Muzinich & Co. Corporate Credit Snapshot | March 2023

Muzinich & Co

KEY TAKEAWAYS

-Global credit delivered mostly positive returns as fears of bank contagion diminished and rate volatility subsided by month-end

-Economic releases were generally supportive of less hawkish Federal Reserve (Fed) action, with moderating inflation evident from an array of data

-After a resolution was reached regarding the Credit Suisse-UBS merger, markets renewed their focus on inflation, culminating with the European Central Bank's 50 basis point rate increase, despite banking sector uncertainty. However, forward guidance was also removed, indicating that this current rate hiking cycle may be drawing to a close

-While the banking turmoil of the Western world impacted EM performance this month, volatility remained range bound and fears of contagion around financial stability and systemic risk were felt less keenly

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US$4.9 billion in high yield outflows, US$4.4bn billion in leveraged loan retail outflows MTD (through 03.31)

HY New Issuance*	US	EUROPE
YTD	US$40.5 bn	US$15.5 bn
MTD	US$5.6 bn	US$3.5 bn
Loan New Issuance*	**US**	
YTD	US$70.3 bn	
MTD	US$17.4 bn	

Main Market Driver		
Macro: Banking concerns, rates		
Micro: Weaker technical		
Default Rates**	**US**	**EUR**
LTM	2.5%	2.2%

US New Issuance Names (500 mn and above) MTD

Frontier Communications, Teva Pharmaceuticals, Ritchie Bros., Novacord

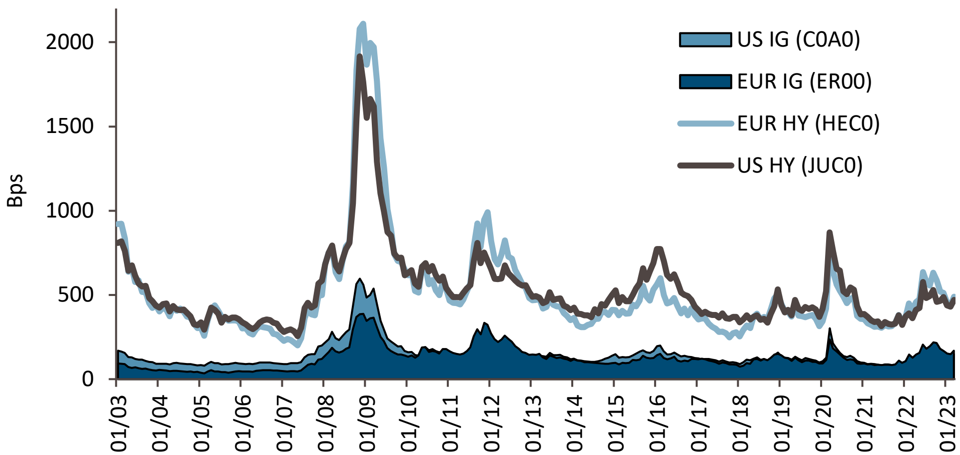
US New Issuance Pipeline (Announced)

There are no new issuances in this reporting period.

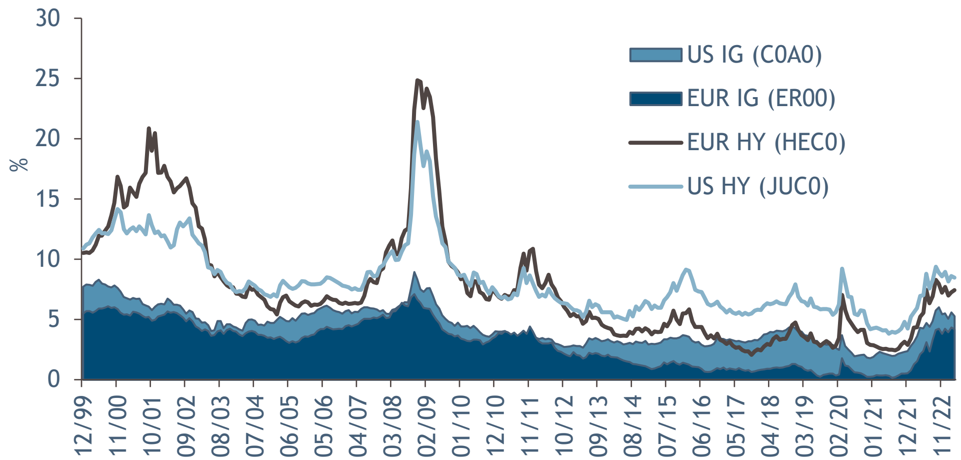
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

