

Key Takeaway*

- Global fixed income returns were mixed for the month with Emerging Market corporates outperforming their Developed Market counterpart
- In the US, the market pullback at the start of the month was a function of both a decline in oil prices as well as outflows
- European rates experienced significant volatility as investors started to think more openly about the timing of European Central Bank (ECB) tapering of its quantitative easing (QE) and a potential increase in rates
- The Federal Reserve (Fed) announced a mid-March rate increase. This move was well telegraphed and anticipated by the market. The Fed suggested two rate increases were likely for remainder of year

*Muzinich Analysis

High Yield and Leveraged Loan Technicals

US Retail Fund Flows *

\$7.4 billion in high yield outflows, \$3.4 billion in leveraged loan retail inflows MTD (through 03.31)

HY New Issuance*	US	EUR	Main Market Driver
YTD	\$95.8 bn	€25.9 bn	Macro: Oil, US Political, ECB
MTD	\$45.1 bn	€15.4 bn	Micro: Mixed technicals
Loan New Issuance*	US		Default Rates**
YTD	\$325.9 bn		US
MTD	\$106.0 bn		EUR
			LTM
			3.4%
			1.8%

Default rates are dollar weighted. Through 02.28.17. Trailing 12 months.

US and European figures through March 31

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

Goodyear Tire & Rubber, Navient Corp, CommScope Technologies, Ladder Capital Finance, BlueLine Rental, Cyrusone, Howards Hughes Corp, LPL Holdings Inc, Aircastle Limited, Olin Corp, Crestwood Midstream, Hilton Worldwide, Community Health Systems, Cott Corp, Equinix Inc, WellCare Health Plans Inc, American Axle, Aramark Services, CCO Holdings, Valeant Pharmaceuticals, T-Mobile USA Inc., Gartner Inc., First Quantum, Rain Carbon, KCA Deutag, BWAY Holding, Ascent Resources, B&G Foods Inc., Chobani, Six Flags, Videotron

New Issuance Pipeline (Announced ***)

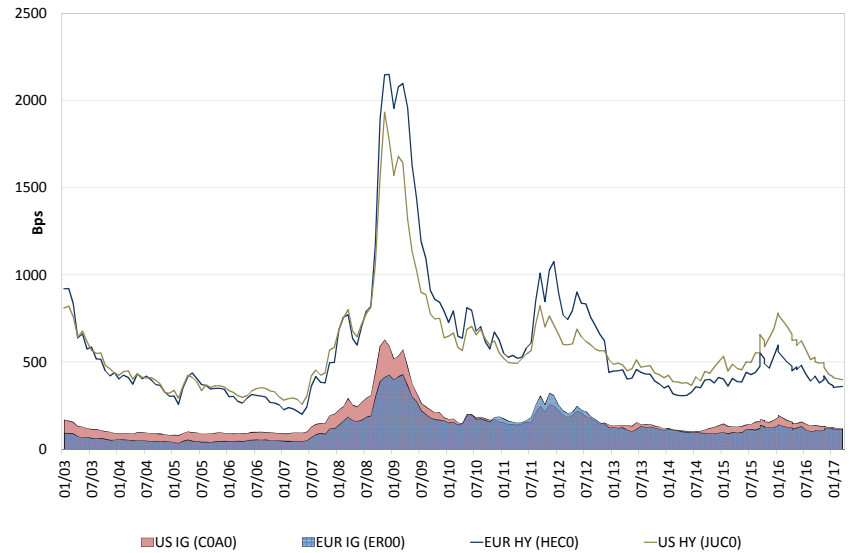
Park-Ohio, Ultra Petroleum, Alliance Resource Partners, USI Inc, Anglo American, Talen Energy Supply

