

# S&P/LSTA Leveraged Loan Index

## August 2008 Review

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Loan returns improved in August, though they remained in the red. The S&P/LSTA Index posted a negative 0.13% return during the month, compared to a six-month low of negative 0.76% in July.

This brings loan returns for the first eight months of 2008 to negative 1.97%, down from a 0.2% return during the same period in 2007. With four months to go, the loan market's unbroken streak of positive-return years – from the commencement of the S&P/LSTA Index in 1997, through 2007 – is in peril.

Come December, it may be a photo finish. Here's why. Each month, the S&P/LSTA Index produces roughly 50 bps of interest. This will provide some 2% of incremental return by year-end. That means that prices can sink no more than 0.20% from current levels if the market is to stay in the black. If prices decline more than that, returns inevitably will be negative for the full year.

Few expect a big move in prices in the months ahead. Today's high spreads are cushioning any more declines. At an average Index spread of L+639, a great deal of default risk already is incorporated into today's spreads (about 12% by our calculations; see the Sept. 4 *LoanStats* for details). As well, the calendar of new loans remains light. But anemic supply remains deadlocked with weak demand.

The CLO market remains in ruins, of course, with year-to-date issuance off 82%, at just \$12.2 billion. And retail investors continue to lack conviction. Between June and August, AMG reports that mom-and-pop investors withdrew \$49 million on net from the daily-access funds. Repayments, meanwhile, continue to languish, with an average monthly total this year of \$4.8 billion, or 1% of outstandings, down from \$12.4 billion, or 3%, in 2007. Fundraising from traditional institutional accounts like pension funds has picked up in recent months. The amounts involved, however, remain limited, at perhaps \$5-10 billion overall, managers estimate. Clearly, this is not enough to move the needle, what with \$591 billion of institutional loans outstanding.

Where that leaves things is clear. New-style, '08-model deals continue to be the darling of the loan market, loaded as they are with investor-friendly spreads and structure. But as for the great pool of pre-2008 loans trading, which comprises nearly all of the S&P/LSTA Index, accounts expect prices to continue to move in a tight trading range in the months ahead. This relative calm will, accounts say, be punctuated by stark individual movements – mostly to the downside – based on earnings reports and credit events. Too many of these and the market could find itself posting a negative return this year, for the first time.

#### **Bear-market rules**

With the market still trending lower in August, accounts continued to embrace higher-quality paper. For this reason, BB loan returns beat single-B returns, at positive 0.04% to negative 0.30%. First-lien loans, likewise, outperformed second-lien paper, at negative 0.10% to negative 0.70%. And first-lien loans with maintenance tests outpaced covenant-lite paper, at negative 0.08% to negative 0.24%.

The August returns reinforce the broader 2008 theme. For the first eight months of the year, (1) BB loans are ahead of single-B loans, at negative 0.33% to negative 3.08%, (2) first-lien loans have beaten second-lien loans, at negative 1.57% to negative 8.59% and (3) covenant-heavy loans have outperformed covenant-lite, at negative 1.45% to negative 2.13%.

**Calmer waters**

After an eventful first five months of 2008, the loan market cooled in the summer. From June through August, S&P/LSTA Index returns ranged 1.01 percentage points (negative 0.76% to positive 0.25%), down from 1.70 during the three months ended July and from 3.45 during the three months ended June.

August's reading, in fact, is the tightest three-month return band since prior to the correction. Between last July and May, this metric has averaged 3.68 percentage points. Many accounts believe that the tamped-down volatility of recent months signals that the extremes of the liquidity crisis have passed, for all the obvious reasons: (1) the calendar has deflated to \$45 billion, from a peak of \$237 billion last July, (2) the structured-finance market has no place left to go but up (though it's certainly taking its time doing so) and (3) the wave of TRS unwinds that roiled the market in early 2008 is in the past.

For all these reasons, in recent months loans have been much steadier performers than high-yield and equities. Indeed, the 1.01-percentage-point return range for loans of the past three months is well within high-yield, at three percentage points, and the S&P 500, at 11.06. During the first five months of the year the field was much tighter, with loan returns ranging 6.93 percentage points, compared to 5.23 for high-yield and 11.38 for the S&P 500.

Clearly, loans are unlikely to return to the placid days from 1997 through mid-2007, when return volatility was just a quarter of high-yield and an eighth of equities. But with most of the technical extremes now apparently over for loan investors, the inherent structuring features of this paper – which largely remains senior secured and floating-rate – will keep loans from experiencing the same level of turbulence generally seen in high-yield and equities.

That's the theory, at least.

**Loans versus other asset classes**

The loan market was slower to react to declining oil prices in August than other asset classes. As a result, loans lagged the four other indexes that we track in this report each month. In August, loans were off 0.13%, compared to positive 0.32% for the Merrill Lynch Master High Yield index, positive 1.77 for 10-year Treasuries, positive 2.63 for the S&P 500 and positive 0.70 for the Merrill Lynch investment-grade bond index.

In the year through August, meanwhile, loans are running in the middle of the pack, at negative 1.97%. Loans are outperforming high-yield (negative 2.55%) and the S&P 500 (negative 11%), but lag 10-year Treasuries (positive 4.15%) and investment-grade bonds (negative 0.98%).

On a risk-adjusted-return basis, meanwhile, loans continue to find their level after a decade of brilliant outperformance. The credit correction, in fact, has lowered the Sharpe ratio of loans from 0.94 between January 1997 and June 2007 to 0.36 as of August. In doing so, loans are now in league with the other four asset classes LCD follows. During that same period high-yield has generated a 0.31 Sharpe ratio; 10-year Treasuries, 0.38; S&P 500, 0.27; and investment-grade bonds, 0.55.

**Big movers**

The market continues to be weighted toward decliners, which outnumbered advancers in August. Thirteen loans reduced overall returns by one basis point or more, and five added one basis point or more. For the second month in a row, **Idearc** was the biggest detractor, at five basis points, followed by **Delphi** (three basis points), and **Open Solutions**, **Tribune** and **New World Gaming** (two basis points each). On the other side of the ledger, the biggest gainers include three airline companies, as lower oil prices have eased pressure in that sector. The biggest gainers: **Delta Airlines**, **John Maneely** and **Alltel** (two basis points each), along with **US Airways** and **Northwest Airlines** (one basis point each).

In the year to date, detractors continue to swamp advancers, at 107 to 39. The names on the negative side of the ledger include **Idearc** (25 bps), **Ford** (14 bps), **Tribune** (11 bps) and **Univision** and **MGM** (nine basis points each). Loans adding one basis point or more include **Alltel** (16 bps), along with **Georgia-Pacific** and **Cablevision** (four basis points), and **HCA** and **John Maneely** (three basis points each).

**Segments**

**Performing loans.** Performing loans underperformed the overall market in August, at negative 0.15% to negative 0.13%. However, performing loans edged the broader Index in the year to date, at negative 1.80% to negative 1.97%.

**BBs.** BB loans outperformed the overall market, returning 0.04%. Similarly, for the first eight months of the year BBs continue to outperform, at negative 0.33% to negative 1.97%.

**Single-Bs.** As accounts continue to embrace quality paper, single-B loans underperformed the broader market, returning negative 0.30% in August. This segment is 111 bps behind the broader market in the year to date, with a return of negative 3.08%.

**Second-lien.** As with single-B paper, the push for quality has battered second-lien loans, which returned negative 0.70% in August, underperforming the overall market by 57 bps. Second-liens lost 8.59% during the first eight months of 2008, more than four times the loss in the broader Index.

**First-lien.** First-lien loan returns barely beat the broader Index in August, at negative 0.10%. Through August, these loans have bested the broader market, at negative 1.57% to negative 1.97%.

**Middle-market.** Issuers with EBITDA of \$50 million or less continue to be the stand-out performers in August, posting a 0.47% return, compared to negative 0.13% return of the broader market. However, performance of these loans in the year to date stands at negative 2.33%, well below the overall performance of negative 1.97%.

**Large-corporate.** Large-corporate loans (those to issuers with EBITDA greater than \$50 million) just barely underperformed the overall Index, at negative 0.15%. Through the first eight months of the year, large-corporate loans were in line with the broader market, at negative 1.95% to negative 1.97%.

**Covenant-lite.** First-lien, incurrence-test-only loans posted a negative 0.24% return in August. In the year to date, this segment has underperformed the broader Index, at negative 2.13%.

## S&P/LSTA Leveraged Loan Index August 2008 Review

### Table of Contents

- Inclusion Criteria, p.10
- Overview, p.11
- S&P/LSTA Leveraged Loan Index - General Characteristics, p.12 – 19
  - General Characteristics of the S&P/LSTA Leveraged Loan Index, 1998 - Aug-08, p. 13
  - General Characteristics of the S&P/LSTA BB Rated Index, 1998 – Aug-08, p. 14
  - General Characteristics of the S&P/LSTA Single B Rated Index, 1998 –Aug-08, p. 15
  - General Characteristics of the S&P/LSTA Performing Loan Index, 1998 – Aug-08, p. 16
  - Par Amount of S&P/LSTA Index Loans by Facility Rating, as of Aug-08, p. 17
  - Par Amount of S&P/LSTA Index Loans by Corporate Rating, as of Aug-08, p. 18
  - Par Amount of S&P/LSTA Index Loans by Industry, as of Aug-08, p. 19
- S&P/LSTA Leveraged Loan Index - Results, p. 20 - 41
  - S&P/LSTA Index: Composite of Annual Results, 1997 – Aug-08, p. 21
  - S&P/LSTA Index: Total Index vs Market Value Index Returns, 1997 –Aug-08, p. 22
  - S&P/LSTA Index: Total Returns for All Loans by Year, 1997 - Aug-08, p. 23
  - S&P/LSTA Index: Returns over LIBOR 1997 –Aug-08, p. 24 - 27
  - S&P/LSTA Index: Total Returns for All Loans vs Performing Loans by Year, 1997 – Aug-08, p. 28
  - S&P/LSTA Index: Total Returns for Current BB and Single B Rating by Year, 1997 – Aug-08, p. 29
  - S&P/LSTA Index: Total Returns for All Loans by Quarter, 1Q01 – 3ME Aug-08, p. 30
  - S&P/LSTA Index: Annual Returns versus other asset classes, Jan-97 to Aug-08, p. 31
  - S&P/LSTA Index: Monthly Returns versus other asset classes, Feb-03 to Aug-08, p. 32
  - S&P/LSTA Index Levels 1997 – Aug-08, p. 33
  - S&P/LSTA Index Levels - Market Value Only (excludes interest) 1997 –Aug-08, p. 34
  - S&P/LSTA Index Volatility of Returns - Average 12-month lagging standard deviation, Dec-97 to Aug-08, p. 35

## S&P/LSTA Leveraged Loan Index August 2008 Review

### Table of Contents

- S&P/LSTA Leveraged Loan Index - Results (continued) , p. 20-41
  - S&P/LSTA Index: All Loans - Lagging 12-months total Returns, Dec-98 – Aug-08, p.36
  - S&P/LSTA Index: Performing Loans - Lagging 12-months total Returns, Dec-98 – Aug-08, p.37
  - S&P/LSTA Index: All Loans – Average Bid price, Jan-97 – Aug-08, p.38
  - S&P/LSTA Index: BB Loans – Average Bid price, Jan-97 – Aug-08, p. 39
  - S&P/LSTA Index: B Loans – Average Bid price, Jan-97 – Aug-08, p. 40
  - S&P/LSTA Index: Performing Loans – Average Bid price, Jan-97 – Aug-08, p.41
- S&P/LSTA Leveraged Loan Index - Risk/Return Profile, p. 42 - 52
  - Average Annualized Monthly Return of S&P/LSTA Index Overall and by Rating, p. 43
  - Standard Deviation of Monthly Return of S&P/LSTA Index Overall and by Rating, p. 44
  - Sharpe Ratio of S&P/LSTA Index Overall and by Rating, p. 45
  - Average Annualized Monthly Return of S&P/LSTA Index versus Other Asset Classes, p. 46
  - Standard Deviation of Monthly Return of S&P/LSTA Index versus Other Asset Classes, p. 47
  - Sharpe Ratio of S&P/LSTA Index versus Other Asset Classes, p. 48
  - S&P/LSTA Index Volatility of Returns vs Other Asset Classes - Average 12-Month Lagging Standard Deviation, p. 49
  - Annual Standard Deviation of Monthly Returns, p.50
  - Worst Five Months for S&P/LSTA Index Loans vs Other Asset Classes, p. 51
  - Correlation of the S&P/LSTA Leveraged Loan Index with Other Asset Classes, p. 52
- S&P/LSTA Second-Lien Index p. 53 - 66
  - Par Amount Outstanding of Second-Lien Loans Aug-08. P. 54
  - Second-Lien Outstandings as a Percent of All Leveraged Loans Aug-08. P. 55
  - Second Lien Outstandings by Industry Aug-08. P. 56
  - S&P/LSTA Index Returns Breakdown All Loans, First-Lien, and Second-Lien Loans Aug-08. P. 57
  - S&P/LSTA Index Returns Breakdown B-Rated Loans, B-Rated First-Lien, and B-Rated Second-Lien Loans Aug-08 p. 58
  - S&P/LSTA Index Returns All Loans, First Lien, and Second Lien Loans YTD Returns Aug-08. p. 59
  - S&P/LSTA Index Returns Breakdown B-Rated Loans, B-Rated First-Lien, and B-Rated Second-Lien Loans YTD Returns Aug-08 p. 60

# S&P/LSTA Leveraged Loan Index August 2008 Review

## Table of Contents

- Avg Bid of First and Second Lien Aug-08 p. 61
- Avg Nominal Spread of First and Second Lien Loans Aug-08 p. 62
- Avg Discounted Spread of First and Second Lien Loans Aug-08 . P. 63
- Avg Bid of B-Rated Loans Aug-08 p. 64
- Avg Nominal Spread of B-Rated First and Second-Lien Loans Aug-08 p. 65
- Avg Discounted Spread of B-Rated First and Second-Lien Loans Aug-08 . p. 66
- S&P/LSTA Middle-Market Index p. 67-81
  - Par Amount Outstandings of Middle-Market Leveraged Loans p.68
  - Middle-Market Outstandings as a Percent of All Leveraged Loans p. 69
  - Average Bid of Leveraged Loans p. 70
  - Average Nominal Spread of Leveraged Loans p. 71
  - Average Discounted Spread of Leveraged Loans p. 72
  - Average Bid of Single B Leveraged Loans p. 73
  - Average Nominal Spread of Single B Leveraged Loans p. 74
  - Average Discounted Spread of Single B Leveraged Loans p. 75
  - Middle-Market Outstandings by Industry Aug-08 p. 76
  - Middle-Market Outstandings by Rating Aug-08 p. 77
  - S&P/LSTA Index Returns-Annual Aug-08 . p. 78
  - S&P/LSTA Index Returns: Middle-Market Quarterly Aug-08 p. 79
  - S&P/LSTA Index Returns: Quarterly Aug-08 p. 80
  - S&P/LSTA Index Returns: Middle Market Monthly p. 81
- S&P/LSTA Covenant-Lite Index p. 82-90
  - Par Amount Outstandings of Covenant-Lite Leveraged Loans p. 83
  - Covenant-Lite Outstandings as a Percent of All Leveraged Loans p. 84
  - Average Bid of Leveraged Loans p. 85
  - Average Nominal Spread of Covenant-Lite Leveraged Loans p. 86
  - Average Discounted Spread of Covenant-Lite Leveraged Loans p. 87
  - Covenant-Lite Outstandings by Industry Aug-08 p. 88

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7



# S&P/LSTA Leveraged Loan Index August 2008 Review

## Table of Contents

- S&P/LSTA Covenant-Lite Returns Quarterly Aug-08 p. 89
- S&P/LSTA Covenant-Lite Returns Monthly Aug-08 p. 90
- S&P/LSTA Leveraged Loan Index - Default and Distress Statistics, p. 91– 97
  - Distribution by Bid Price of the S&P/LSTA Leveraged Loan Index, Aug-08 , p. 92
  - Distribution by Bid Price of the S&P/LSTA Leveraged Loan Index (Excluding Defaulted Issuers), Aug-08 , p. 93
  - Structure by Bid Price of the S&P/LSTA Leveraged Loan Index, Aug-08, p. 94
  - Structure by Bid Price of the S&P/LSTA Leveraged Loan Index (Excluding Defaulted Issuers), Aug-08, p. 95
  - S&P/LSTA Leveraged Loan Index Weighted Average Rating, Aug-08, p. 96
  - S&P/LSTA Leveraged Loan Index Percent of Loans Rated B or Lower, Aug-08, p. 97
- S&P/LSTA Leveraged Loan Index - Repayment Analysis, p. 98 - 104
  - S&P/LSTA Leveraged Loan Index Repayment Rates - by Year, 1997 – Aug-08, p. 99
  - S&P/LSTA Leveraged Loan Index Repayment Amounts - by Year, 1997 – Aug-08, p. 100
  - S&P/LSTA Leveraged Loan Index Repayment Rates - by Quarter, 1Q97 – 3ME Aug-08, p. 101
  - S&P/LSTA Leveraged Loan Index Repayment Amounts - by Quarter, 1Q97 – 3ME Aug-08, p. 102
  - S&P/LSTA Leveraged Loan Index Repayment Rates - by Month, Jan-01 – Aug-08, p. 103
  - S&P/LSTA Leveraged Loan Index Repayment Amounts - by Month, Jan-01 –Aug-08, p. 104
- S&P/LSTA Leveraged Loan Index – Duration and Maturity, p. 105 – 115
  - Outstanding of Performng Loans by Year of Origination, Aug-08, p. 106
  - Weighted Average Age of Outstanding Institutional Loans: Performing Loans, 1998 – Aug-08, p.107
  - Weighted Average Age of Outstanding Institutional Loans: BB Rated Loans, 1998 – Aug-08, p.108
  - Weighted Average Age of Outstanding Institutional Loans: B Rated Loans, 1998 – Aug-08, p.109
  - Percent of Institutional Outstandings Older than Two Years: Performing Loans, 1998 – Aug-08, p.110
  - Percent of Institutional Outstandings Older than Two Years: BB Rated Loans, 1998 – Aug-08, p.111
  - Percent of Institutional Outstandings Older than Two Years: B Rated Loans, 1998 – Aug-08, p.112
  - Distribution by Year of Maturity: All Loans, Aug-08, p. 113
  - Distribution by Year of Maturity: First-Lien Loans, Aug-08, p. 114
  - Distribution by Year of Maturity: Second-Lien Loans, Aug-08, p. 115



## S&P/LSTA Leveraged Loan Index August 2008 Review Table of Contents

- S&P/LSTA Leveraged Loan Index - Returns by Industry, p. 116 - 123
  - Average Annualized Monthly Return of S&P/LSTA Index by Industry, p. 117
  - Standard Deviation of Monthly Returns of S&P/LSTA Index by Industry, p. 118
  - Sharpe Ratio S&P/LSTA Index by Industry, p. 119
  - S&P/LSTA Index: Composite of Annual Returns by Industry, p. 120
  - S&P/LSTA Index: Composite of Annual Returns by Industry for Performing Loans p. 121
  - S&P/LSTA Index: Industry Returns - All Loans vs. Performing Loans, Aug-08 p. 122
  - S&P/LSTA Index: Industry Returns – All Loans vs. Performing Loans YTD Aug-08 p. 123

# S&P/LSTA Leveraged Loan Index

## Inclusion Criteria

- **Characteristics**
  - **Facility types** Syndicated term loan instruments  
Term loans (both amortizing and institutional), acquisition loans (after they are drawn down) and bridge loans
  - **Security** Secured
  - **Seniority** Senior
  - **Currency** U.S. dollar denominated
- **Minimum Term** One year at inception
- **Minimum Spread** L+125, initially
- **Minimum Size** \$50M initially funded loans
- **Valuation source** Single bid from the LSTA/LPC mark-to-market pricing for those facilities with 1 bid.
- **When loans are retired** When there is no bid posted on the facility for at least 12 successive weeks or when the loan is paid out or paid down to a negligible amount; defaulted loans will remain in the Index through repayment
- **Calculation Frequency** Daily; monthly prior to Jan. 1, 1999 and weekly prior to Mar. 31, 2007
- **Rebalance Frequency** Weekly (eventually this will be moved to daily for the "tradable" Index); monthly prior to Jan. 1, 1999
- **Interest** Accrued by the system on a daily basis; compounded quarterly

# S&P/LSTA Leveraged Loan Index

## Overview

### Data Sources

- LSTA/LPC mark-to-market pricing
- LCD loan facility data
- S&P ratings and shadow ratings
- Actual payment data from institutional investor “partners” including:
  - LIBOR tranches
  - Repayment/prepayment info
- Actual payment data from institutional investor “partners” including:
  - Defaults
  - Recoveries

### Accrual & accounting system

- Wall Street Office
  - Robust accrual/back office engine from Financial Computer Software
  - In use by 130 buy-side players in the loan market

### Performance calculator

- Built by S&P Index Services group
- Lines up with S&P index methodology



# **S&P/LSTA Leveraged Loan Index**

## **General Characteristics**

# General Characteristics

## S&P/LSTA Leveraged Loan Index

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	LTM Aug-08	YTD Aug-08	Aug-08
<b>Number of Facilities</b>	283	438	451	462	455	563	676	786	973	1131	1131	1131	1131
<b>Par Amount Outstanding</b>	\$54.52B	\$90.19B	\$100.50B	\$104.26B	\$112.18B	\$134.84B	\$190.85B	\$246.14B	\$397.60B	\$554.37B	\$589.28B	\$589.28B	\$589.28B
<b>Average Bid</b>	96.58	93.93	90.66	89.04	89.15	96.48	100.30	100.22	99.95	94.39	88.37	88.37	88.37
<b>Average Market Value</b>	\$52.65B	\$84.72B	\$91.12B	\$92.83B	\$100.01B	\$130.09B	\$191.42B	\$246.67B	\$397.40B	\$523.30B	\$520.77B	\$520.77B	\$520.77B
<b>Index Return</b>	5.25%	3.65%	4.99%	4.18%	1.91%	9.97%	5.17%	5.08%	6.77%	2.02%	-0.19%	-1.97%	-0.13%

S&P/LSTA leveraged loan index. This index comprises all loans that fit the inclusion criteria and that have marks from the LSTA/LPC mark-to-market service.

# General Characteristics

## BB Rated Loan Index

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	LTM Aug-08	YTD Aug-08	Aug-08
<b>Number of Facilities</b>	59	126	146	148	170	213	234	220	248	430	404	404	404
<b>Par Amount Outstanding</b>	\$11.94B	\$36.62B	\$43.57B	\$43.96B	\$51.00B	\$64.64B	\$83.19B	\$90.05B	\$150.22B	\$277.15B	\$281.84B	\$281.84B	\$281.84B
<b>Average Bid</b>	98.09	96.75	97.33	97.55	97.16	100.55	100.91	100.66	100.15	95.19	91.83	91.83	91.83
<b>Average Market Value</b>	\$11.71B	\$35.43B	\$42.41B	\$42.89B	\$49.55B	\$65.00B	\$83.95B	\$90.65B	\$150.45B	\$263.83B	\$258.82B	\$258.82B	\$258.82B
<b>Index Return</b>	5.40%	5.11%	6.67%	3.54%	2.56%	6.87%	4.23%	4.69%	6.19%	2.36%	1.71%	-0.33%	0.04%

**BB Index.** A subset of the Index comprising only those loans rated BB (includes BB+ and BB-) by Standard & Poor's. If the rating changes the loan is moved out of (or into) the Index at whatever the last price is.

# General Characteristics

## Single B Rated Loan Index

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	LTM Aug-08	YTD Aug-08	Aug-08
<b>Number of Facilities</b>	115	163	152	162	130	156	254	318	427	332	344	344	344
<b>Par Amount Outstanding</b>	\$18.95B	\$22.91B	\$26.02B	\$28.26B	\$27.77B	\$37.43B	\$74.15B	\$100.06B	\$169.60B	\$167.81B	\$192.17B	\$192.17B	\$192.17B
<b>Average Bid</b>	96.13	95.07	91.72	90.71	90.80	99.44	100.92	100.46	100.28	93.64	85.86	85.86	85.86
<b>Average Market Value</b>	\$18.22B	\$21.78B	\$23.86B	\$25.64B	\$25.21B	\$37.22B	\$74.83B	\$100.52B	\$170.07B	\$157.13B	\$164.99B	\$164.99B	\$164.99B
<b>Index Return</b>	4.27%	-1.16%	3.01%	1.20%	3.91%	12.42%	5.63%	5.44%	7.40%	1.10%	-1.60%	-3.08%	-0.30%

B Index. A subset of the Index comprising only those loans rated B (includes B+ and B-) by Standard & Poor's. If the rating changes the loan is moved out of (or into) the Index at whatever the last price is.



# General Characteristics

## Performing Loan Index

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	LTM Aug-08	YTD Aug-08	Aug-08
<b>Number of Facilities</b>	280	421	395	399	389	513	650	758	947	1088	1049	1049	1049
<b>Par Amount Outstanding</b>	\$54.05B	\$84.78B	\$89.42B	\$88.97B	\$97.21B	\$120.63B	\$183.39B	\$234.85B	\$383.44B	\$529.12B	\$552.22B	\$552.22B	\$552.22B
<b>Average Bid</b>	96.84	96.23	94.55	93.31	93.31	99.20	100.69	100.47	100.12	94.38	88.62	88.62	88.62
<b>Average Market Value</b>	\$52.34B	\$81.58B	\$84.54B	\$83.01B	\$90.70B	\$119.66B	\$184.66B	\$235.95B	\$383.89B	\$499.38B	\$489.39B	\$489.39B	\$489.39B
<b>Index Return</b>	5.34%	3.58%	5.14%	3.34%	2.63%	9.78%	5.29%	5.28%	6.93%	1.99%	-0.01%	-1.80%	-0.15%

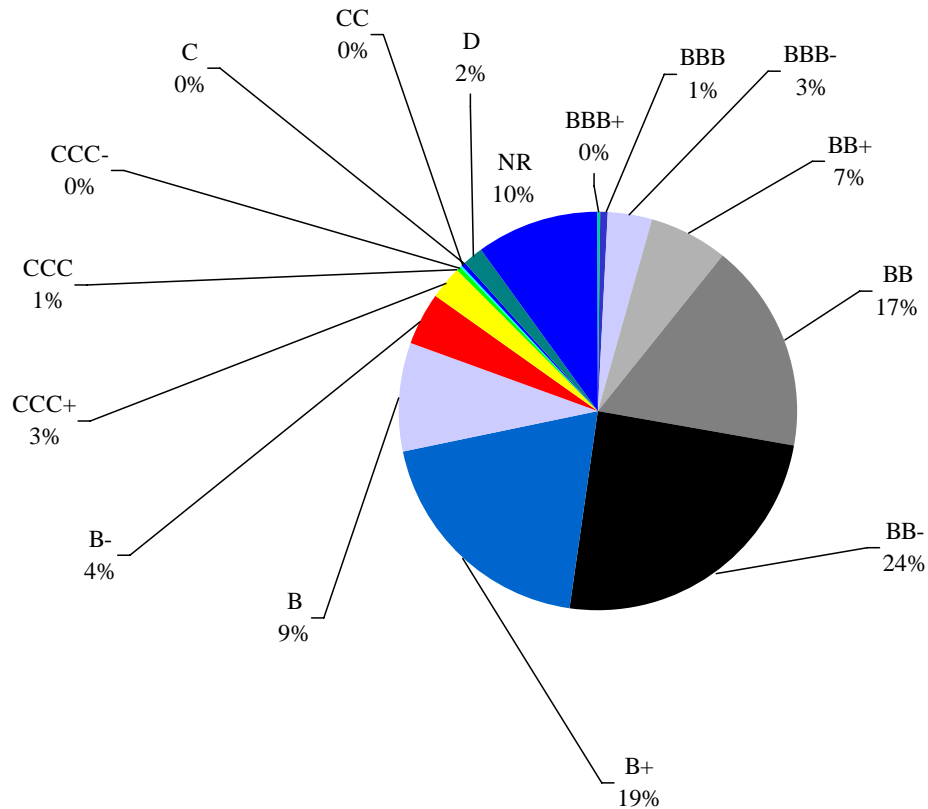
Performing loan index. A subset of the index that includes non-investment grade and non-rated loans and strips out defaulted issue at the price directly following the default.



# Par Amount of Outstanding Loans by Facility Rating

As of Aug-08

Comprises all loans in the Index tracked in the LSTA/LPC mark-to-market service



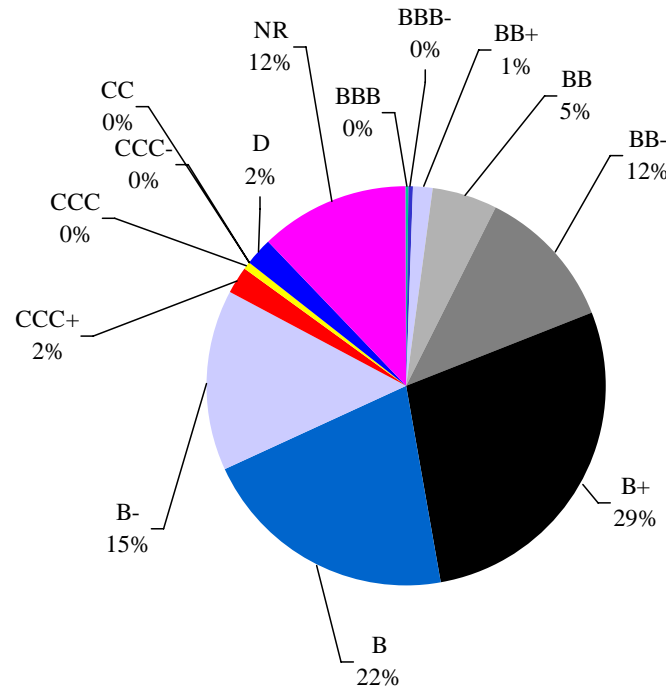
Total par amount: \$589.28 billion



# Par Amount of Outstanding Loans by Corporate Rating

As of Aug-08

Comprises all loans in the Index tracked in the LSTA/LPC mark-to-market service

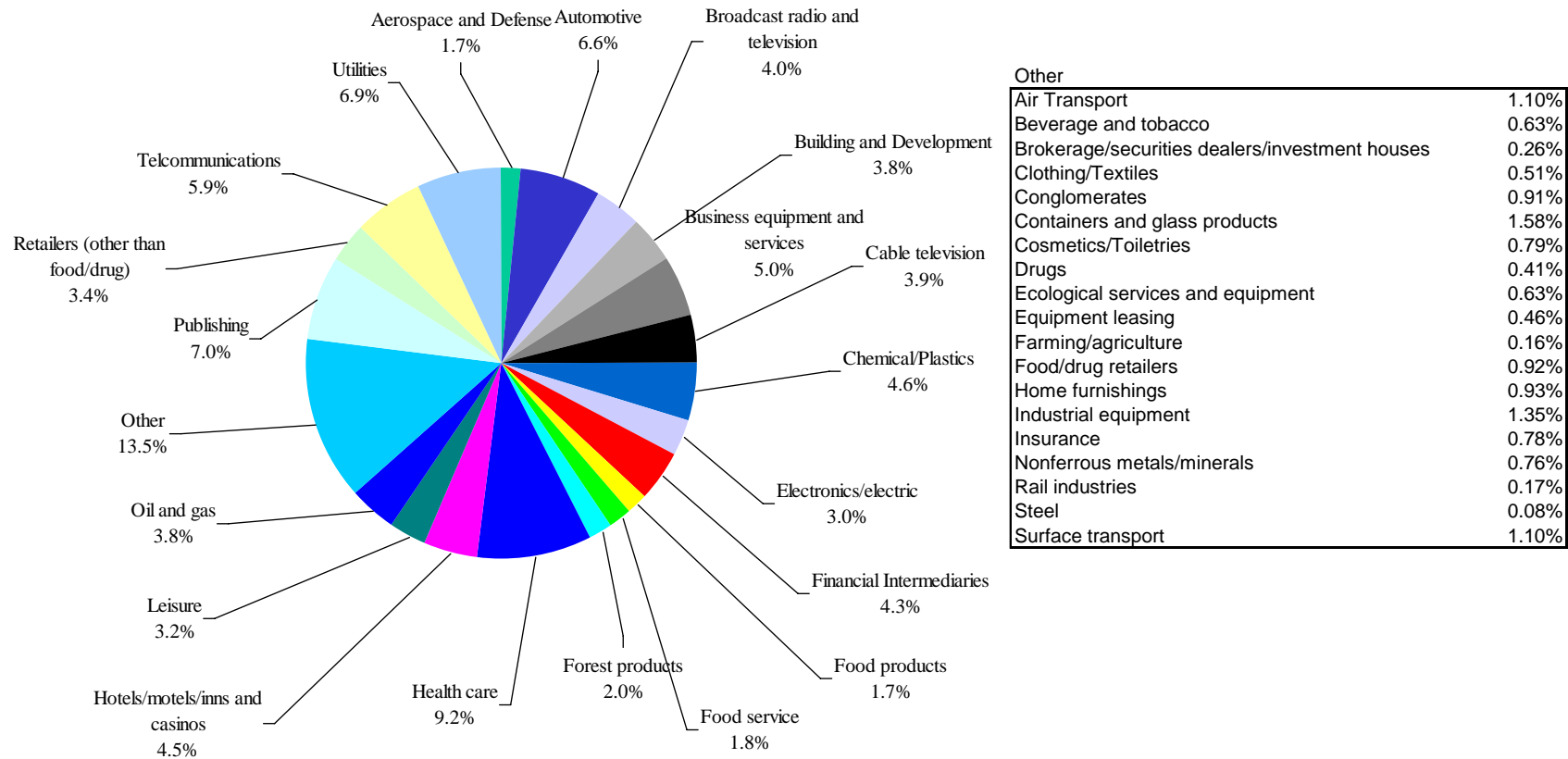


Total par amount: \$589.28 billion

# Par Amount of S&P/LSTA Index Loans by Industry

As of Aug-08

Comprises all loans in the Index tracked in the LSTA/LPC mark-to-market service



Total par amount: \$ 589.28 billion



# **S&P/LSTA Leveraged Loan Index**

## Results

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20

# S&P/LSTA Index: Composite of Annual Results

	1997			1998			1999			2000		
	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities
All Loans	7.59%	\$26.77B	173	5.25%	\$54.52B	283	3.65%	\$90.19B	438	4.99%	\$100.50B	451
BB Loans	7.95%	\$5.92B	30	5.40%	\$11.94B	59	5.11%	\$36.62B	126	6.67%	\$43.57B	146
B Loans	7.39%	\$9.86B	66	4.27%	\$18.95B	115	-1.16%	\$22.91B	163	3.01%	\$26.02B	152
Performing Loans	7.57%	\$26.27B	169	5.34%	\$54.05B	280	3.58%	\$84.78B	421	5.14%	\$89.42B	395

	2001			2002			2003			2004		
	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities
All Loans	4.18%	\$104.26B	462	1.91%	\$112.18B	455	9.97%	\$134.84B	563	5.17%	\$190.85B	676
BB Loans	3.54%	\$43.96B	148	2.56%	\$51.00B	170	6.87%	\$64.64B	213	4.23%	\$83.19B	234
B Loans	1.20%	\$28.26B	162	3.91%	\$27.77B	130	12.42%	\$37.43B	156	5.63%	\$74.15B	254
Performing Loans	3.34%	\$88.97B	399	2.63%	\$97.21B	389	9.78%	\$120.63B	513	5.29%	\$183.39B	650

	2005			2006			2007			Cumulative		
	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities	Returns	Par Amount	# of Facilities
All Loans	5.08%	\$246.14B	786	6.77%	\$397.60B	973	2.02%	\$554.37B	1131	70.97%	\$589.28B	1131
BB Loans	4.69%	\$90.05B	220	6.19%	\$150.22B	248	2.36%	\$277.15B	430	72.13%	\$281.84B	404
B Loans	5.44%	\$100.06B	318	7.40%	\$169.60B	427	1.10%	\$167.81B	332	58.96%	\$192.17B	344
Performing Loans	5.28%	\$234.85B	758	6.93%	\$383.44B	947	1.99%	\$529.12B	1088	71.73%	\$552.22B	1049



# S&P/LSTA Index: Total Index vs Market Value Index Returns

## by Year

### 1997 to Aug-08

**Total Index Returns**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Aug-08
<b>Total Index</b>	7.59%	5.25%	3.65%	4.99%	4.18%	1.91%	9.97%	5.17%	5.08%	6.77%	2.02%	-0.13%
<b>BB Index</b>	7.95%	5.40%	5.11%	6.67%	3.54%	2.56%	6.87%	4.23%	4.69%	6.19%	2.36%	0.04%
<b>B Index</b>	7.39%	4.27%	-1.16%	3.01%	1.20%	3.91%	12.42%	5.63%	5.44%	7.40%	1.10%	-0.30%
<b>Performing Loans Index</b>	7.57%	5.34%	3.58%	5.14%	3.34%	2.63%	9.78%	5.29%	5.28%	6.93%	1.99%	-0.15%

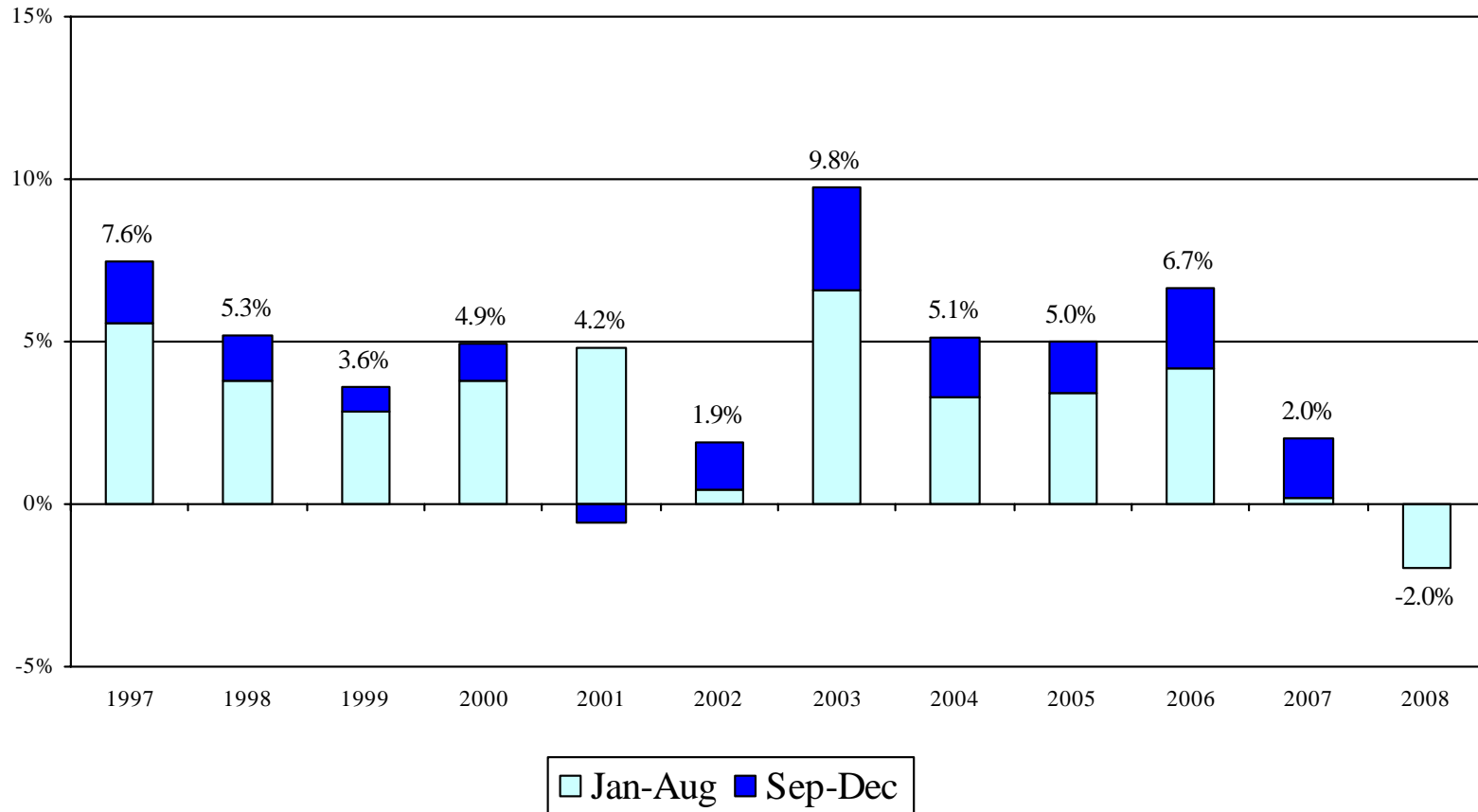
**Market Value Index Returns**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Aug-08
<b>Total Index</b>	-0.75%	-2.51%	-4.21%	-3.88%	-2.62%	-2.53%	5.56%	0.66%	-0.91%	-0.58%	-5.57%	-0.64%
<b>BB Index</b>	-0.11%	-2.09%	-2.71%	-2.38%	-3.07%	-1.93%	2.54%	-0.01%	-0.90%	-0.77%	-4.88%	-0.43%
<b>B Index</b>	-0.93%	-3.63%	-8.94%	-6.26%	-5.60%	-1.37%	7.45%	0.69%	-0.97%	-0.38%	-6.65%	-0.86%
<b>Performing Loans Index</b>	-0.78%	-2.47%	-4.36%	-4.01%	-3.82%	-2.22%	5.07%	0.59%	-0.87%	-0.65%	-5.68%	-0.67%



