



KDP Asset Management, Inc.

2010 High Yield Outlook

Presented by Kingman Penniman, CFA

President and Chief Investment Officer

February 3, 2010

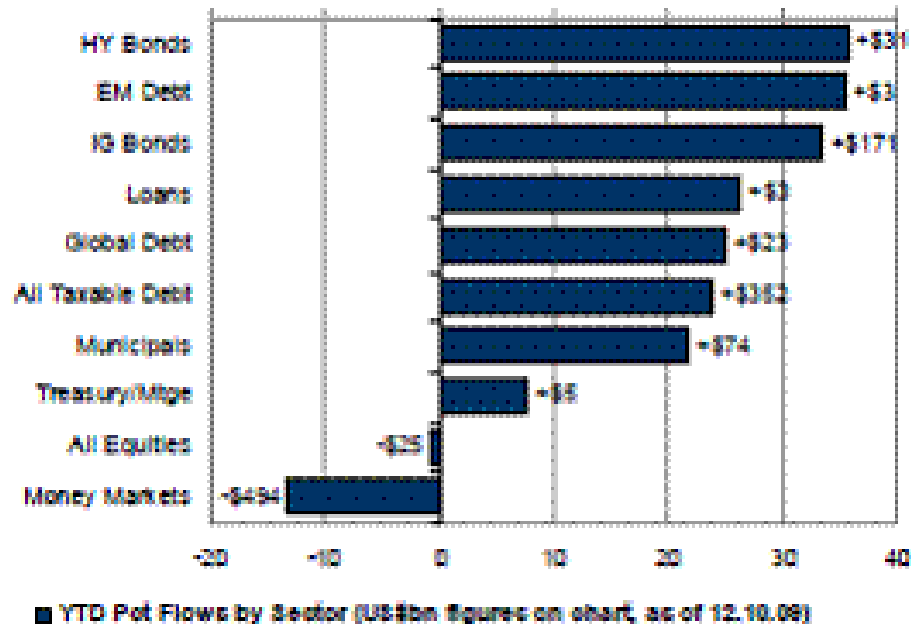
KDP Asset Management, Inc.

24 Elm Street

Montpelier, Vermont 05602

802-223-0440

Strong High Yield Fund Inflows in 2009



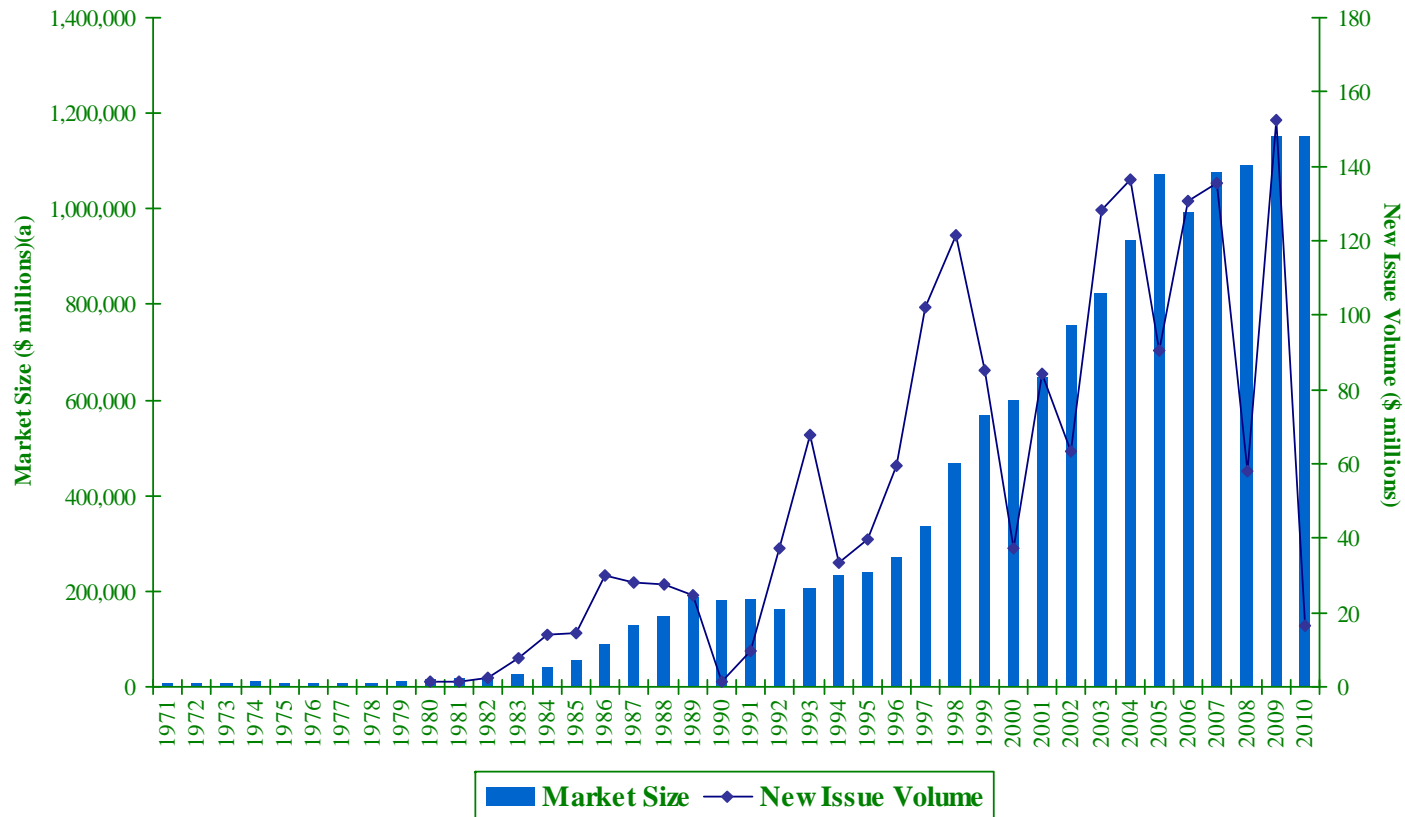
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Source: AMG Merrill-Lynch

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High Yield Market Size and New Issue Volume

