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Primary leveraged yields are almost flat in 4Q17

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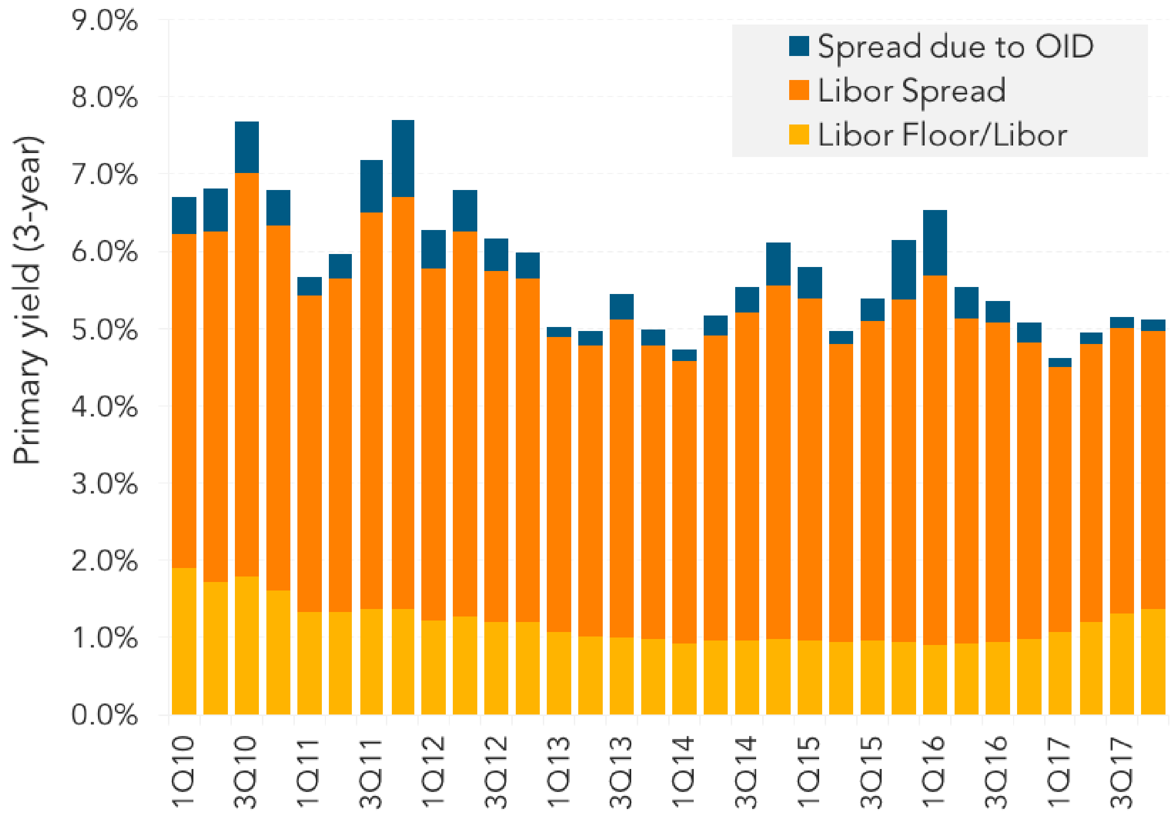

Average primary yields on first-lien institutional term loans have been relatively flat so far in 4Q17. At 5.11%, the average yield assuming a three-year term to repayment on first-lien institutional term loans is just 5bp below 3Q17 levels. However, when looking at the components, yields have been partly held up by the increase in the 3-month Libor, which is currently at 1.41%. The Libor component on primary yields is 1.37% so far this quarter, up from 1.31% in 3Q17. Last year, the Libor component on primary yields was a much lower 0.98% on average. Spreads have actually tightened slightly. The average Libor spread is 360bp so far this quarter, down 9bp from 369bp in 3Q17 and 25bp below 4Q16. Investor appetite remains strong and issuers continue to pursue repricings. But there has also been an increase in the number of new money deals hitting the market. One third of the term loans priced this quarter back M&A activity. In a few instances investors are holding their ground and are demanding more for riskier credits. Auto supplies maker Chassix made a string of investor friendly changes, including a bump up in pricing, to its dividend deal after facing investor pushback.

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