

KEY TAKEAWAYS

- Global credit delivered positive returns across the board in February
- On the back of the US 10-year Treasury yield moving more than 30 basis points (bps) lower for the month, US investment grade credit was the best performing sub-asset class
- We saw meaningful rate divergence between the US and Europe in February, and the spread premium that we have seen in Europe over the last few years reversed, with the market now demanding a spread premium for US credit risk. In our view, this shift in momentum was driven by ongoing uncertainty around President Trump's various policies and their impact on the US economy, and notable weakening of US economic data
- Emerging Market (EM) debt generated positive returns

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$2.9 billion in high yield inflows, US\$4.4 billion in leveraged loan retail inflows MTD (through 02.28)

HY New Issuance*		EUROPE		Main Market Driver	
YTD	US\$41.7 bn	US\$9.0 bn		Macro: Rates	
MTD	US\$18.7 bn	US\$2.9 bn		Micro: Strong technical	
Loan New Issuance*		US		Default Rates (Dollar weighted)**	
YTD	US\$280.1 bn			US	EUR
MTD	US\$93.6 bn			2.4%	1.9%

US New Issuance Names (500 mn and above) MTD

Cleveland-Cliffs Inc, Directv, Air Transport Services, Republic Finance, Freedom Mortgage, Pennymac Fin Svcs Inc, TransMontaigne Partners, Transportation Equipment Network, Jane Street, Cable & Wireless, Long Ridge Energy, OT Midco, Snap Inc., Gen Digital, Credit Acceptance Corp, Carnival Corp., Alberstons Companies Inc., First Quantum Minerals, Wesco Distribution Inc., Wex Inc, Olin Corp.

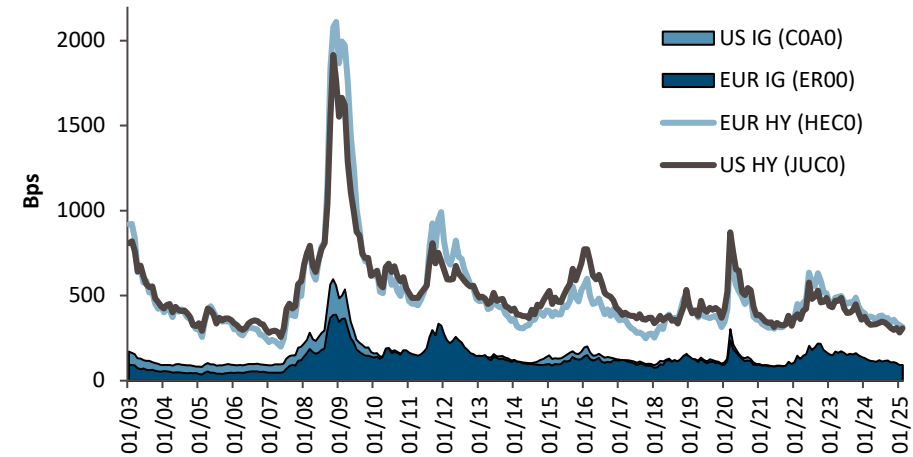
US New Issuance Pipeline (Announced)

N/A

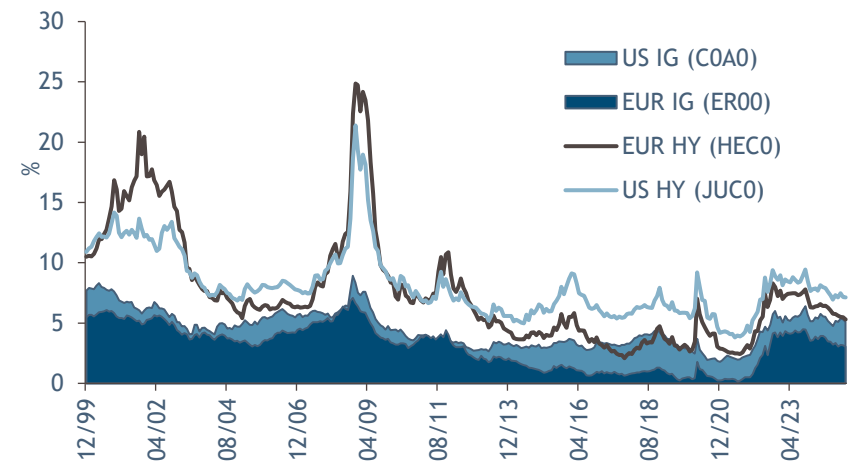
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

Muzinich views and opinions are for illustrative purposes only and not to be construed as investment advice. Unless stated all data figures are sourced from Bloomberg as of February 28th, 2025. Full information on indices is provided on page 5. *JP Morgan; European figures include non-Euro issues of European companies. **Moody's Default Report as of January 31st, 2025. Most recent data available used.

