

Muzinich & Co. Corporate Credit Snapshot | December 2025

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KEY TAKEAWAYS

-Global credit generated mixed returns in December. In the US, the Federal Reserve cut policy rates for the third time in a row but signaled more caution around further rate cuts. The European Central Bank (ECB) remained on hold once again, while ECB Executive Board Member Isabel Schnabel made hawkish comments which helped to push longer rates higher.

-Primary markets slowed down ahead of the Christmas holiday, although many market participants anticipate a heavy primary calendar in 2026, starting with a busy January. This is expected to be supported by increased AI-capex spending and a possible uptick in M&A activity.

-In general, spread premia continued to compress in December, with BBB rated credit outperforming single-As in investment grade, and higher beta markets—such as subordinated financials and high yield—outperforming.

-Emerging markets (EM) debt delivered positive returns this month. We have seen some key sources of uncertainty easing—including tariff disputes—while the US and China are showing some early indications of re-engagement. At the same time, cooling inflation and softer energy prices are enabling central banks to move gradually toward more neutral monetary stances.

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$1.7 billion in high yield inflows, US\$1.8 billion in leveraged loan retail outflows
MTD (through 12.31)

HY New Issuance*	US	EUROPE
YTD	US\$332.0 bn	US\$135.8 bn
MTD	US\$21.8 bn	US\$5.9 bn
Loan New Issuance*	US	
YTD	US\$984.3 bn	
MTD	US\$60.1 bn	

Main Market Driver

Macro: US rate cut, ECB on hold

Micro: Seasonal slowdown in primary issuance

Default Rates (Dollar weighted)**

	US	EUR
LTM	1.4%	9.9%

US New Issuance Names (500 mn and above) MTD

Hilton, Post Holdings, Herc Holdings, Brightstar Lottery, Celanese, Freedom Mortgage, Standard Building Solutions, OneMain Finance, Venture Global Plaquemines, National Mentor Holdings, Level 3 Financing, Antero Midstream, Asurion, Perimeter Holdings, Flash Compute

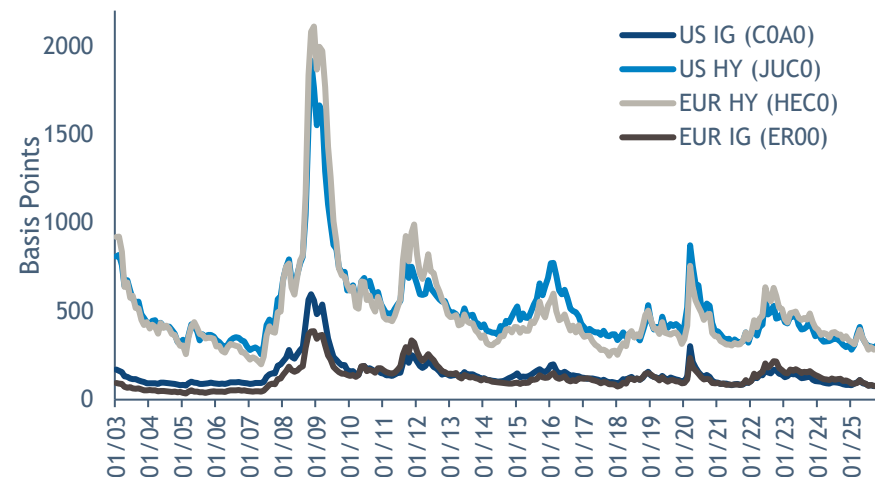
US New Issuance Pipeline (Announced)

N/A

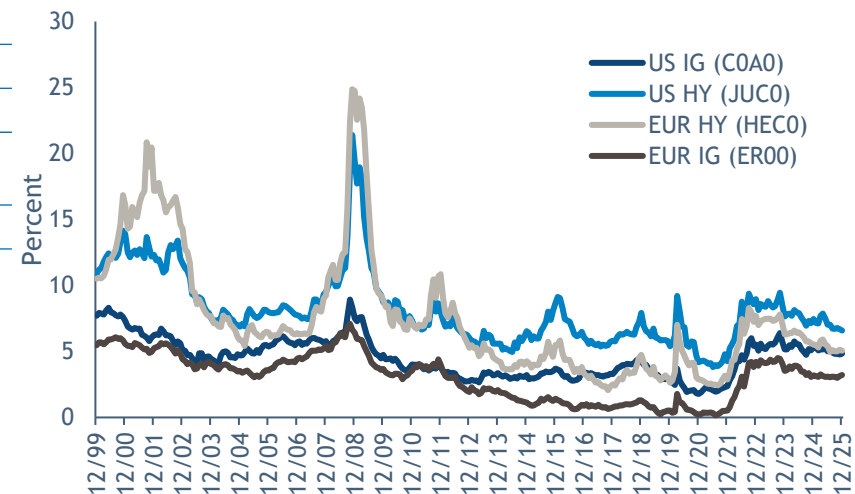
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



