

Key Takeaway*

- Global fixed income returns generally generated solid, positive returns with the exception of the US Ten Year
- Corporate credit was the beneficiary of strong inflows as investors looked to spread product in an environment of solid economic growth and low absolute yields globally
- Capital markets have been wide open for companies, with the loan market in particular very active
- The market continues to focus on European political risks with several national elections on the horizon and ongoing negotiations between Greece and its creditors

*Muzinich Analysis

High Yield and Leveraged Loan Technicals

US Retail Fund Flows *

\$1.0 billion in high yield outflows, \$2.7 billion in leveraged loan retail inflows MTD (through 02.15)

| HY New Issuance* | US | EUR | Main Market Driver |
|--------------------|------------|---------|-------------------------|
| YTD | \$20.7 bn | €2.4 bn | Macro: Risk-on |
| MTD | \$47.2 bn | €7.8 bn | Micro: Solid technicals |
| Loan New Issuance* | US | | Default Rates** |
| YTD | \$72.6 bn | | US |
| MTD | \$189.9 bn | | EUR |
| | | | LTM |

US and European figures through February 16

New Issuance Names (500 mn and above) MTD ***

Scientific Games, EP Energy, Constellium N.V., Standard Industries, Change Health, Vertiv, Amerigas, Post Holdings Inc, Summit Mid, Block Communications Inc, Halcon Resources, Kronos Acquisition, Stoneway Capital Corp, Cliffs Natural Resources, Energy Partners

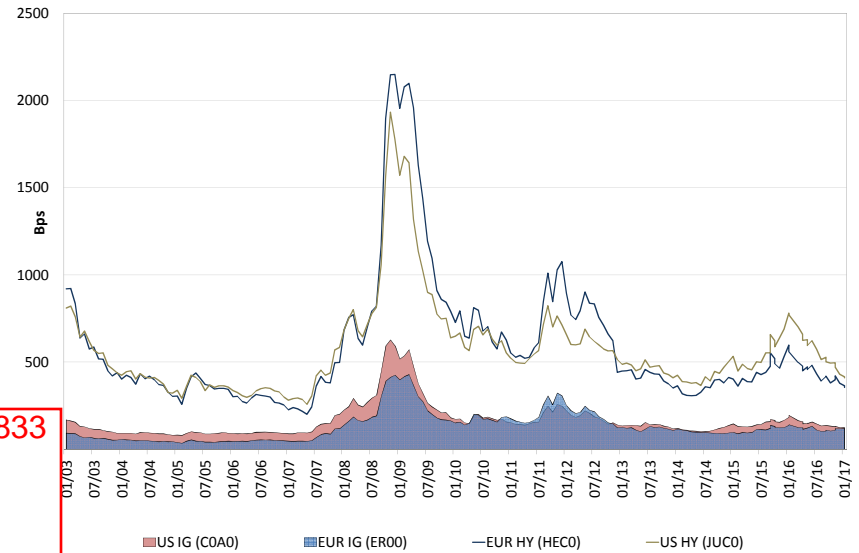
New Issuance Pipeline (Announced ***)

* JP Morgan for U.S. and Credit Suisse for Europe; European figures include non-Euro issues of European companies. ** Moody's; ***Muzinich & Co.

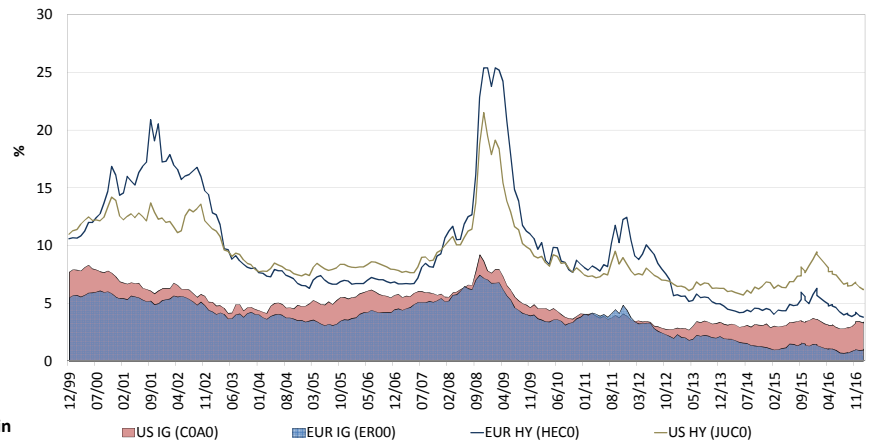
Market Performance % and Statistics as of 2017-02-16

