What's New and What Isn't:

The 2020 *Investment Grade* Corporate Credit Value Proposition

Presented by:
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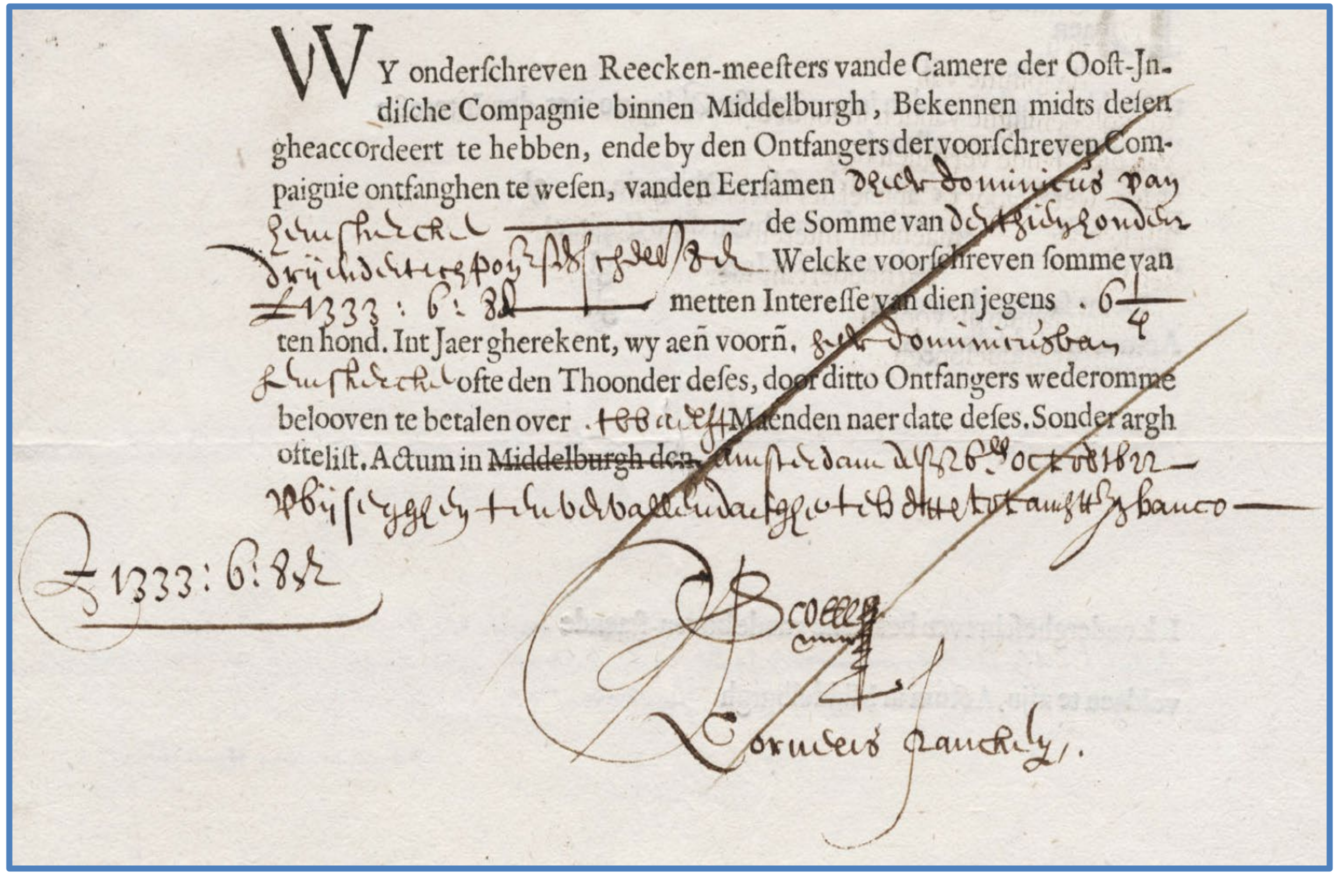
October 20, 2020 | **Grant's Fall 2020 Conference**

Where Did We Start and Where Are We Now


WY onderſchreven Reecken-meeſters vande Camere der Ooſt-Indiſche Compagnie binnen Middelburgh, Bekennen midts deſen gheaccordeert te hebben, ende by den Ontfangers der voorſchreven Compaignie ontfanghen te weſen, vanden Eerſamen [illegible] de Somme van [illegible] Welcke voorſchreven ſomme van £1333 : 6 : 8 metten Intereſſe van dien jegens . 6 1/4 ten hond. Int Jaer gherekent, wy aen voorn. [illegible] ofte den Thoonder deſes, door ditto Ontfangers wederomme belooven te betalen over [illegible] Maenden naer date deſes. Sonder argh ofte liſt. Actum in ~~Middelburgh den~~ [illegible]

£1333 : 6 : 8

Bearer Bond – Dutch East India Company
(circa 1623)

Issuer Information			
Name	BANK OF AMERICA CORP		
Industry	Banking (BCLASS)		
Security Information			
Mkt Iss	GLOBAL		
Country	US	Currency	USD
Rank	Sr Unsecured	Series	
Coupon	3.419000	Type	Variable
Cpn Freq	S/A		
Day Cnt	30/360	Iss Price	
Maturity	12/20/2028		
MAKE WHOLE @20.000000 until 12/20/27/ CALL ...			
Iss Sprd			
Calc Type	(1010)FIX-TO-FLOAT BONDS		
Pricing Date			04/24/2018
Interest Accrual Date			12/20/2017
1st Settle Date			05/22/2018
1st Coupon Date			06/20/2018

Identifiers	
ID Number	AS3773692
CUSIP	06051GHD4
ISIN	US06051GHD43
Bond Ratings	
Moody's	A2
S&P	A-
Fitch	A+
DBRS	AH
Issuance & Trading	
Amt Issued/Outstanding	
USD	5,989,208.00 (M) /
USD	5,989,208.00 (M)
Min Piece/Increment	
	1,000.00 / 1,000.00
Par Amount	1,000.00
Book Runner	
Reporting	TRACE

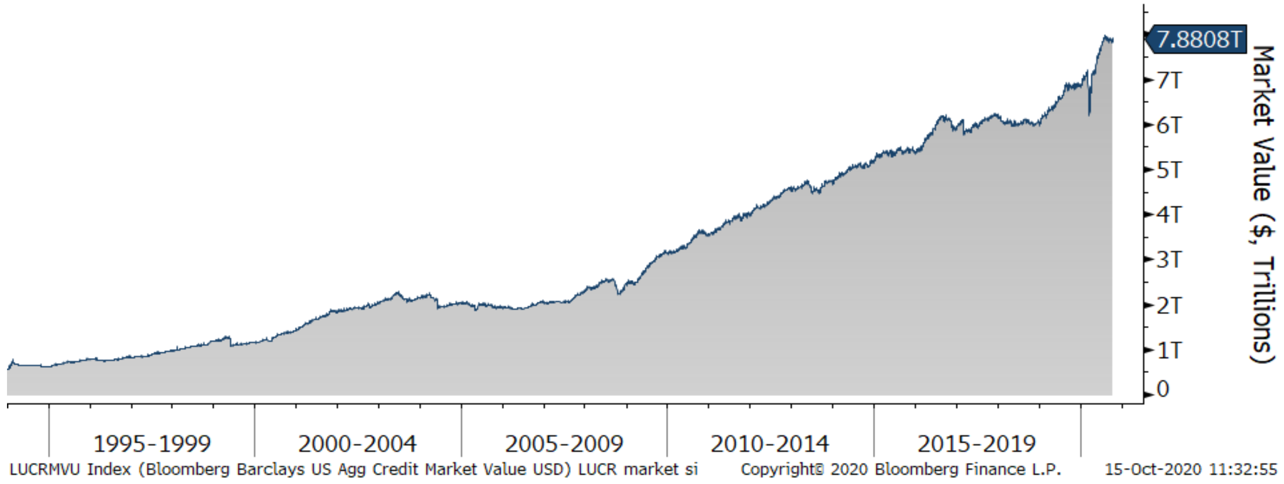
Bloomberg Screen – Electronic Entry

Source: Bloomberg, DoubleLine

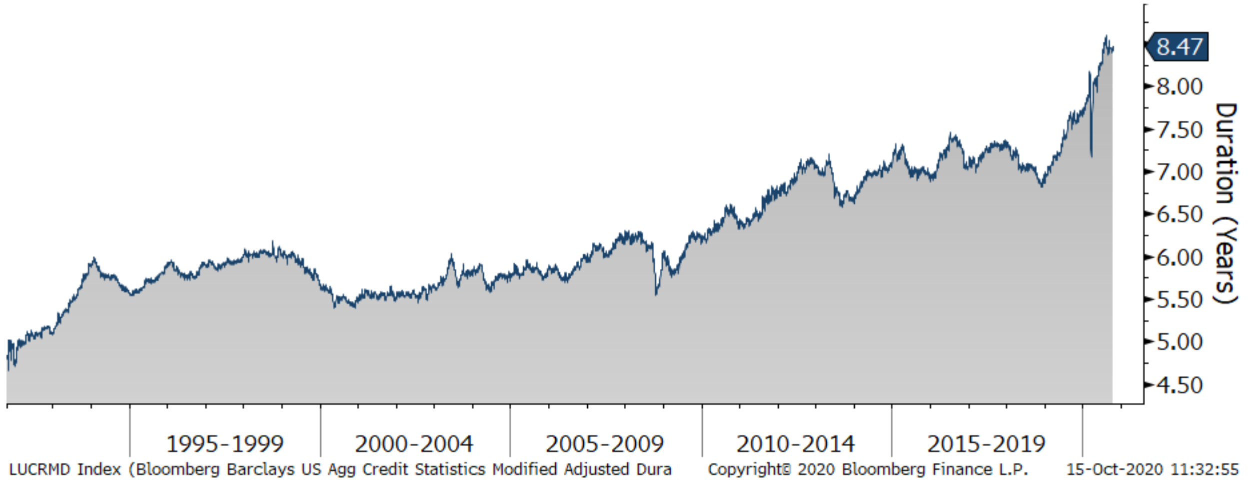
Changes In IG Market Structure Past 30 Years

