

Crossover Trades: Ideas Across the IG/HY Divide

Eric Axon, CFA: Head of Healthcare, Co-Head of US HY, *CreditSights*

James Dunn: Head of Consumer Goods, *CreditSights*

Charles Johnston, CFA: Head of Energy, *CreditSights*

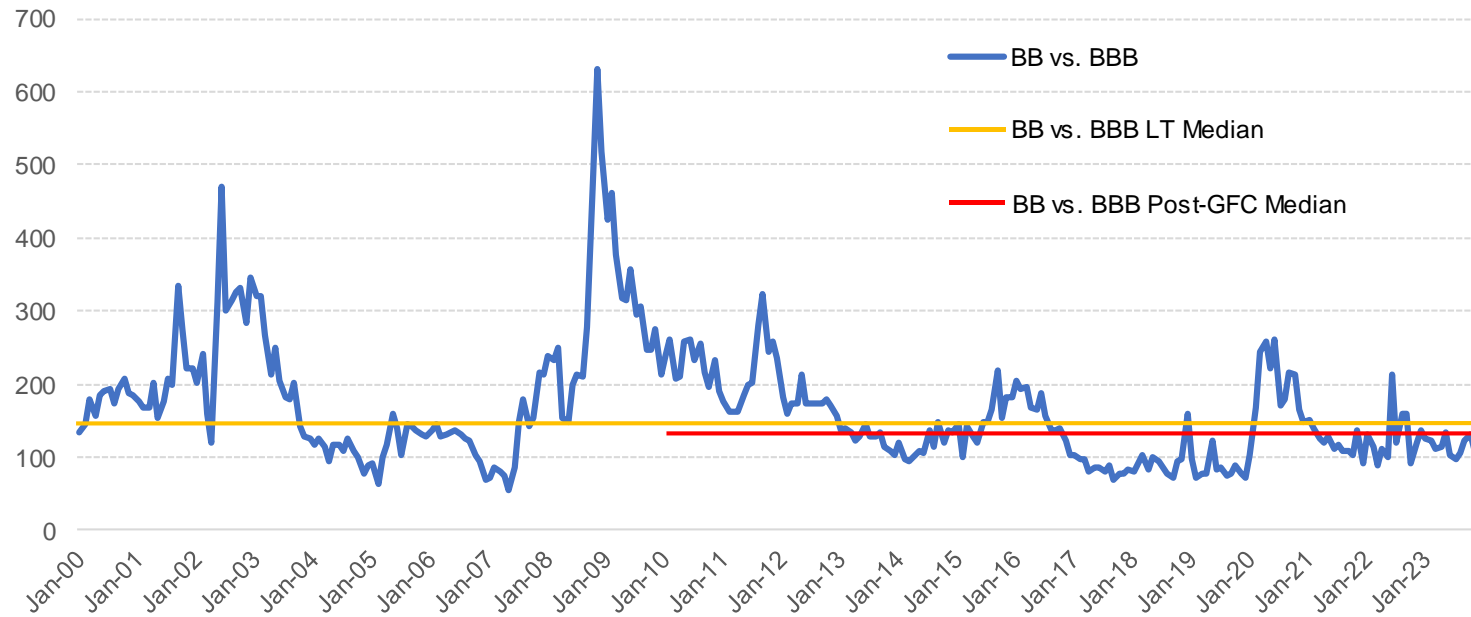
Roger King: Head of Airlines, *CreditSights*

Wen Li, CFA: Head of Metals & Mining, *CreditSights*

Crossover Relative Value: BBs vs BBBs

- **YTD Total Returns:** BB Index +7.1% vs BBB Index +4.4%
- **OAS Levels:** BB Index = 249 bp (duration 3.8 yrs) vs BBB Index = 142 bp (duration 6.4 yrs)

BB vs BBB Spread Performance: 2000 - YTD 2023



Source: CreditSights, FactSet, ICE Data Indices, LLC.

Trade Topic #1: Rising Stars

Near-Term

SWN, CHK, AAL, (HWM, FE, LVS)

