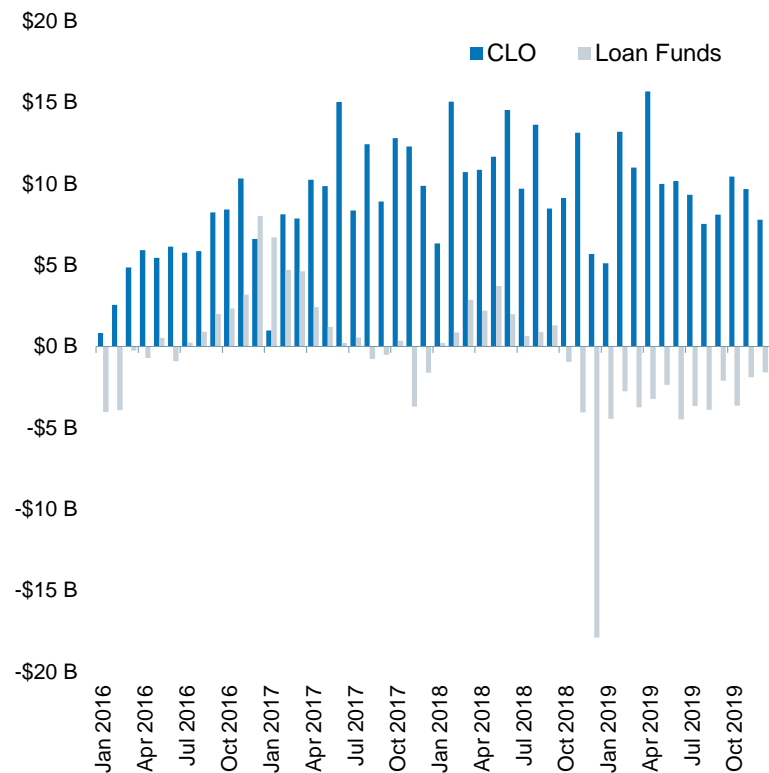


Market update

Technical factors: Loan demand and ownership base

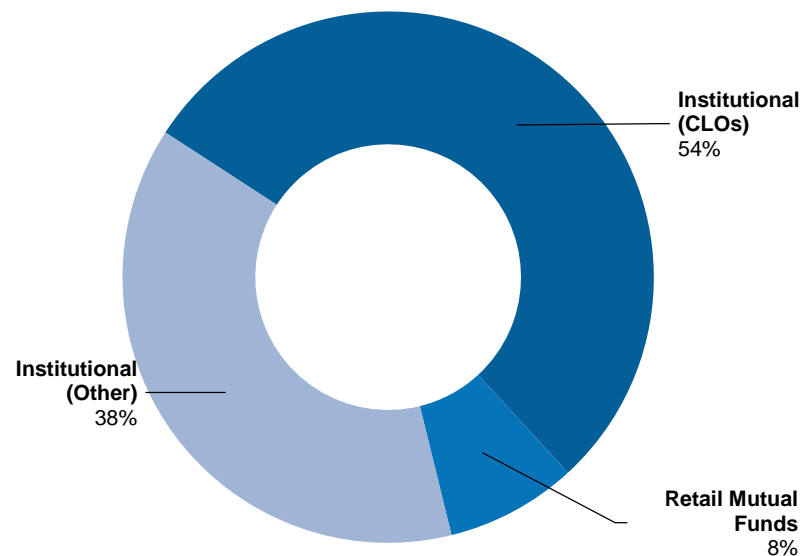
Visible Demand

Monthly CLO and Mutual Fund Flows



Loan Holder Base

Retail Fund Investors Comprise Only 8% of the Loan Market



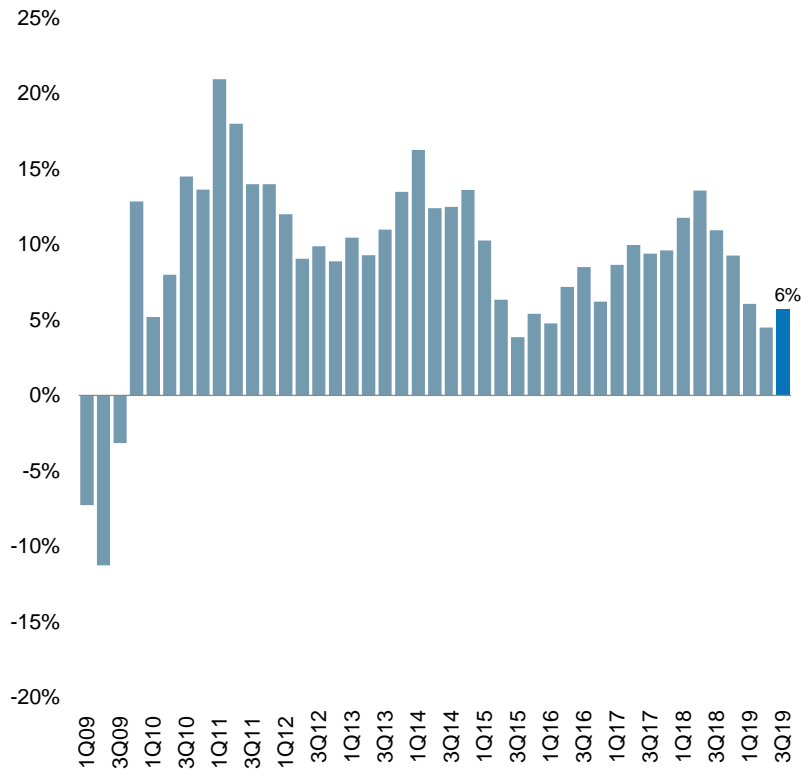
Source: LCD, an offering of S&P Global Market Intelligence, J.P. Morgan. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. Visible demand data as of 12/31/2019. Loan holder base data as of October 2019. It is not possible to invest directly in an Index.