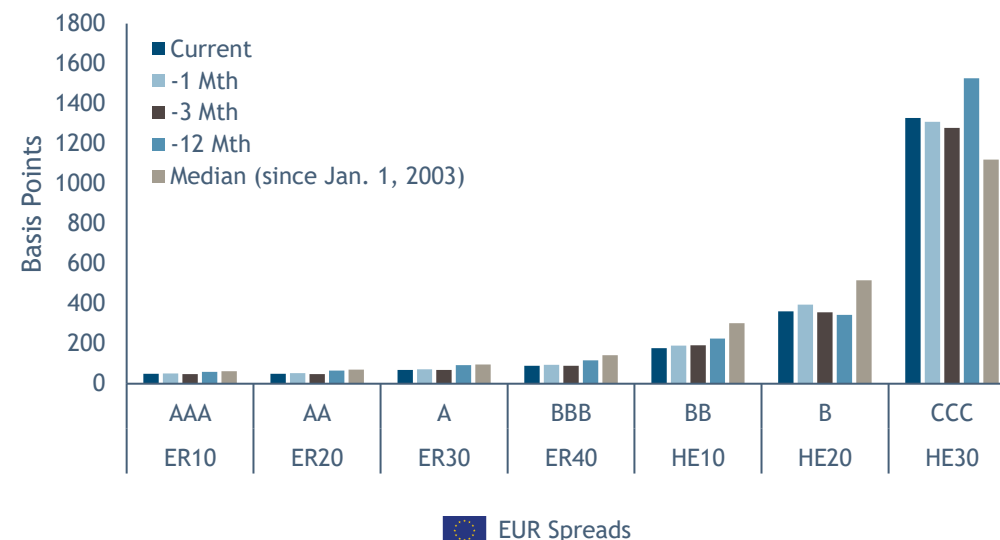
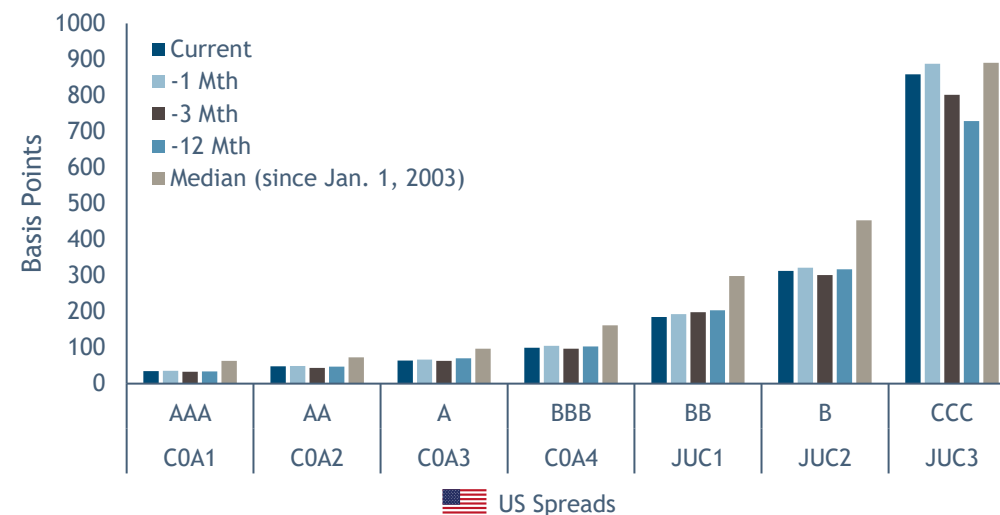
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CORPORATE BOND SPREADS (STW) - DECEMBER 31, 2025

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	79	82	76	83	127
	JUC0	HY	291	304	296	309	437
	JUC4	BB/B	231	241	237	248	370
	COA1	AAA	35	36	33	34	63
	COA2	AA	48	49	44	47	73
	COA3	A	64	67	63	70	97
	COA4	BBB	100	105	97	103	162
	JUC1	BB	185	193	198	204	299
	JUC2	B	313	322	301	317	454
	JUC3	CCC	859	888	802	729	891
EM	EMCL	All	167	176	159	179	295
EUR	ER00	IG	77	81	78	102	114
	HEC0	HY	276	293	283	335	415
	ER10	AAA	49	51	48	60	62
	ER20	AA	50	53	48	65	71
	ER30	A	69	72	69	93	96
	ER40	BBB	89	94	90	117	143
	HE10	BB	178	191	192	226	302
	HE20	B	362	395	357	344	517
	HE30	CCC	1329	1309	1278	1527	1120