As of October 14, 2020

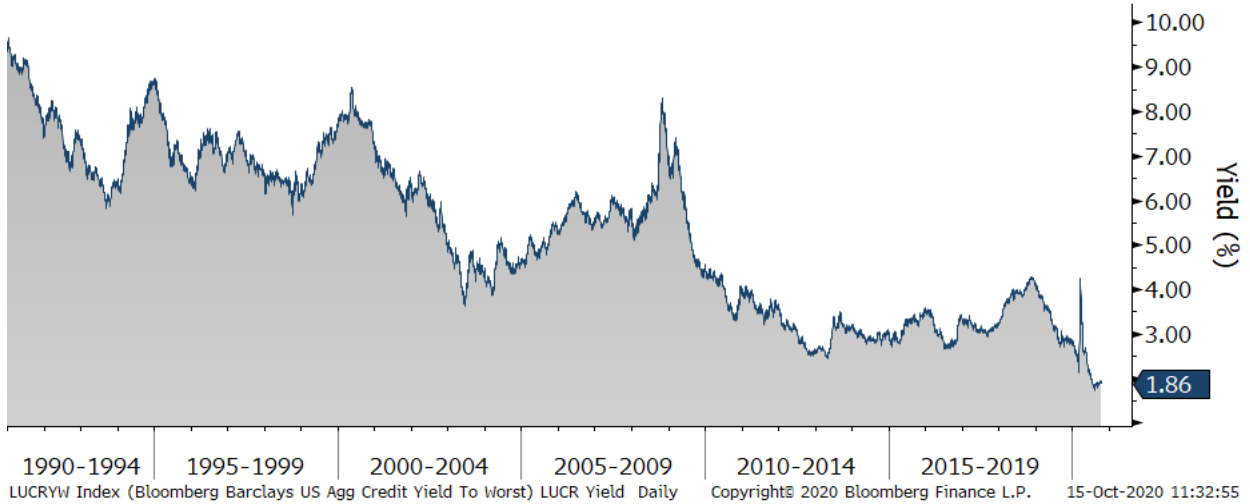
Market Value - $7.9T



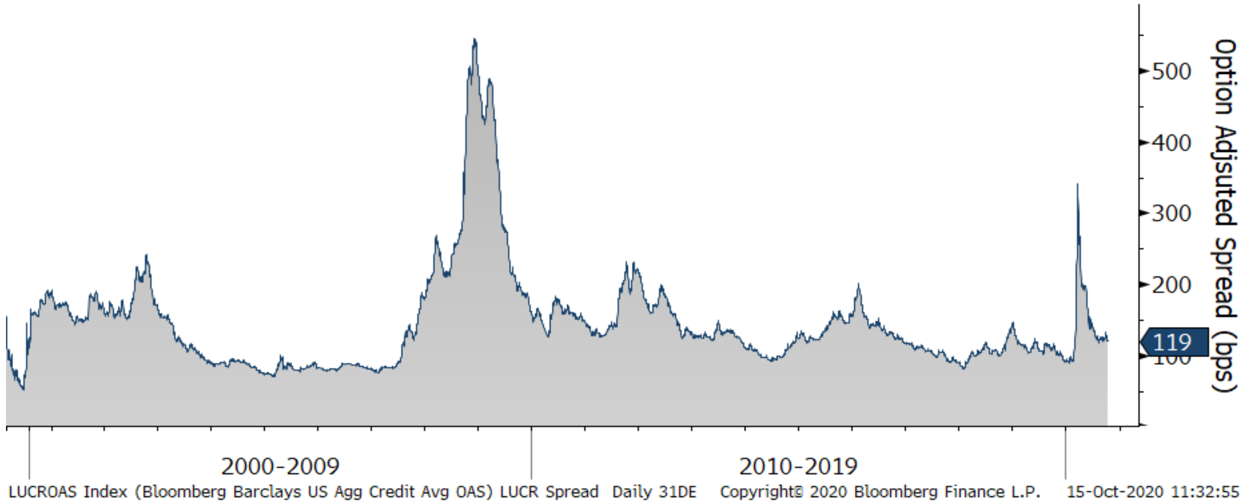
Duration - 8.5 Years



Yield - 1.86%

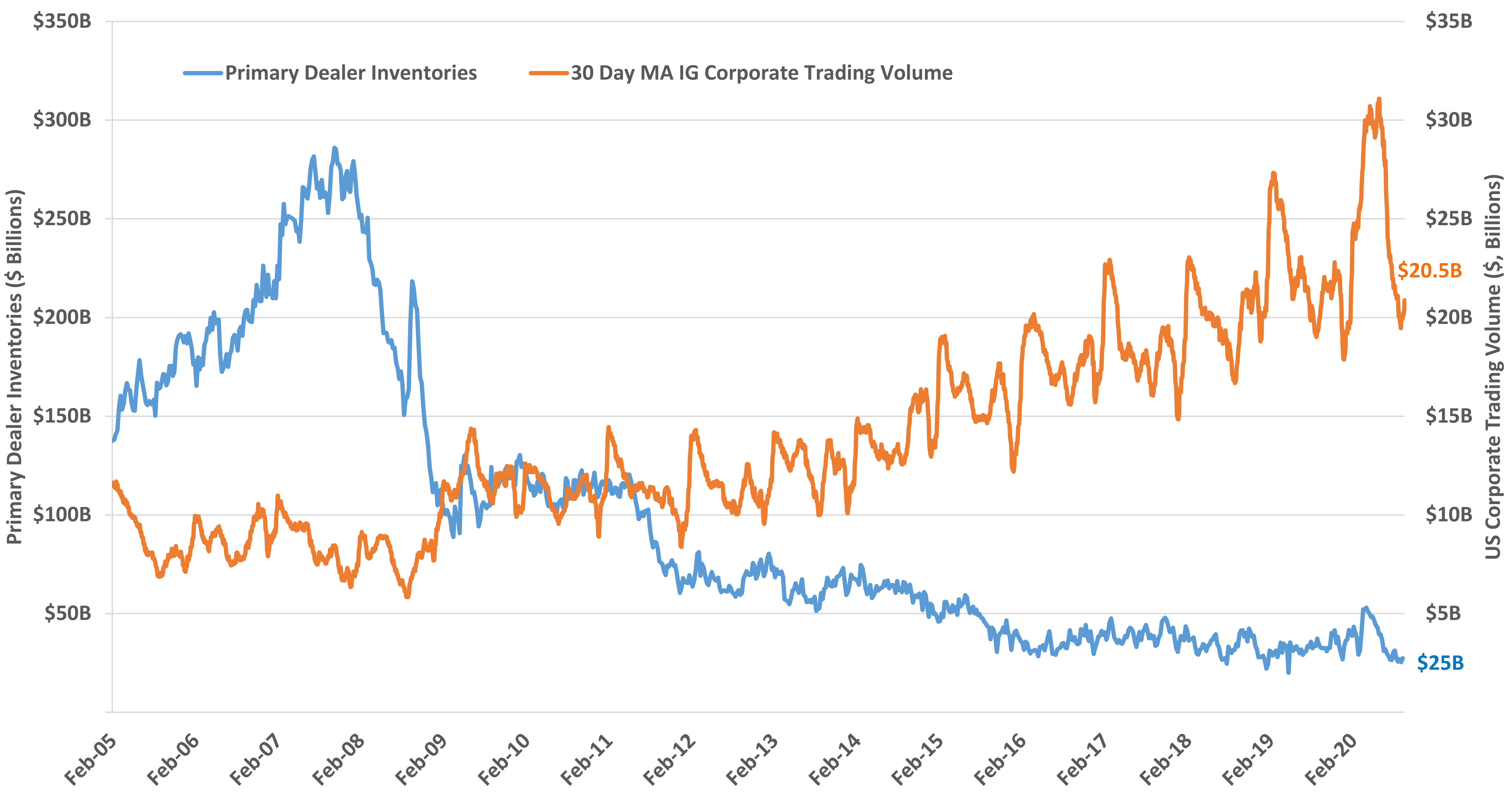


Option Adjusted Spread (OAS) - 119 bps



Source: Bloomberg, DoubleLine

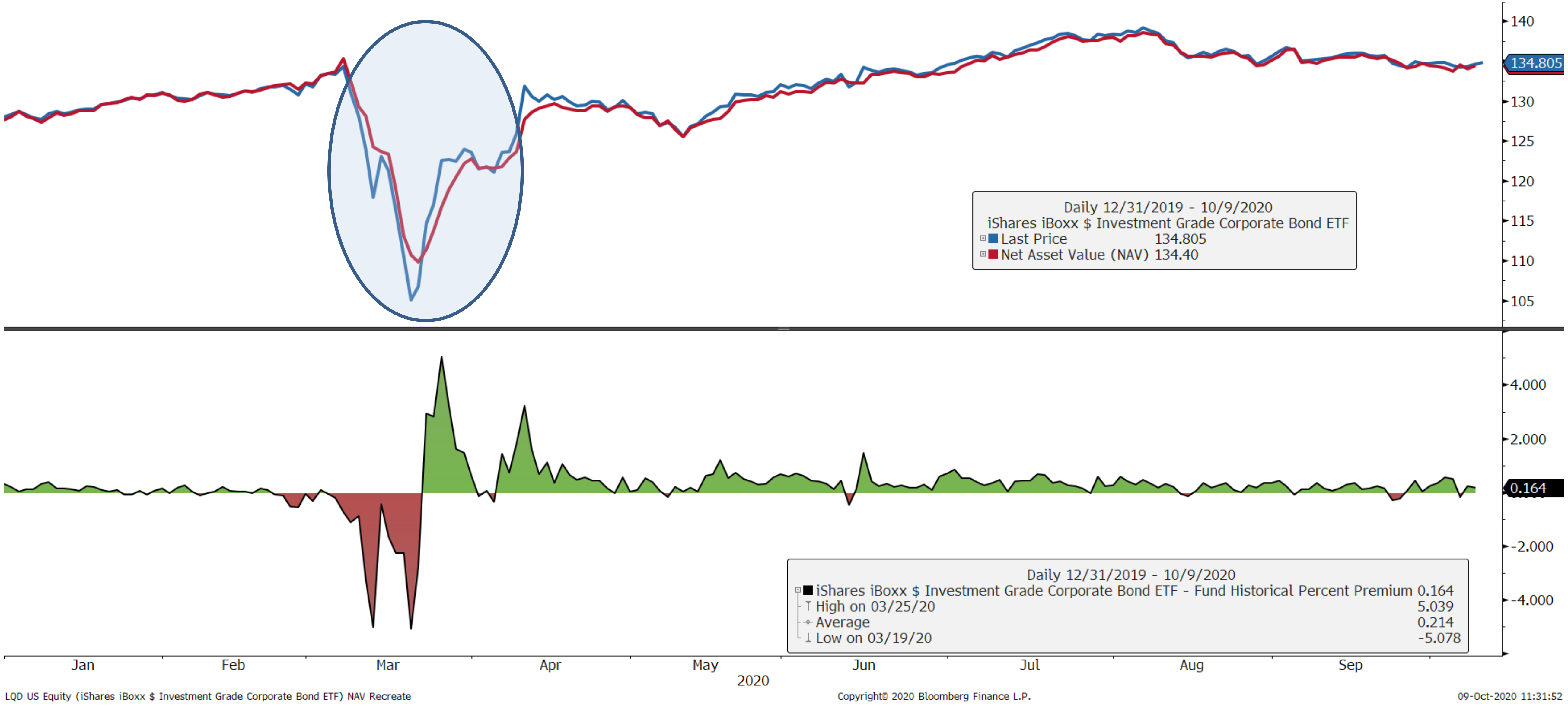
Primary Dealer Inventory vs. IG Trading Volume