CAPITAL AT RISK.
The value of investments and the income from them may fall as well as rise, and is not guaranteed. Investors may not get back the full amount invested.

CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



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 March 31st, 2023. 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. Data as of March 31st, 2023. **Moody's Default Report as of February 28th, 2023. Most recent data available used.

2023-04-06-10630

www.muzinich.com | info@muzinich.com

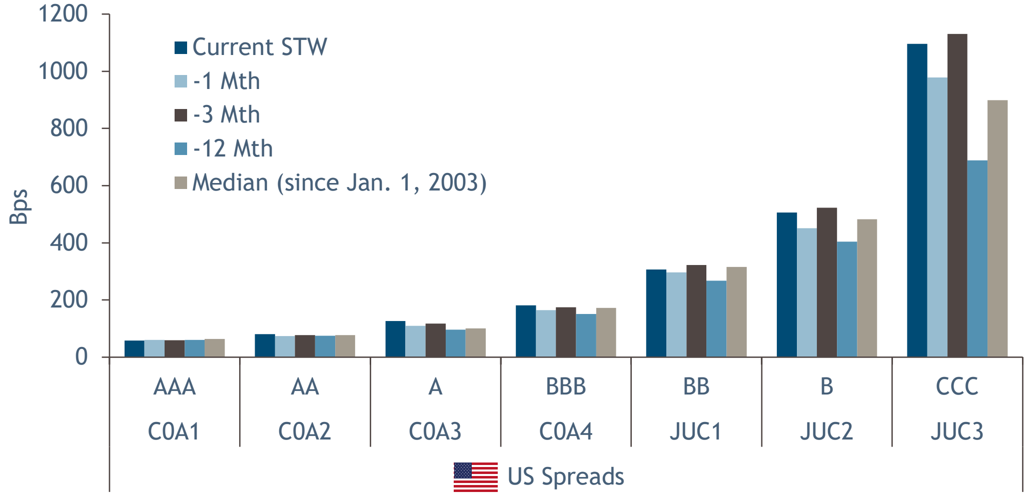
Muzinich & Co. Corporate Credit Snapshot | March 2023

