



Invesco Loan Market Snapshot

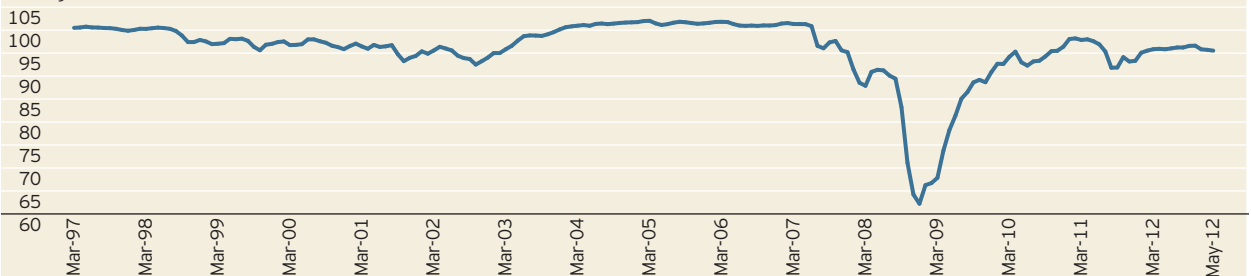
Invesco Senior Secured Loans

Monthly Loan Market Update: June 2012

Senior secured loans moved in sympathy with the broader capital markets in May as weakening macro indicators and negative headlines out of Europe led to investors adopting a cautious tone. Price discovery was a theme in the market as opportunistic primary deals were flexed higher and secondary market prices declined as investors adopted a “risk-off” approach. On a relative basis, senior secured loans proved resilient, declining -0.68% vs. -1.21% for high yield and -6.01% for the S&P 500 Index.¹ Year-to-date, the asset class continues to provide attractive current income and has returned 3.82%. The average loan price declined 66 bps during May, increasing current yield and yield-to-maturity to 5.2% and 6.7%, respectively. Despite the negative headlines, fundamentals and market technicals maintained their positive momentum as issuers continued to report positive results and demand continued to outpace supply. We believe the market volatility creates potential opportunity for investors in the senior secured loan space.

Senior Secured Loans Remain Cheap to Historic Levels

Average Bank Loan Bid (\$)



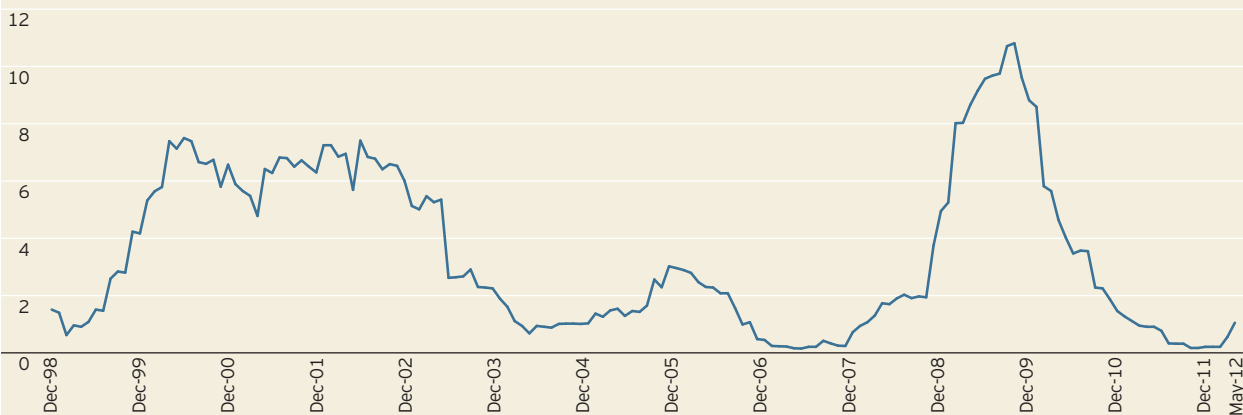
Source: Standard & Poor's LCD and S&P/LSTA Leveraged Loan Index. Includes all loans. Jan. 1997 through May 2012.

Fundamentals

- First quarter results from senior secured loan issuers extended the 11 quarter trend of positive EBITDA growth. The pace of growth is slowing as issuers face tougher year-over-year comparisons, but the stable cash flows, improved balance sheets, and senior secured status should help insulate the asset class relative to high yield and equities.
- The default rate increased from 0.56% in April to 1.05% in May largely due to Houghton Mifflin's bankruptcy petition. We expect the default rate to remain below its long-term average as there are few near-term catalysts and a low growth environment should be supportive of senior secured loans. Issuers have reduced maturities through year-end 2014 by \$54.2 billion since the beginning of this year.²
- Issuers and arrangers were in price discovery mode as the market volatility favored investors. While some opportunistic deals were pulled due to market conditions, 19 deals in May were allocated at spreads higher than initially offered.

Defaults Remain Below Historical Averages

Default Rates (%)



Source: Standard & Poor's LCD as of June 1, 2012
Historical average = 3.4%

Market technicals

- Macroeconomic concerns overshadowed the influence of market technicals during May. CLO issuances continued at a healthy pace with \$2.9 billion during the month. Year-to-date there has been \$13.8 billion of CLO's printed, exceeding 2011's full year total.² Flows into leveraged loan mutual funds were \$133 million during the month.³ Additionally, the bank loan ETF space took in \$164.5 million of creations.

Relative value

- Senior secured loans are providing a high current income and yield with a short duration profile. We continue to view loans as an attractive relative value on both a risk-adjusted and absolute basis.

	Yield	Spread	At Forward Libor	Duration (Years)
5 Year Treasuries	0.66%			4.89
10 Year Treasuries	1.51%			9.17
Barclays US Agg	1.95%	T + 1.29%		5.12
ML US HY Index	7.79%	T + 7.00%		4.35
S&P LSTA Index	L + 5.86%	T + 6.20%	6.72%	45-60 Days

1 Source: Standard & Poor's LCD and Bloomberg as of May 31, 2012

2 Source: Standard & Poor's LCD as of June 1, 2012

3 Source: Emerging Portfolio Fund Research, Inc. as of May 31, 2012

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