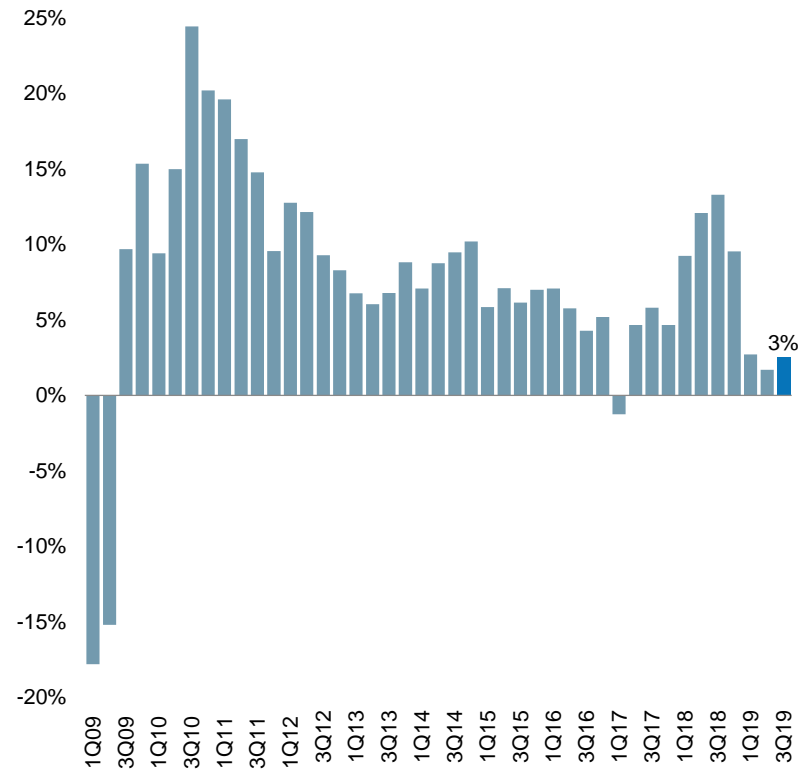
Market update

Fundamental conditions: Revenue and earnings growth

Year-Over-Year Revenue Growth



Year-Over-Year EBITDA Growth



Source: LCD, an offering of S&P Global Market Intelligence, Q3 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. EBITDA refers to earnings before interest, taxes, depreciation and amortization. The data are based on approximately 180 public issuers included in the S&P/LSTA Leveraged Loan Index. See end of material for important additional information and disclosures.