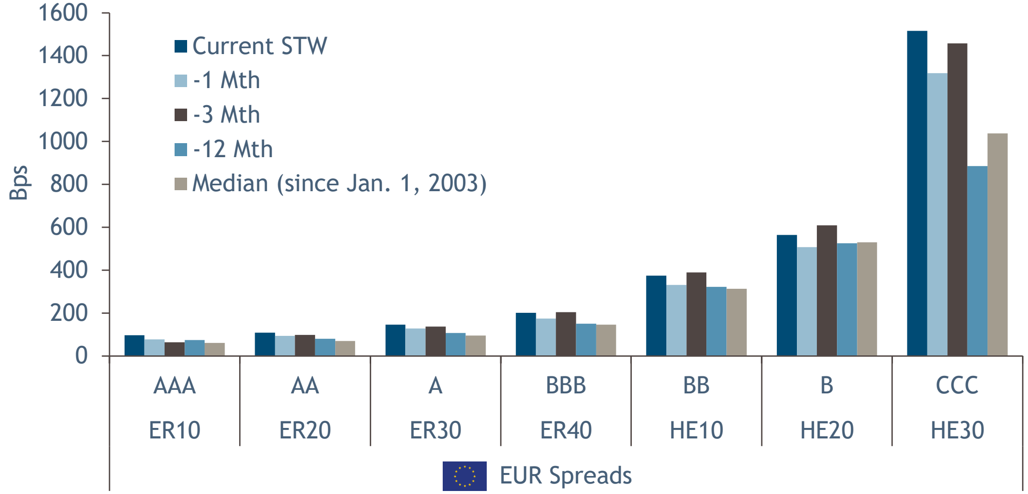
Muzinich & Co

CORPORATE BOND SPREADS (STW) – March 31, 2023

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	C0A0	IG	148	132	141	121	131
	JUC0	HY	470	431	487	362	462
	JUC4	BB/B	397	366	409	324	391
	C0A1	AAA	58	60	59	60	64
	C0A2	AA	80	74	77	75	77
	C0A3	A	126	109	117	96	101
	C0A4	BBB	181	164	174	151	172
	JUC1	BB	307	296	322	267	315
	JUC2	B	506	451	523	404	482
	JUC3	CCC	1096	979	1131	688	899
EM	EMCL	All	313	276	293	288	311
EUR	ER00	IG	170	148	167	127	115
	HEC0	HY	489	436	512	410	428
	ER10	AAA	97	77	64	74	61
	ER20	AA	109	94	98	80	70
	ER30	A	146	128	137	107	96
	ER40	BBB	201	175	205	151	146
	HE10	BB	375	331	389	323	314
	HE20	B	564	507	609	525	530
	HE30	CCC	1515	1318	1457	885	1038

CORPORATE BOND SPREADS (STW)





Muzinich views and opinions are for illustrative purposes only and not to be construed as investment advice. Unless stated otherwise all data is sourced by Bloomberg as of March 31st, 2023. Full information on indices is provided on page 5.

For Professional Clients/Qualified/Institutional & Accredited Investors Only

Muzinich & Co. Corporate Credit Snapshot | March 2023

MARKET PERFORMANCE % AND STATISTICS – MARCH 31, 2023

		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	1.11	-1.30	3.67	3.67	4.08	8.46	470	-3.48	-1.90	5.80	2.33	3.05
JC4N	US HY BB-B	1.55	-1.48	3.60	3.60	4.17	7.68	393	-2.89	-1.66	5.40	2.42	3.20
HEC0	Euro HY	-0.37	-0.17	2.65	2.65	3.17	7.42	489	-4.51	-3.83	4.18	0.48	0.78
HEC5	Euro HY BB-B	0.22	-0.29	3.03	3.03	3.29	6.76	424	-4.33	-3.68	3.73	0.05	0.49
Investment Grade													
C0A0	US IG	2.56	-2.91	3.45	3.45	7.00	5.25	148	-5.19	-4.75	-0.28	0.86	1.67
C4NF	US BBB Corporates	3.05	-3.21	3.90	3.90	7.29	5.41	166	-5.09	-4.89	1.00	1.13	1.84
ER00	Europe IG	1.02	-1.44	1.57	1.57	4.57	4.17	170	-7.74	-6.66	-1.86	-2.20	-1.31
EN40	Europe BBB	0.82	-1.27	1.89	1.89	4.64	4.33	185	-7.99	-4.08	-2.74	-2.06	-1.65
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	3.67	-3.19	3.54	3.54	7.60	3.49	0	-5.58	-4.71	-5.17	-0.22	0.94
G4L0	UK Gilts 7-10 Yrs	2.58	-2.68	2.70	2.70	7.46	3.41	-4	-10.78	-7.72	-6.28	-3.29	-1.67
G4D0	German Fed Govt 7-10 Yrs	2.88	-2.72	2.24	2.24	7.86	2.26	0	-11.68	-9.22	-6.60	-4.40	-2.50
Equities													
S&P	S&P 500 incl. Dividends	3.66	-2.44	7.47	7.47				-7.75	3.28	18.58	11.60	11.17
DAX	DAX Index	1.72	1.57	12.25	12.25	**YTM (%)**	**Discount Margin**		8.42	2.05	16.30	7.91	5.26
Loans							bps (3yr life)						
CS Leveraged Loan Index		-0.10	0.63	3.11	3.11	9.68	609		2.12	2.67	8.38	3.60	3.55
CS Western European Leveraged Loan Index		0.02	0.79	3.56	3.56	9.33	597		0.69	1.50	7.66	2.52	2.35