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - DECEMBER 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	0.64	0.52	1.36	8.55	2.92	6.58	291	8.55	8.30	9.97	4.28	4.48
JC4N	US HY BB-B	0.61	0.65	1.53	8.66	2.96	5.98	231	8.66	7.66	9.21	3.92	4.05
HEC0	Euro HY	0.35	0.09	0.52	5.15	2.85	5.06	276	5.15	6.87	8.55	3.16	3.19
HEC5	Euro HY BB-B	0.39	0.05	0.72	5.57	2.82	4.53	224	5.57	6.96	8.67	3.27	3.19
Investment Grade													
COA0	US IG	-0.31	0.64	0.77	7.78	6.48	4.84	79	7.78	5.24	6.28	0.38	0.11
C4NF	US BBB Corporates	-0.27	0.61	0.72	7.94	6.60	5.05	97	7.94	5.48	6.79	0.45	0.31
ER00	Europe IG	-0.20	-0.23	0.25	3.03	4.41	3.22	77	3.03	3.84	5.22	0.06	-0.16
EN40	Europe BBB	-0.15	-0.23	0.35	3.18	4.40	3.31	86	3.18	4.16	5.63	-0.03	-0.16
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	-0.76	1.01	0.92	8.17	7.01	4.07	1	8.17	3.74	3.61	-1.31	-1.68
G4L0	UK Gilts 7-10 Yrs	0.15	0.08	2.76	6.08	7.15	4.40	0	6.08	1.39	2.78	-2.59	-3.03
G4D0	German Fed Govt 7-10 Yrs	-1.00	-0.23	-0.47	-0.56	7.35	2.76	0	-0.56	-0.27	1.97	-3.62	-3.45
Equities													
S&P	S&P 500 incl. Dividends	0.06	0.25	2.65	17.86				17.86	21.38	22.98	11.09	14.40
DAX	DAX Index	2.74	-0.51	2.55	23.01				23.01	20.91	20.71	11.43	12.29
Syndicated Loans							YTM (%)	3Y DM (bps)					
US	US Leveraged Loan Index	0.61	0.35	1.08	5.51		7.62	432	5.51	7.13	9.00	6.48	6.20
Europe	European Leveraged Loan Index	0.54	0.52	0.85	4.77		7.13	482	4.77	6.52	8.36	5.45	5.33

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

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CREDIT MARKET UPDATE

US:

US credit markets generated mixed returns in December. Given the holiday shortened month, we saw a seasonally quiet period with spreads mostly unchanged. The Federal Reserve cut policy rates for the third time in a row but signaled more caution around further rate cuts. Primary markets in both the US and Europe slowed down ahead of the Christmas holiday, although many market participants anticipate a heavy primary calendar in 2026, starting with a busy January. This is expected to be supported by increased AI-capex spending and a possible uptick in M&A activity. In general, spread premia in both the US and Europe continued to compress in December, with BBB rated credit outperforming single-As in investment grade, and higher beta markets—such as subordinated financials and high yield—outperforming.

Europe:

European credit markets generated mixed returns in December. Given the holiday shortened month, we saw a seasonally quiet period with spreads mostly unchanged. The European Central Bank (ECB) remained on hold once again, while ECB Executive Board Member Isabel Schnabel made hawkish comments which helped to push longer rates higher.

EM:

Emerging markets (EM) debt delivered positive returns in December. Given the holiday shortened month, we saw a seasonally quiet period with spreads mostly unchanged. Primary markets slowed down ahead of the Christmas holiday, although many market participants anticipate a heavy primary calendar in 2026, starting with a busy January. We believe the global macro environment is undergoing a meaningful reset following several years marked by major geopolitical volatility and tight monetary policy. We have seen some key sources of uncertainty easing—including tariff disputes—while the US and China are showing some early indications of re-engagement. At the same time, cooling inflation and softer energy prices are enabling central banks to move gradually toward more neutral monetary stances. In 2026, we believe EM could have a year defined by recalibration: steadier global growth, improving trade conditions, and a more balanced distribution of risks.

Outlook

Looking ahead, we believe the global credit landscape remains fundamentally strong. Corporate earnings remain broadly solid, outside a few mostly idiosyncratic defaults, while supportive technicals effectively underpin historically tight spreads. As of year-end, we are broadly maintaining an overweight in higher yielding markets and seeking to take advantage of existing dispersion to enhance returns. On the investment grade side, we would look for more spread compensation to add risk. With stable or modestly lower short rates in Europe, we expect floating rate instruments to compete well with bonds, while barbell duration strategies could be more popular in USD credit.

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.
Bloomberg US Leveraged Loan Index - The Bloomberg US Leveraged Loan Index measures the performance of USD denominated, high-yield, floating-rate, institutional leveraged loan market. The US Loan Index was created in 2024, with history backfilled to January 1, 2019.

Bloomberg European Leveraged Loan Index - The Bloomberg European Leveraged Loan Index measures the performance of the EUR- and GBP- denominated, high-yield, floating-rate, institutional leveraged loan market. The index was created in 2025, with history backfilled to January 1, 2019.

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 | December 2025



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