SYMPHONY
FLOATING RATE SENIOR LOAN FUND

BROMPTON FUNDS

SUB-ADVISOR COMMENTARY - JUNE 30, 2017

The Credit Suisse Leveraged Loan Index and the S&P/LSTA U.S. Leveraged Loan 100 Index returned -0.06% and -0.22%, respectively, for the month of June.

According to J.P. Morgan, loan yields ended the month slightly higher at 6.02% and spreads widened slightly to L+430bps. There were two companies in the J.P. Morgan Leveraged Loan Index with loans outstanding that defaulted in June. The trailing twelve month par-weighted default rate decreased in June to 1.42% and remains below the 3.3% long-term average. In terms of demand, loan mutual funds reported a modest inflow, with an estimated $153 million entering the asset class. CLO issuance was significantly higher than the prior month with $15.0 billion priced. From a supply standpoint, gross new issuance volumes increased month over month with $87.0 billion pricing in June with the majority of proceeds going toward repricing and acquisition related activities.

The senior loan market, as measured by the Credit Suisse Leveraged Loan Index, finished June slightly negative despite rallying through month end and remains positive year-to-date at 1.96%. Loans benefited broadly as 3-month Libor rose to 1.30% providing upward coupon adjustment as short-term interest rates continue to rise. The majority of industries finished the month positive, with the largest detractors to performance coming from the Energy and Retail sectors, as oil remained volatile and retail sales continue to disappoint.

Within telecommunications, exposure to the loan of a media services company (Cumulus) was positive as the company's loan also benefitted in part from speculation that it would soon be acquired. The loan of a healthcare company (Onex Carestream) benefitted as the company entered into an agreement to sell a portion of its business.

Conversely, a loan to an offshore driller (Fieldwood) traded down as oil prices fell within the month. The company was directly impacted as energy was the largest detractor for the month. The loan of a consumer staples company (Albertsons) also detracted from performance as investors speculated about earnings adjustments related to potential acquisition costs of a competitor.

The fundamental backdrop for the U.S. corporate credit market remains positive, supporting valuations and market technicals. We remain positive on the outlook for leveraged credit as defaults are expected to remain low ranging between 2.00% to 2.25%, and institutional and retail investor flows continue to be positive, while any increases to 3-month Libor should provide bank loan investors with higher income payments as loan coupons reset.

SYMPHONY
ASSET MANAGEMENT

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