| | | Previous | | | Duration | | Yield | Spread |
|---------------------------------------|--------------------------------|----------|-------|-------|----------------|-----------------|-------|--------|
| | | MTD | Mth | QTD | YTD | DTW | YTW | STW |
| High Yield | | | | | | | | |
| JUC0 | US HY Cash Pay Constr. | 0.77 | 1.34 | 2.13 | 2.13 | 3.80 | 5.69 | 393 |
| JC4N | US HY BB/B Non-Fncl. Constr. | 0.56 | 1.20 | 1.77 | 1.77 | 3.90 | 5.05 | 328 |
| HEC0 | Euro HY Constr. | 0.60 | 0.75 | 1.36 | 1.36 | 3.08 | 2.99 | 350 |
| HEC5 | Euro HY BB/B Non-Fncl. Constr. | 0.65 | 0.65 | 1.30 | 1.30 | 3.12 | 2.50 | 303 |
| Investment Grade | | | | | | | | |
| C0A0 | US Corp Master | 0.30 | 0.41 | 0.71 | 0.71 | 6.82 | 3.34 | 120 |
| C4NF | US Corporate BBB Non-Financial | 0.33 | 0.57 | 0.91 | 0.91 | 7.04 | 3.70 | 150 |
| ER00 | EMU Corp | 0.53 | -0.58 | -0.06 | -0.06 | 5.21 | 0.91 | 118 |
| EN40 | EMU Corp BBB Non-Financial | 0.57 | -0.58 | -0.02 | -0.02 | 5.29 | 1.02 | 127 |
| Governments (7-10 Yr Indices) | | | | | | | | |
| G4O2 | U.S. Treasuries 7-10 Yrs | 0.00 | 0.15 | 0.15 | 0.15 | 7.45 | 2.37 | |
| G4L0 | UK Gilts 7-10 Yrs | 1.18 | -1.21 | -0.04 | -0.04 | 7.37 | 1.07 | |
| G4D0 | German Fed Govt 7-10 Yrs | 0.80 | -1.28 | -0.50 | -0.50 | 7.93 | 0.05 | |
| Equities | | | | | | | | |
| S&P | S&P 500 incl. Dividends | 3.18 | 1.90 | 5.14 | 5.14 | | | |
| DAX | DAX Index | 1.92 | 0.47 | 2.41 | 2.41 | | | |
| Loans | | | | | | | | |
| | | | | | Yield % | Discount Margin | | |
| | | | | | (3yr life) bps | (3yr life) | | |
| CS Institutional Leveraged Loan Index | | 0.17 | 0.33 | 0.50 | 0.50 | 5.64% | 388 | |

