

KEY TAKEAWAYS

- Global credit delivered mixed returns in December
- In the US, markets ended 2024 on a softer note as investors and the Federal Reserve (Fed) reduced 2025 rate cut expectations on persistent inflation
- December saw European spreads rally back from the previous month's widening, drawing investor interest on relative value as US spreads were flat in both investment grade and high yield
- Emerging Market (EM) corporates ended a strong year on a somewhat muted note, impacted by rising US government yields (as investors and central banks recalibrated expectations for the incoming Trump administration), tight credit spreads, and exhausted equity markets

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$3.7 billion in high yield outflows, US\$2.7 billion in leveraged loan retail inflows
MTD (through 12.31)

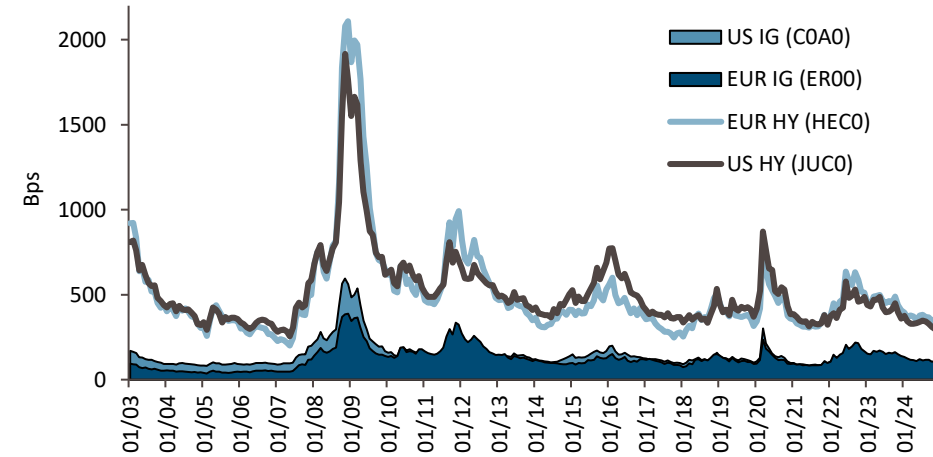
| HY New Issuance* | | EUROPE | | Main Market Driver | |
|--------------------|--------------|--------------|--|-----------------------------------|------|
| YTD | US\$288.8 bn | US\$115.6 bn | | Macro: Rates | |
| MTD | US\$11.5 bn | US\$3.6 bn | | Micro: Seasonal Slowdown | |
| Loan New Issuance* | | EUROPE | | Default Rates (Dollar weighted)** | |
| YTD | US\$1327 bn | | | US | EUR |
| MTD | US\$188.6 bn | | | 1.8% | 2.0% |

US New Issuance Names (500 mn and above) MTD

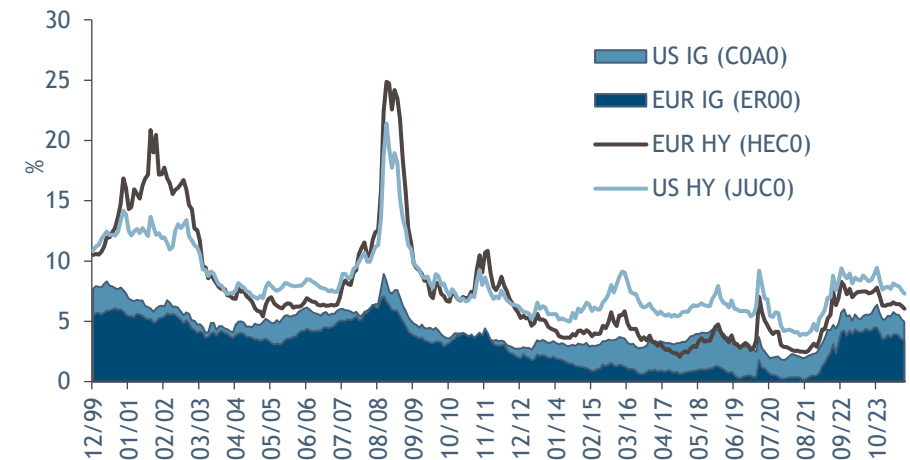
Ryan Speciality Group, Iron Mountain, UWM Holdings, Genesis Energy, Standard Building Solutions, Saks Global, Diebold Nixdorf, Onesky Flight, Windstream