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future performance and should not be the sole factor of consideration when selecting a product or strategy.

Muzinich views and opinions are for illustrative purposes only and not to be construed as investment advice. All performance, duration, yield and spread data sourced by Bloomberg as of March 31st, 2023. Full information on indices is provided on page 5. Index performance is for illustrative purposes only. You cannot invest directly in the index.

CREDIT MARKET UPDATE

US

US markets delivered positive returns in March. Closing out a volatile month, risk assets snapped back strongly in the last week of the reporting period as fears of bank contagion diminished and rate volatility subsided. Declining market stress, as measured by both the VIX (the Chicago Board Options Exchange's Volatility Index) and the MOVE (the Merrill Lynch Option Volatility Estimate Index), was particularly beneficial to risk assets. Economic releases were generally supportive of less hawkish Federal Reserve (Fed) action, with moderating inflation evident from slowing manufacturing activity, higher wholesale & retail inventories, higher jobless claims, and softer personal spending/consumer sentiment and income/PCE (Personal Consumer Expenditure). This month, performance was generally better for corporates at the upper end of the investment grade and high yield rating tiers. Longer duration assets outperformed during March. Although rates and spreads delivered some wild swings during the first quarter of the year, they ended up relatively unchanged since 1st January 2023. In turn, credit has demonstrated the resilient power of the carry with healthy, positive returns.

EUROPE

European credit markets delivered mixed returns in March driven primarily by turmoil in the banking sector. Following the liquidation of several US regional banks, fears of contagion around financial stability and systemic risk had already roiled the European markets when Credit Suisse was hit by the news that its largest shareholder would not inject further capital into the bank. The terms of the subsequent Credit Suisse-UBS merger caused further market volatility. After a resolution was reached, markets renewed their focus on inflation and central bank rhetoric into month end. Efforts to contain inflation remained at the forefront of the European Central Bank's (ECB) message, with CPI (Consumer Price Index) data indicating inflation was at 8.5% in February—in-line with expectations, but well above the ECB's 2% target (Source: Financial Times, as of 2nd March 2023). As a result, the ECB implemented its promised 50 basis point rate increase, despite banking sector uncertainty. However, forward guidance was also removed, indicating that this current rate hiking cycle may be drawing to a close.

EM

Emerging Markets (EM) gained in March. While the banking turmoil of the Western world impacted EM performance this month, volatility remained range bound and fears of contagion around financial stability and systemic risk were felt less keenly. Asia headline inflation moved broadly lower this month, however core inflation pressures should keep a number of central banks hiking rates. We note the surprise hike by Taiwan at the close of the month, and expect to see further hikes in the Philippines, Thailand, and India. Meanwhile, in Latin America, Mexico and Colombia's central banks each hiked 25 basis points, and we now expect both central banks to pause. In-line with global developments, inflation remains stubbornly high in Europe, the Middle East, and Africa. As a result, central banks are anchoring expectations by dampening expectations of rate cuts, even where growth is weak. Central and Eastern European central banks are also pushing against easing expectations with Hungary and the Czech Republic turning more hawkish than expected.

