

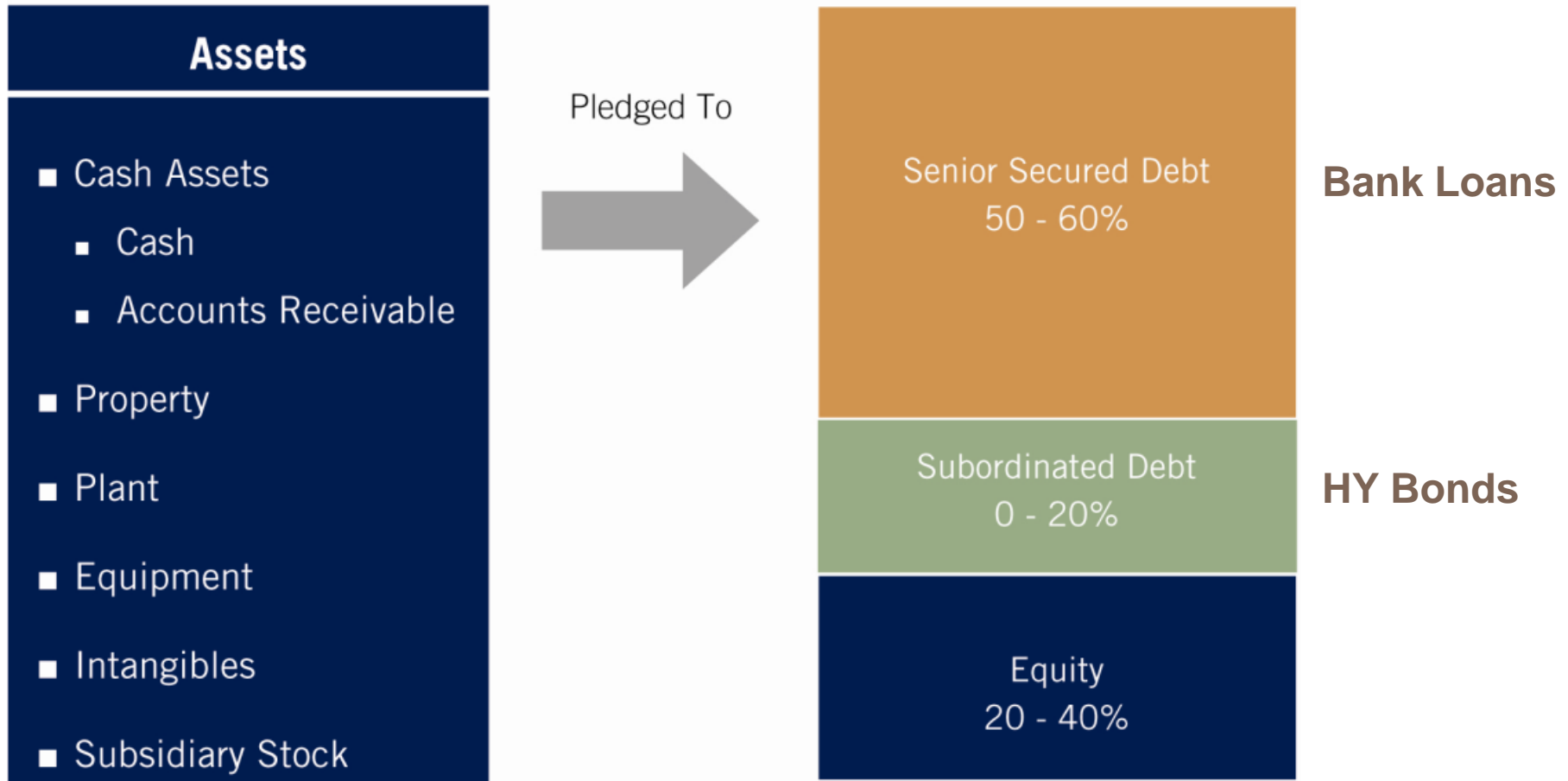


Think BIG: Opportunities Below Investment Grade

Russ Morrison
Managing Director, Co-Head of US Bank Loans
Babson Capital Management