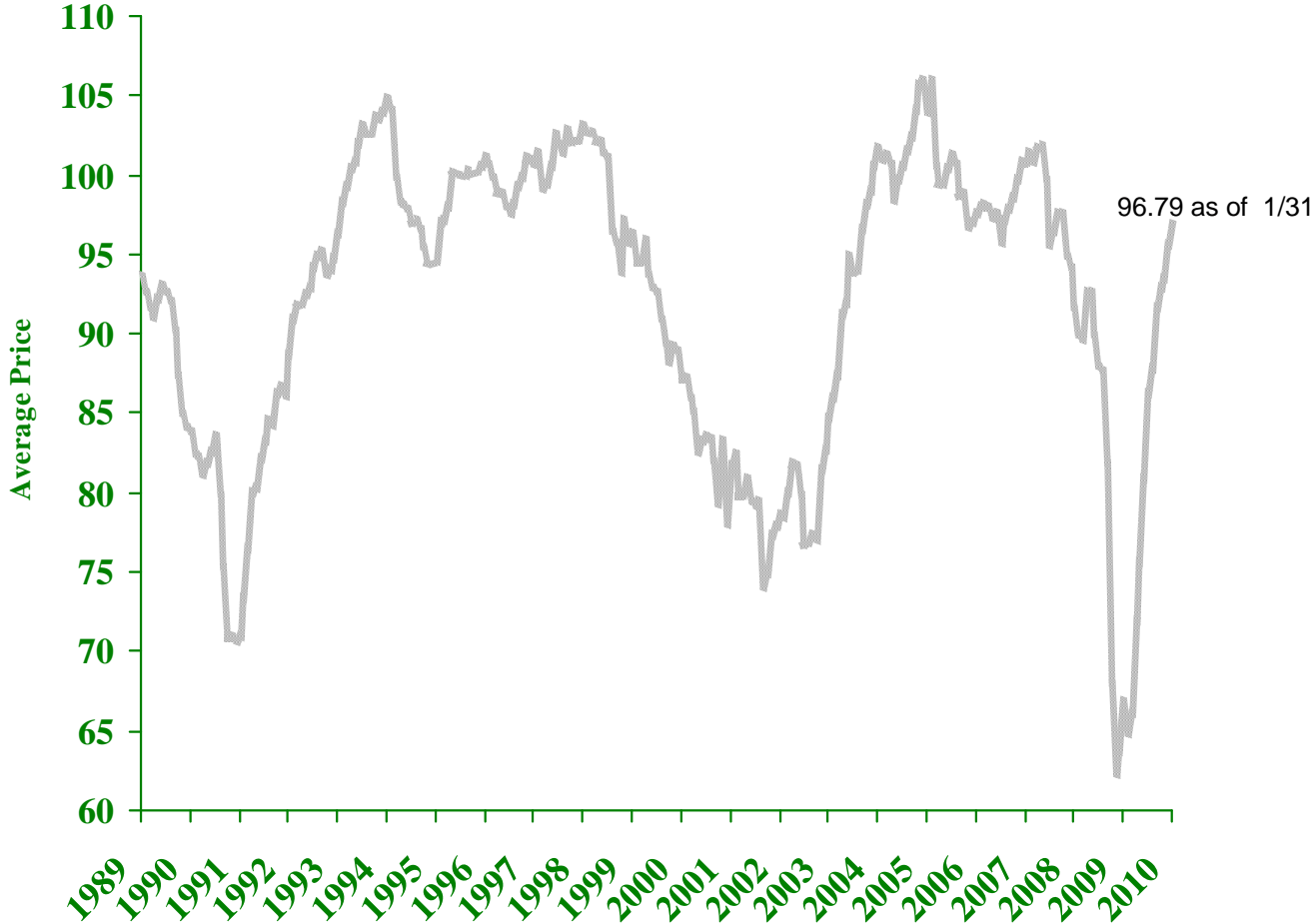


(a) Market size as of mid-year.

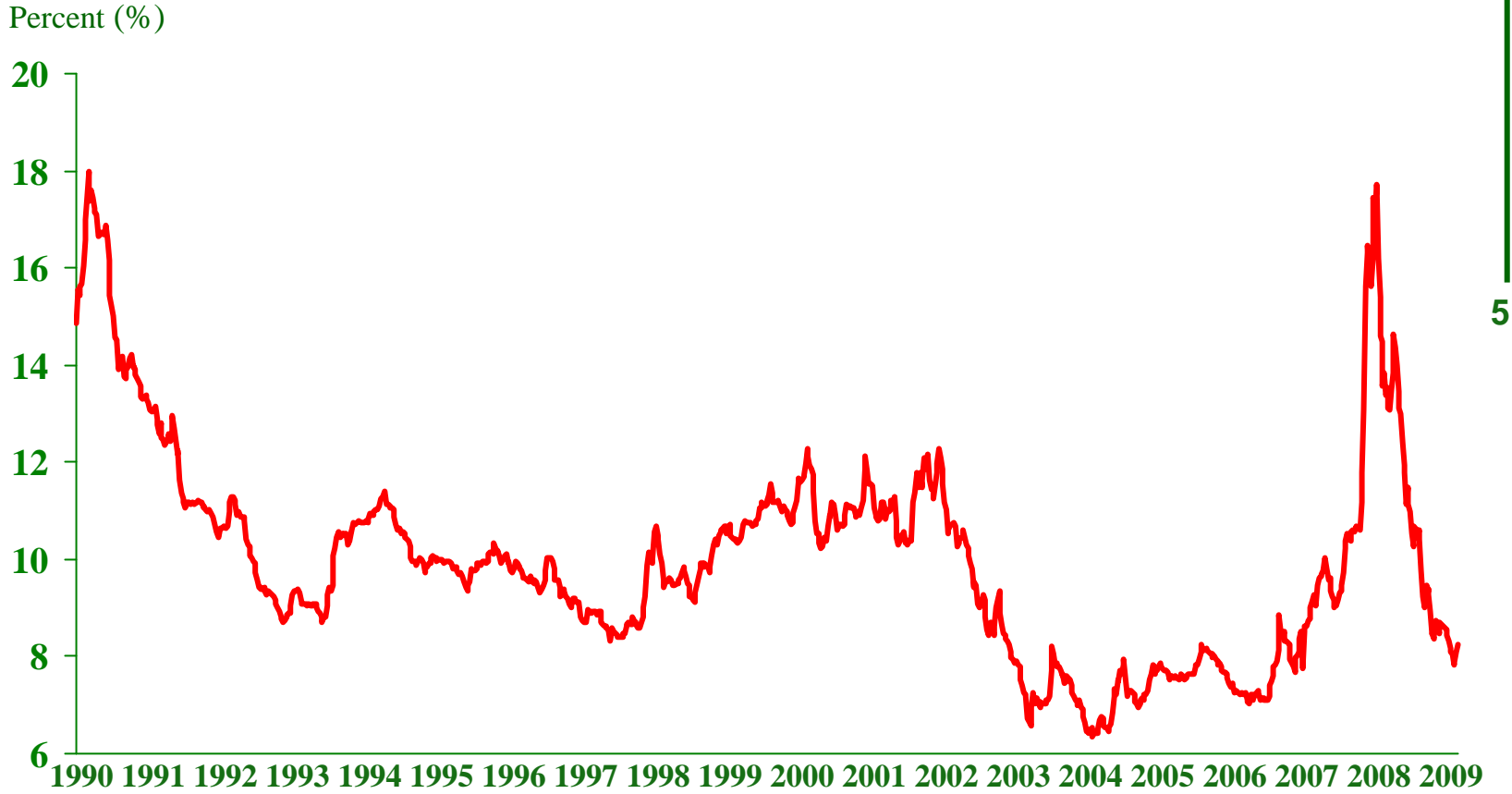
Source: Edward I. Altman, Salomon Center, NYU Stern School of Business; Citigroup Global Markets; KDP Investment Advisors, Inc.



