

Key Takeaway

- High yield market has proven itself resilient despite recent events in Libya and rising oil prices
- High yield new issuance robust in first half of month but fell off as companies entered their blackout period ahead of earnings
- CCC and distressed credits outperformed in February, but lagged higher quality, non-distressed credits towards month end

High Yield Technicals

US Retail Fund Flows *

~\$2.3 billion of retail inflows in February (only includes weekly reporting funds).
 ~\$7.2 billion of retail inflows YTD (includes monthly reporting funds).

Main Market Driver

Demand outpacing supply.

New Issuance *	US		EUR		Default Rates**	US		EUR	
	YTD	MTD	YTD	MTD		LTM	YTD	MTD	YTD
	\$54.9 bn	\$21.8 bn	EUR 10.1 bn	EUR 3.0 bn		1.5%		1.9%	

Default rates are dollar weighted. Through 1.31.11.

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

Aleris International, Avaya Inc., Chesapeake, Clear Channel Comm., Country Garden, Del Monte Foods, Fibria Overseas, Ford Motor Credit, Ply Gem, UPCB Finance, Valeant Pharmaceuticals, Venoco Inc.

New Issuance Pipeline (Announced)***

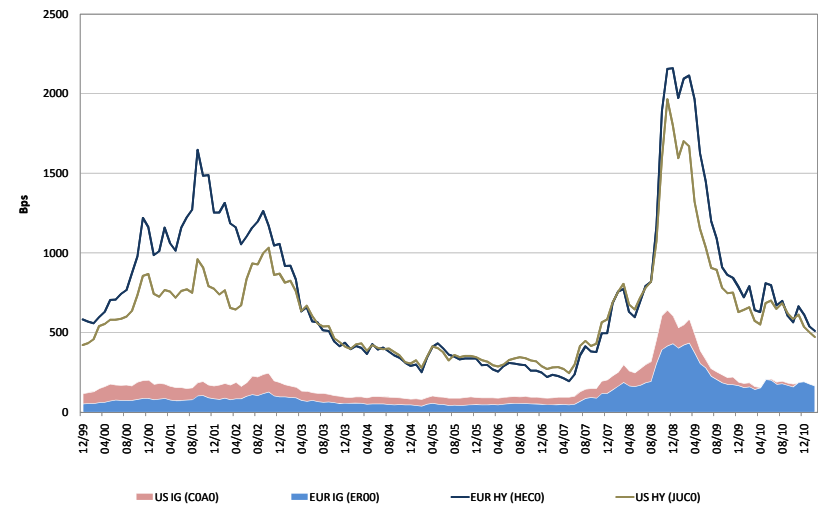
Headwaters, Healthsouth, Huntington Ingalls Industries, JMC Steel Group, Jo-Ann Stores, Jones Group, MEMC Electronic, Perry Ellis, SandRidge Energy, Windstream

* JP Morgan for U.S. and Credit Suisse for Europe; ** Moody's; ***Muzinich & Co.

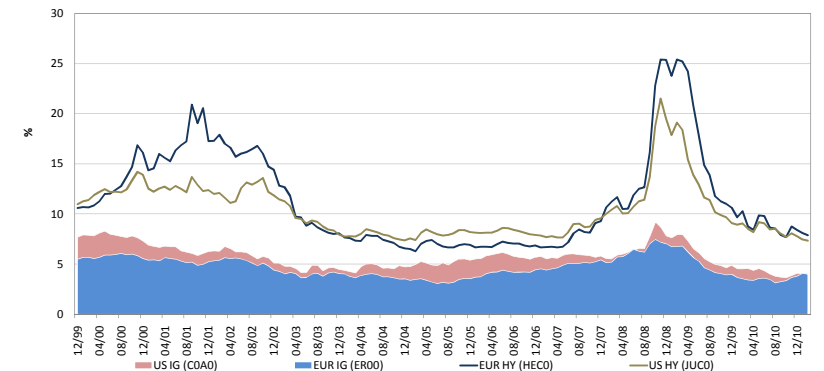
Market Performance % and Statistics as of 2011-02-28

