

Muzinich & Co. Corporate Credit Snapshot | July 2025

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KEY TAKEAWAYS

- Global credit generated positive returns across the board in July. Globally, BB/B bond yields edged higher as investors weighed the potential end of the European Central Bank's (ECB's) policy cycle alongside the inflationary implications of the US administration's tariff measures and approaching August reciprocal deadlines
- Credit markets performed strongly, with spreads tightening—particularly in high yield—driven by continued demand for yield enhancement and supportive supply dynamics. Limited net issuance left investors with a shrinking pool of securities to absorb persistent inflows
- Both the ECB and Federal Reserve kept rates on hold. The ECB press conference was interpreted somewhat hawkishly, with President Lagarde seeming to conclude that the bar for further cuts is higher than the market expects
- Emerging market (EM) debt delivered positive results in July. The US imposed a 25% tariff on India (with additional tariffs to come) as intended punishment for continuing to buy crude oil and defence equipment from Russia

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$2.0 billion in high yield inflows, US\$2.5 billion in leveraged loan retail inflows MTD (through 07.31)

HY New Issuance*	US	EUROPE	Main Market Driver
YTD	US\$183.0 bn	US\$88.3 bn	Macro: Better than expected earnings. Tariff hopes
MTD	US\$37.5 bn	US\$18.2 bn	Micro: Strong HY technicals
Loan New Issuance*	US		Default Rates (Dollar weighted)**
YTD	US\$643.1 bn		US EUR
MTD	US\$202.4 bn		LTM 2.0% 5.9%

US New Issuance Names (500 mn and above) MTD

American Bath, Hilton, Arbor Realty, Carnival Corp., Burford Capital, Gray Media Inc., Nissan Motor Co., Macy's Retail, Univision Communications, AECOM, KIOXIA Holdings Corp, Osaic Holdings, Standard Building Solutions, Ameritex Holdco, Clear Channel Outdoor, Coreweave Inc., Pagaya US Holdings, Flutter Entertainment, Solenis, Patterson, Advance Auto Parts, Community Health Systems, OneMain Finance, EW Scripps Co, Digicel

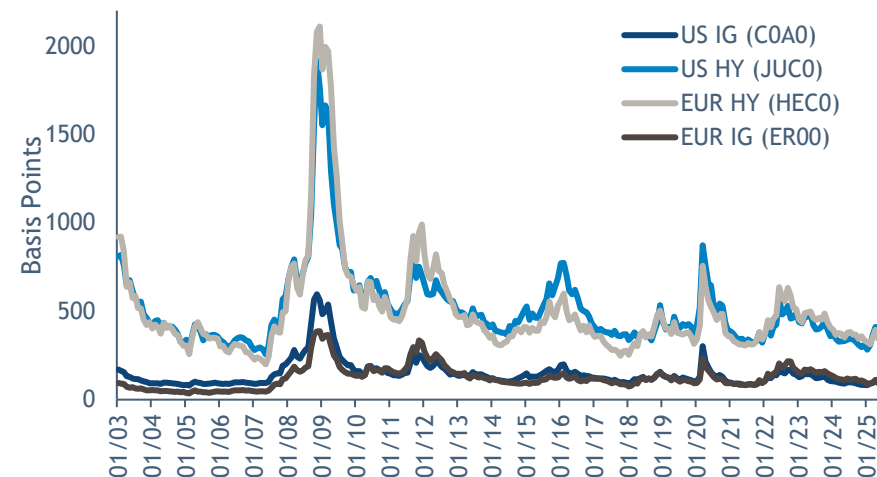
US New Issuance Pipeline (Announced)

LBM, CHC Group

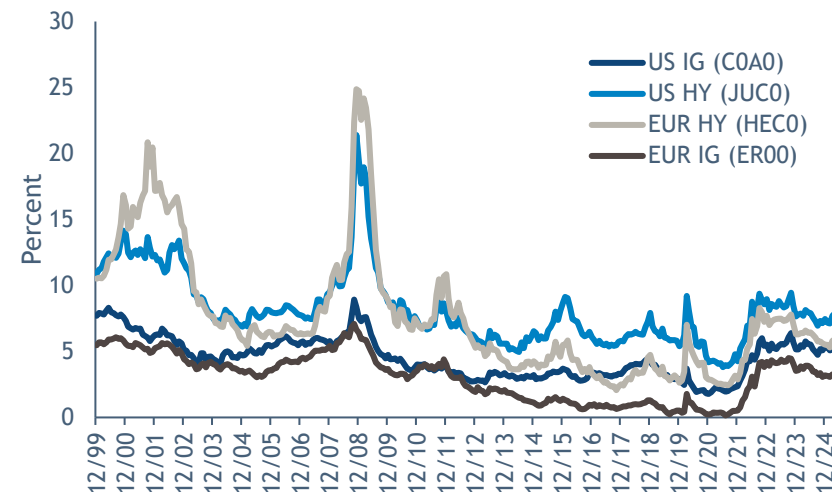
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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 July 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 June 30th, 2025. Most recent data available used.

CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



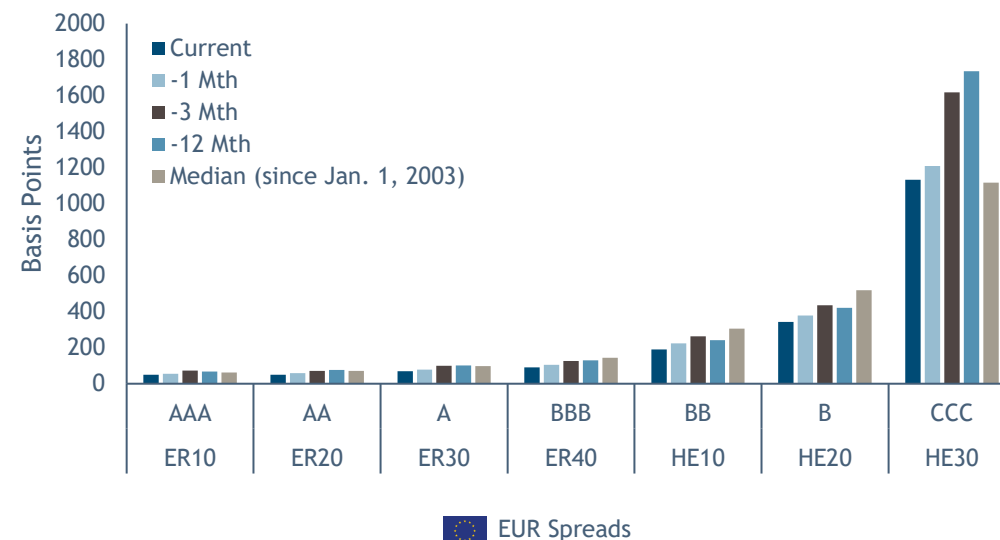
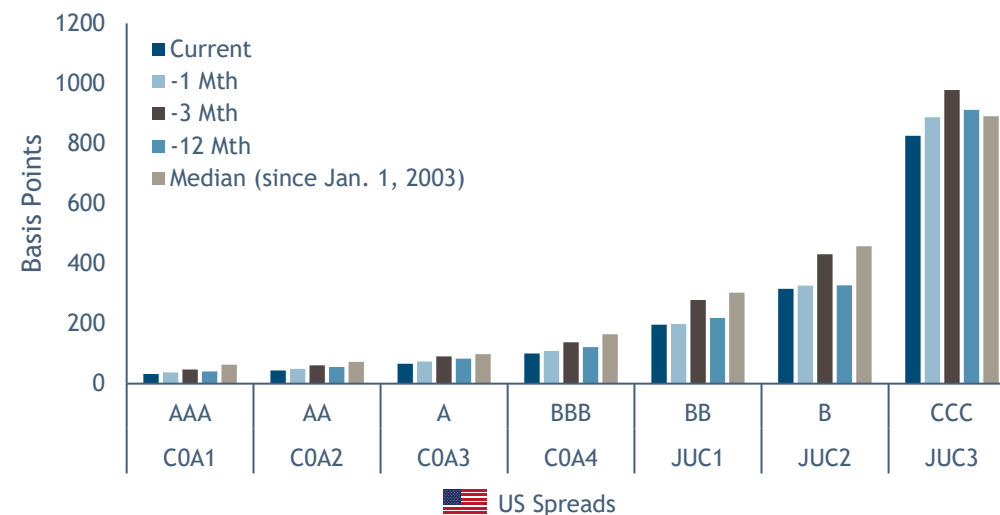
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CORPORATE BOND SPREADS (STW) - JULY 31, 2025

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	79	88	110	98	128
	JUC0	HY	302	318	411	347	438
	JUC4	BB/B	243	249	338	263	371
	COA1	AAA	32	37	47	41	63
	COA2	AA	44	49	61	56	73
	COA3	A	66	74	91	83	98
	COA4	BBB	100	109	138	122	164
	JUC1	BB	196	199	278	219	303
	JUC2	B	316	327	431	328	458
	JUC3	CCC	826	888	978	912	891
EM	EMCL	All	162	183	221	201	296
EUR	ER00	IG	78	90	111	112	115
	HEC0	HY	282	318	394	382	419
	ER10	AAA	49	55	73	67	63
	ER20	AA	50	59	72	76	71
	ER30	A	69	79	100	101	97
	ER40	BBB	91	105	126	129	144
	HE10	BB	191	224	263	241	306
	HE20	B	344	379	436	422	519
	HE30	CCC	1133	1210	1619	1735	1117