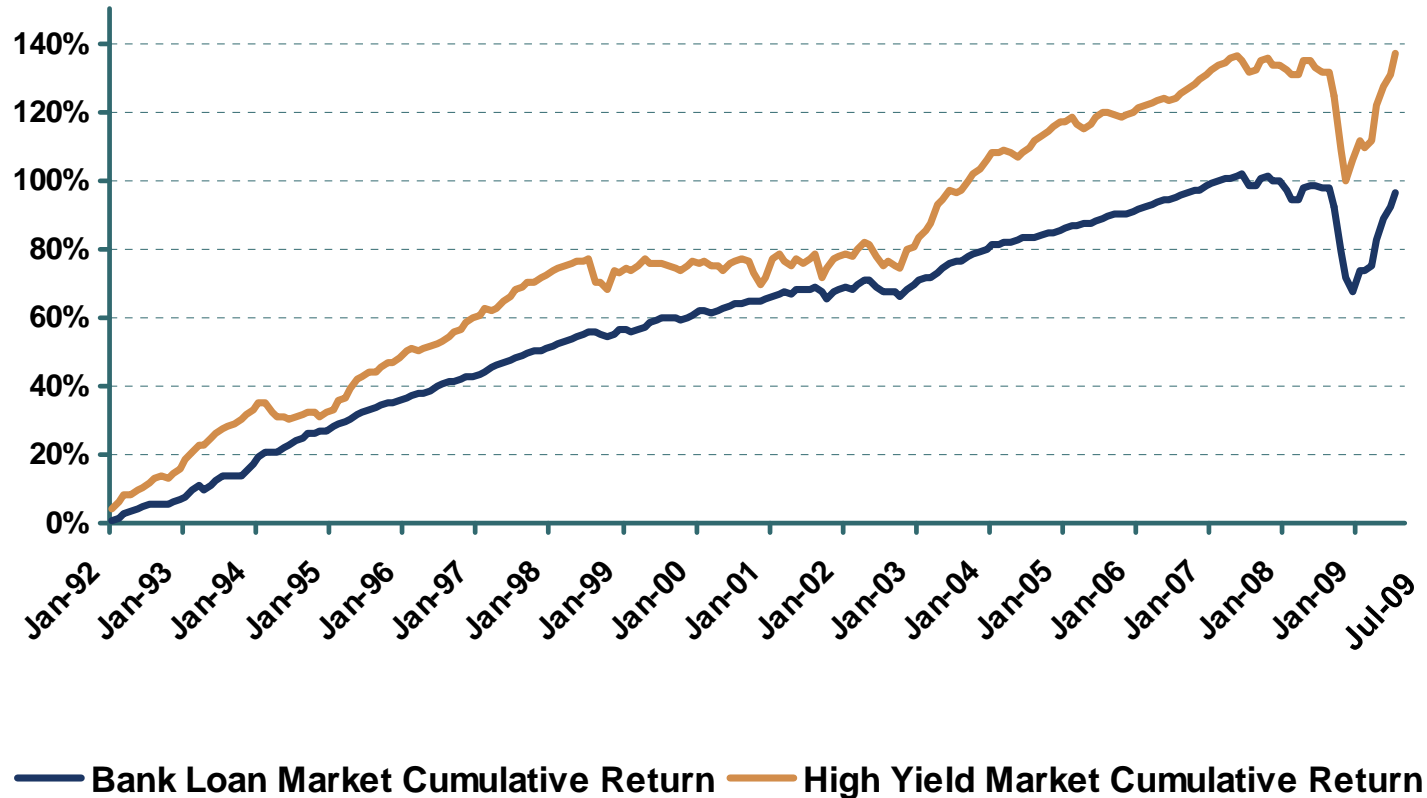
Bank Loans & High Yield Bonds within the Capital Structure