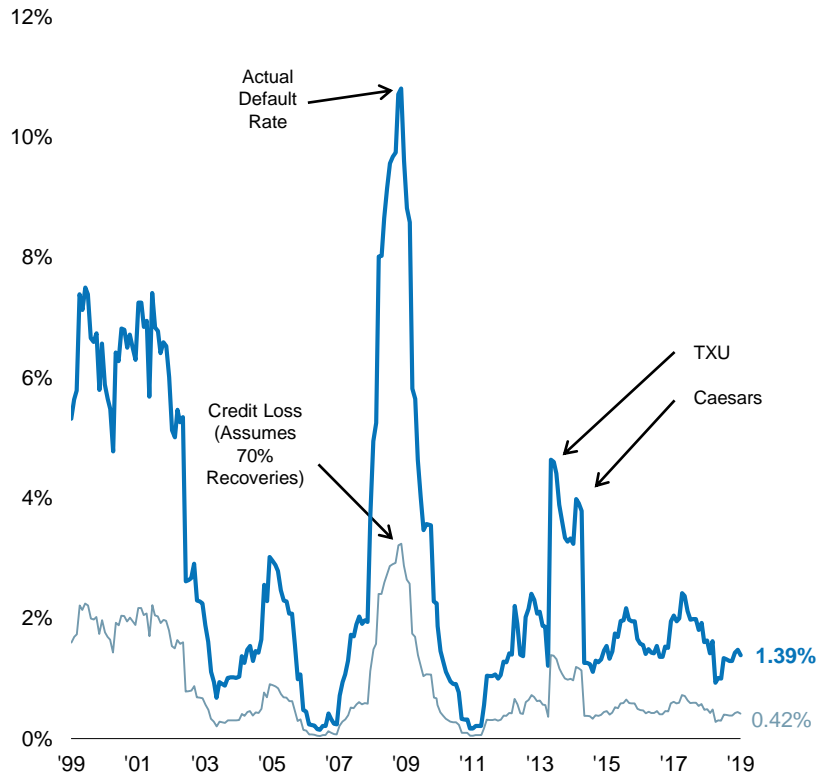


Market update

Fundamental conditions: Default rate and distress ratio

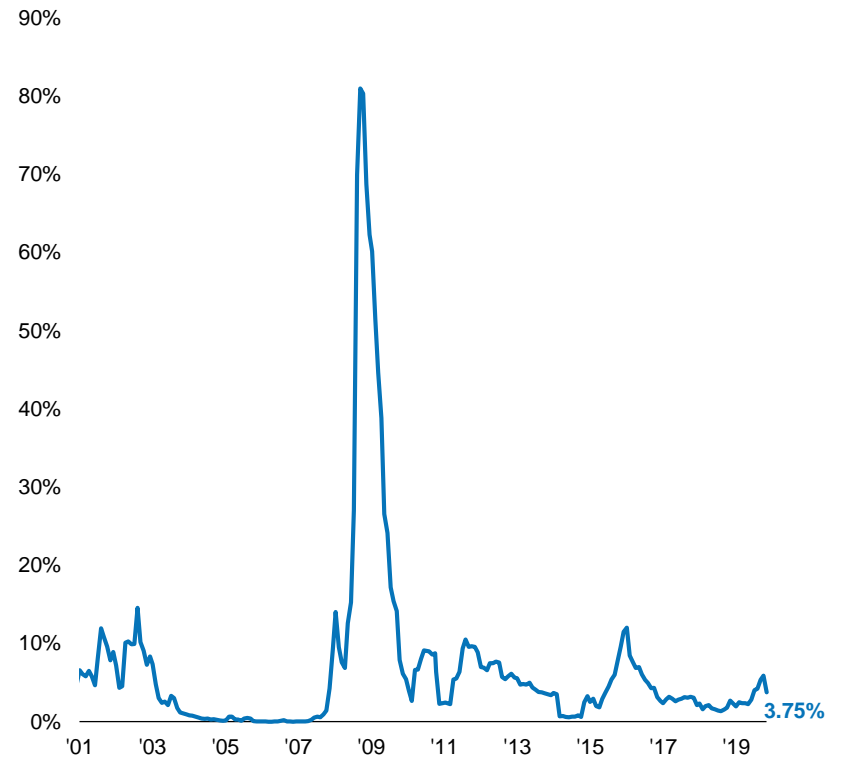
Default Rate

Last 12 Months By Principal Amount



Distress Ratio

Percent of Performing Loans Trading Below \$80

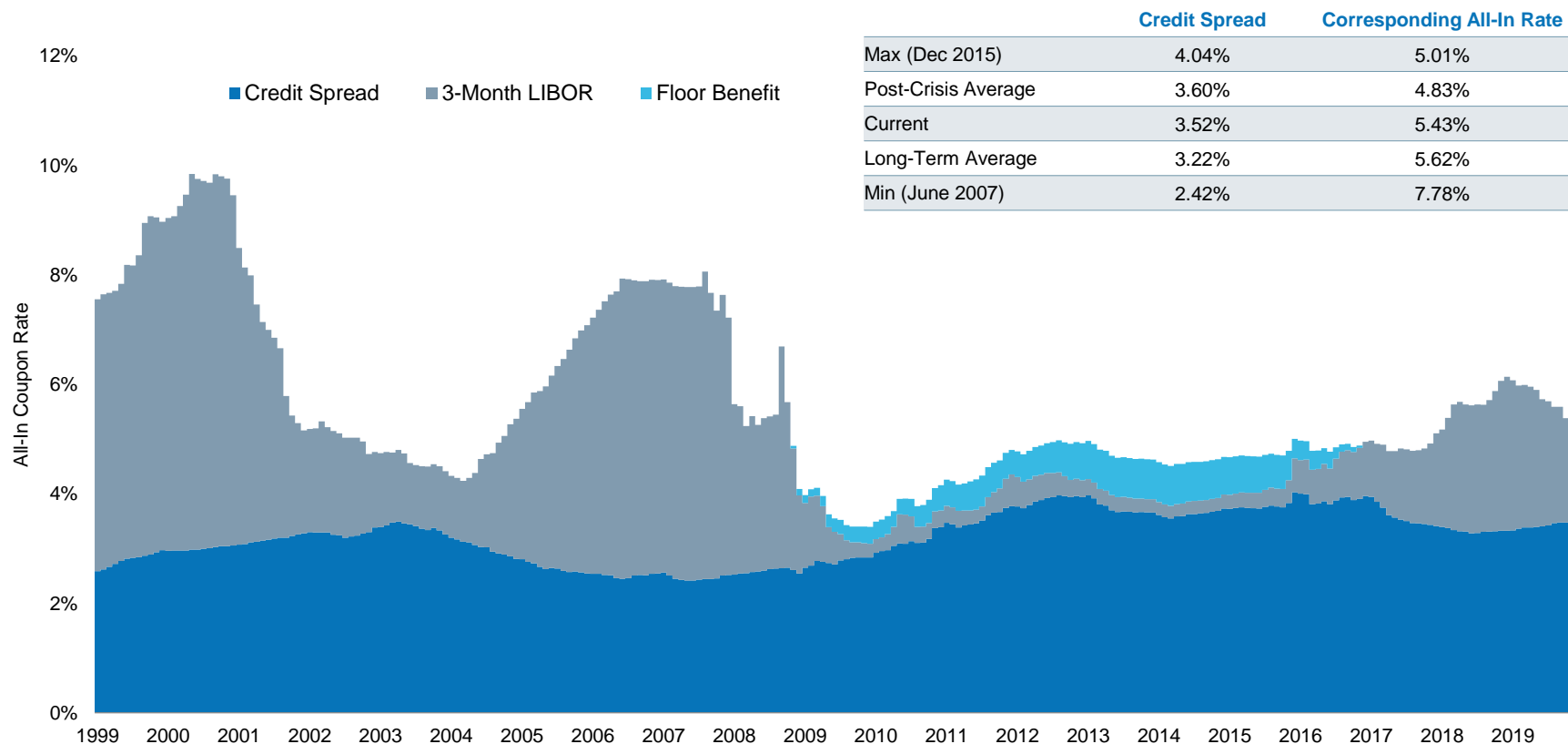


Source: LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.



Market update

Valuations: Composition of loan coupon



Sources: Eaton Vance, St. Louis Federal Reserve, and LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. Credit spread and floor benefit data are shown on a weighted average basis. LIBOR floor benefit is measured as the difference between prevailing LIBOR rates and the average LIBOR floor. *Excludes Facilities in Default.



