

High Yield Month in Review

High yield bonds returned 1.89% for the month of December, outperforming the 10-Year Treasury -4.02% and the Barclays Aggregate Bond Index -1.08% while underperforming equities (the S&P 500 returned 6.68%).

The spread of the JP Morgan Global High Yield Index decreased 67bps to 577bps. The yield to worst for the JP Morgan Global High Yield Index decreased 36bps to 7.55% while the yield on the 10-year Treasury increased 51bps to 3.30%.

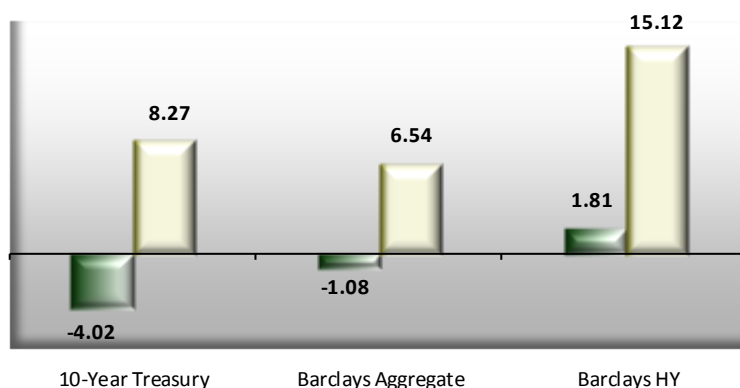
Triple-C rated bonds returned 3.84% for the month, outperforming Single-B rated bonds and Double-B rated bonds which returned 2.13% and 1.12% respectively. For the calendar year of 2010, Triple-C rated bonds provided the best relative return of 20.19% followed by Single-B and Double-B returns of 14.27% and 14.08% respectively.

There were 53 new issues priced in the primary markets during the month totaling approximately \$24.7 billion. For the calendar year 2010, 653 deals priced totaling approximately \$302.0 billion.

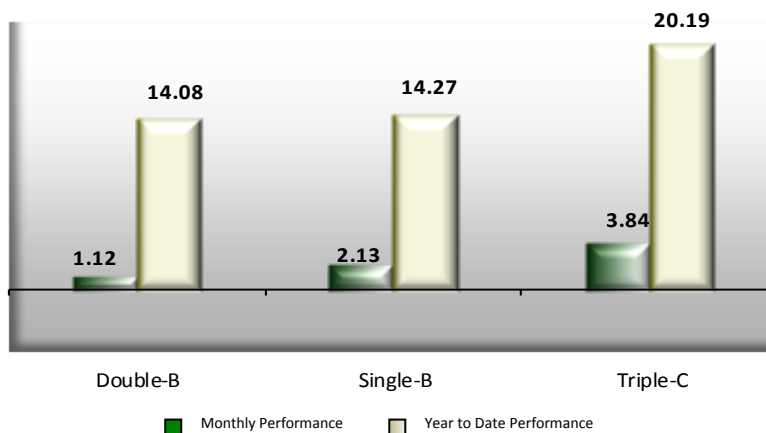
Approximately \$1.8 billion flowed into high yield mutual funds during the month. For the calendar year 2010, approximately \$12.2 billion flowed into high yield mutual funds.

The Moody's 12-month default rate (Global Percentage of Issuers) as of November 30, 2010 was 3.3%.

Asset Class Performance



High Yield Credit Quality Performance



Index Performance	MTD	YTD	Spread	YTD Change	Average Price	YTW
BofA ML BB-B US Non-Distressed HY	1.36%	13.93%	465bp	-32bp	\$103.77	6.81%
BofA MLHY Master II Constrained	1.75%	15.07%	542bp	-98bp	\$101.84	7.51%
JP Morgan High Yield Bond	1.89%	15.05%	577bp	-80bp	---	7.55%
Barclays High Yield Bond	1.81%	15.12%	578bp	-82bp	\$101.77	7.51%
Barclays Aggregate Bond	-1.08%	6.54%	92bp	-19bp	\$105.37	2.97%
10-Year Treasury	-4.02%	8.27%	---	---	---	3.30%

Historical Spread & Defaults	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
JP Morgan HY (Year End Spread)	942bp	861bp	958bp	484bp	344bp	378bp	317bp	589bp	1,731bp	657bp	577bp
Double-B (JP Morgan)	451bp	471bp	591bp	292bp	210bp	256bp	206bp	412bp	1,280bp	459bp	421bp
Single-B (JP Morgan)	900bp	733bp	858bp	462bp	328bp	356bp	313bp	563bp	1,831bp	629bp	592bp
Triple-C (JP Morgan)	2,484bp	2,351bp	2,368bp	1,033bp	718bp	822bp	606bp	963bp	3,305bp	1,082bp	989bp
Moody's 12-Month Default Rate (US)	7.1%	11.1%	7.3%	5.4%	2.9%	2.1%	1.7%	1.0%	4.4%	13.2%	3.5%
Moody's 12-Month Default Rate (Global)	6.2%	10.6%	8.4%	5.3%	2.4%	1.7%	1.7%	0.9%	4.0%	12.5%	3.3%

Historical Yield to Maturity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BofA MLHY Master II Constrained	14.18%	12.79%	12.01%	8.02%	7.43%	8.27%	7.96%	9.60%	19.53%	9.22%	7.87%

New Issuance Activity	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Volume (\$billions)	\$47.2	\$94.7	\$67.9	\$151.6	\$158.2	\$106.1	\$149.1	\$147.9	\$52.9	\$180.7	\$302.0
Number of Issues	139	300	260	504	583	375	335	321	115	408	653

Upgrades/Downgrades Analysis	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Upgrades (issues)	237	230	194	214	280	301	547	376	237	212	387
Downgrades (issues)	446	586	597	439	330	287	496	392	448	481	258

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

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