

Key Takeaway*

- Global fixed income was generally positive except for European investment grade and sovereigns. Treasuries benefitted from Federal Reserve statements aimed at soothing investor worries about inflation
- Loans outperformed due to strong technical demand for the asset class from retail investors fearful of the potential for higher rates and CLOs
- Eurozone inflation rose to 2% in May, the first time the rate has gone above the European Central Bank's (ECB) target in over two years
- Central banks worldwide continued their reflationary policies, contributing to another strong month for commodities

High Yield and Leveraged Loan Technicals

US Retail Fund Flows**

-\$4.6 billion in high yield outflows, \$2.8 billion in leveraged loan retail inflows MTD (through 5.31)

HY New Issuance**

	US	EUROPE
YTD	\$257.2 bn	\$71.1 bn
MTD	\$49.2 bn	\$13.1 bn

Loan New Issuance**

	US	EUR
YTD	\$423.23 bn	
MTD	\$47.4 bn	

Main Market Driver*

Macro: Rate stabilization
Micro: Mixed flows, continued issuance

Default Rates***	US	EUR
LTM	6.6%	4.5%

Default rates are dollar weighted. Through 04.30.21. Trailing 12 months.

US & European figures through May 31

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

T-Mobile, EQT Corp, DT Midstream, Tullow Oil, Bausch Health, Goodyear, Community Health, Allied Universal, Dish Network, Univision Communications, Clear Channel Outdoor, Square Inc, Studio City, Boyd Gaming, TKC Holdings Inc, Hilton Grand Vacations, Suburban Propane, SRS Distribution, Antero Midstream, Cabinetnetworks, Renewable Energy Group, Herbalife Nutrition, Kaiser Aluminum, JBS USA, Garda World Security, Deluxe Corp, Lithia Motors

US New Issuance Pipeline MTD (Announced*)

CQP Holdco, Service Corp, Conduent, Park Hotels & Resorts, Penn Virginia, Innovative Industrial Properties, LSF9 Atl Holdings, JSW Hydro Energy

Source: Muzinich

Market Performance % and Statistics as of 2021-05-31

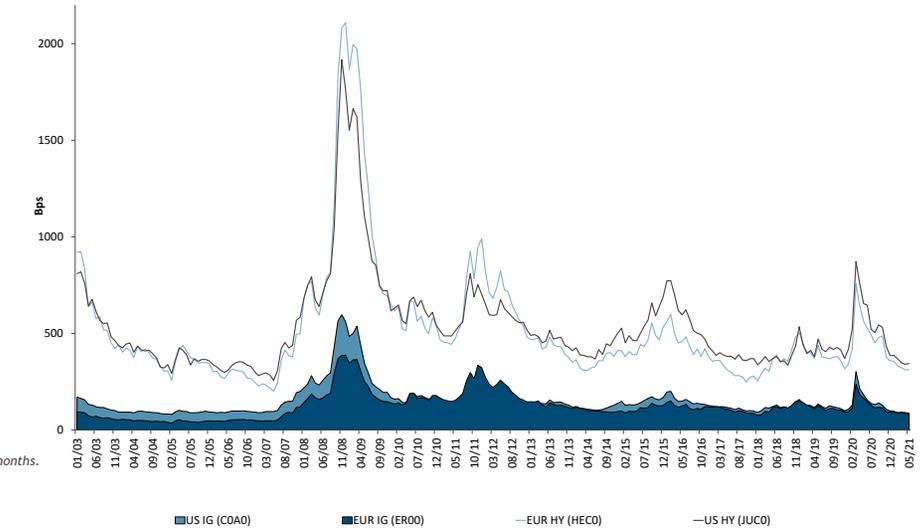
		Performance				Characteristics		
		MTD	Pr.Mth	QTD	YTD	DTW	YTW	STW
High Yield								
JUC0	US HY Cash Pay Constr.	0.27	1.09	1.37	2.19	3.70	4.10	344
JC4N	US HY BB/B Non-Fncl. Constr.	0.21	1.06	1.26	1.57	3.83	3.78	310
HEC0	Euro HY Constr.	0.20	0.66	0.86	2.43	3.49	2.57	312
HEC5	Euro HY BB/B Non-Fncl. Constr.	0.16	0.56	0.72	1.96	3.54	2.35	290
Investment Grade								
COA0	US Corp Master	0.70	1.19	1.90	-2.68	8.05	2.14	86
C4NF	US Corporate BBB Non-Financial	0.78	1.19	1.98	-2.31	8.30	2.44	109
ER00	EMU Corp	-0.15	0.00	-0.15	-0.86	5.33	0.37	86
EN40	EMU Corp BBB Non-Financial	-0.16	0.10	-0.06	-0.60	5.44	0.49	96
Governments (7-10 Yr Indices)								
G402	U.S. Treasuries 7-10 Yrs	0.55	1.02	1.57	-4.33	7.97	1.46	0
G4L0	UK Gilts 7-10 Yrs	0.46	0.07	0.53	-4.25	7.82	0.72	-3
G4D0	German Fed Govt 7-10 Yrs	-0.10	-0.74	-0.84	-2.62	8.13	-0.31	-1
Equities								
S&P	S&P 500 incl. Dividends	0.70	5.34	6.07	12.61			
DAX	DAX Index	1.88	0.85	2.75	13.13			
Loans								
CS Leveraged Loan Index		0.52	0.51	1.03	3.06	(3yr life) 4.16%	(3yr life) 472	
CS Western European Leveraged Loan Index		0.42	0.43	0.85	2.59	3.75%	408	

