

Muzinich & Co. Corporate Credit Snapshot | May 2025

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KEY TAKEAWAYS

-Global credit generated positive returns in May. Spreads rallied as tariff negotiations appeared to be making progress, and the Trump administration continued to walk back initial proposals

-As might be expected in a month of spread tightening, high yield outperformed investment grade. Within the investment grade universe, Europe outperformed thanks to a more benign rate environment

-Rates generally moved higher—particularly in the US—and the Federal Reserve stayed on hold as inflationary concerns persisted. The US sovereign was downgraded from AAA to Aa1 by Moody's mid-month; however, left-tail risks unwound by month-end

-The EM corporate universe slightly outperformed its sovereign counterpart, reflecting a return of investor risk appetite and wariness of the longer duration profile of the sovereign universe

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$5.6 billion in high yield inflows, US\$1.9 billion in leveraged loan retail inflows MTD (through 05.31)

HY New Issuance*	US	EUROPE
YTD	US\$108.9 bn	US\$43.4 bn
MTD	US\$32.0bn	US\$18.1 bn
Loan New Issuance*	US	
YTD	US\$374.5 bn	
MTD	US\$31.5 bn	

Main Market Driver

Macro: Tariff Negotiations

Micro: HY and Loan Inflows; Higher Issuance

Default Rates

(Dollar weighted)**

	US	EUR
LTM	1.7%	2.0%

US New Issuance Names (500 mn and above) MTD

IPL, Pennymac Fin Svcs Inc., Builders Firstsource, Fair Isaac Corp, Newell Brands, Shift4 Payments, Voyager Parent, Carnival Corp., Crown Americas, Transdigm Inc., Bombardier Inc., Navient Corp, Avis Budget Car, Herc Holdings Inc., RHP Hotel, Davita Inc., Sabre Global Inc., Teva Pharmaceuticals, Coreweave Inc., CACI International Inc., AmeriGas, Endeavour Mining, Trivium Packaging, Flutter, OneMain Finance, Goodyear Tire, Civitas Resources, New Flyer Holdings

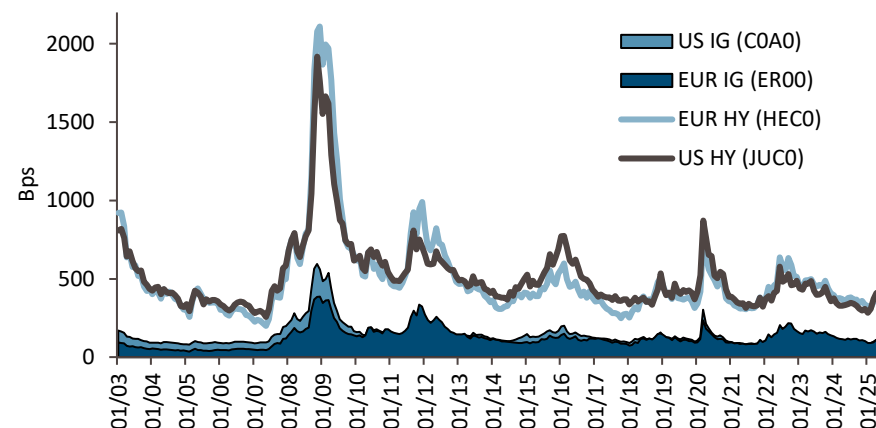
US New Issuance Pipeline (Announced)

Allied Universal

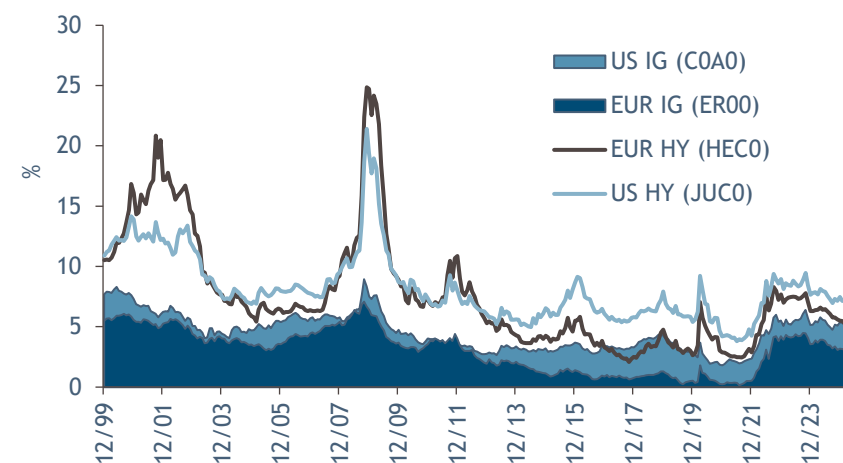
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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 May 31st, 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 April 30th, 2025. Most recent data available used.

CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



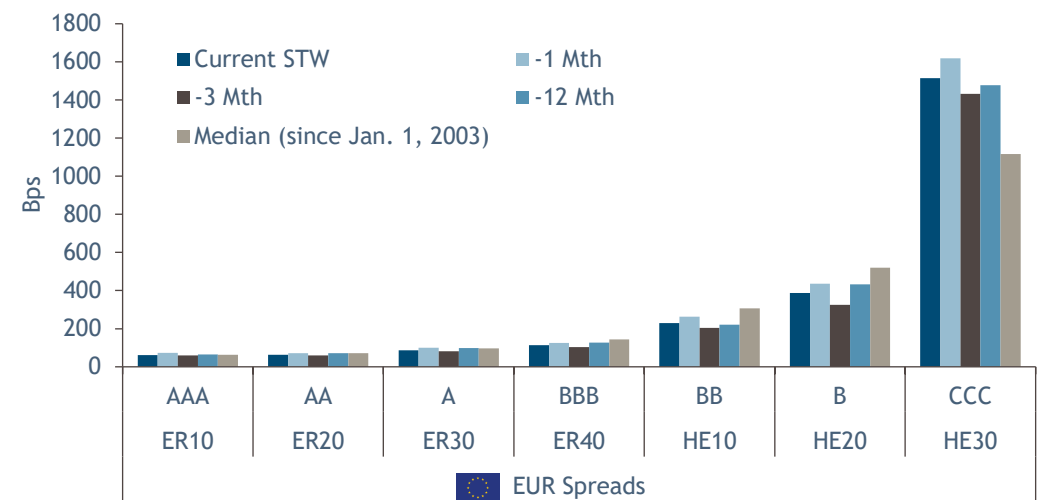
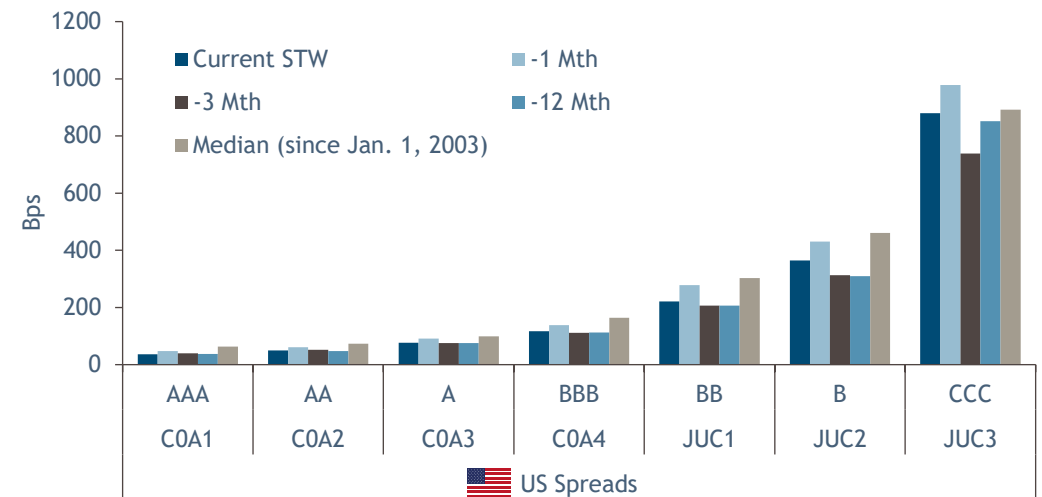
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CORPORATE BOND SPREADS (STW) - MAY 31, 2025

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	93	110	90	90	128
	JUC0	HY	348	411	308	332	439
	JUC4	BB/B	278	338	248	250	371
	COA1	AAA	36	47	40	37	63
	COA2	AA	50	61	52	48	73
	COA3	A	77	91	76	75	99
	COA4	BBB	117	138	111	112	164
	JUC1	BB	221	278	206	207	303
	JUC2	B	364	431	313	310	461
	JUC3	CCC	880	978	739	852	892
EM	EMCL	All	192	221	181	191	298
EUR	ER00	IG	97	111	91	110	116
	HEC0	HY	348	394	314	351	419
	ER10	AAA	62	73	60	65	63
	ER20	AA	63	72	59	72	71
	ER30	A	86	100	82	99	97
	ER40	BBB	113	126	104	127	144
	HE10	BB	230	263	205	221	306
	HE20	B	387	436	325	432	520
	HE30	CCC	1515	1619	1432	1477	1117

CORPORATE BOND SPREADS (STW)



