

# Bank Debt is Attractive

We've recently started investing in some closed end funds that buy senior loans. The sector became quite overpriced in the Spring and several funds were trading at a premium to NAV. The last couple of months has reversed this, and now it's possible to buy funds at discounts to NAV of 5% or more. On top of that, the values of the underlying securities have dropped too, so the result is a sector that is 15-20% cheaper than it was six months ago. The ING Prime Rate Trust is an example – this chart shows how its price has dropped and swung from a premium to a discount. It yields about 6% and holds the potential to appreciate if the U.S. economy avoids a recession, which we think it will. We think this is a sector worth considering, and we plan to add on weakness.

Disclosure: Author is long PPR