Source: Bloomberg, DoubleLine

IG ETF (LQD) NAV vs. Trading Price:

Dislocation in March 2020



Source: Bloomberg, DoubleLine

Timeline Significant Events - Past 20 Years

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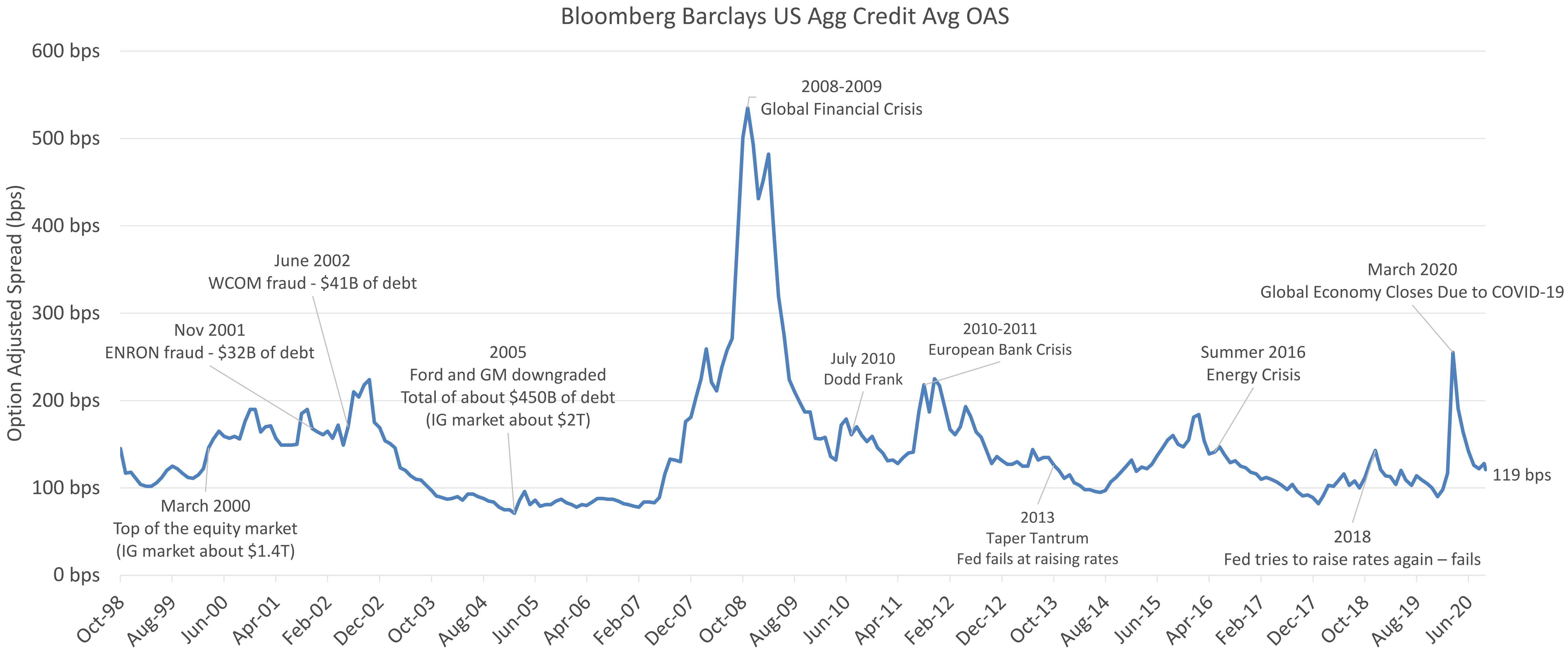


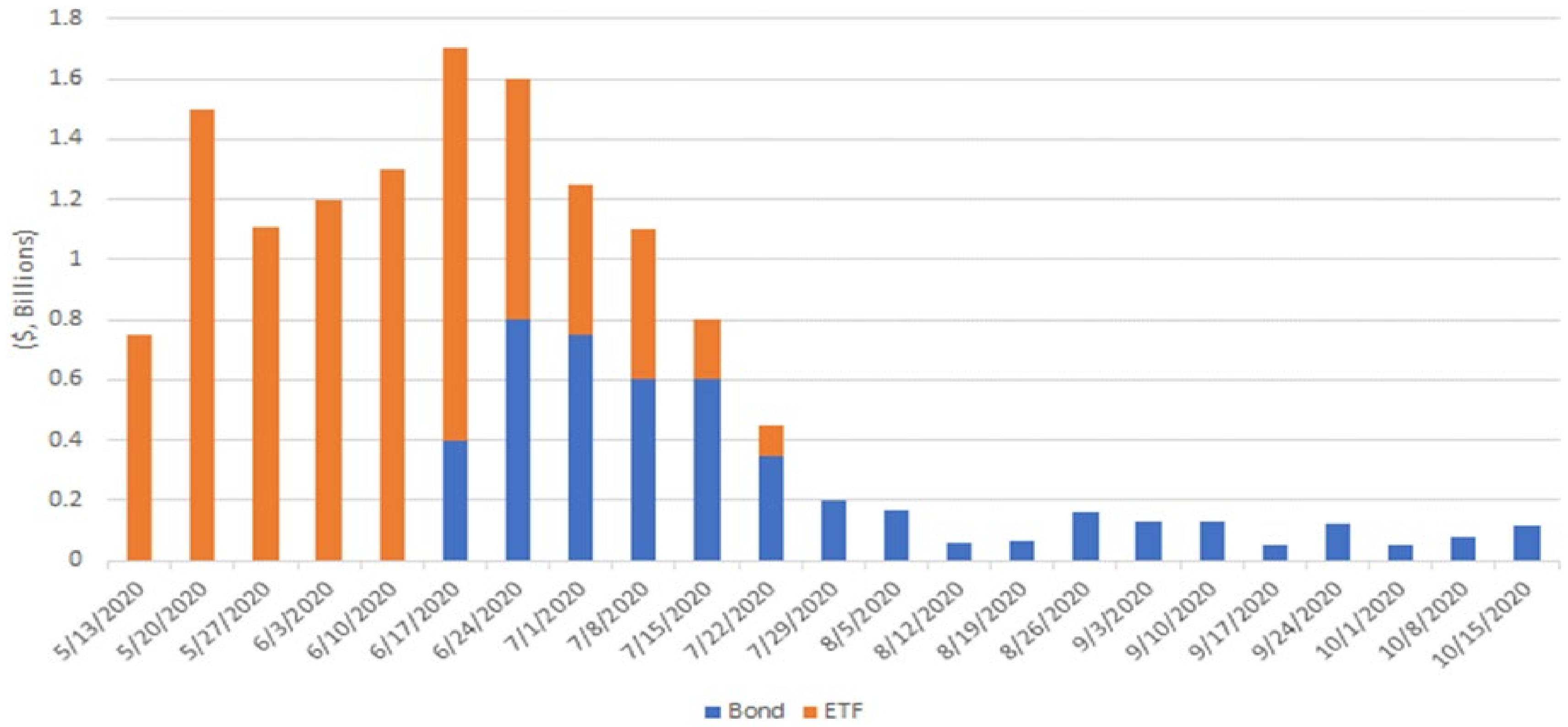
Source: Bloomberg, DoubleLine

Federal Reserve Corporate Credit Facilities: Response to COVID-19

- The Federal Reserve established the Primary Market Corporate Credit Facility (PMCCF) and Secondary Market Corporate Credit Facility (SMCCF) on March 23, 2020 as part of the CARES Act

- **Provided $750B to support the Investment Grade Corp Credit Market**. As of October 15, 2020, the **Fed has purchased only $13.25B** in total.

Market Value of ETF and Individual Purchase Volume by Week ($B)



Source: Bloomberg, DoubleLine

IG Market Spread Widening & Recovery:

COVID 19 vs. GFC

2020

2007 - 2010

Source: Bloomberg, DoubleLine

Monthly Investment Grade New Issue Activity (Volume)

