

Relatively light leveraged finance volume in Q4 2015 to close out a sluggish 2015...

- Full year 2015 new-issue activity was \$420.7 billion, a four-year low, down from \$528.1 billion in 2014 and a record \$607.1 billion in 2013
 - New-issue volume was relatively light at \$73.5 billion in Q4 2015, down from \$113.2 billion in Q3, but up from \$66.7 billion in Q4 2014
- HY new-issue volume dropped to a four-year low of \$36.3 billion in Q4 from \$39.8 billion in Q3 and \$61.5 billion in Q4 2014
- Total 2015 returns for investment grade and HY credit were (0.75%) and (5.56%), respectively
- Loans had only the second negative return in the past 19 years (outperformed HY in 2015)
- Weakening technical conditions negatively impacted loan prices – the S&P/LSTA Index fell 2.1% during Q4 2015, the lowest quarterly return since Q3 2011
- While demand declined during Q4, supply grew as repayments fell to a three-quarter low of \$36.7 billion and a number of large deals drove loan supply

...Corporate M&A activity expanded while PE-backed issuance declined...

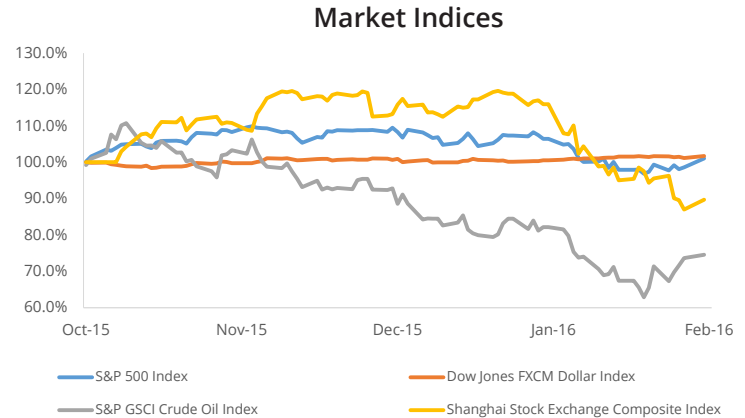
- In Q4, M&A-driven loan volume was \$53.6 billion, down from \$83.1 billion in Q3 but up from \$38.1 billion in Q4 2014
- Acquisition-related leveraged loan volume increased to \$256.5 billion in 2015, slightly above 2014's total of \$252.8 billion
- Corporate issuers closed \$144.6 billion of acquisition-related leveraged loans in 2015, up from \$95.8 billion in 2014 and 2007's prior high of \$110.2 billion
 - A number of jumbo BB loans, including those led by Avago, DollarTree, Cablevision, Staples and Valeant, drove non-sponsored issuers activity
- While corporate activity grew in 2015, private equity deals declined largely due to regulatory pressure on leverage multiples and historically high purchase price multiples
 - Loans backing LBOs fell to a three-year low of \$68.5 billion in 2015, from \$85.3 billion in 2014
 - M&A-related loans for PE-backed entities totaled \$111.9 billion in 2015, a three-year low, and down from \$156.9 billion in 2014

...Punch bowl seems to be running low

- Most Q1 2016 activity thus far focused on well-rated M&A trades that supported volume in 2015, with private equity facing historically high purchase multiples and regulatory constraints – corporate M&A represented 43% of LCD's year-end forward calendar
- We believe there are several factors that will impact the trajectory of the leveraged finance market:
 - Recession risk / pace of economic growth and capital markets performance
 - Interest rate movements
 - Trajectory of oil prices
 - Number of defaults outside of the energy sector
- We have consistently warned that the issuer friendly market won't last forever and there are now clear signs that the dynamic may be shifting

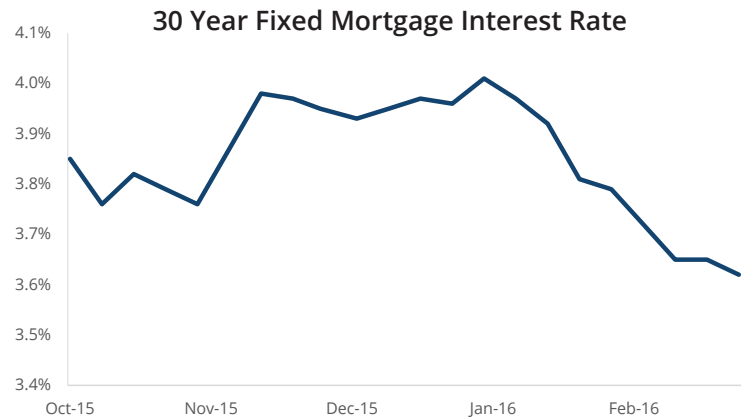
Significant Market Volatility

- A number of factors drove market volatility during Q4 2015 and early 2016
 - Drop in oil prices
 - Slowing Chinese economy
 - Decline in commodities such as copper and other metals, and emerging markets
 - Robust U.S. dollar
 - Fed's plan regarding interest rates – uncertainty eased as Fed ultimately raised rates slightly in December 2015



