

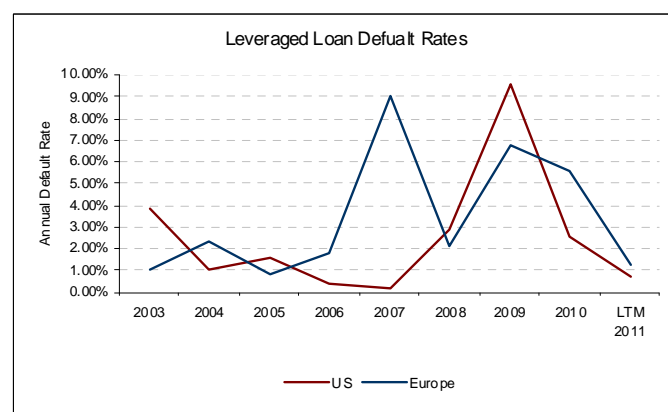
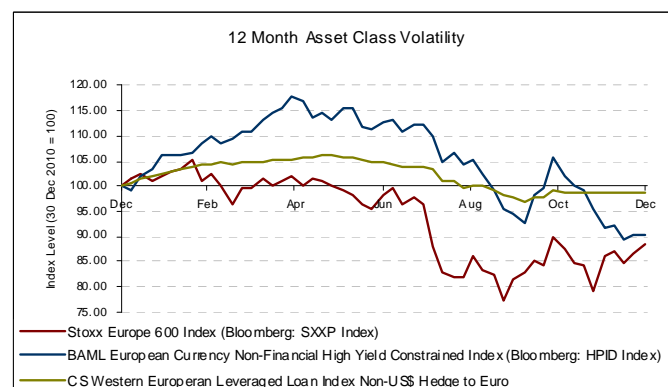
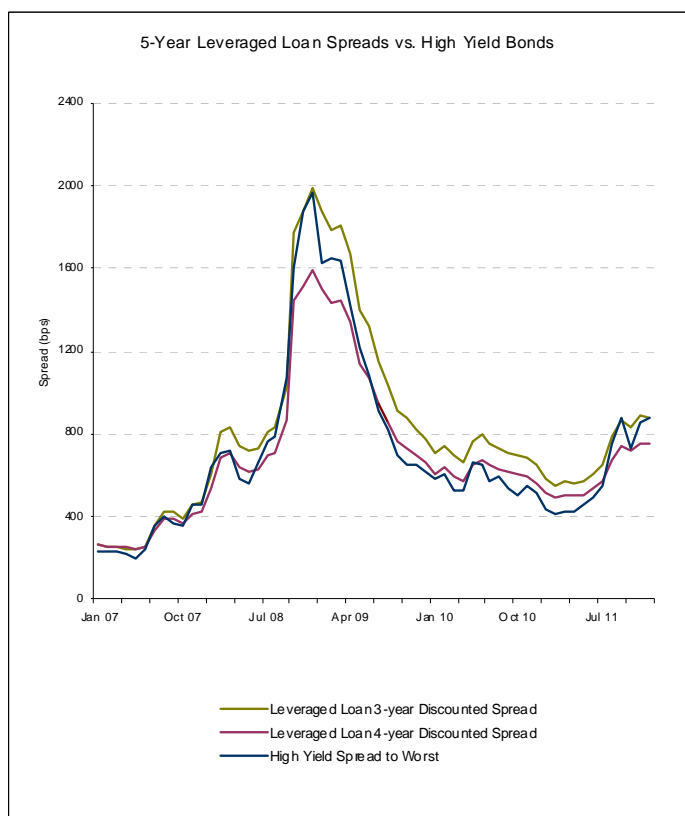
EUROPEAN LOAN MARKET

MONTHLY REVIEW

December saw positive trends dominate albeit on seasonally light trading volumes. Improved sentiment was driven by the announcement of the ECB providing unlimited 3-year funding to European banks (€489bn lent to 523 borrowers in the first syndication) in its biggest ever funding scheme. The immediate response was a positive one with short and medium term borrowing costs for both Italy and Spain significantly lower at recent bond auctions than at previous sales. Volatility will likely persist in all risk asset classes whilst the European sovereign issues remain unresolved, although European corporates are much better placed to withstand a likely European recession than they were in the fourth quarter of 2008. All of this has left both European leveraged loan spreads marginally tighter for the month and essentially flat for the fourth quarter at Euribor +836bp albeit with notable intra-quarter swings. This is >250bp wide to the long run average and >150bp wider than the comparable indices for US corporates, a situation we do not believe is justified when comparing relative credit statistics.

Credit Suisse Western European Leveraged Loan Index, Non US\$, Hedged to €

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1 month total return	2.72%	1.50%	0.41%	0.57%	0.52%	-1.20%	-0.94%	-3.37%	-2.24%	1.96%	-1.27%	0.27%
1y ann. total return	8.19%	10.84%	9.05%	8.18%	11.43%	11.38%	8.83%	4.64%	1.13%	1.56%	0.07%	-1.23%
3y ann. total return	6.04%	8.19%	8.39%	7.38%	7.08%	6.49%	6.75%	5.46%	6.22%	14.04%	15.14%	16.85%



Data: Credit Suisse Western European Leveraged Loan Index, Non US\$, Hedged to €
Data: BAML European Currency Non-Financial High Yield Constrained Index (Bloomberg: HPID Index)

Data: Credit Suisse, High Yield and Leveraged Loan Default Review, 7th October 2011

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