

#### Leveraged loan volume declined in Q3 versus Q2 and year-over-year...

- New-issue volume was \$112.3 billion during Q3 2015, including \$67 billion of institutional tranches, down from \$140.2 billion/\$85.3 billion during Q2 2015 and \$133.6 billion/\$92.1 billion during Q3 2014
- Second-lien volume grew to a one-year high of \$4.3 billion during Q3 from \$3.4 billion during Q2
- Rising share of higher quality paper – loans rated at least BB- or Ba3 remained elevated at 37% of total during Q3
- S&P/LSTA Index of loans outstanding expanded by \$13.9 billion, or 1.7% during YTD 2015, a significant decline from 2014 which had expanded \$149 billion, or 22%
  - Downshift reflects falling institutional volume and a sharp rise in loan repayments, largely from corporate M&A
- High-yield market was impacted by volatility in the capital markets, uncertainty around rate increases and weakness in the energy sector
  - With prices down and clearing yields up, volume fell to a 3.75-year low of \$39.8 billion during Q3, from \$94.1 billion in Q2 and \$68.9 billion through 3Q in 2014
- CLO formation dropped to \$77.6 billion during YTD 2015, from \$93.4 billion during YTD 2014

#### ...M&A and pro rata activity remained relatively strong while opportunistic and institutional volume lagged...

- Many of the themes seen during 1H15 continued into Q3
- Shift from institutional to pro rata financing – pro rata facilities accounted for 40% of new-issue paper in the Q3
  - Pro rata volume fell to \$45.3 billion in Q3, from \$54.8 billion in Q2, but it exceeded Q2 2014 total of \$41.5 billion
- M&A related loan activity climbed to a one-year high of \$82.6 billion during Q3, up from \$60.1 billion during Q2
- LBO loan volume increased modestly to \$20.5 billion during Q3, up from \$19.3 billion during Q2 and \$16.9 billion during Q3 2014
- Traditional banker-led M&A loan market continues to face headwinds due to historically high purchase price multiples and regulatory pressures
- Private-equity-backed issuers accounted for 43.4% of new leveraged loan volume during YTD 2015 (and 46.9% during Q3) down from 2014's multiyear high of 54.5% and marking the lowest reading since 2009
- Add-on activity dropped to \$9.2 billion during Q3 from \$17.7 billion during Q2 and \$12.1 billion during Q3 2014
- Falling opportunistic volume during Q3 – significant downshift in refinancing/recap volume this year

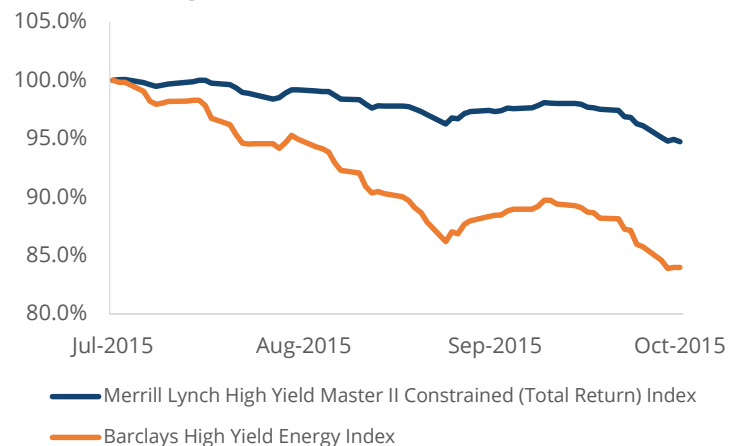
#### ...Expect to see similar trends during the balance of 2015.