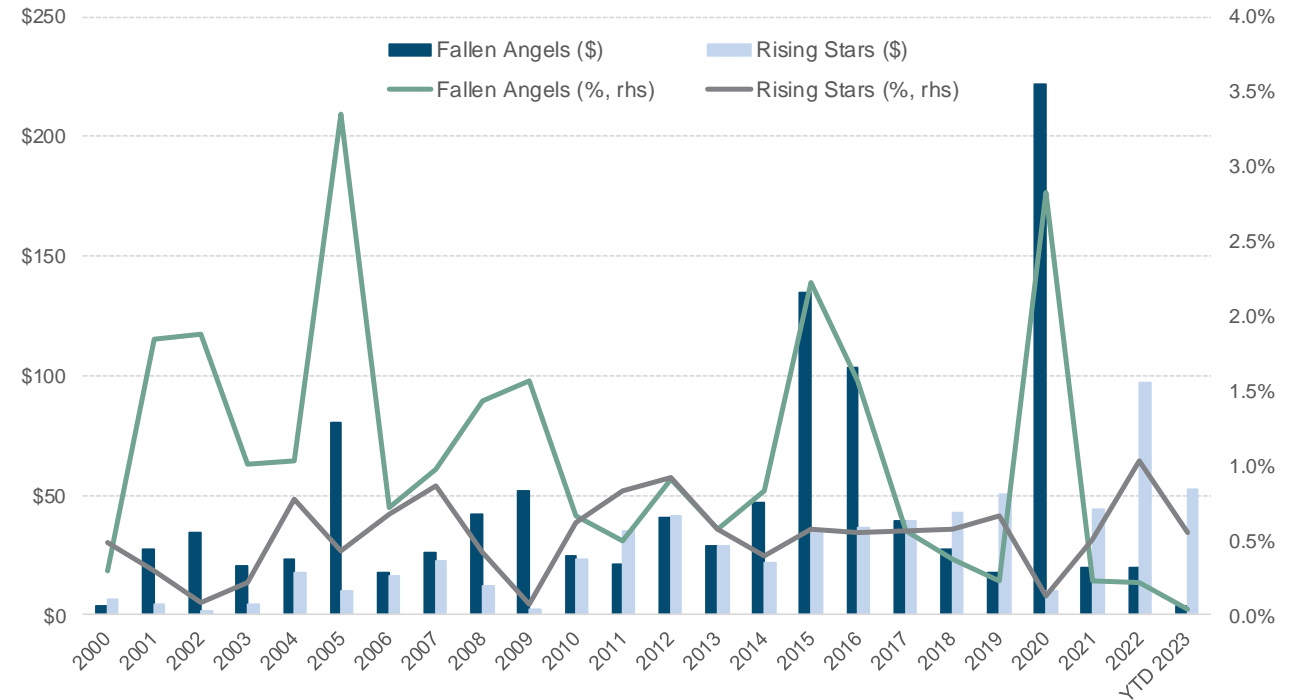
Medium-Term

CMC, RCL secureds

Longer-Term

RCL unsecureds, CCL, TEVA

US Annual Fallen Angels and Rising Stars: Share (%) and Volume (\$BN)



Source: CreditSights, ICE Data Indices, LLC.

Trade Topic #2: Core HY Names We Like

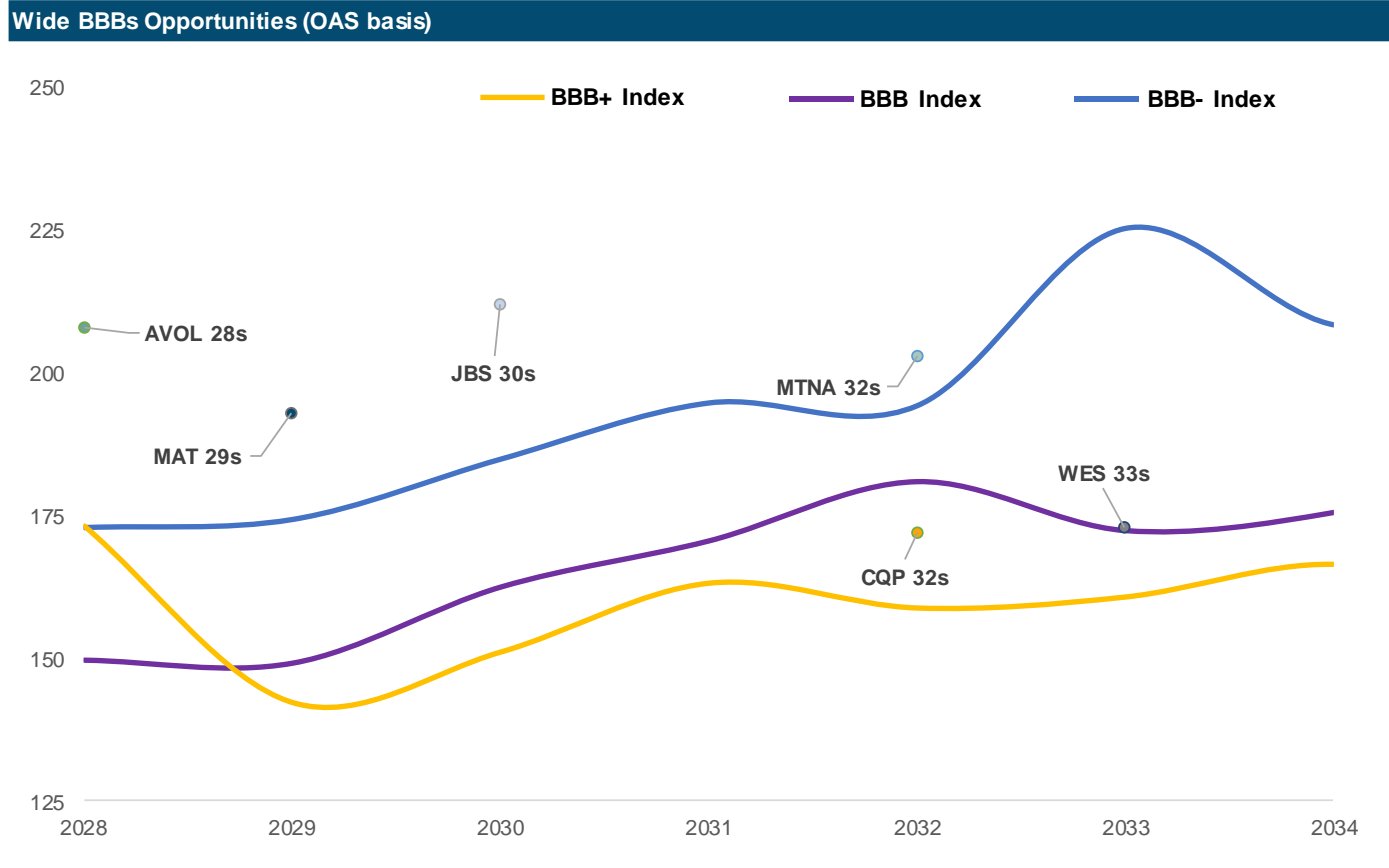
- **Top Picks:** BIGBRS, CLF secureds (timing specific), ROCKIE, OGN secureds
- **Honorable Mentions:** ADT, GNW junior subs, TLN secureds, TWLO, TGNA