US New Issuance Pipeline (Announced)

CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



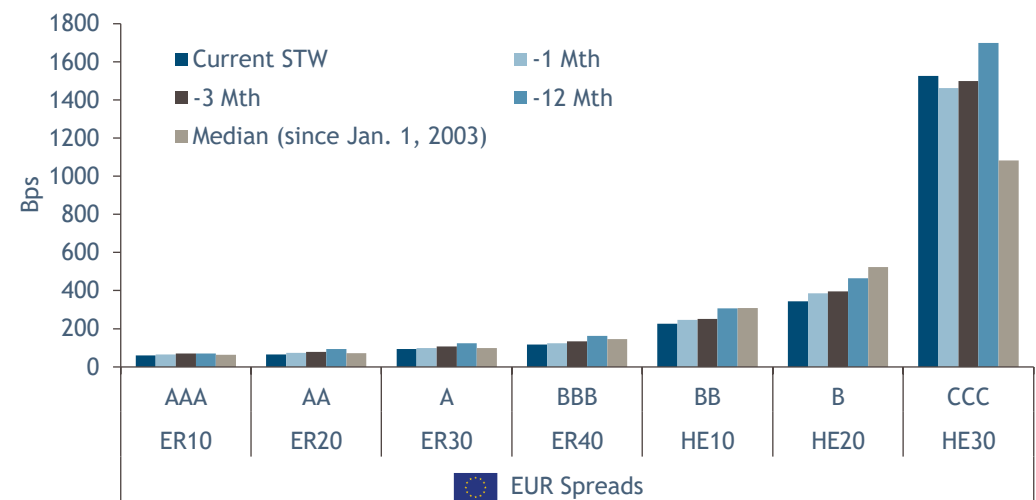
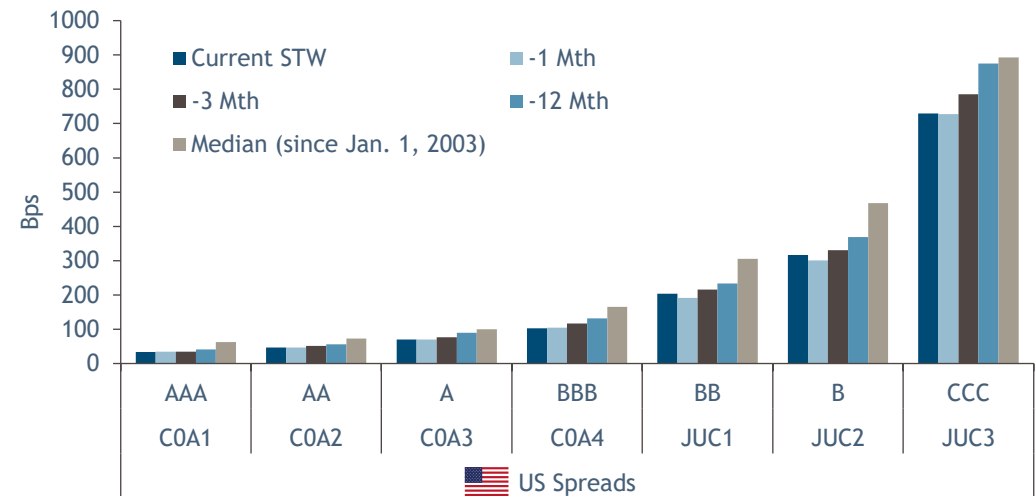
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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 December 31st, 2024. Full information on indices is provided on page 5. *JP Morgan for U.S. and Credit Suisse for Europe; European figures include non-Euro issues of European companies. **Moody's Default Report as of November 30th, 2024. Most recent data available used.
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CORPORATE BOND SPREADS (STW) - DECEMBER 31, 2024