- Q4 volume expected to continue at moderate pace set during Q3
  - Leverage lending guidelines will continue to impact LBO and recap activity
  - Technical conditions, while solid, are far from the levels generally associated with strong refinancing and repricing activity
  - Weakness in the high-yield market is expected to put downward pressure on leveraged M&A activity
- If the current pace continues through year-end, new-issue activity will gain some ground on 2014

## High-Yield Market Showing Signs of Disruption

- High-yield spreads have been surging
  - Energy sector (roughly 15% of total HY market) impacted significantly by depressed oil prices
- The issues facing the junk bond market could cause problems in the economy and the rest of the markets
  - Issues in the bond market could cause tighter bank lending
  - Trend toward conservatism results in less bank liquidity available for businesses
- Tighter financial conditions could make it less likely that the Federal Reserve will increase interest rates

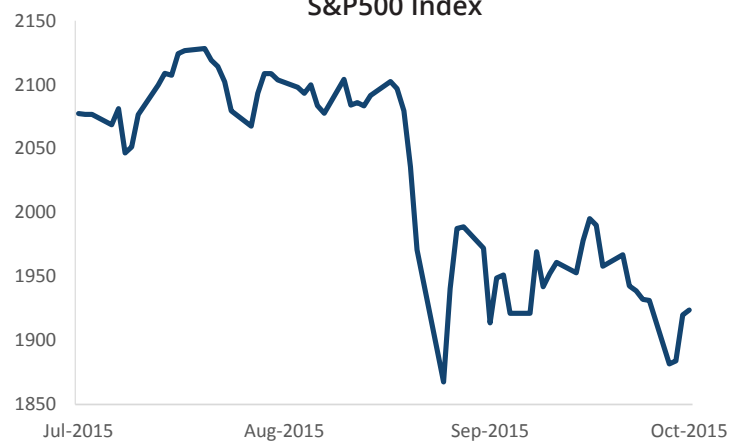
### High-Yield Market Indices Performance



## Significant Market Volatility During Q3 Amidst Uncertainty

- Slowing global growth – primary concern being China's economy and the Shanghai exchange downturn
- Greek debt crisis and arduous negotiations with creditors
- Uncertainty around Federal Reserve policy regarding tightening given market volatility, low inflation rate and global economy risks due to China's slowdown
- While there has clearly been significant volatility in the markets, it has been more muted in loans than for high-yield bonds

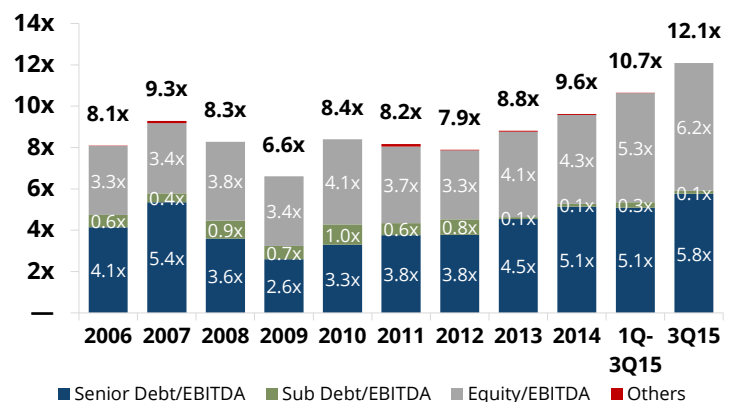
### S&P500 Index



## Observations from the Front Line

- Middle market M&A and financing conditions remain favorable despite market volatility and uncertainty
- We are still seeing aggressive bidders and lenders on a variety of transactions
- Uncertain how long the current attractive deal environment will persist
- Corporate issuers should be proactive about managing liquidity
- Market continues to be frothy for borrowers, though benign workout environment could end abruptly if the economy weakens