US HY Market Overview: Secured vs Unsecured by Rating									
Rating/Rank	Market Value (\$B)	MV (%)	Par Value (\$B)	PV (%)	YTW	OAS	Price (\$)	Duration	YTD Total Return
BB	581.2		644.2		7.55%	268 bp	86.17	3.7 yrs	2.61%
Secured	123.8	21%	133.9	21%	8.10%	297 bp	91.60	3.4 yrs	2.52%
Unsecured	433.6	75%	482.8	75%	7.81%	274 bp	89.36	4.0 yrs	2.79%
B	485.9		542.6		9.26%	421 bp	88.12	3.3 yrs	4.97%
Secured	215.1	44%	238.0	44%	9.93%	479 bp	89.80	3.2 yrs	4.27%
Unsecured	264.8	55%	297.6	55%	8.92%	384 bp	88.73	3.5 yrs	5.65%
CCC or Lower	148.2		189.3		13.83%	931 bp	81.86	3.1 yrs	10.06%
Secured	41.2	28%	54.5	29%	15.37%	1182 bp	79.27	2.8 yrs	7.88%
Unsecured	107.0	72%	134.8	71%	13.24%	835 bp	82.85	3.2 yrs	10.89%

Source: CreditSights, Bloomberg, LP
Data as of 10/03/2023.

Trade Topic #3: Wide BBBs We Like

- Top Picks trade wide to comparable BBB Indices with limited downgrade risk



This Report is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. CreditSights and its affiliates do not recommend the purchase or sale of financial products or securities, and do not give investment advice or provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Neither CreditSights nor the persons involved in preparing this Report or their respective households has a financial interest in the securities discussed herein. Recommendations made in a report may not be suitable for all investors and do not take into account any particular user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints.

Information included in any article that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in an article may not reflect the most current legal developments. We disclaim all liability in respect to actions taken or not taken based on any or all the contents of any research report or communication to the fullest extent permitted by law.

Reproduction of this report, even for internal distribution, is strictly prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion or information contained in this report (including any investment recommendations or estimates) without first obtaining express permission from CreditSights. The information in this Report has been obtained from sources believed to be reliable; however, neither its accuracy, nor completeness, nor the opinions based thereon are guaranteed. The products are being provided to the user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the report or of any such information or data, or that the report will meet any user's requirements. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Certain data appearing herein is owned by, and used under license from, certain third parties. Please see Legal Notices for important information and limitations regarding such data. For terms of use, see Terms & Conditions.

If you have any questions regarding the contents of this report contact CreditSights at legal@creditsights.com.

© 2023. CreditSights, Inc. All rights reserved.