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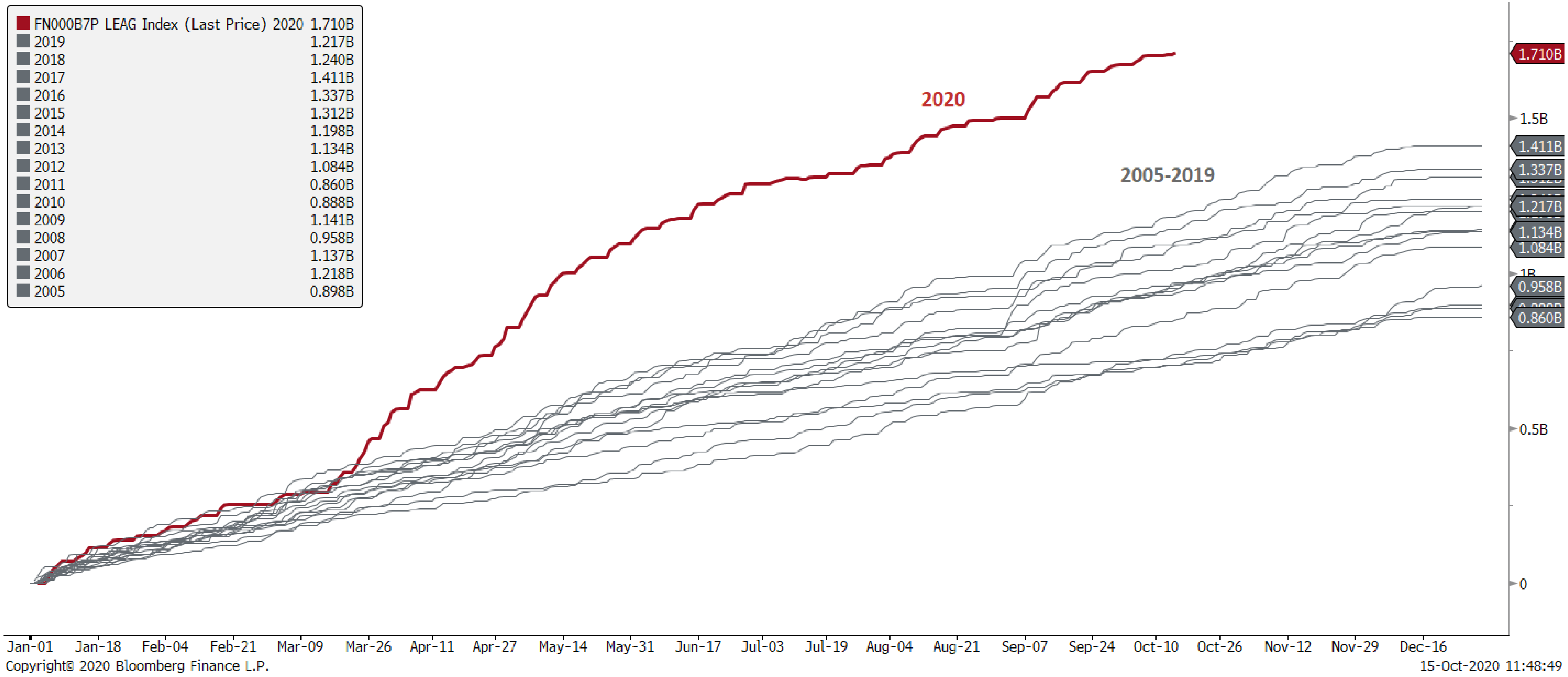
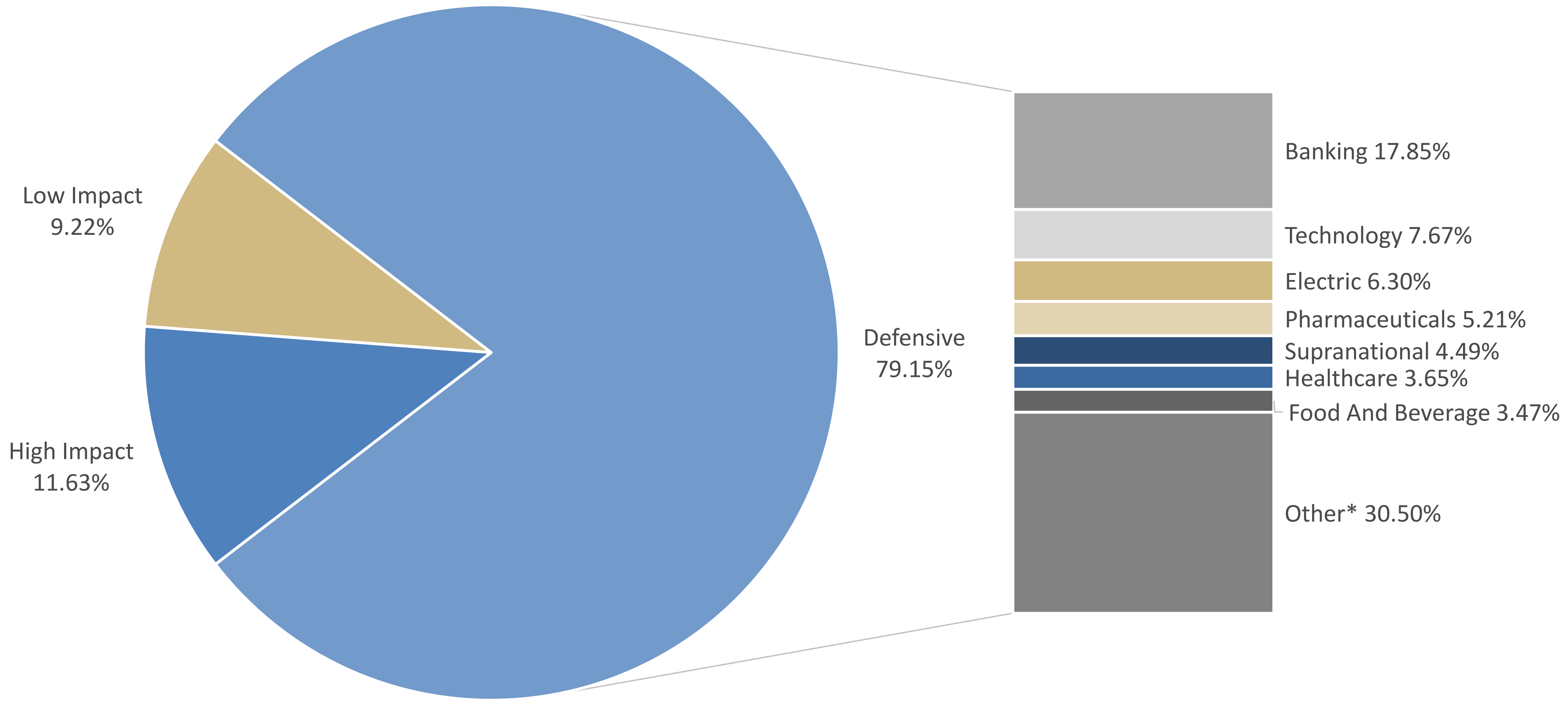


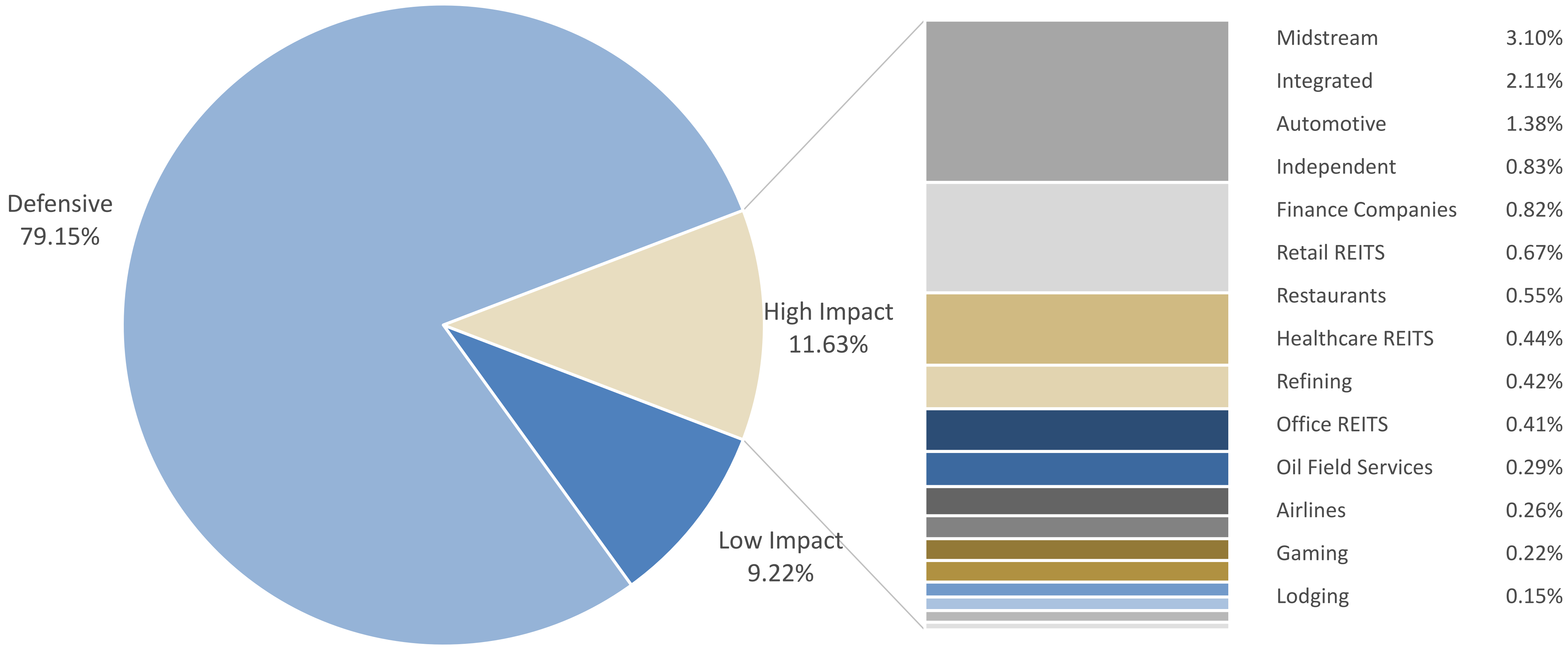
Source: Bloomberg, DoubleLine

COVID-19 Credit Impact:
Defensive Sectors Throughout Pandemic



Source: Bloomberg, DoubleLine
Impact = Change in Revenue, Cash flow, Credit Quality etc.
Other* = Local Authority, Wirelines, Retailers, Government Guaranteed, Cable Satellite, Consumer Cyc Services, P&C, Wireless, Life, Railroads, Chemicals, Government Owned, No Guarantee, Tobacco, Health Insurance, Brokerage Asset managers Exchanges, Metals And Mining, Consumer Products, Construction Machinery, Transportation Services, Natural Gas, Paper, Other Industrial, Other REITS, Building Materials, Environmental, Supermarkets, Other Utility, Packaging, Home Construction, Other Financial

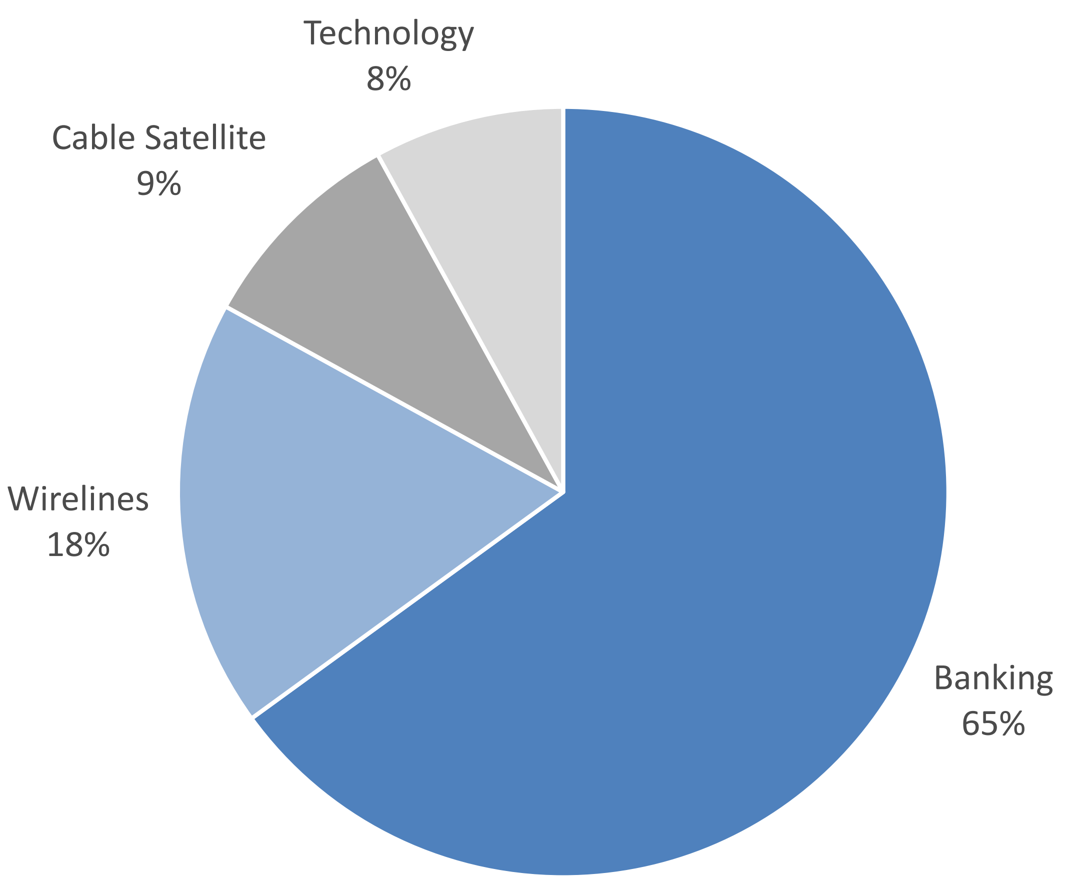
COVID-19 Credit Impact:
Relatively High Negative Impact



Source = Bloomberg, DoubleLine
Impact = Change in Revenue, Cash flow, Credit Quality etc.