### LBO Purchase Price Multiples – Middle Market

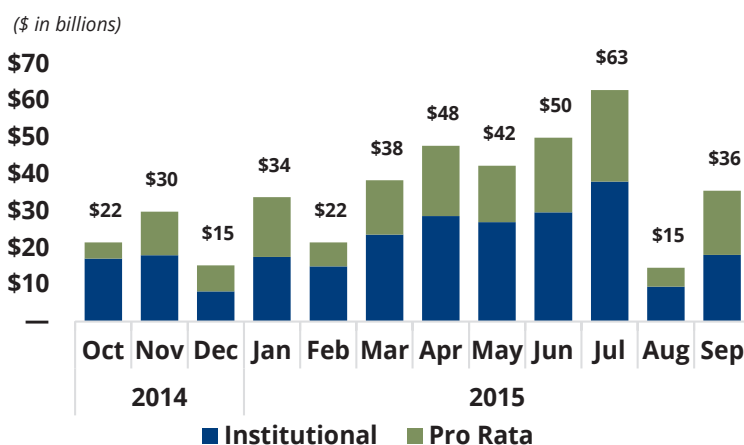


### Key Market Indicators

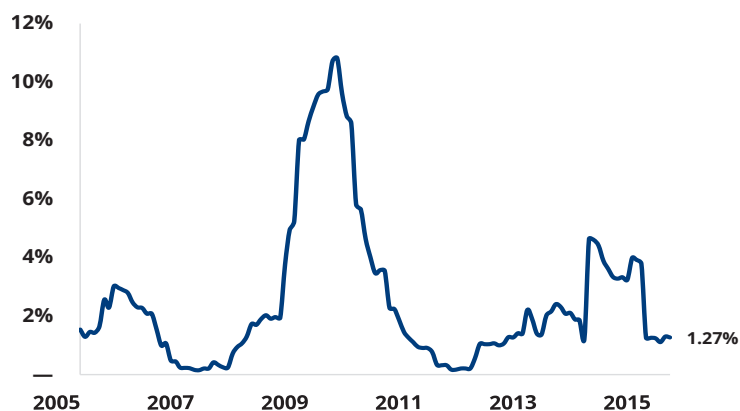
Indices	2015				Sep 2014
	Sep	Aug	Jul	Jun	
10-Year Treasury	2.06%	2.21%	2.20%	2.35%	2.52%
DJIA	16,285	16,528	17,690	17,620	17,043
S&P 500	1,920	1,972	2,104	2,063	1,972
NASDAQ	4,620	4,777	5,128	4,987	4,493
iShares HY Corporate Bond Fund	82.8	85.8	87.8	88.7	91.0
iShares Barclays Aggregate Bond Index	109.5	108.9	109.4	108.8	109.0
<b>Total Return*</b>					
10-Year Treasury	1.31%	(0.24%)	2.66%	(1.35%)	(1.24%)
DJIA	1.51%	(6.20%)	(0.31%)	(2.22%)	(0.23%)
S&P 500	0.49%	(6.03%)	1.37%	(2.15%)	(1.40%)
NASDAQ	(0.27%)	(6.70%)	2.33%	(1.82%)	(1.82%)
iShares HY Corporate Bond Fund	(2.68%)	(1.52%)	(0.51%)	(2.05%)	(1.98%)
iShares Barclays Aggregate Bond Index	0.51%	(0.34%)	1.12%	(0.80%)	2.51%

Commodities	2015				Sep 2014
	Sep	Aug	Jul	Jun	
Crude Oil	\$45.09	\$49.20	\$47.12	\$59.47	\$91.16
Natural Gas	\$2.52	\$2.69	\$2.72	\$2.83	\$4.12
Gold	\$1,115	\$1,132	\$1,095	\$1,172	\$1,212
Currencies	2015				Sep 2014
	Sep	Aug	Jul	Jun	
GBP in USD	\$1.51	\$1.54	\$1.56	\$1.57	\$1.62
EUR in USD	\$1.12	\$1.12	\$1.10	\$1.11	\$1.26
USD in JPY	119.74	121.30	123.88	122.30	109.70
USD in CNY	6.36	6.38	6.21	6.20	6.14
Average New-Issue Pricing - B+/B					
Total Spread	542.0	484.6	501.8	489.0	520.6
YTM	5.72%	5.13%	5.30%	5.21%	5.43%