CORPORATE BOND SPREADS (STW) BY INDEX



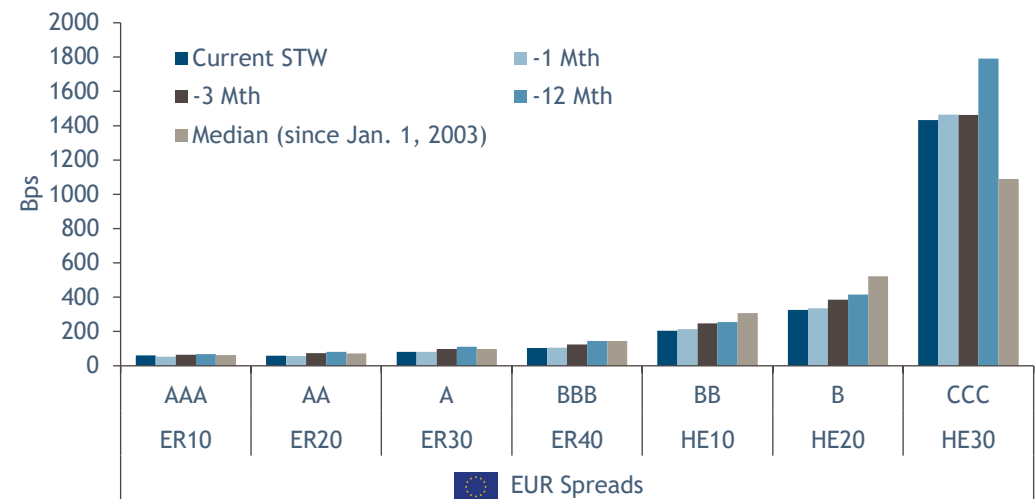
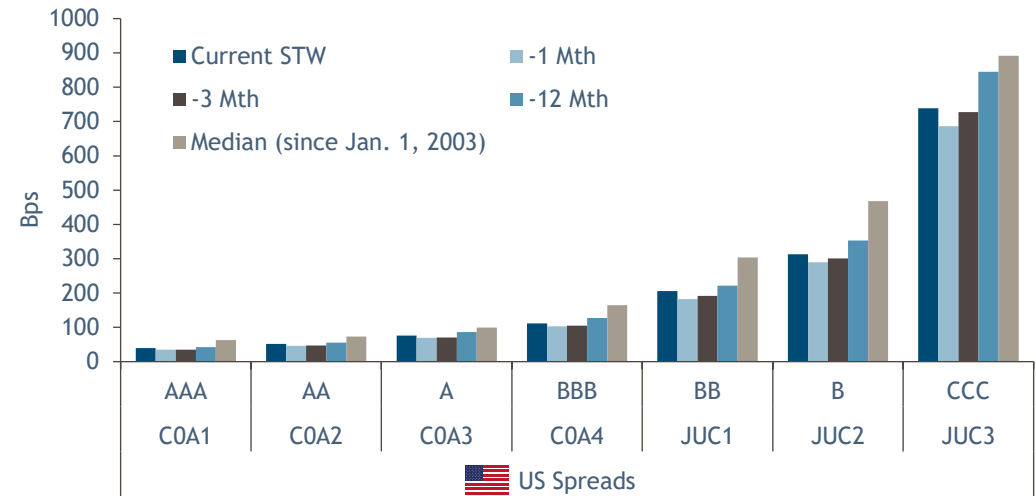
CORPORATE BOND YIELDS (YTW) BY INDEX