Corporate Bond Spreads (STW) by Index

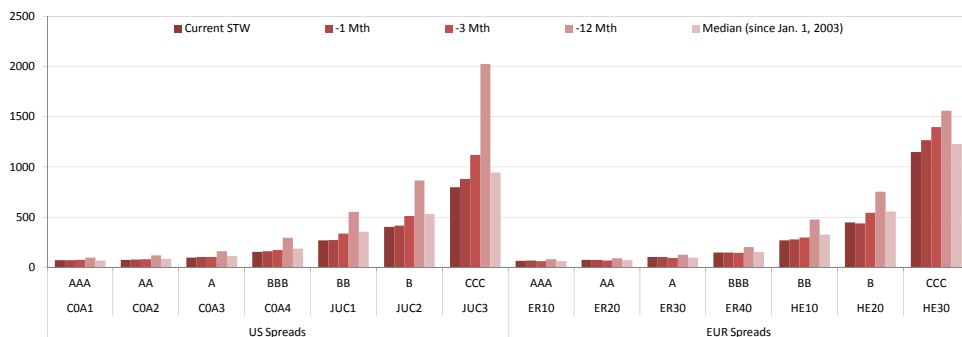


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW) as of 2017-02-16

| US/EM | Index | Rating | Current STW | -1 Mth | -3 Mth | -12 Mth | Median (since Jan. 1, 2003) |
|-------------|-------|------------------|-------------|--------|--------|---------|-----------------------------|
| US Spreads | COA0 | IG | 120 | 125 | 131 | 213 | 142 |
| | JUC0 | HY Constrained | 393 | 410 | 496 | 839 | 507 |
| | JUC4 | BB/B | 325 | 332 | 409 | 686 | 441 |
| | COA1 | AAA | 69 | 69 | 72 | 94 | 68 |
| | COA2 | AA | 73 | 77 | 78 | 119 | 82 |
| | COA3 | A | 96 | 100 | 102 | 159 | 110 |
| | COA4 | BBB | 152 | 159 | 172 | 294 | 185 |
| | JUC1 | BB | 269 | 272 | 333 | 551 | 354 |
| | JUC2 | B | 401 | 413 | 511 | 863 | 529 |
| | JUC3 | CCC | 797 | 880 | 1118 | 2025 | 945 |
| EM Spreads | EMCL | Emerging Markets | 269 | 292 | 330 | 505 | 329 |
| EUR | | | | | | | |
| EUR Spreads | ER00 | IG | 118 | 119 | 113 | 153 | 117 |
| | HEC0 | HY Constrained | 350 | 360 | 401 | 610 | 449 |
| | ER10 | AAA | 64 | 65 | 61 | 79 | 60 |
| | ER20 | AA | 72 | 73 | 66 | 88 | 71 |
| | ER30 | A | 101 | 101 | 93 | 125 | 95 |
| | ER40 | BBB | 145 | 146 | 144 | 200 | 153 |
| | HE10 | BB | 266 | 278 | 297 | 476 | 325 |
| | HE20 | B | 446 | 436 | 542 | 752 | 556 |
| | HE30 | CCC | 1147 | 1265 | 1398 | 1558 | 1229 |



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Credit Market Update*

US:

US fixed income returns were positive for the month-to-date with high yield outperforming investment grade corporates, Treasuries and loans in this risk-on month. US fixed income (particularly high yield and loans) was the beneficiary of strong inflows as investors looked to buy spread product in an environment of solid economic growth and low absolute yields globally. We continue to see foreign interest in US corporates resulting from low yields and political uncertainty in Europe and lower hedging costs (at least versus a few weeks ago). Capital markets have been wide open for companies with the loan market in particular very active. We saw several energy and metals mining companies issue in the bond market after emerging from bankruptcy. Earnings have generally been positive with the exception of some weakness in the traditional bricks and mortar retail sector.

Europe:

European fixed income generated solid performance across the ratings spectrum driven by a combination of declining interest rates and spread compression. High quality European governments outperformed followed by high yield and then investment grade. The market continues to focus on European political risks with several national elections on the horizon and ongoing negotiations between Greece and its creditors. The start to the year has been characterized by both widening peripheral sovereign spreads as well as a strong technical bid for credit. The minutes for the January European Central Bank (ECB) meeting released this week have granted some reprieve for peripheral risk. The market has interpreted the language in the minutes as a signal that the ECB could be supportive of peripheral government bonds via its Quantitative Easing (QE) program if it felt such a move was warranted. The new issue market has been healthy with high yield deals pricing across a variety of sectors and ratings categories.