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

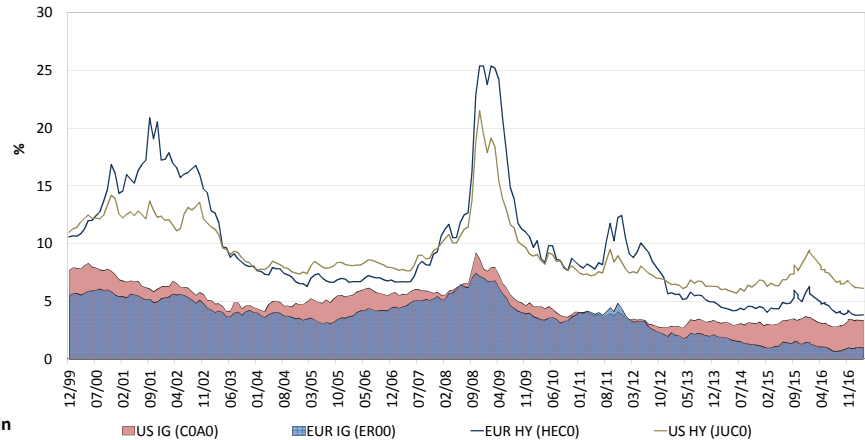
Market Performance % and Statistics as of 2017-03-31

		Previous		Duration	Yield	Spread	
		MTD	Mth	YTD	DTW	YTW	STW
High Yield							
JUC0	US HY Cash Pay Constr.	-0.21	1.56	2.71	2.71	3.88	5.81
JC4N	US HY BB/B Non-Fncl. Constr.	-0.15	1.22	2.28	2.28	3.98	5.13
HECO	Euro HY Constr.	-0.04	0.95	1.67	1.67	3.21	3.16
HECS	Euro HY BB/B Non-Fncl. Constr.	-0.18	1.02	1.48	1.48	3.29	2.73
Investment Grade							
COA0	US Corp Master	-0.12	1.13	1.42	1.42	6.93	3.35
C4NF	US Corporate BBB Non-Financial	-0.11	1.28	1.74	1.74	7.18	3.73
ER00	EMU Corp	-0.33	1.18	0.25	0.25	5.26	0.93
EN40	EMU Corp BBB Non-Financial	-0.42	1.27	0.26	0.26	5.35	1.06
Governments (7-10 Yr Indices)							
G4O2	U.S. Treasuries 7-10 Yrs	0.03	0.76	0.93	0.93	7.59	2.33
G4L0	UK Gilts 7-10 Yrs	0.09	2.66	1.51	1.51	7.40	0.88
G4D0	German Fed Govt 7-10 Yrs	-1.13	2.00	-0.45	-0.45	8.18	0.09
Equities							
S&P	S&P 500 incl. Dividends	0.12	3.97	6.06	6.06		
DAX	DAX Index	4.04	2.59	7.25	7.25		
						Yield %	Discount Margin
						(3yr life) bps	(3yr life)
CS Institutional Leveraged Loan Index		0.16	0.51	0.99	0.99	5.67%	386

Corporate Bond Spreads (STW) by Index

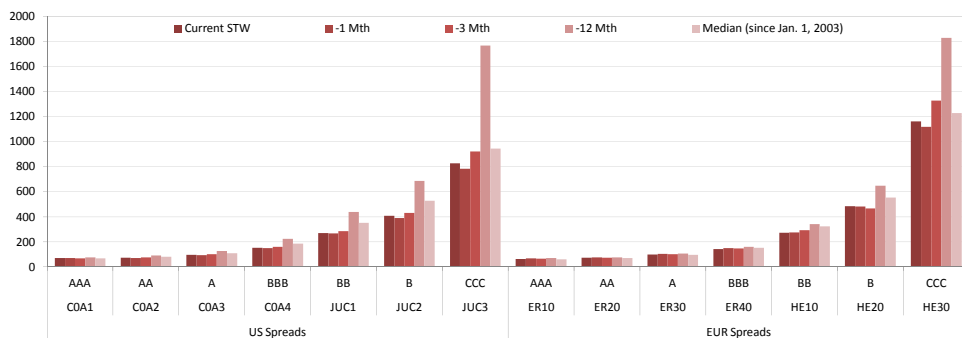


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW) as of 2017-03-31

US/EM	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US Spreads	COA0	IG	120	118	126	165	141
	JUC0	HY Constrained	400	386	430	701	501
	JUC4	BB/B	329	320	349	546	440
	COA1	AAA	70	70	68	75	68
	COA2	AA	73	72	77	91	82
	COA3	A	97	95	101	127	110
	COA4	BBB	153	151	161	225	185
	JUC1	BB	269	267	286	438	352
	JUC2	B	408	391	432	686	527
	JUC3	CCC	827	783	922	1765	944
EM Spreads	EMCL	Emerging Markets	278	269	305	433	328
EUR							
EUR Spreads	ER00	IG	117	122	120	126	117
	HEC0	HY Constrained	360	360	379	499	448
	ER10	AAA	64	68	65	70	60
	ER20	AA	73	75	74	75	71
	ER30	A	100	105	102	106	96
	ER40	BBB	143	150	148	161	152
	HE10	BB	273	274	292	342	324
	HE20	B	485	483	466	647	554
	HE30	CCC	1162	1118	1327	1826	1228