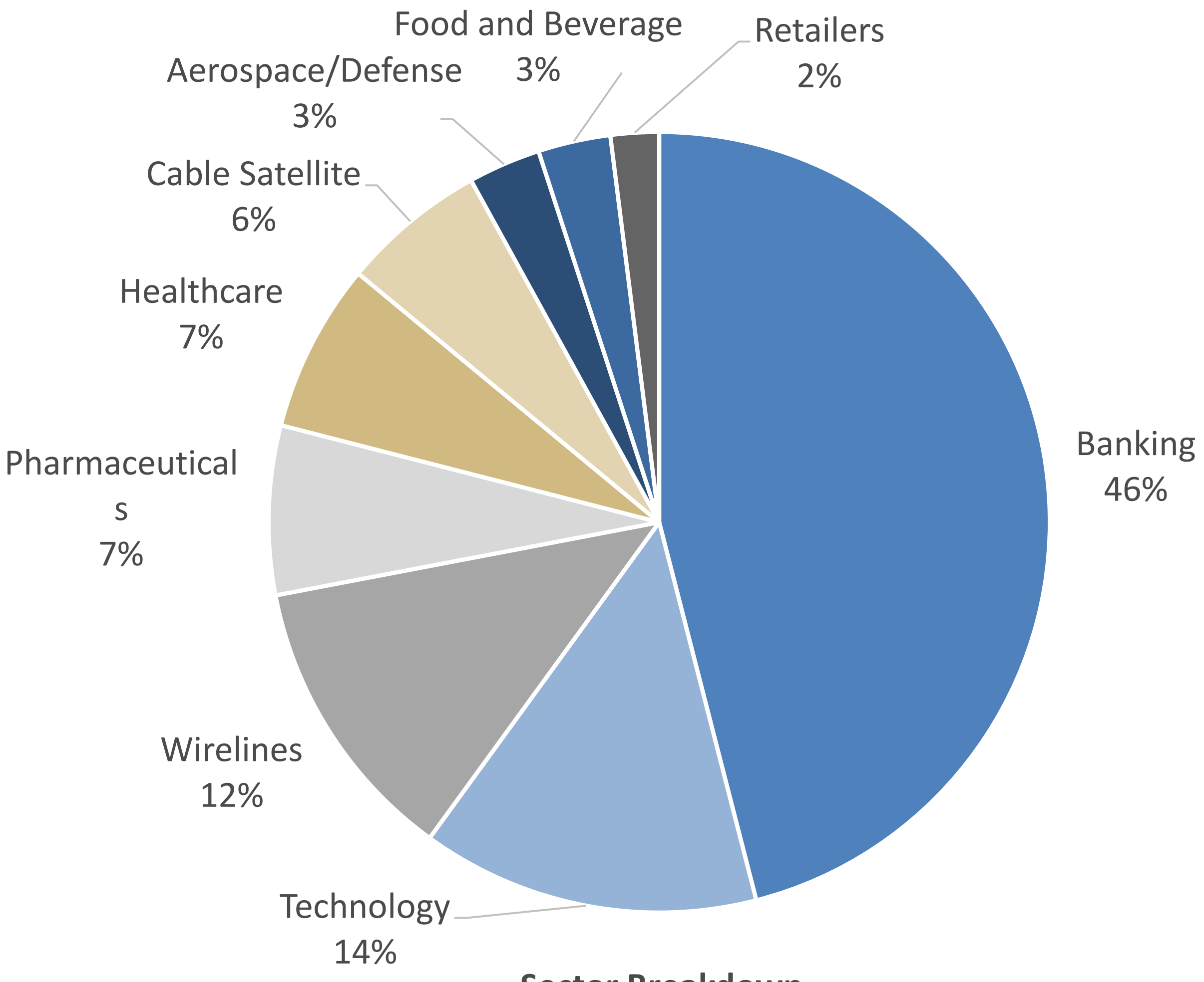
Investment Grade Sector Debt Outstanding

Top 10 Issuers
Total Amount Outstanding
$1.13T



Sector Breakdown

Top 20 Issuers
Total Amount Outstanding
$1.6T



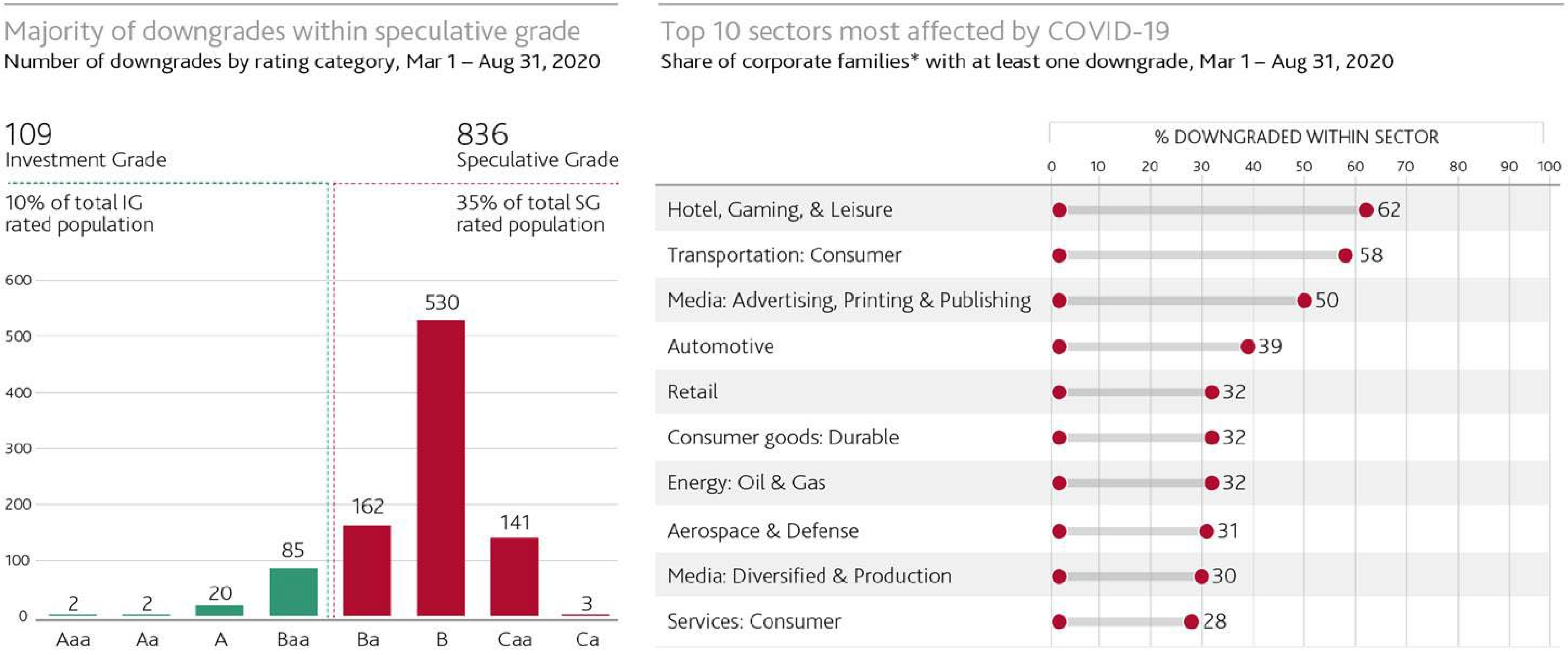
Sector Breakdown

Source = Bloomberg, DoubleLine

Rating Trends in Markets

Pandemic Has Mainly Affected Lower-Rated Companies With Weak Liquidity, Refinancing Profiles

Downgrades of nonfinancial companies by rating category and sector



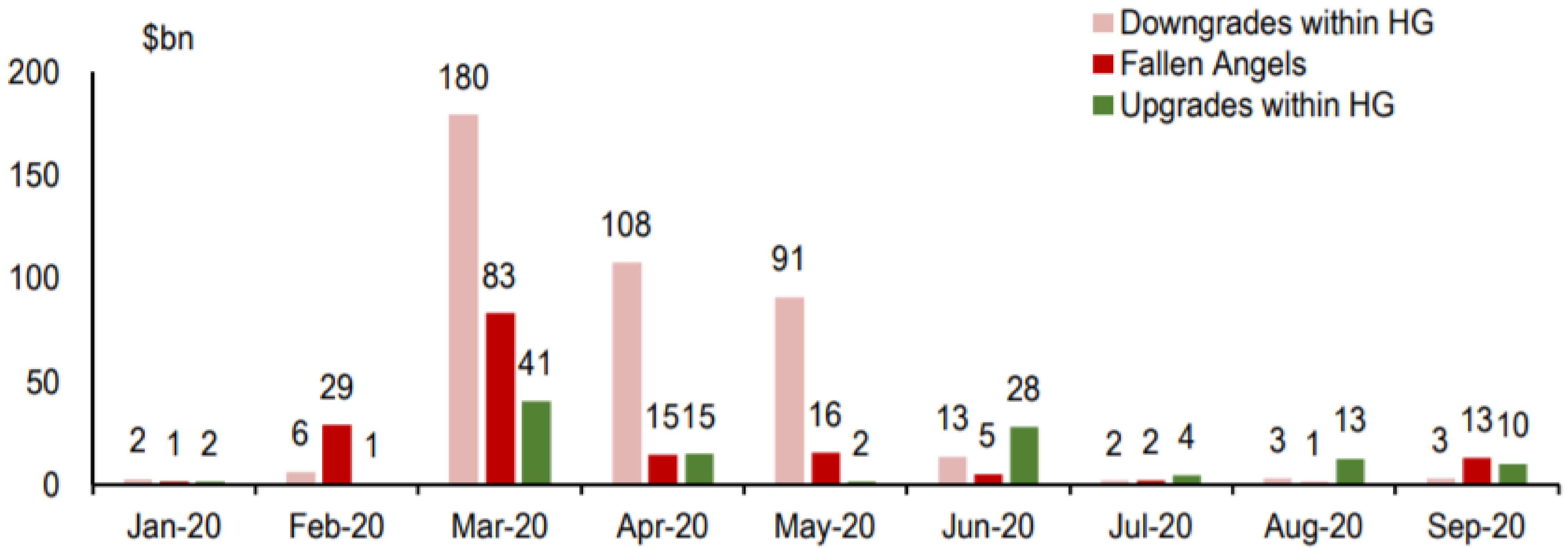
*Some corporate families include multiple issuers and some issuers have received multiple downgrades.