KDP Universe High Yield Bond Price



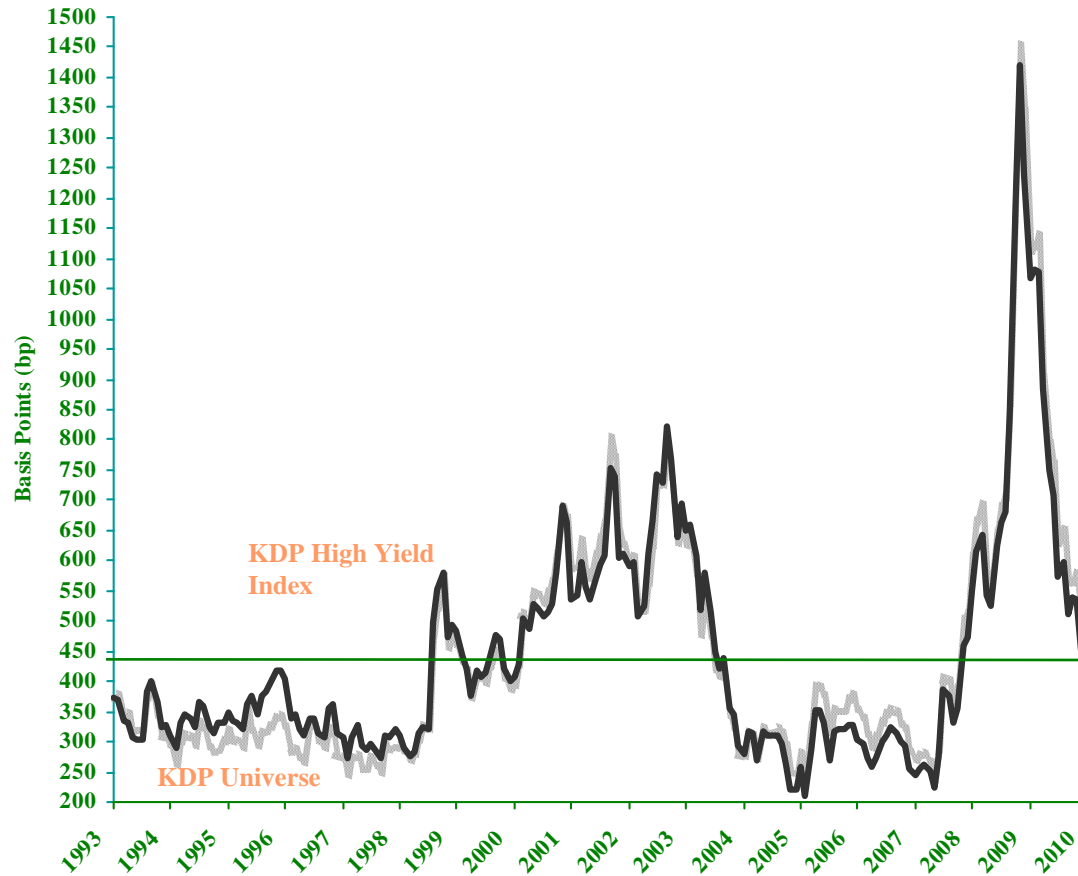
KDP High Yield Daily Yield Index 8/17/90 – 1/31/10



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Yield Spreads To 10-Year Treasury



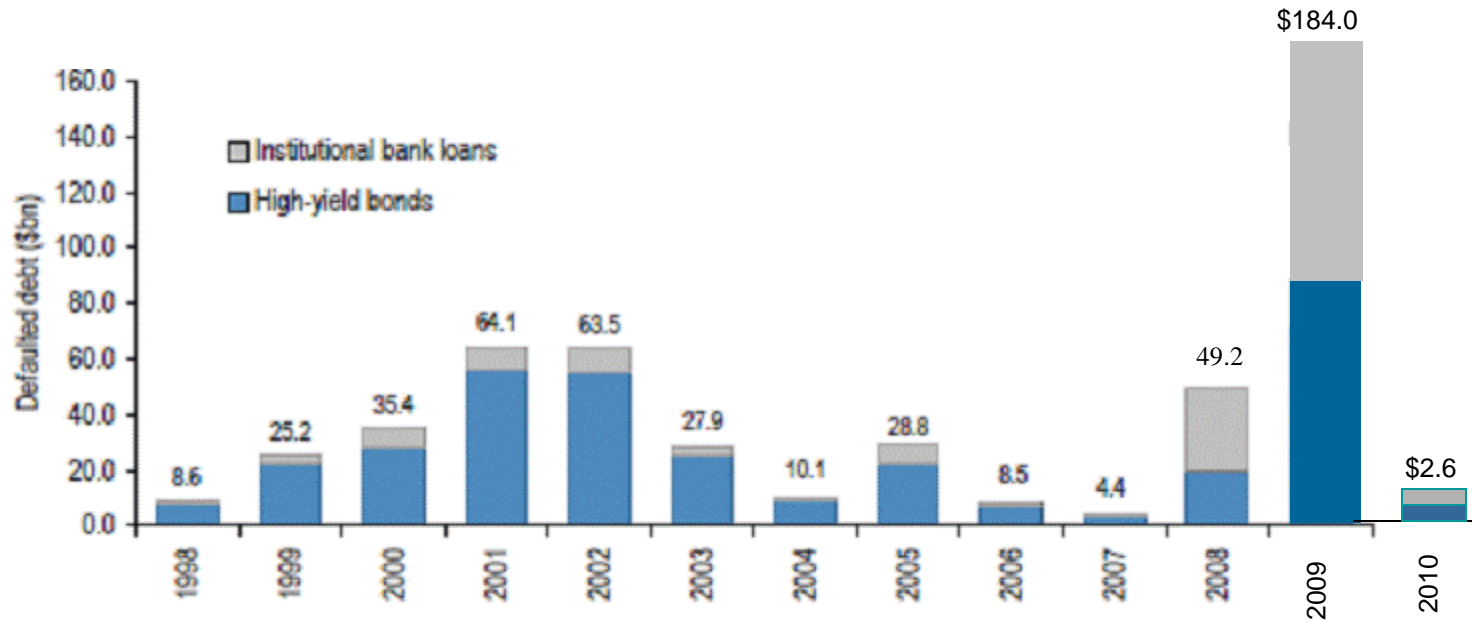
<u>KDP Universe</u> <u>Avg. bp spread</u>	<u>KDP HY Index</u> <u>Avg. bp spread</u>
1992 - 372	1992 - 400
1993 - 343	1993 - 344
1994 - 299	1994 - 330
1995 - 318	1995 - 368
1996 - 299	1996 - 338
1997 - 270	1997 - 299
1998 - 388	1998 - 404
1999 - 416	1999 - 432
2000 - 544	2000 - 530
2001 - 642	2001 - 604
2002 - 641	2002 - 658
2003 - 459	2003 - 486
2004 - 295	2004 - 286
2005 - 344	2005 - 306
2006 - 325	2006 - 291
2007 - 348	2007 - 325
2008 - 836	2008 - 796
2009 - 774	2009 - 729
2010 - 501	2010 - 463

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High Yield & Loan Defaults Surge in 2009