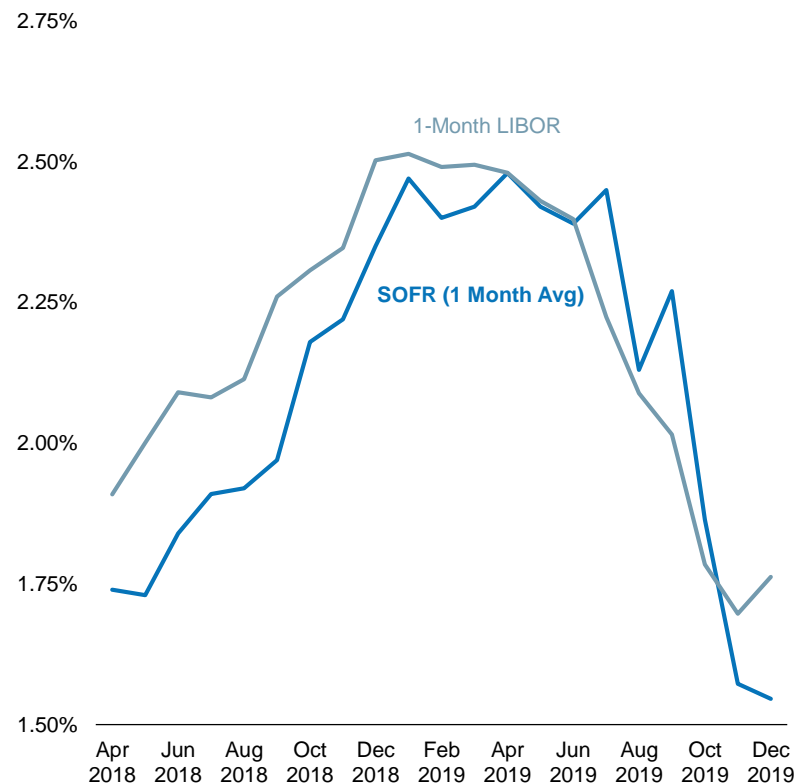
Market update

Special topic: LIBOR transition

Is LIBOR going away and what would that mean for loans?

- The loan market's trade association, the LSTA, has been actively engaged in representing the interests of the loan market on the LIBOR transition issue.
- LSTA has described the issue as “a process, not a problem” and much work has been done (and remains) ahead of the anticipated end-of-2021 mark.
- LSTA is an active member in the Alternative Reference Rates Committee (ARRC), a cross-market consortium assembled by the Federal Reserve to address the LIBOR transition.
- Thus far it appears some form of “SOFR” (Secured Overnight Funding Rate) will be the replacement rate adopted by the loan market (and many others), and work is now moving toward process, standardizing of fallback language, and more.

LIBOR vs SOFR





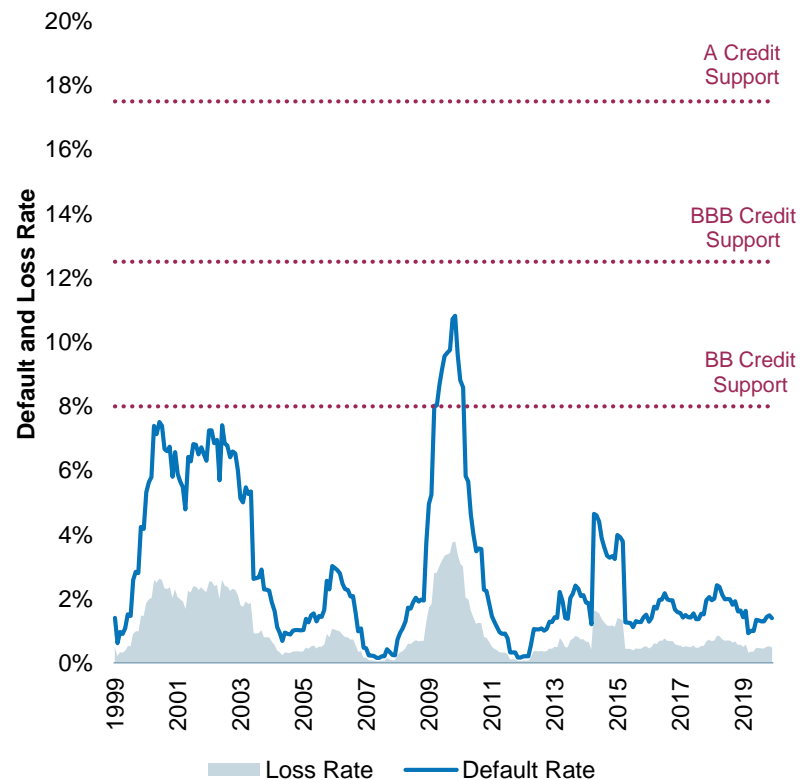
Market update

Special topic: Collateralized Loan Obligations (CLOs)

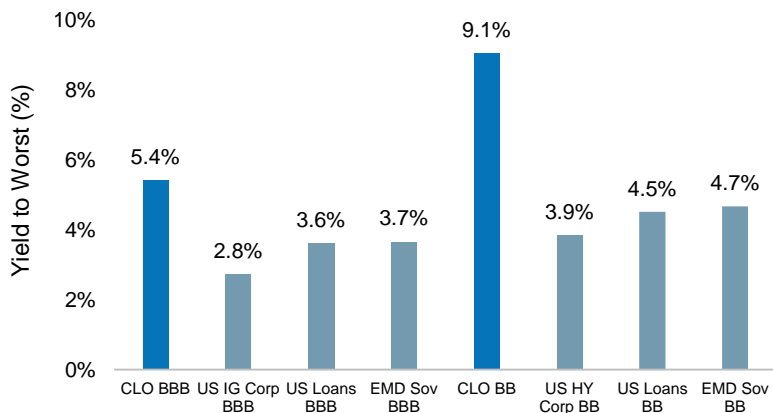
Illustrative capital structure for a US CLO

Credit Rating	Credit Enhancement	Credit Spread
AAA	35%	90 – 135
AA	25%	160 – 190
A	17%	220 – 280
BBB	12%	330 – 420
BB	7%	685 – 785
B	5%	1000 - 1150

CLO Tranche Support



Comparative Yields for BBB and BB tranches of CLOs



Sources: Eaton Vance, Citibank Velocity, Macrobond, LCD, an offering of S&P Global Market Intelligence, 12/31/2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. CLO tranches are USD 2.0 CLOs. Loans represent the S&P/LSTA Leveraged Loan Index. CLOs represent the JPMorgan CLOIE Post-Crisis. US IG Corps represent the ICE BofA US Corporate Index 1-10 Year. US HY Corp represent the ICE BofA US High Yield Index. EMD Sov represent the J.P. Morgan EM Bond Index (EMBI) Global Diversified.

