

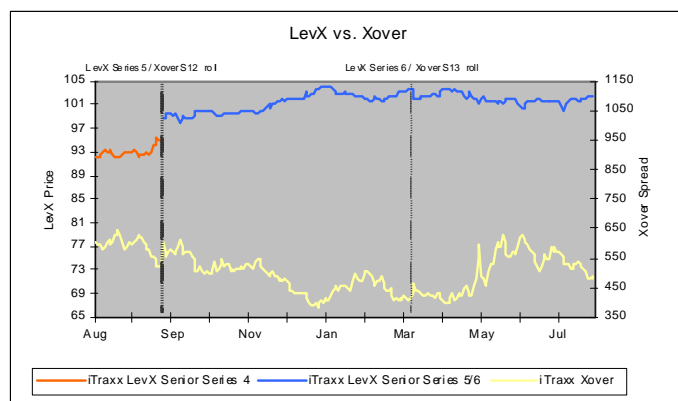
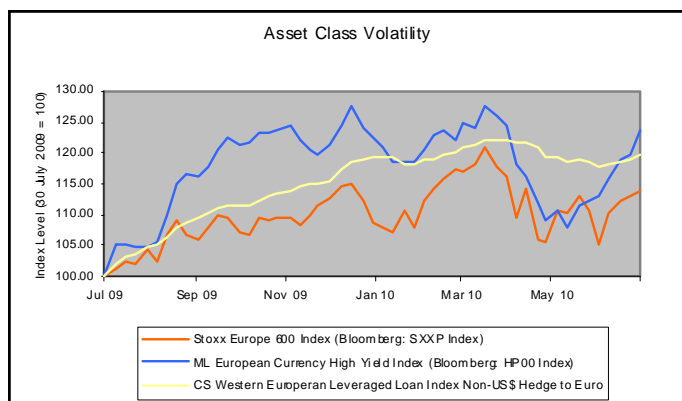
# EUROPEAN LOAN MARKET

## MONTHLY REVIEW

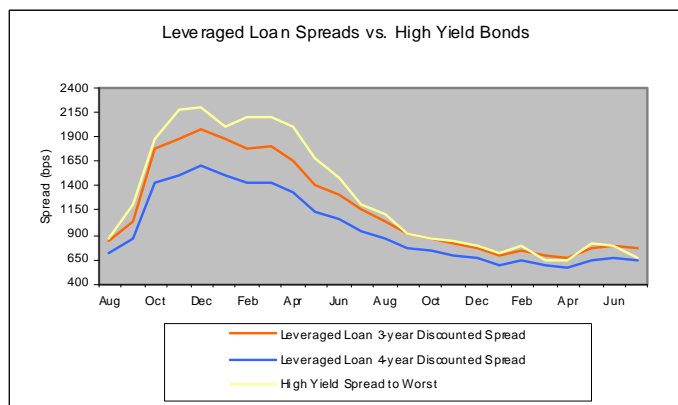
Secondary loan prices rose during the month (CS Index +1.38%) following the completion of the €1.5bn portfolio sale mentioned in the June report, aided by positive macroeconomic data and a strong start to the Q2 earnings season. The loan market lagged equities (+6.56%) and high yield (+4.62%) due to the supply-side imbalance caused by the portfolio sale through the early part of the month. The new issue market has continued to be more active. Seven issuers priced a total of €2.8bn senior secured bonds during the month. Yields ranged from 8.75% for former investment grade business Continental AG to 9.75% for first time issuers such as nursing homes operator Care UK. The primary loan pipeline is also building with several deals expected to price in September when the market reopens. These include a €700m loan issue for the hygiene products manufacturer Ontex. This deal is somewhat of a landmark issue for the European market as the first solely European deal this year to carry a libor floor, a common feature in the US loan market. Pricing is yet to be confirmed but is expected to be L+500bp with a 1.75% libor floor with a 1.5-1.0 point day one discount. In the current low base rate environment a 1.75% libor floor is worth approximately an additional 100bp cash margin and is a feature that we are pushing strongly for in all new deals.

Credit Suisse Western European Leveraged Loan Index, Non US\$, Hedged to €

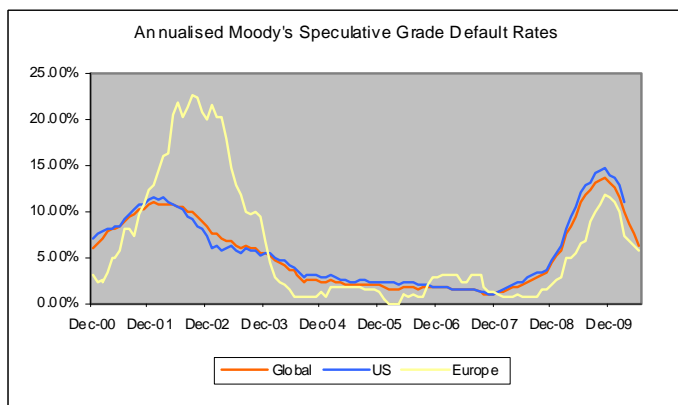
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1 month total return	4.19%	4.06%	1.81%	1.78%	1.82%	3.25%	-0.93%	2.06%	1.38%	-2.41%	-1.15%	1.38%
LTM total return	-1.86%	6.75%	31.90%	39.97%	48.53%	50.59%	46.00%	50.09%	43.96%	29.26%	23.60%	18.41%
3y ann. total return	-0.98%	0.22%	0.63%	1.05%	1.47%	2.34%	1.86%	2.33%	2.62%	1.60%	1.09%	2.16%



Data: Markt Partners - www.markit.com



Data: Credit Suisse Western European Leveraged Loan Index, Non US\$, Hedged to €  
Data: Merrill Lynch European Currency High Yield Index (Bloomberg: HP00 Index)



Data: Moody's Investor Services - www.moody.com

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