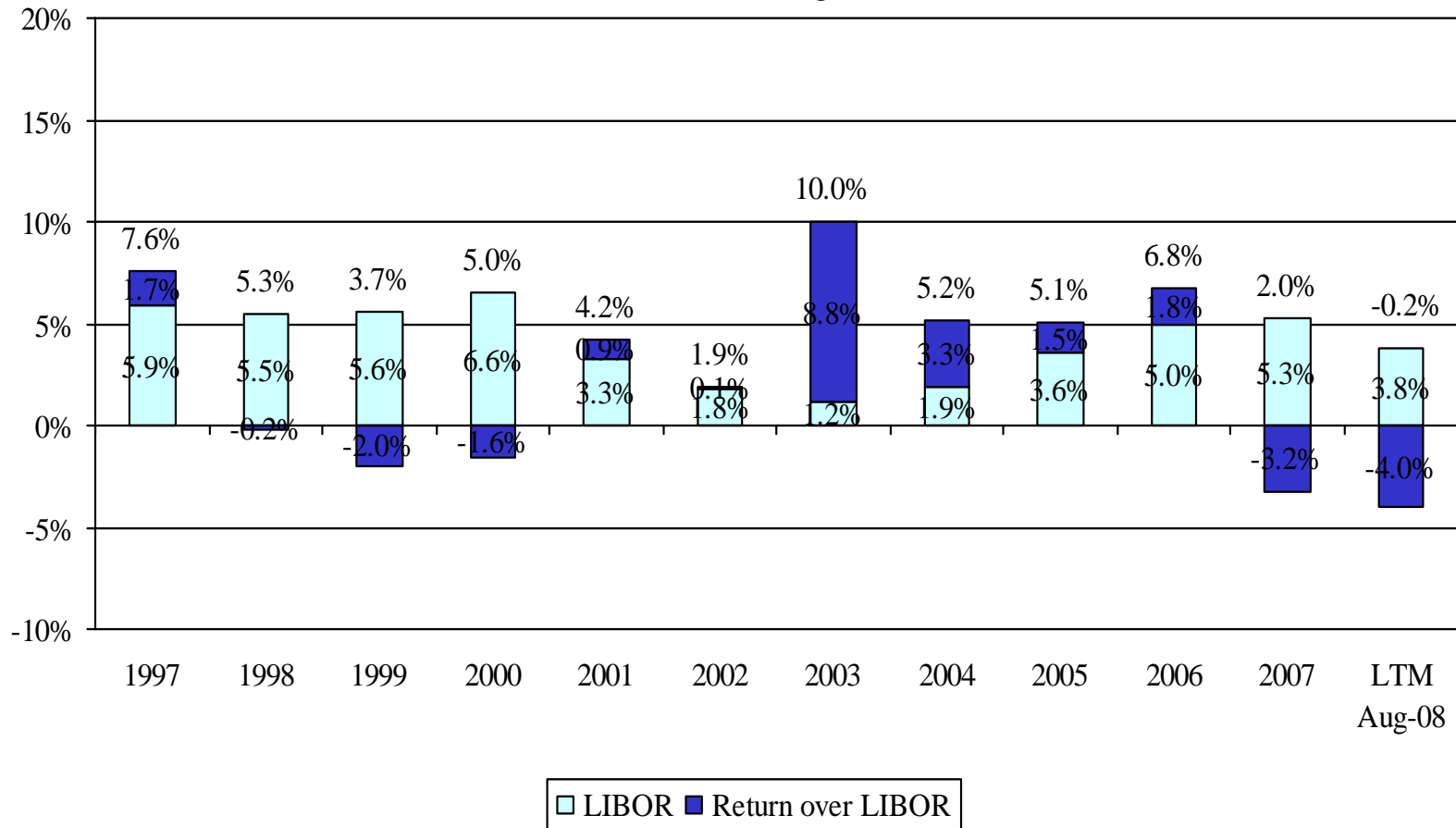
# S&P/LSTA Index: Total Returns by Year

1997 to Aug-08



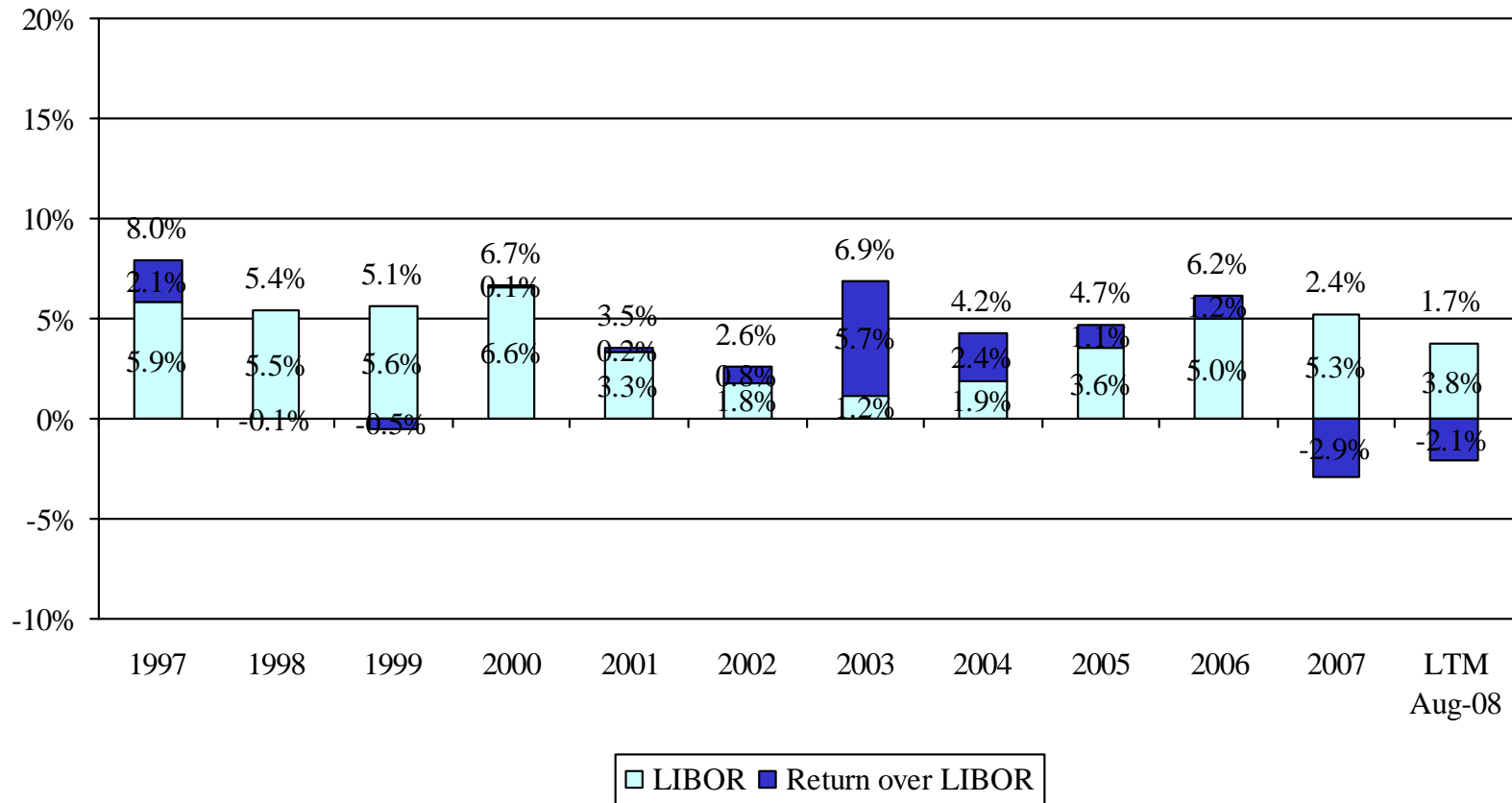
# S&P/LSTA Index: Total Returns by Year

1997 to Aug-08



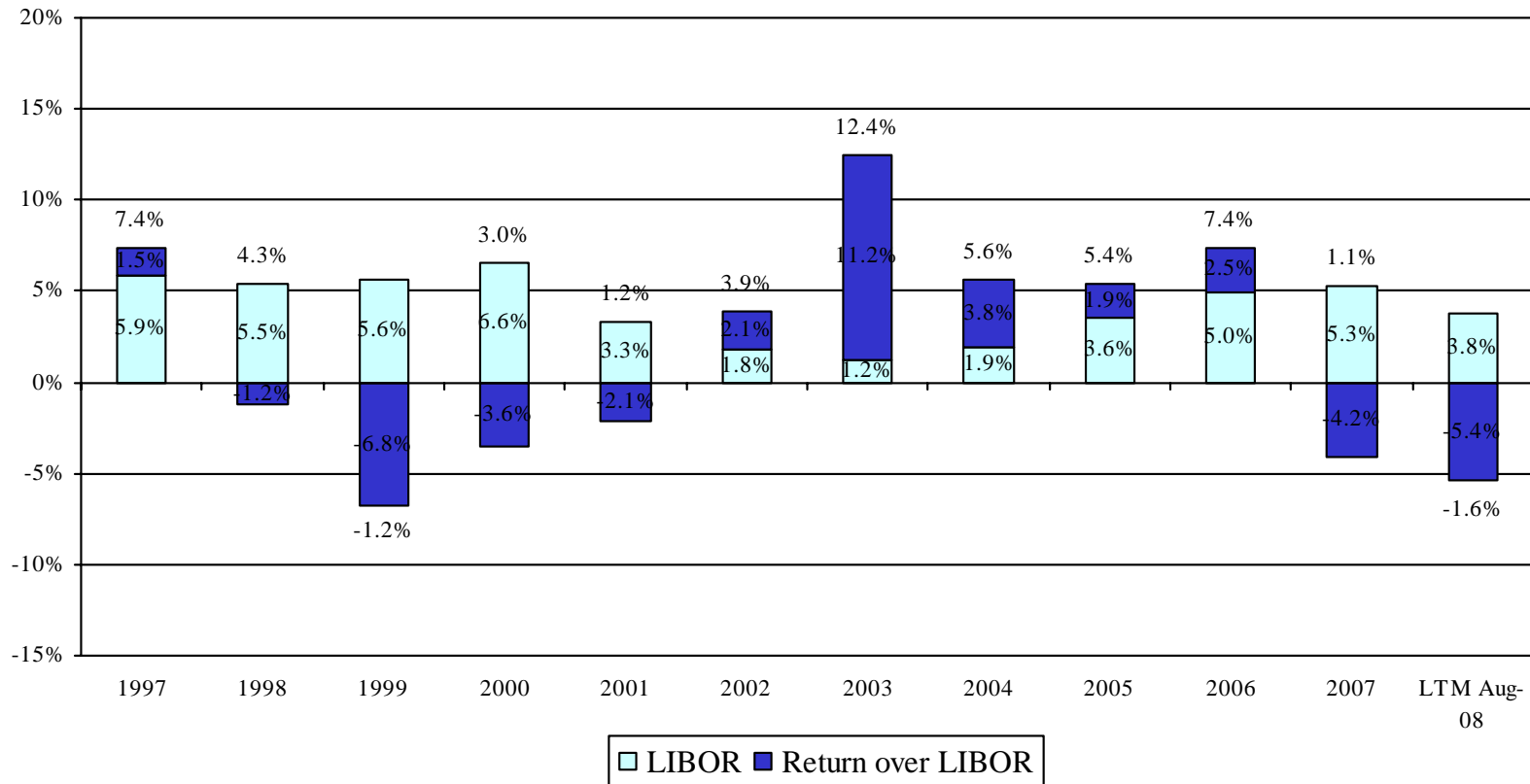
# S&P/LSTA Index: BB Returns by Year

1997 to Aug-08



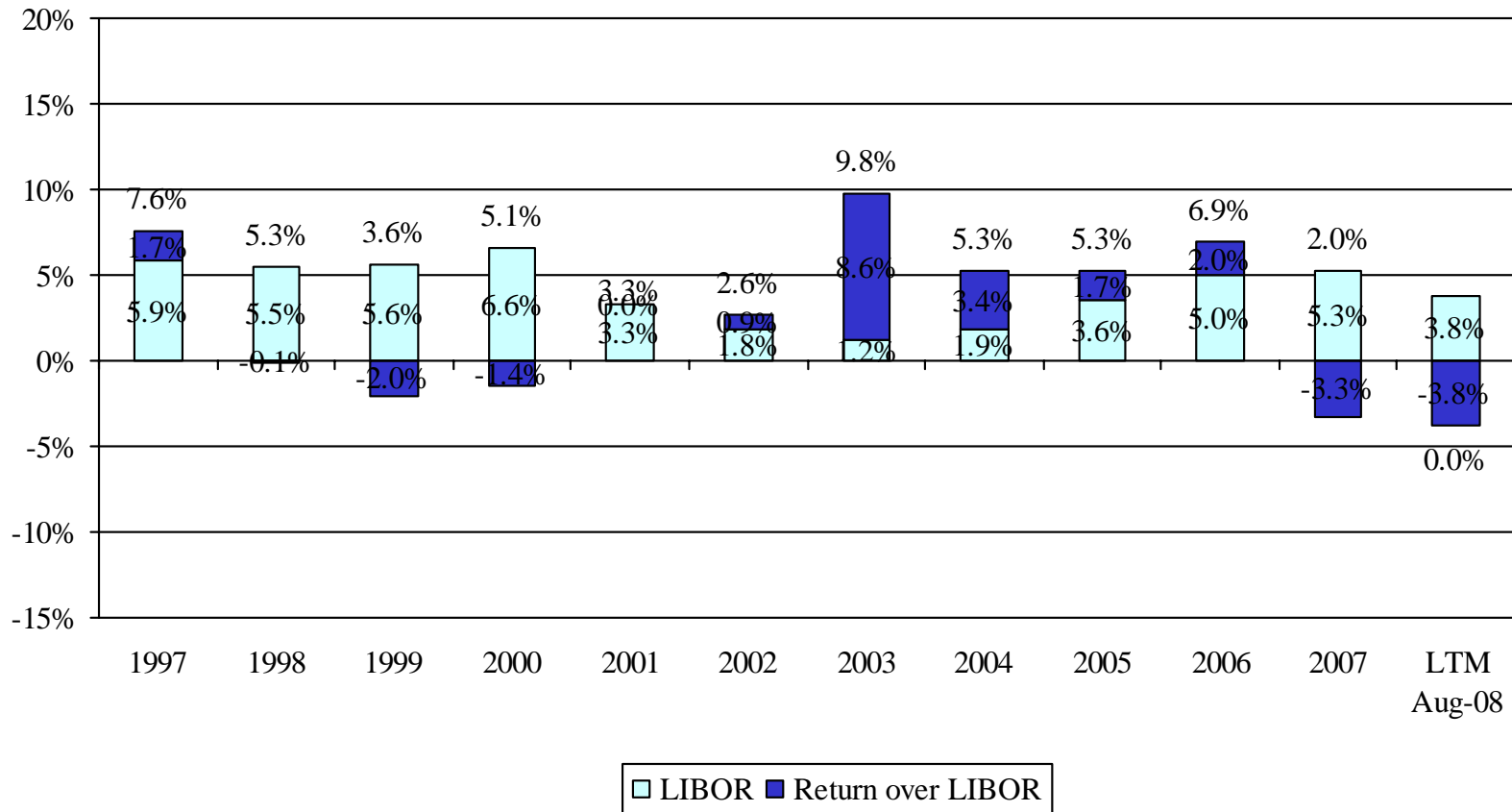
# S&P/LSTA Index: B Returns by Year

1997 to Aug-08



# S&P/LSTA Index: Performing Returns by Year

1997 to Aug-08

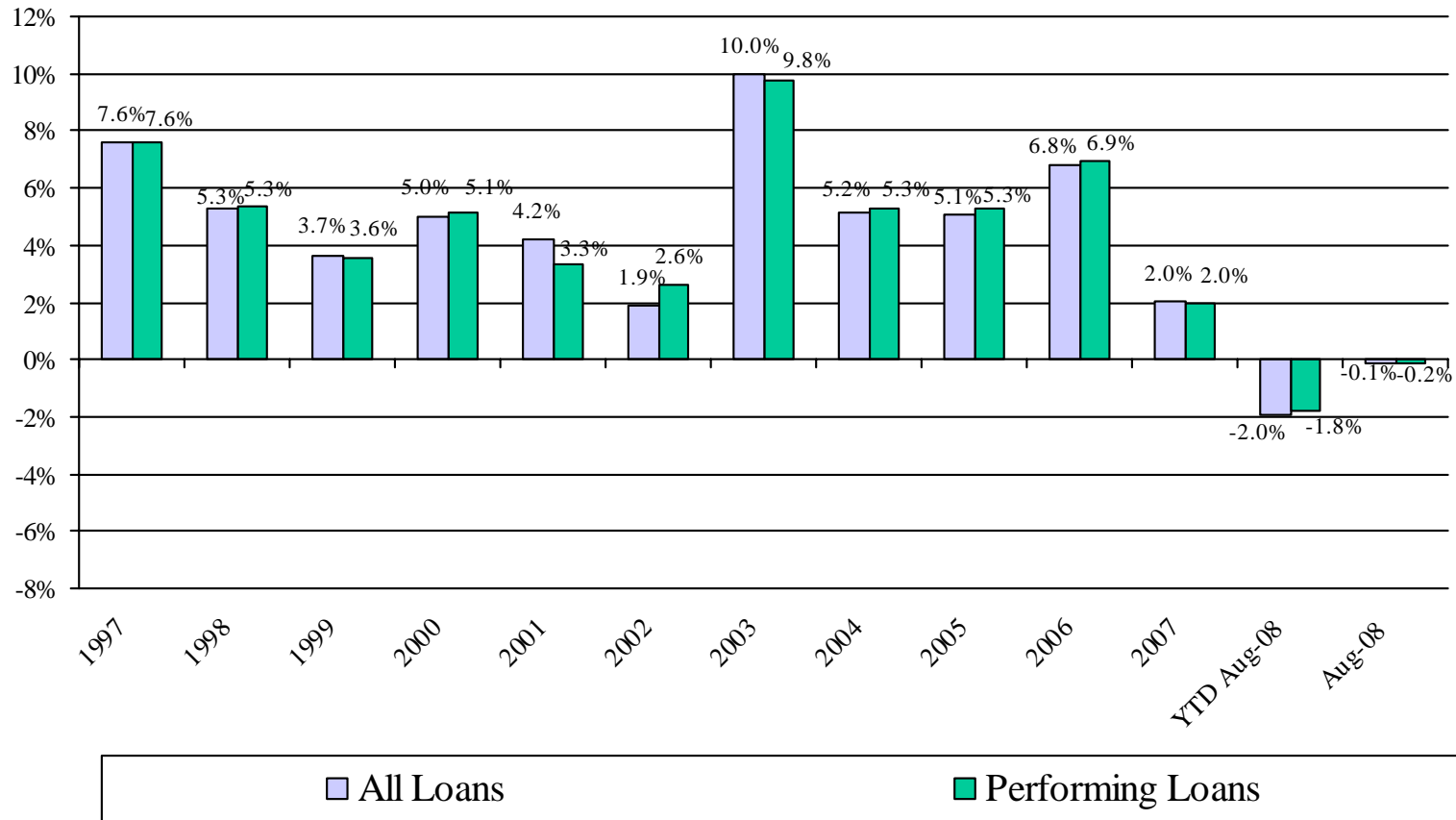




# S&P/LSTA Index: Total Returns

## All Loans vs. Performing Loans

1997 to Aug-08

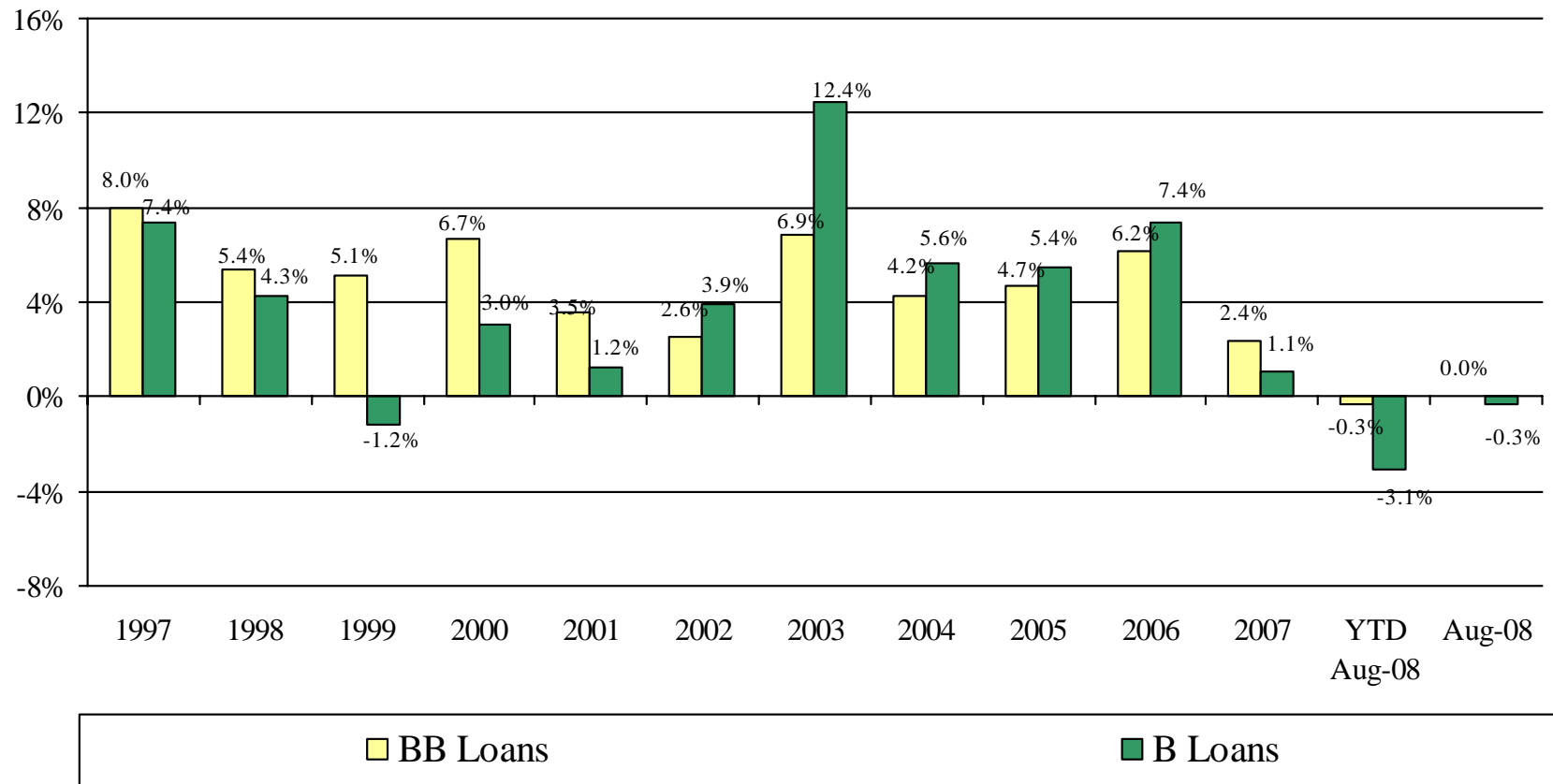




# S&P/LSTA Index: Total Returns

## by Current BB and Single B Rating

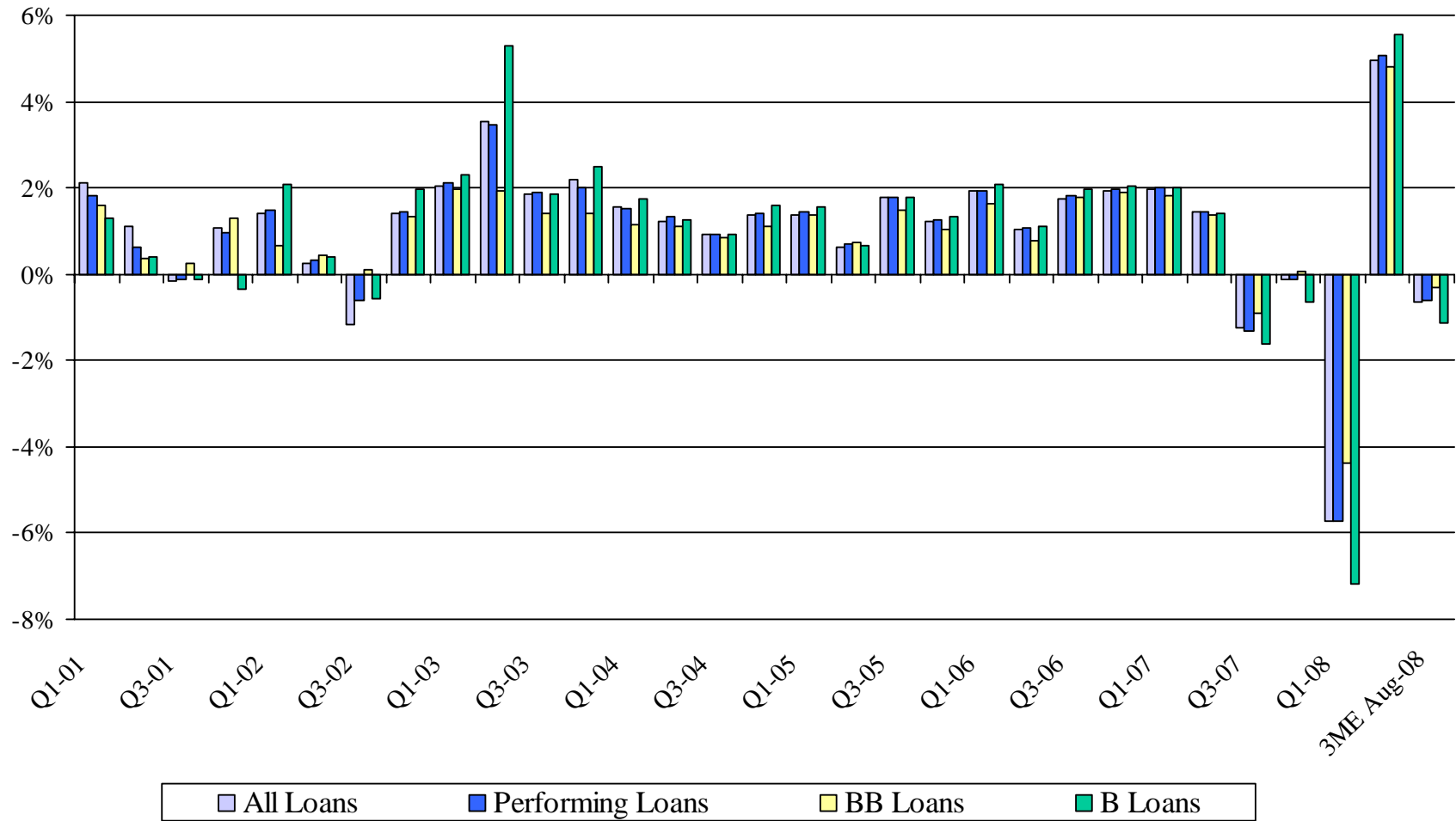
### 1997 to Aug-08





## S&P/LSTA Index: Total Returns by Quarter

### Q1-01 to 3ME Aug-08

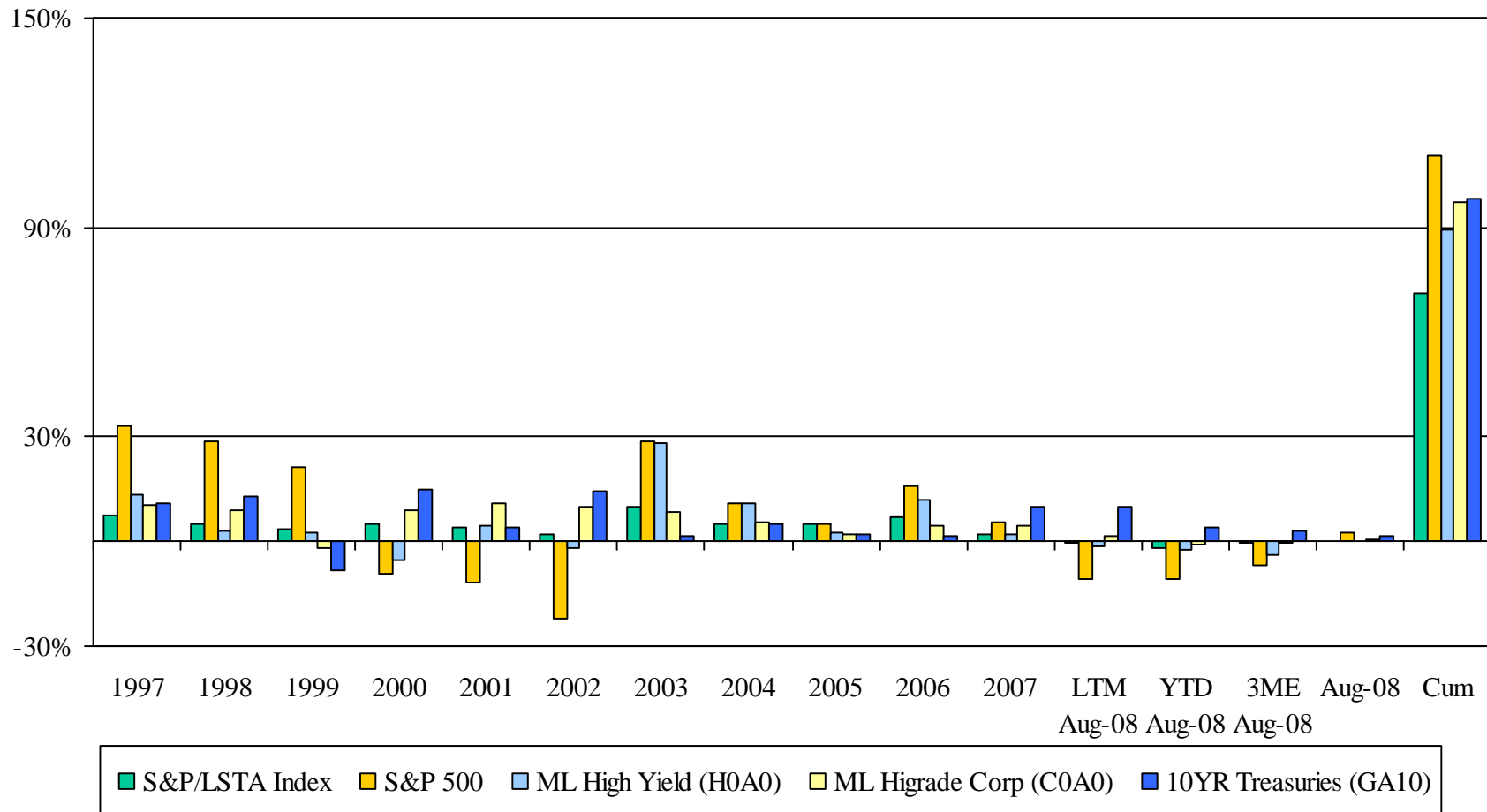




# S&P/LSTA Leveraged Loan Index Annual Returns versus Other Asset Classes

1997 – Aug-08

Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch

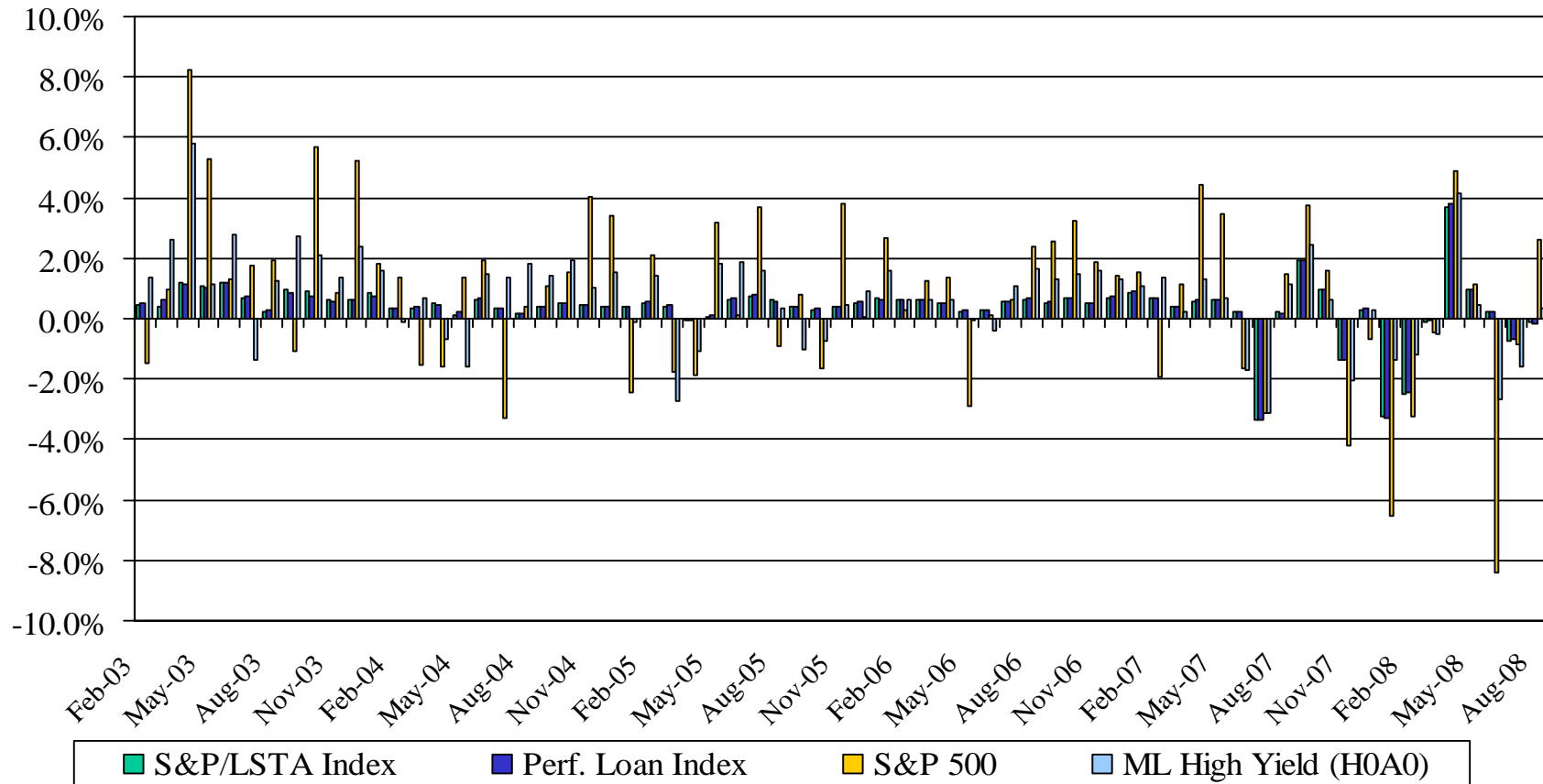




# S&P/LSTA Leveraged Loan Index Monthly Returns versus Other Asset Classes

Feb-03 - Aug-08

Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch



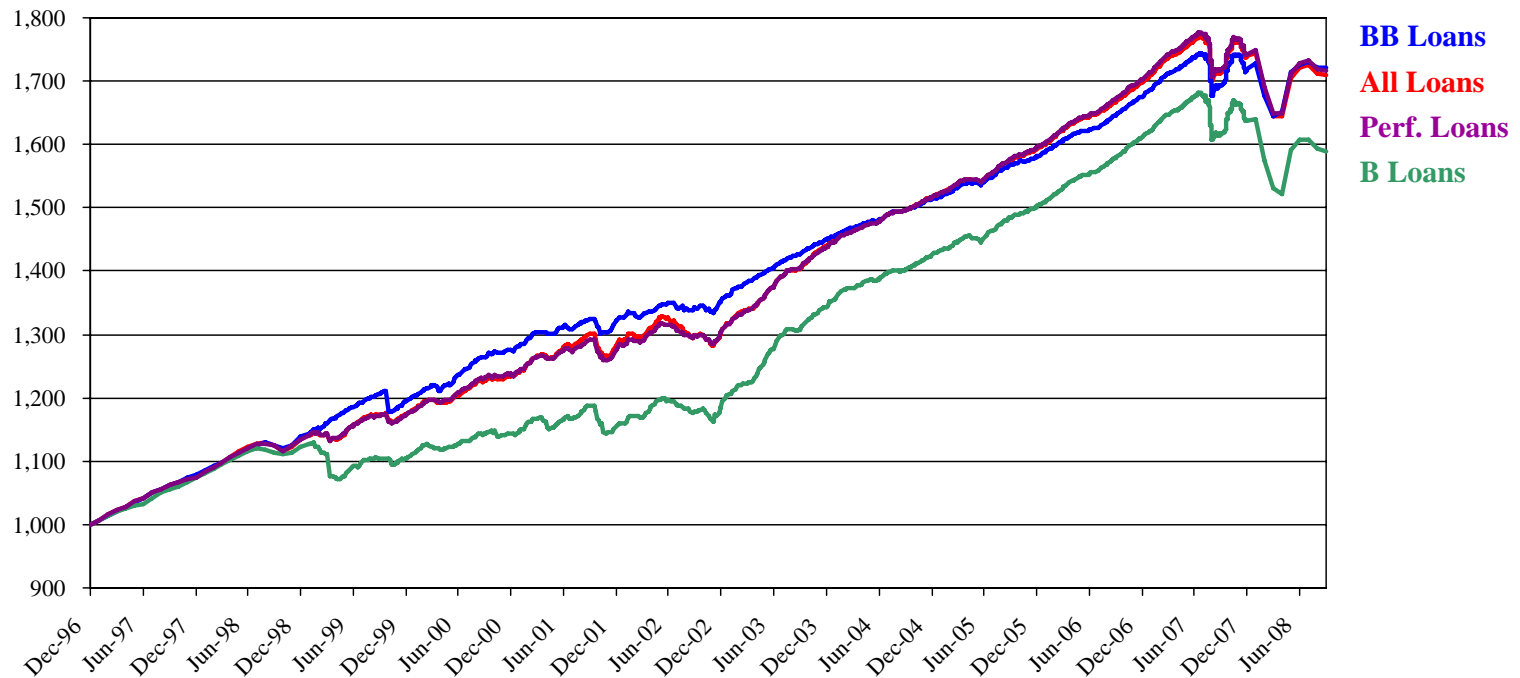
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32



# S&P/LSTA Index Levels

1/1/97 to 8/31/08

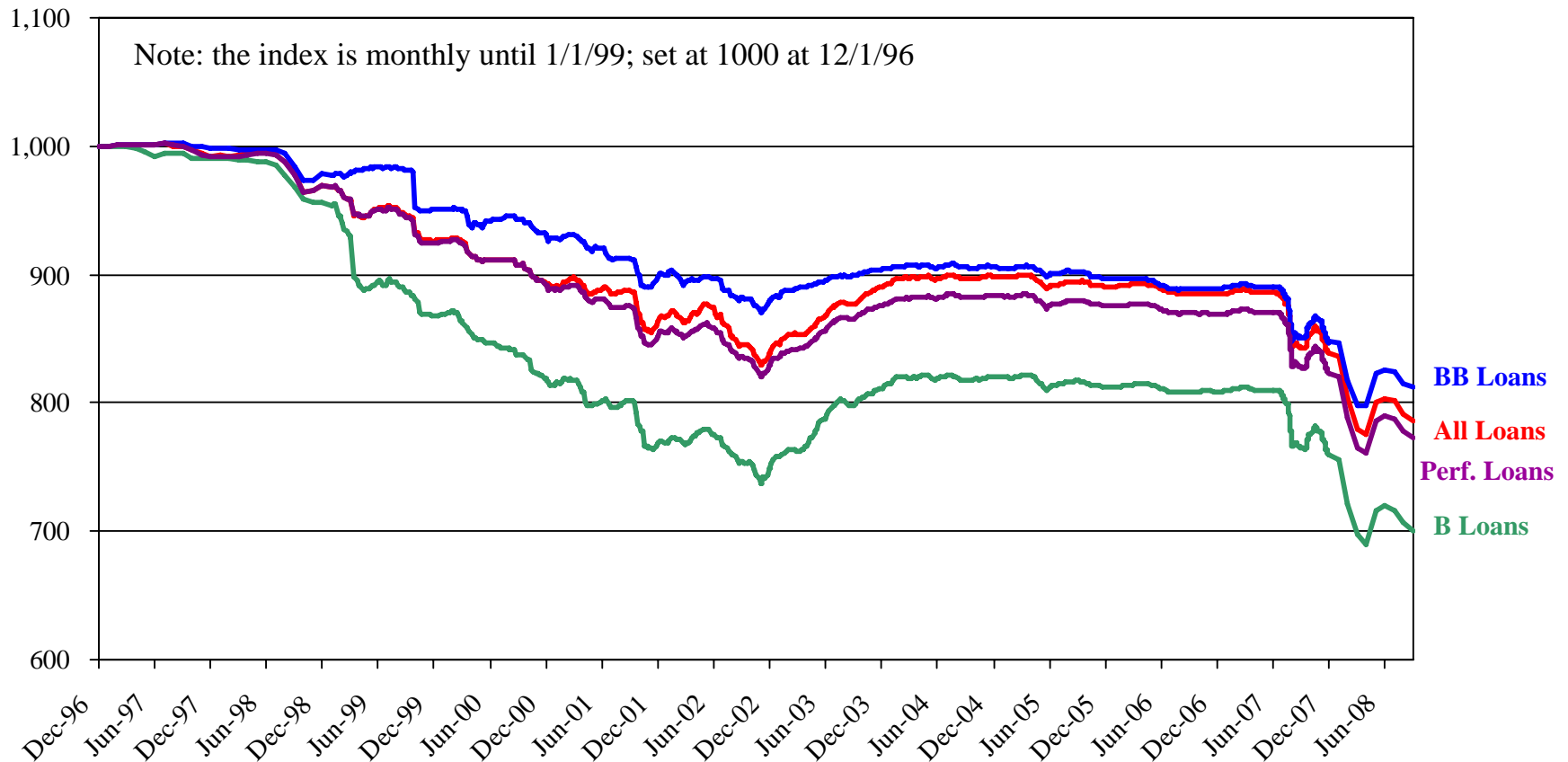




# S&P/LSTA Index Levels

## Market Value Only (Excludes Interest)

1/1/97 to 8/31/08



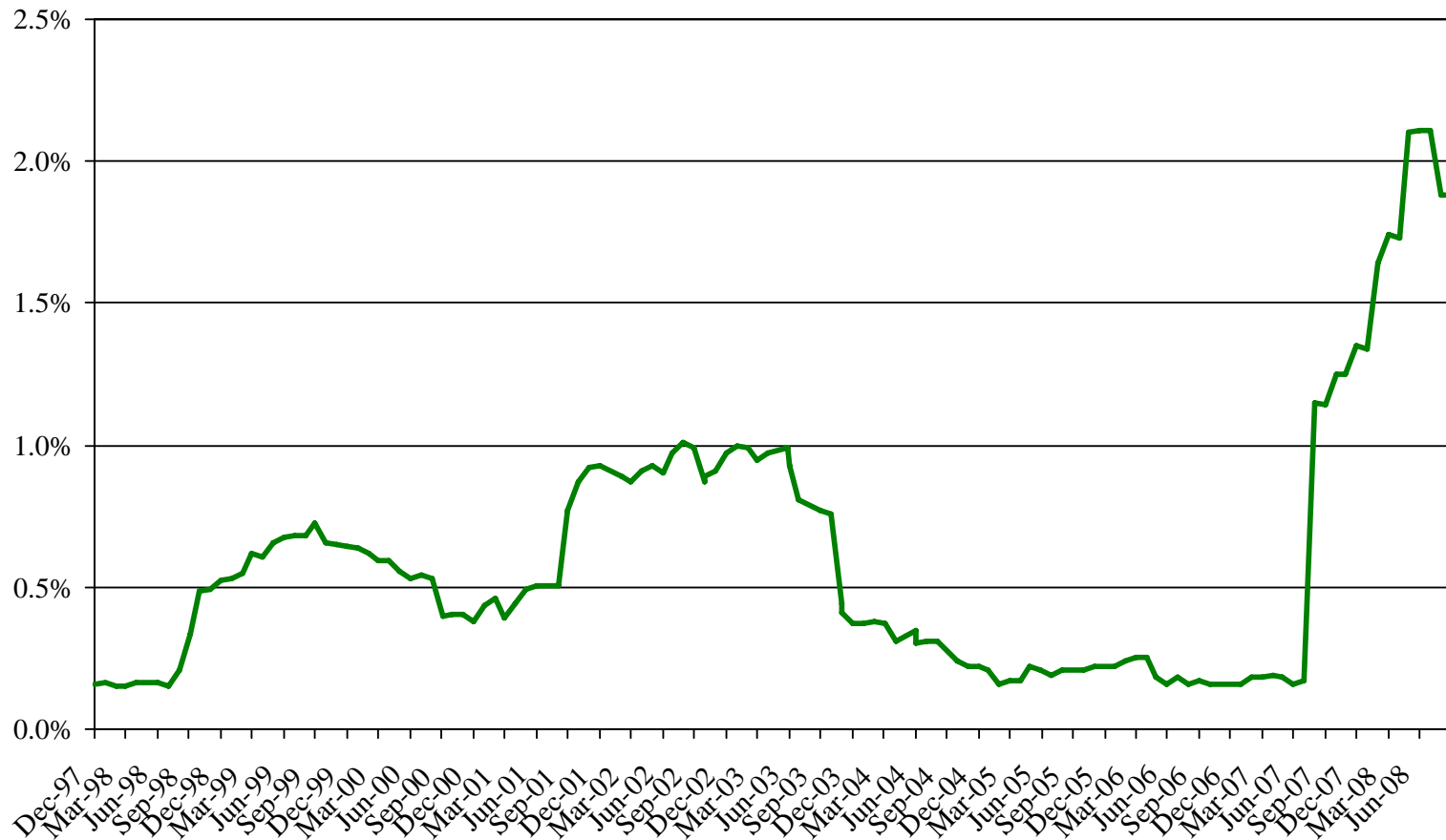
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34

