

A HIGH YIELD MARKET INTROSPECTIVE

The Most Misunderstood
and Underappreciated
Asset Class

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J. & W. SELIGMAN & Co.

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What shaped me...




What do you think, Mr. Charleston?

"The high-yield market is just a keg of dynamite that sooner or later will blow up." - Carl Icahn, CNBC Interview, 12.12.15.


What do you think, Mr. Charleston?

A decorative graphic consisting of several parallel white lines of varying lengths, slanted diagonally from the bottom right towards the top right, set against a blue background.

Objectives

- ▶ Genesis of the High Yield Market
 - ▶ Who Are the Investors?
 - ▶ Capital Markets Sweetheart?
 - ▶ Dynamic Market Growth
 - ▶ Historical Spreads and Valuation
 - ▶ Historical Default Data
 - ▶ A Career in High Yield?
 - ▶ Transitioning to the workplace
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GENESIS OF THE HIGH YIELD MARKET

- Moody's establishes basic rating system in 1909
 - In 1958, W. Braddock Hickman releases his research on Corporate Bond Quality
 - Drexel Burnham Lambert and Michael Milken bring the original issue High Yield market to Wall Street during the late 1970's
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WHO ARE THE INVESTORS?

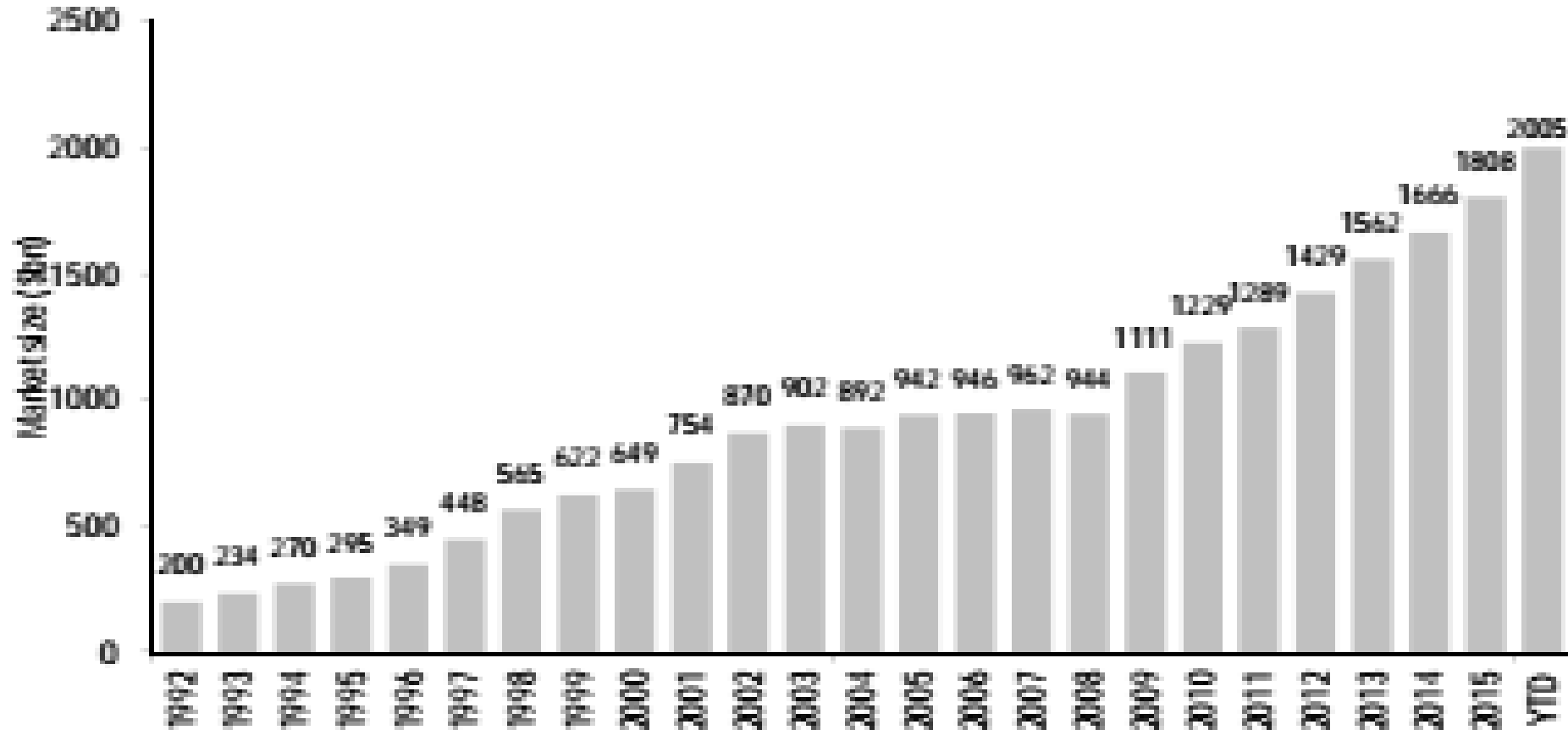
- Institutional Investors including Pension Funds, Endowments, Corporations and Insurance Companies
 - Traditional retail investors comprising primarily Mutual Funds and ETF's
 - CDO's/CLO's
 - Hedge Funds
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CAPITAL MARKETS SWEETHEART?