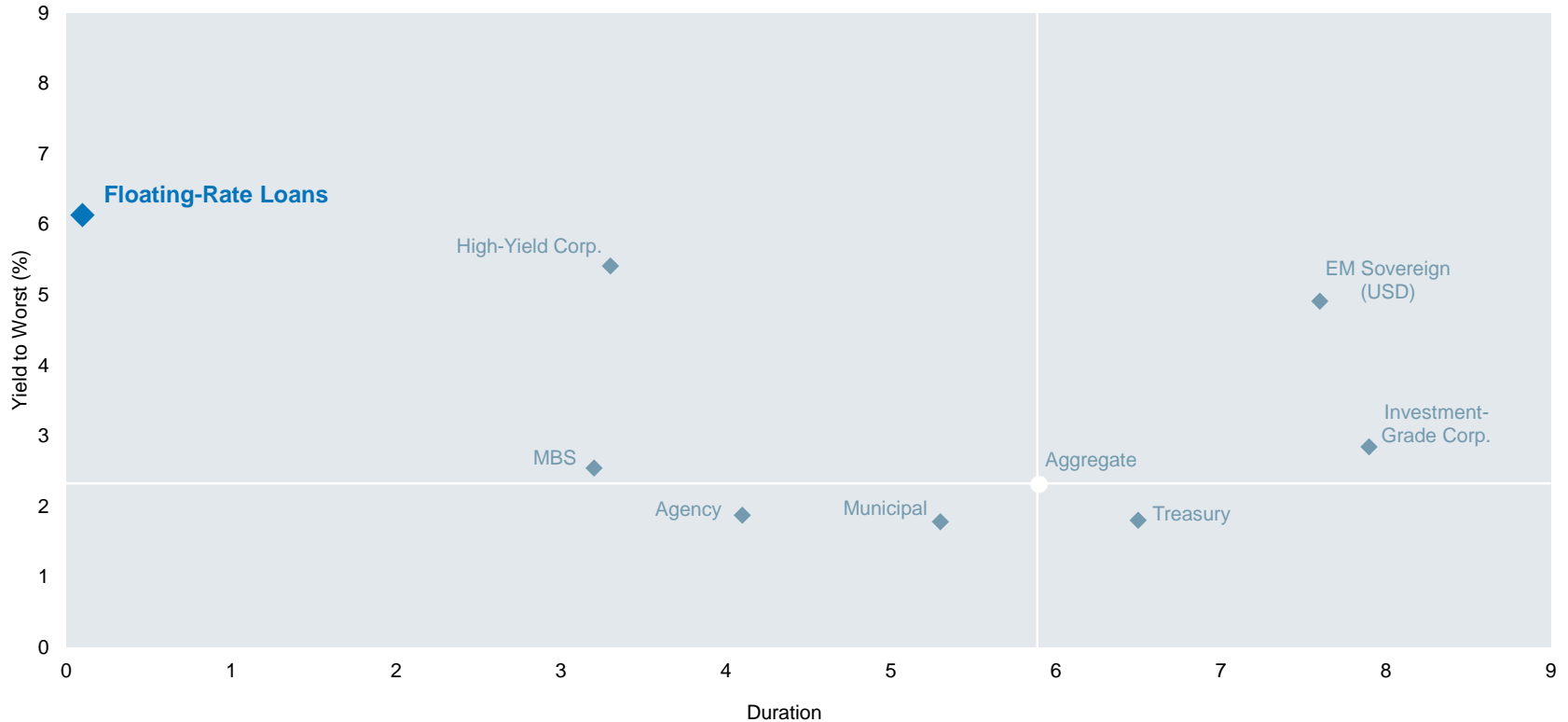


Portfolio Applications



Portfolio applications

Floating-rate loans vs. select asset classes

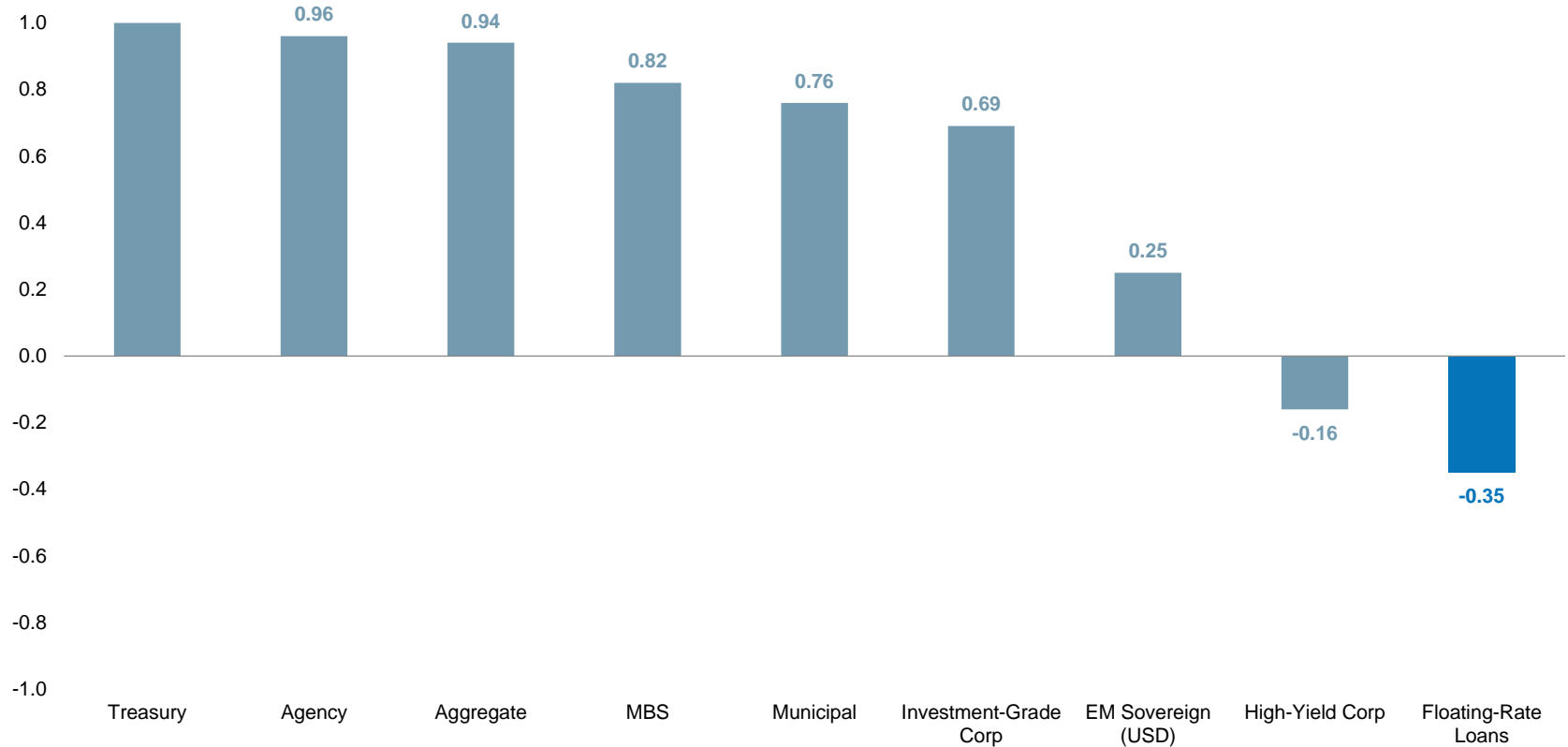


Sources: Eaton Vance, Bloomberg Barclays, JPMorgan, ICE Data Indices, LLC, and LCD, an offering of S&P Global Market Intelligence, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. Yield to worst is the lowest potential yield that can be received on a bond without an issuer actually defaulting. Duration is a measure of the sensitivity of a bond's price to a change in interest rates. Treasury represented by Bloomberg Barclays U.S. Treasury Index. Agency represented by Bloomberg Barclays U.S. Agency Index. Aggregate represented by Bloomberg Barclays U.S. Aggregate Index. MBS represented by Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index. Investment-Grade Corp. represented by Bloomberg Barclays U.S. Corporate Index. Municipal represented by Bloomberg Barclays Municipal Bond Index. EM Sovereign (USD) represented by JPMorgan Emerging Markets Bond Index Plus (EMBI+). High-Yield Corp. represented by Bloomberg Barclays U.S. Corporate High Yield Index. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index.