Assuming company is rated below investment grade

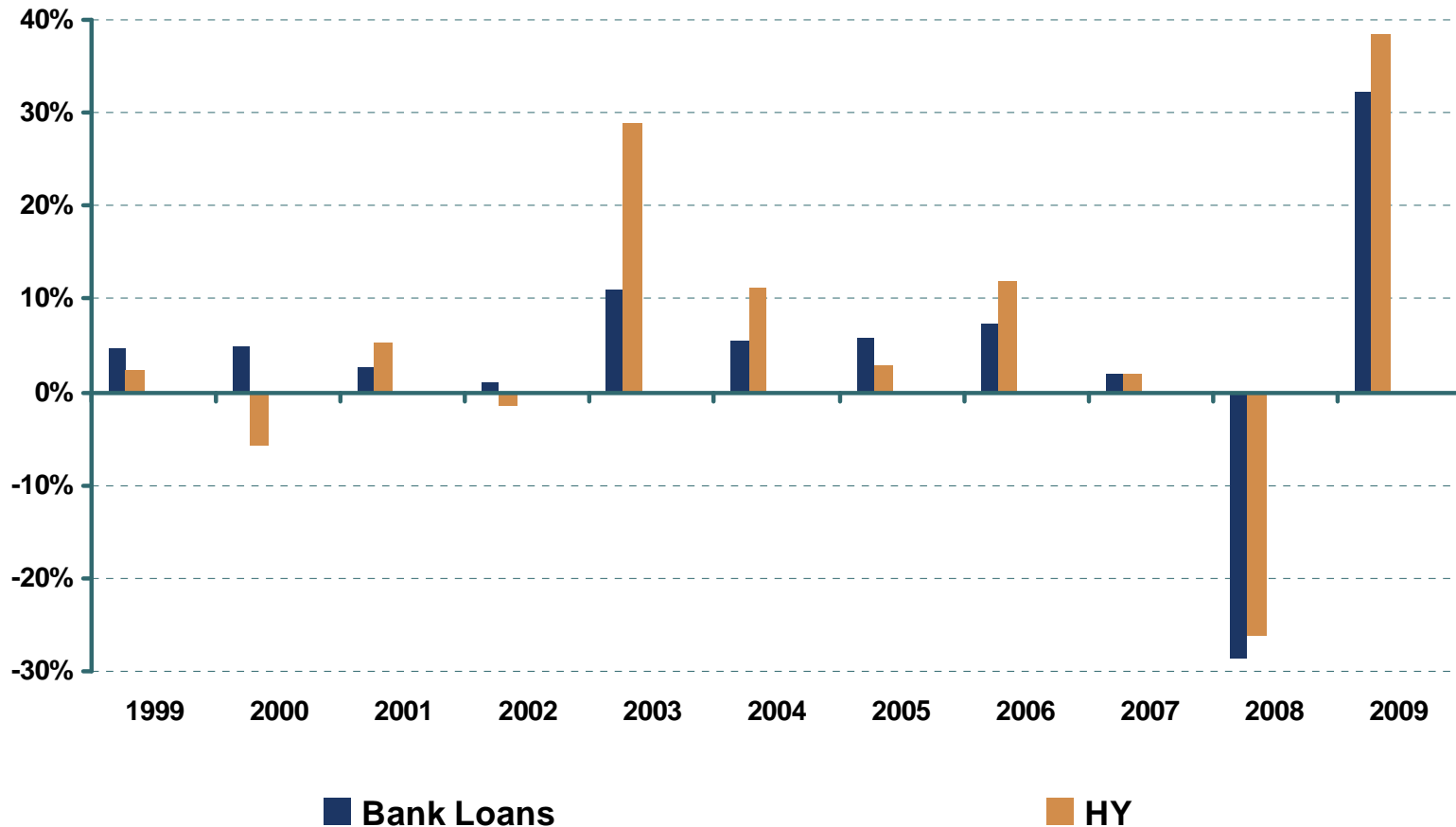
	Loans	Bonds
Seniority and Security	Senior Secured	Subordinated – Unsecured
Coupon	Spread to LIBOR	Fixed
Covenants	Yes	No
Price Volatility	Lower	Higher
Default Rate	Lower	Higher
Recovery Rate	Higher	Lower
Call / Prepay	Callable @ 100	Lockout / Call Premium
Public / Private Info	Private	Public
Correlation with Other Asset Classes	Lower	Medium