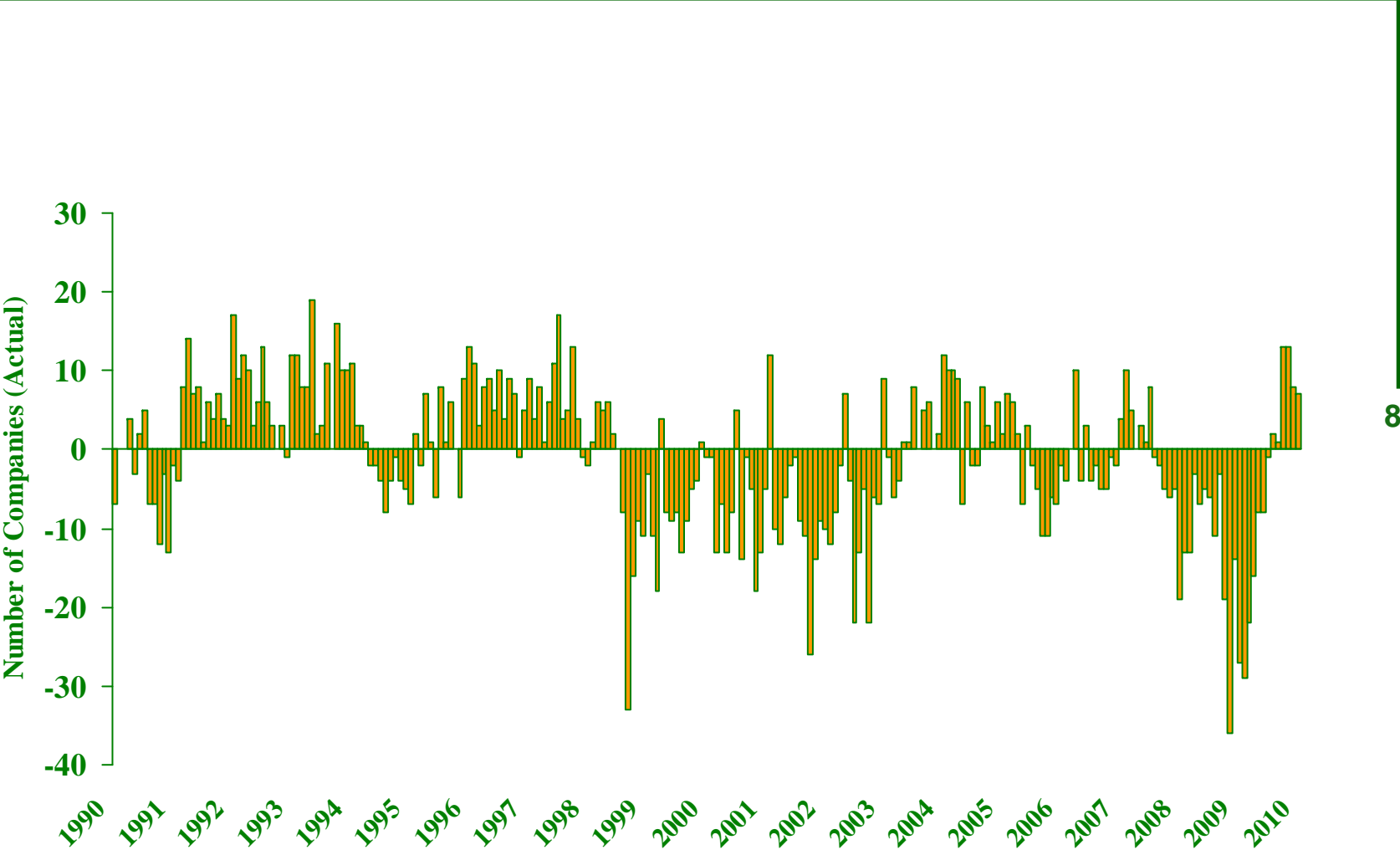
Note: Includes grace period defaults.

Sources: J.P Morgan; S&P/LCD.

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KDP Default Risk Changes Net Change



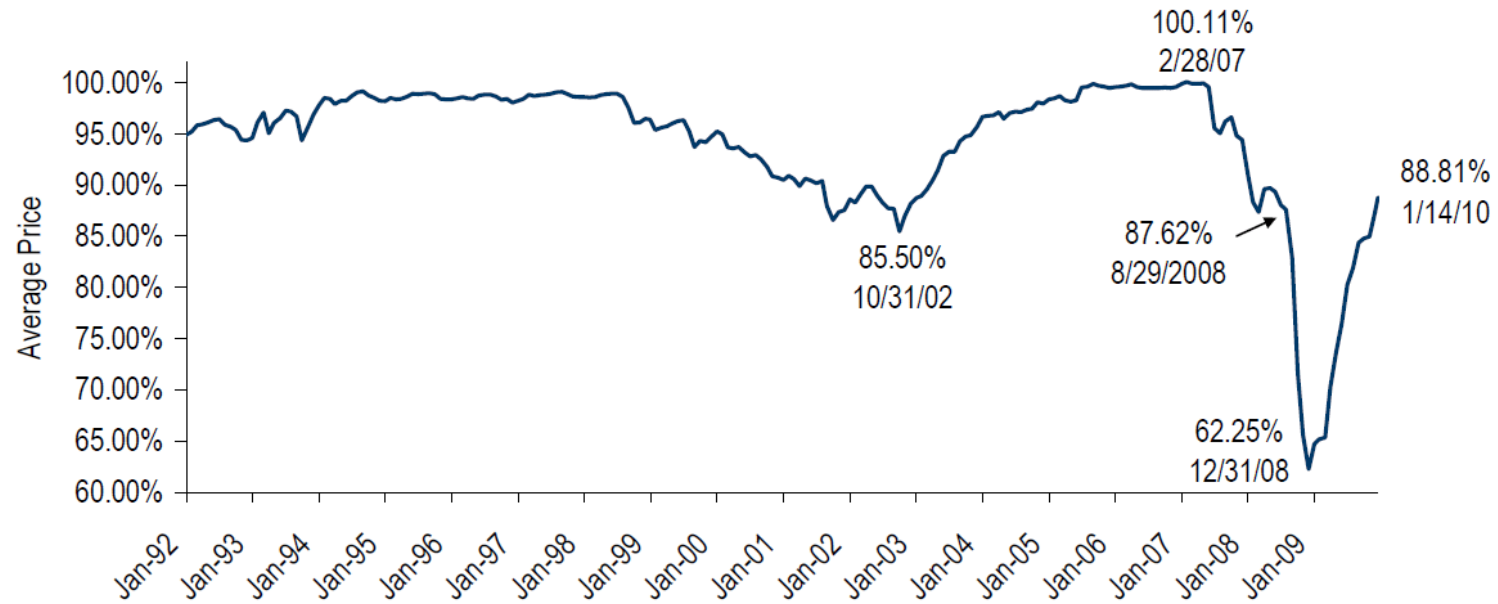
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Loan Price History