CORPORATE BOND SPREADS (STW) - FEBRUARY 28, 2025

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	90	82	84	102	128
	JUC0	HY	308	283	297	344	443
	JUC4	BB/B	248	226	235	279	373
	COA1	AAA	40	35	35	42	63
	COA2	AA	52	46	47	55	73
	COA3	A	76	69	70	86	100
	COA4	BBB	111	103	105	127	165
	JUC1	BB	206	182	192	222	304
	JUC2	B	313	290	301	353	468
	JUC3	CCC	739	686	727	845	892
EM	EMCL	All	181	173	180	213	300
EUR	ER00	IG	91	91	109	124	116
	HEC0	HY	314	326	359	366	421
	ER10	AAA	60	54	64	69	63
	ER20	AA	59	57	74	82	72
	ER30	A	82	81	99	112	98
	ER40	BBB	104	106	124	144	146
	HE10	BB	205	214	247	255	307
	HE20	B	325	336	386	416	521
	HE30	CCC	1432	1465	1463	1792	1090

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - FEBRUARY 28, 2025

		Performance Summary (%)				Characteristics			Performance History (% annualised)				
High Yield		MTD	Pr. Mth	QTD	YTD	DTW (yrs)	YTW (%)	STW (bps)	1 Year	2 Year	3 Year	4 Year	5 Year
JUC0	US HY	0.67	1.39	2.06	2.06	3.24	7.13	308	9.96	10.44	4.88	3.84	4.75
JC4N	US HY BB-B	0.66	1.35	2.01	2.01	3.28	6.55	249	8.70	9.49	4.37	3.37	4.29
HEC0	Euro HY	1.04	0.60	1.65	1.65	2.70	5.29	314	9.12	9.56	4.73	2.87	3.40
HEC5	Euro HY BB-B	0.94	0.51	1.46	1.46	2.68	4.52	240	8.86	9.54	4.69	2.80	3.15
Investment Grade													
COA0	US IG	2.03	0.61	2.64	2.64	6.63	5.09	90	6.81	6.47	0.67	-0.28	0.28
C4NF	US BBB Corporates	2.06	0.60	2.68	2.68	6.87	5.30	109	7.22	7.19	0.93	-0.09	0.54
ER00	Europe IG	0.61	0.48	1.09	1.09	4.43	3.06	91	6.66	6.62	0.78	-0.44	-0.17
EN40	Europe BBB	0.73	0.41	1.14	1.14	4.47	3.15	99	7.05	3.47	2.30	1.72	1.37
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	2.80	0.68	3.50	3.50	7.14	4.16	1	5.10	3.23	-2.30	-2.20	-1.90
G4L0	UK Gilts 7-10 Yrs	0.77	0.83	1.61	1.61	7.19	4.39	-1	2.06	1.92	-3.83	-3.66	-3.41
G4D0	German Fed Govt 7-10 Yrs	0.68	-0.32	0.35	0.35	7.61	2.31	0	3.10	3.76	-3.68	-3.55	-3.36
Equities													
S&P	S&P 500 incl. Dividends	-1.31	2.78	1.44	1.44				18.38	24.26	12.53	13.48	16.83
DAX	DAX Index	3.77	9.16	13.27	13.27	YTM (%)	Discount Margin		27.57	21.15	15.96	13.09	13.66
Loans								bps (3yr life)					
S&P UBS	Leveraged Loan Index	0.15	0.72	0.88	0.88	8.47		478	8.18	9.76	7.21	6.20	6.09
S&P UBS	Western European Leveraged Loan Index	0.66	0.84	1.51	1.51	7.16		462	8.14	9.39	6.44	5.37	5.23

Past performance is not a reliable indicator of current or future performance.

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CREDIT MARKET UPDATE

US:

US credit markets delivered positive total returns in February, but US government bonds were the outperformers, with the US 10-year Treasury yield moving more than 30 basis points lower in response to a potential slowing of the economy. In line with this rally in rates, which more than offset spread widening, investment grade credit was the best performing sub-asset class, outperforming high yield. US dollar-denominated debt also outperformed euro-denominated debt this month. Nonetheless, high yield returns remained solid in February on the back of lower rates, underwhelming issuance, and steady inflows. Investor sentiment was admittedly dampened on the back of growth concerns stemming from tariff threats, recent Purchasing Managers' Index (PMI) weakness, consumer confidence, and labor market related data, however, in our view, corporate fundamentals remain broadly stable.

Europe:

European credit markets delivered positive total returns in February. February saw meaningful rate divergence between the US and Europe; the US 10-year Treasury yield was more than 30 basis points (bps) lower for the month, while the German 10-year Bund yield was about 5bps higher. US spreads underperformed, and the spread premium that we have seen in Europe over the last few years reversed, with the market now demanding a spread premium for US credit risk. US investment grade spreads were slightly wider on the month, compared to flat in Europe. In our view, this shift in momentum was driven by ongoing uncertainty around President Trump's various policies and their impact on the US economy, and notable weakening of US economic data. Looking ahead, investors widely anticipate forthcoming cuts by the European Central Bank in early March.