Bank Loan and High Yield Cumulative Returns



Source: Credit Suisse, as of July 31st 2009

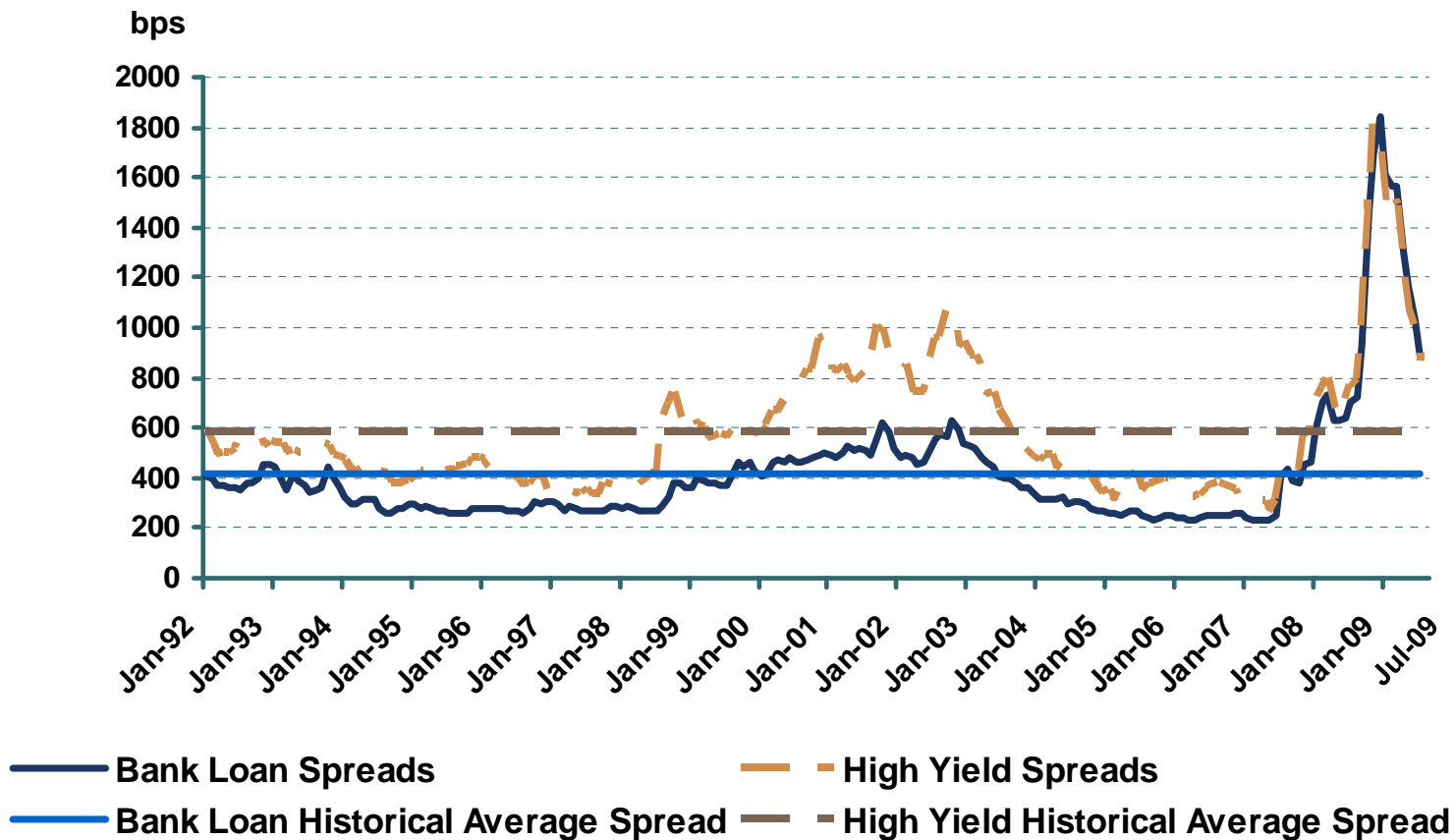
Historical Returns of HY Bonds and Bank Loans