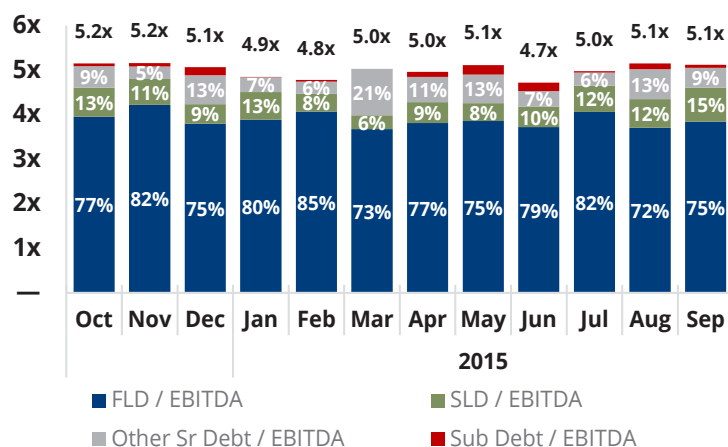
### New-Issue Loan Volume by Month



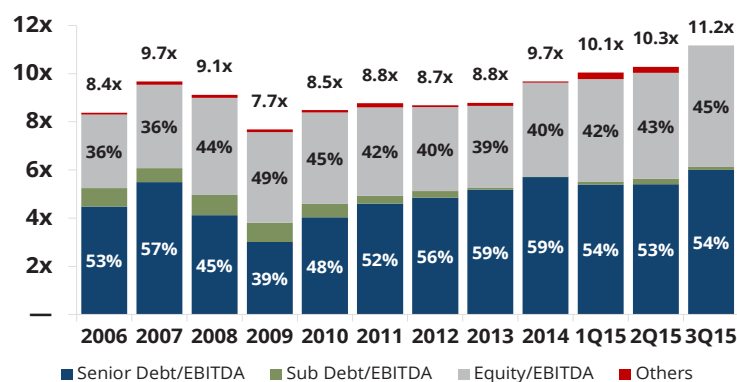
### Default Rates of Leveraged Loans



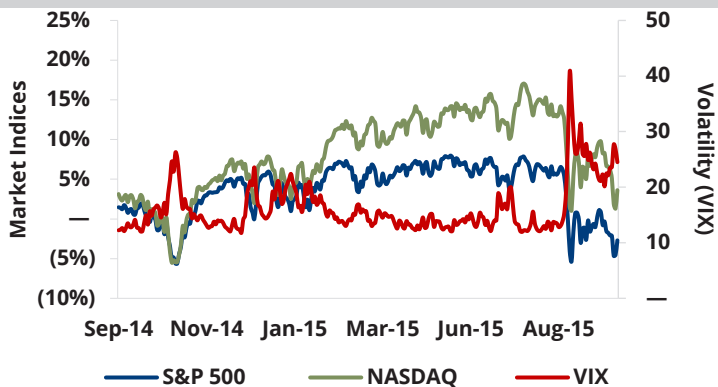
### Average Debt Multiples of Highly Leveraged Loans (% of Total)



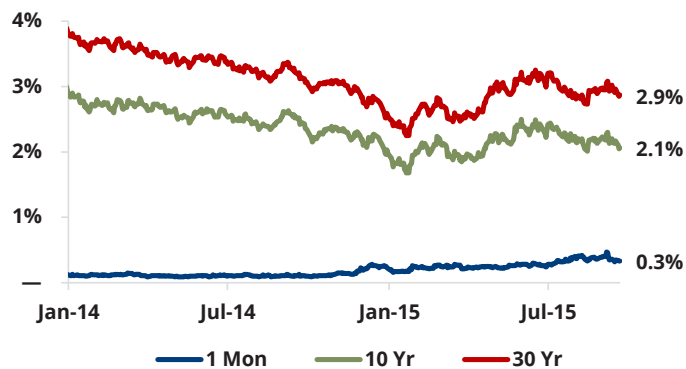
### LBO Purchase Price Multiples - All (% of Total)