OUTLOOK

A few weeks ago, the world faced global bank stress which it feared could be systemic. While those concerns have subsided, they have highlighted significant unrealized losses in the banking system which may impact future growth if lenders become more cautious. Meanwhile the market is already contending with a weaker economic/earnings outlook for the year and increasing credit downgrades. Adding to the accumulating domestic and global geopolitical challenges, we are now seeing the indictment of a former US President and a surprise cut in oil production from OPEC. We may not be experiencing the Goldilocks conditions of late January/early February, and it feels like the market is glossing over genuine concerns. As our attention turns to first quarter earnings, it will be interesting to see how long we stay at these lower spread levels, especially if new issues ramp up. We are positioning portfolios to take advantage of shorter-term pull-to-par opportunities, as well as convex, defensive credits. However, given heightened levels of uncertainty, we are looking to reduce credit risk in our portfolios in anticipation of ongoing periods of volatility. We believe that higher rated corporate bonds are offering attractive yields for investors who are looking for carry and modest volatility.

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;
C0A0 – ICE BofA US Corporate Index;
C0A1 - ICE BofA AAA US Corporate Index;
C0A2 - ICE BofA AA US Corporate Index;
C0A3 - ICE BofA Single-A US Corporate Index;
C0A4 - 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.

Important Information

"Muzinich & Co.", "Muzinich" and/or the "Firm" referenced herein is defined as Muzinich & Co. Inc. and its affiliates. This material has been produced for information purposes only and as such the views contained herein are not to be taken as investment advice. Opinions are as of date of publication and are subject to change without reference or notification to you. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. The value of investments and the income from them may fall as well as rise and is not guaranteed and investors may not get back the full amount invested. Rates of exchange may cause the value of investments to rise or fall. Emerging Markets may be more risky than more developed markets for a variety of reasons, including but not limited to, increased political, social and economic instability; heightened pricing volatility and reduced market liquidity.

Any research in this document has been obtained and may have been acted on by Muzinich for its own purpose. The results of such research are being made available for information purposes and no assurances are made as to their accuracy. Opinions and statements of financial market trends that are based on market conditions constitute our judgment and this judgment may prove to be wrong. The views and opinions expressed should not be construed as an offer to buy or sell or invitation to engage in any investment activity, they are for information purposes only.

This document contains forward-looking statements, which give current expectations of future activities and future performance. Any or all forward-looking statements in this document may turn out to be incorrect. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Although the assumptions underlying the forward-looking statements contained herein are believed to be reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurances that the forward-looking statements included in this discussion material will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation that the objectives and plans discussed herein will be achieved. Further, no person undertakes any obligation to revise such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The content of this document 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 document 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 document may be subject to change at any time without notice. Opinions and statements of financial market trends that are based on market conditions constitute our judgment and are subject to change without notice. Historic market trends are not reliable indicators of actual future market behaviour. 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.

United States: This material is for Institutional Investor use only – not for retail distribution. Muzinich & Co., Inc. is a registered investment adviser with the Securities and Exchange Commission (SEC). Muzinich & Co., Inc.'s being a Registered Investment Adviser with the SEC in no way shall imply a certain level of skill or training or any authorization or approval by the SEC.

Issued in the European Union by Muzinich & Co. (Ireland) Limited, which is authorized and regulated by the Central Bank of Ireland. Company registration No. 307511. Registered address: 32 Molesworth Street, Dublin 2, D02 Y512, Ireland. Issued in Switzerland by Muzinich & Co. (Switzerland) AG. Registered in Switzerland No. CHE-389.422.108. Registered address: Tödistrasse 5, 8002 Zurich, Switzerland. Issued in Singapore and Hong Kong by Muzinich & Co. (Singapore) Pte. Limited, which is licensed and regulated by the Monetary Authority of Singapore. Registered in Singapore No. 201624477K. Registered address: 6 Battery Road, #26-05, Singapore, 049909. Issued in all other jurisdictions (excluding the U.S.) by Muzinich & Co. Limited. which is authorized and regulated by the Financial Conduct Authority. Registered in England and Wales No. 3852444. Registered address: 8 Hanover Street, London W1S 1YQ, United Kingdom. 2022-08-24-9272