All performance, duration, yield and spread data downloaded from Bloomberg.

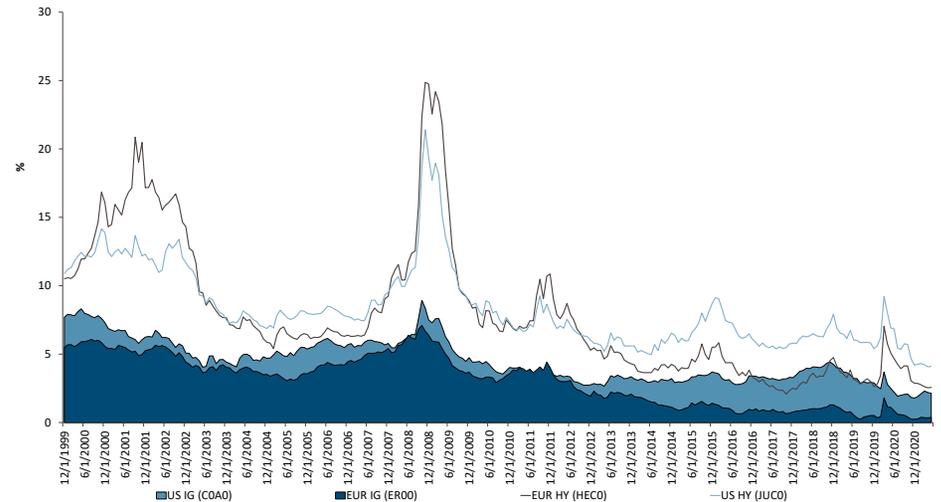
Past performance is not indicative of future results.

*Muzinich & Co. views and opinions, not to be construed as investment advice. **JP Morgan for U.S. and Credit Suisse for Europe; European figures include non-Euro issues of European companies. ***Moody's Default Report