Portfolio applications

10-year correlation with U.S. Treasuries

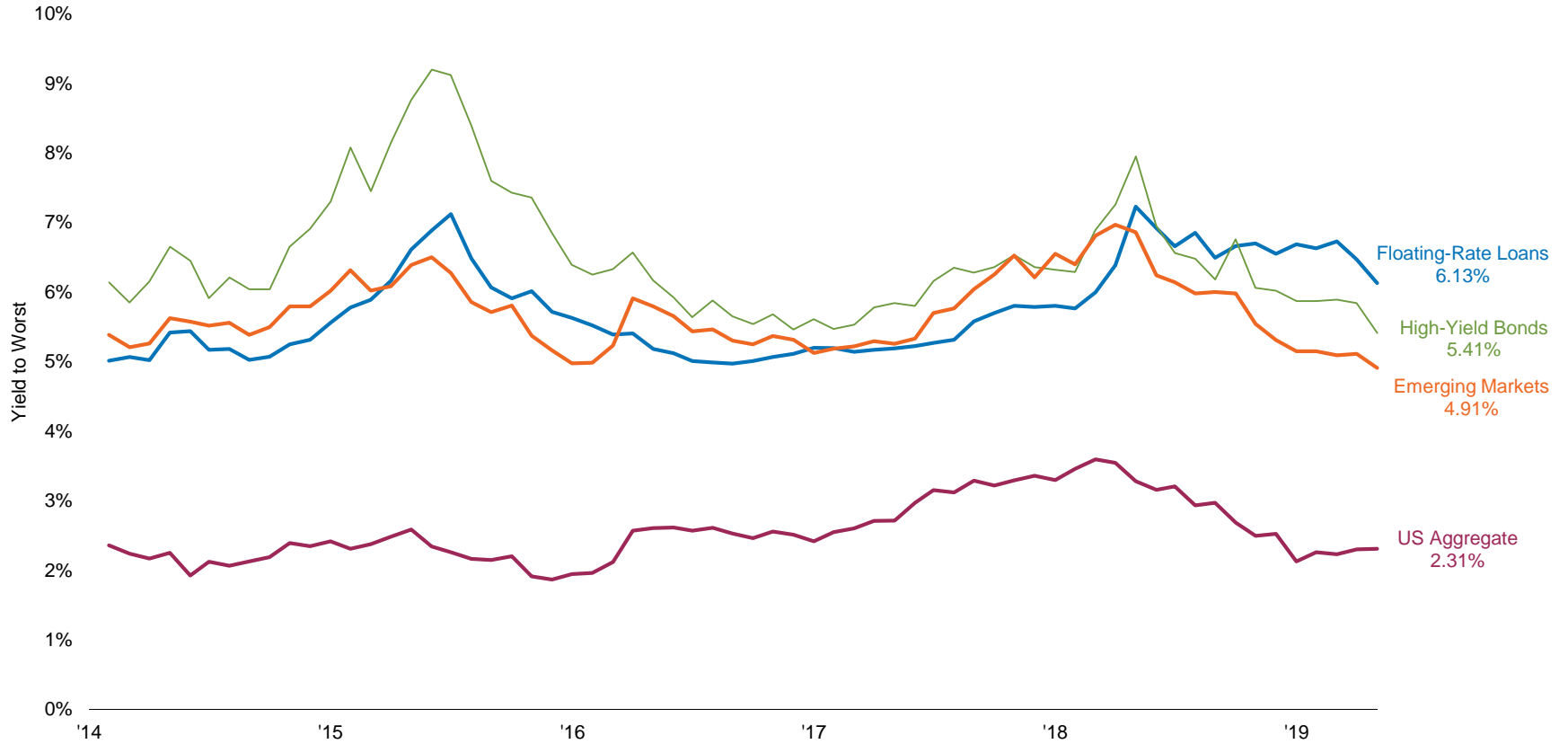


Source: Morningstar, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Correlation is a statistical measure of how two securities perform in relation to each other. Treasury represented by Bloomberg Barclays U.S. Treasury Index. Agency represented by Bloomberg Barclays U.S. Agency Index. Aggregate represented by Bloomberg Barclays U.S. Aggregate Index. MBS represented by Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index. Investment-Grade Corp. represented by Bloomberg Barclays U.S. Corporate Index. Municipal represented by Bloomberg Barclays Municipal Bond Index. EM Sovereign (USD) represented by JPMorgan Emerging Markets Bond Index Plus (EMBI+). High-Yield Corp. represented by Bloomberg Barclays U.S. Corporate High Yield Index. Floating-Rate Loans represented by S&P/LSTA Leveraged Loan Index.