High Yield	MTD	Previous			Duration	Yield	Spread
		Mth	QTD	YTD			
JUC0 US HY Cash Pay Constr.	1.33	2.07	3.43	3.43	3.84	6.87	497
JC4N US HY BB/B Non-Fncl. Constr.	1.22	1.80	3.03	3.03	3.93	6.35	441
HEC0 Euro HY Constr.	1.92	2.41	4.38	4.38	3.34	7.62	528
HEC5 Euro HY BB/B Non-Fncl. Constr.	1.38	1.99	3.40	3.40	3.38	5.99	377
IBOXLTRI USD Leveraged Loan	0.40	2.07	2.47	2.47			
Investment Grade	MTD	Previous	QTD	YTD	Duration	Yield	Spread
COA0 US Corp Master	0.71	0.24	0.95	0.95	6.21	4.04	145
C4NF US Corporate BBB Non-Financial	0.70	0.29	0.99	0.99	6.62	4.42	161
ER00 EMU Corp	0.73	-0.47	0.25	0.25	3.99	3.98	163
EN40 EMU Corp BBB Non-Financial	0.85	-0.55	0.30	0.30	4.03	3.88	151
Governments (7-10 Yr Indices)	MTD	Previous	QTD	YTD	Duration	Yield	Spread
G4O2 U.S. Treasuries 7-10 Yrs	-0.23	0.09	-0.15	-0.15	7.29	3.14	
G4L0 UK Gilts 7-10 Yrs	0.56	-1.56	-1.02	-1.02	7.05	3.49	
G4D0 German Fed Govt 7-10 Yrs	0.28	-1.30	-1.02	-1.02	7.31	3.04	
Equities	MTD	Previous	QTD	YTD	Duration	Yield	Spread
S&P S&P 500 incl. Dividends	3.43	2.37	5.88	5.88			
DAX DAX Index	2.75	2.36	5.18	5.18			

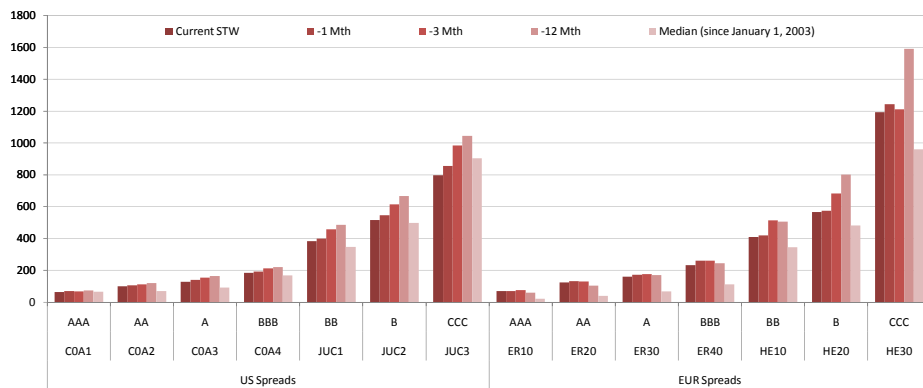
Corporate Bond Spreads (OAS) by Index



Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW)							
US Spreads	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since January 1, 2003)
	COA0	IG	145	155	169	178	125
	JUC0	HY Constrained	497	523	600	663	490
	JUC4	BB/B	445	469	531	567	422
US Spreads	COA1	AAA	65	70	68	75	67
	COA2	AA	100	106	112	120	71
	COA3	A	129	140	155	165	93
	COA4	BBB	185	194	213	221	169
	JUC1	BB	383	401	458	487	348
	JUC2	B	516	547	615	668	499
	JUC3	CCC	799	857	985	1045	904
EUR Spreads							
	ER00	IG	163	176	177	161	68
	HEC0	HY Constrained	528	542	634	753	474
EUR Spreads	ER10	AAA	70	70	77	60	22
	ER20	AA	125	132	130	105	40
	ER30	A	161	173	176	171	68
	ER40	BBB	232	261	261	244	112
	HE10	BB	409	420	515	506	346
	HE20	B	566	575	684	802	483
	HE30	CCC	1193	1244	1211	1592	960



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Credit Market Update

High yield markets remained exceptionally resilient in February despite continued unrest in the Middle East and rising oil prices. While high yield underperformed U.S. and European equity markets for the month, the high yield asset class proved more resilient towards month end, when news out of Libya lead to a sharp pull-back in risk assets. U.S. and European high yield generated strong, positive returns in February, outperforming investment grade corporates, governments and emerging market equities. Within high yield, CCC and distressed credits outperformed in February but lagged higher quality, non distressed credits towards month end.

In past months' commentary, we have highlighted the strong fundamentals of the high yield market, paying particular attention to the rising cash balances and overall strength of high yield company balance sheets. Recent data published by BofA Merrill Lynch supports what we have long known as a result of our fundamental research. High yield companies have been extremely aggressive in de-leveraging. Net leverage came down to 3.3x LTM EBITDA in Q42010, compared to 3.4x in Q32010, and close to historical lows. Interest coverage ratios have improved as well, up to 3.5x from 3.4x in the previous quarter and approaching historical highs. Leverage ratios have improved largely as a result of new issue proceeds being used primarily for the purposes of paying down or refinancing existing debt. While we have seen a modest comeback of dividend deals and LBOs, the primary use of new issue proceeds remains refinancing. We remain highly constructive on the U.S. high yield market given the asset class's strong fundamentals and attractive risk-adjusted spreads.

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 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; G4O2 – BofA ML U.S. Treasuries, 7 – 10 Yrs; G4L0 – 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.