Average Price of the Credit Suisse Leveraged Loan Index



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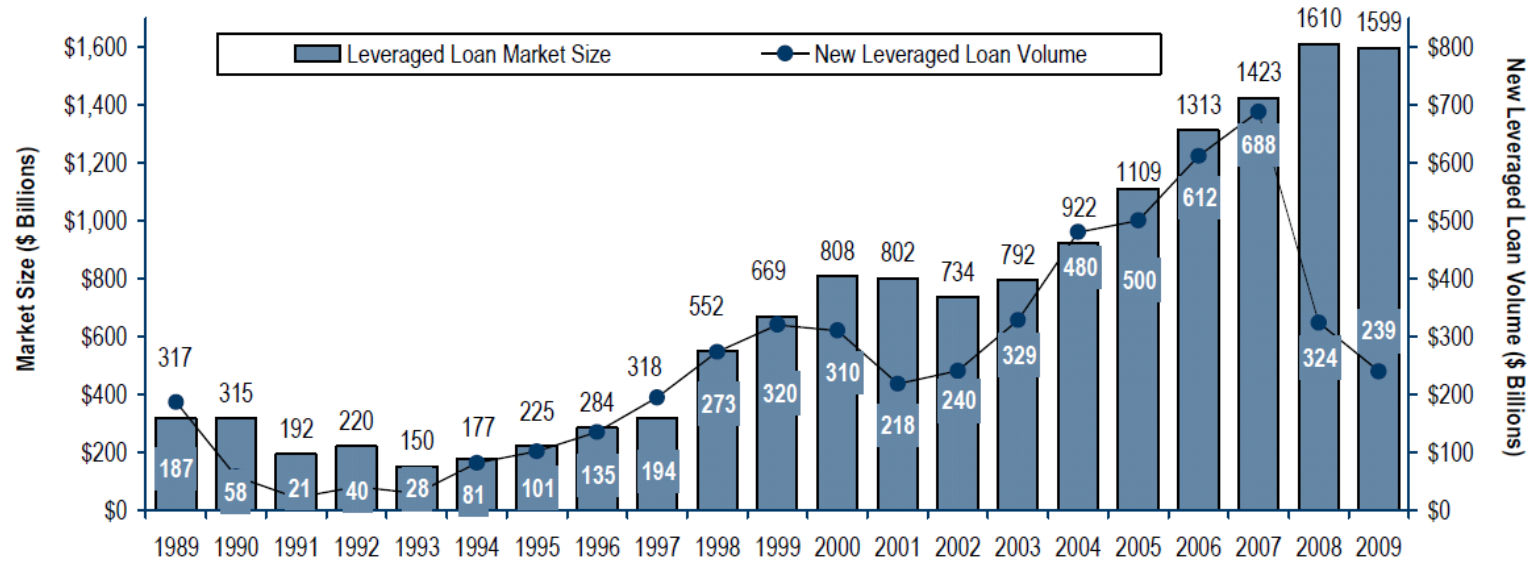
Source: Credit Suisse

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Institutional Loan Market Size & New Issuance

Growth of the US Leveraged Loan Market



* As of 12/31/2009

Includes \$US-denominated non-investment grade bank debt (revolvers, pro-rata and institutional term loans).

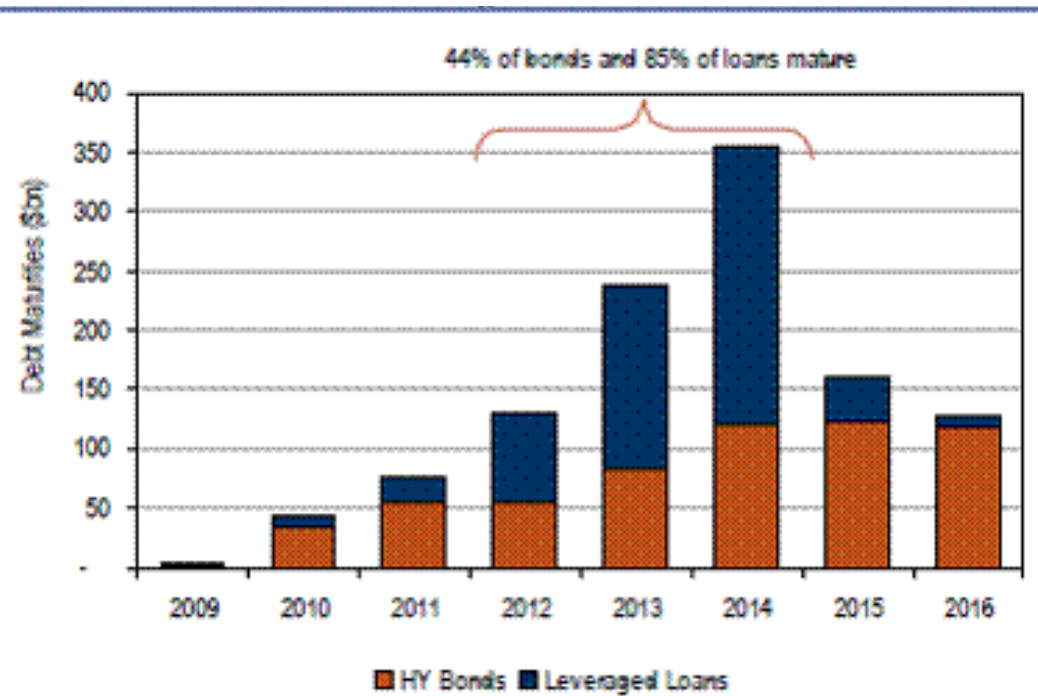
Source: Credit Suisse

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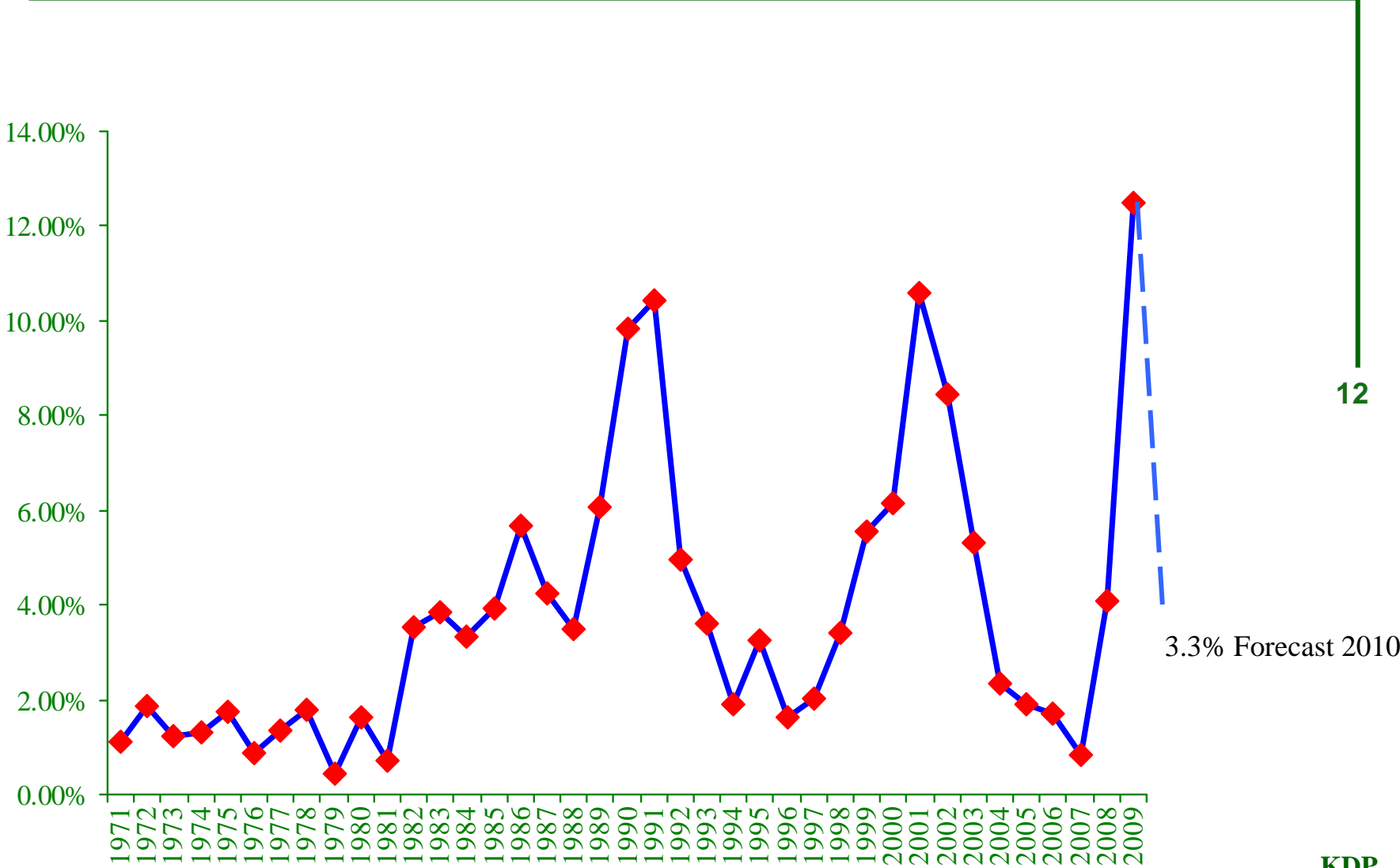
Upcoming Refinancing Requirements