# S&P/LSTA Index Volatility of Returns

## Average 12-Month Lagging Standard Deviation of Returns

Dec-97 to Aug-08

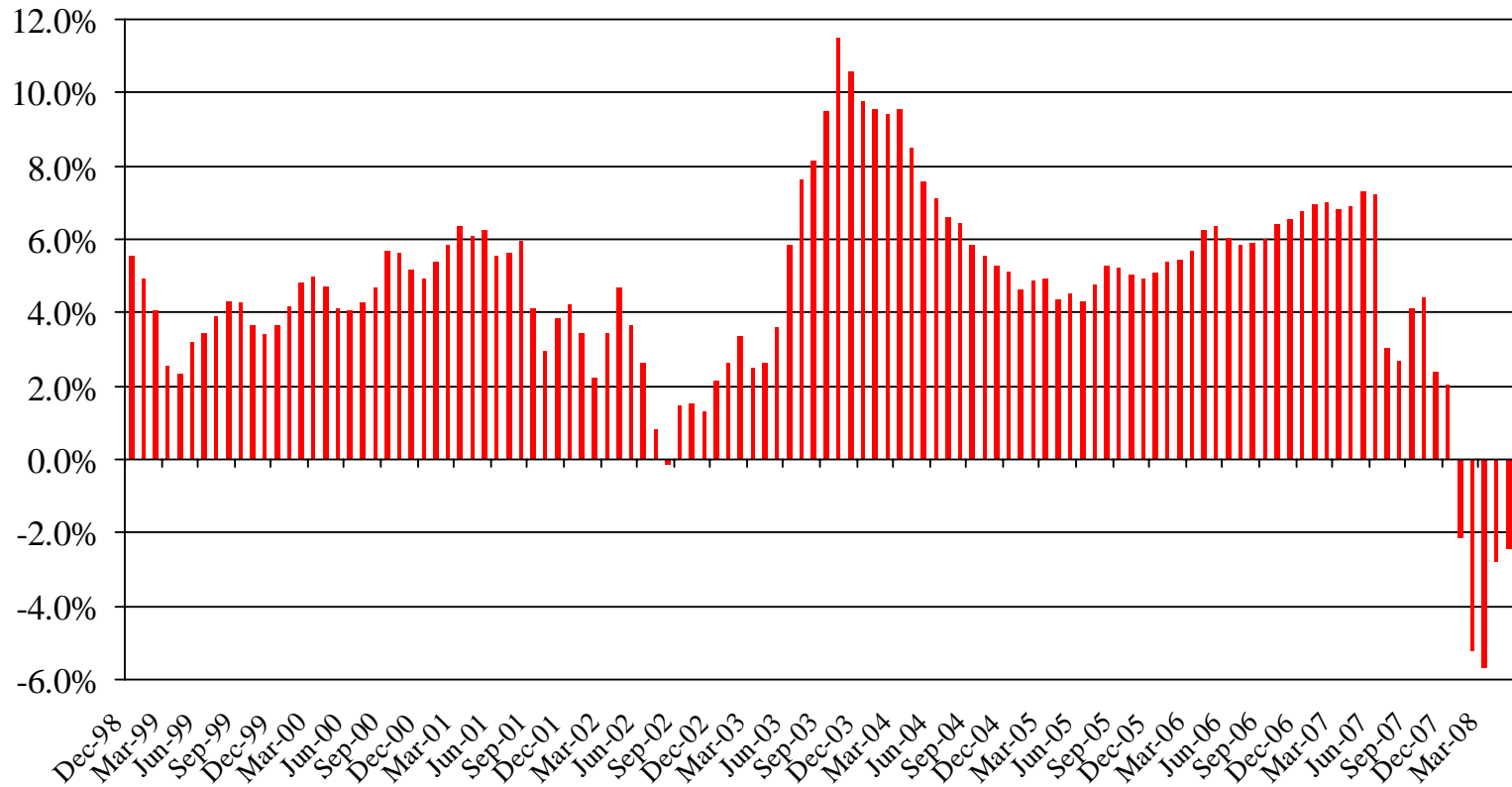




# S&P/LSTA Index Returns: All Loans

## Lagging 12-month Total Returns

Dec-98 to Aug-08

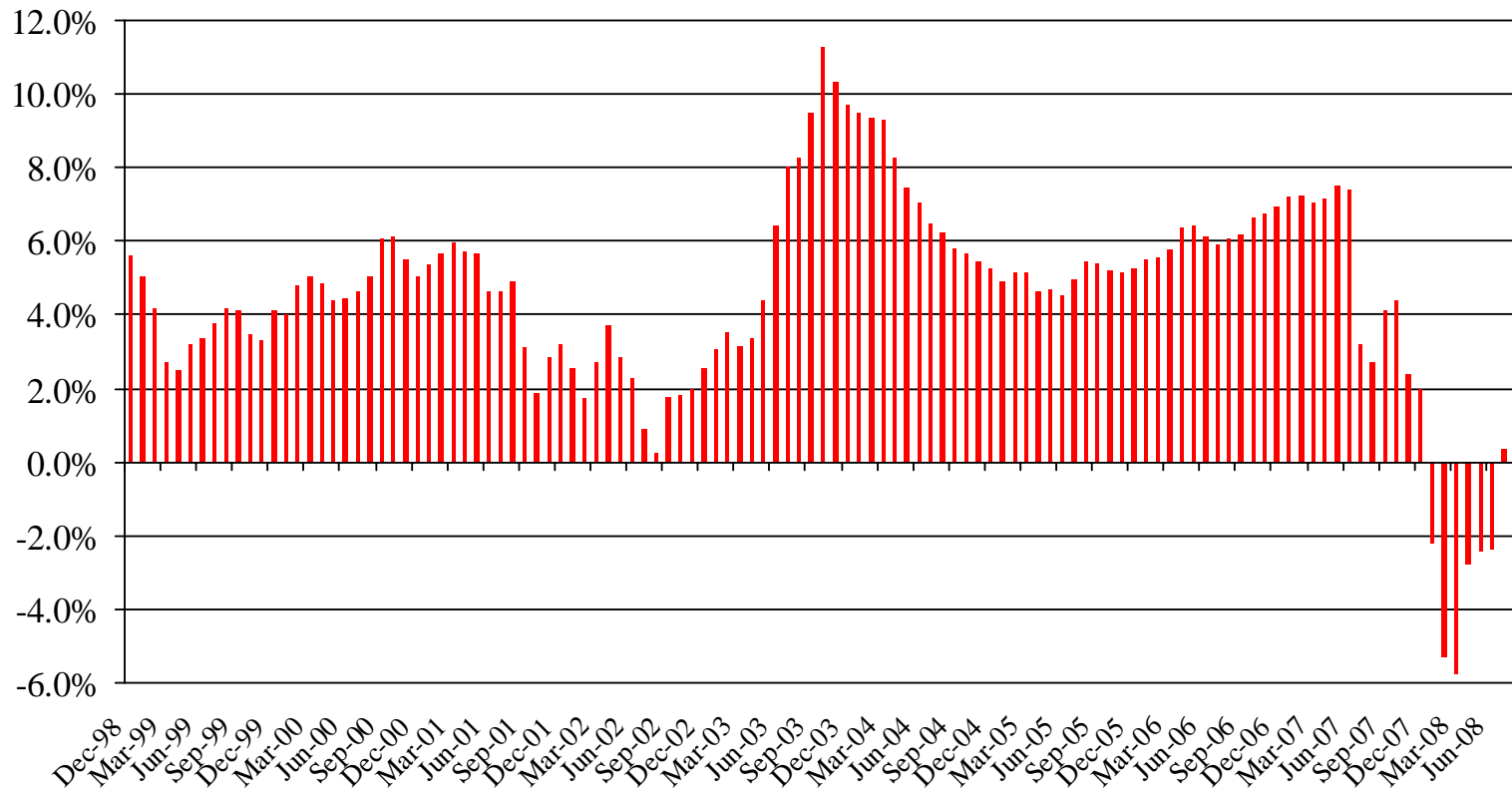




# S&P/LSTA Index Returns: Performing Loans

## Lagging 12-month Total Returns

Dec-98 to Aug-08



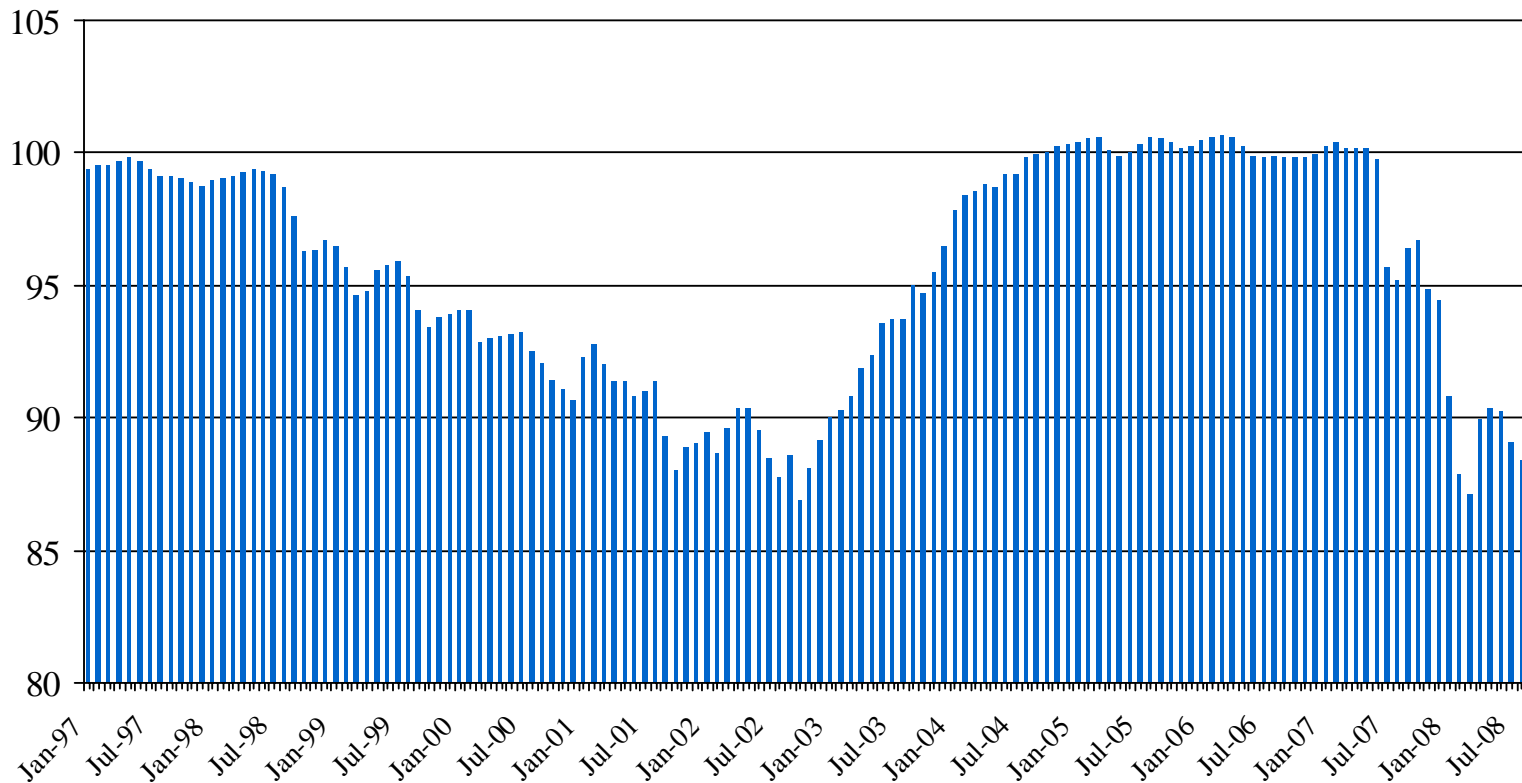




# S&P/LSTA Index: All Loans

## Average Bid price

Jan-97 to Aug-08

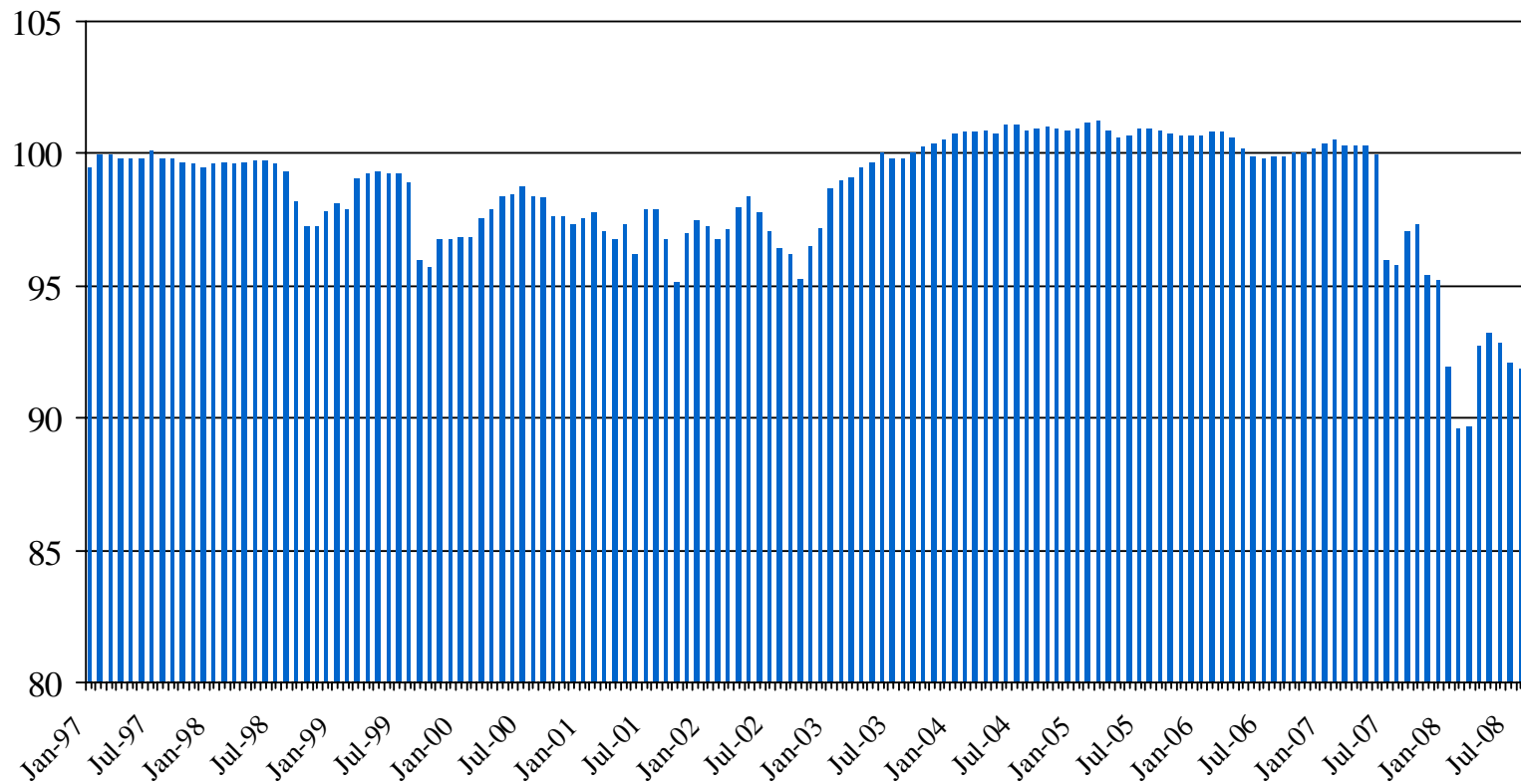




# S&P/LSTA Index: BB Loans

## Average Bid price

Jan-97 to Aug-08

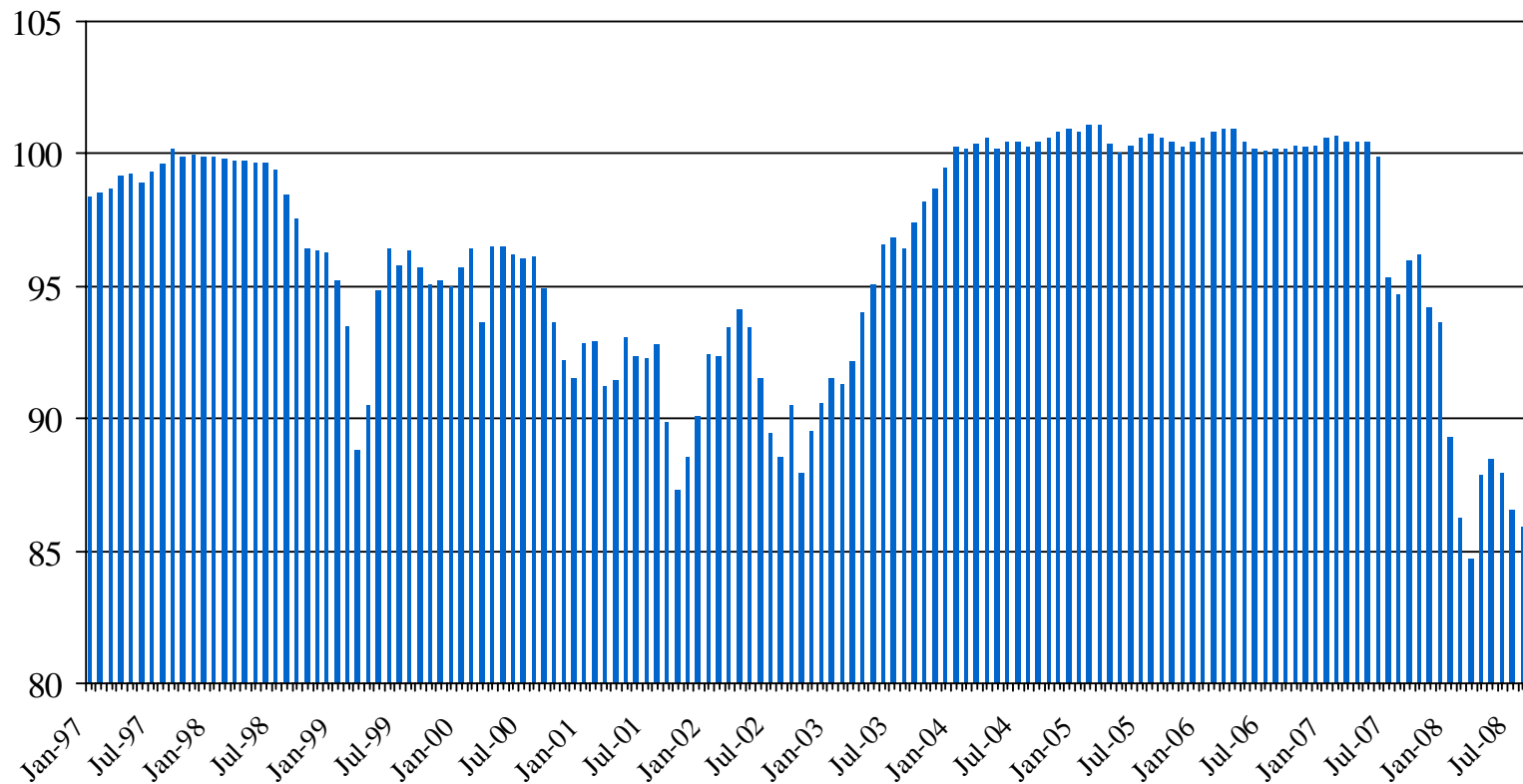




# S&P/LSTA Index: B Loans

## Average Bid price

Jan-97 to Aug-08

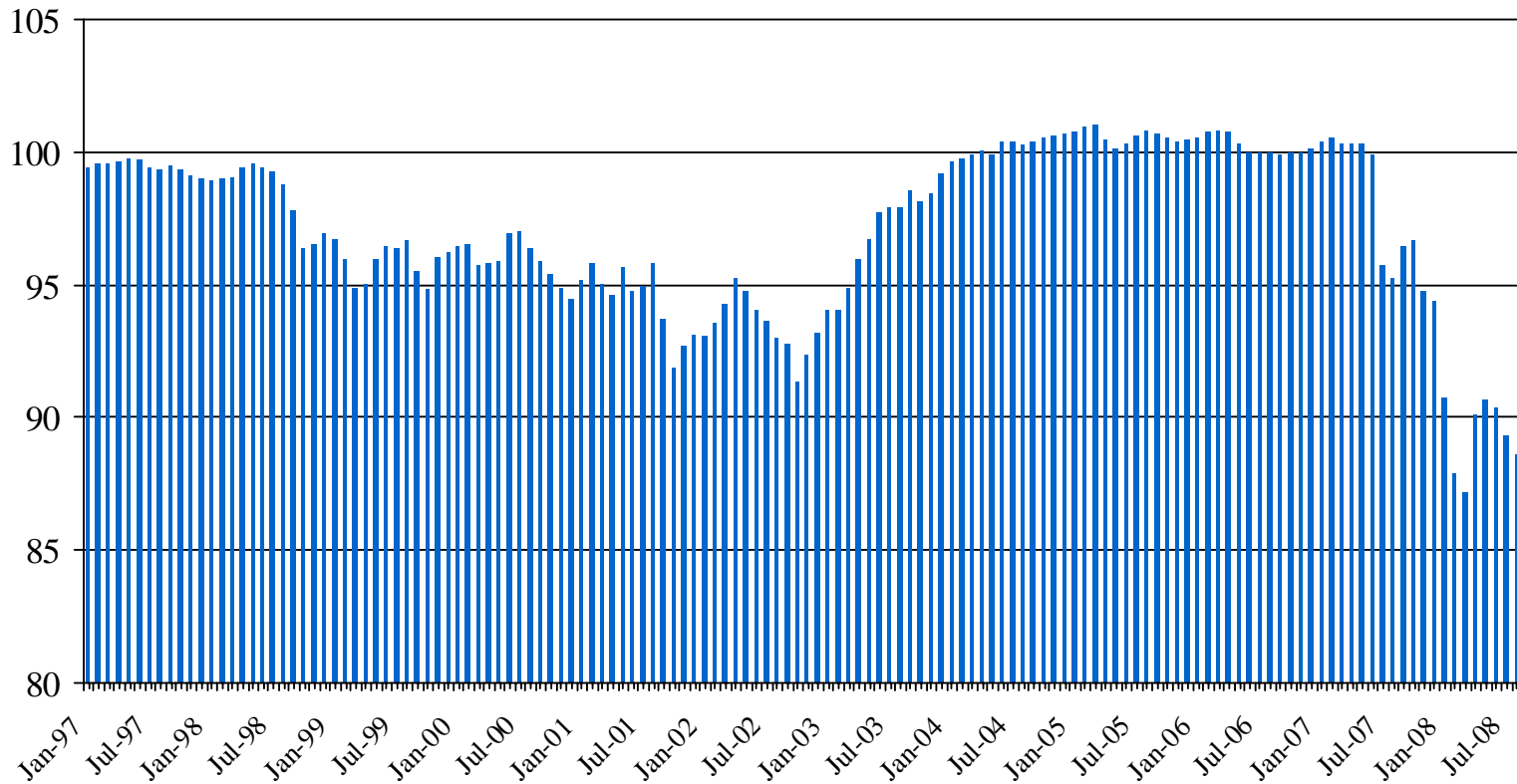




# S&P/LSTA Index: Performing Loans

## Average Bid price

Jan-97 to Aug-08





# **S&P/LSTA Leveraged Loan Index**

## **Risk/Return Profile**

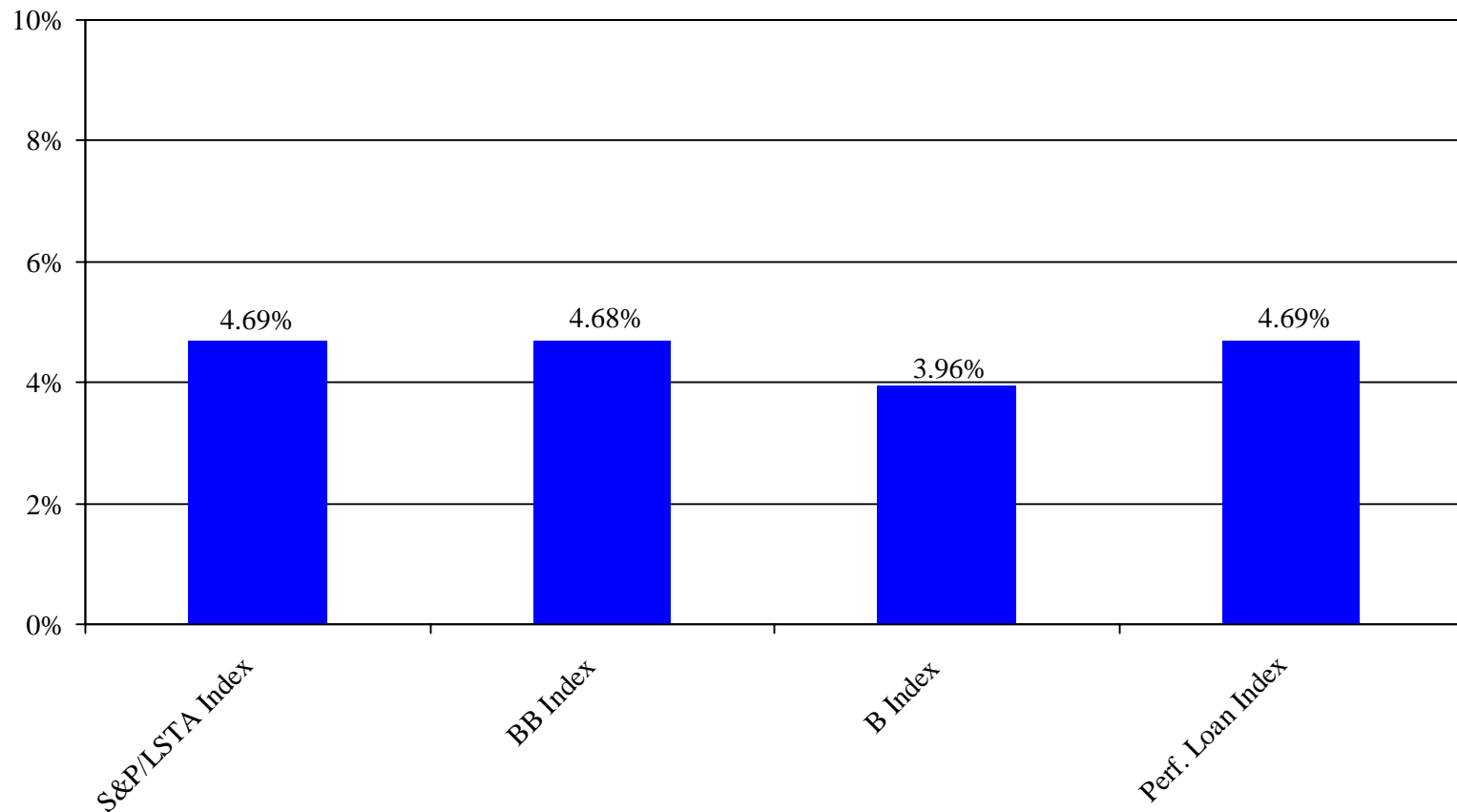
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42



# Average Annualized Monthly Return of S&P/LSTA Index: Overall and by Rating

Jan-97 to Aug-08



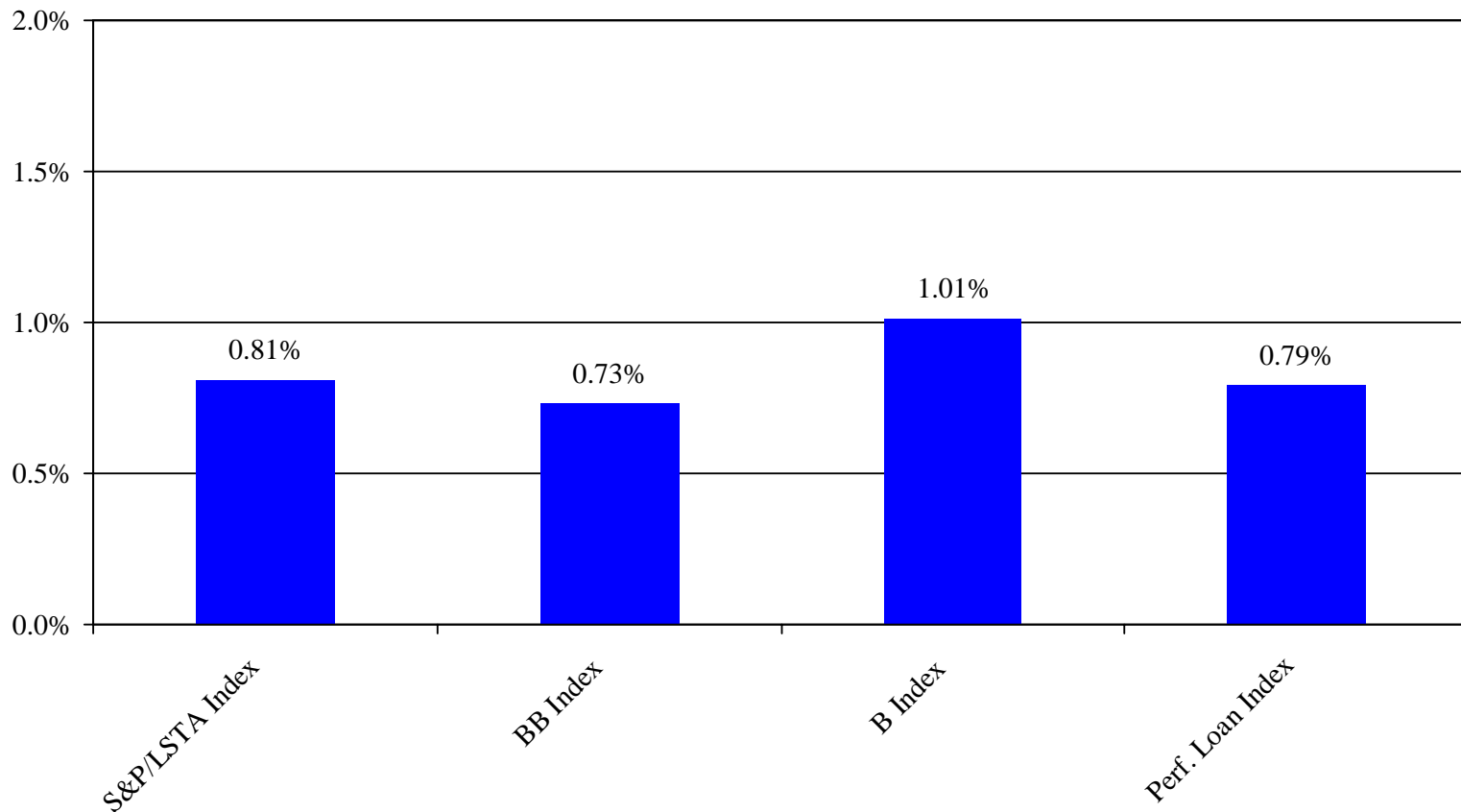
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43



# Standard Deviation of Monthly Returns of S&P/LSTA Index: Overall and by Rating

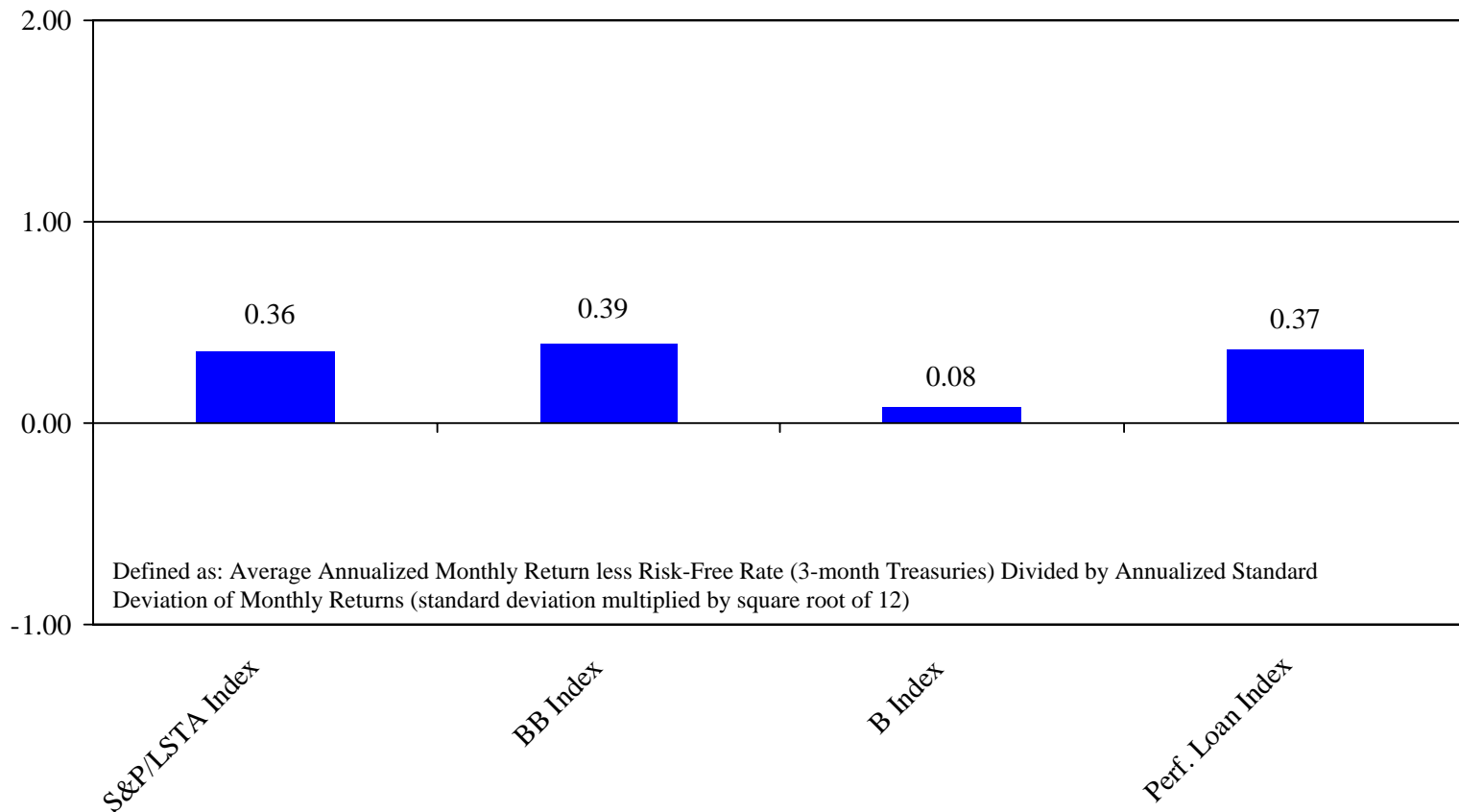
Jan-97 to Aug-08





# Sharpe Ratio S&P/LSTA Index: Overall and by Rating

Jan-97 to Aug-08

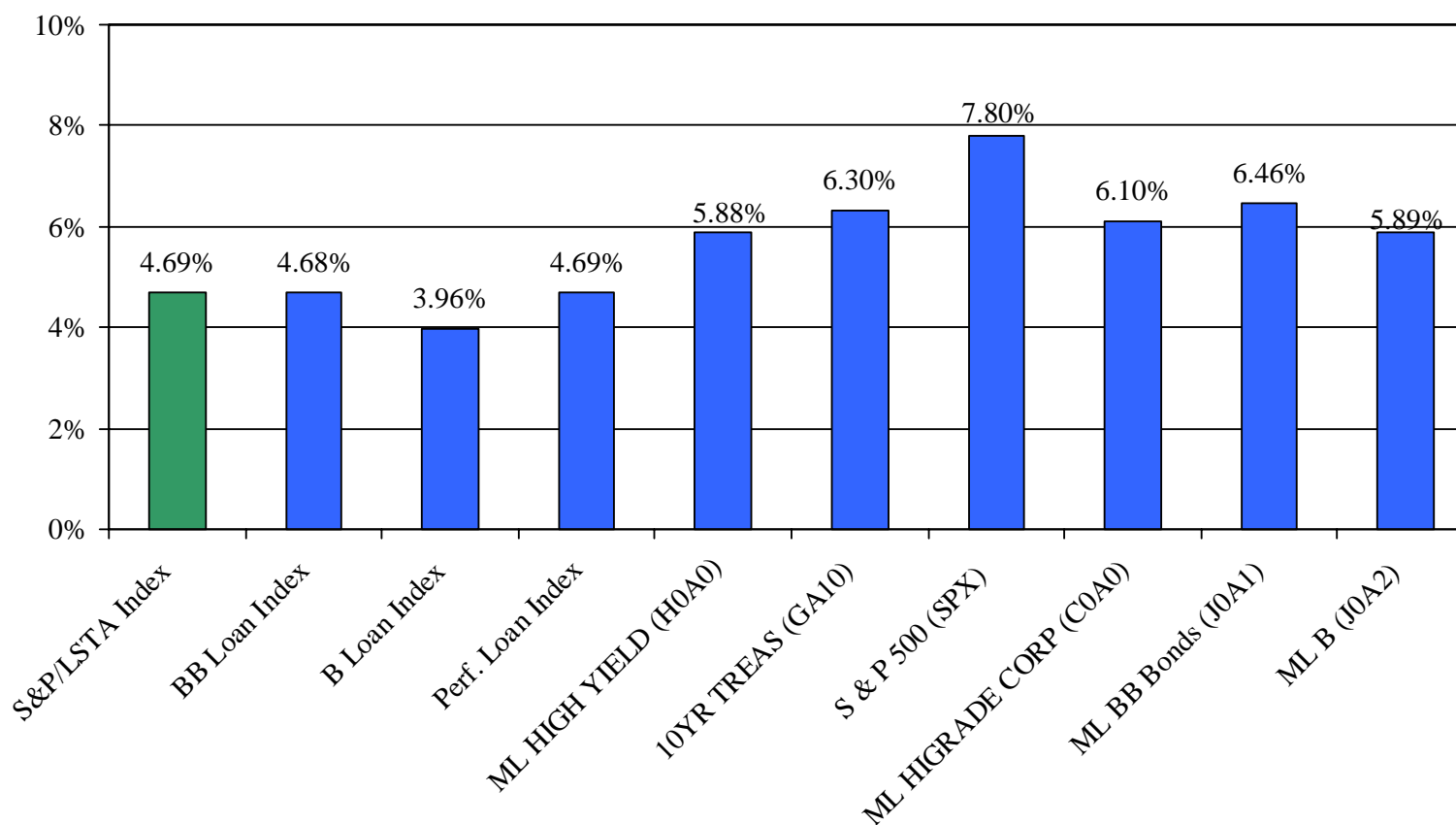




# Average Annualized Monthly Return of S&P/LSTA Index versus Other Asset Classes

Jan-97 to Aug-08

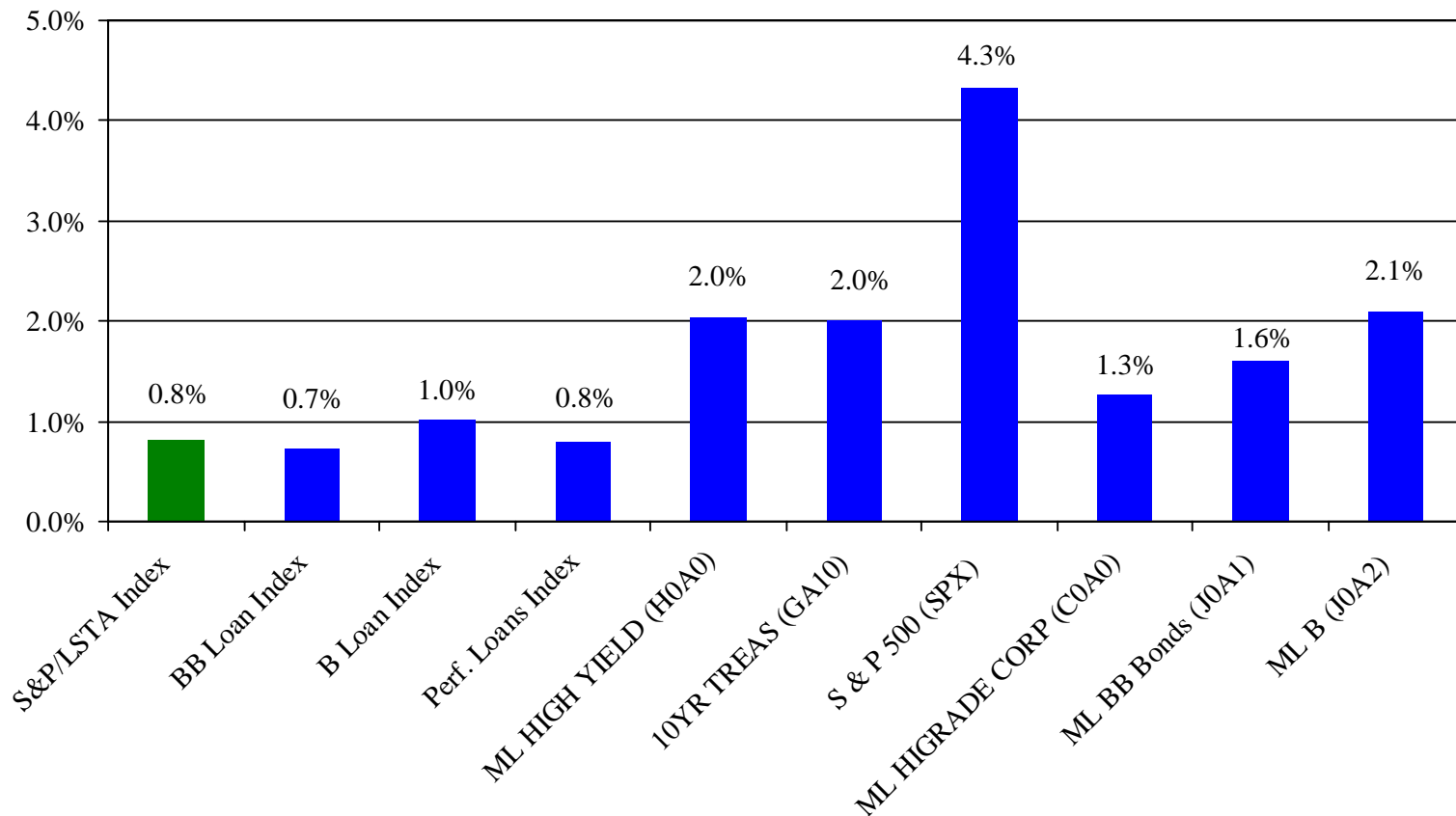
Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch; Bloomberg



# Standard Deviation of Monthly Returns of S&P/LSTA Index versus Other Asset Classes

Jan-97 to Aug-08

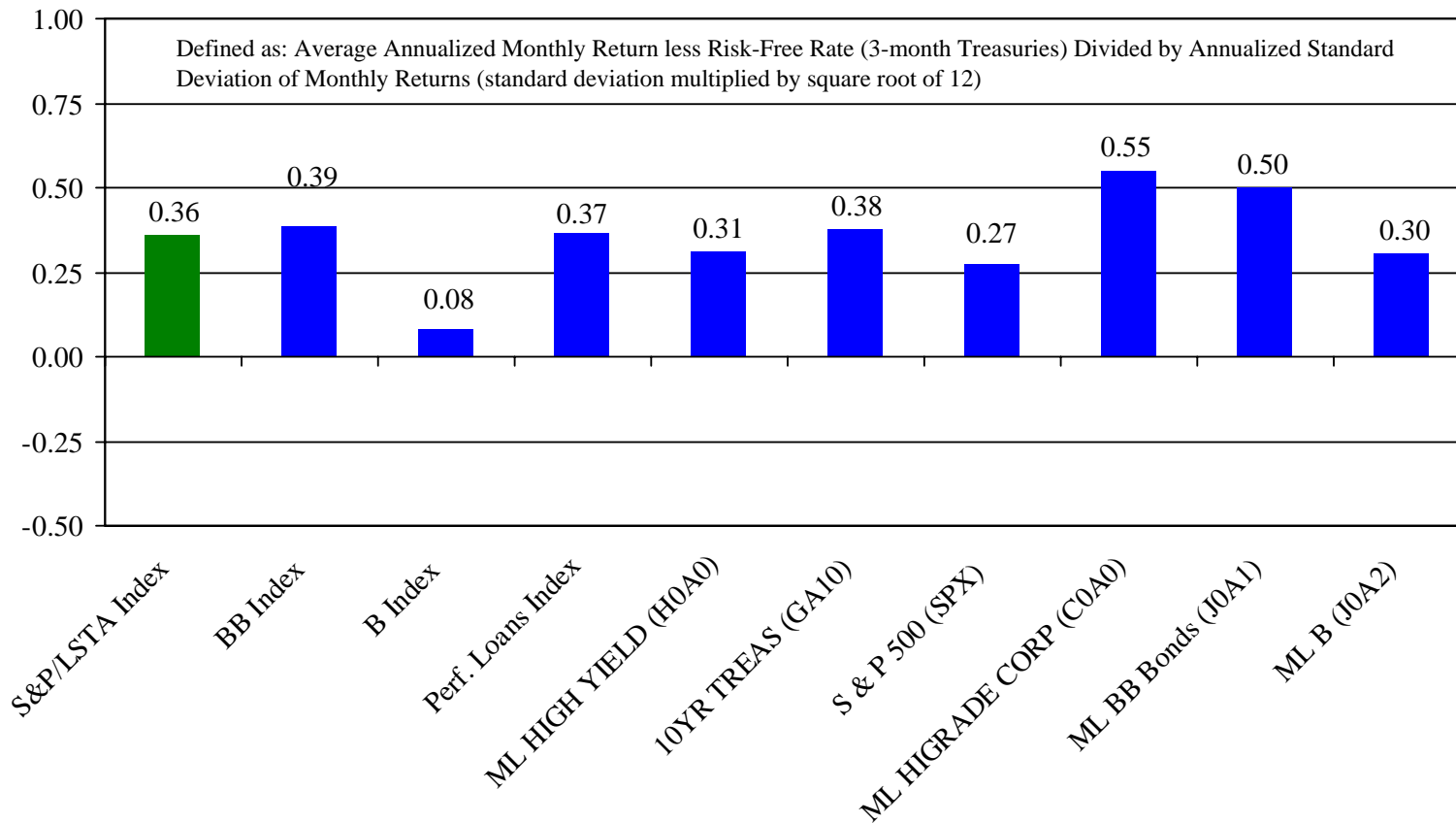
Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch; Bloomberg



# Sharpe Ratio S&P/LSTA Index versus Other Asset Classes

Jan-97 to Aug-08

Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch; Bloomberg

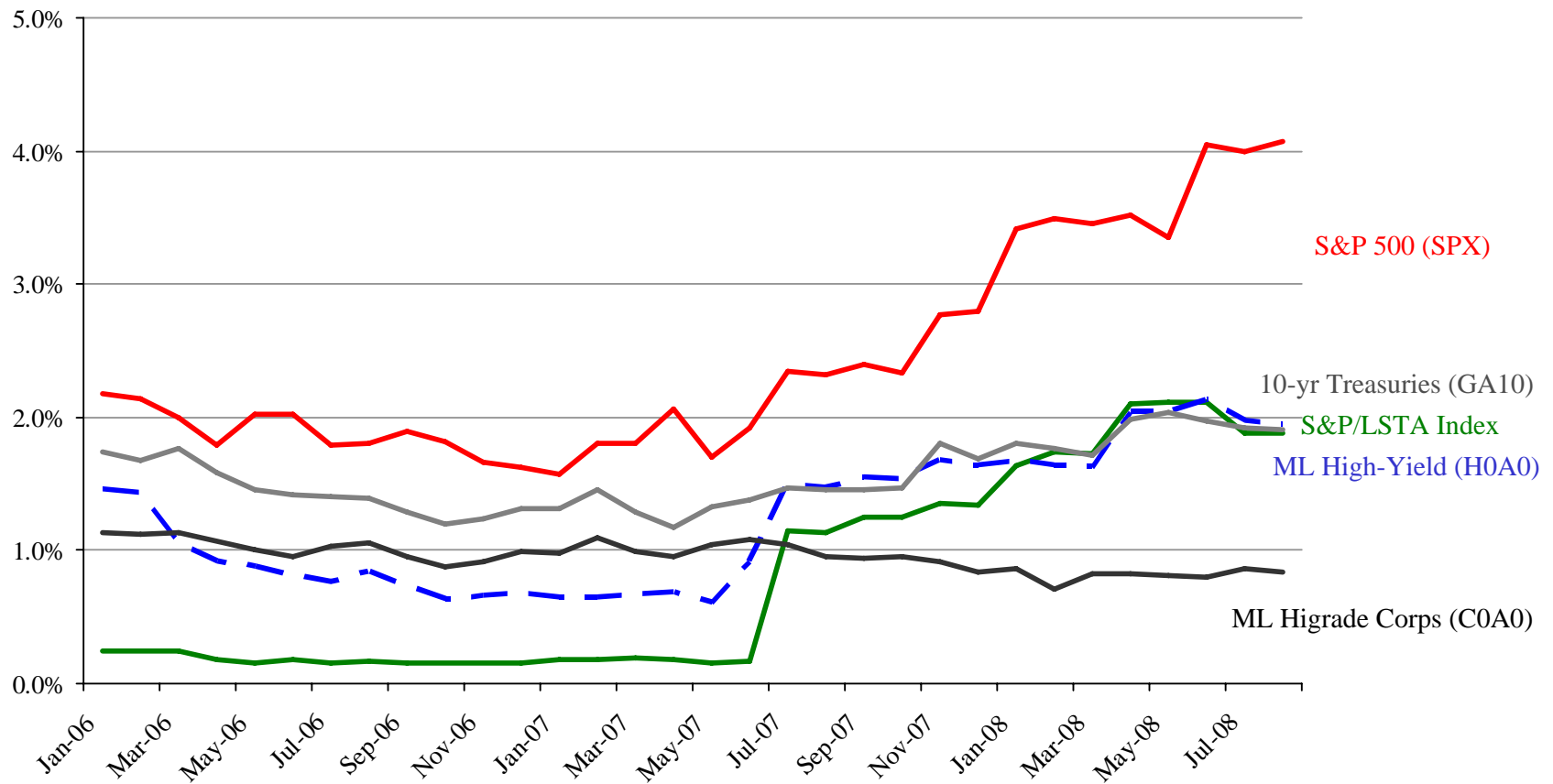




# S&P/LSTA Index Volatility of Returns

## Average 12-month Lagging Standard Deviation of Returns

Jan-06 to Aug-08



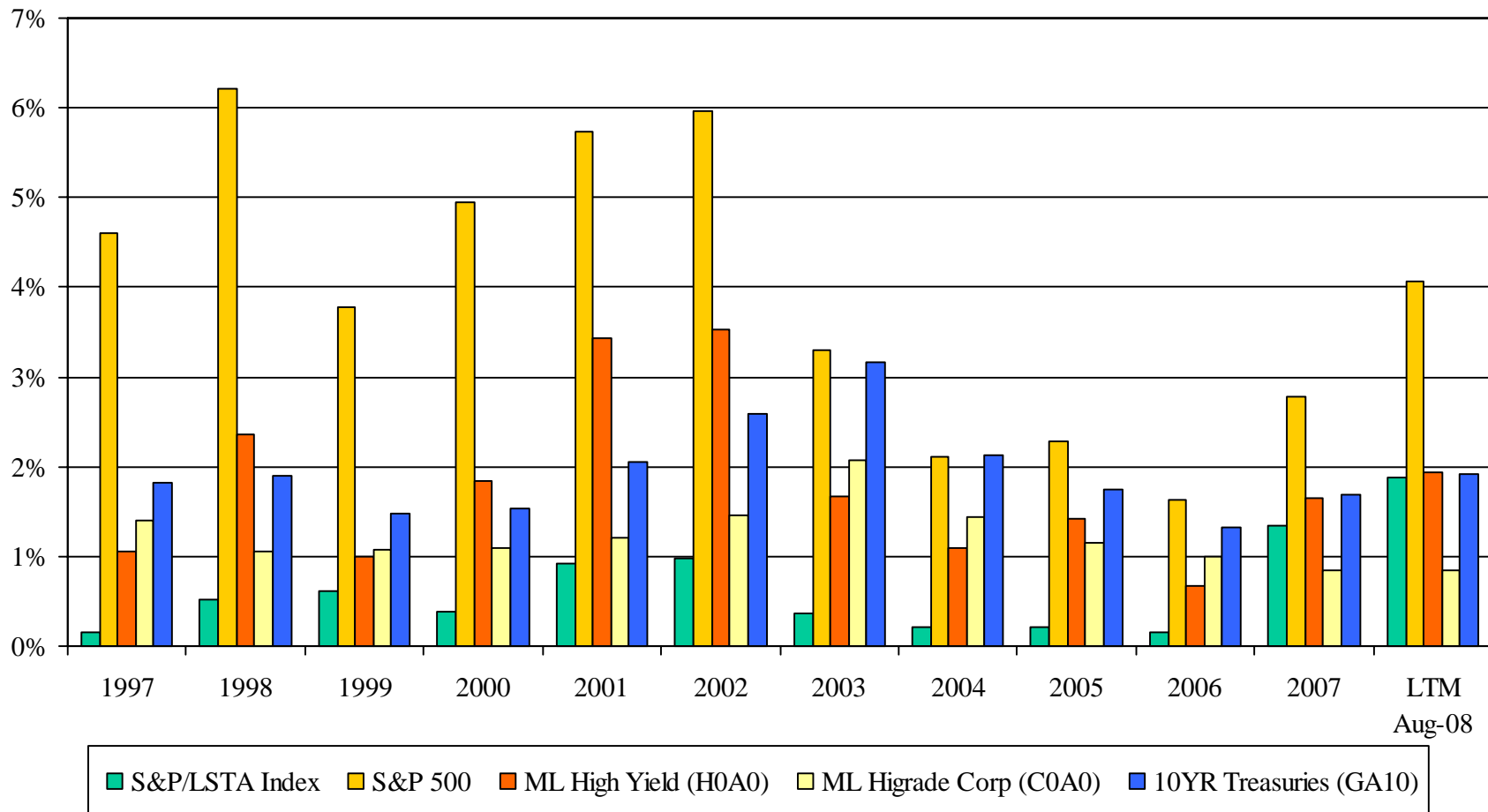
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# Annual Standard Deviation of Monthly Returns

1997 – Aug-08

Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch



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50

## Worst five months for S&P/LSTA Index Loans versus Other Asset Classes

Jan-97 – Aug-08

Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch; Bloomberg

	Leveraged Loan Index Monthly Returns	ML High Yield Monthly Returns (H0A0)	S&P 500 Monthly Returns (SPX)	ML Higrade Corp Monthly Returns (C0A0)
<b>Sep-01</b>	-1.52 %	-6.42 %	-8.08 %	0.28 %
<b>Jul-07</b>	-3.35%	-3.14%	-3.10%	0.28%
<b>Nov-07</b>	-1.39%	-2.05%	-4.18%	0.88%
<b>Jan-08</b>	-3.23%	-1.36%	-6.51%	1.18%
<b>Feb-08</b>	-2.51%	-1.19%	-3.25%	0.07%



## Correlation of the S&P/LSTA Leveraged Loan Index with Other Asset Classes

Sources: Standard & Poor's; S&P/LSTA Index; Merrill Lynch; Bloomberg

**1997 - Aug-08**

	LEVERAGED LOANS	Performing Loan Index	HIGH YIELD	10YR TREAS	S & P 500	HIGRADE CORP
S&P/LSTA Leveraged Loan Index	1.000	0.995	0.563	-0.310	0.287	0.028
Performing Loan Index		1.000	0.551	-0.313	0.300	0.017
ML HIGH YIELD			1.000	-0.089	0.530	0.357
ML 10YR TREAS				1.000	-0.245	0.834
S & P 500					1.000	0.046
ML HIGRADE CORP						1.000

**2003 - Aug-08**

	LEVERAGED LOANS	Performing Loan Index	HIGH YIELD	10YR TREAS	S & P 500	HIGRADE CORP
S&P/LSTA Leveraged Loan Index	1.000	0.999	0.646	-0.332	0.554	0.035
Performing Loan Index		1.000	0.638	-0.340	0.554	0.025
ML HIGH YIELD			1.000	0.006	0.641	0.411
ML 10YR TREAS				1.000	-0.244	0.877
S & P 500					1.000	0.050
ML HIGRADE CORP						1.000