Source: Credit Suisse and Barclays, as of July 31st 2009

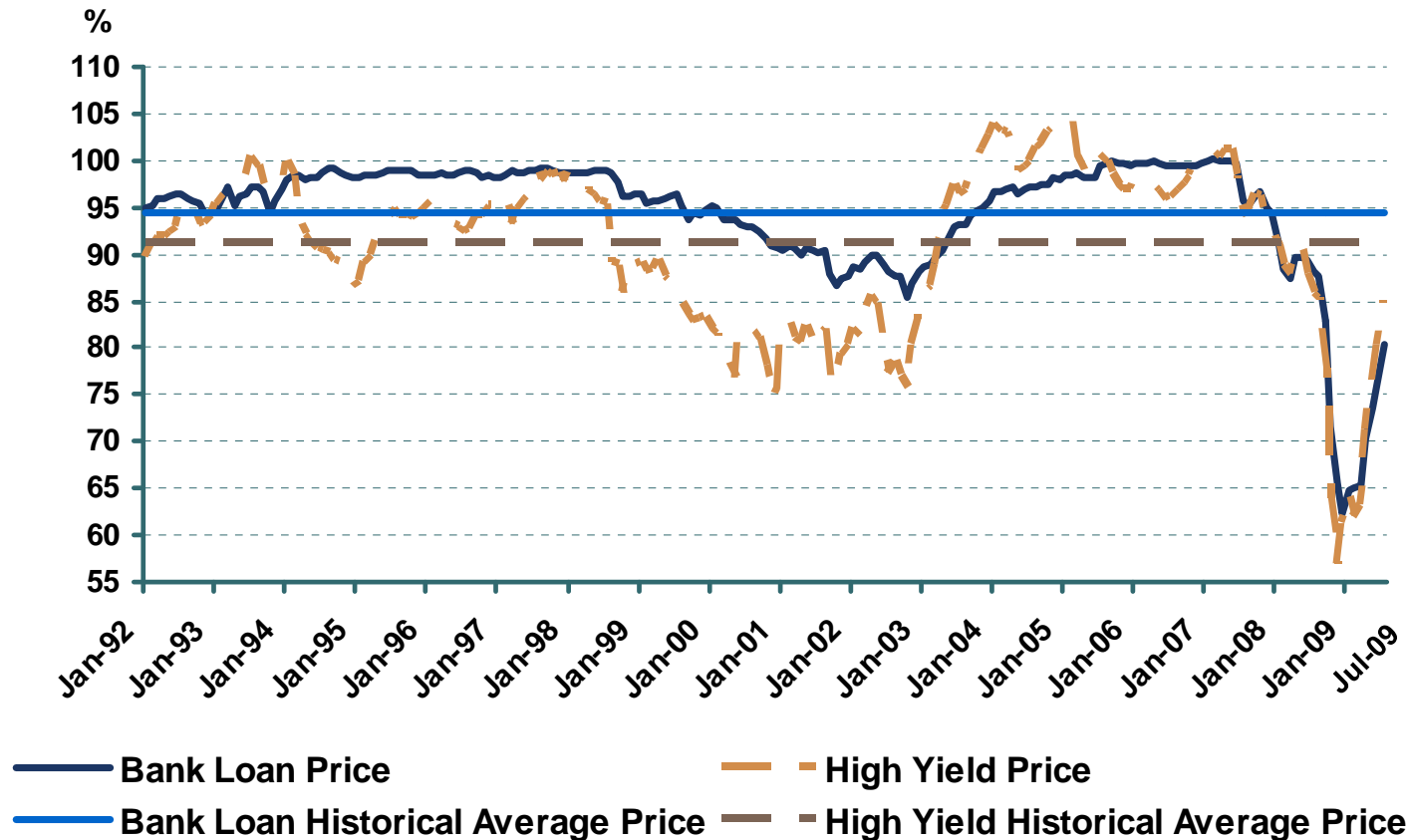


Bank Loan and High Yield Spreads



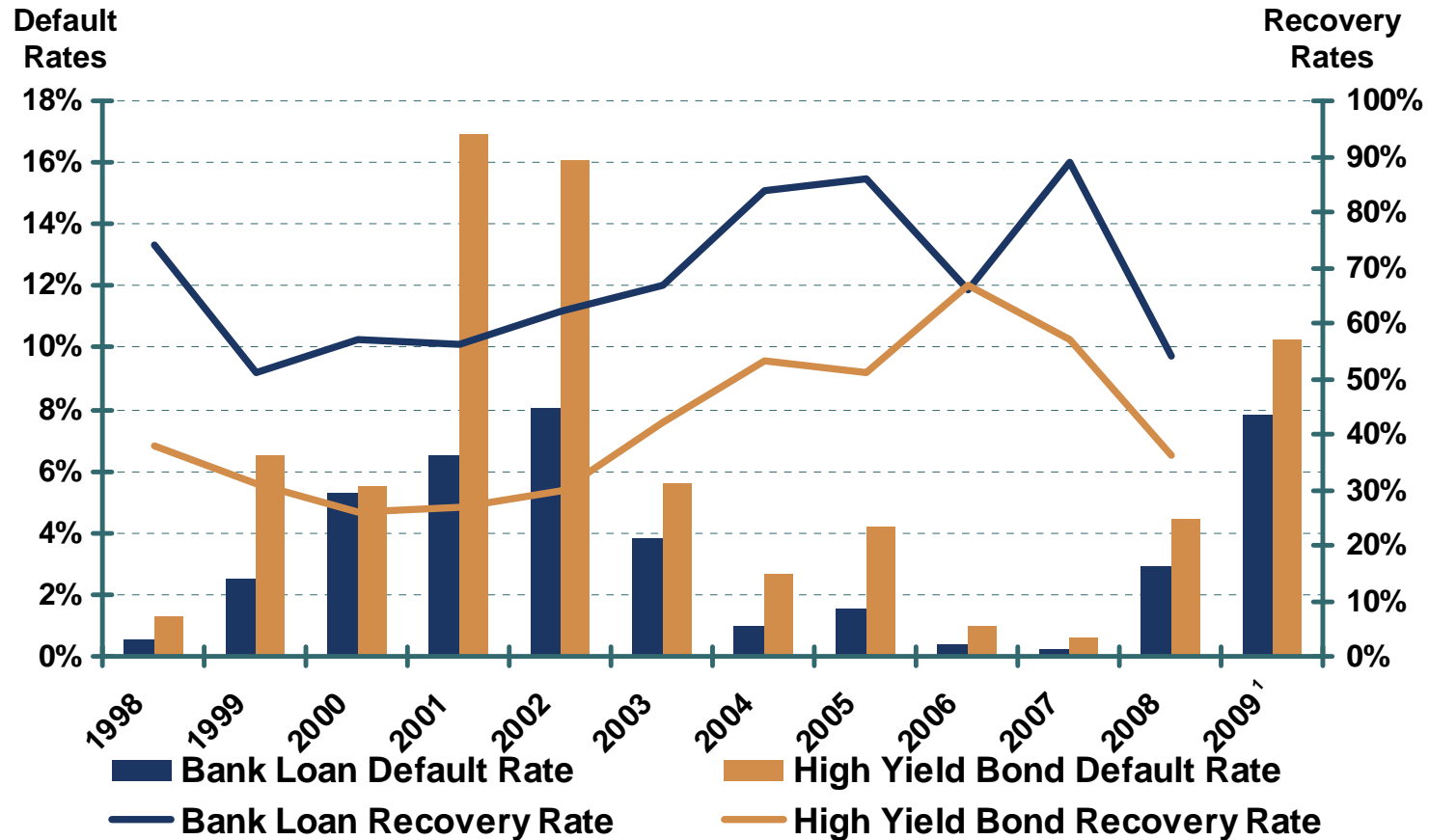
Source: Credit Suisse, as of July 31st 2009

Bank Loan and High Yield Prices



Source: Credit Suisse & Barclays, as of July 31st 2009

Historical Default and Recoveries



Source: Credit Suisse & Moody's, as of July 31, 2009

1. 2009 default and recovery data is based on the trailing 12 months as a July 31, 2009

10 Year Correlations

	CS Lev. Loans	Barclays IG	Barclays HY	S&P 500
Barclays IG	0.27			
Barclays HY	0.77	0.50		
S&P 500	0.44	0.18	0.61	
Barclays 1-3 Mth T-Bill	-0.05	-0.12	-0.12	0.14

Source: Credit Suisse, Barclays & Bloomberg, as of June 30th 2009

...Think Below Investment Grade

- **As a tactical allocation-**
 - **Post-crisis opportunity still exists with more than 25% of loans priced below 80 and 33% of high yield bonds trading at distressed levels¹**

- **As a strategic allocation**
 - **Both bank loans and high yield provide diversification benefits**
 - **Bank loans and high yield provide enhanced risk-adjusted exposure to the corporate market**
 - **Bank loans can also act as an inflation hedge due to their floating rate nature**

Source: S&P and Merrill Lynch, as of July 31, 2009