Data include all publicly rated nonfinancial corporate entities, but exclude subsidiaries and project finance-related corporations.

Source: Moody's Investors Service

Credit Ratings Actions 2020

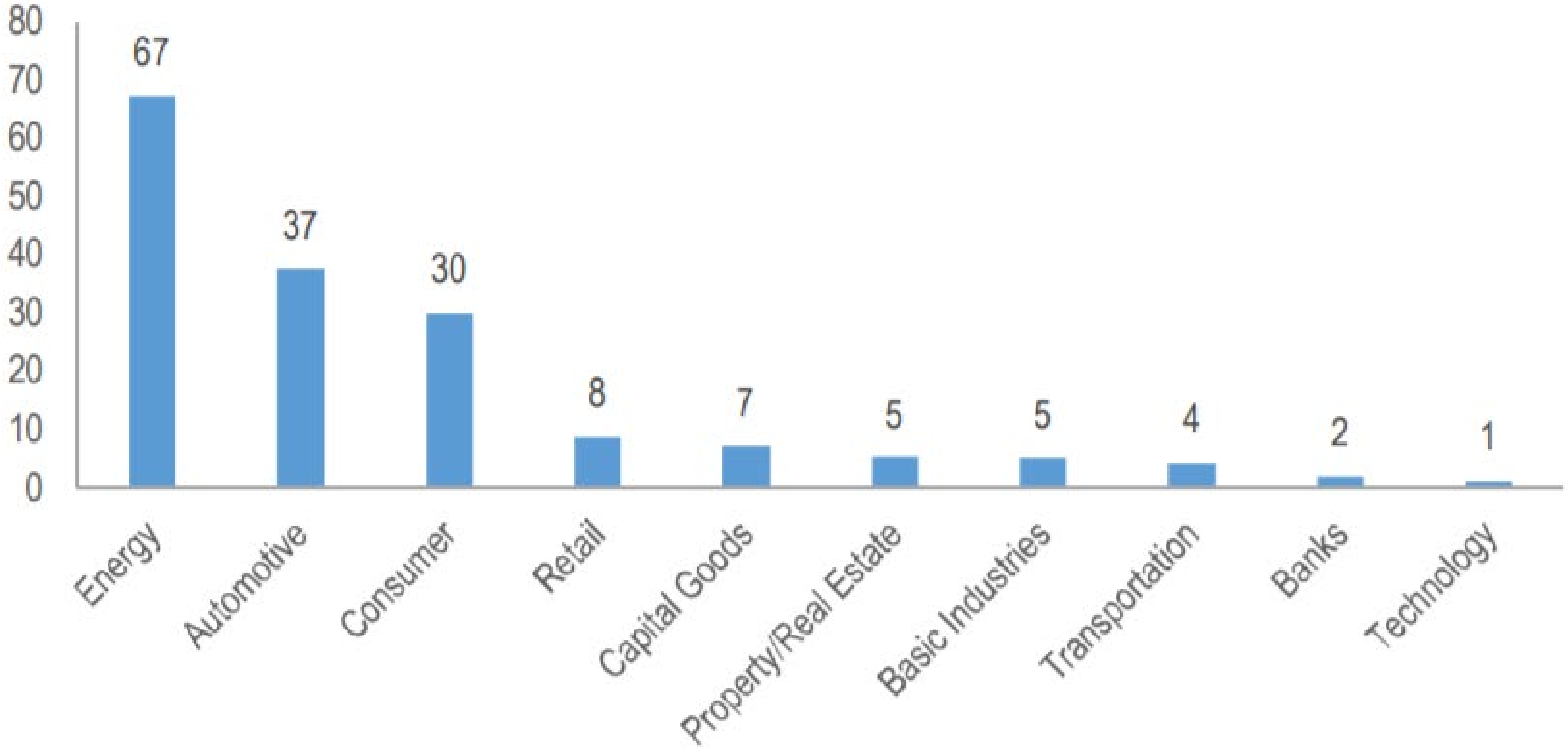
There have been more positive rating actions than there were negative rating actions in 3Q20.



Source: JP Morgan, DoubleLine. Note: Non-Financial ex EM issuers

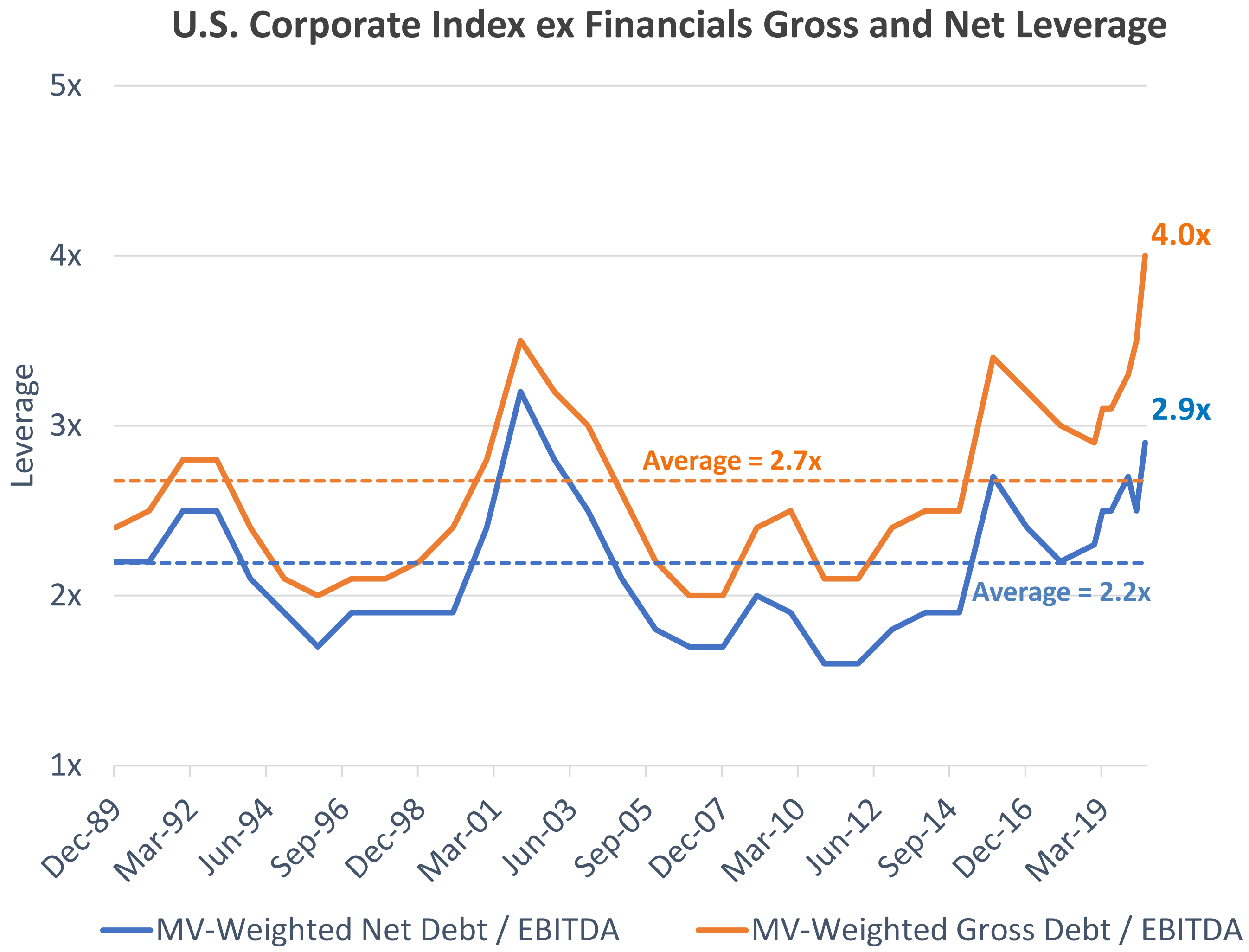
Ratings Actions by Sector

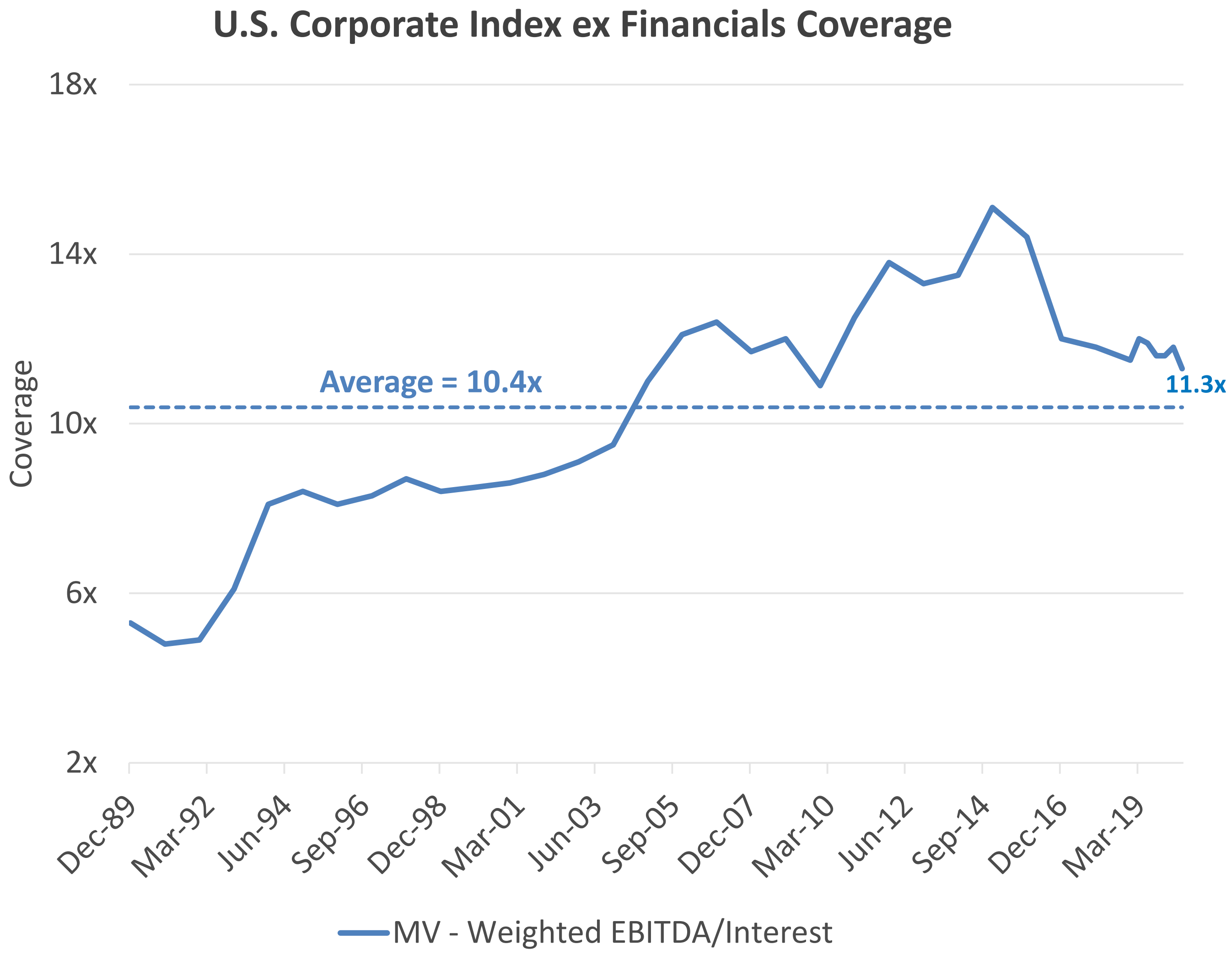
Fallen Angel Distribution by Sector YTD ($ Billions)