# S&P/LSTA Second-Lien Index

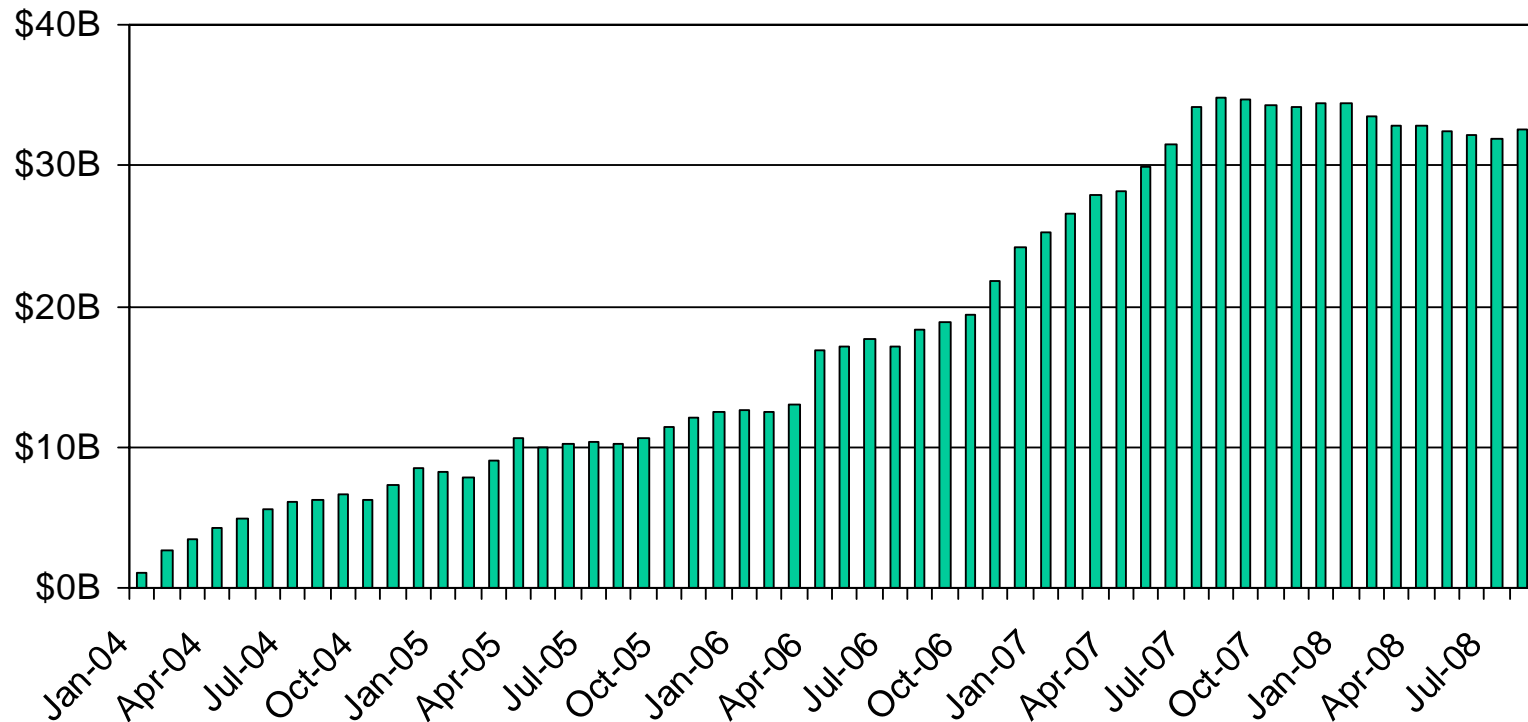




## Par Amount of Outstanding of Second-Lien Loans

Comprises all loans in the Index tracked in the LSTA/LPC mark-to-market service

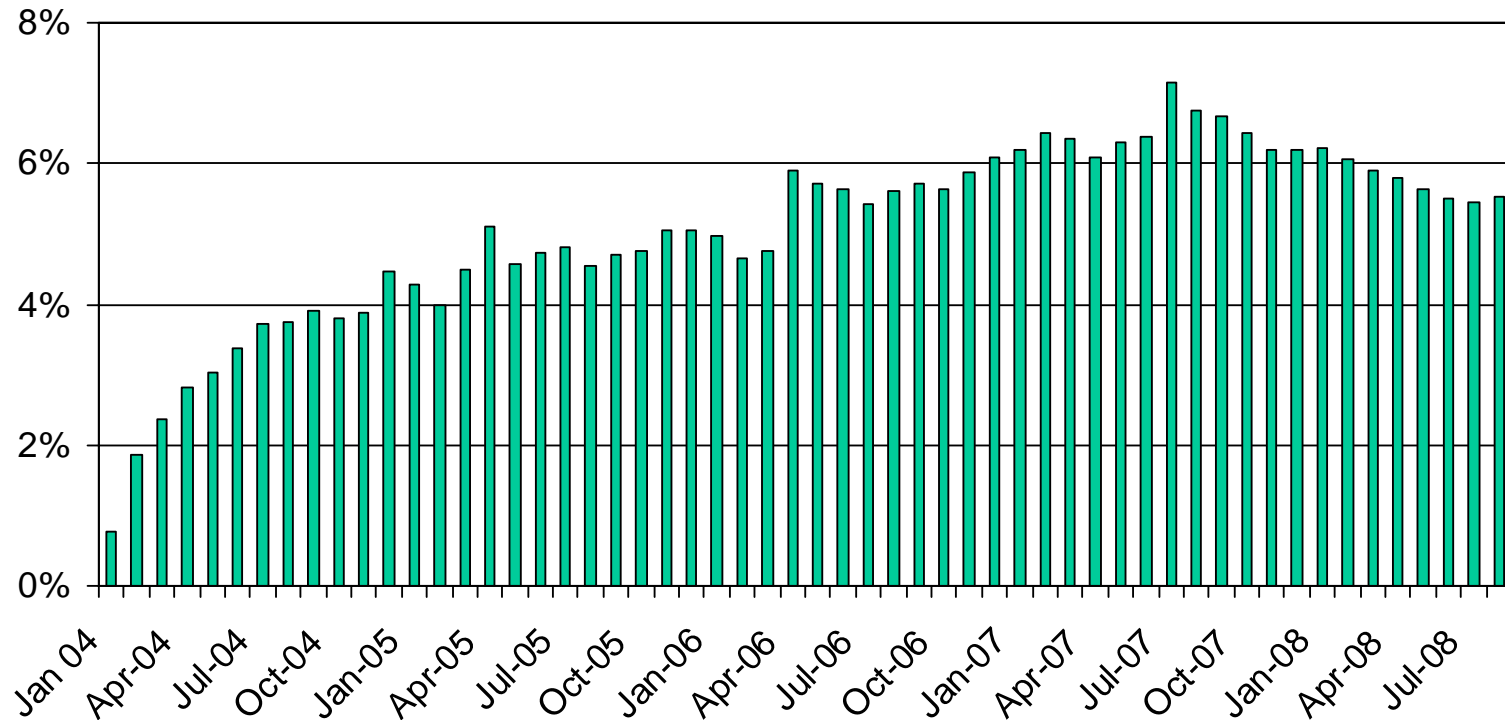
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index



## Second-Lien Outstandings as a Percent of All Leveraged Loans

Comprises all loans in the Index tracked in the LSTA/LPC mark-to-market service

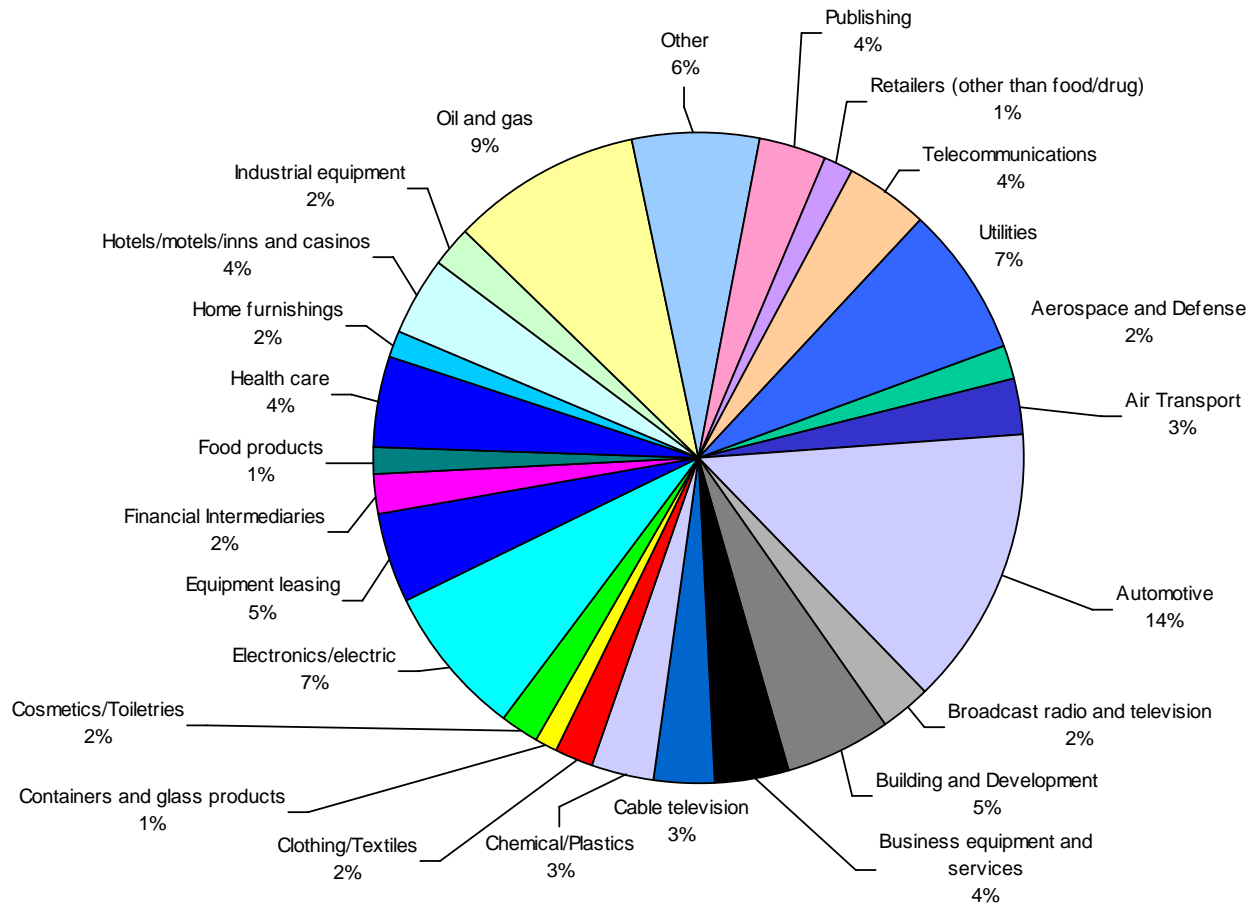
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index





## Second Lien Outstandings by Industry As of 8/31/08

Comprises all loans in the Index tracked in the LSTA/LPC mark-to-market service  
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

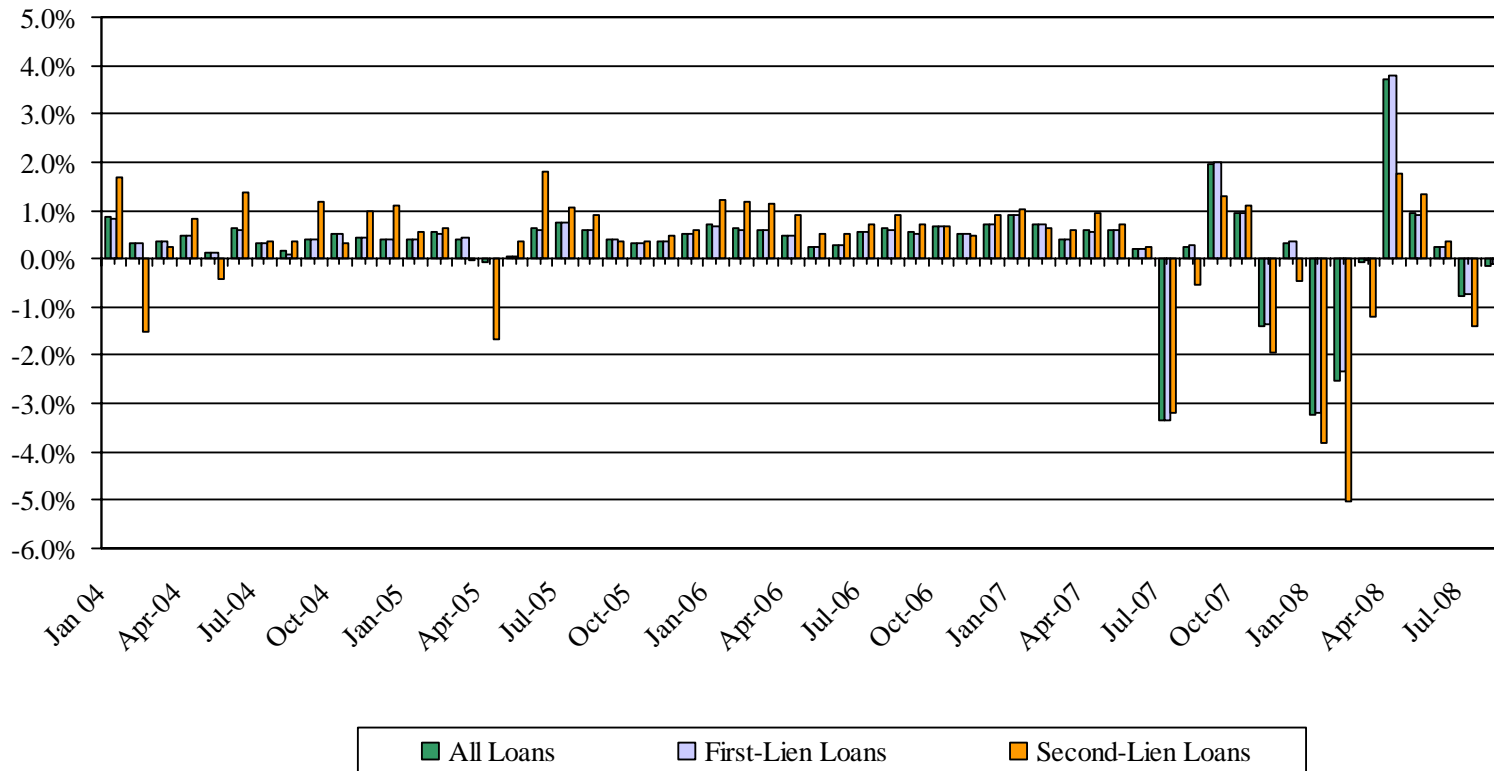




# S&P/LSTA Index Returns

## All Loans

Jan-04 to Aug-08

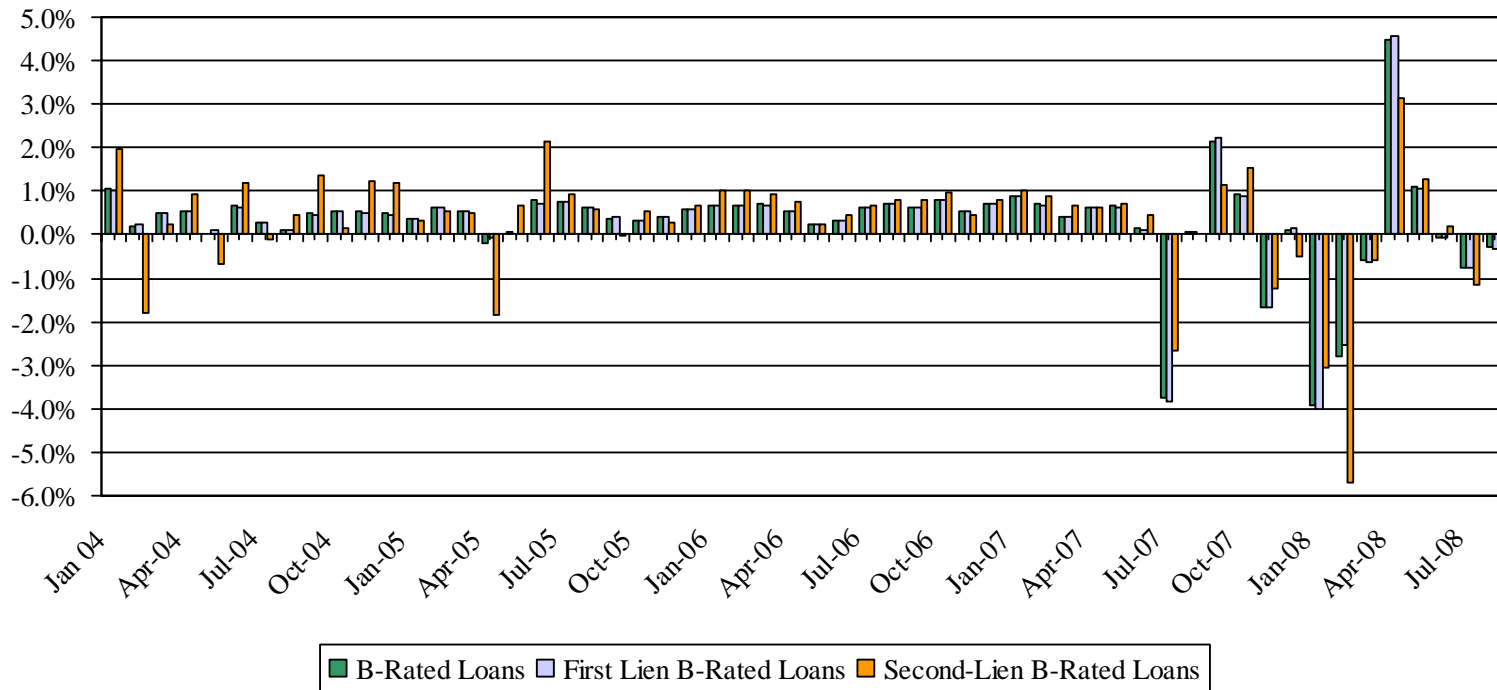




# S&P/LSTA Index Returns

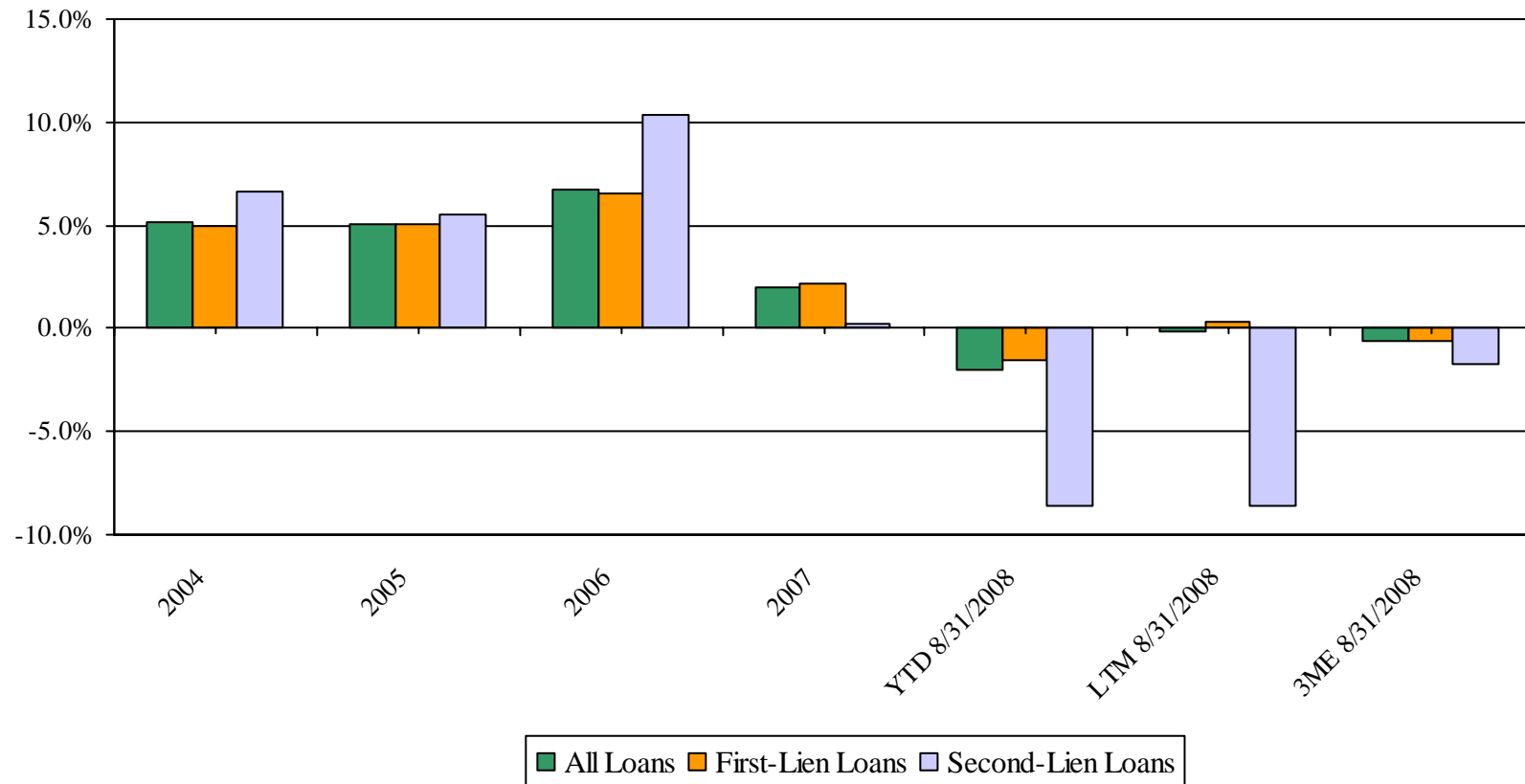
## B-Rated Loans

Jan-04 to Aug-08

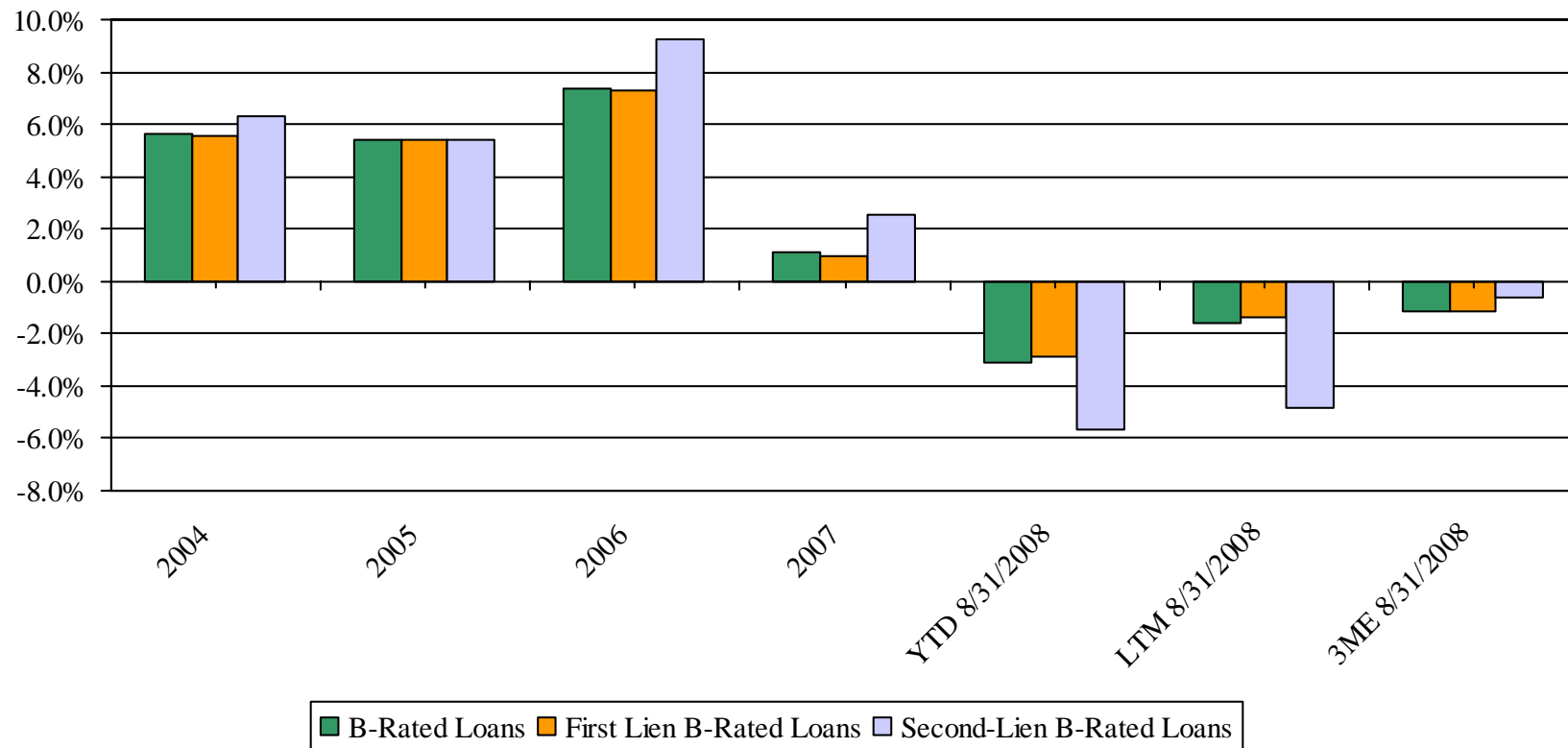


# S&P/LSTA Index Returns

## All Loan Returns



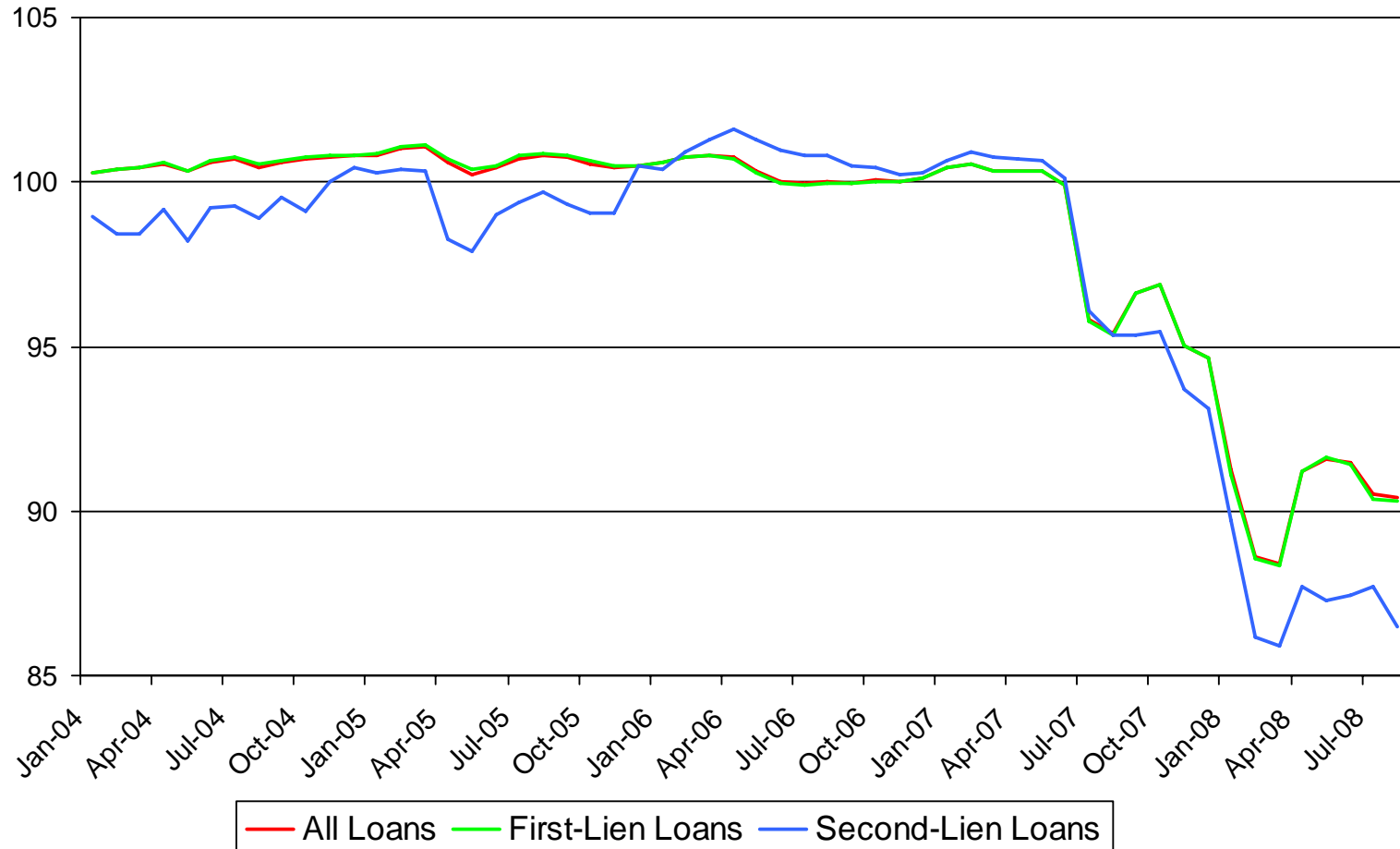
## S&P/LSTA Index Returns B-Rated Loans





### Average Bid of Leveraged Loans

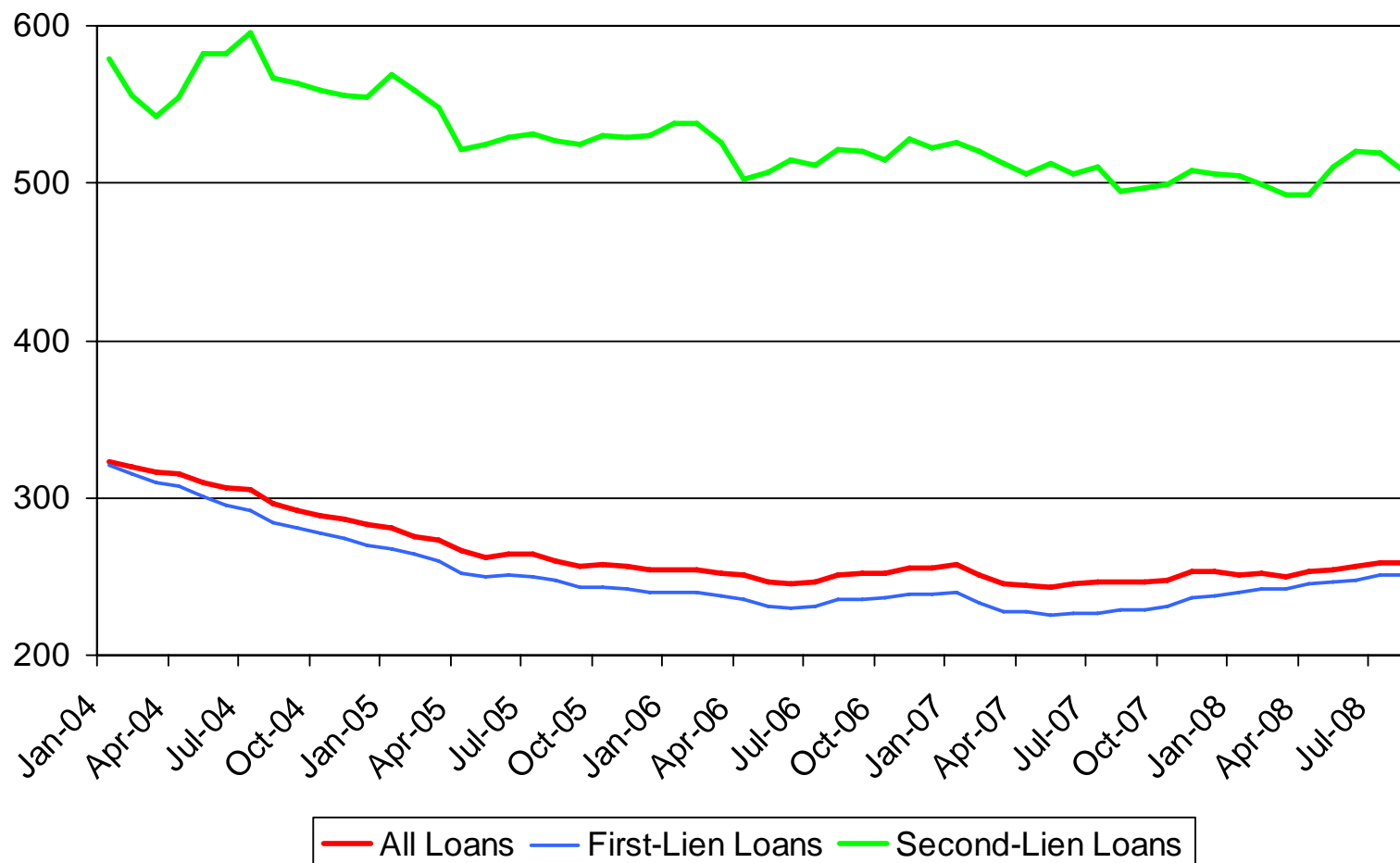
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





## Average Nominal Spread of Leveraged Loans

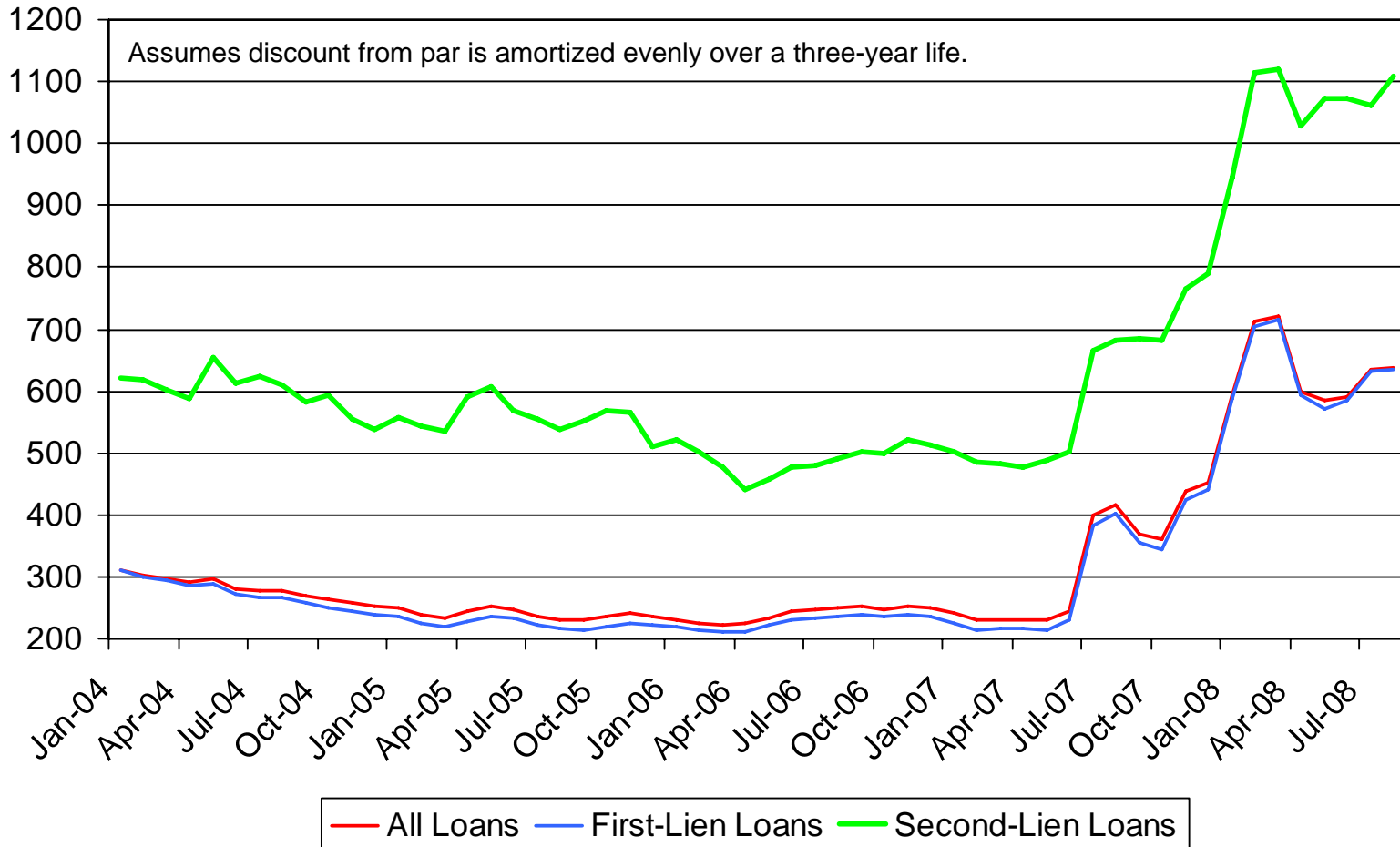
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





# Average Discounted Spread of Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default

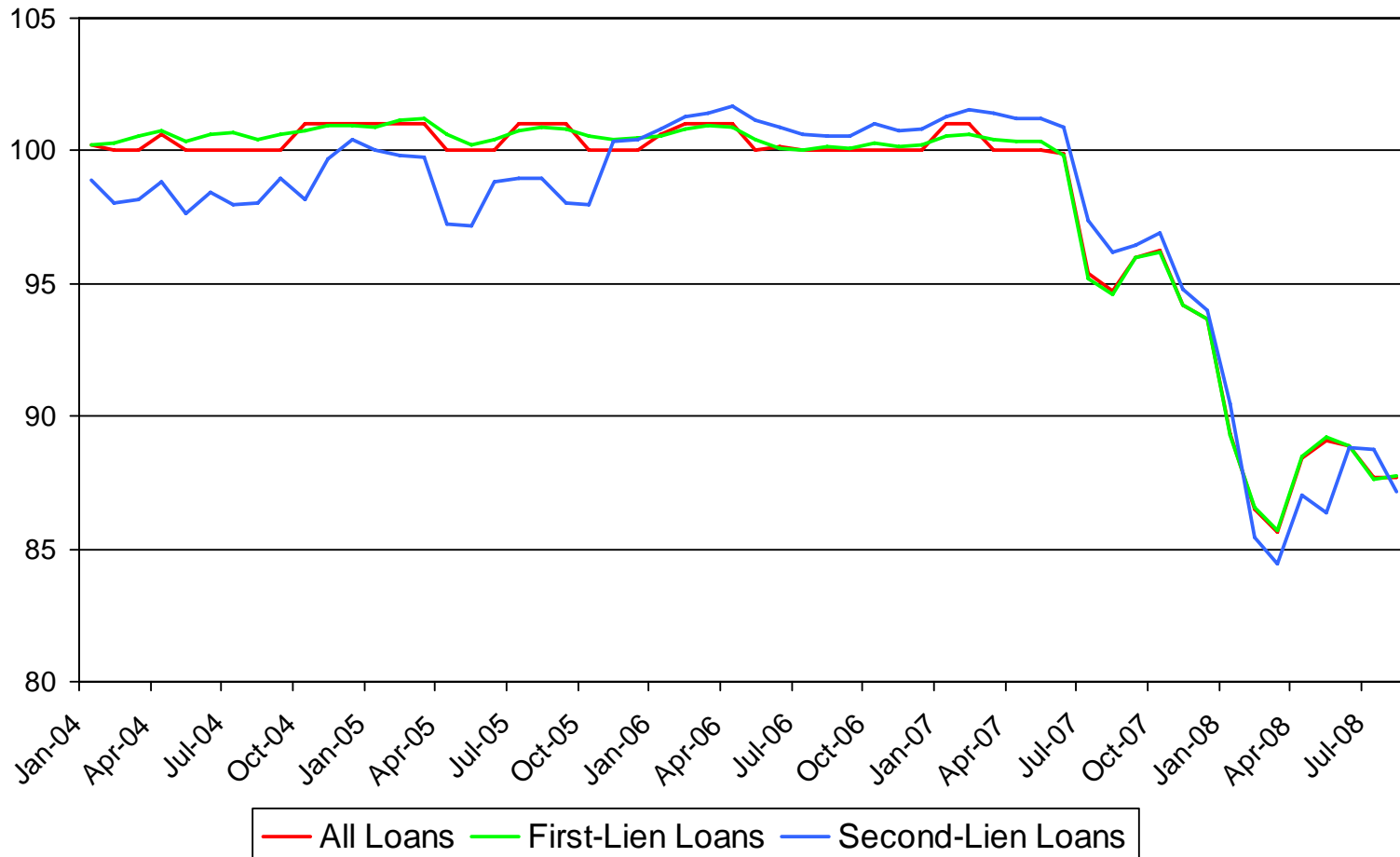


**Please note:** We have adjusted our spread calculation to be based off of the bid rather than par (that is assuming that the discounted margin is as a percent of the current market value than the par amount of the loan).



## Average Bid of Single B Rated Leveraged Loans

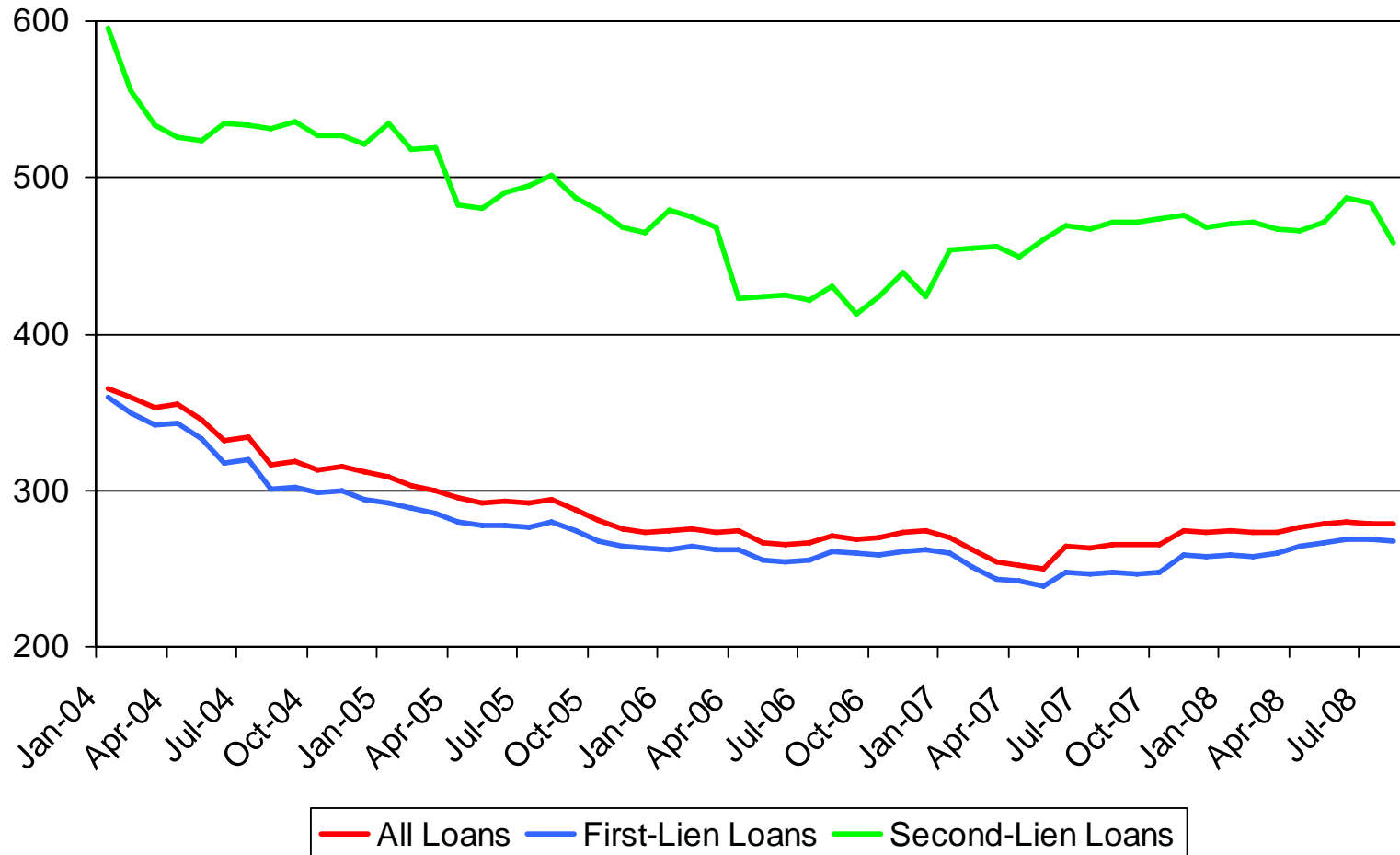
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





## Average Nominal Spread of Single B Rated Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





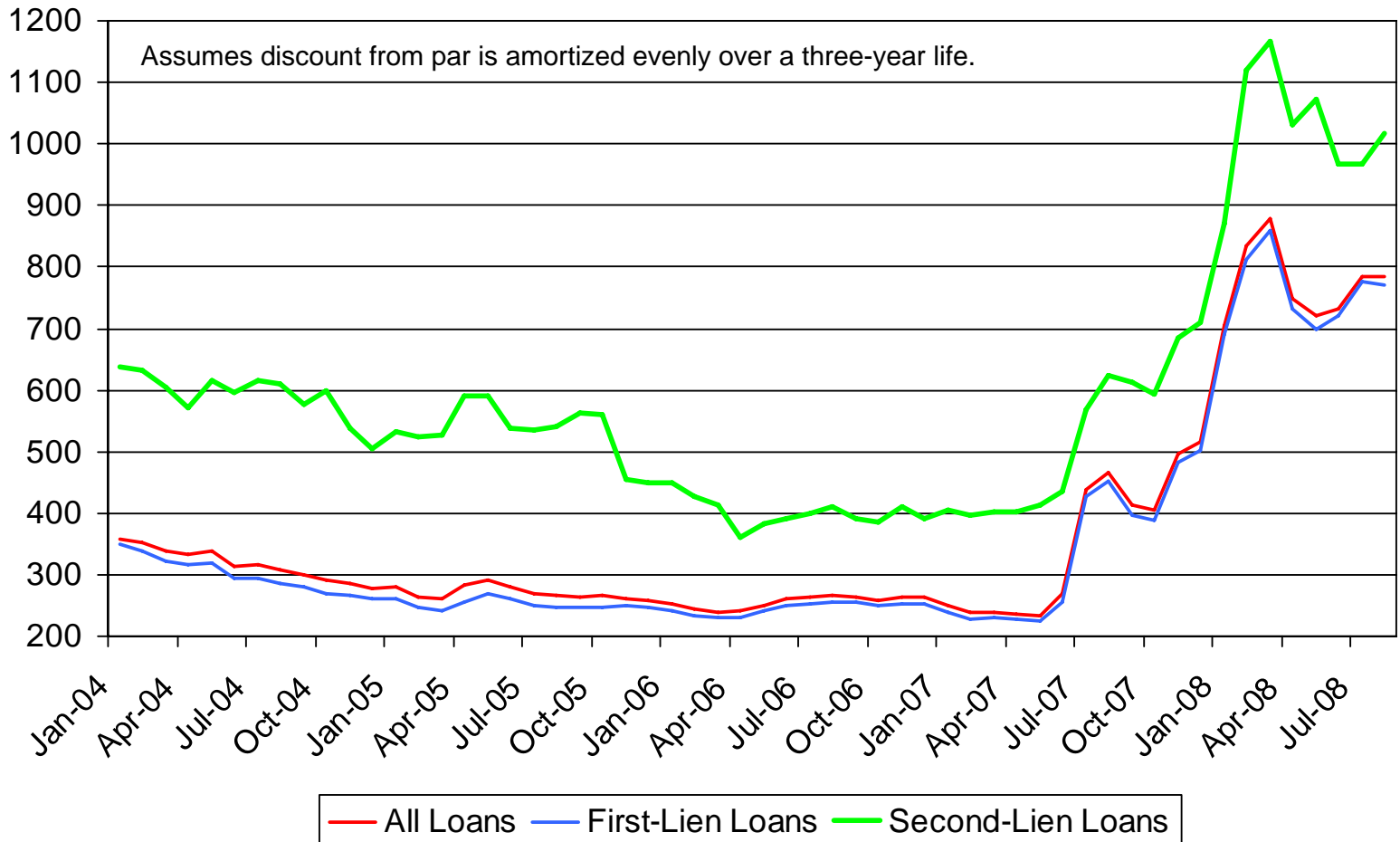
**Please note:** We have adjusted our spread calculation to be based off of the bid rather than par (that is assuming that the discounted margin is as a percent of the current market value than the par amount of the loan).