Fed Increased Interest Rates Modestly

- In December 2015, the Federal Reserve raised its key interest rate from a range of 0% to 0.25% to a range of 0.25% to 0.5%
- Rate hike is a small one, but it will affect millions of Americans, including investors, home buyers and savers
- Savers should eventually see a little more interest on their deposits at the bank
- Mortgage rates should rise gradually
- Fed indicates that there will be continued gradual increases in interest rates in 2016, however, the outlook is cloudier than it was four months ago



Things to Monitor in 2016

- Clarity around Fed action
- Continued weakness in oil and basic materials could limit potential for a stock market rally
- Levels of energy and emerging market exposure of large and regional banks
- Increased regulations on bank lending and pressures on speculative-grade debt
- The average high-yield BDC (publicly traded middle market fund) is currently trading at a 40% discount to book value with a dividend yield of 17.7% – this indicates to us that investors see higher risk of defaults and higher cost of capital
- U.S. default rates which Moody's predicts will reach a six-year high of 4.4% in 2016

BUBS ETRACS Wells Fargo Busn Dev Co ETN (BDCS) Historical Performance



Key Market Indicators

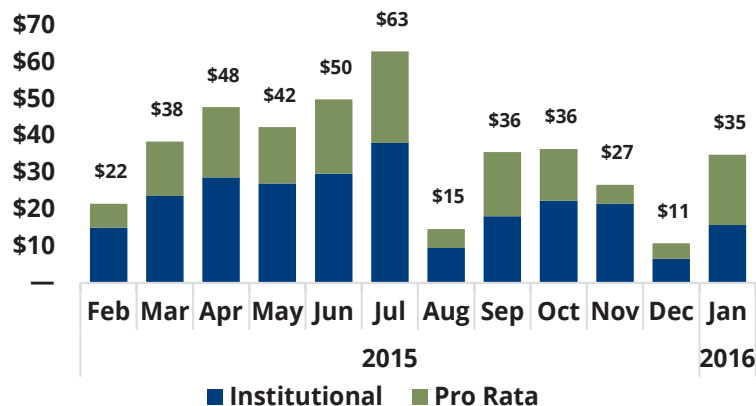
| | Jan 2016 | Dec 2015 | Nov 2015 | Oct 2015 | Jan 2015 |
|---------------------------------------|----------|----------|----------|----------|----------|
| Indices | | | | | |
| 10-Year Treasury | 1.94% | 2.27% | 2.21% | 2.16% | 1.68% |
| DJIA | 16,466 | 17,425 | 17,720 | 17,664 | 17,165 |
| S&P 500 | 1,940 | 2,044 | 2,080 | 2,079 | 1,995 |
| NASDAQ | 4,614 | 5,007 | 5,109 | 5,054 | 4,635 |
| iShares HY Corporate Bond Fund | 78.6 | 80.0 | 82.6 | 85.2 | 90.1 |
| iShares Barclays Aggregate Bond Index | 109.3 | 107.8 | 108.8 | 109.3 | 112.4 |
| Total Return* | | | | | |
| 10-Year Treasury | 3.59% | (0.95%) | (0.43%) | (0.82%) | 4.81% |
| DJIA | (5.39%) | (2.47%) | 0.71% | 8.67% | (3.58%) |
| S&P 500 | (4.96%) | (2.63%) | 0.30% | 8.21% | (3.00%) |
| NASDAQ | (7.82%) | (2.79%) | 1.28% | 9.27% | (2.06%) |
| iShares HY Corporate Bond Fund | (1.60%) | (2.69%) | (2.50%) | 3.90% | 0.70% |
| iShares Barclays Aggregate Bond Index | 1.24% | (0.54%) | (0.39%) | (0.01%) | 2.51% |

| | Jan 2016 | Dec 2015 | Nov 2015 | Oct 2015 | Jan 2015 |
|---|----------|----------|----------|----------|----------|
| Commodities | | | | | |
| Crude Oil | \$33.62 | \$37.04 | \$41.65 | \$46.59 | \$48.24 |
| Natural Gas | \$2.30 | \$2.34 | \$2.24 | \$2.32 | \$2.69 |
| Gold | \$1,116 | \$1,060 | \$1,065 | \$1,141 | \$1,279 |
| Currencies | | | | | |
| GBP in USD | \$1.42 | \$1.47 | \$1.51 | \$1.55 | \$112.37 |
| EUR in USD | \$1.08 | \$1.09 | \$1.06 | \$1.10 | \$1.13 |
| USD in JPY | 121.13 | 120.20 | 123.23 | 120.76 | 117.42 |
| USD in CNY | 6.58 | 6.49 | 6.40 | 6.32 | 6.25 |
| Average New-Issue Pricing - B+/B | | | | | |
| Total Spread | 545.2 | 545.0 | 592.5 | 586.2 | 592.1 |
| YTM | 5.99% | 5.92% | 6.09% | 6.07% | 6.13% |