- As a source of capital, High Yield is cheaper than equity and is non dilutive
 - Relative to traditional bank debt, High Yield has no amortization schedule, has less restrictive covenants and offers longer term structures
 - Investors have historically been rewarded with an attractive yield premium versus treasuries
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DYNAMIC MARKET GROWTH

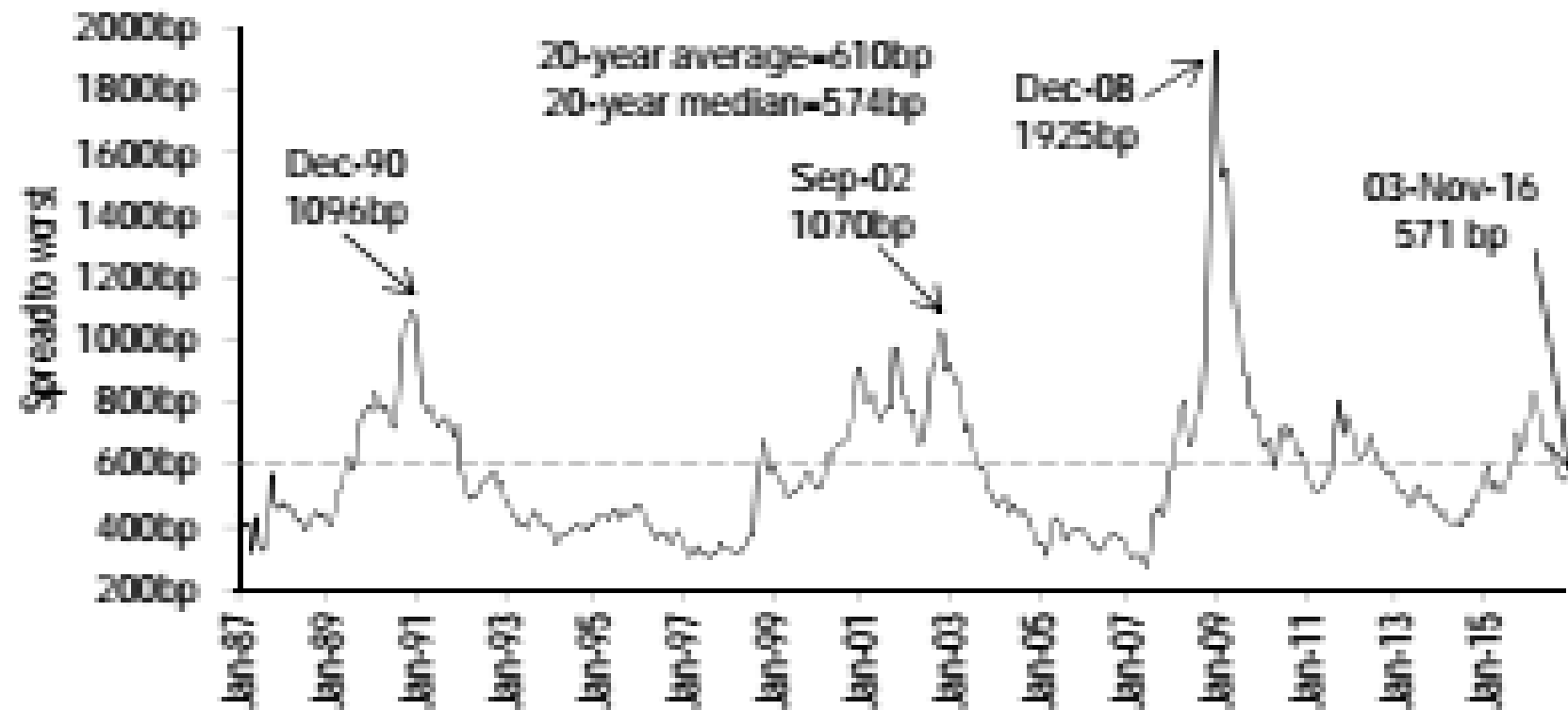
High-yield market growth



Source: J.P. Morgan

HISTORICAL SPREADS AND VALUATION

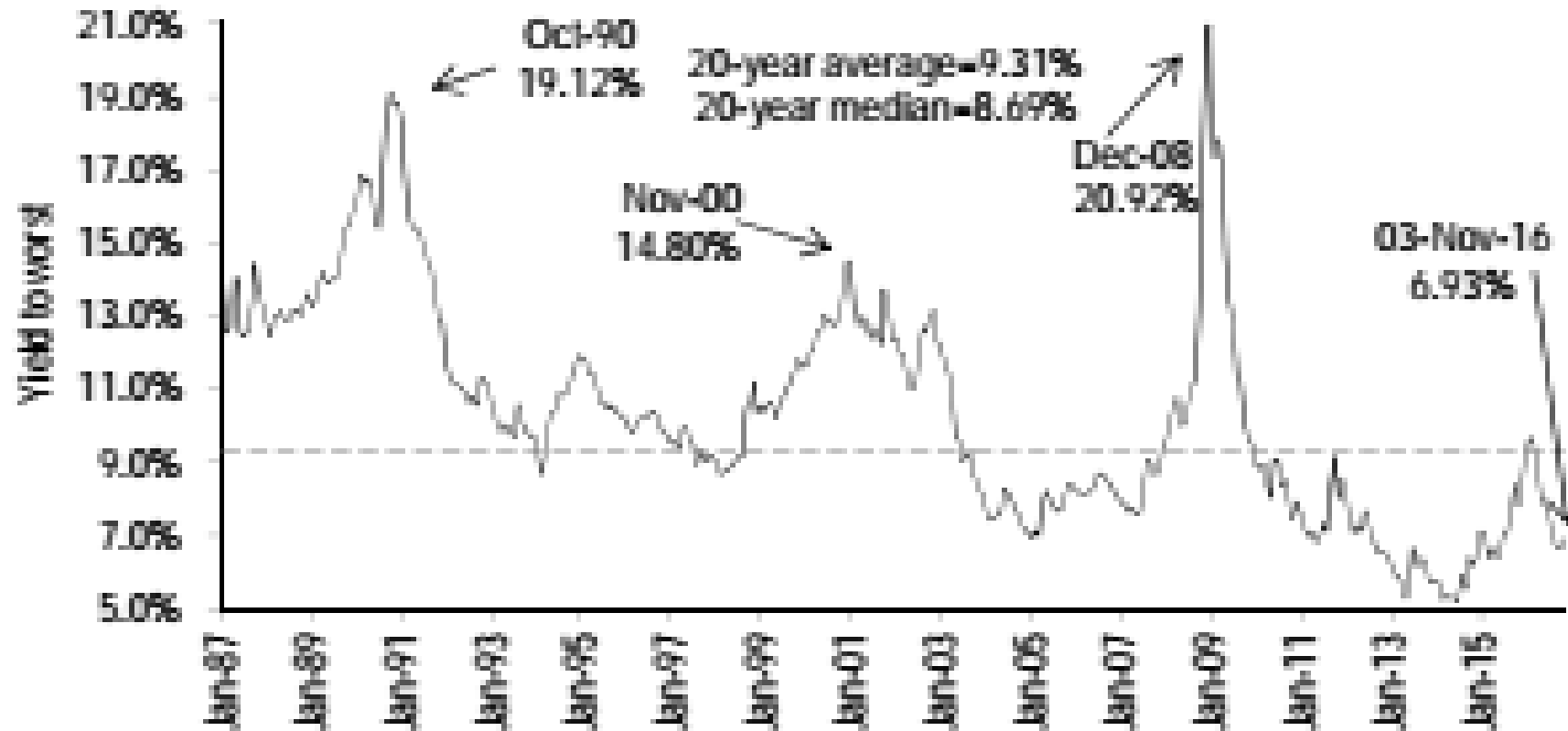
Spread to worst