## Average Discounted Spread of Single B Rated Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

Excludes all loans trading at 70% of par or less and facilities in default





# S&P/LSTA Middle-Market Index

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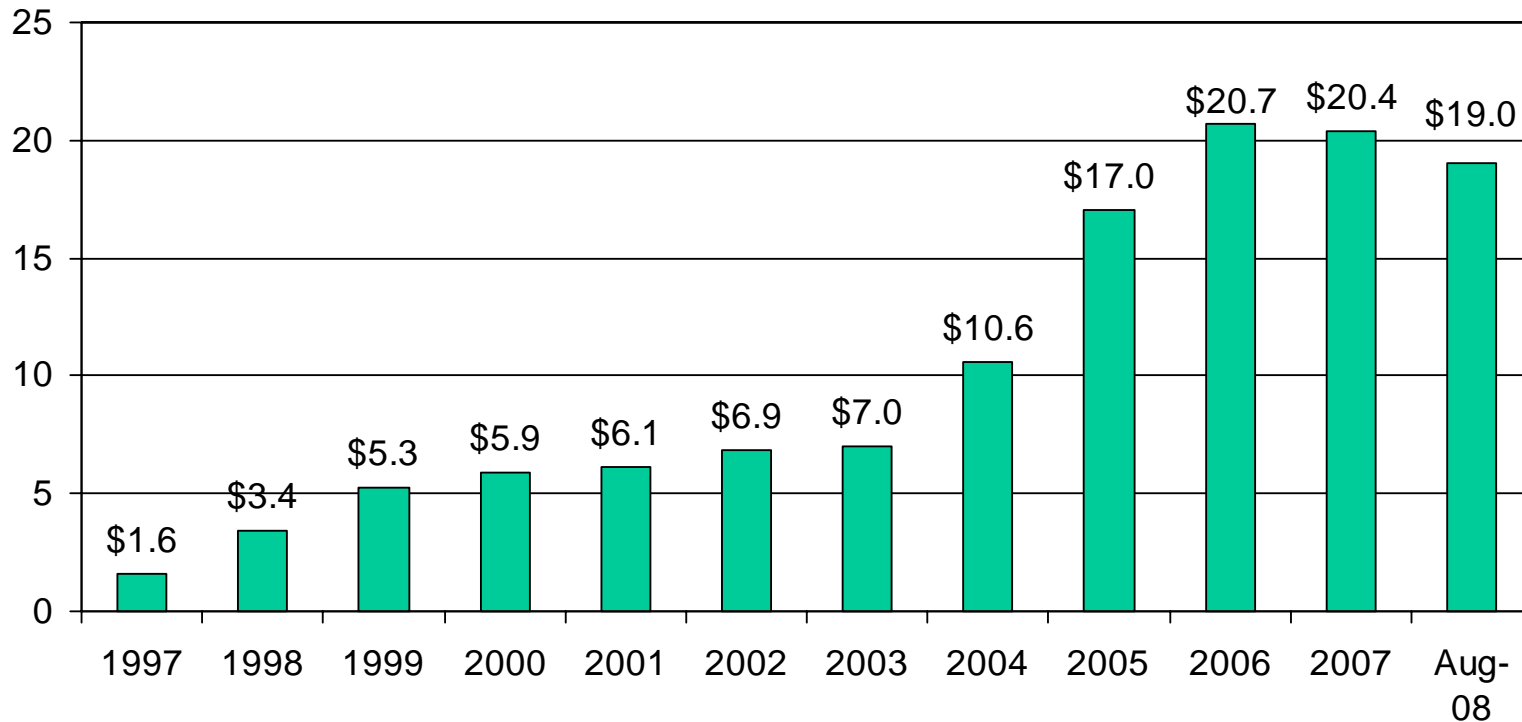
67

## Par Amount of Outstandings of Middle-Market Leveraged Loans

Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service

Vast majority are institutional tranches

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

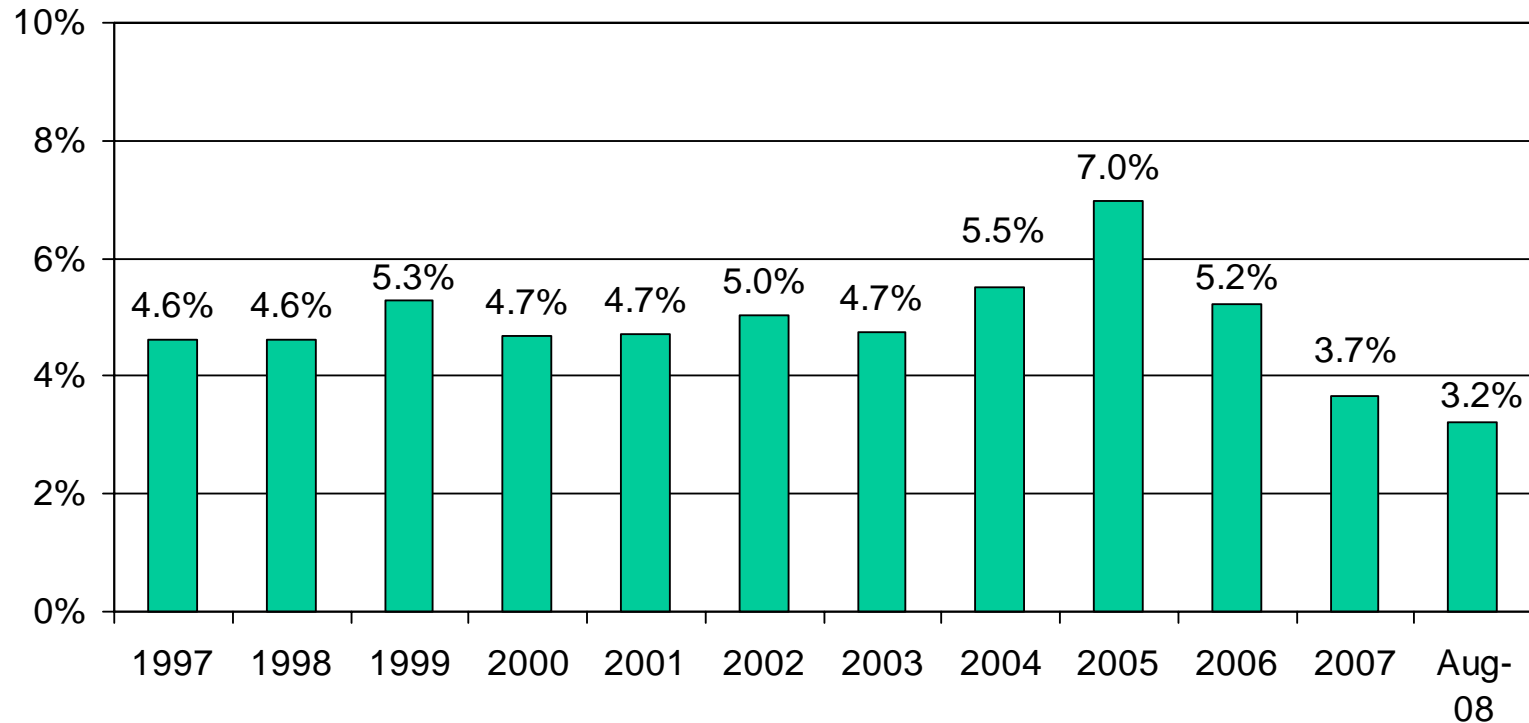


## Middle-Market Outstandings as a Percent of All Leveraged Loans

Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service

Vast majority are institutional tranches

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

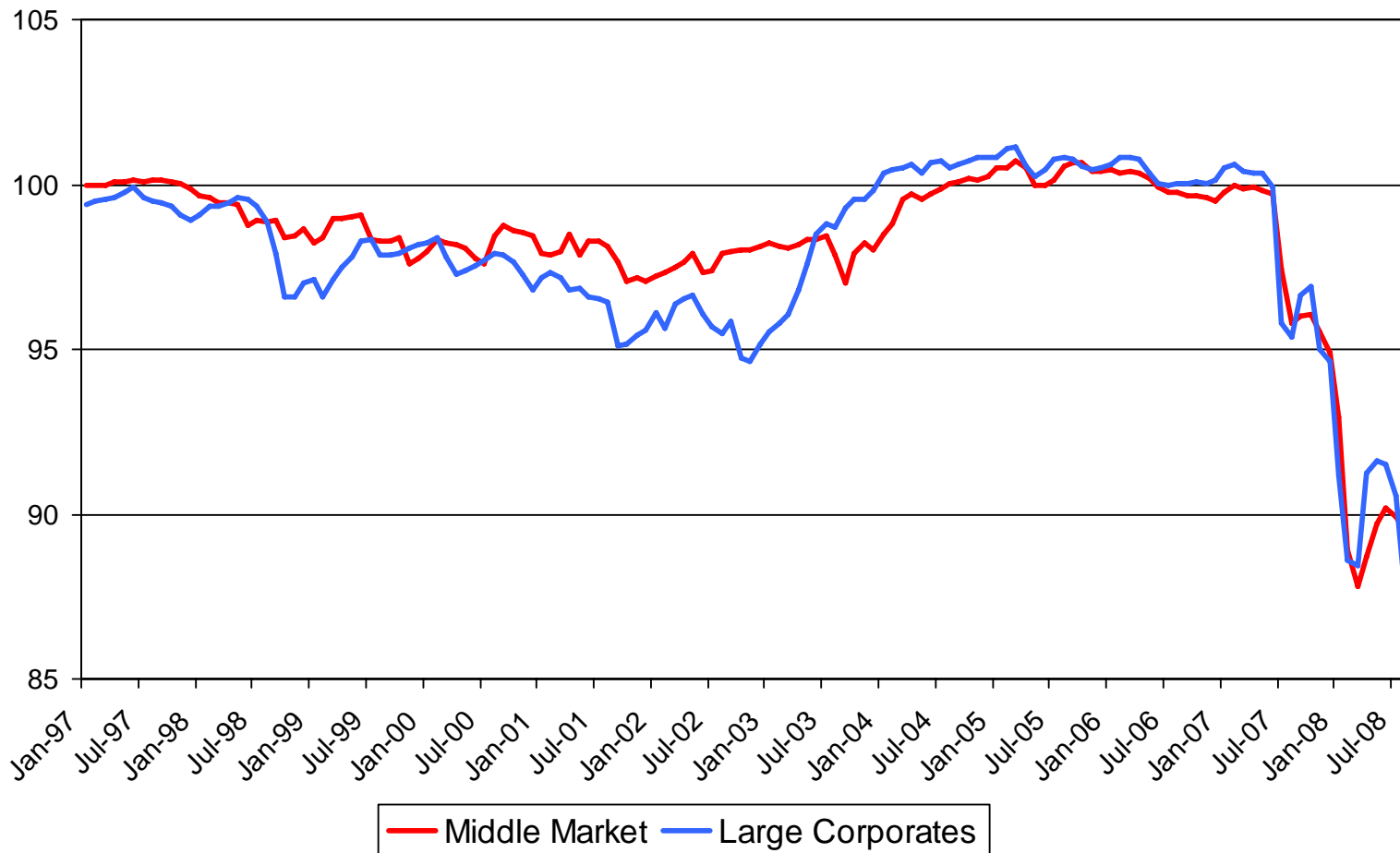






## Average Bid of Leveraged Loans

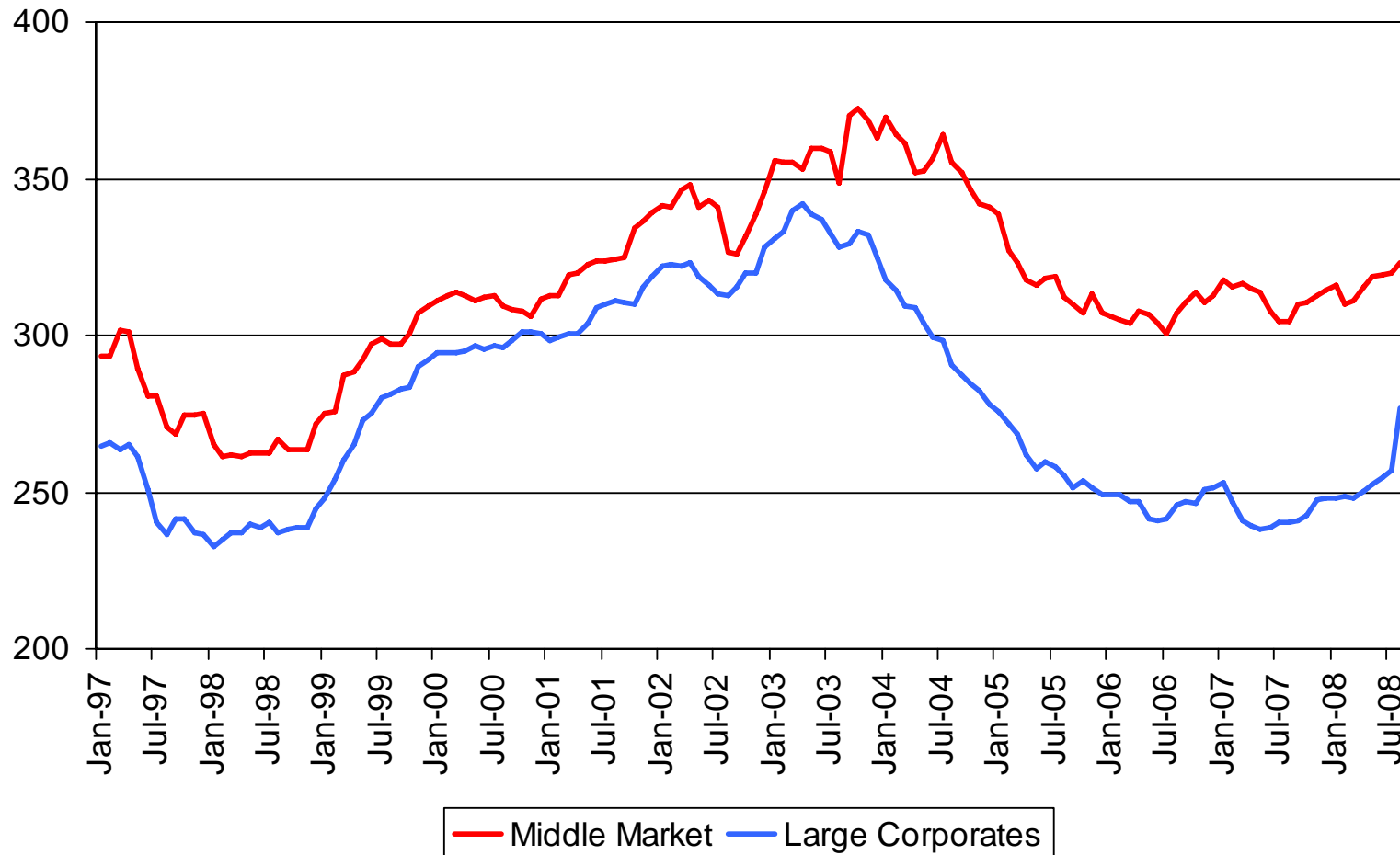
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





## Average Nominal Spread of Leveraged Loans

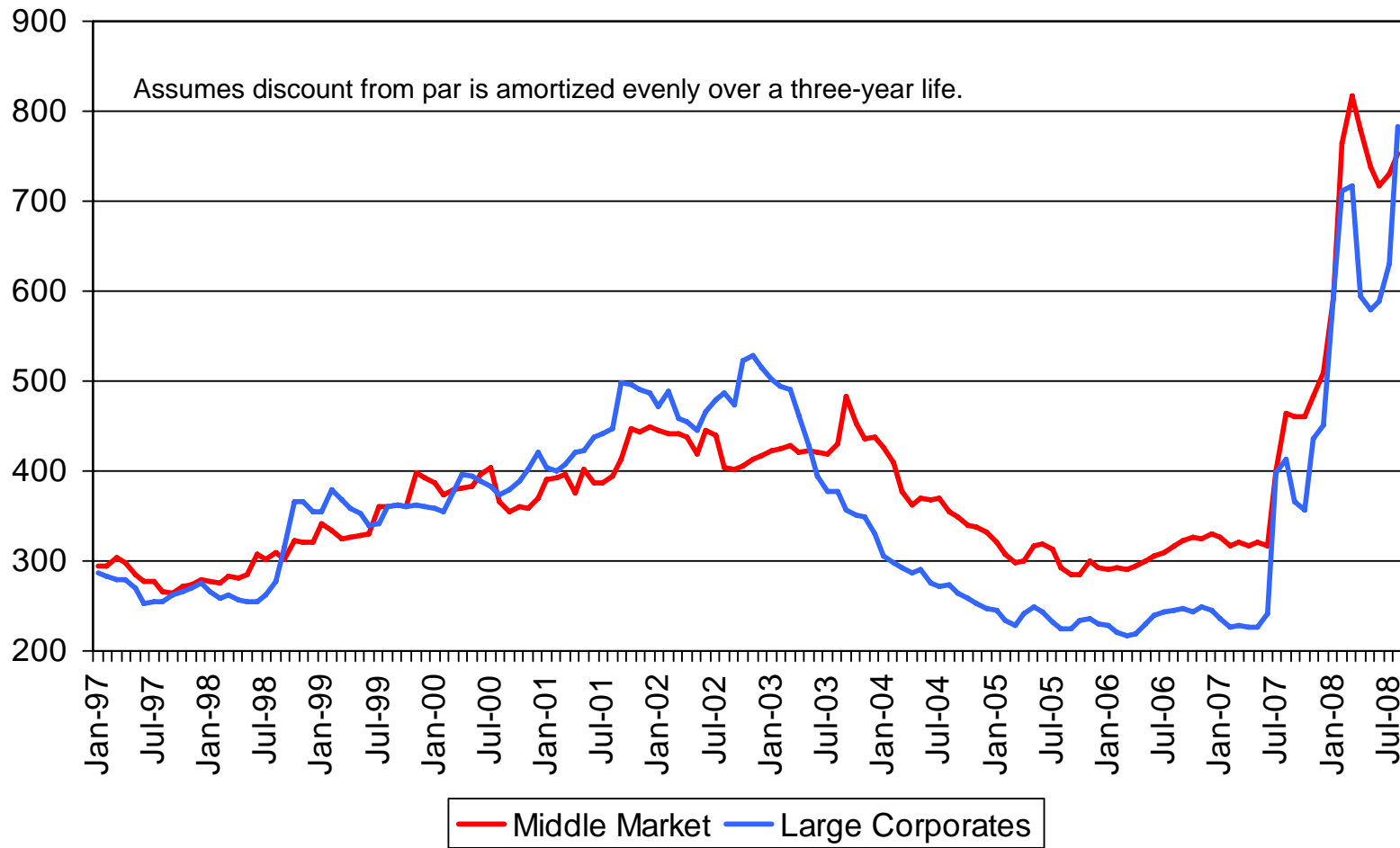
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





# Average Discounted Spread of Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default

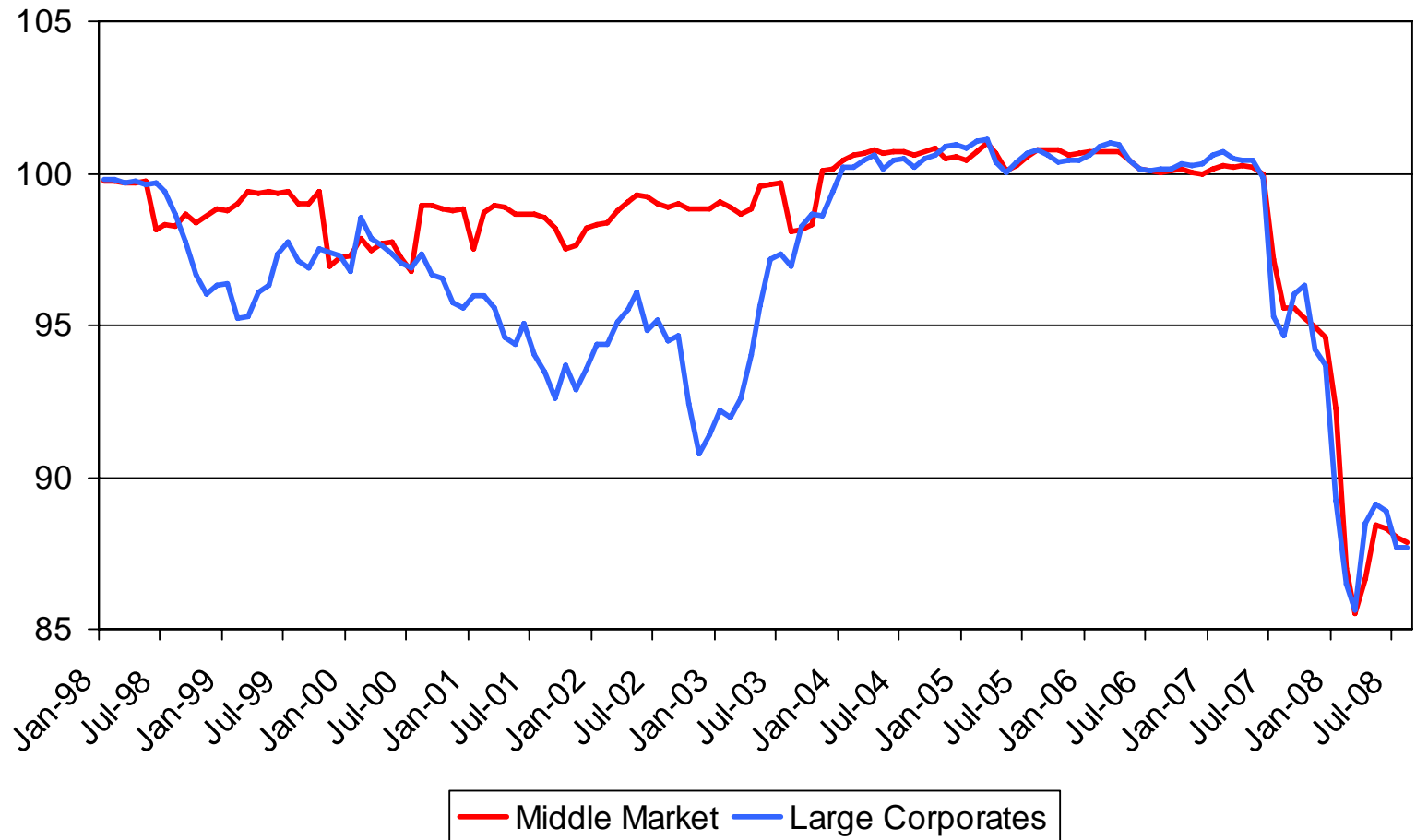


**Please note:** We have adjusted our spread calculation to be based off of the bid rather than par (that is assuming that the discounted margin is as a percent of the current market value than the par amount of the loan).



## Average Bid of Single B Leveraged Loans

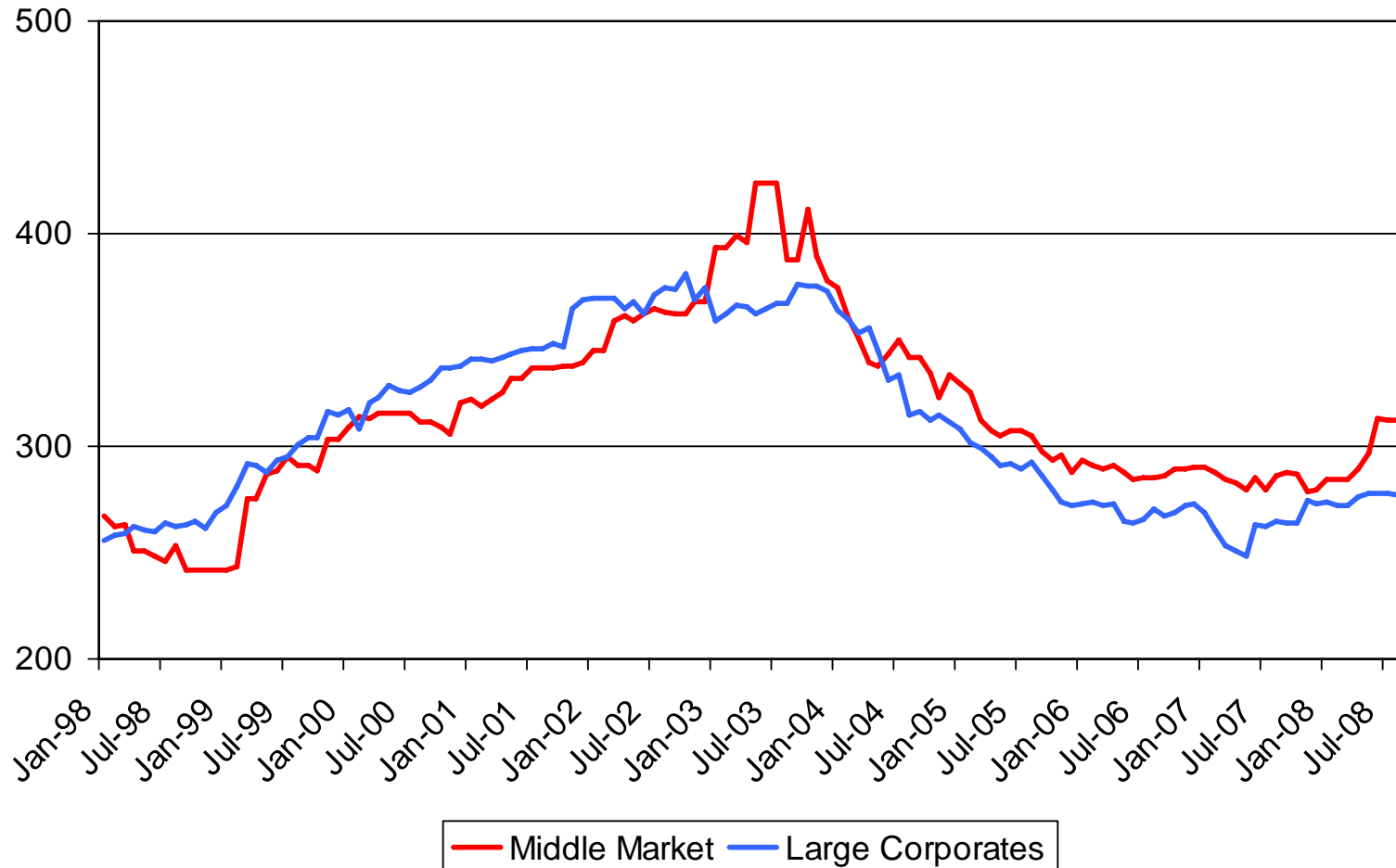
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default





## Average Nominal Spread of Single B Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default



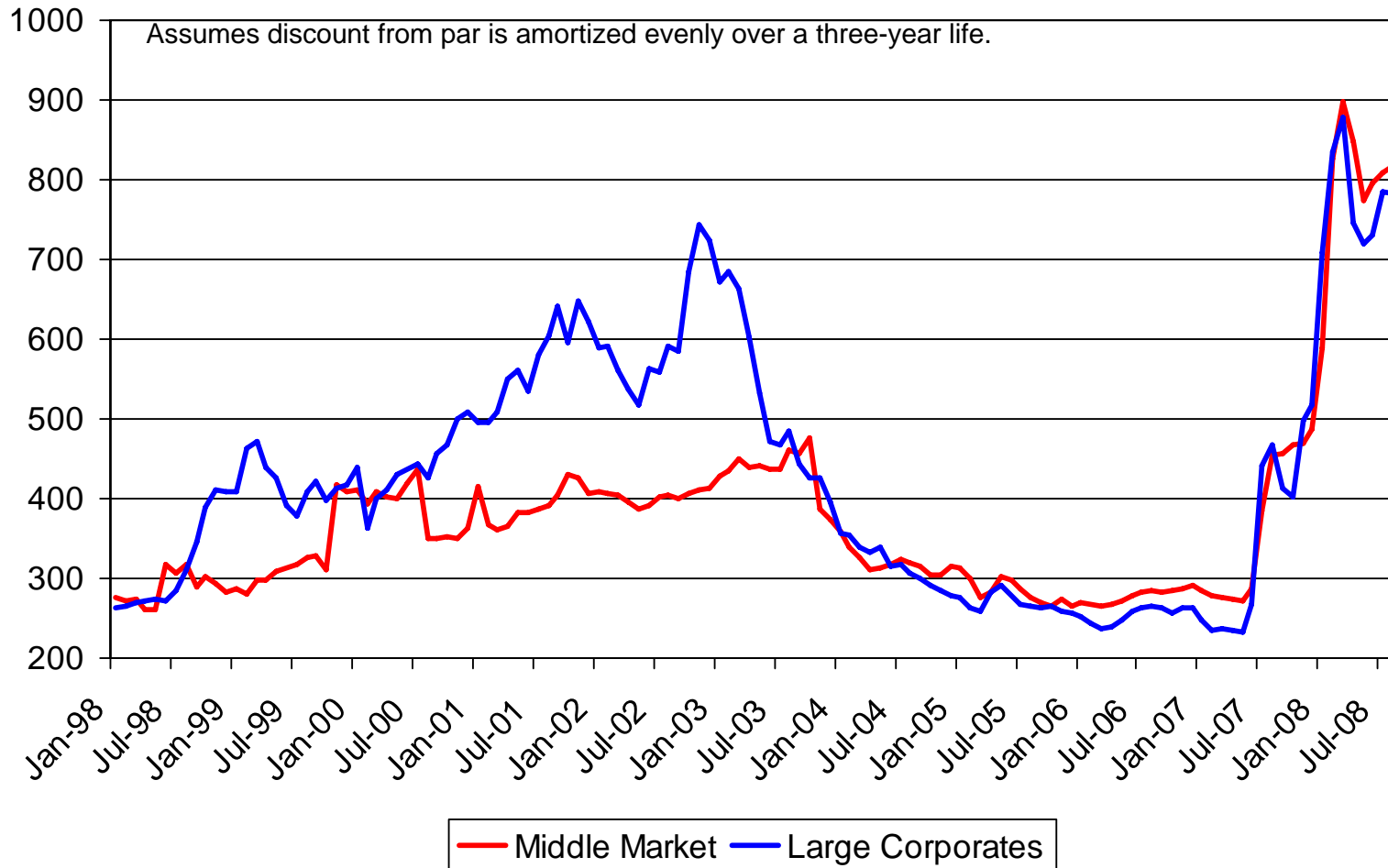


**Please note:** We have adjusted our spread calculation to be based off of the bid rather than par (that is assuming that the discounted margin is as a percent of the current market value than the par amount of the loan).



## Average Discounted Spread of Single B Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default



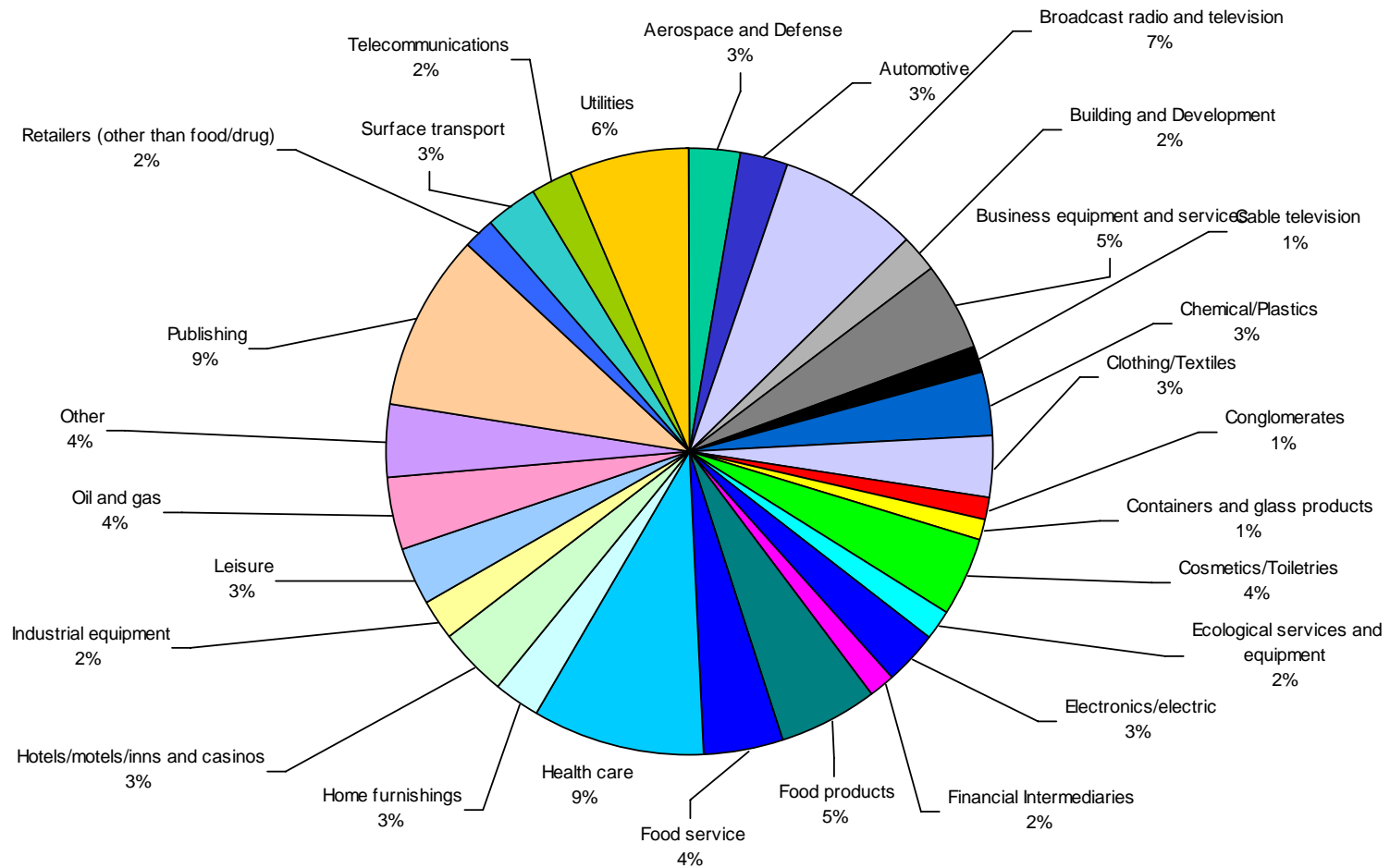


# Middle-Market Outstandings by Industry As of 8/31/08



Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service  
Vast majority are institutional tranches

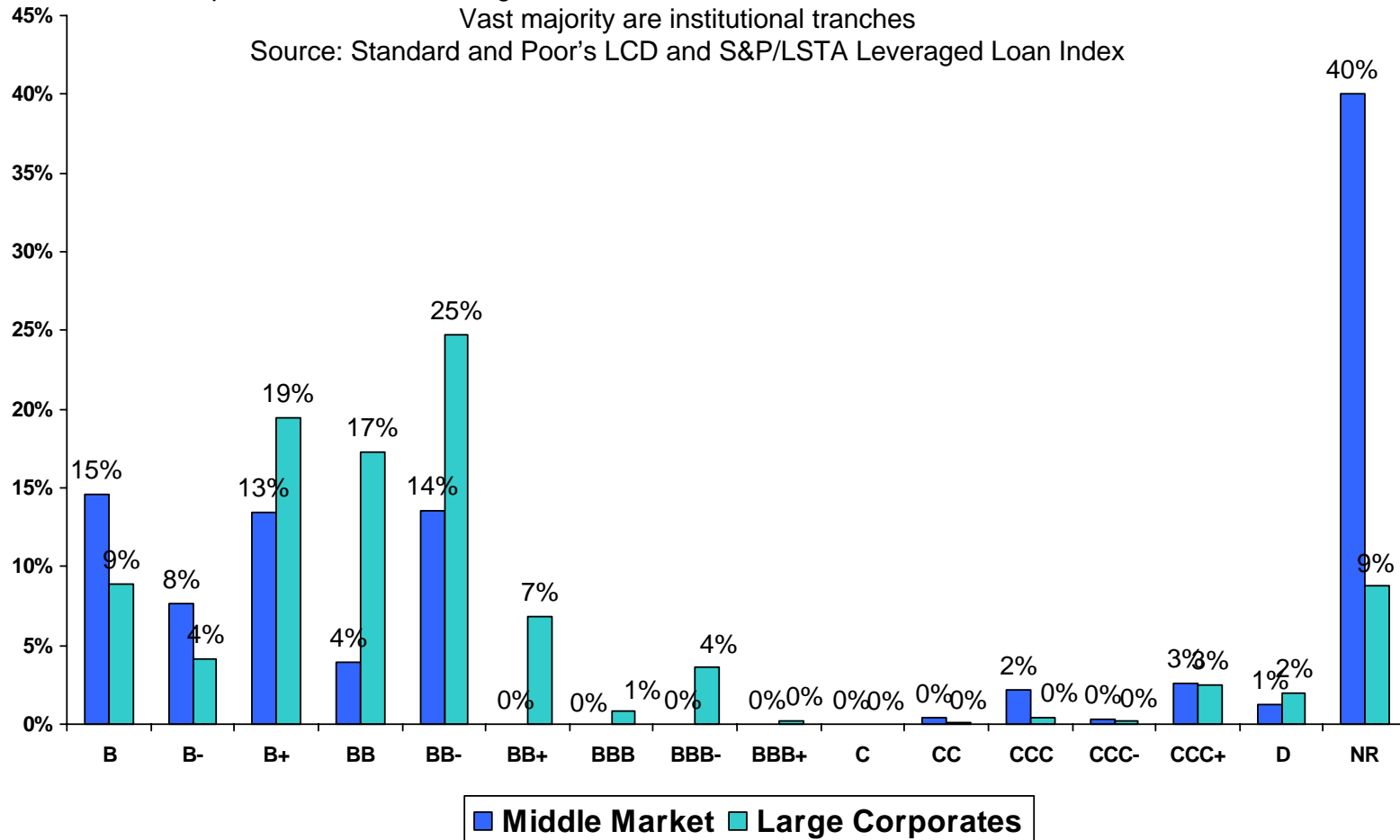
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index





## Middle-Market Outstandings by Rating As of 8/31/08

Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service  
Vast majority are institutional tranches  
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