| | Index | Rating | Current STW | -1 Mth | -3 Mth | -12 Mth | Median (since Jan. 1, 2003) |
|------------|-------|--------|-------------|--------|--------|---------|-----------------------------|
| US | COA0 | IG | 83 | 84 | 93 | 106 | 129 |
| | JUC0 | HY | 309 | 297 | 328 | 358 | 446 |
| | JUC4 | BB/B | 248 | 235 | 261 | 294 | 374 |
| | COA1 | AAA | 34 | 35 | 35 | 41 | 63 |
| | COA2 | AA | 47 | 47 | 52 | 56 | 74 |
| | COA3 | A | 70 | 70 | 77 | 90 | 100 |
| | COA4 | BBB | 103 | 105 | 117 | 132 | 166 |
| | JUC1 | BB | 204 | 192 | 216 | 234 | 306 |
| | JUC2 | B | 317 | 301 | 331 | 369 | 468 |
| | JUC3 | CCC | 729 | 727 | 785 | 875 | 893 |
| EM | EMCL | All | 179 | 180 | 187 | 245 | 300 |
| EUR | ER00 | IG | 102 | 109 | 117 | 139 | 116 |
| | HEC0 | HY | 335 | 359 | 367 | 407 | 422 |
| | ER10 | AAA | 60 | 64 | 70 | 70 | 63 |
| | ER20 | AA | 65 | 74 | 79 | 94 | 72 |
| | ER30 | A | 93 | 99 | 107 | 123 | 98 |
| | ER40 | BBB | 117 | 124 | 134 | 163 | 146 |
| | HE10 | BB | 226 | 247 | 252 | 306 | 308 |
| | HE20 | B | 344 | 386 | 395 | 465 | 524 |
| | HE30 | CCC | 1527 | 1463 | 1499 | 1700 | 1082 |

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - DECEMBER 31, 2024

| | | 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 | -0.44 | 1.14 | 0.13 | 8.04 | 3.38 | 7.46 | 309 | 8.04 | 10.69 | 2.89 | 3.48 | 4.00 |
| JC4N | US HY BB-B | -0.54 | 1.04 | -0.23 | 6.66 | 3.43 | 6.88 | 250 | 6.66 | 9.49 | 2.38 | 2.93 | 3.56 |
| HEC0 | Euro HY | 0.63 | 0.52 | 1.77 | 8.61 | 2.80 | 5.51 | 335 | 8.61 | 10.30 | 2.50 | 2.71 | 2.72 |
| HEC5 | Euro HY BB-B | 0.73 | 0.58 | 1.90 | 8.37 | 2.79 | 4.76 | 263 | 8.37 | 10.26 | 2.52 | 2.60 | 2.42 |
| Investment Grade | | | | | | | | | | | | | |
| COA0 | US IG | -1.78 | 1.20 | -2.84 | 2.76 | 6.54 | 5.36 | 83 | 2.76 | 5.54 | -1.98 | -1.72 | 0.48 |
| C4NF | US BBB Corporates | -1.82 | 1.35 | -2.69 | 3.08 | 6.76 | 5.55 | 100 | 3.08 | 6.22 | -1.93 | -1.51 | 0.66 |
| ER00 | Europe IG | -0.43 | 1.65 | 0.81 | 4.66 | 4.40 | 3.19 | 102 | 4.66 | 6.33 | -0.91 | -0.94 | -0.23 |
| EN40 | Europe BBB | -0.36 | 1.65 | 0.96 | 5.16 | 4.47 | 3.28 | 110 | 5.15 | 2.54 | 1.69 | 1.26 | 1.01 |
| Governments (7-10 Year Indices) | | | | | | | | | | | | | |
| G4O2 | US Treasuries 7-10 Yrs | -2.24 | 0.97 | -4.57 | -0.51 | 7.05 | 4.55 | 1 | -0.51 | 1.40 | -4.28 | -4.00 | -1.35 |
| G4L0 | UK Gilts 7-10 Yrs | -1.87 | 1.76 | -2.94 | -3.10 | 7.13 | 4.49 | 0 | -3.10 | 1.17 | -5.32 | -5.18 | -3.17 |
| G4D0 | German Fed Govt 7-10 Yrs | -1.79 | 2.54 | -1.25 | 0.01 | 7.56 | 2.29 | 0 | 0.01 | 3.25 | -4.62 | -4.15 | -2.82 |
| Equities | | | | | | | | | | | | | |
| S&P | S&P 500 incl. Dividends | -2.39 | 5.87 | 2.39 | 25.00 | | | | 25.00 | 25.63 | 8.92 | 13.55 | 14.51 |
| DAX | DAX Index | 1.44 | 2.88 | 3.02 | 18.85 | YTM (%) | Discount Margin | | 18.85 | 19.58 | 7.82 | 9.76 | 8.49 |
| Loans | | | | | | | | | | | | | |
| | | | | | | | | bps (3yr life) | | | | | |
| S&P | UBS Leveraged Loan Index | 0.81 | 0.15 | 1.82 | 9.05 | 8.78 | | 475 | 9.05 | 11.03 | 6.84 | 6.48 | 5.73 |
| S&P | UBS Western European Leveraged Loan Index | 0.51 | 0.91 | 2.21 | 8.53 | 7.33 | | 472 | 8.53 | 10.48 | 5.69 | 5.42 | 4.81 |