Source: J.P.Morgan

HISTORICAL SPREADS AND VALUATION

Yield to worst

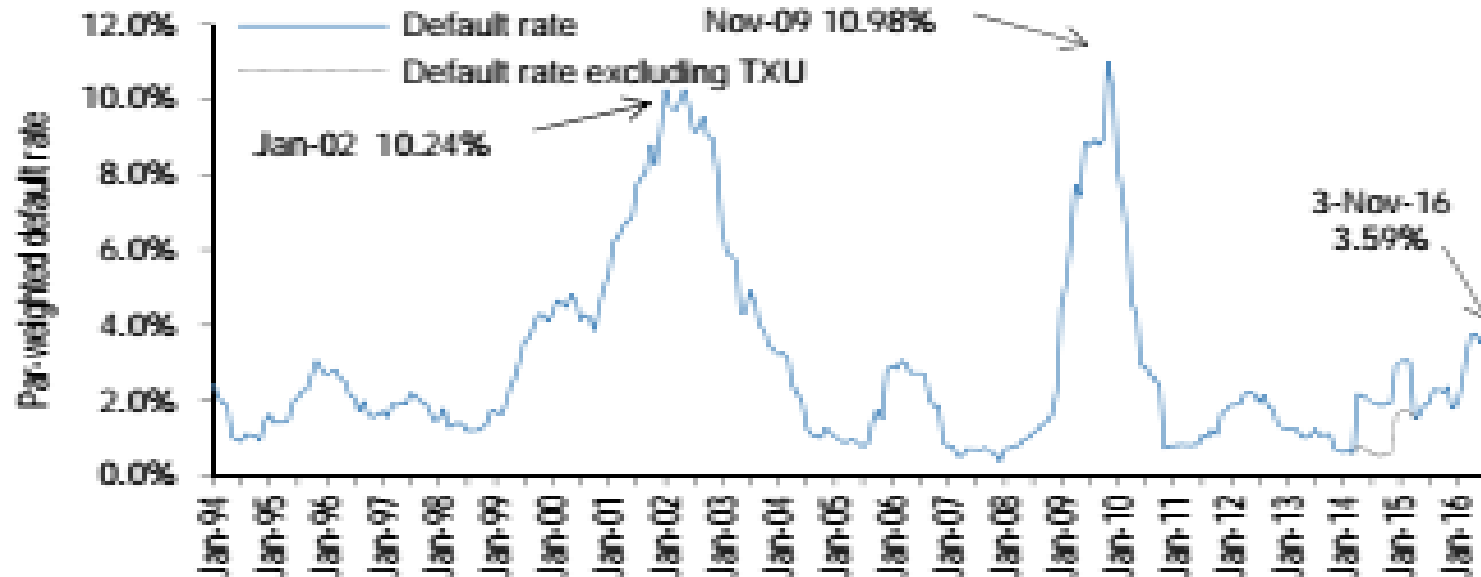


Source: J.P.Morgan

Historical Default Data

LTM default rate

based on par amount



Note: Excludes distressed exchanges

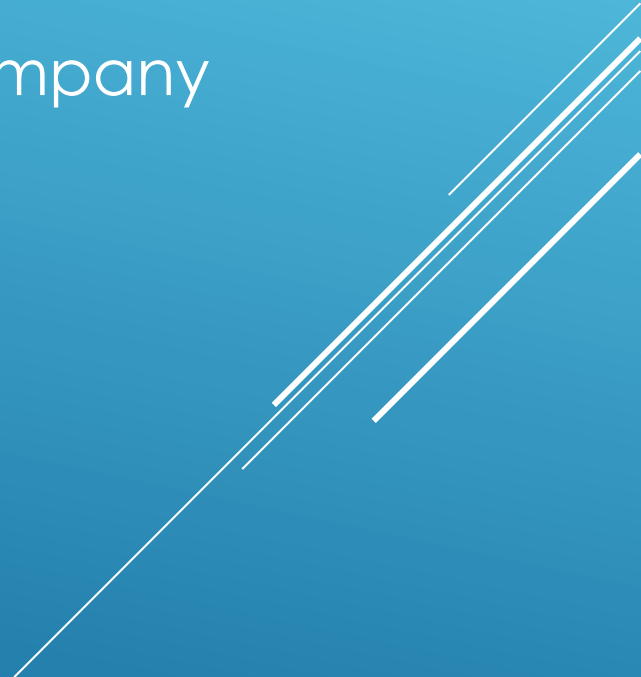
Source: J.P.Morgan

A Career in High Yield?

- Financial Analyst
 - CFA
 - Credit training program
- Trading
 - Cash market
 - CDS market
- Marketing
 - Public speaking
 - Client service
- Investment Banking
 - Industry specialist
- Portfolio Management
 - Portfolio Construction
 - Performance



Transitioning to the workplace

- Maintain desire to learn
 - Attend industry conferences
 - Take continuing education classes
 - Learn as much as you can about your company
 - Expect to work long hours
 - Ask questions
 - Stay goal oriented
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Transitioning to the workplace

- Familiarize yourself with the Bloomberg Terminal
 - Take a training class
 - Free Trial?
 - Visit company websites to research historical financials and presentations
 - Read company 10 Q and 10 K's
 - SEC.Gov
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