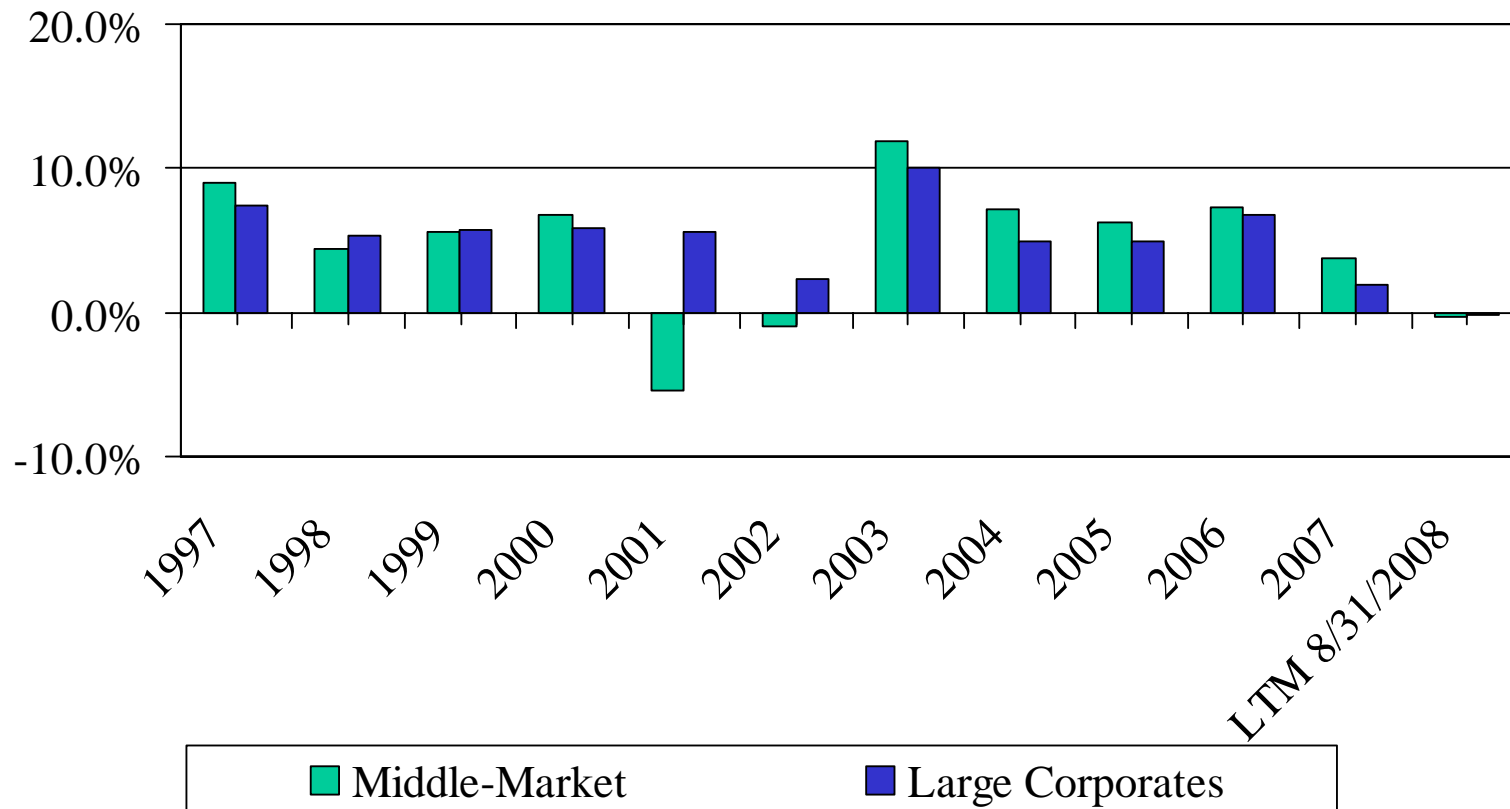




# S&P/LSTA Index Returns

## Annual

Jan-97 to LTM Aug-08



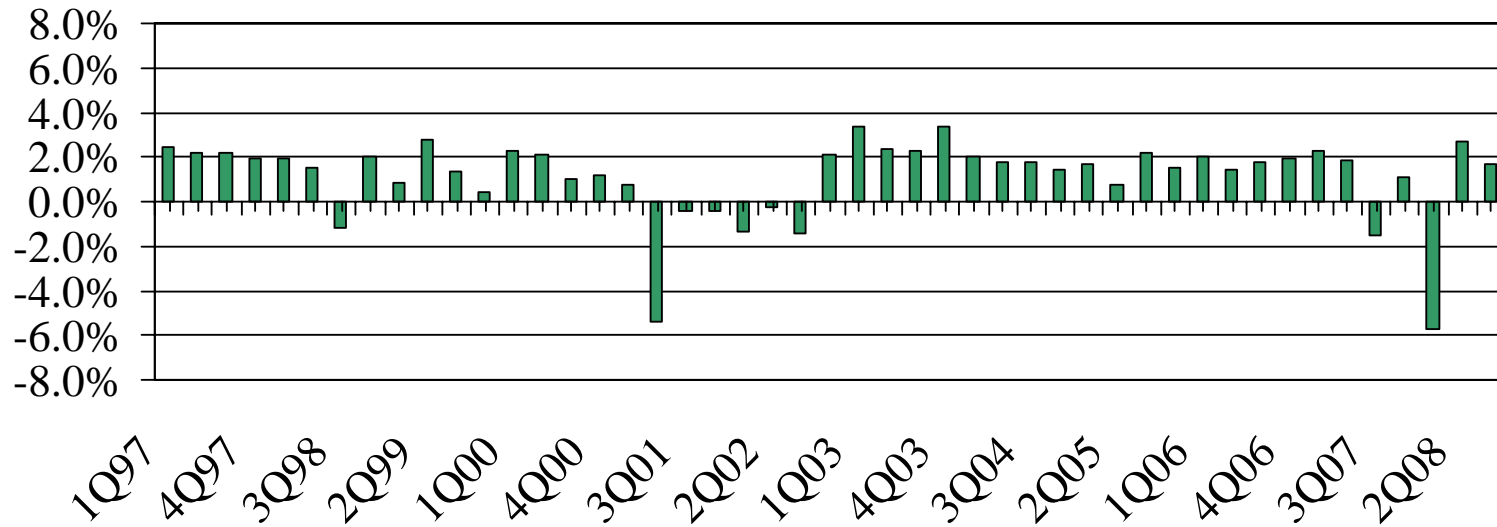


# S&P/LSTA Index Returns

## Middle-Market

### Quarterly

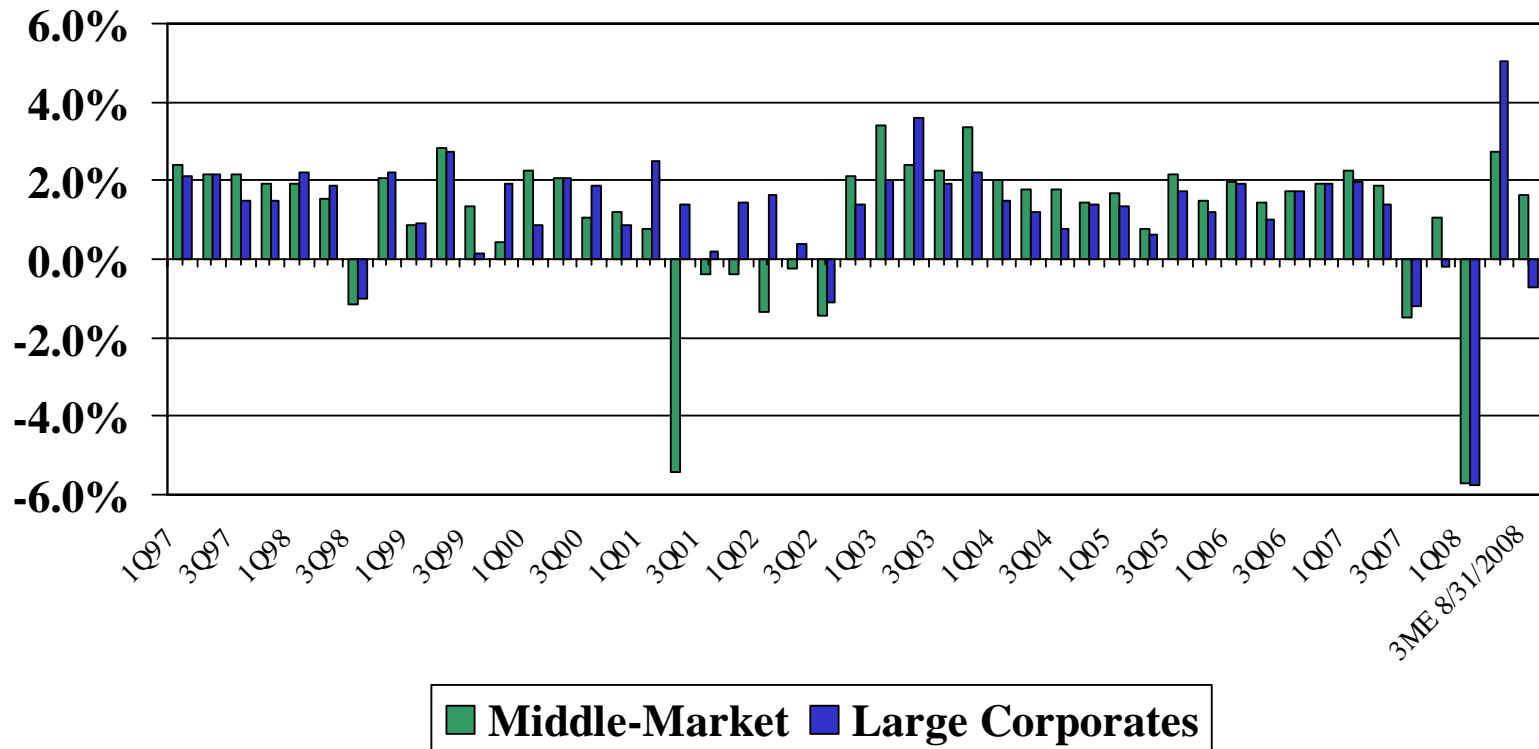
Jan-97 to 3ME Aug-08



# S&P/LSTA Index Returns

## Quarterly

Jan-97 to 3ME Aug-08



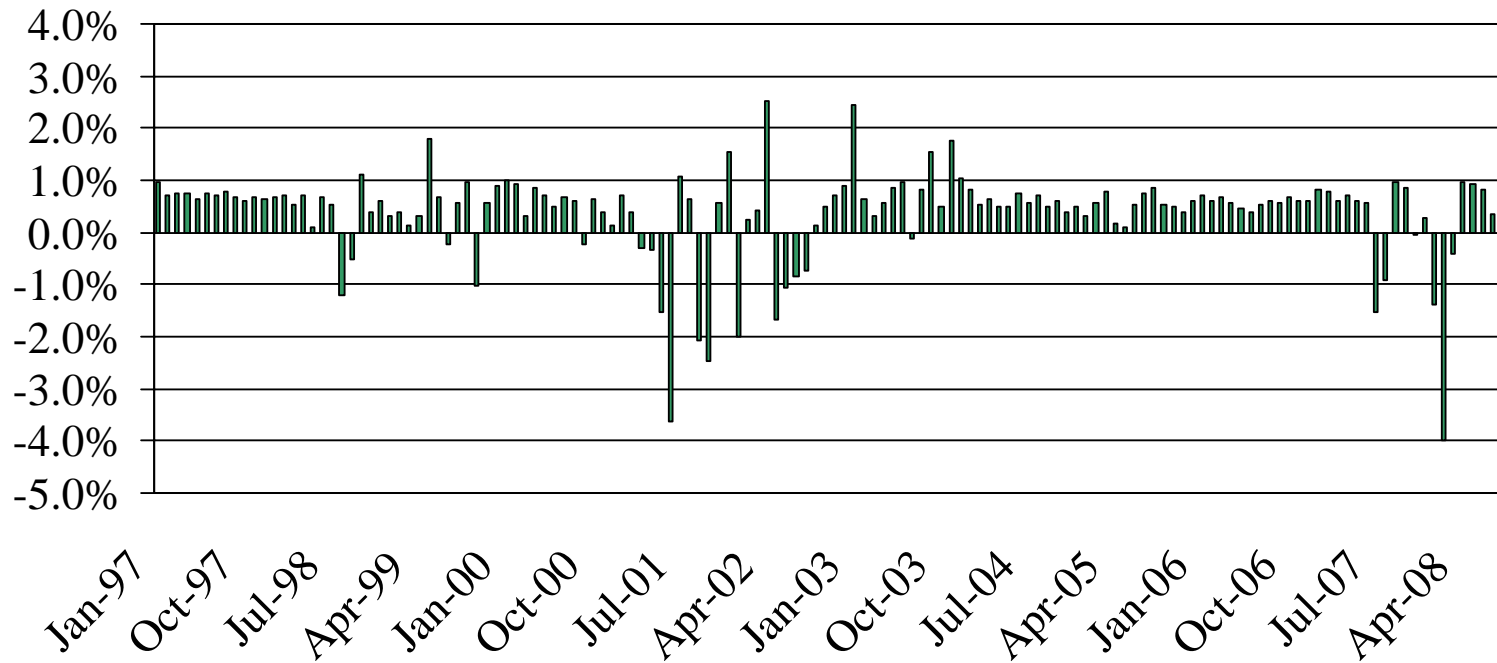


# S&P/LSTA Index Returns

## Middle-Market

### Monthly

Jan-97 to Aug-08





# S&P/LSTA Covenant-Lite Index

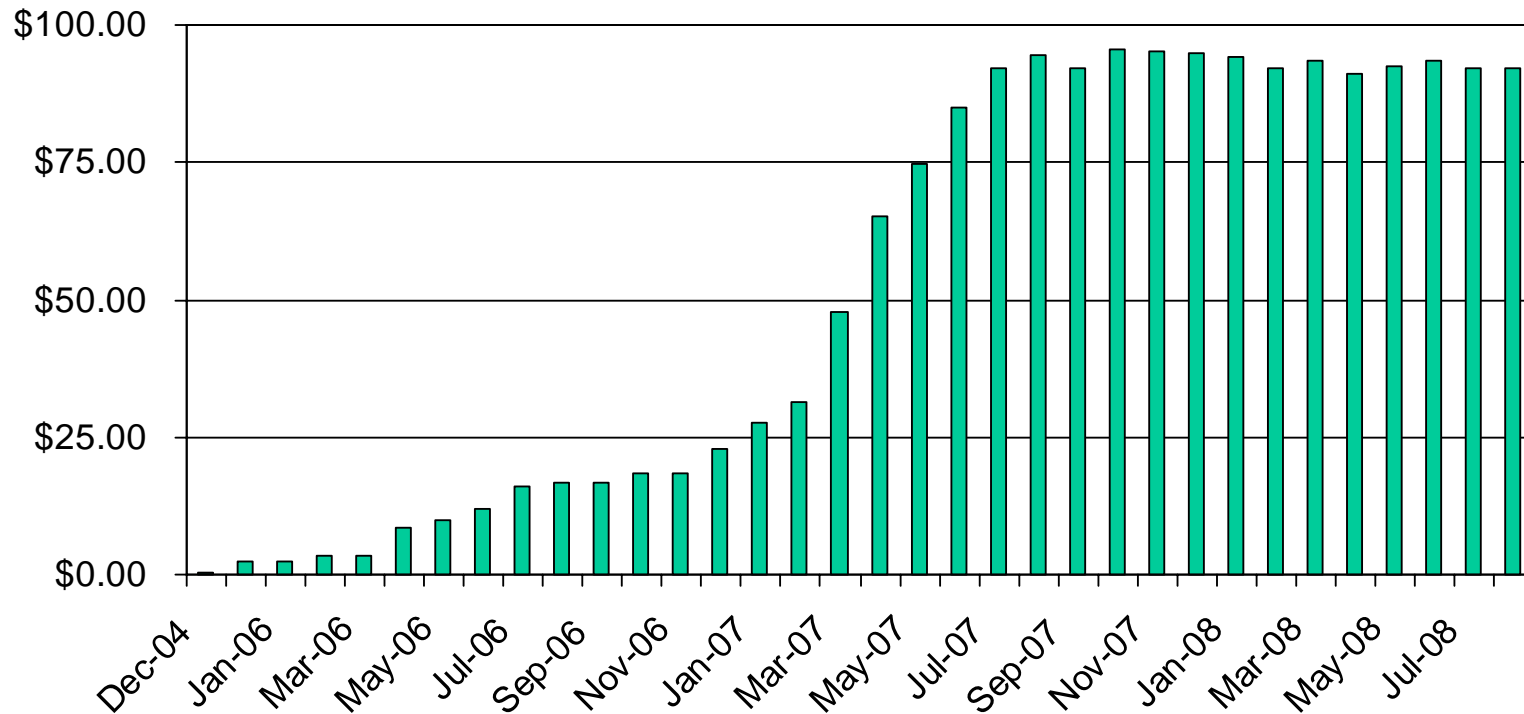


## Par Amount of Outstandings of Covenant-Lite Leveraged Loans

Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service

Vast majority are institutional tranches

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index



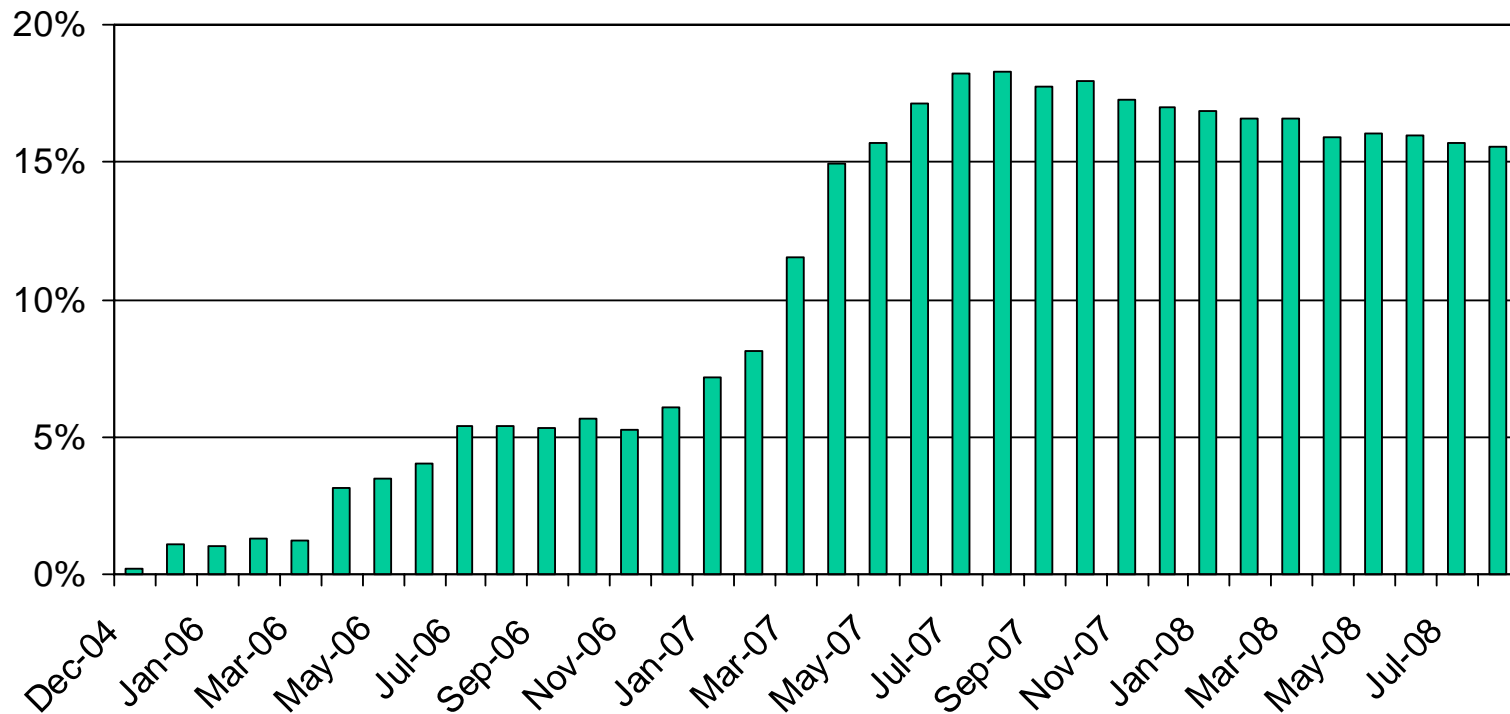


## Covenant-Lite Outstandings as a Percent of All Leveraged Loans

Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service

Vast majority are institutional tranches

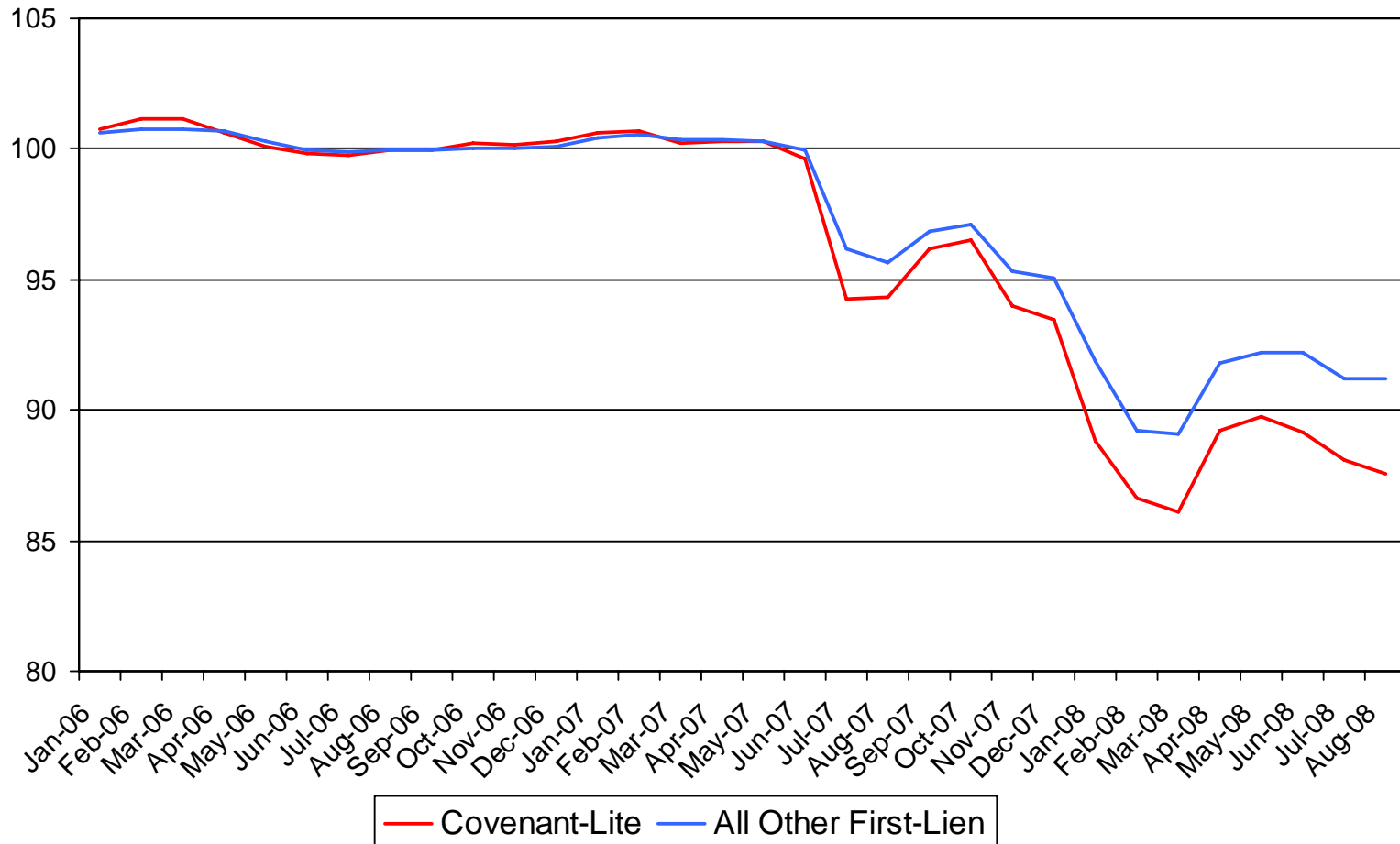
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index





## Average Bid of Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index  
Excludes all loans trading at 70% of par or less and facilities in default



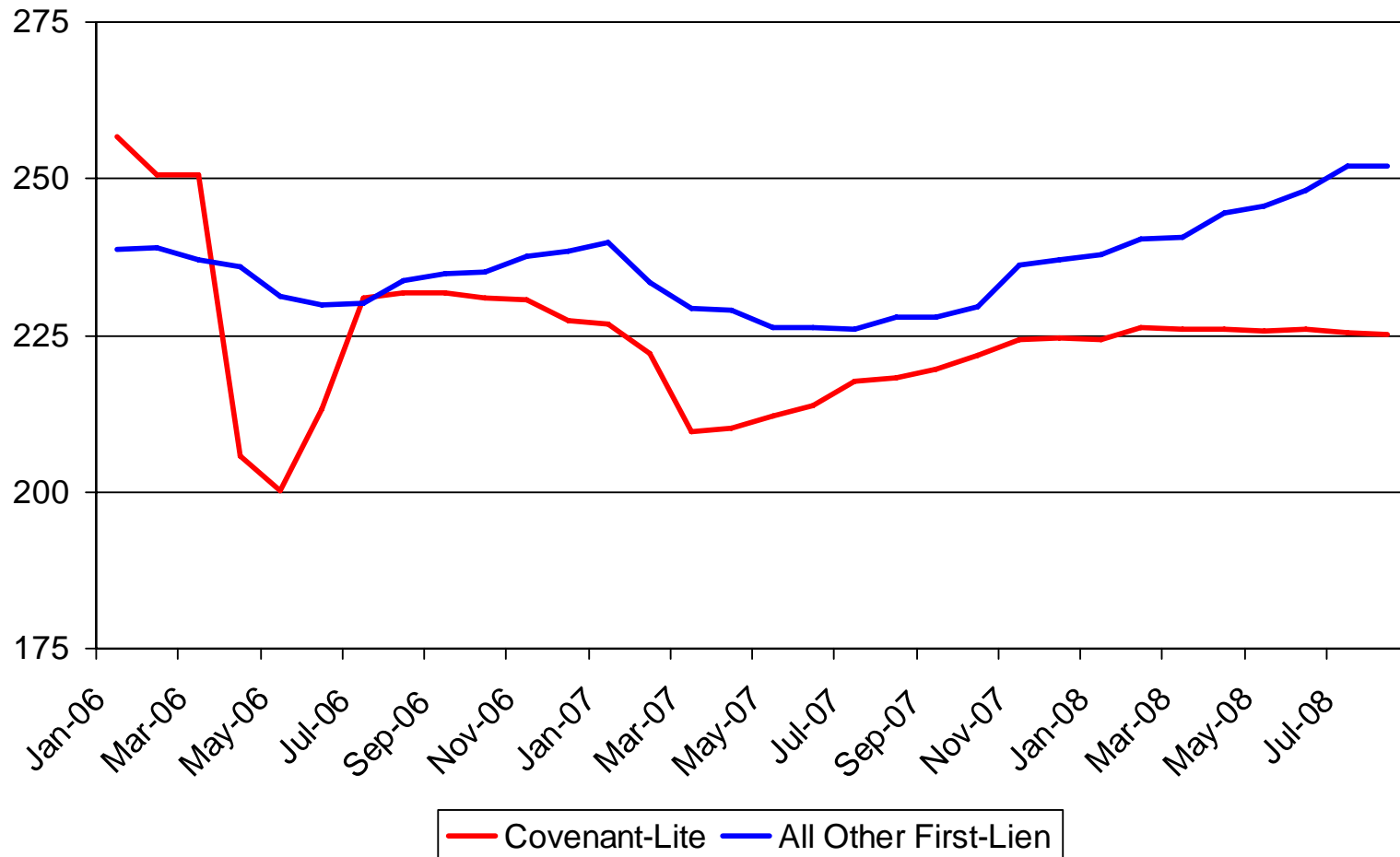




## Average Nominal Spread of Covenant-Lite Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

Excludes all loans trading at 70% of par or less and facilities in default





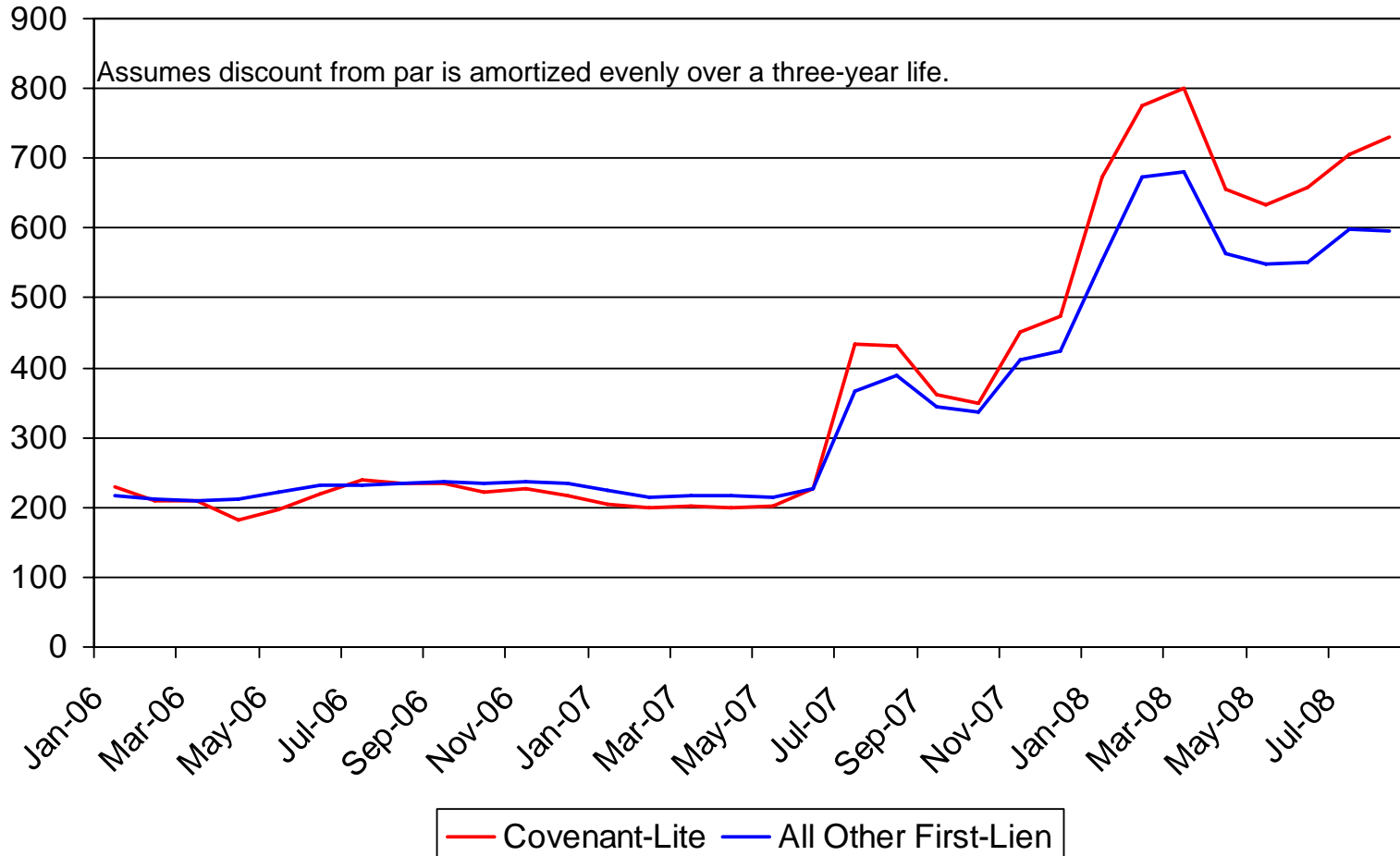
**Please note:** We have adjusted our spread calculation to be based off of the bid rather than par (that is assuming that the discounted margin is as a percent of the current market value than the par amount of the loan).



## Average Discounted Spread of Covenant-Lite Leveraged Loans

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

Excludes all loans trading at 70% of par or less and facilities in default

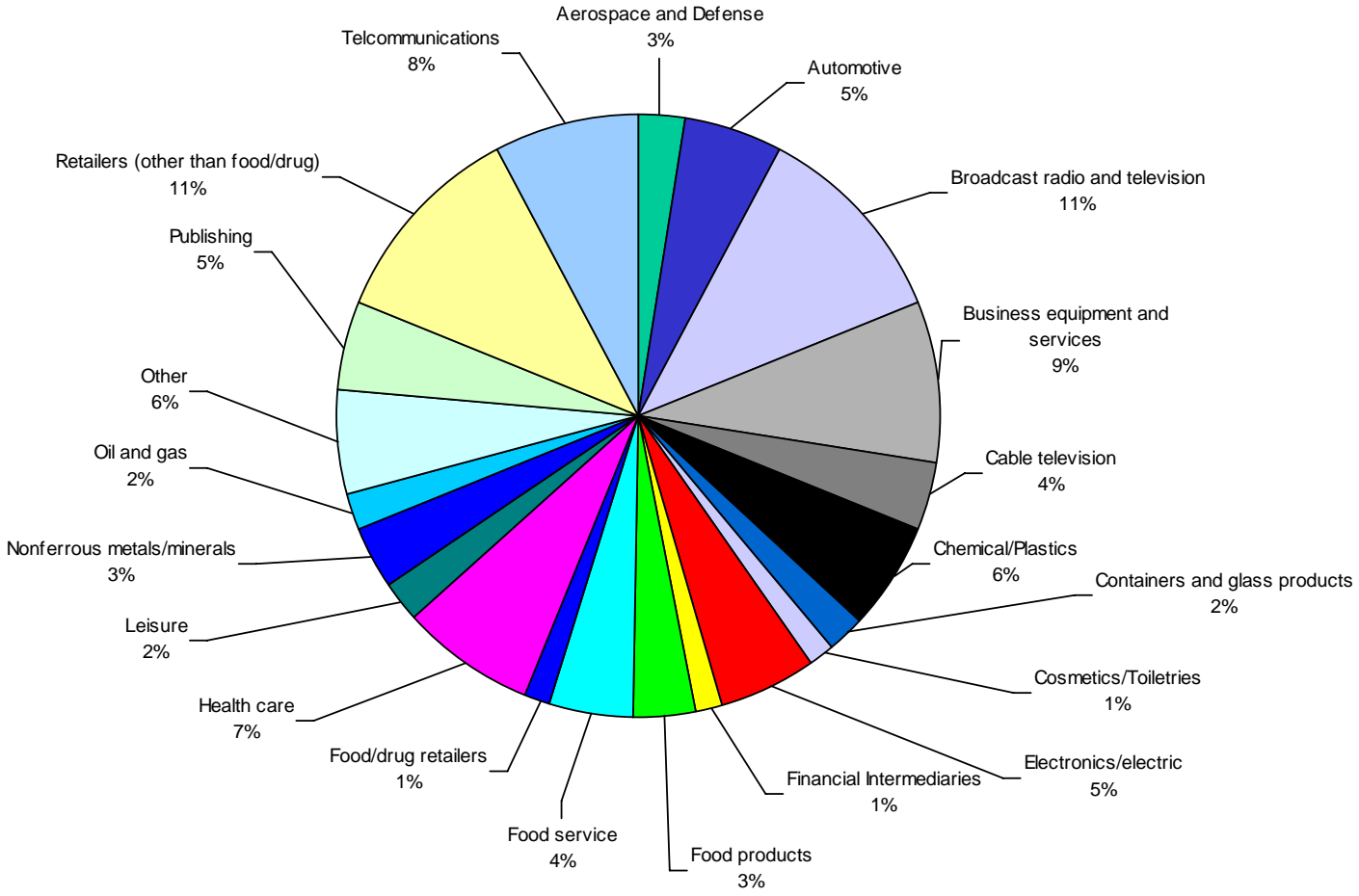




# Covenant-Lite Outstandings by Industry As of 8/31/08



Comprises all loans, including those not tracked in the LSTA/LPC mark-to-market service  
Vast majority are institutional tranches  
Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index



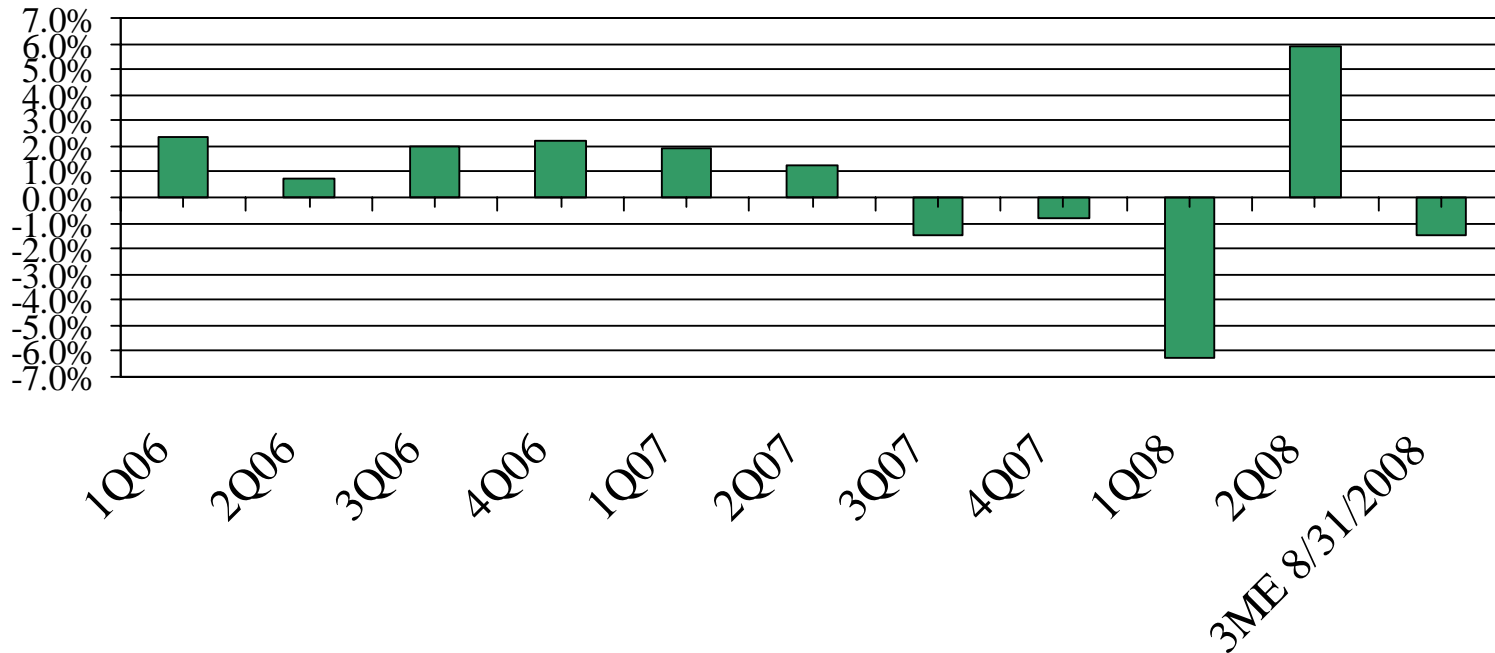


# S&P/LSTA Index Returns

Covenant-Lite

Quarterly

Jan-06 to 3ME Aug-08



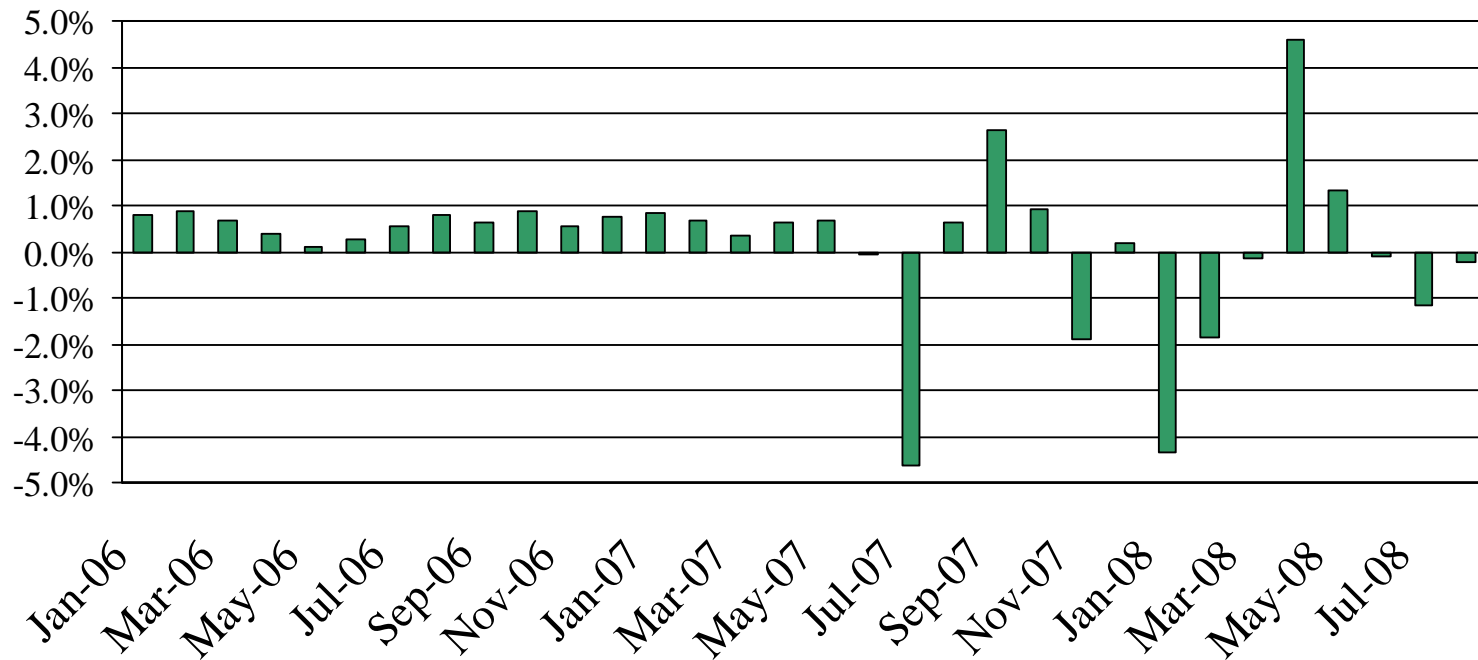


# S&P/LSTA Index Returns

## Covenant-Lite

### Monthly

Jan-06 to Aug-08





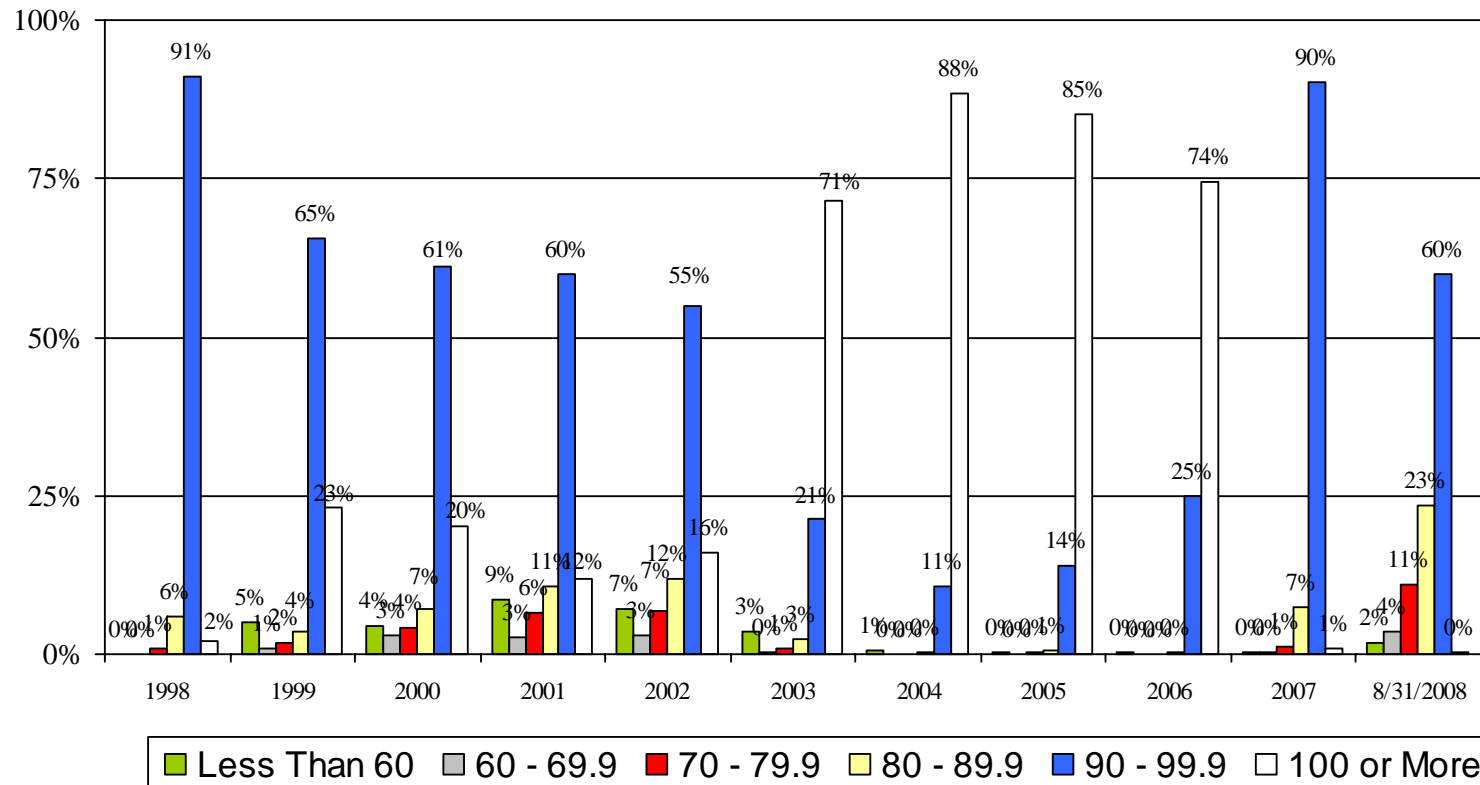
# **S&P/LSTA Leveraged Loan Index**

## **Default and Distress Statistics**

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91

**Distribution by Bid Price of the S&P/LSTA Leveraged Loan Index**  
As of Period-End  
Dec-98 – Aug-08

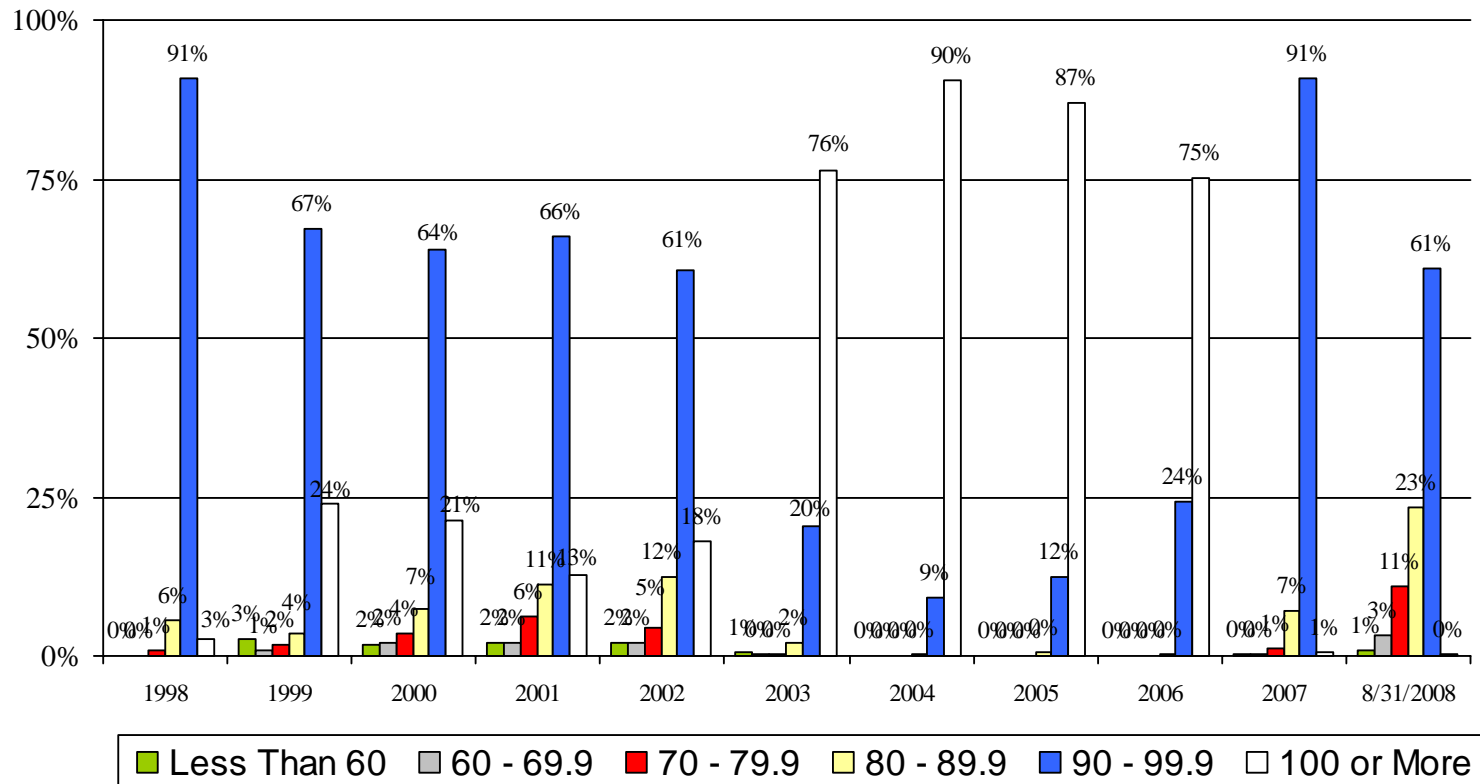




## Distribution by Bid Price of the S&P/LSTA Leveraged Loans Index (Excluding Defaulted Issuers)

As of Period-End

Dec-98 – Aug-08

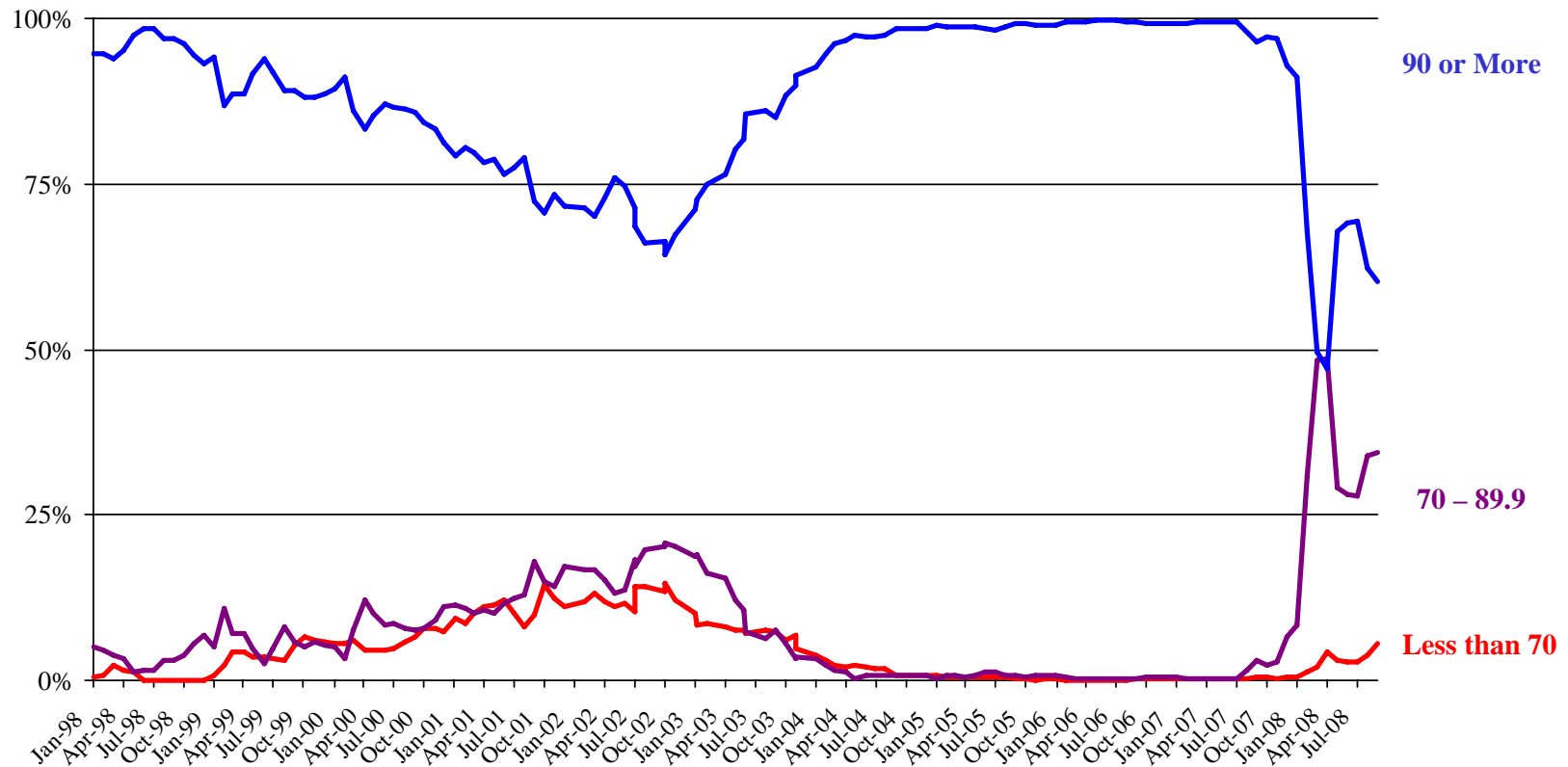






# Structure by Bid Price of the S&P/LSTA Leveraged Loan Index

As of Month-end  
Jan-98 – Aug-08



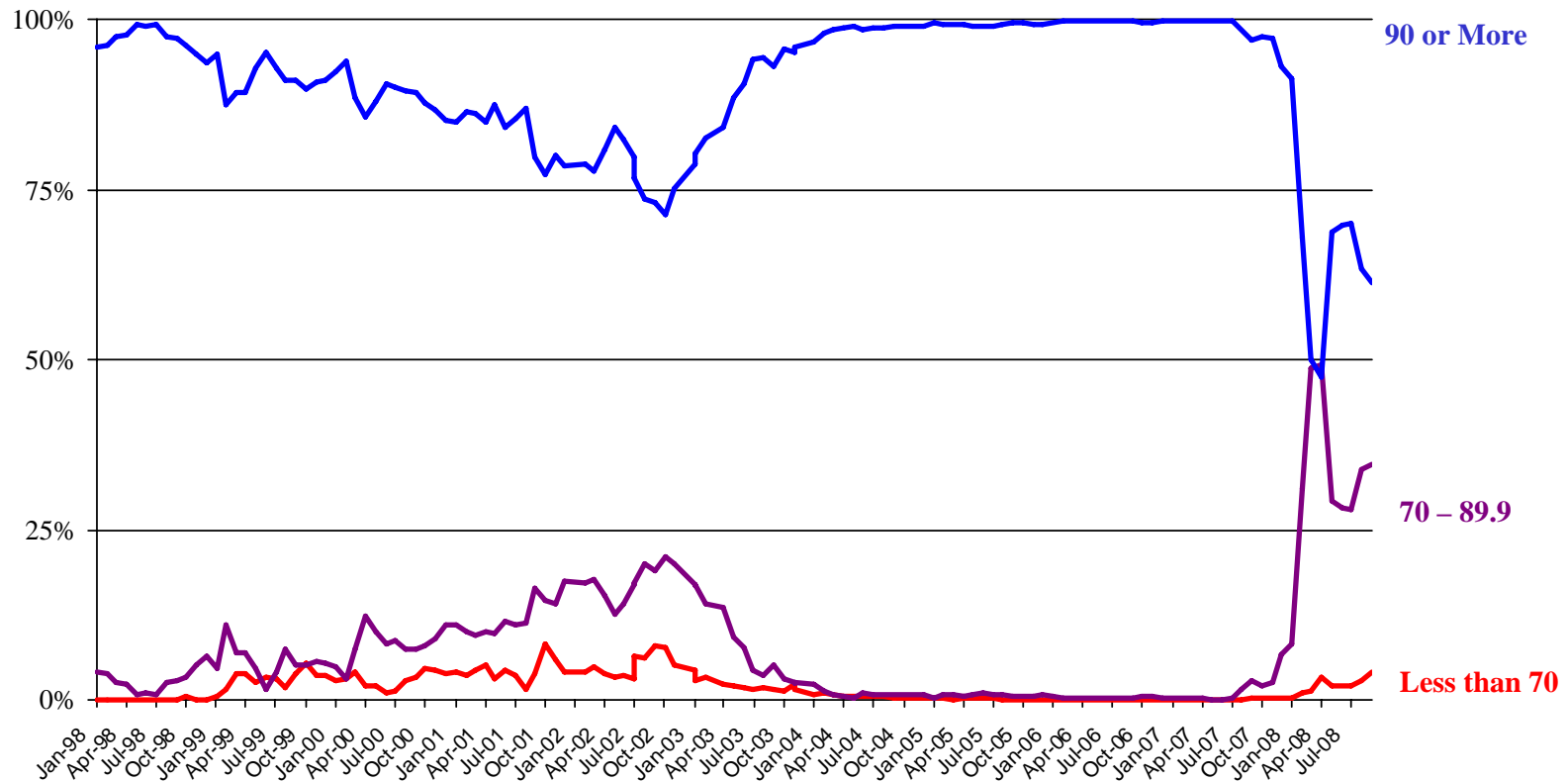
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94