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

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CREDIT MARKET UPDATE

US:

In the US, asset values declined across the board given a rise in Treasury yields. Markets ended 2024 on a softer note as investors and the Federal Reserve (Fed) reduced 2025 rate cut expectations on persistent inflation. Although both the Fed and the European Central Bank (ECB) cut policy rates in December, Chairman Jerome Powell raised concerns around the Fed's inflation forecasts and potential signs of returning inflation. This Fed messaging weighed on US sentiment through December as the US 10-year Treasury yield rose back close to year-to-date highs and credit spreads widened after touching 10-year lows mid-month. Primary and secondary markets were seasonally quiet as we entered the holiday period with the market lacking direction through most of the second half of the month.

Europe:

In Europe, credit markets were mixed. December saw European spreads rally back from the previous month's widening, drawing investor interest on relative value as US spreads were flat in both investment grade and high yield.

EM:

Emerging Market (EM) corporates ended a strong year on a somewhat muted note, impacted by rising US government yields as investors and central banks recalibrated expectations for the incoming Trump administration. This, combined with tight credit spreads and exhausted equity markets, led to a soft end to 2024. This month EM corporates outperformed EM sovereigns, and EM corporates outperformed US corporates (both investment grade and high yield). Within EM high yield, we saw outperformance from Asia, while within EM investment grade the outperformer was Eastern Europe. Latin America lagged across both sub-asset classes. As the year ended, the primary market was also less buoyant than in recent previous months, with Asia contributing most significantly to supply. This month, Brazil's central bank surprised with a rate hike, while Turkey's central bank surprised with a rate cut.

Outlook

Looking ahead, we expect continued strong technicals and fundamentals that could support relatively tight spread levels. We believe new issuance (gross and net) is likely to pick up, creating both potential opportunities and some volatility. In our view, the default outlook should remain quite modest, with a low maturity wall through 2025. The US high yield market could broadly benefit from the new administration's focus on domestic growth and deregulation, but certain sectors and credits may be disproportionately impacted by new policies. As such, we plan to retain the flexibility to take advantage of market and/or credit pullbacks as they occur.

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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.

CS Leveraged Loan Index - The CS 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.

CS Western European Leveraged Loan Index - The CS 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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