

High Yield Month in Review

High yield bonds returned 3.12% for the month, outperforming the 10-Year Treasury 0.79% and the Barclays Aggregate Bond Index 0.88%, while underperforming equities (the S&P 500 returned 4.48%).

The spread of the JP Morgan Global High Yield Index decreased 55bps to 699bps. The yield to worst for the JP Morgan Global High Yield Index decreased 68bps to 7.76% while the yield on the 10-year Treasury decreased 7bps to 1.80%.

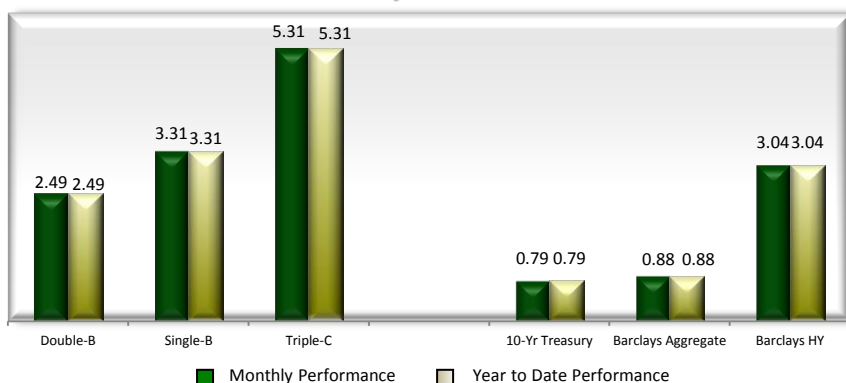
Triple-C rated bonds returned 5.31% for the month/year to date, outperforming Single-B and Double-B rated bonds which returned 3.31% and 2.49% respectively.

There were 56 new issues priced in the primary markets during the month totaling approximately \$25.7 billion.

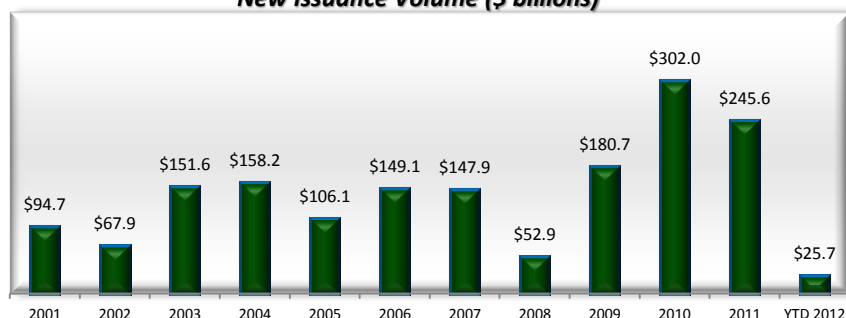
Approximately \$5.5 billion flowed into high yield mutual funds during the month.

The Moody's 12-month default rate (Global Percentage of Issuers) as of December 31, 2011 was 1.7%.

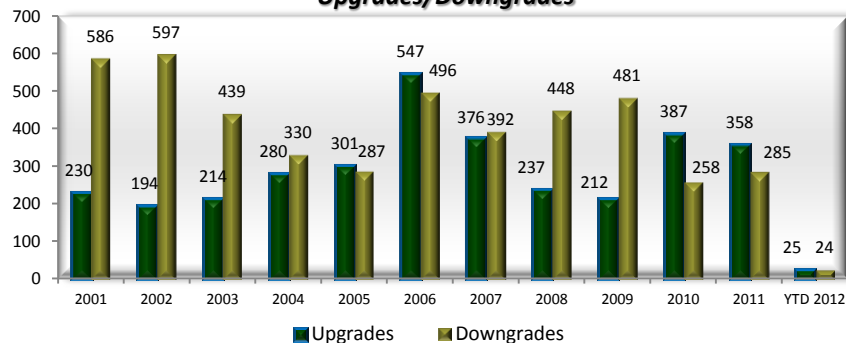
Performance



New Issuance Volume (\$ billions)



Upgrades/Downgrades



Index Performance	MTD	YTD	Spread	YTD Change	Average Price	YTW					
BofA ML BB-B US Non-Distressed HY	2.50%	2.50%	524bp	-41bp	\$104.57	6.19%					
BofA MLHY Master II Constrained	2.90%	2.90%	664bp	-62bp	\$100.49	7.54%					
JP Morgan High Yield Bond	3.12%	3.12%	699bp	-55bp	\$100.23	7.76%					
Barclays High Yield Bond	3.04%	3.04%	672bp	-78bp	\$100.50	7.52%					
Barclays Aggregate Bond	0.88%	0.88%	117bp	-11bp	\$109.52	2.08%					
10-Year Treasury	0.79%	0.79%	---	---	---	1.80%					
Historical Spread & Defaults	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD 2012
JP Morgan HY (Year End Spread)	958bp	484bp	344bp	378bp	317bp	589bp	1,731bp	657bp	577bp	753bp	699bp
Double-B (JP Morgan)	591bp	292bp	210bp	256bp	206bp	412bp	1,280bp	459bp	421bp	559bp	514bp
Single-B (JP Morgan)	858bp	462bp	328bp	356bp	313bp	563bp	1,831bp	629bp	592bp	788bp	739bp
Triple-C (JP Morgan)	2,368bp	1,033bp	718bp	822bp	606bp	963bp	3,305bp	1,082bp	989bp	1,343bp	1,200bp
Moody's 12-Month Default Rate (US)	7.3%	5.4%	2.9%	2.1%	1.7%	1.0%	4.4%	13.2%	3.5%	1.8%	1.8%
Moody's 12-Month Default Rate (Global)	8.4%	5.3%	2.4%	1.7%	1.7%	0.9%	4.0%	12.5%	3.3%	1.7%	1.7%
Historical Yield to Maturity	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Current
BofA MLHY Master II Constrained	12.01%	8.02%	7.43%	8.27%	7.96%	9.60%	19.53%	9.22%	7.87%	8.58%	7.97%

Sources: JPMorgan Global High Yield Market Strategy; BofA Merrill Lynch; Bloomberg