CORPORATE BOND SPREADS (STW)



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MARKET PERFORMANCE % AND STATISTICS - JULY 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	0.39	1.85	0.39	4.97	3.14	7.03	302	8.53	9.72	7.83	3.74	5.08
JC4N	US HY BB-B	0.26	1.89	0.26	4.89	3.19	6.47	245	7.45	8.83	7.01	3.32	4.35
HEC0	Euro HY	1.18	0.45	1.18	3.96	2.81	4.95	282	8.14	9.49	7.87	2.84	4.23
HEC5	Euro HY BB-B	1.17	0.56	1.17	3.98	2.78	4.45	232	8.20	9.28	7.81	2.85	4.05
Investment Grade													
COA0	US IG	0.15	1.82	0.15	4.35	6.49	5.08	79	4.72	5.88	3.51	-0.70	-0.23
C4NF	US BBB Corporates	0.18	1.96	0.18	4.42	6.65	5.28	98	4.97	6.31	4.12	-0.64	0.19
ER00	Europe IG	0.50	0.24	0.50	2.36	4.46	3.05	78	4.76	5.96	2.71	-0.54	0.19
EN40	Europe BBB	0.57	0.27	0.57	2.39	4.49	3.14	87	4.98	6.28	3.15	-0.68	0.30
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	-0.57	1.58	-0.57	4.73	7.01	4.26	1	2.68	3.25	-0.15	-2.50	-2.68
G4L0	UK Gilts 7-10 Yrs	-0.09	1.63	-0.09	3.53	7.22	4.44	0	1.12	4.01	-2.39	-3.73	-3.58
G4D0	German Fed Govt 7-10 Yrs	-0.24	-0.44	-0.24	-0.40	7.47	2.56	0	0.23	2.15	-2.38	-4.16	-3.40
Equities													
S&P	S&P 500 incl. Dividends	2.24	5.08	2.24	8.58				16.31	19.18	17.08	11.22	15.86
DAX	DAX Index	0.65	-0.37	0.65	20.88				30.02	20.96	21.30	11.55	14.34

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 July across the board. Globally, BB/B bond yields edged higher as investors weighed the potential end of the European Central Bank's policy cycle alongside the inflationary implications of the US administration's tariff measures and approaching August reciprocal deadlines. Credit markets performed strongly, with spreads tightening—particularly in high yield—driven by continued demand for yield enhancement and supportive supply dynamics. Limited net issuance left investors with a shrinking pool of securities to absorb persistent inflows. The Federal Reserve voted to keep rates on hold for another quarter.

Europe:

European credit markets generated positive returns across the board in July. Globally, bond yields edged higher as investors weighed the potential end of the European Central Bank's (ECB's) policy cycle alongside the inflationary implications of the US administration's tariff measures and approaching August reciprocal deadlines. Credit markets performed strongly, with spreads tightening—particularly in high yield—driven by continued demand for yield enhancement and supportive supply dynamics. The outperformer on a spread basis was European high yield, despite an extremely busy month for primary issuance. In our view, this highlights the current strength of the demand for the asset class, with persistent inflows even during the summer period. Both the ECB and Federal Reserve kept rates on hold; the ECB press conference was interpreted somewhat hawkishly, with President Lagarde seeming to conclude that the bar for further cuts is higher than the market expects.

EM:

Emerging market (EM) debt delivered positive results in July. Globally, bond yields edged higher as investors weighed the potential end of the European Central Bank's policy cycle alongside the inflationary implications of the US administration's tariff measures and approaching August reciprocal deadlines. Credit markets performed strongly, with spreads tightening—particularly in high yield—driven by continued demand for yield enhancement and supportive supply dynamics. Limited net issuance left investors with a shrinking pool of securities to absorb persistent inflows. The US imposed a 25% tariff on India (with additional tariffs to come) as intended punishment for continuing to buy crude oil and defence equipment from Russia. Tariffs on other countries were broadly higher than expected. The meeting of China's Politburo yielded few surprises; strong growth in H1 (mainly due to front-loading exports and trade diversion to third-party countries), led to less urgent language compared to policy statements from April. However, the focus on stimulating consumption and dealing with overcapacity in certain sectors remained prominent—both could help counter the deflation that has been apparent in recent months.

Outlook

At month-end, higher interest rates in the US and Europe were supported by many key trading partners—including Japan and the European Union—striking deals with the US before the August 1st tariff deadline. China was the notable exception, although negotiations appear to be progressing. Towards the end of the month, President Trump set a deadline for Russia to reach a ceasefire with Ukraine, although the implications of a potential missed deadline remain unclear. We maintain that credit markets remain well supported as we head further into summer. While spreads are historically tight in most parts of the market, we believe total return potential remains attractive with tail risks so far having failed to materialize.

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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