EM:

Emerging Market (EM) investment grade and high yield continued to rally with both spreads tighter and US Treasury yields lower. Economic data continues to be strong across EM with leading cyclical sectors like metals/mining, industrials and infrastructure outperforming. Turkey significantly outperformed over the last few weeks due in part to valuations (Turkey appears cheap compared to the rest of the world) and, in part, to a lack of further bad news. Nigeria also outperformed thanks in part to its successful sovereign bond offering indicating the country's ability to fund in the USD market at long maturity tenors. In Brazil, Petrobras was upgraded one notch by S&P. Inflows into external EM debt have been positive for the last 7 weeks.

Disclaimer

The following indices referenced in the snapshot are BofA Merrill Lynch indices. BofA Merrill Lynch data downloaded from Bloomberg: JUC0 – BofA ML U.S. High Yield, Cash Pay, Constrained Index; JUC1 – BofA ML U.S. High Yield, Cash Pay, BB Rated, Constrained Index; JUC2 – BofA ML U.S. High Yield, Cash Pay, B Rated Constrained Index; JUC3 – BofA ML U.S. High Yield, Cash Pay, CCC and Lower Constrained Index; JUC4 – BofA ML U.S. High Yield, Cash Pay, BB/B Rated Constrained Index; JUCN – BofA ML BB/B U.S. Non-Financial, Cash Pay, High Yield Constrained Index; HEC0 – BofA ML Euro High Yield Constrained Index; HE10 – BofA ML Euro High Yield, BB Rated; HE20 – BofA ML Euro High Yield, B Rated; HE30 – BofA ML Euro High Yield, CCC and Lower Rated; HEC5 – BofA ML BB/B Euro Non-Financial High Yield Constrained Index; COA0 – BofA ML U.S. Corporate Master; COA1 – BofA ML U.S. Corporates, AAA Rated; COA2 – BofA ML U.S. Corporates, AA Rated; COA3 – BofA ML U.S. Corporates, A Rated; COA4 – BofA ML U.S. Corporates, BBB Rated; C4NF – BofA ML BBB U.S. Corporate Non-Financial Index; ER00 – BofA ML EMU Corporate Index; ER10 – BofA ML EMU Corporate, AAA Rated; ER20 – BofA ML EMU Corporate, AA Rated; ER30 – BofA ML EMU Corporate, A Rated; ER40 – BofA ML EMU Corporate, BBB Rated; EN40 – BofA ML EMU Corporate, Non-Financial, BBB Rated; G4O2 – BofA ML U.S. Treasuries, 7 – 10 Yrs; G4D0 – BofA ML UK Gilts 7 – 10 Yrs; G4D0 – BofA ML German Federal Governments, 7 – 10 Yrs. All performance, duration, yield and spread data downloaded from Bloomberg. Markit iBoxx USD Leveraged Loan (iBOXLTR), S&P 500 incl. Dividends, and DAX figures from Bloomberg. The content of this presentation is for information purposes and is directed at institutional, professional and sophisticated investors able to understand and accept the risks involved. It has been prepared using publicly available information, internally developed data and other sources believed to be reliable. It does not constitute an offer or solicitation to any person in any jurisdiction to purchase or sell any investment, nor does it constitute investment advice. The material in this presentation is directed only at entities or persons in jurisdictions or countries where access to and use of this information is not contrary to local laws or regulations. The views expressed and the information contained in this presentation may be subject to change at any time without notice. This document is intended for the sole use of the intended recipients and its content may not be copied, published or otherwise distributed. Muzinich does not warrant this information, and does not accept liability of any type for actions taken or not taken as a result of this information. Past performance of a fund does not indicate future performance. Investments are impacted by market conditions and investors may not receive back their invested capital. This material is intended for Professional Clients under the Markets in Financial Instruments Directive, where relevant. In the U.S., Muzinich services are available only to Accredited or Qualified Investors and are not intended for public sale.

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