

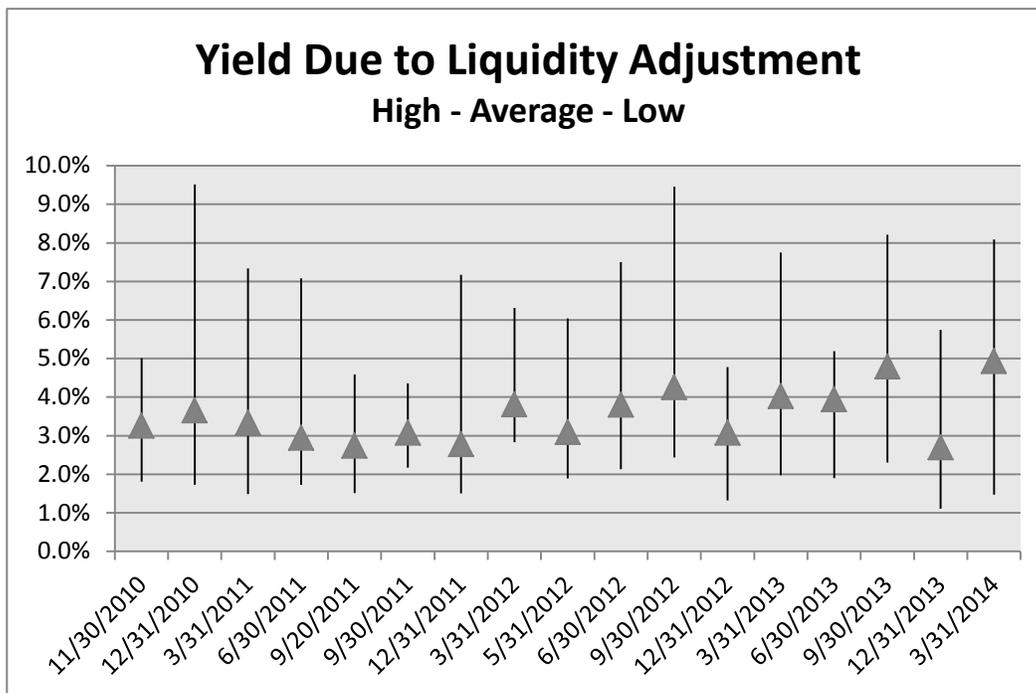


# Axiom on Value

## A Monthly Note

### The Cost of Illiquidity in the Syndicated Loan Market

This month's Axiom on Value addresses the issue of measuring liquidity in the syndicated loan market. The chart below measures the illiquidity of a set of syndicated loans in terms of the difference in yields to maturity. The difference is the YTM of the loan at the valuation date and the YTM of the loan if it were trading in a liquid market. The latter YTM is generated using Axiom's Credit Rating and Pricing Platform which has been shown to produce unbiased and accurate estimates of fixed income securities<sup>1</sup>.



As can be seen the average adjustment in yield is between 3% and 5% which reflects the fact that investors require a sizeable liquidity premium for investing in an illiquid asset. However, for any given syndicated loan, the liquidity premium could be much higher than the average. The reason relates to a number of factors including but not limited to the following:

- The number of investors in the syndicate.
- Club deals are generally more illiquid than larger syndicates.
- Less familiar names underwritten by single investors are likely to have a larger liquidity premium than the average and the Club deal.

<sup>1</sup> See Axiom's "Predicting Market Prices of Fixed Income Instruments Using Axiom Valuation Solutions' Credit Rating and Fair Value Pricing Platform", Feldman, Roberts, Tang. [Cntl + Click here](#).

## About Axiom Valuation Solutions

Axiom Valuation provides a comprehensive range of expert valuation services for private businesses, illiquid securities, fixed income portfolios, intangible and tangible assets, and other hard-to-value assets. We value thinly traded public companies and divisions of public companies for a variety of purposes.

We offer a unique alternative investment return authentication service (AIRAS) for institutional investors in hedge funds and private equity funds. Since 2001, Axiom Valuation has conducted valuation assignments for clients throughout North America, Europe, and Asia. Axiom serves its clients from its headquarters in Wakefield, MA and its branch offices in Arizona, Germany, and California. In the increasingly complex world of valuation, we provide ANSWERS YOU CAN TRUST, and UNDERSTANDING BEYOND THE NUMBERS. [Learn more.](#)

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