Portfolio applications

Loans yield more than high-yield bonds and emerging-market debt



Sources: LCD, Bloomberg Barclays, ICE Data Indices, LLC, J.P. Morgan, as of 12/31/2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. Loans represents the S&P/LSTA Leveraged Loan Index. High-Yield Bonds presents the ICE BofA US High Yield Index. Emerging Markets represents the J.P. Morgan EMBI Global Diversified. US Aggregate represents the Bloomberg Barclays US Aggregate Bond Index. Yield to maturity is shown for loans.



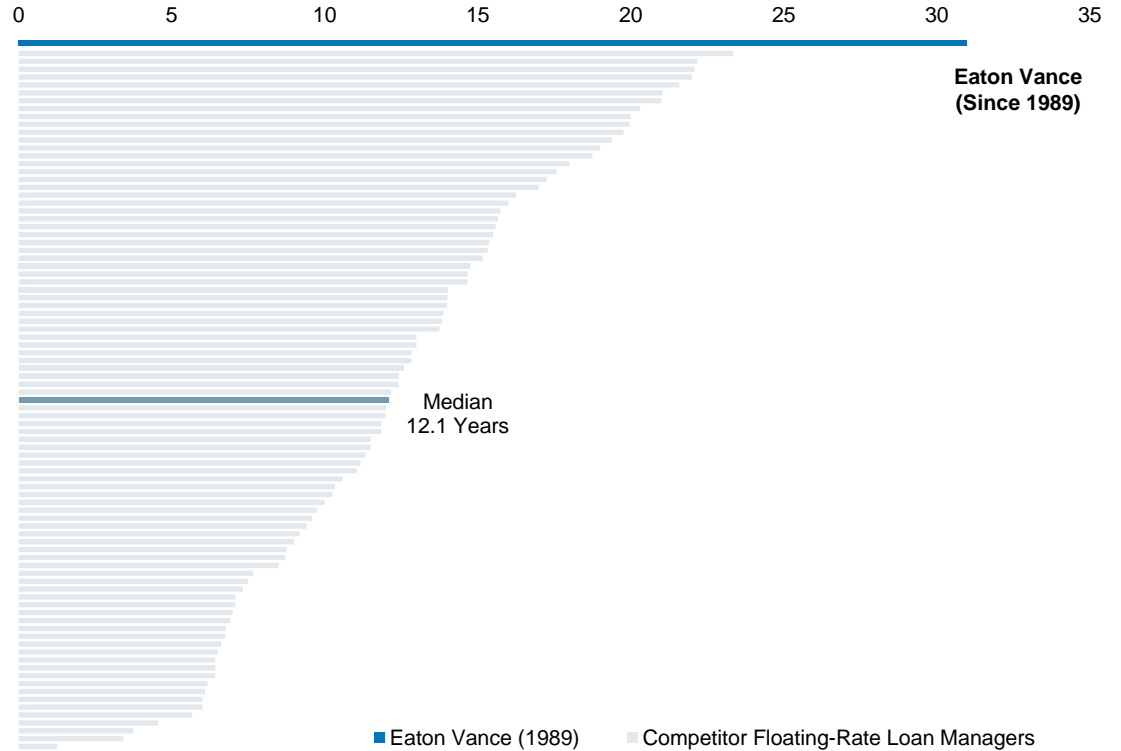
About Eaton Vance



Eaton Vance for floating-rate loans

The advantage of Eaton Vance's experience

- Measurable track record since 1989
- Significant floating-rate loan investment resources and specialization
- Extensive contiguous experience of investment team
- Strong long-term record of delivering incremental outperformance with lower volatility than the S&P/LSTA Leveraged Loan Index and peers
- Continuity of philosophy, process and team over time
- Systematic risk-weighted portfolio construction underpinned by bottom-up credit research



Source: eVestment, 12/31/19. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Based on eVestment Floating-Rate Bank Loan Fixed Income universe using oldest investment offering for each firm.



Eaton Vance for floating-rate loans

Investment team with extensive contiguous experience

FLOATING-RATE LOAN TEAM LEADERSHIP

Craig Russ

33 Years of Ind. Experience
22 Years with Eaton Vance

Andrew Sveen, CFA

24 Years of Ind. Experience
20 Years with Eaton Vance

CREDIT RESEARCH

John Redding

34 Years of Ind. Experience
21 Years with Eaton Vance

Catherine McDermott

Auto, Gaming, Packaging
30 Years of Ind. Experience
19 Years with Eaton Vance

Ralph Hinckley, CFA

Broadcast/Cable TV, Telecom, Publishing
21 Years of Ind. Experience
15 Years with Eaton Vance

Michael Turgel, CFA

Food, Metals, Utilities
16 Years of Ind. Experience
12 Years with Eaton Vance

Cyril Legrand, CFA

European Issuers
8 Years of Ind. Experience
8 Years with Eaton Vance

Heath Christensen, CFA

Aerospace/Defense, Software Technology, Transportation
18 Years of Ind. Experience
15 Years with Eaton Vance

Jeff Hesselbein, CFA

Health Care, Pharmaceuticals
22 Years of Ind. Experience
19 Years with Eaton Vance