EM:

Emerging Market (EM) debt generated positive returns in February. Investment grade outperformed high yield, with Latin America leading the way due to its longer duration characteristics. Within the high yield universe, Asian credit outperformed, driven by strength in Chinese securities. At a sector level, we saw strong performance from telecommunications and homebuilders/real estate. While quasi-sovereigns and non-bank financials lagged, they still generated positive returns. Looking ahead, China will host the annual sessions of its National People's Congress (NPC) and the Chinese People's Political Consultative Conference (collectively known as the "Two Sessions"), including an announcement of the economic agenda for the year ahead and annual GDP target. Given the challenges to the Chinese economy, both internal and external, investors will be looking for details regarding additional stimulus, especially in relation to the real estate sector.

Outlook

It was a strong month for fixed-income investors, with positive total returns globally. The continued divergence between the US and Europe—driven by uncertainty related to shifting US policies—seems to be on the minds of many investors looking ahead. Fiscal stimulus in Europe is expected to have a positive effect on European economic growth, especially if it is accompanied by some deregulation. In our view, economic growth in the US has been healthy, and we don't perceive large imbalances across sectors. However, the level of brinkmanship the world is experiencing while only a month into a new administration has the potential to undermine business confidence. With that said, we believe the US economy will continue to grow as fundamentals remain steady, valuations are fair, and market technicals remain balanced.

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Important Information

The following indices referenced in the snapshot are ICE BofA indices:

JUC0 - ICE BofA US Cash Pay High Yield Constrained Index
JUC1 - ICE BofA BB US Cash Pay High Yield Constrained Index;
JUC2 - ICE BofA Single-B US Cash Pay High Yield Constrained Index;
JUC3 - ICE BofA CCC and Lower US Cash Pay High Yield Constrained Index;
JUC4 - ICE BofA BB-B US Cash Pay High Yield Constrained Index;
JC4N - ICE BofA BB-B US Non-Financial Cash Pay High Yield Constrained Index;
HEC0 - ICE BofA Euro High Yield Constrained Index;
HE10 - ICE BofA BB Euro High Yield Index;
HE20 - ICE BofA Single-B Euro High Yield Index;
HE30 - ICE BofA CCC & Lower Euro High Yield Index;
HEC5 - ICE BofA BB-B Euro Non-Financial High Yield Constrained Index;
COA0 - ICE BofA US Corporate Index;
COA1 - ICE BofA AAA US Corporate Index;
COA2 - ICE BofA AA US Corporate Index;
COA3 - ICE BofA Single-A US Corporate Index;
COA4 - ICE BofA BBB US Corporate Index;
C4NF - ICE BofA BBB US Non-Financial Corporate Index;
ER00 - ICE BofA Euro Corporate Index;
ER10 - ICE BofA AAA Euro Corporate Index;
ER20 - ICE BofA AA Euro Corporate Index;
ER30 - ICE BofA Single-A Euro Corporate Index;
ER40 - ICE BofA BBB Euro Corporate Index;
EN40 - ICE BofA BBB Euro Non-Financial Index;
G4O2 - ICE BofA 7-10 Year US Treasury Index
G4L0 - ICE BofA 7-10 Year UK Gilt Index
G4D0 - ICE BofA 7-10 Year German Government Index;
EMCL - ICE BofA US Emerging Markets Liquid Corporate Plus Index.

S&P 500 - The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. DAX - The German Stock Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

S&P UBS Leveraged Loan Index - The S&P UBS Leveraged Loan Index is designed to mirror the investable universe of US dollar denominated leveraged loan market. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have a minimum outstanding balance of \$100 million for all facilities except TL A facilities (TL A facilities need a minimum outstanding balance of US\$1 billion), issuers domiciled in developed countries, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

S&P UBS Western European Leveraged Loan Index - The S&P UBS Western European Leveraged Loan Index is designed to mirror the investable universe of the Western European leveraged loan market. Loans denominated in US dollar or Western European Currencies are eligible for inclusion. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have minimum outstanding balance of \$100 million (in local currency), issuers with assets located in or revenues derived from Western Europe, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

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. You cannot invest directly into an index.

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