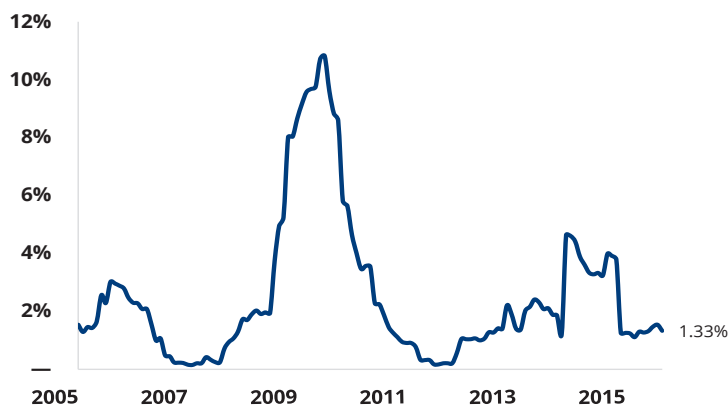
*Includes dividend / interest payments, when applicable

New-Issue Loan Volume by Month

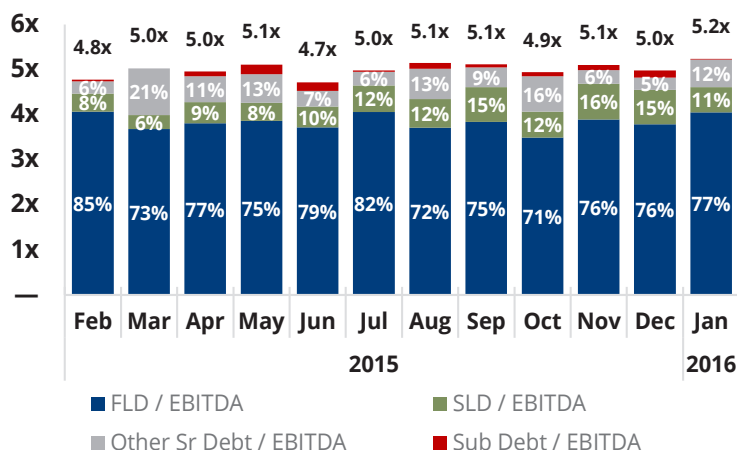
(\$ in billions)



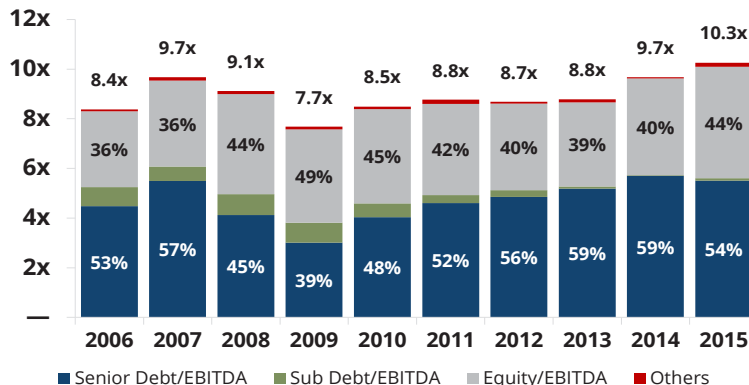
Default Rates of Leveraged Loans



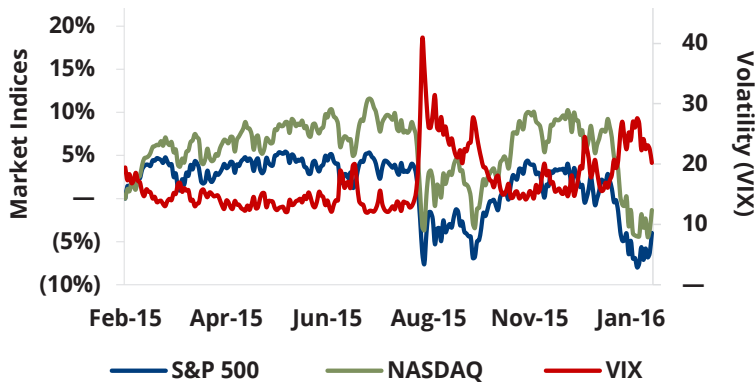
Average Debt Multiples of Highly Leveraged Loans (% of Total)



