

Key Takeaway

- High yield outperformed investment grade corporate credit and governments in the first half of April
- European high yield outperformed U.S. high yield
- U.S. high yield new issuance steady with smaller deals pricing
- European high yield new issuance has been brisk, with several companies new to the high yield market pricing smaller deals

High Yield Technicals

Retail Fund Flows *

~\$1.3bn of US retail inflows in March.

Main Market Driver

Continued strong fundamentals and technicals.

New Issuance *	US	EUR	Default Rates**	US	EUR
YTD	\$105.5 bn	€ 26.4 bn	LTM	1.5%	2.0%
MTD	\$15.9 bn	€ 6.4 bn	Default rates are dollar weighted. Through 3.31.11.		

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

Aramark Holdings, Pernod-Ricard, Nortek Inc., IGATE Corp., TXU

New Issuance Pipeline (Announced)***

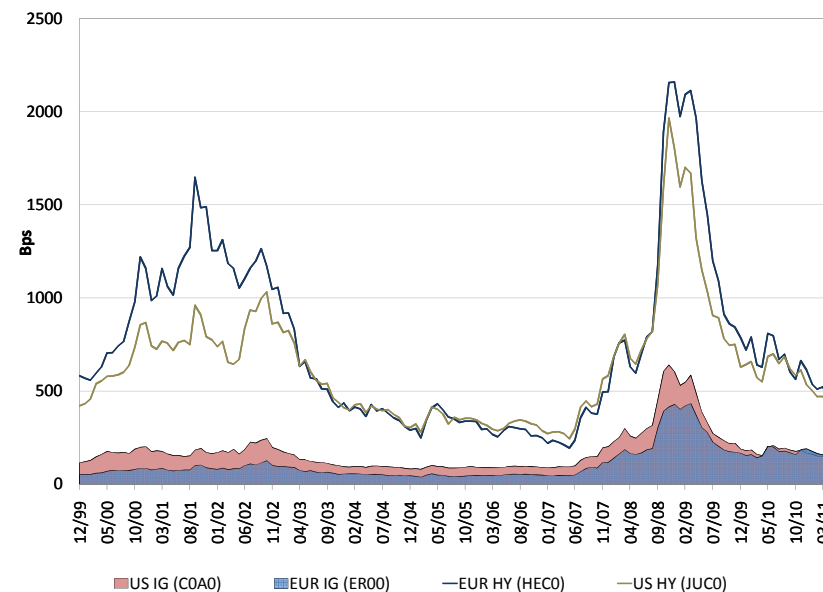
DryShips, Builders Firstsource, Consolidated Minerals Limited, Lee Enterprises, Carmeuse, Medical Properties Trust, Sears, Dematic, Community Choice Financial

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

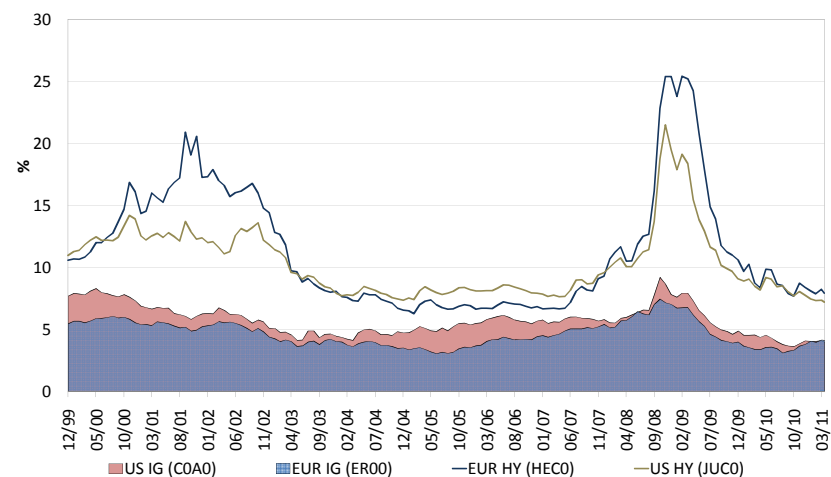
Market Performance % and Statistics as of 2011-04-15

		Previous			Duration		Yield	Spread
High Yield		MTD	Mth	QTD	YTD	DTW	YTW	STW
JUC0	US HY Cash Pay Constr.	0.84	0.41	0.84	4.72	3.83	6.77	488
JC4N	US HY BB/B Non-Fncl. Constr.	0.76	0.49	0.76	4.32	3.92	6.26	434
HEC0	Euro HY Constr.	1.31	-0.28	1.31	5.44	3.41	7.75	506
HEC5	Euro HY BB/B Non-Fncl. Constr.	0.68	-0.63	0.68	3.45	3.48	6.22	365
IBOXLTRI	USD Leveraged Loan	0.42	0.03	0.42	2.94			
Investment Grade								
COA0	US Corp Master	0.79	0.03	0.79	1.77	6.18	3.98	141
C4NF	US Corporate BBB Non-Financial	0.80	0.16	0.80	1.97	6.60	4.36	156
ER00	EMU Corp	0.34	-0.38	0.34	0.22	3.94	4.13	150
EN40	EMU Corp BBB Non-Financial	0.29	-0.36	0.29	0.23	4.00	4.11	144
Governments (7-10 Yr Indices)								
G4O2	U.S. Treasuries 7-10 Yrs	0.45	-0.02	0.45	0.29	7.19	3.14	
G4L0	UK Gilts 7-10 Yrs	0.80	0.35	0.80	0.12	7.20	3.47	
G4D0	German Fed Govt 7-10 Yrs	-0.04	-1.14	-0.04	-2.19	7.19	3.26	
Equities								
S&P	S&P 500 incl. Dividends	-0.39	0.04	-0.39	5.50			
DAX	DAX Index	1.95	-3.18	1.95	3.82			