## Structure by Bid Price of the S&P/LSTA Leveraged Loans Index (Excluding Defaulted Issuers)

As of Month-end  
Jan-98 – Aug-08

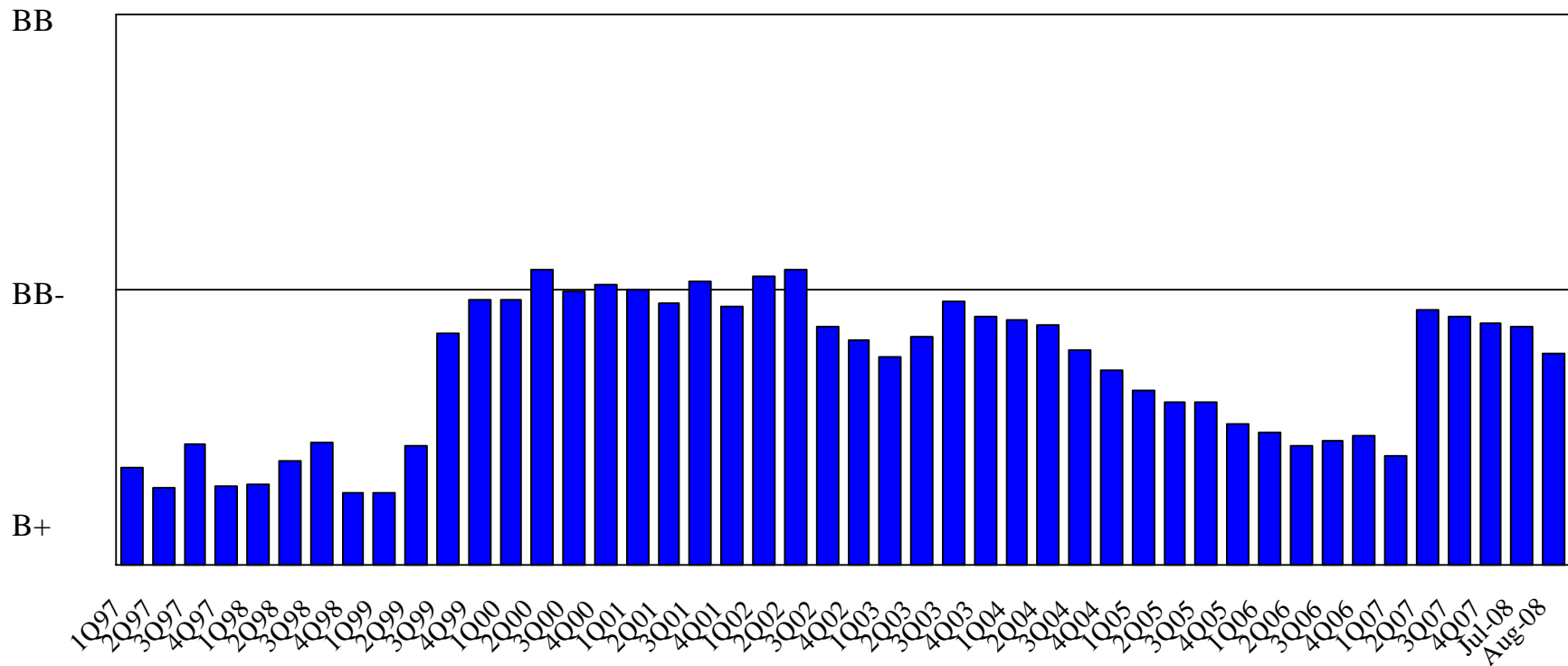




# Weighted Average Rating

Excludes Not Rated and Defaulted Issuers

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

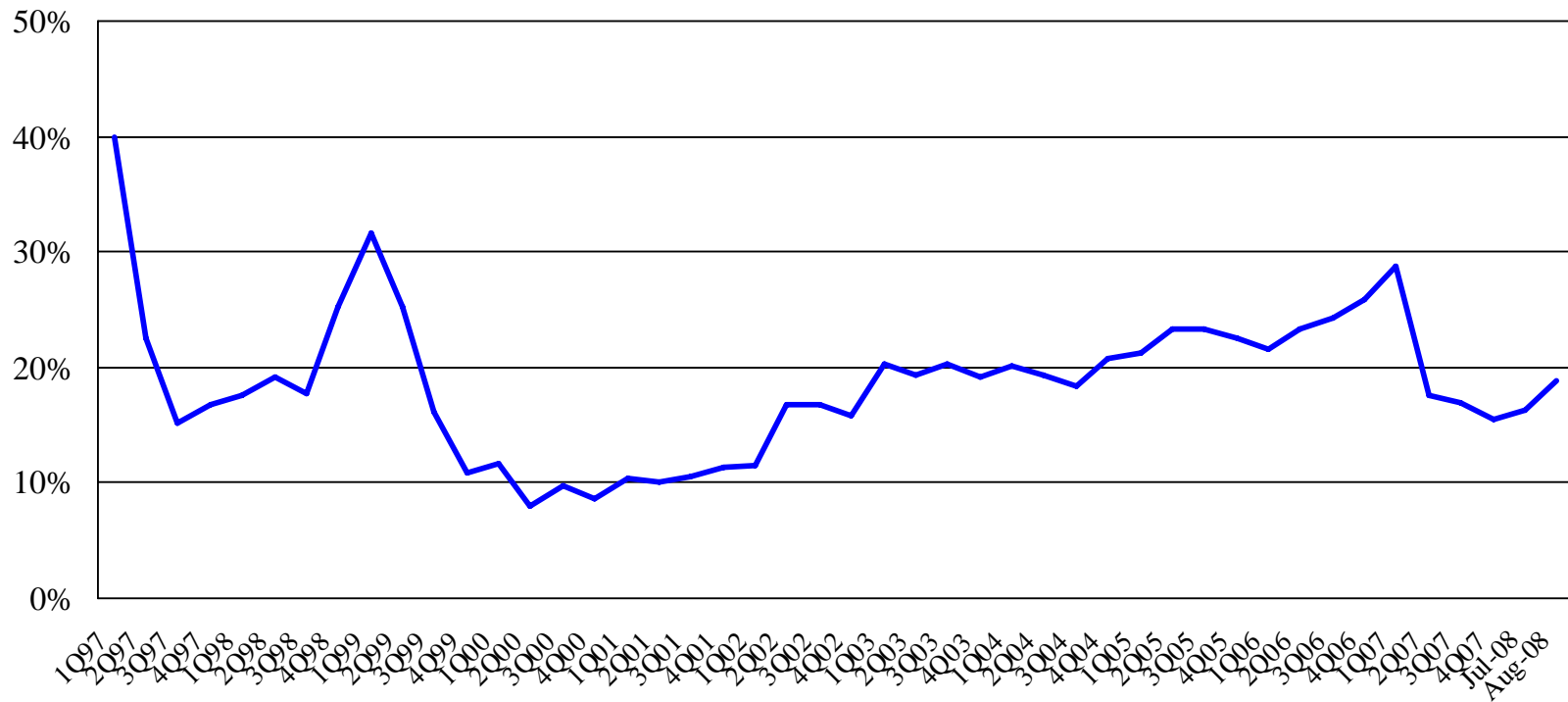




# Percent of Loans Rated B or Lower

Excludes Not Rated and Defaulted Issuers

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index



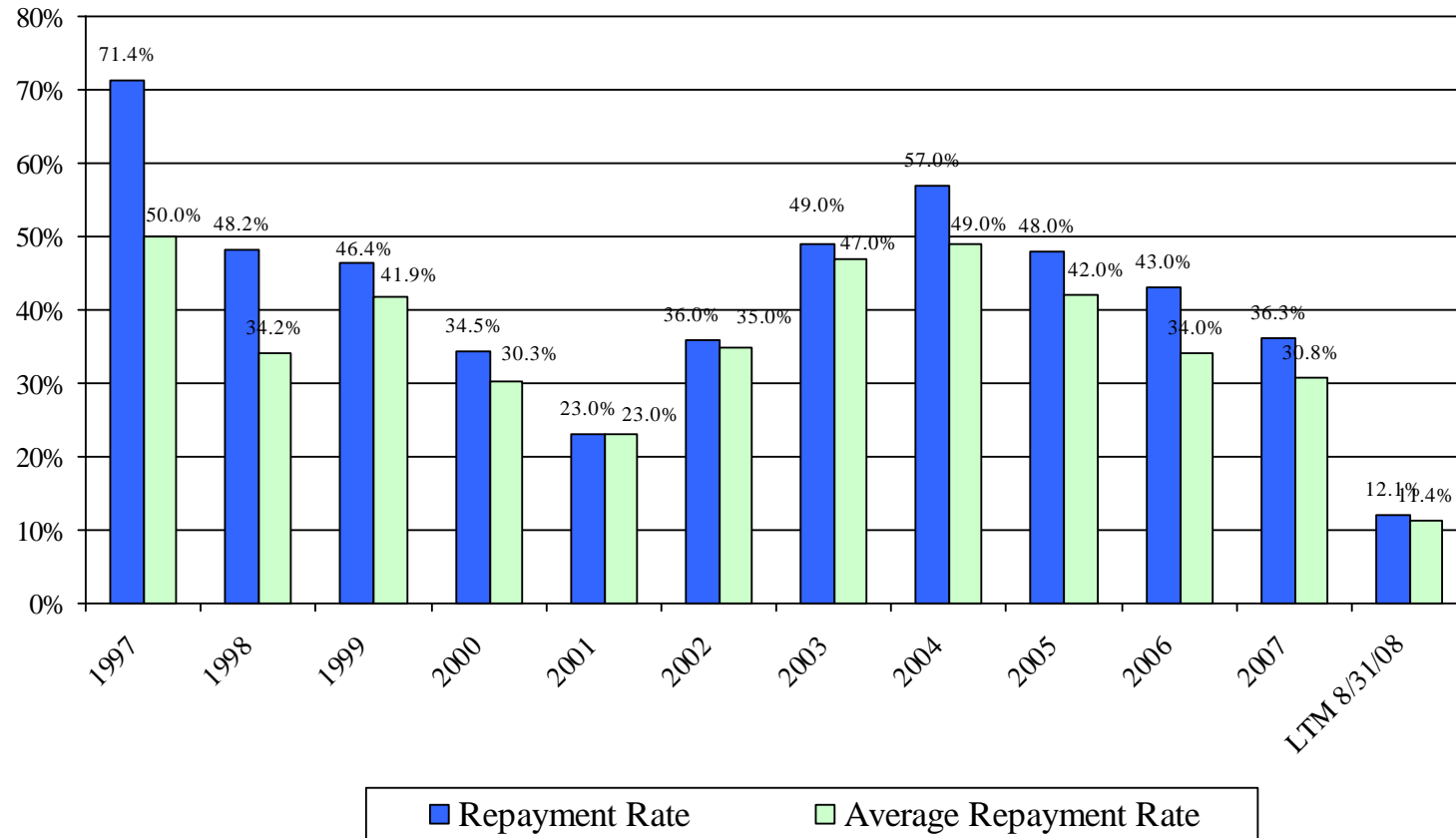


# Repayment Analysis

## Repayment Rates - by Year

1997 - LTM 8/31/08

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

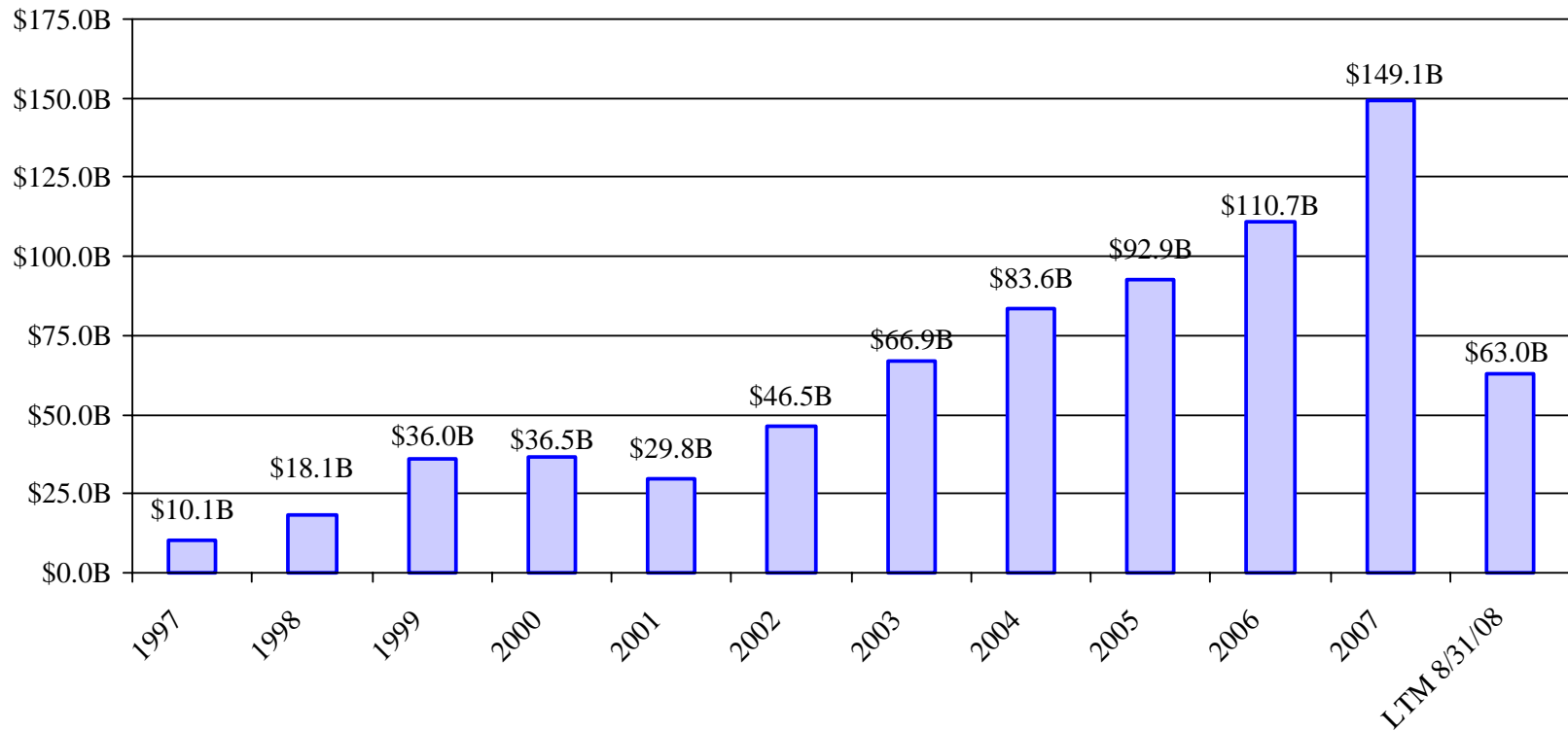




# Repayment Amounts - by Year

1997 - LTM 8/31/08

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

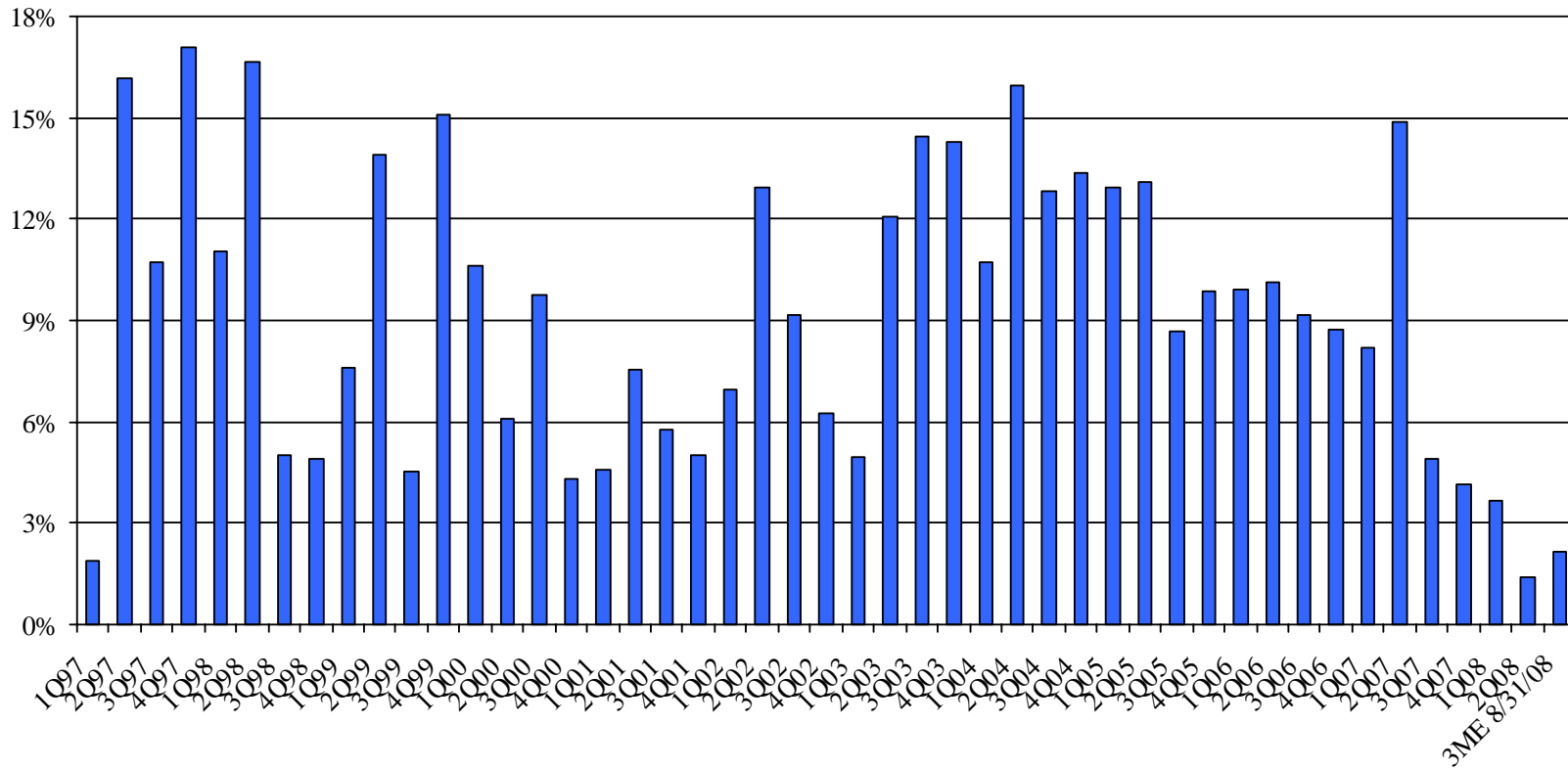




# Repayment Rates - by Quarter

1Q97 – 3ME 8/31/08

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

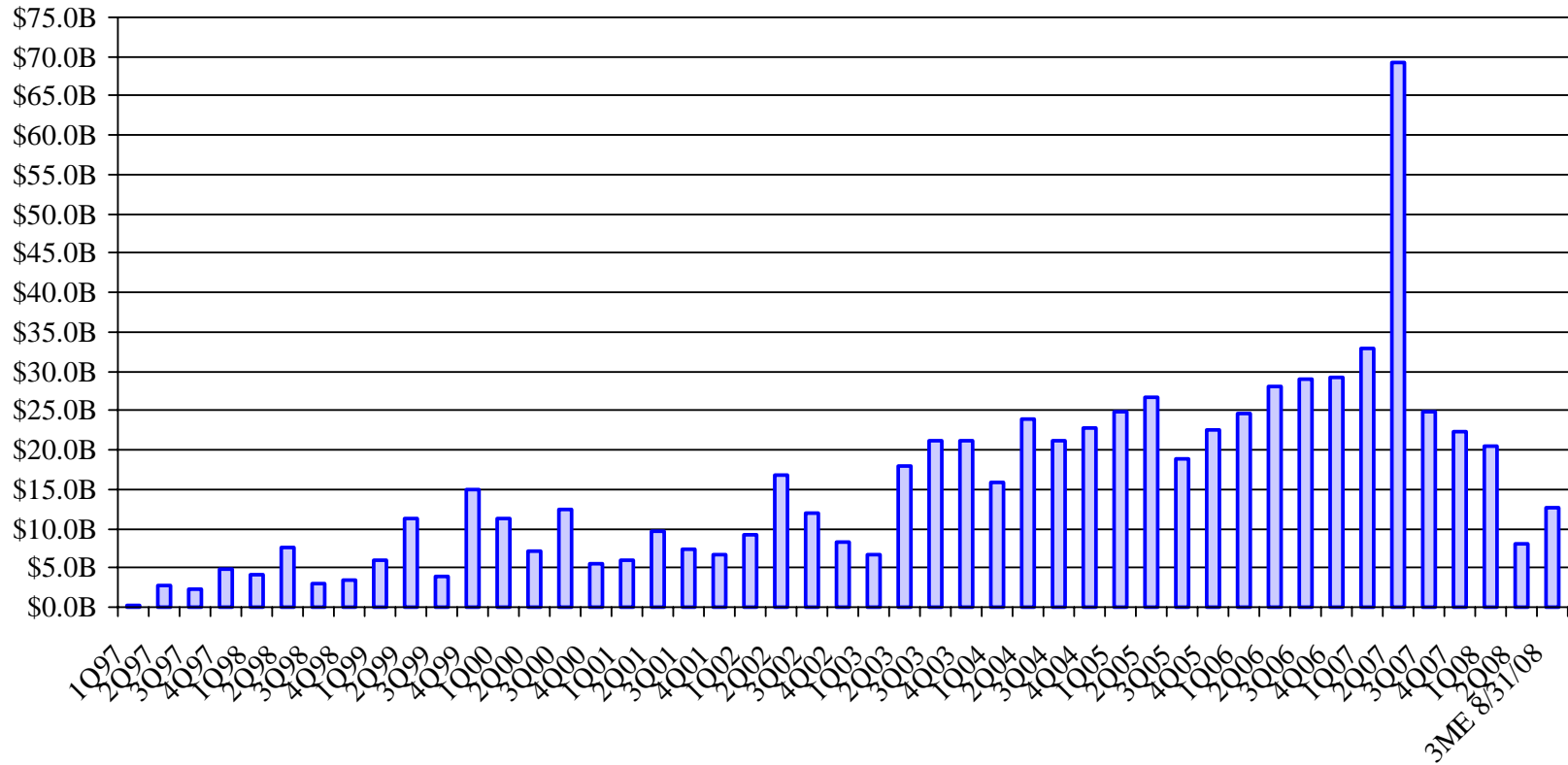






# Repayment Amounts - by Quarter

1Q97 - 3ME 8/31/08

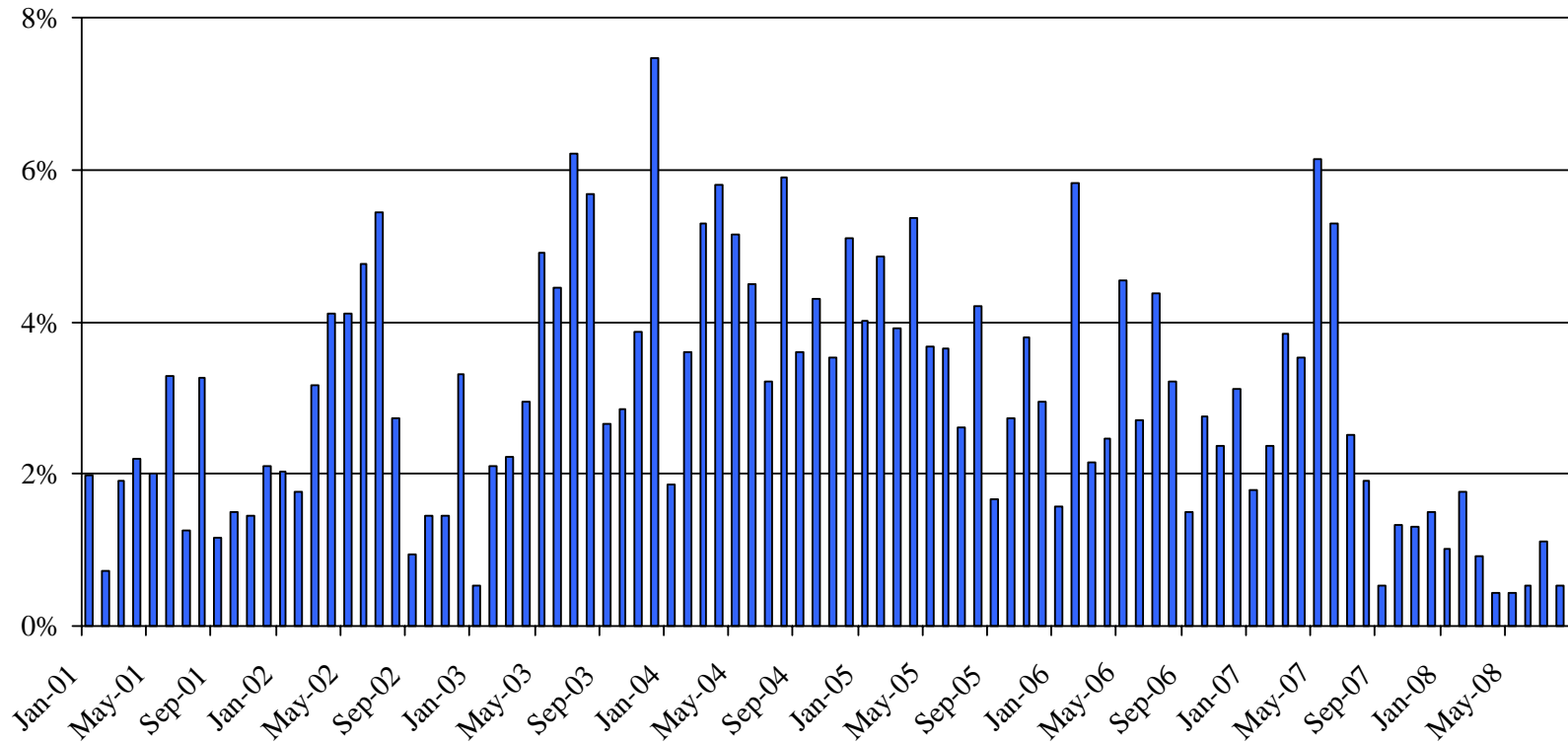




# Repayment Rates - by Month

Jan-01 – Aug-08

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

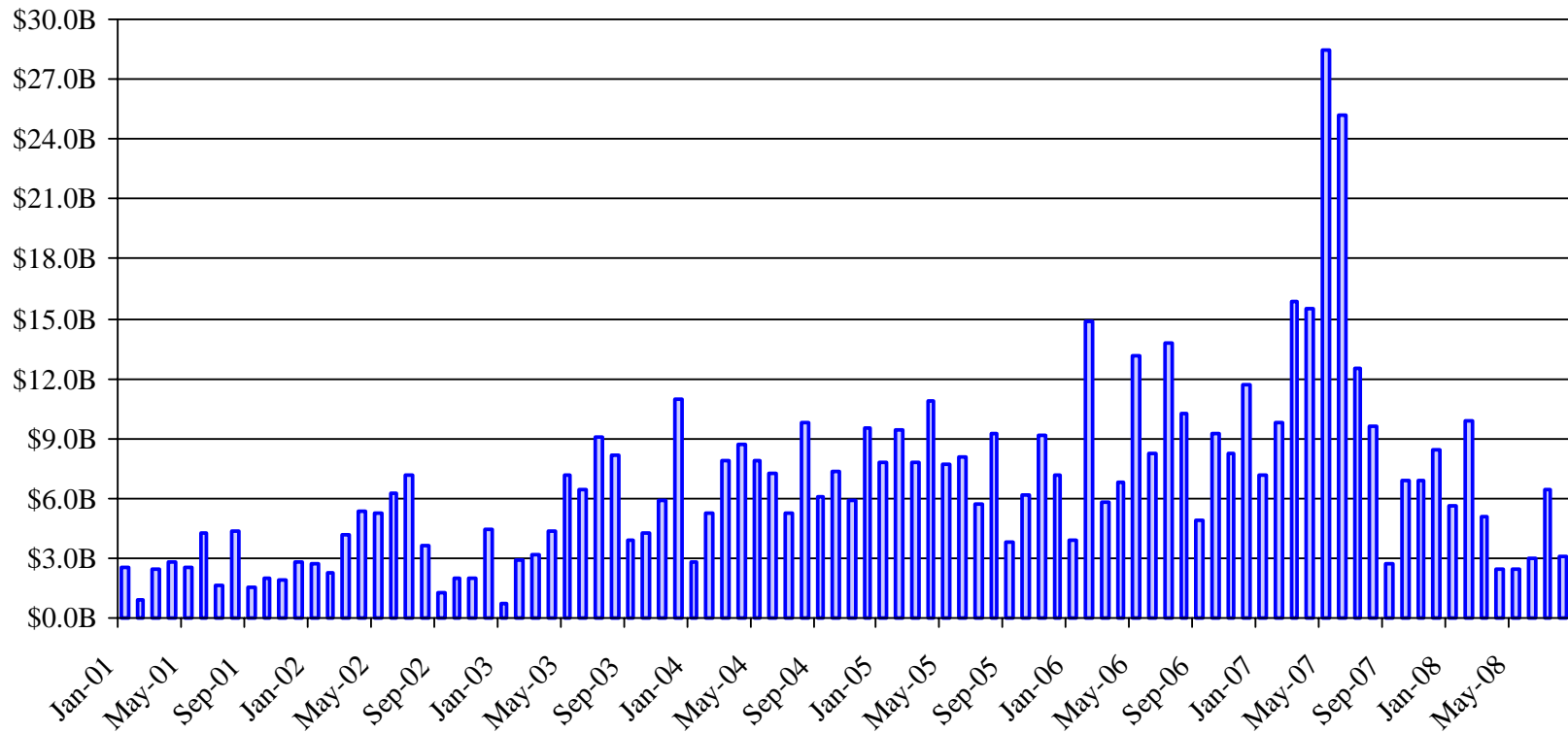




# Repayment Amounts - by Month

Jan-01 – Aug-08

Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

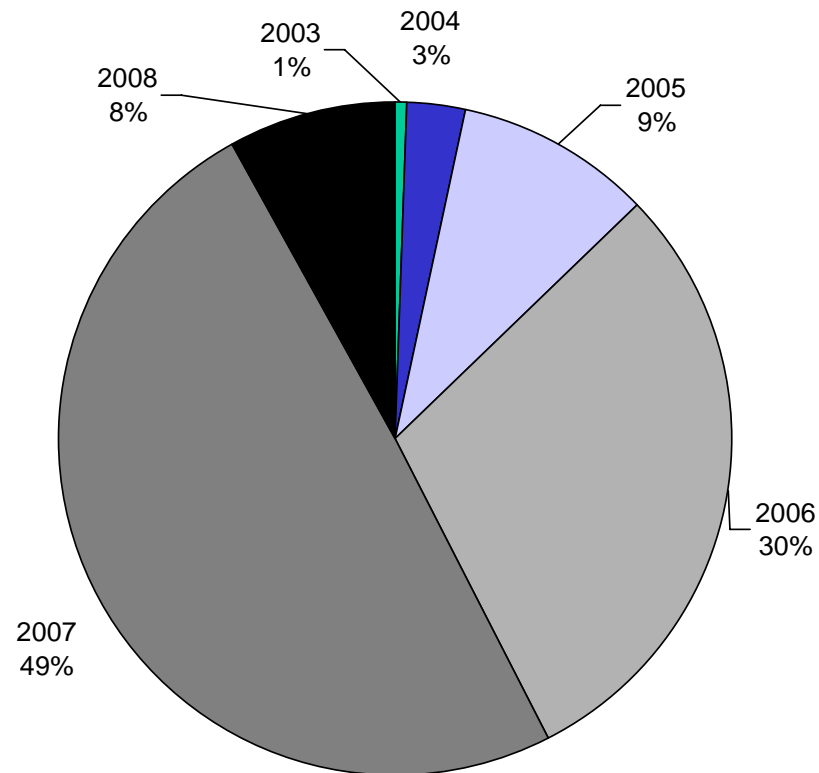




# **S&P/LSTA Leveraged Loan Index**

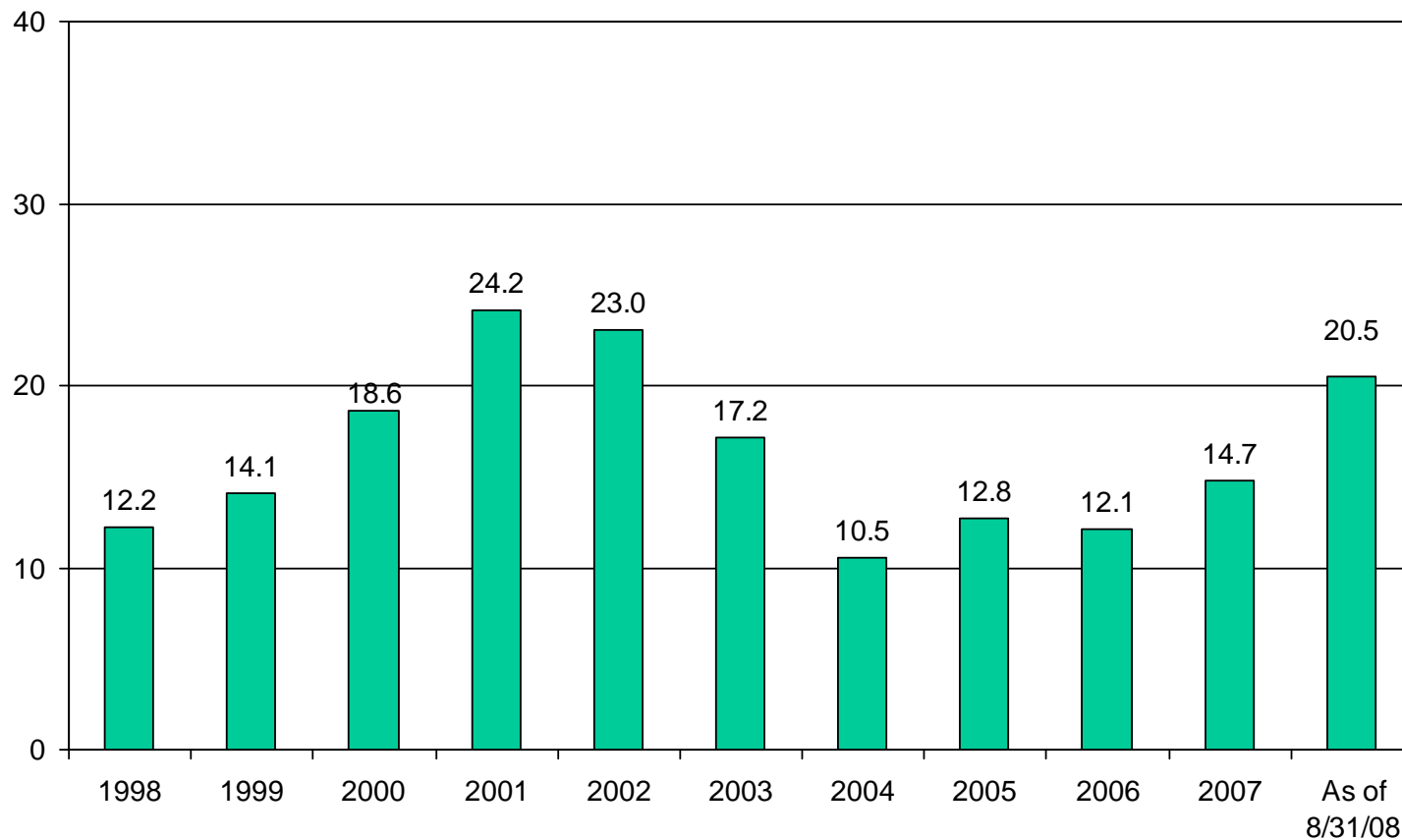
## **Duration and Maturity**

## Outstandings of Performing Loans by Year of Origination As of 8/31/08



# Weighted Average Age of Outstanding Institutional Loans

## Performing Loans

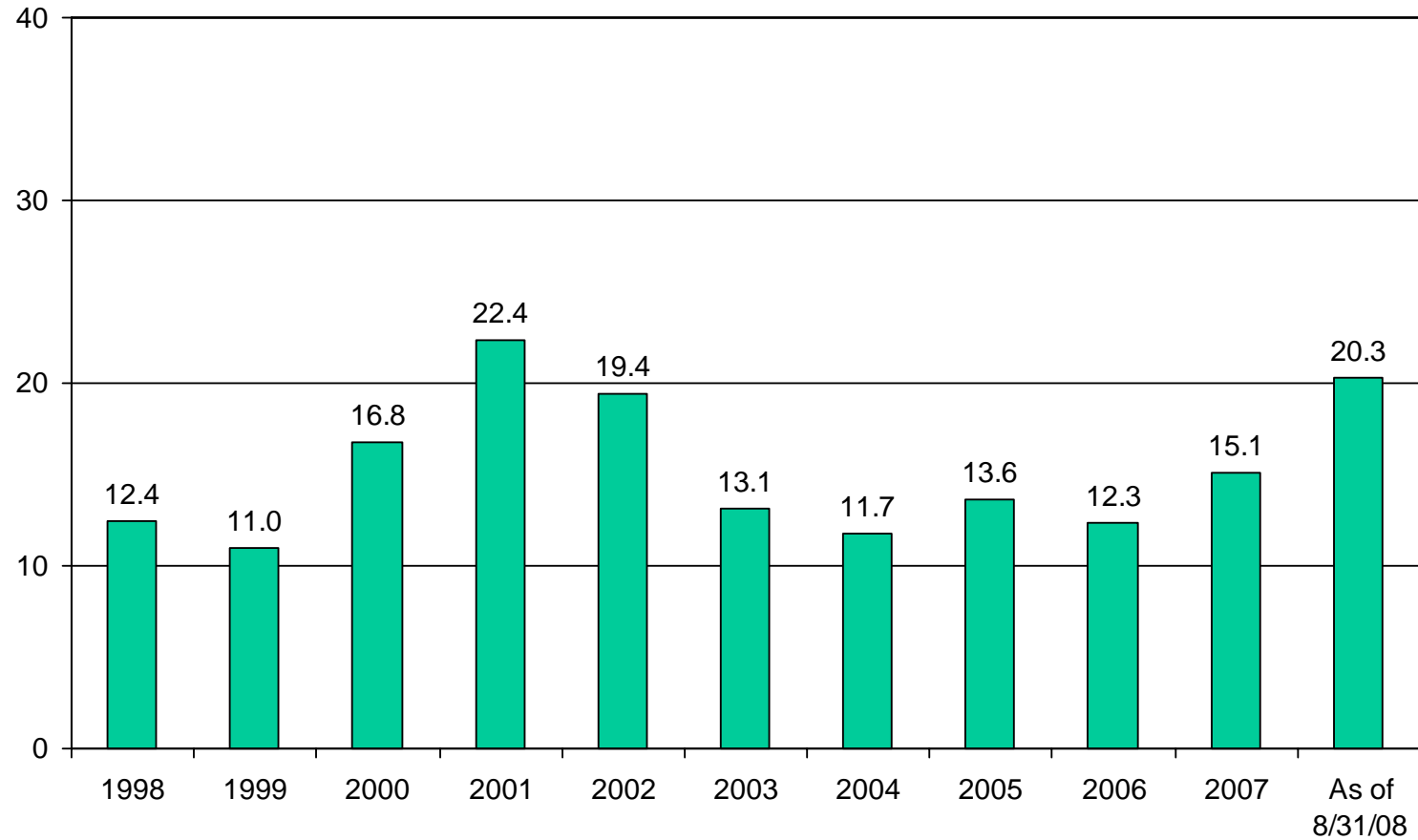




# Weighted Average Age of Outstanding Institutional Loans



## BB Rated

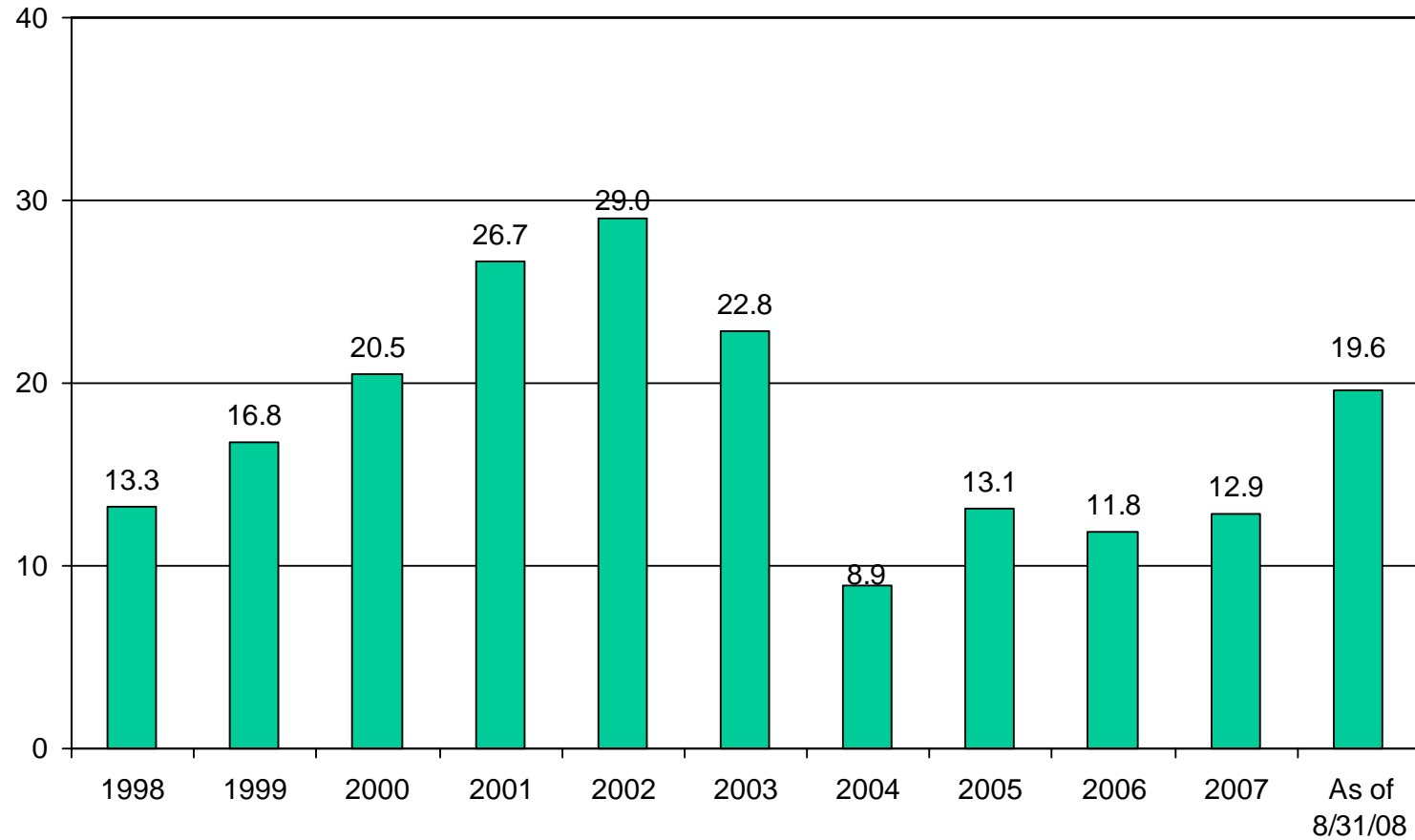




# Weighted Average Age of Outstanding Institutional Loans

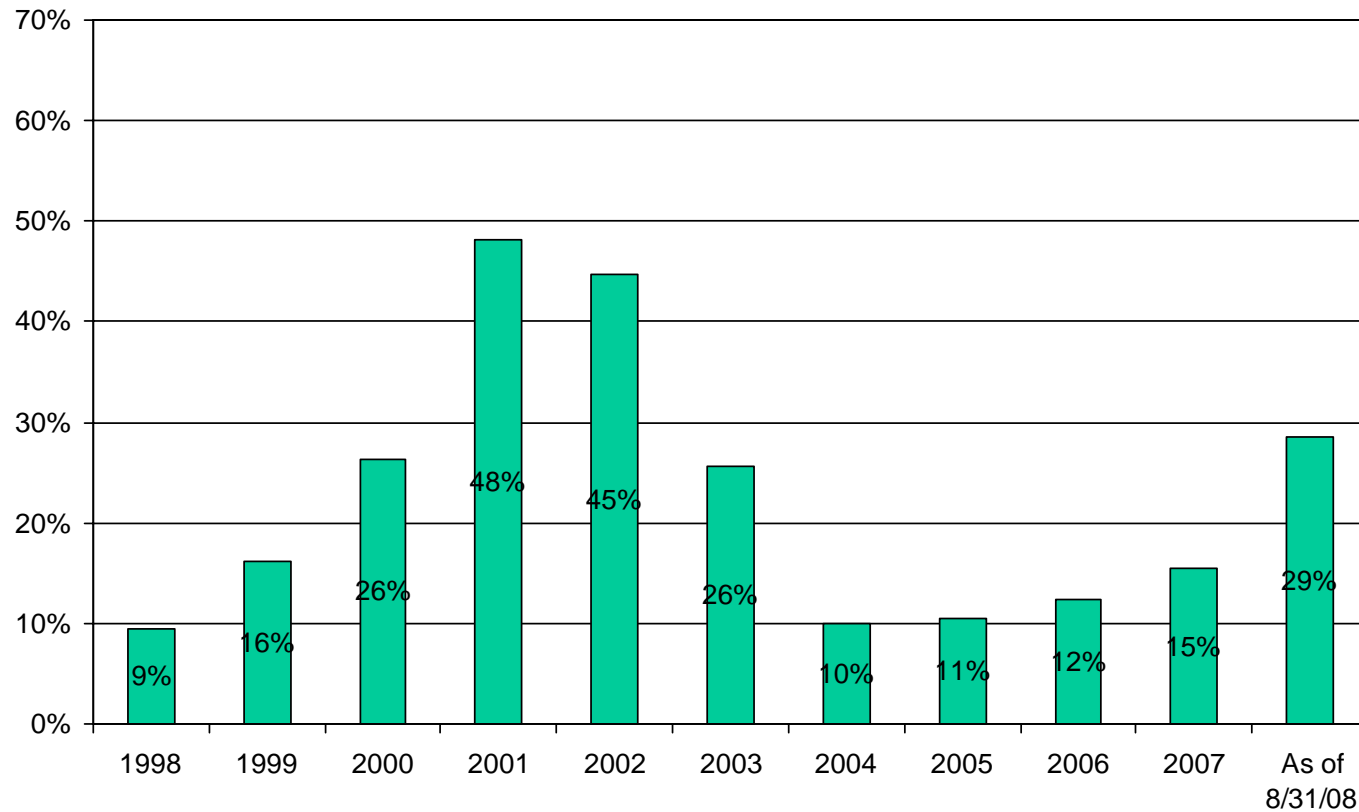


## B Rated



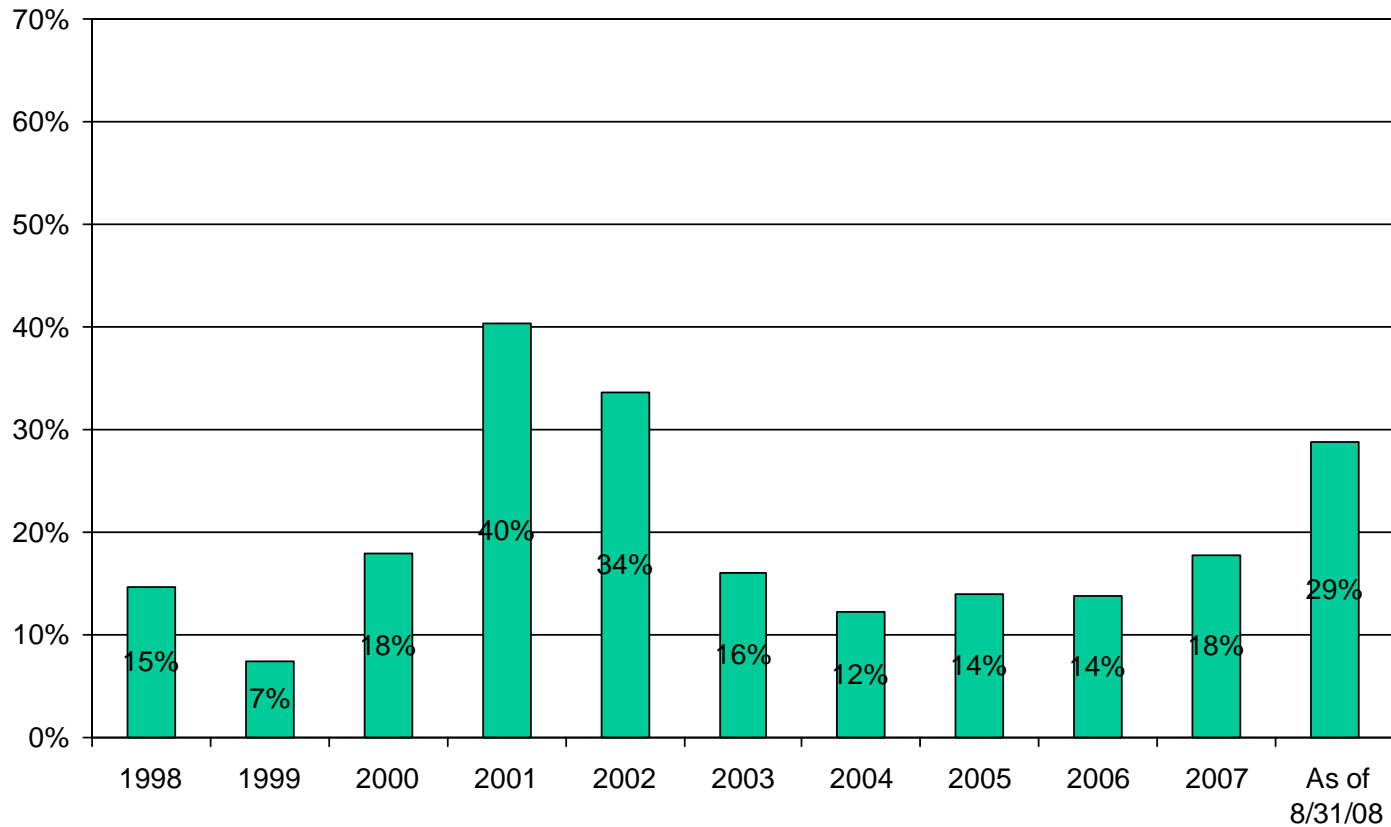


## Percent of Institutional Outstandings Older than Two Years Performing Loans



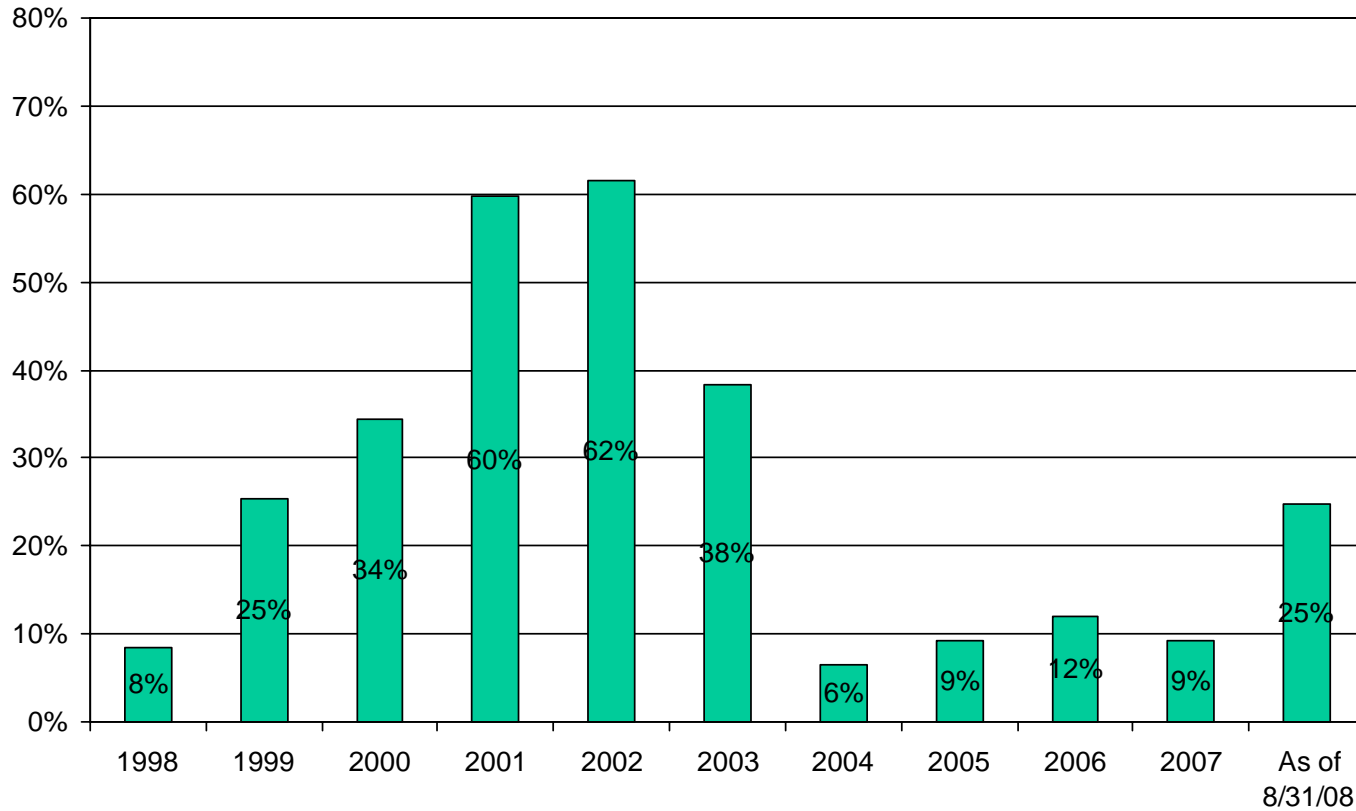
## Percent of Institutional Outstandings Older than Two Years