Corporate Bond Spreads (STW) by Index

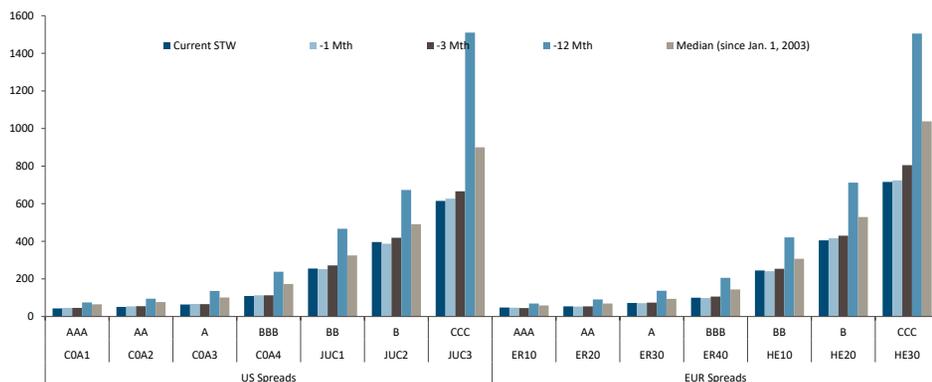


Corporate Bond Yields (YTW) by Index



Corporate Bond Spreads (STW) as of 2021-05-31

US/EM	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US/EM	COA0	IG	86	90	89	182	131
	JUC0	HY Constrained	344	340	369	654	470
	JUC4	BB/B	309	303	328	542	399
	COA1	AAA	43	46	46	75	65
US Spreads	COA2	AA	51	54	55	95	77
	COA3	A	64	67	66	136	101
	COA4	BBB	109	113	113	238	173
	JUC1	BB	255	252	272	467	325
	JUC2	B	396	387	419	673	491
	JUC3	CCC	615	627	666	1510	900
	EM Spreads	EMCL	Emerging Markets	254	259	253	472
EUR							
EUR	ER00	IG	86	84	88	165	113
	HEC0	HY Constrained	312	311	331	562	422
	ER10	AAA	48	47	45	69	59
	ER20	AA	54	53	54	91	69
	ER30	A	72	71	74	137	94
	ER40	BBB	100	98	106	206	144
	HE10	BB	245	241	254	421	307
	HE20	B	405	416	430	712	529
	HE30	CCC	716	724	805	1505	1038



Credit Market Update*

US:

US credit was positive for the month led by longer duration on the back of a modest rally in US Treasuries. Treasuries benefitted from Federal Reserve statements aimed at soothing investor worries about inflation. In this environment, high yield generated coupon minus returns and loans outperformed due to strong technical demand for the asset class from retail investors fearful of the potential for higher rates and CLOs. High yield issuance continued elevated, delivering the highest issuance for any May on record. Although the use of proceeds remains majority refinancing, we are seeing new issuers come to the market and we are beginning to see more shareholder-friendly actions like M&A, stock buy backs, and dividends. There were no defaults this month and Q1 earnings announcements ended up beating expectations. We believe corporate fundamentals will remain strong as economies re-open and consumers with pent-up demand start spending again. We believe there should be a very benign default outlook going forward.

Europe:

May was a positive month for European high yield credit markets, however investment grade lagged as European rates underperformed due to inflation concerns amidst an improving economic outlook. Eurozone inflation rose to 2% in May, the first time the rate has gone above the European Central Bank's (ECB) target in over two years. In our view, the ECB will take stock of such increased inflation but will maintain an accommodative monetary policy well into the recovery phase. By the end of the year, we expect to have a clearer view on whether this inflation is transitory or more structural. With countries across the eurozone seeing successful vaccinations bolstering economic recovery, a rebound seems clear, although labour shortages could prove a slight roadblock.

EM:

Emerging Market (EM) fixed income returns were positive in May driven by the stability of US rates and encouraging global COVID-19 data. US Treasuries benefitted from Federal Reserve statements aimed at soothing investor inflation worries. Central banks worldwide continued their reflationary policies, contributing to another strong month for commodities. While there was significant unrest in certain EM regions (i.e., Colombia, Peru, and Israel), the month ended slightly more peacefully. India, which has been the epicenter of COVID-19 cases most recently, seems to have seen the peak of its second wave. Positive global momentum for vaccine programs continues to support investor enthusiasm.

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. 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. EMCL - The ICE BofA ML US Emerging Markets Liquid Corporate Plus Index tracks the performance of the U.S. dollar denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets. Qualifying issuers must have risk exposure to countries other than members of the FX G10, all Western European countries, and territories of the U.S. and Western European countries. 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 \$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. 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 behavior. 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 is not indicative of future performance. Investments are impacted by market conditions. Historic market trends are not reliable indicators of actual future market behavior. You cannot invest directly into an index. Issued in the European Union by Muzinich & Co. (Dublin) Limited, which is authorized and regulated by the Central Bank of Ireland. Registered in Ireland No. 625717. Registered address: 16 Fitzwilliam Street Upper, Dublin 2, D02Y221, 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. All Muzinich entities referred to above are subsidiaries of Muzinich & Co., Inc. Muzinich & Co., Inc. is a registered investment adviser with the Securities and Exchange Commission. Muzinich & Co., Inc.'s being a registered investment adviser with the Securities Exchange Commission (SEC) in no way shall imply a certain level of skill or training or any authorization or approval by the SEC.

*Muzinich & Co. views and opinions, not to be construed as investment advice.