Source: BofA Merrill Lynch Global Research, S&P/LCD



Moody's Historical High Yield Default Rate 1971 -2009



Note: Defaults based on developed and emerging markets rated universe.

Source: Moody's Investor Service



Past High Yield Performance and Entry Points by Rating

Historical Spreads	High Yield	BB	B	CCC
January 31, 2010	673bp	487bp	656bp	1092bp
March 9, 2009	1655bp	1014bp	1626bp	3014bp
December 16, 2008	1925bp	1322bp	1866bp	3364bp
July 24, 2008	746 bp	499 bp	753 bp	1306 bp
20 Year Avg.*	550 bp	306 bp	513 bp	1034 bp
15 Year Avg.*	518 bp	290 bp	478 bp	967 bp

* Average Data as of 9/18/2008 Source: JPMorgan, KDP

Observed Annualized Returns at Past Similar Spreads to the Prevailing Spreads on July 24, 2008

BB-rated bonds, at these valuations, provide more than just capital preservation; if history is any guide, potential attractive absolute total return opportunity

Average annual returns during the early 1990s credit cycle

	Entry Point	STW	YTW	Average annual total returns			
				1-year	2-year	3-year	5-year
CCC-rated bonds	Oct-89	1408bp	19.9%	-33.00%	7.91%	7.87%	10.61%
B-rated bonds	Jan-90	733bp	15.3%	1.91%	22.28%	19.52%	14.76%
BB-rated bonds	Nov-90	515bp	13.6%	24.20%	18.61%	18.73%	14.75%

Excess returns over Treasuries during the early 1990s credit cycle

	Entry Point	STW	YTW	Average annual total returns			
				1-year	2-year	3-year	5-year
CCC-rated bonds	Oct-89	1408bp	19.9%	-37.69%	-2.86%	-2.84%	2.69%
B-rated bonds	Jan-90	733bp	15.3%	-9.10%	8.76%	6.83%	6.24%
BB-rated bonds	Nov-90	515bp	13.6%	8.38%	6.73%	6.86%	5.34%

Average annual returns during the early 2000 credit cycle

	Entry Point	STW	YTW	Average annual total returns			
				1-year	2-year	3-year	5-year
CCC-rated bonds	Nov-99	1314bp	21.0%	-22.62%	-14.35%	-13.24%	4.05%
B-rated bonds	Oct-00	768bp	13.6%	-0.58%	0.69%	9.21%	8.83%
BB-rated bonds	Nov-00	467bp	10.0%	13.06%	9.39%	11.52%	9.55%

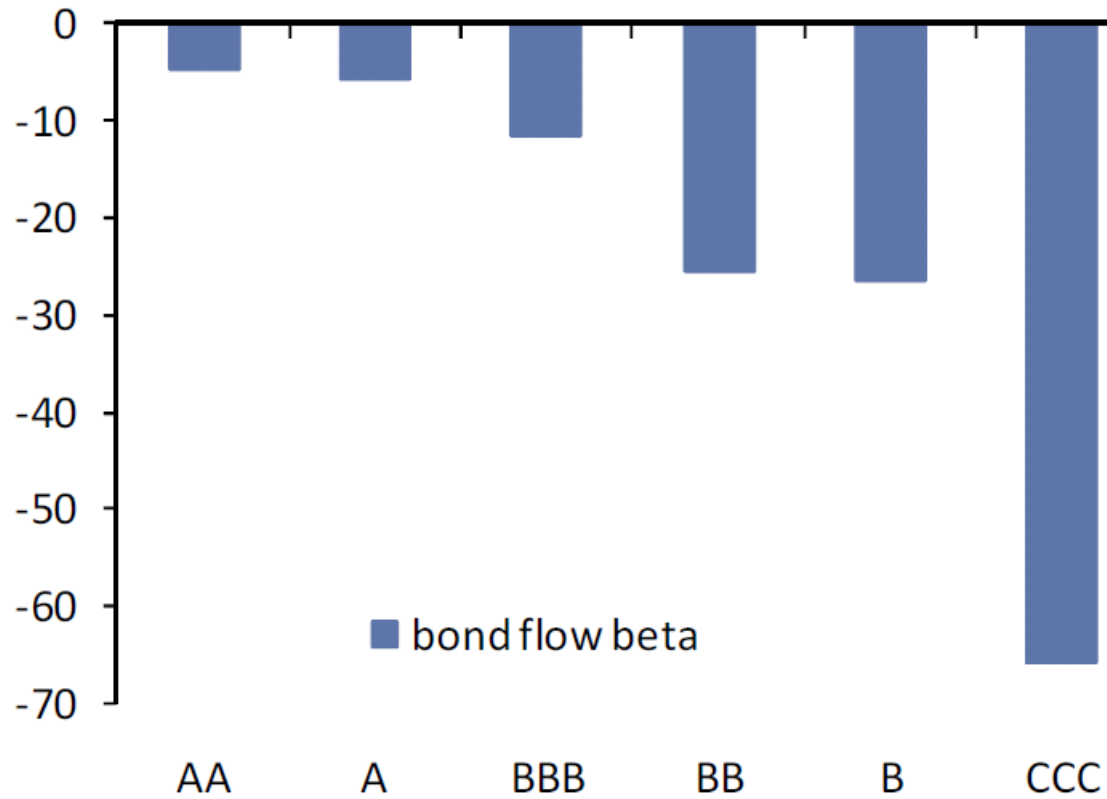
Excess returns over Treasuries during the early 2000 credit cycle

	Entry Point	STW	YTW	Average annual total returns			
				1-year	2-year	3-year	5-year
CCC-rated bonds	Nov-99	1314bp	21.0%	-29.32%	-22.53%	-21.38%	-3.25%
B-rated bonds	Oct-00	768bp	13.6%	-13.69%	-10.46%	0.11%	2.79%
BB-rated bonds	Nov-00	467bp	10.0%	1.59%	-0.87%	3.01%	3.86%