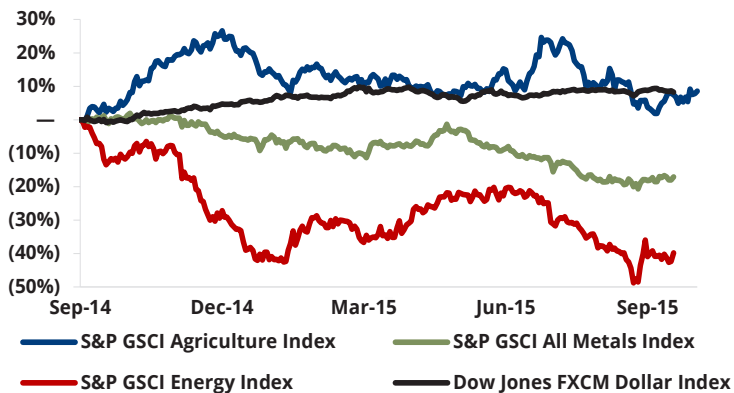
## Stock Market Indices



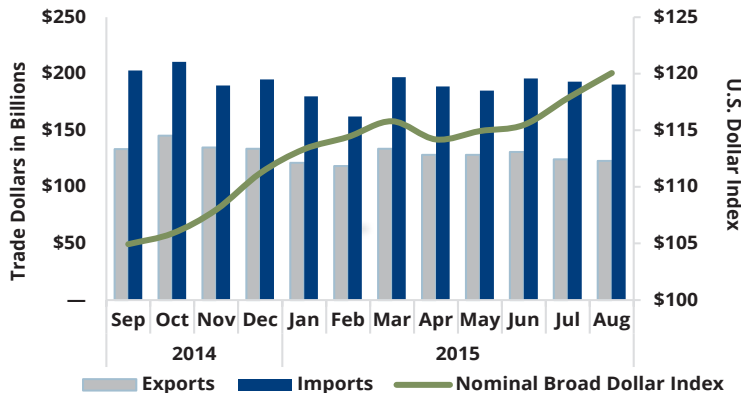
## U.S. Treasury Yields



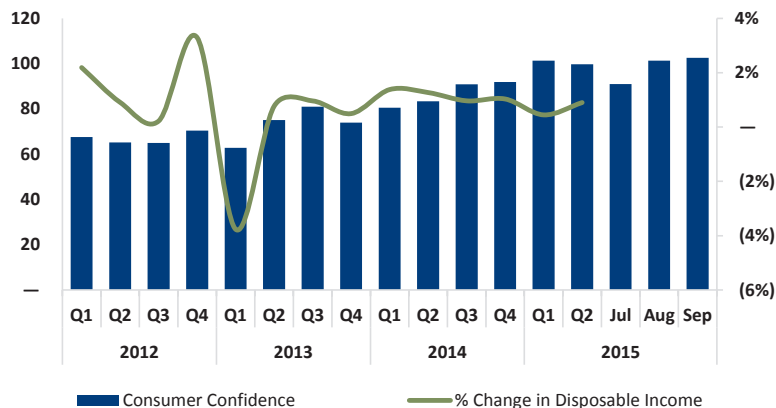
## Commodities Prices



## U.S. Trade Deficit & Dollar Index



## Consumer Confidence Index & % Change in DPI



## Housing Starts & Mortgage Rates



Sources: S&P LCD, Capital IQ, US Census Bureau, TM Capital

## Recent TM Capital Financing Experience

has received a \$10.5 million Series A investment from

has completed a management-led leveraged recapitalization used to fund the repurchase of stock owned by

with Senior Secured and Senior Subordinated debt facilities provided by

\$38,000,000 Senior Secured Credit Facilities

The Science and Technology of Small Particles™

provided by

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