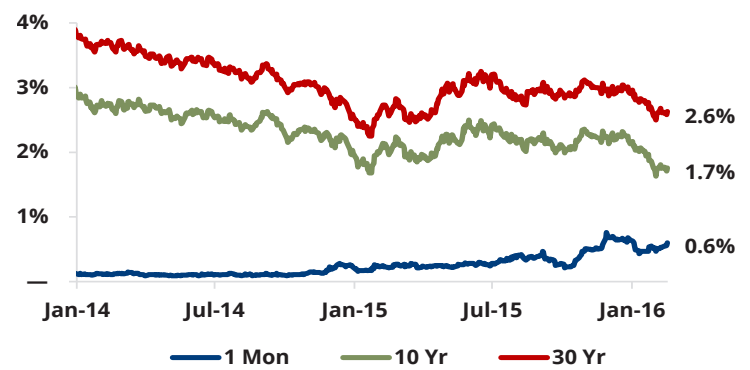
LBO Purchase Price Multiples - All (% of Total Purchase Price)



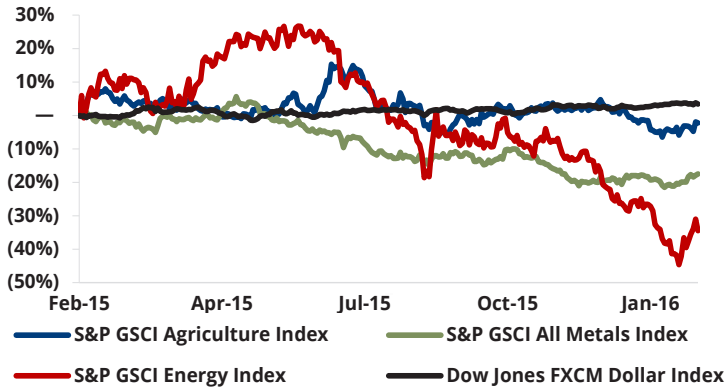
Stock Market Indices



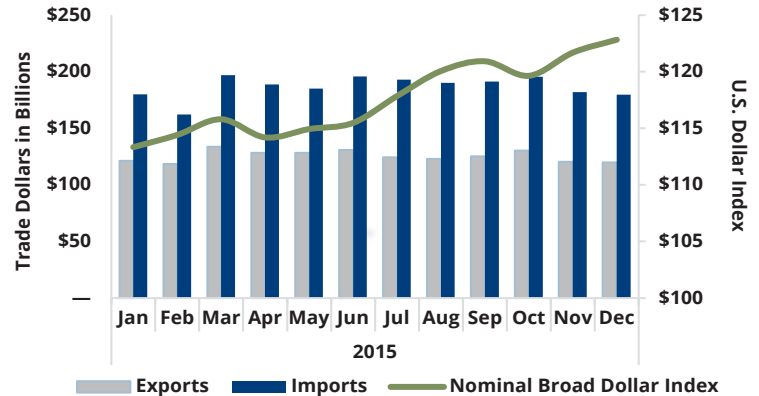
U.S. Treasury Yields



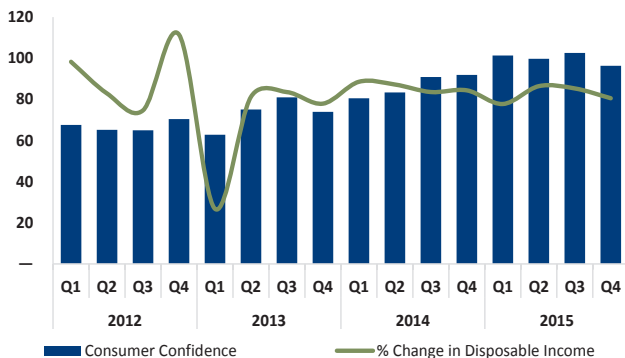
Commodities Prices



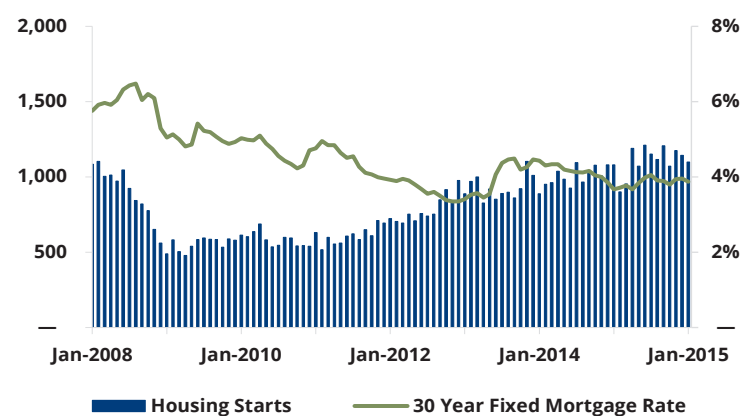
U.S. Trade Deficit & Dollar Index



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

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