Corporate Bond Spreads (OAS) by Index

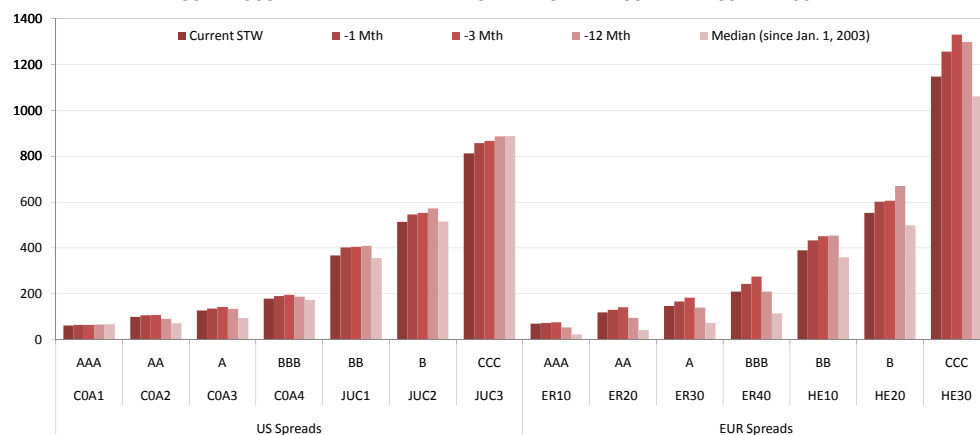


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW)

US Spreads	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
	COA0	IG	141	150	156	146	130
	JUC0	HY Constrained	488	526	530	558	492
	JUC4	BB/B	435	469	475	482	438
US Spreads	COA1	AAA	61	64	64	65	67
	COA2	AA	99	105	107	90	71
	COA3	A	126	134	141	133	95
	COA4	BBB	178	189	195	187	173
	JUC1	BB	367	401	405	408	356
	JUC2	B	514	546	553	573	515
	JUC3	CCC	813	858	868	887	889
EUR Spreads							
	ER00	IG	150	169	187	138	70
	HEC0	HY Constrained	506	559	577	620	498
EUR Spreads	ER10	AAA	70	72	75	53	22
	ER20	AA	118	129	141	95	42
	ER30	A	146	166	183	139	72
	ER40	BBB	209	242	275	209	115
	HE10	BB	390	433	451	454	359
	HE20	B	552	601	606	670	499
	HE30	CCC	1148	1257	1332	1299	1061



Muzinich Contacts

www.muzinich.com

funds@muzinich.com

New York 450 Park Avenue, New York, NY 10022, USA

P. +1 212 888 3413

F. +1 212 888 4368

London 15 Portland Place, London W1B 1PT, UK

P. +44 (0)207 493 8018

F. +44 (0)207 580 9305

Cologne Wallrafplatz 3, Cologne 50667, Germany

P. +49 (0)221 272 611 0

F. +49 (0)221 272 611 66

Paris 14, Avenue d'Eylau, 75116 Paris, France

P. +33 (0)1 73 02 15 06

Credit Market Update

Corporate credit markets generated strong, positive performance for the first two weeks of April with high yield outperforming investment grade corporate credit and governments, and European high yield outperforming U.S. high yield. Equity markets exhibited bifurcated returns with U.S. equities, as measured by the S&P 500, down modestly and most European equity indices up sharply. Slower growth has weighed on U.S. equity markets and shaken investor confidence, while Europe began to recoup the previous month's losses. Unlike equities, high yield does not require strong growth to generate attractive returns, and as such, has proven itself to be substantially more resilient.

U.S. high yield bond new-issuance has been steady with \$15.9 billion of mostly smaller deals pricing. Cash in the market has gone to these new deals and, as such, we see a bid for paper. U.S. new issues have traded modestly higher. The use of proceeds for the majority of these new issues remains refinancing. European high yield new issuance was brisk, with several companies new to the high yield market pricing smaller deals. We believe this is a positive development as the new European high yield issuers add to the overall size and diversification of the European high yield market. These new issues traded modestly down as the surge of new supply exceeded market demand. Year-to-date, European high yield new issuance has been EUR 26.4 billion – already half of 2010's record figure.

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; JC4N – 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; G402 – 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.

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