### BB-Rated



## Percent of Institutional Outstandings Older than Two Years

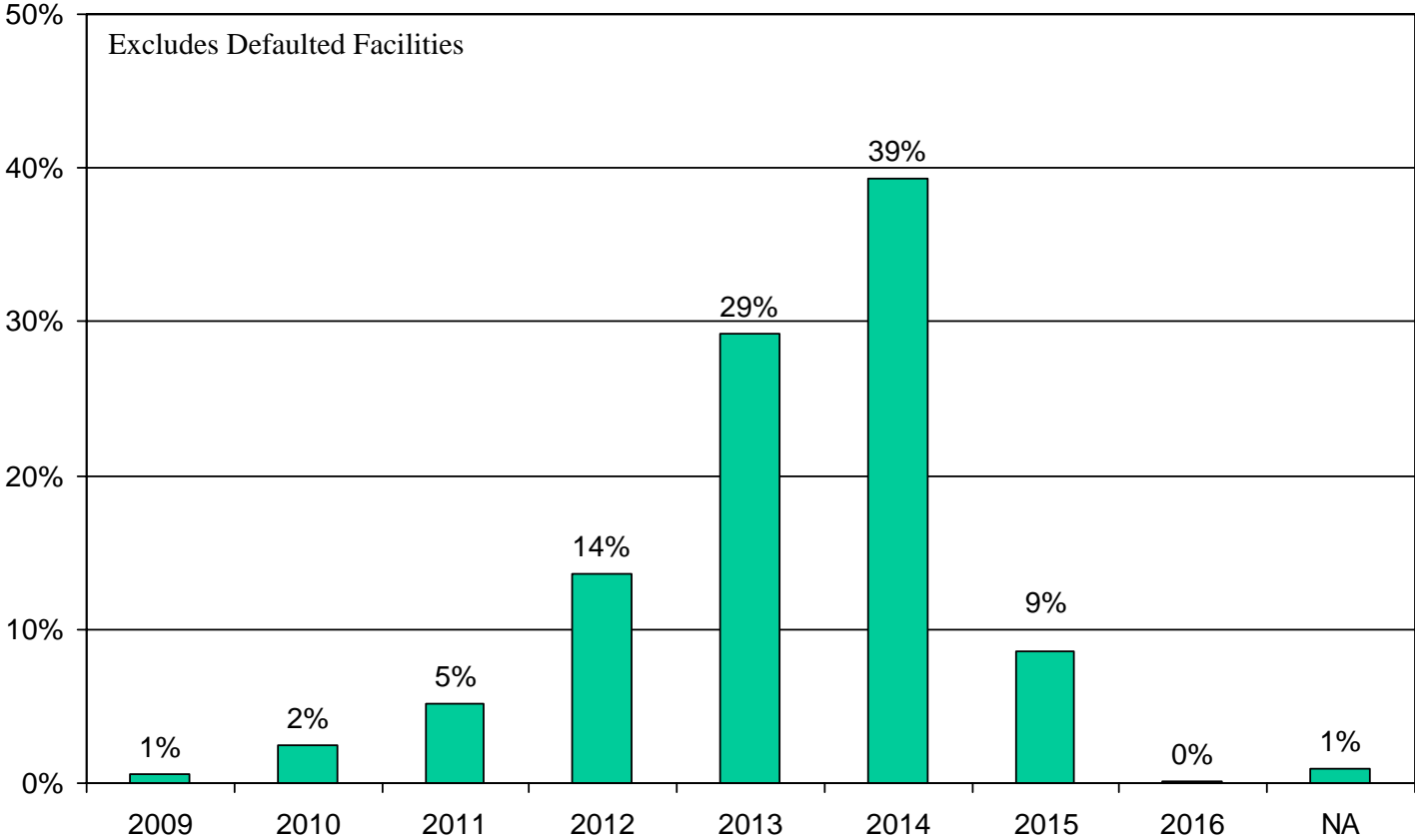
### B-Rated



# Distribution by Year of Maturity

## All Loans

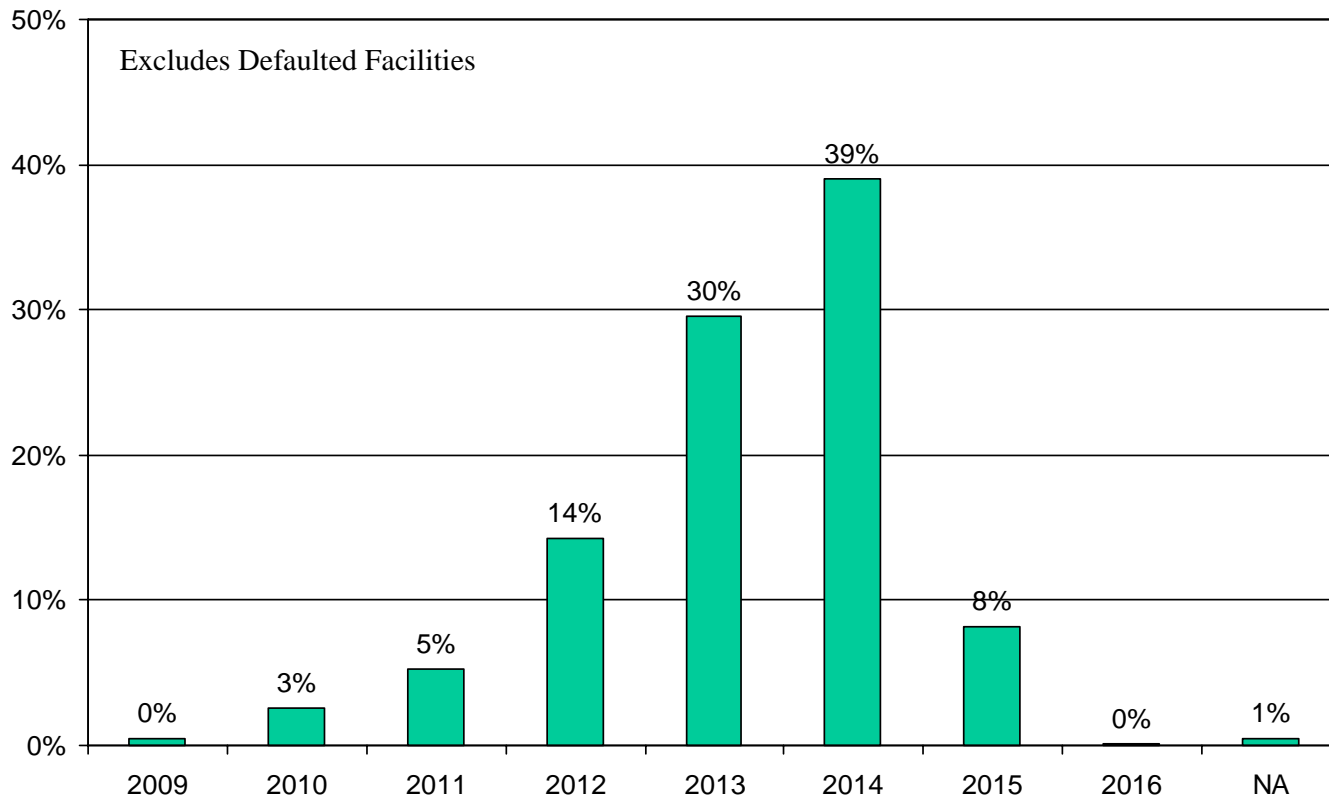
As of 8/31/08



## Distribution by Year of Maturity

### First-Lien Loans

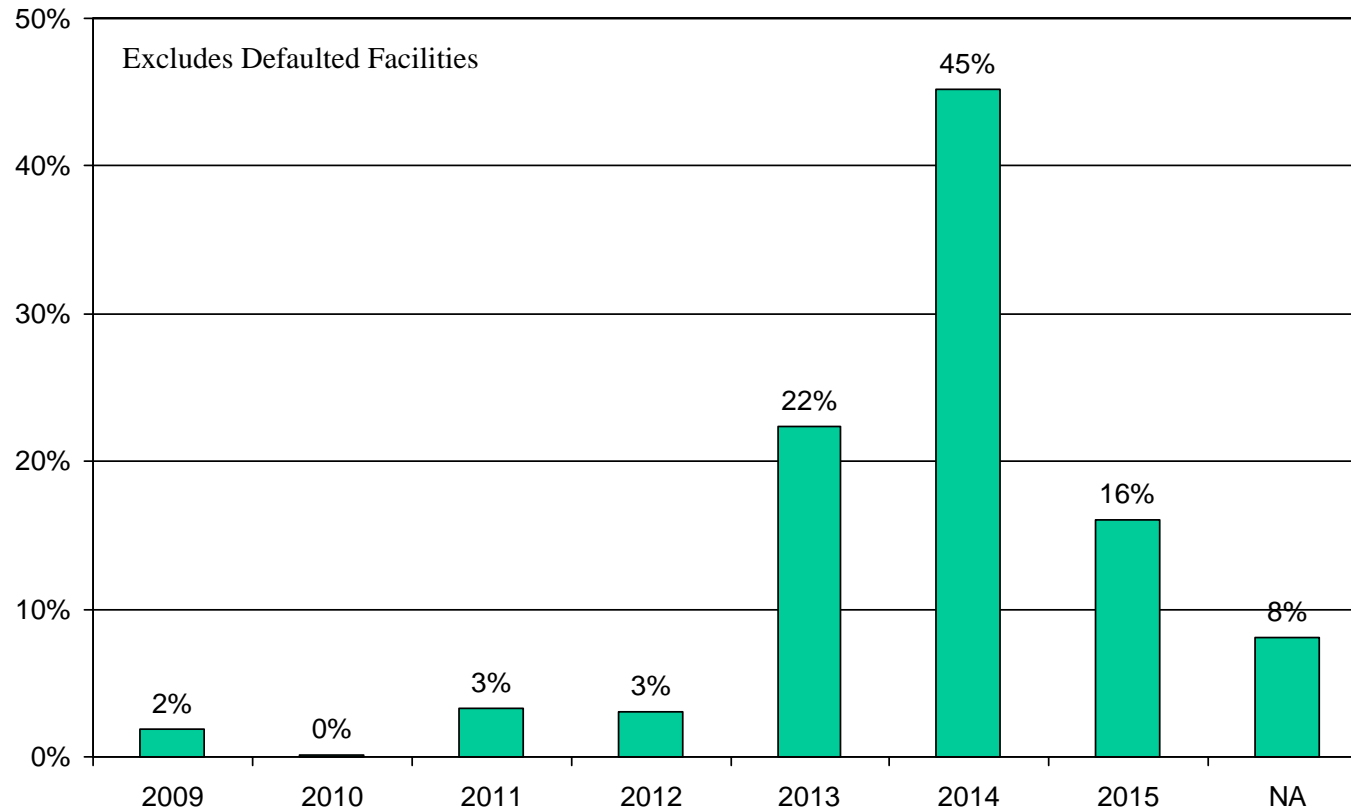
As of 8/31/08



## Distribution by Year of Maturity

### Second-Lien Loans

As of 8/31/08



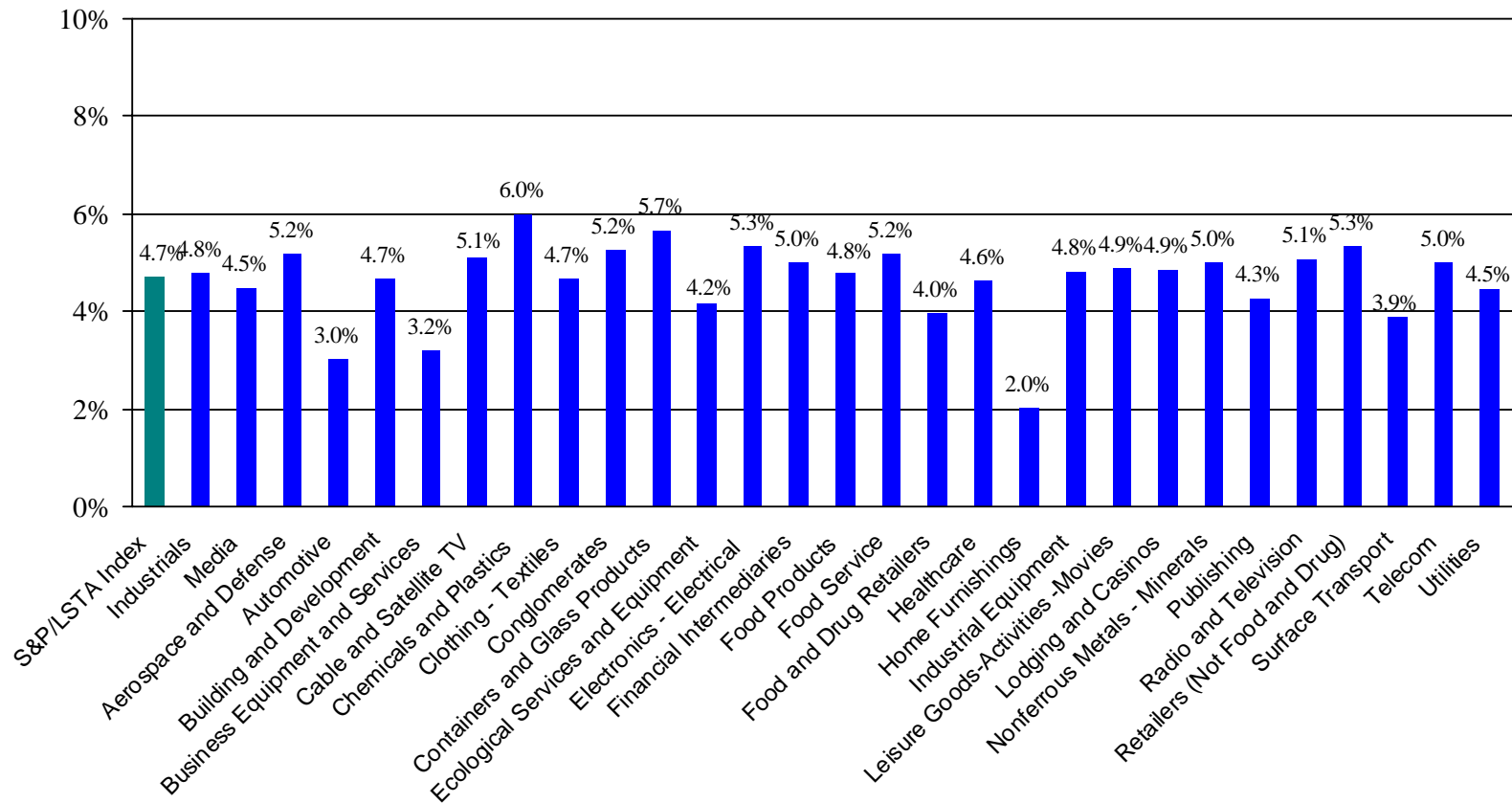


# **S&P/LSTA Leveraged Loan Index**

## **Returns by Industry**

# Average Annualized Monthly Return of S&P/LSTA Index by Industry

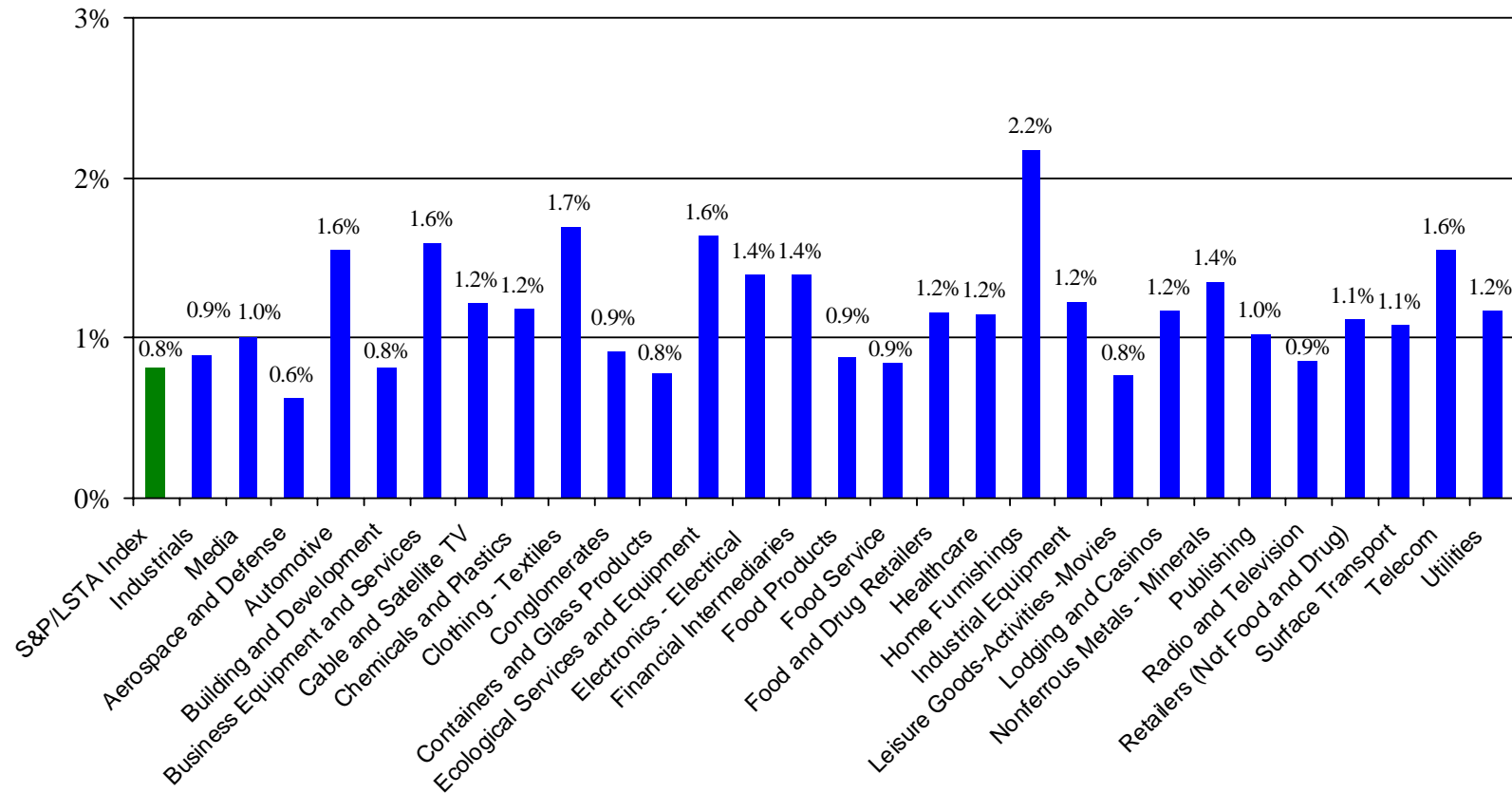
Jan-97 to Aug-08





# Standard Deviation of Monthly Returns of S&P/LSTA Index by Industry

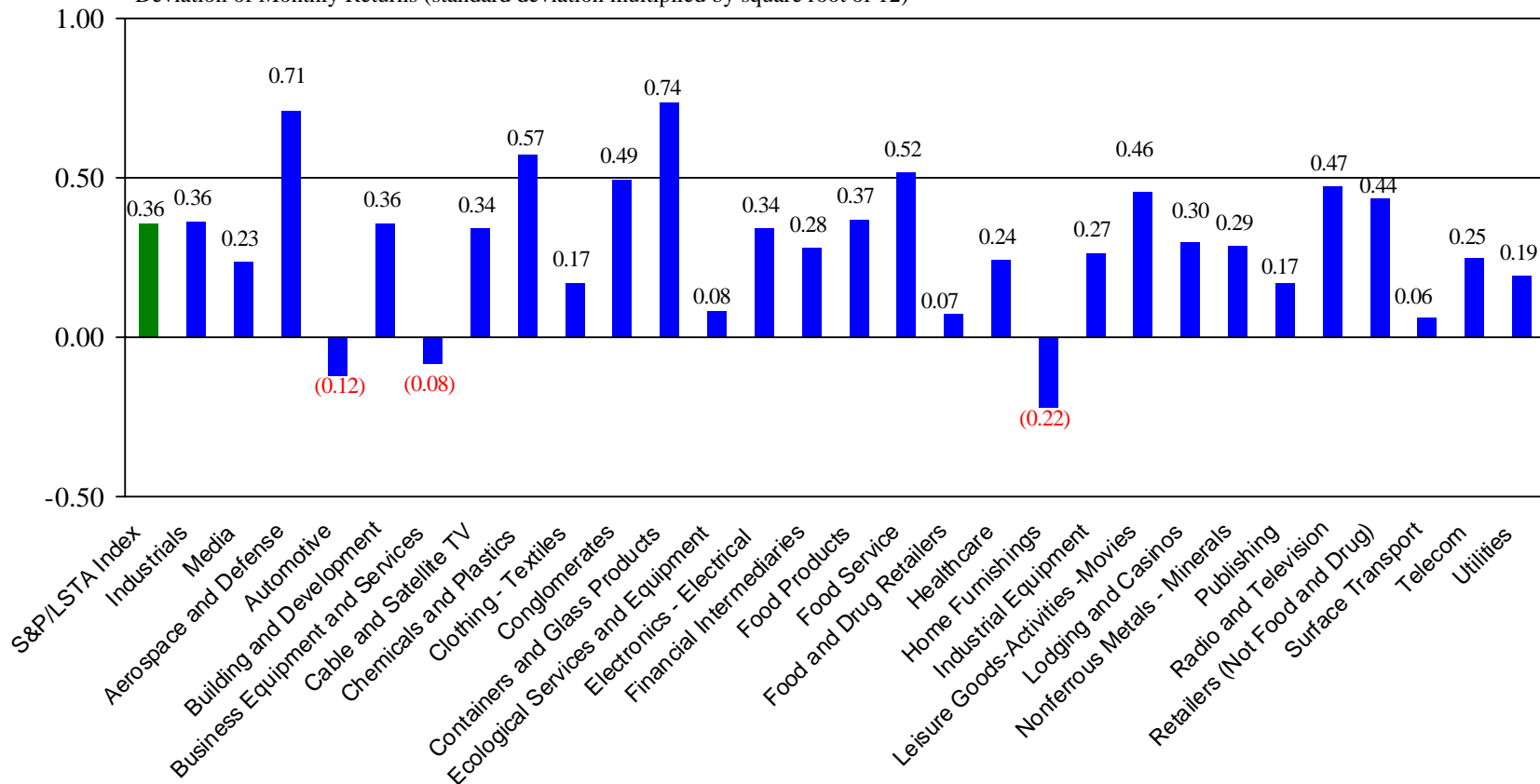
Jan-97 to Aug-08



# Sharpe Ratio S&P/LSTA Index by Industry

Jan-97 to Aug-08

Defined as: Average Annualized Monthly Return less Risk-Free Rate (3-month Treasuries) Divided by Annualized Standard Deviation of Monthly Returns (standard deviation multiplied by square root of 12)



## S&P/LSTA Index: Composite of Annual Returns by Industry

	2000	2001	2002	2003	2004	2005	2006	2007	LTM 8/31/08	YTD 8/31/08	Aug-08	Cumulative	MV	Avg Bid
Industrials	2.28%	4.05%	6.94%	8.49%	6.01%	5.19%	6.19%	2.24%	-2.67%	-4.47%	-0.02%	74.14%	\$79.9B	85.83
Media	8.34%	7.96%	3.86%	-3.64%	10.07%	5.34%	6.45%	0.83%	-4.36%	-5.38%	-0.89%	67.70%	\$69.9B	83.89
Aerospace and Defense	6.83%	5.40%	5.77%	4.84%	4.46%	5.54%	7.04%	4.28%	5.09%	0.89%	0.22%	80.82%	\$9.1B	93.80
Automotive	-5.41%	6.87%	5.48%	10.24%	5.37%	4.68%	5.29%	2.31%	-7.89%	-9.63%	-1.33%	39.98%	\$31.3B	80.92
Beverage & Tobacco	NA	NA	NA	NA	3.24%	5.59%	4.08%	2.05%	1.12%	-0.03%	0.30%	61.68%	\$3.1B	90.61
Building and Development	7.53%	7.57%	7.43%	5.24%	5.94%	5.65%	5.88%	-1.95%	-6.89%	-5.71%	-0.60%	73.03%	\$17.9B	79.29
Business Equipment and Services	6.76%	0.74%	-1.27%	11.06%	7.23%	5.63%	7.60%	2.31%	1.87%	-0.27%	-0.04%	42.81%	\$26.7B	90.19
Cable and Satellite TV	8.03%	5.08%	-10.97%	16.31%	6.85%	4.69%	5.84%	1.49%	2.78%	1.19%	0.49%	79.22%	\$21.3B	91.57
Chemicals and Plastics	5.59%	5.39%	7.98%	9.91%	5.87%	5.47%	6.28%	2.92%	-0.96%	-2.39%	0.56%	96.70%	\$23.9B	87.63
Clothing - Textiles	8.23%	-6.15%	22.44%	-0.66%	15.20%	2.36%	8.23%	5.60%	-0.67%	-3.31%	0.09%	69.43%	\$2.8B	92.33
Conglomerates	6.95%	0.18%	3.95%	8.76%	5.14%	4.70%	6.56%	2.70%	2.45%	0.48%	-0.06%	62.34%	\$4.9B	92.49
Containers and Glass Products	7.20%	5.07%	5.55%	5.97%	4.35%	5.33%	6.42%	1.43%	0.72%	0.24%	0.18%	92.03%	\$8.2B	89.56
Cosmetics - Toiletries	NA	NA	NA	NA	5.43%	6.23%	7.53%	-3.47%	-0.62%	-1.60%	0.33%	77.89%	\$3.9B	84.09
Ecological Services and Equipment	5.43%	8.15%	4.42%	0.91%	4.04%	5.71%	6.73%	2.09%	3.99%	1.68%	0.64%	58.63%	\$3.5B	93.20
Electronics - Electrical	0.95%	5.08%	2.29%	16.42%	6.70%	6.12%	7.19%	2.49%	0.48%	-1.82%	0.01%	81.73%	\$15.8B	88.52
Financial Intermediaries	5.35%	19.57%	4.96%	5.63%	5.94%	4.81%	6.49%	2.38%	0.96%	-0.31%	0.14%	75.59%	\$22.9B	90.86
Food Products	1.72%	9.66%	3.65%	7.65%	3.42%	1.53%	8.82%	1.90%	2.35%	0.97%	0.16%	73.69%	\$9.4B	91.72
Food Service	9.14%	6.56%	4.15%	4.67%	4.73%	5.45%	6.26%	1.47%	-2.21%	-2.93%	-0.51%	82.12%	\$9.6B	88.52
Food and Drug Retailers	-2.59%	12.82%	3.40%	6.64%	4.03%	4.85%	8.04%	2.22%	1.06%	0.05%	1.06%	56.77%	\$5.0B	91.24
Forest Products	NA	NA	NA	NA	4.70%	6.21%	6.80%	1.80%	5.13%	2.80%	0.36%	82.10%	\$11.3B	94.17
Healthcare	3.54%	21.31%	2.72%	5.54%	3.69%	5.06%	6.71%	2.82%	4.12%	1.43%	0.53%	70.14%	\$50.8B	93.30
Home Furnishings	-19.61%	2.78%	4.13%	15.77%	7.10%	5.13%	7.00%	-0.53%	-8.90%	-10.54%	-1.78%	23.92%	\$4.2B	77.12
Industrial Equipment	8.02%	0.28%	4.93%	6.38%	4.36%	5.38%	6.95%	2.00%	5.97%	2.20%	0.86%	68.29%	\$7.2B	91.03
Leisure Goods-Activities -Movies	3.40%	9.72%	5.37%	5.95%	4.58%	5.79%	6.80%	2.10%	-2.03%	-3.24%	-0.13%	76.94%	\$16.5B	87.81
Lodging and Casinos	9.75%	1.38%	3.29%	9.55%	6.73%	5.42%	6.72%	2.80%	-5.14%	-7.17%	-1.06%	73.66%	\$22.8B	85.56
Nonferrous Metals - Minerals	-0.62%	-7.08%	-2.54%	19.91%	9.52%	4.74%	7.33%	2.12%	5.52%	3.61%	0.51%	77.27%	\$4.2B	93.23
Oil and Gas	NA	NA	NA	NA	5.34%	5.31%	7.00%	4.62%	6.12%	2.56%	-0.08%	122.81%	\$21.1B	93.98
Publishing	7.32%	-0.78%	10.01%	7.03%	4.32%	4.60%	7.27%	0.20%	-8.34%	-8.84%	-1.75%	62.70%	\$32.7B	79.75
Radio and Television	8.68%	5.89%	3.71%	5.97%	3.49%	5.35%	6.90%	1.43%	-2.31%	-4.19%	-0.69%	78.17%	\$20.7B	86.65
Retailers (Not Food and Drug)	2.84%	14.11%	6.58%	5.43%	4.41%	4.11%	7.66%	0.51%	-1.92%	-2.79%	-0.63%	80.18%	\$16.9B	85.03
Surface Transport	7.19%	8.85%	4.26%	5.70%	9.19%	4.69%	7.19%	-2.31%	-5.98%	-4.37%	0.40%	56.31%	\$5.2B	80.42
Telecom	7.76%	-9.06%	-2.30%	21.00%	3.52%	3.94%	7.38%	4.10%	6.63%	3.44%	0.44%	76.22%	\$33.1B	94.96
Utilities	9.48%	2.12%	3.16%	15.41%	5.71%	4.57%	8.03%	3.06%	3.41%	0.82%	-0.18%	65.19%	\$37.5B	92.72
Total Index	4.99%	4.18%	1.91%	9.97%	5.17%	5.08%	6.77%	2.02%	-0.19%	-1.97%	-0.13%	70.97%	\$520.8B	88.37

## S&P/LSTA Index: Composite of Annual Performing Returns by Industry

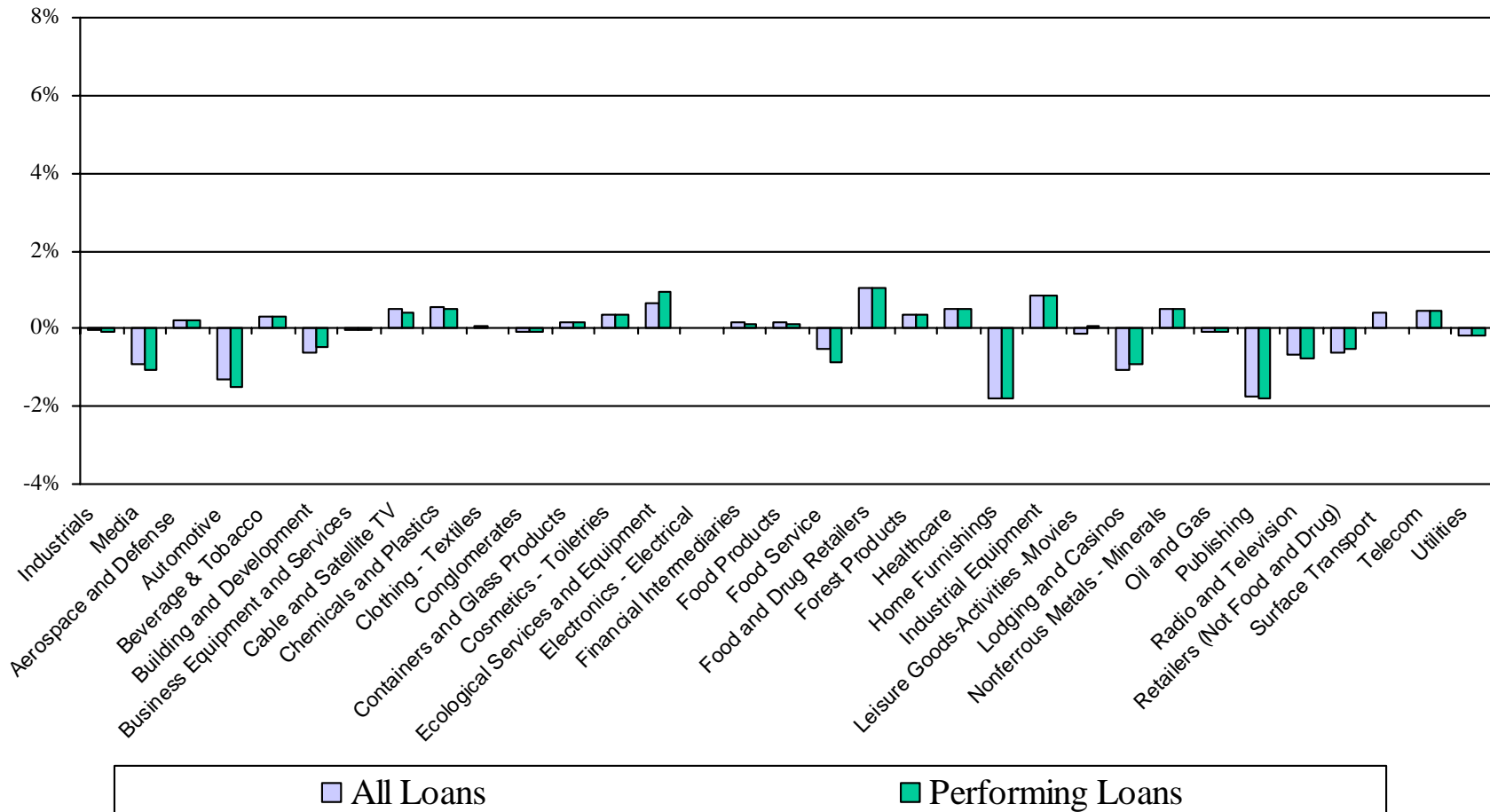
	2000	2001	2002	2003	2004	2005	2006	2007	LTM 8/31/08	YTD 8/31/08	Aug-08	Cumulative	MV	Avg Bid
Industrials	3.20%	4.36%	6.29%	8.82%	6.21%	5.41%	6.96%	2.22%	-2.67%	-4.38%	-0.07%	76.83%	\$73.6B	86.28
Media	8.34%	7.99%	4.15%	-0.77%	9.11%	5.22%	7.03%	0.61%	-4.54%	-5.54%	-1.05%	72.95%	\$63.3B	82.78
Aerospace and Defense	7.02%	6.64%	5.77%	4.84%	4.46%	5.54%	7.04%	4.06%	5.08%	0.75%	0.19%	82.63%	\$8.1B	93.20
Automotive	-3.39%	6.66%	6.21%	8.88%	5.79%	5.52%	7.42%	2.45%	-8.07%	-9.64%	-1.49%	43.66%	\$28.1B	81.69
Beverage & Tobacco	NA	NA	NA	NA	3.39%	5.51%	2.96%	1.97%	1.31%	-0.51%	0.31%	27.60%	\$3.1B	90.61
Building and Development	7.57%	5.96%	7.31%	4.82%	5.82%	5.65%	5.96%	-2.22%	-5.63%	-4.24%	-0.47%	71.73%	\$14.9B	82.85
Business Equipment and Services	5.61%	3.25%	-0.66%	8.85%	7.29%	5.63%	7.29%	2.31%	1.86%	-0.28%	-0.05%	42.86%	\$26.5B	90.12
Cable and Satellite TV	8.03%	5.14%	-12.03%	15.85%	7.04%	6.49%	7.05%	1.33%	2.31%	0.73%	0.39%	80.79%	\$17.2B	90.80
Chemicals and Plastics	5.88%	5.54%	8.04%	10.44%	5.96%	5.47%	6.28%	2.83%	-0.59%	-1.98%	0.51%	99.79%	\$22.5B	88.55
Clothing - Textiles	5.77%	-3.70%	10.31%	3.02%	15.43%	2.36%	8.23%	5.82%	-1.95%	-4.74%	0.03%	57.00%	\$2.5B	91.95
Conglomerates	6.95%	0.18%	2.56%	8.25%	5.17%	4.70%	6.56%	2.70%	2.45%	0.48%	-0.06%	79.12%	\$4.9B	92.49
Containers and Glass Products	7.20%	5.45%	4.89%	5.98%	4.35%	5.33%	6.42%	1.43%	0.72%	0.24%	0.18%	91.55%	\$8.2B	89.56
Cosmetics - Toiletries	NA	NA	NA	NA	5.43%	6.23%	7.53%	-3.47%	-0.62%	-1.60%	0.33%	77.89%	\$3.9B	84.09
Ecological Services and Equipment	6.17%	7.71%	4.64%	8.45%	4.46%	5.71%	6.73%	2.41%	2.63%	-0.20%	0.92%	69.40%	\$2.2B	90.85
Electronics - Electrical	0.95%	1.14%	0.31%	14.49%	6.70%	6.18%	7.19%	2.49%	0.48%	-1.82%	0.01%	68.77%	\$15.8B	88.52
Financial Intermediaries	5.35%	19.57%	4.96%	5.63%	5.94%	4.15%	6.86%	2.01%	0.58%	-0.58%	0.11%	74.01%	\$20.1B	89.80
Food Products	1.35%	9.82%	4.25%	7.80%	3.43%	2.08%	7.41%	2.82%	2.76%	1.28%	0.11%	73.46%	\$8.9B	92.04
Food Service	9.14%	6.56%	4.15%	4.67%	4.73%	5.53%	6.26%	1.47%	-1.96%	-2.68%	-0.87%	82.72%	\$9.3B	90.96
Food and Drug Retailers	-6.38%	14.70%	3.38%	6.05%	4.03%	4.85%	8.04%	2.22%	1.06%	0.05%	1.06%	59.75%	\$5.0B	91.24
Forest Products	NA	NA	NA	NA	4.73%	6.21%	6.80%	1.80%	5.14%	2.80%	0.38%	96.25%	\$10.8B	94.09
Healthcare	2.80%	10.56%	4.64%	5.60%	3.97%	5.07%	6.73%	2.79%	3.85%	1.14%	0.50%	57.66%	\$49.3B	93.19
Home Furnishings	-8.33%	2.42%	6.26%	16.17%	7.10%	5.13%	7.00%	-0.53%	-8.90%	-10.54%	-1.78%	44.17%	\$4.2B	77.12
Industrial Equipment	7.91%	1.31%	4.01%	7.03%	4.60%	5.62%	6.91%	1.88%	5.95%	2.11%	0.84%	69.77%	\$6.9B	90.71
Leisure Goods-Activities -Movies	3.25%	5.10%	5.67%	6.04%	4.66%	5.79%	6.80%	2.05%	-1.69%	-2.89%	0.06%	70.50%	\$16.0B	88.14
Lodging and Casinos	9.75%	1.86%	2.38%	9.72%	6.13%	5.43%	6.72%	2.07%	-5.21%	-7.11%	-0.94%	71.13%	\$19.8B	86.00
Nonferrous Metals - Minerals	-0.62%	-9.59%	-2.53%	18.43%	9.52%	4.74%	7.33%	2.22%	5.52%	3.61%	0.51%	70.55%	\$4.2B	93.23
Oil and Gas	NA	NA	NA	NA	5.44%	5.33%	7.06%	4.64%	6.30%	2.71%	-0.06%	124.88%	\$20.6B	94.04
Publishing	7.42%	-0.24%	10.42%	7.14%	4.34%	4.60%	7.27%	-0.06%	-7.59%	-8.03%	-1.80%	65.57%	\$32.2B	79.49
Radio and Television	8.68%	5.89%	3.71%	6.00%	3.43%	5.35%	6.90%	1.21%	-2.81%	-4.63%	-0.78%	76.90%	\$18.7B	85.59
Retailers (Not Food and Drug)	3.59%	11.11%	6.58%	5.43%	4.41%	4.11%	7.66%	0.93%	-0.89%	-2.18%	-0.54%	78.92%	\$16.5B	86.09
Surface Transport	7.19%	8.85%	4.26%	6.07%	9.07%	4.72%	6.96%	-3.12%	-6.72%	-4.67%	0.00%	54.61%	\$4.0B	82.19
Telecom	7.74%	-6.82%	-2.34%	20.05%	4.91%	5.25%	7.41%	4.00%	6.66%	3.53%	0.45%	84.02%	\$31.0B	94.82
Utilities	9.39%	-0.18%	5.75%	16.05%	5.66%	4.42%	7.03%	3.46%	3.52%	0.83%	-0.18%	65.10%	\$37.5B	92.72
Total Index	5.14%	3.34%	2.63%	9.78%	5.29%	5.28%	6.93%	1.99%	-0.01%	-1.80%	-0.15%	71.73%	\$489.4B	88.62



# S&P/LSTA Index: Industry Returns

## All Loans vs. Performing Loans

Aug-08



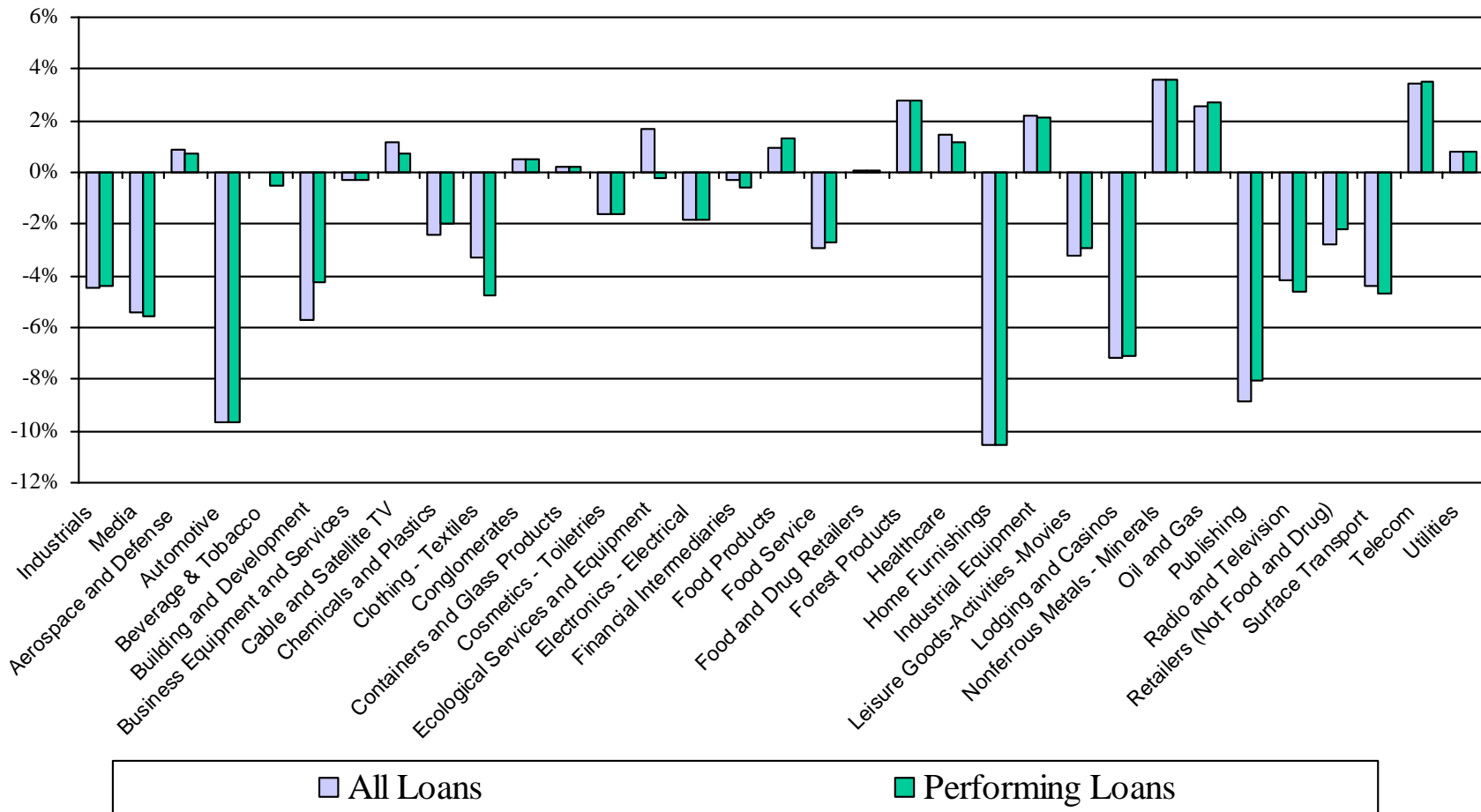
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# S&P/LSTA Index: Industry Returns

## All Loans vs. Performing Loans

1/1 – 8/31/08



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