Source: JP Morgan, DoubleLine

Credit Market Fundamentals

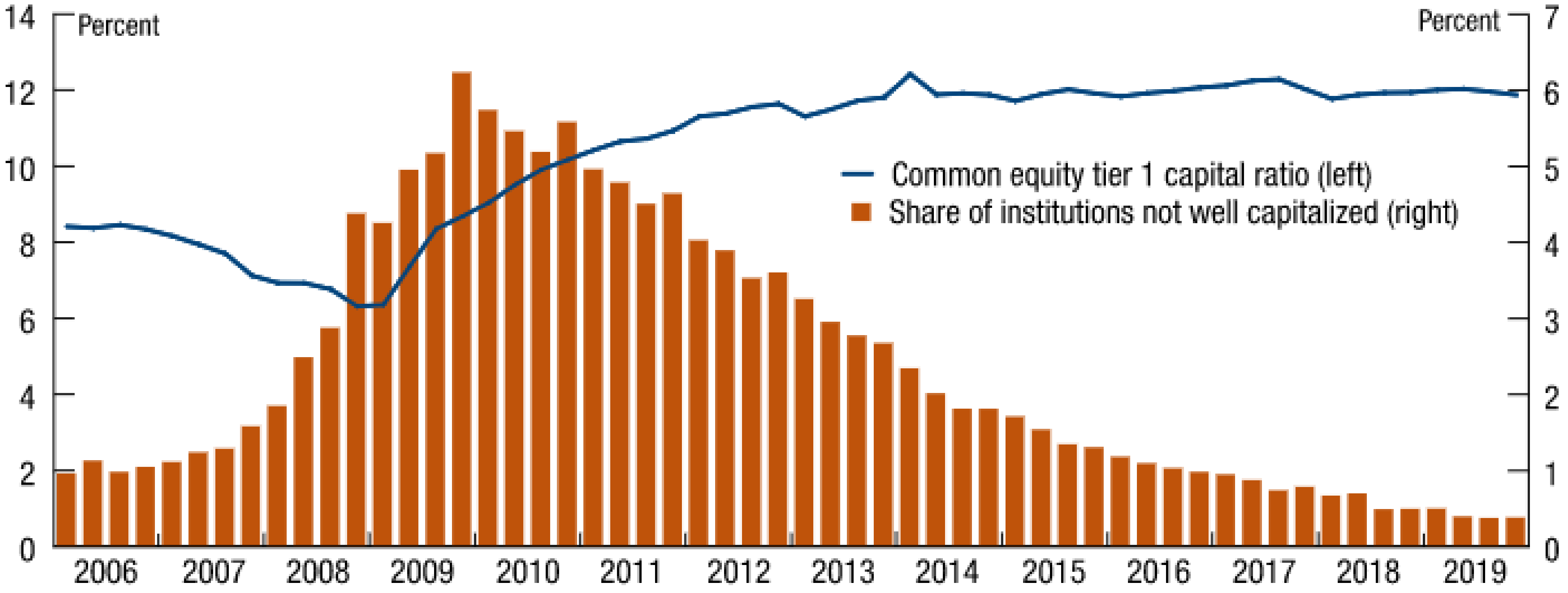




Source: Factset, Cumpustat Bloomberg Barclays Indices, Barclays research, DoubleLine

Credit Market Fundamentals:
Banking Sector Improving Credit Strength

Common Equity Tier 1 Capital Ratio/ Share of Institutions Not Well Capitalized



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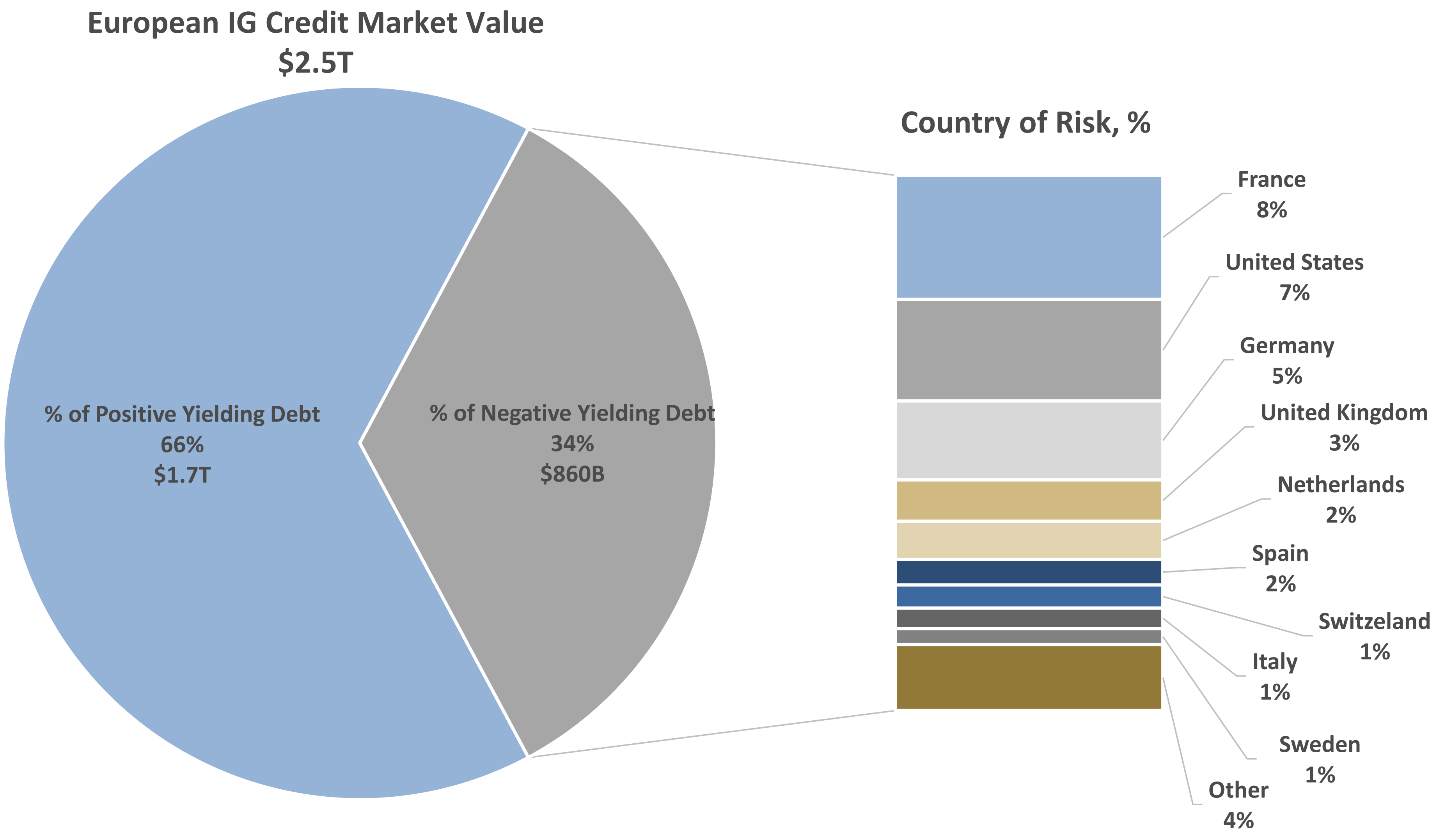
Note: Common equity tier 1 capital ratio is the ratio of tier 1 common equity to risk-weighted assets. See the data appendix for further information.

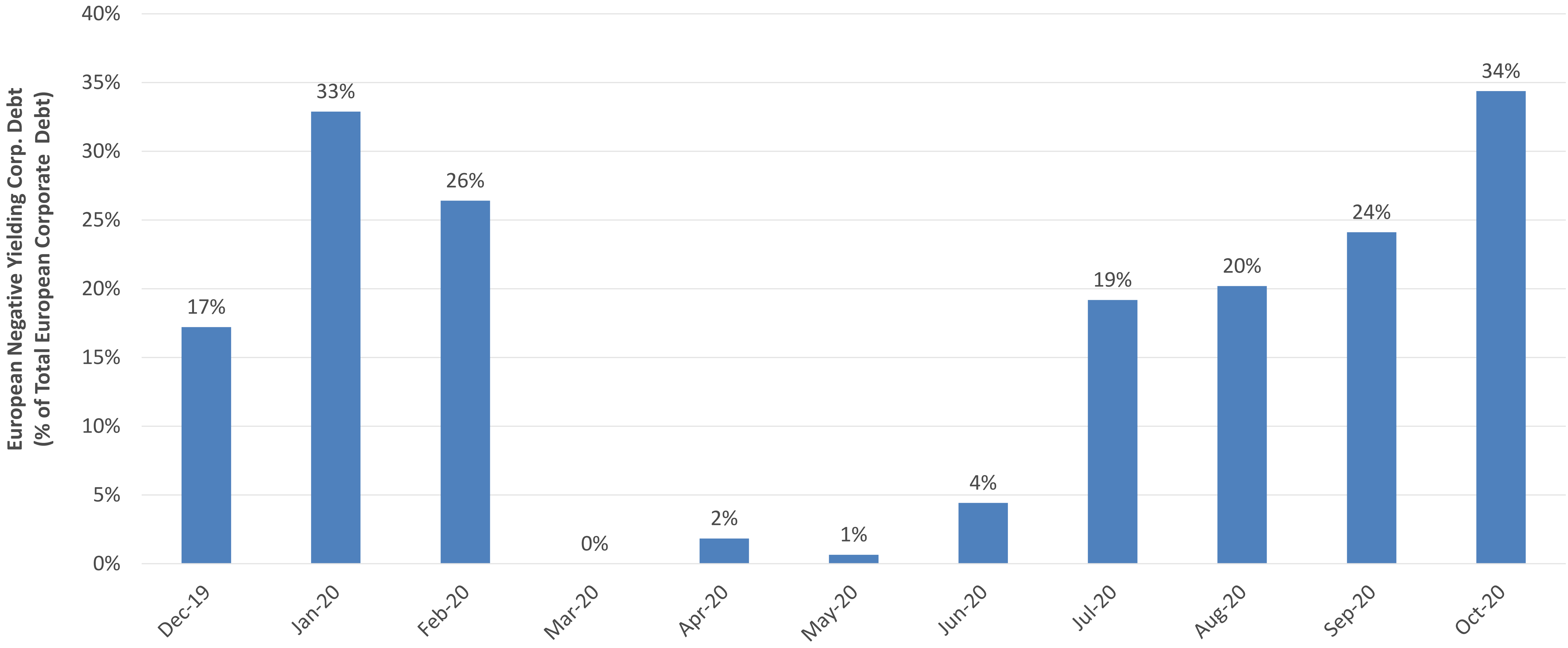
Source: Federal Reserve

European Investment Grade Market Negative Yield



Source: Bloomberg, DoubleLine
Other = Australia, Finland, Belgium, Canada, Austria, Norway, Denmark, Japan, Portugal, New Zealand, Ireland, Iceland, South Africa