Brian Hickey, CFA

Industrials, Business Equipment & Services
22 Years of Ind. Experience
<1 Year with Eaton Vance

Alexandros Apostolidis

European Issuers
3 Years of Ind. Experience
3 Years with Eaton Vance

William Holt, CFA

Financials, Technology, Semiconductors
17 Years of Ind. Experience
14 Years with Eaton Vance

Sarah Choi

Broadcast/Cable TV, Health Care
12 Years of Ind. Experience
<1 Year with Eaton Vance

Daniel McElaney, CFA

Oil & Gas, Metals & Mining, Chemicals/Plastics
15 Years of Ind. Experience
14 Years with Eaton Vance

Emily Cetlin

Packaging, Gaming
4 Years of Ind. Experience
4 Years with Eaton Vance

David Lee

Telecom, Broadcast/Cable TV, Theme Parks, Health Care
2 Year of Ind. Experience
2 Year with Eaton Vance

Anish Guha

Oil & Gas, Chemicals/Plastics, Building Products
1 Year of Ind. Experience
1 Year with Eaton Vance

Erik Manditch

Leisure Goods / Activities / Movies, Food Service
1 Year of Ind. Experience
1 Year with Eaton Vance

Ellen Green

<1 Year of Ind. Experience
<1 Year with Eaton Vance

Alice Obas

<1 Year of Ind. Experience
<1 Year with Eaton Vance

STRUCTURED PRODUCTS

Michael Kinahan, CFA

32 Years of Ind. Experience
21 Years with Eaton Vance

John Brodbine

18 Years of Ind. Experience
14 Years with Eaton Vance

Edward Greenaway, CFA

13 Years of Ind. Experience
11 Years with Eaton Vance

Maria van Heeckeren

4 Years of Ind. Experience
4 Years with Eaton Vance

Stephen Monrad

<1 Year of Ind. Experience
<1 Year with Eaton Vance

TRADING & OPERATIONS

Jake Lemle, CFA

11 Years of Ind. Experience
11 Years with Eaton Vance

Kathryn Thompson

7 Years of Ind. Experience
<1 Year with Eaton Vance

Elizabeth McDonough

5 Years of Ind. Experience
5 Years with Eaton Vance

Michael Botthof

29 Years of Ind. Experience
22 Years with Eaton Vance

Additional Staff:

7 operations/compliance professionals

CREDIT ADVISORY

David Aloise

43 Years of Ind. Experience
18 Years with Eaton Vance

Patrick Daniello

32 Years of Ind. Experience
1 Year with Eaton Vance

PRODUCT & PORTFOLIO STRATEGY

Christopher Remington

18 Years of Ind. Experience
11 Years with Eaton Vance

Robert Holmes, CFA

7 Years of Ind. Experience
7 Years with Eaton Vance



Additional Information



Additional information

Important information and disclosure

ABOUT RISK:

Floating-Rate Loans: An imbalance in supply and demand in the income market may result in valuation uncertainties and greater volatility, less liquidity, widening credit spreads and a lack of price transparency in the market. There can be no assurance that the liquidation of collateral securing an investment will satisfy the issuer's obligation in the event of nonpayment or that collateral can be readily liquidated. The ability to realize the benefits of any collateral may be delayed or limited. Investments in income securities may be affected by changes in the creditworthiness of the issuer and are subject to the risk of non-payment of principal and interest. The value of income securities also may decline because of real or perceived concerns about the issuer's ability to make principal and interest payments. Borrowing to increase investments (leverage) will exaggerate the effect of any increase or decrease in the value of investments. Investments rated below investment grade (typically referred to as "junk") are generally subject to greater price volatility and illiquidity than higher rated investments. As interest rates rise, the value of certain income investments is likely to decline. Bank loans are subject to prepayment risk. Investments in foreign instruments or currencies can involve greater risk and volatility than U.S. investments because of adverse market, economic, political, regulatory, geopolitical or other conditions. Changes in the value of investments entered for hedging purposes may not match those of the position being hedged.

Duration – Securities with longer durations tend to be more sensitive to interest rate changes than securities with shorter durations. **Equity** – Equity investment values are sensitive to stock market volatility. **Gov't Agency** – While certain U.S. Government-sponsored agencies may be chartered or sponsored by acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. **Maturity** – Longer-term bonds typically are more sensitive to interest rate changes than shorter-term bonds. **Prepayment** – **MBS** – Mortgage-backed securities are subject to prepayment risk. **Smaller Companies** – Smaller companies are generally subject to greater price fluctuations, limited liquidity, higher transaction costs and higher investment risk than larger, established companies.

INDEX DEFINITIONS:

Bloomberg Barclays Global Aggregate Ex-USD Index is a broad-based measure of global investment grade fixed-rate debt investments, excluding USD-denominated debt.

Bloomberg Barclays Municipal Bond Index is an unmanaged index of municipal bonds traded in the U.S.

Bloomberg Barclays U.S. Agency Index measures agency securities issued by U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Barclays U.S. Aggregate Index is an unmanaged index of domestic investment-grade bonds, including corporate, government and mortgage-backed securities.

Bloomberg Barclays U.S. Corporate Index is an unmanaged index that measures the performance of investment-grade corporate securities within the Bloomberg Barclays U.S. Aggregate Index.

Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index measures agency mortgage-backed pass-through securities issued by GNMA, FNMA, and FHLMC.

Bloomberg Barclays U.S. Treasury Index measures public debt instruments issued by the U.S. Treasury.

Credit Suisse Institutional Leveraged Loan Index is an unmanaged index of the institutional leveraged loan market.

JPMorgan Emerging Markets Bond Index Plus (EMBI+) is a market-cap weighted index that measures USD-denominated Brady Bonds, Eurobonds, and traded loans issued by sovereigns.

Standard & Poor's 500 Index is an unmanaged index of large-cap stocks commonly used as a measure of U.S. stock market performance.

S&P/LSTA Leveraged Loan Index is an unmanaged index of the institutional leveraged loan market.



Additional information

Important information and disclosure

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