Muzinich Contacts

	www.muzinich.com
New York	funds@muzinich.com 450 Park Avenue, New York, NY 10022, USA P. +1 212 888 3413
London	8 Hanover Street, London W1S 1YQ, UK P. +44 (0)207 612 8755
Frankfurt	Neue Mainzer Strasse 20, 60311 Frankfurt am Main, Germany P. +49 (69)1532 5700
Paris	37/39, Avenue de Friedland, 75008 Paris, France P. +33 (0)1 70 91 69 90
Zurich	Tödistrasse 5, 8002 Zurich, Switzerland P. +41 44 218 14 14
Madrid	Paseo de Eduardo Dato, 18, 28010 Madrid, Spain P. +34 91 084 8896
Milan	Via Senato 12, 20121 Milan, Italy P. +39 02 4538 6090

Credit Market Update*

US:

US fixed income markets ended the month slightly lower, having recovered from the markets' repricing in the first half of the month. The market pullback at the start of the month was a function of both a decline in oil prices (increased production concerns) as well as outflows (weaker technicals). Politically, the failure of the Trump administration to pass its healthcare bill also contributed to a sense of nervousness as to whether Trump can move forward on his initiatives. Investors re-entered the market later in the month given wider, more attractive spread levels. The Federal Reserve (Fed) announced a mid-March rate increase. This move was well telegraphed and anticipated by the market given recent Fed statements and solid economic data. The market easily absorbed this move. The Fed suggested that two rate increases were likely for the remainder of the year.

Europe:

European rates experienced significant volatility as investors started to think more openly about the timing of European Central Bank (ECB) tapering of its quantitative easing (QE) and a potential increase in rates. Issuers seemed to want to take advantage of the low rate environment in advance of a potential tapering as evidenced by strong investment grade new issuance in March. The European high yield market also experienced a near record in number of deals, the proceeds of which were largely used for refinancing. Fund flows in the European corporate market were mixed with short duration strategies seeing the bulk of the inflows. In investment grade, these inflows into short-dated paper outweighed the outflows from longer dated investment grade bonds. It was somewhat different in high yield where the inflows into shorter duration paper did not match the outflows in the longer duration segment of the market.

EM:

In a more challenged March, Emerging Market (EM) credit posted positive returns in both high yield and investment grade, outperforming its Developed Market (DM) counterparts. Despite a rebound at month-end, commodities experienced a weak month with oil, iron and copper all down. Nevertheless, weaker commodities did not negatively impact EM credit which is still well-supported by technicals (strong inflows) and a weaker US Dollar. On a sector basis, oil/gas outperformed. On a geographic basis, LATAM and Africa outperformed. LATAM outperformed on the back of reduced expectations of Trump being able to implement higher trade barriers in the wake of his inability to move forward on one of his key initiatives, the repeal and replacement of the Affordable Care Act. We saw early weakness in Asia credit due to market consensus on higher Treasury rates, which recovered after mid-month. In China, spreads remained relatively stable during the month, providing a window for new issues.

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; JUC5 - BofA ML 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; CANF - BofA ML BBB U.S. Corporate Non-Financial Index; ER00 - BofA ML EMU Corporate Index; ER10 - BofA ML EMU Corporates, AAA Rated; ER20 - BofA ML EMU Corporates, AA Rated; ER30 - BofA ML EMU Corporates, A Rated; ER40 - BofA ML EMU Corporates, BBB Rated; EN40 - BofA ML EMU Corporates, Non-Financial, BBB Rated; G402 - BofA ML U.S. Treasuries, 7 - 10 Yrs; G410 - 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 (iBOXLTRI), 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.

Issued in Europe by Muzinich & Co. Ltd, which is authorised and regulated by the Financial Conduct Authority. Registered in England and Wales No. 3852444. Registered address: 8 Hanover Street, London W1S 1YQ.

*Muzinich Analysis.