Source: JPMorgan



Impact of \$1B of Incremental Mutual Fund Flows by Rating Category

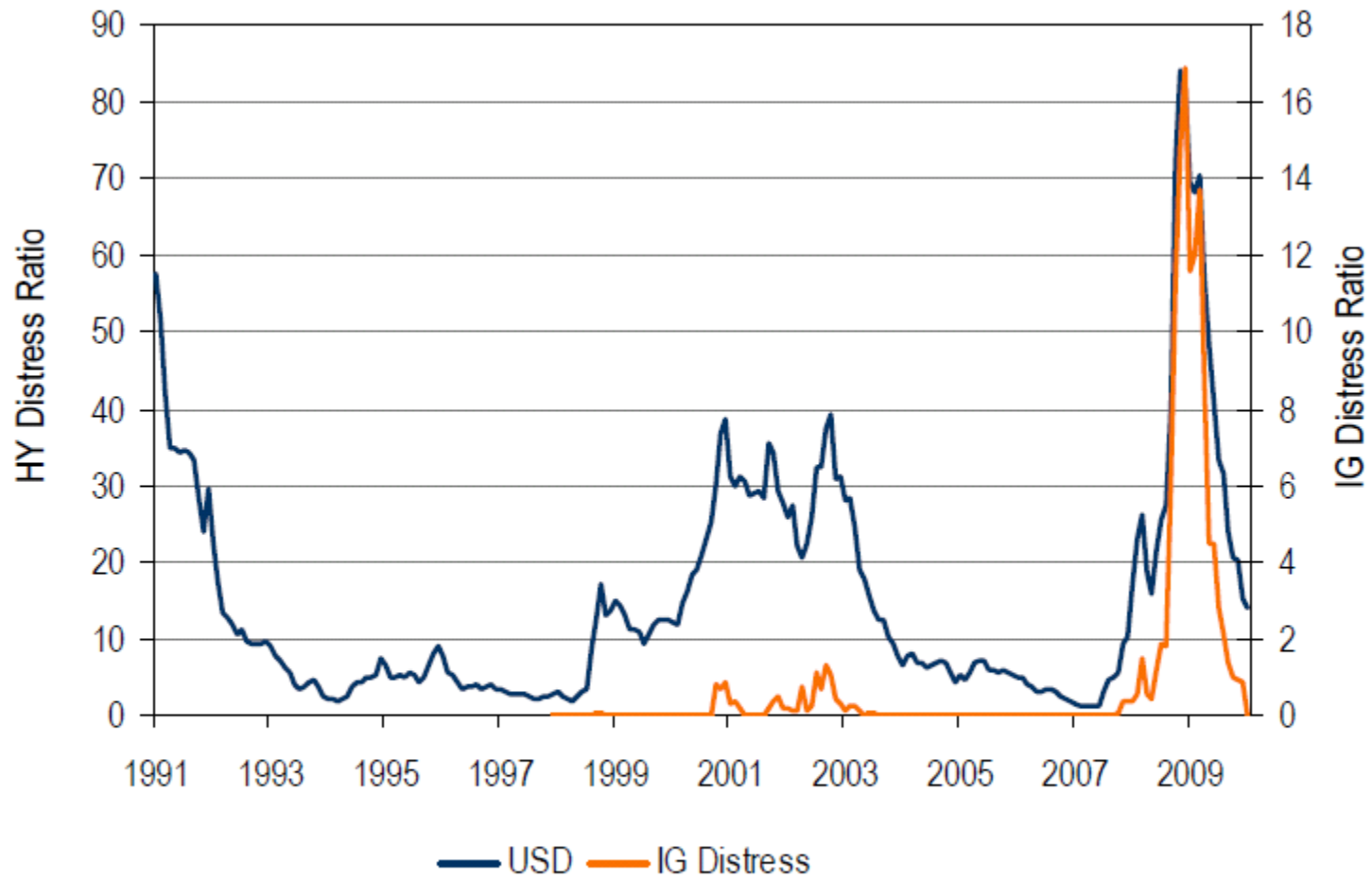


Source: Goldman Sachs Credit Strategy

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Distressed Ratios



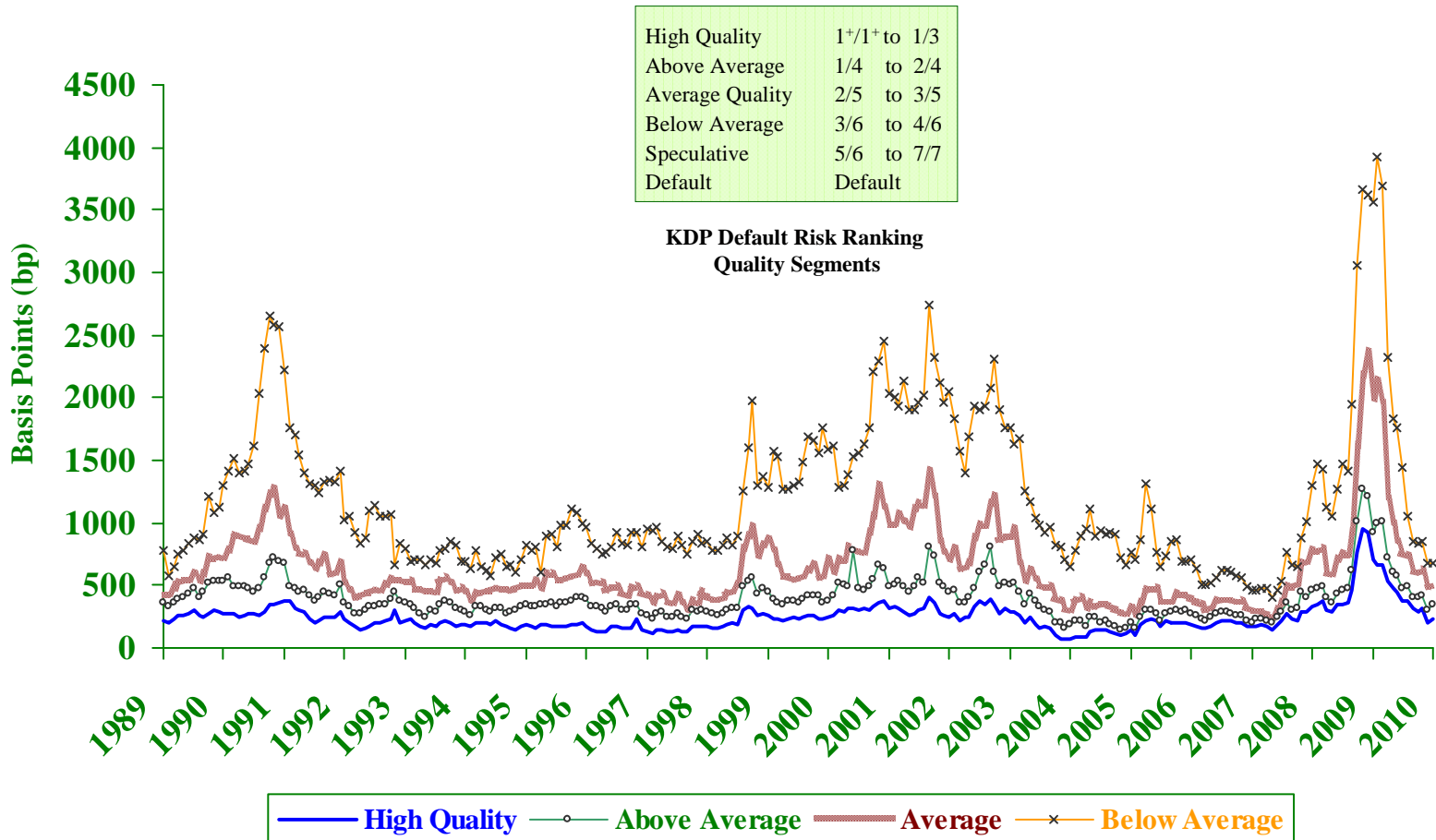
Source: BofA Merrill Lynch Global Research