European Negative Yielding Corporate Debt



Source: Bloomberg, DoubleLine

US Corporate Investment Grade Yields for European and Japanese Investors (Hedged)

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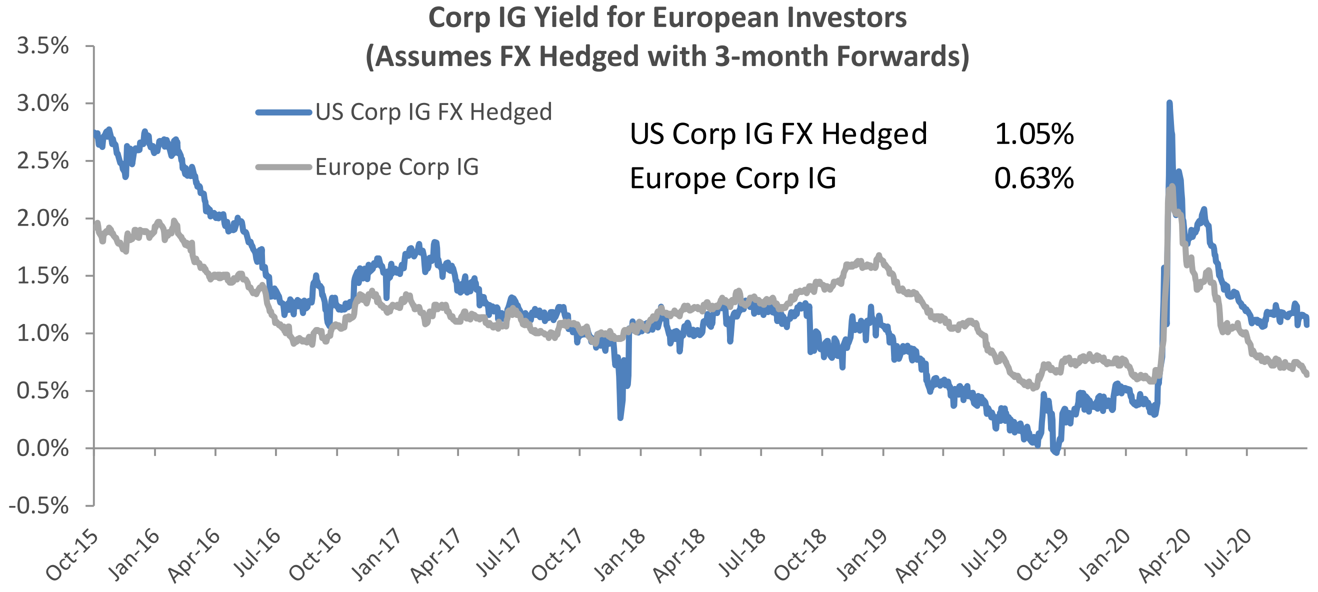

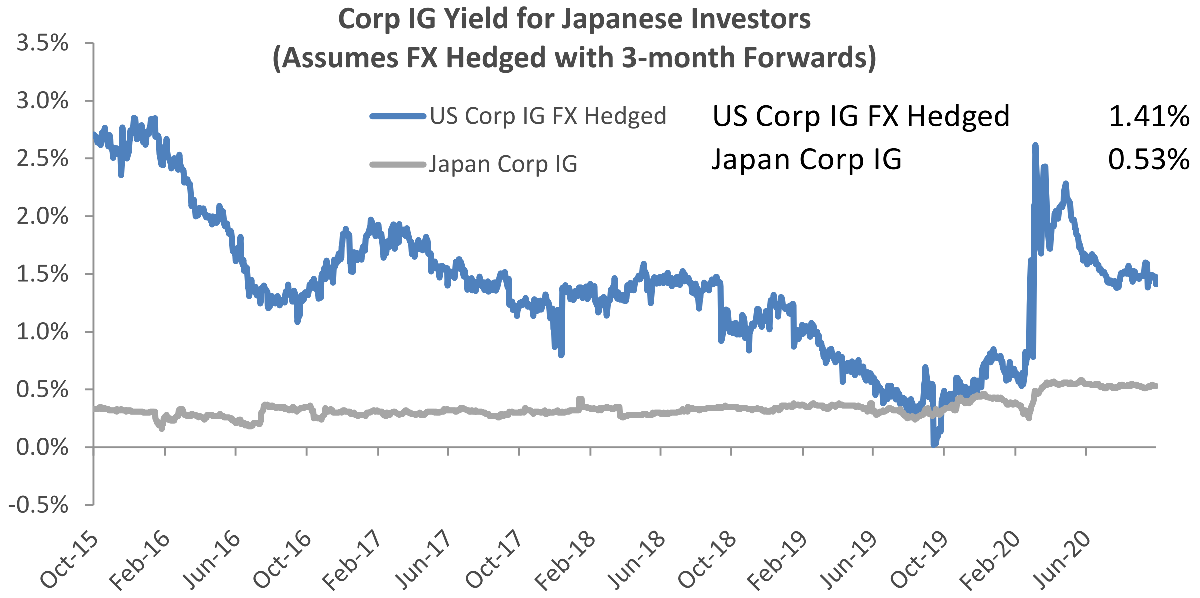

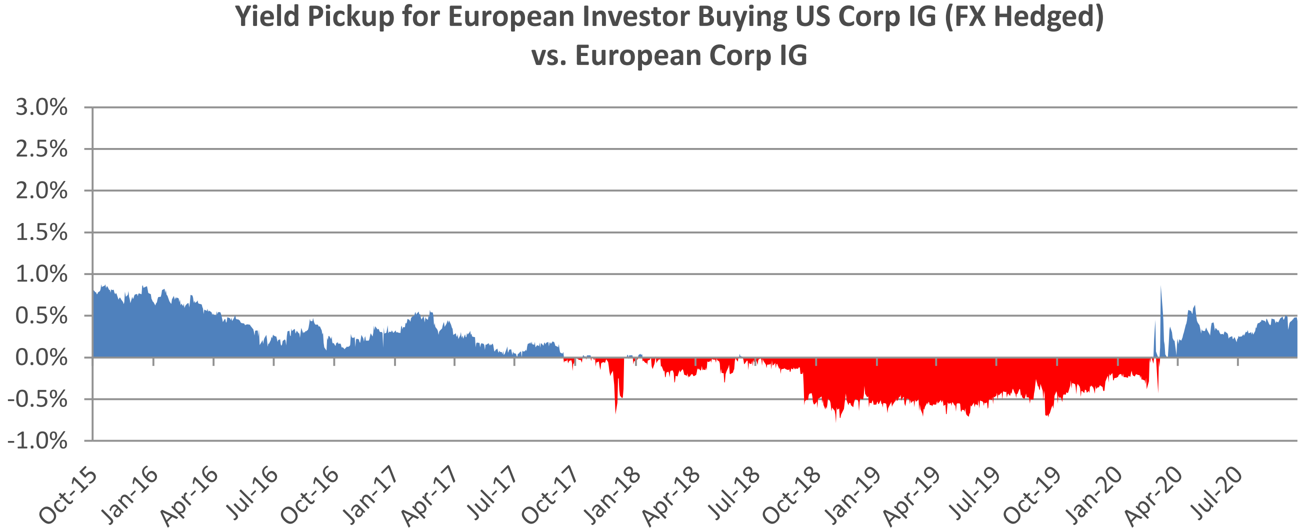

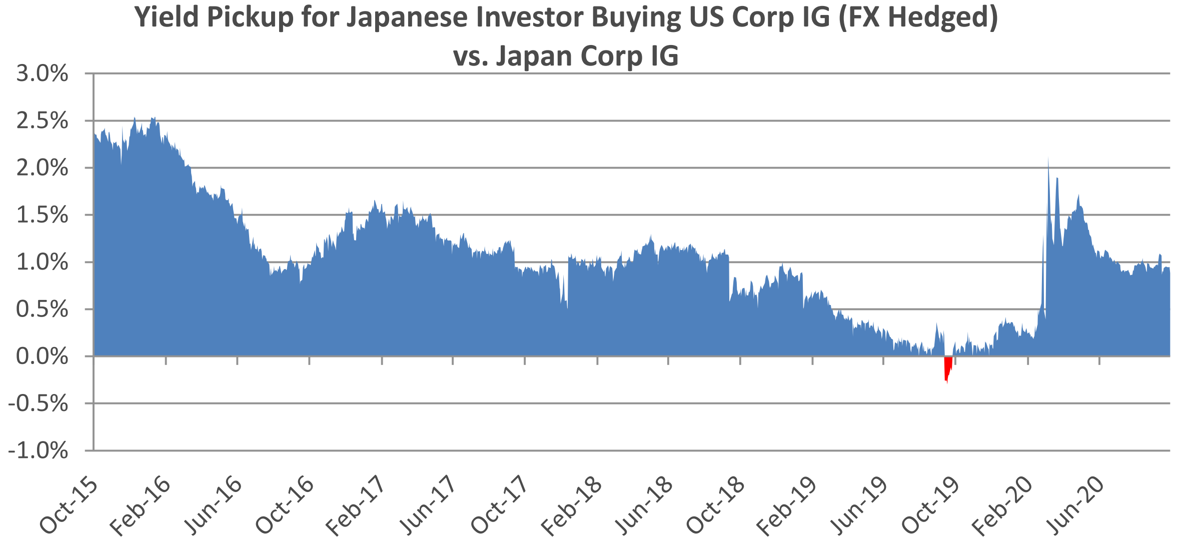

Source: Bloomberg; DoubleLine

Where Do We Go From Here?

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Bloomberg Barclays US Credit Index	5y Average	3/23/2020	10/14/2020
Spread (bps)	120	341	119
YTW (%)	3.30	4.16	1.86
Duration (years)	7.18	7.29	8.47

	5y Return as of 12/31/2019 Annualized	12/31/2019 – 3/23/2020	12/31/2019 – 10/14/2020
Total Return (%)	4.39	-8.77	7.08

Source: Bloomberg; DoubleLine

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