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MARKET PERFORMANCE % AND STATISTICS - MAY 31, 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	1.68	0.00	1.69	2.67	3.22	7.49	348	9.24	10.17	6.62	3.61	5.78
JC4N	US HY BB-B	1.53	0.02	1.55	2.68	3.28	6.82	281	8.02	9.06	5.93	3.21	4.99
HEC0	Euro HY	1.34	0.29	1.63	2.29	2.84	5.51	348	8.31	9.49	6.46	2.68	4.65
HEC5	Euro HY BB-B	1.28	0.45	1.74	2.20	2.84	4.75	274	8.12	9.30	6.44	2.66	4.30
Investment Grade													
COA0	US IG	0.00	-0.03	-0.02	2.34	6.45	5.23	93	5.80	5.23	3.03	-0.48	0.40
C4NF	US BBB Corporates	0.22	-0.26	-0.05	2.23	6.60	5.46	114	5.90	5.73	3.52	-0.38	0.91
ER00	Europe IG	0.52	0.91	1.44	1.60	4.47	3.08	97	6.55	5.88	2.82	-0.33	0.60
EN40	Europe BBB	0.49	0.89	1.39	1.54	4.51	3.20	108	6.87	3.38	2.24	1.67	1.34
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	-1.18	1.01	-0.18	3.69	7.12	4.30	0	5.93	1.78	0.22	-2.05	-2.69
G4L0	UK Gilts 7-10 Yrs	-1.17	2.24	1.05	1.96	7.05	4.51	-1	2.74	3.01	-2.19	-3.68	-3.77
G4D0	German Fed Govt 7-10 Yrs	-0.22	2.38	2.15	0.28	7.61	2.42	0	4.35	1.88	-1.16	-3.45	-3.10
Equities													
S&P	S&P 500 incl. Dividends	6.29	-0.68	5.57	1.06				13.50	20.61	14.39	10.52	15.92
DAX	DAX Index	6.67	1.50	8.27	20.54	YTM (%)	Discount Margin		29.73	23.77	18.59	11.69	15.68
Loans								bps (3yr life)					
S&P UBS Leveraged Loan Index		1.58	-0.07	1.52	2.14	8.34		472	6.94	10.03	8.49	6.24	7.51
S&P UBS Western European Leveraged Loan Index		1.43	-0.28	1.14	2.14	7.11		458	6.55	8.62	7.56	5.31	6.40

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

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CREDIT MARKET UPDATE

US:

US credit markets generated positive returns in May as concerns eased over left-tail risks associated with reciprocal tariffs and the US sovereign losing its AAA credit rating. These constructive developments caused high yield credit to outperform. Spread compression stalled later in the month: tensions flared again between the US and China, the US threatened higher tariffs on the EU, and Russia-Ukraine peace talks disappointed. Rates generally moved higher, causing longer duration credit to lag. The Federal Reserve stayed on hold as inflationary concerns persisted. While primary markets were active, spreads continued to tighten as demand remained strong and inflows were recorded across key markets.

Europe:

European credit markets generated positive returns in May. Spreads rallied as tariff negotiations appeared to be making progress and the Trump administration continued to walk back initial proposals. As might be expected in a month of spread tightening, high yield outperformed investment grade. Within the investment grade universe, Europe outperformed thanks to a more benign rate environment. Spread compression stalled later in the month: tensions flared again between the US and China, the US threatened higher tariffs on the EU, and Russia-Ukraine peace talks disappointed. Rates generally moved higher—particularly in the US—and the Federal Reserve stayed on hold as inflationary concerns persisted. The US Treasury curve was downgraded from AAA to Aa1 by Moody's mid-month; however, left-tail risks unwound by month-end. While primary markets were active, spreads continued to tighten—demand remained strong, and inflows were recorded across key markets.

EM:

Emerging market (EM) debt delivered positive results in May. The EM corporate universe slightly outperformed its sovereign counterpart, reflecting a return of investor risk appetite and wariness of the longer duration profile of the sovereign universe. Meanwhile, high yield credit significantly outperformed investment grade, benefiting from the removal of reciprocal US tariff tail risks and lower sensitivity to government bond yields. In our view, BB rated credit was the sweet spot this month as investors looked to add back risk, with a preference for quality high yield balance sheets. Market confidence was further supported by constructive comments from the Mexican government regarding support for its state-run energy sector, as well as strongly oversubscribed new issuance in Israel's healthcare sector—both significant index constituents—which contributed to positive price action. Regionally, Asian credit was a clear winner, benefiting from favorable trade negotiations and dovish central banks, which continued to loosen policy. Meanwhile, at the sector level, autos stood out, supported by attractive valuations and the unwinding of worst-case tariff scenarios. In contrast, the quasi-sovereign sector underperformed, largely due to its greater sensitivity to government bond yields.

Outlook

Looking ahead, we believe there is room for further curve steepening in the US and that higher yields could put more pressure on global growth. US earnings could slow due to “higher for longer” rates, tariff headwinds, geopolitical uncertainty, and muted mergers & acquisitions activity. Still, we expect credit markets to remain healthy. We continue to find good value in Europe with regards to duration and credit risk. In the US, fundamentals remain stable, and we maintain a preference for more defensive sectors. In our view, valuations remain fair, and market technicals are strong.

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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;
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.

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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