As of 1/31/2010

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Yield Spread To 10-Year Treasury By Quality Sector

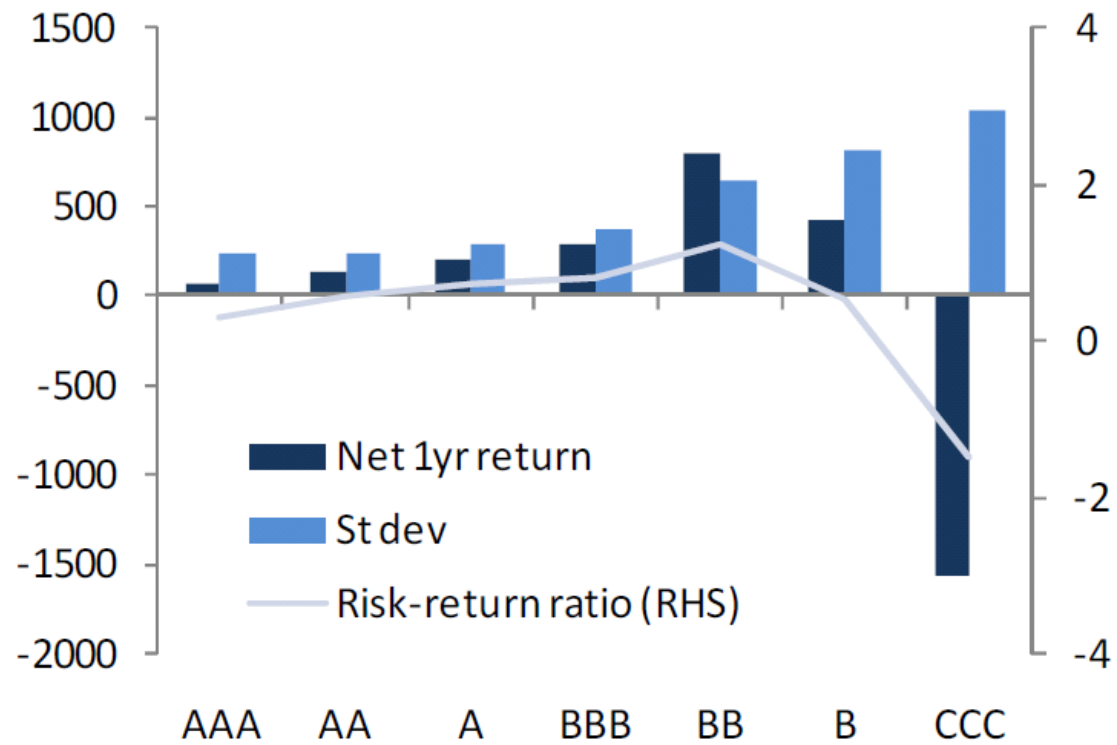


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2010 Credit Tier Risk / Reward Expectations



Source: Goldman Sachs Credit Strategy, Bloomberg

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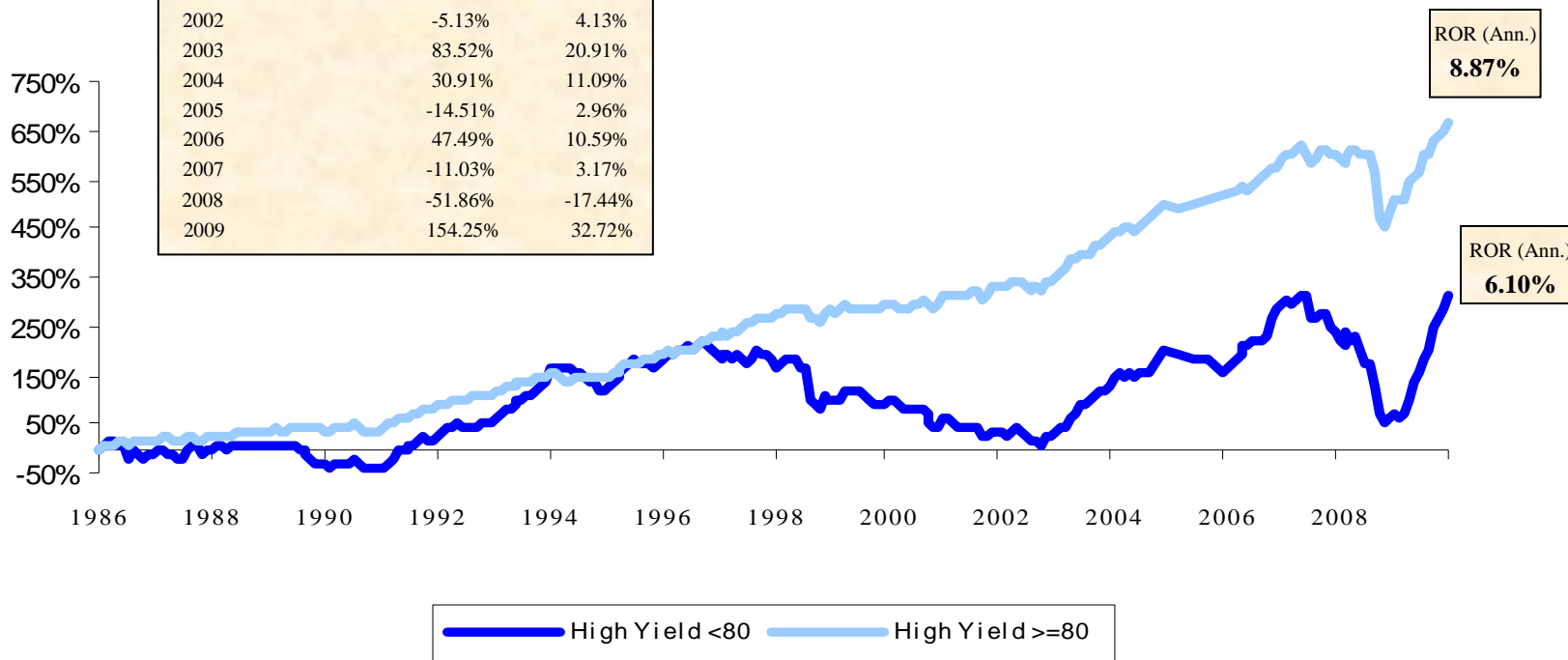


Strategic v. Tactical Allocations

Cumulative Total Returns of HY Bonds with Price Greater Than and Less Than 80 1986 – 2009

Risk / Return Analysis		
	Price <80	Price >=80
Std. Dev (Ann.)	20.69%	6.69%
% Profitable Months	59%	76%

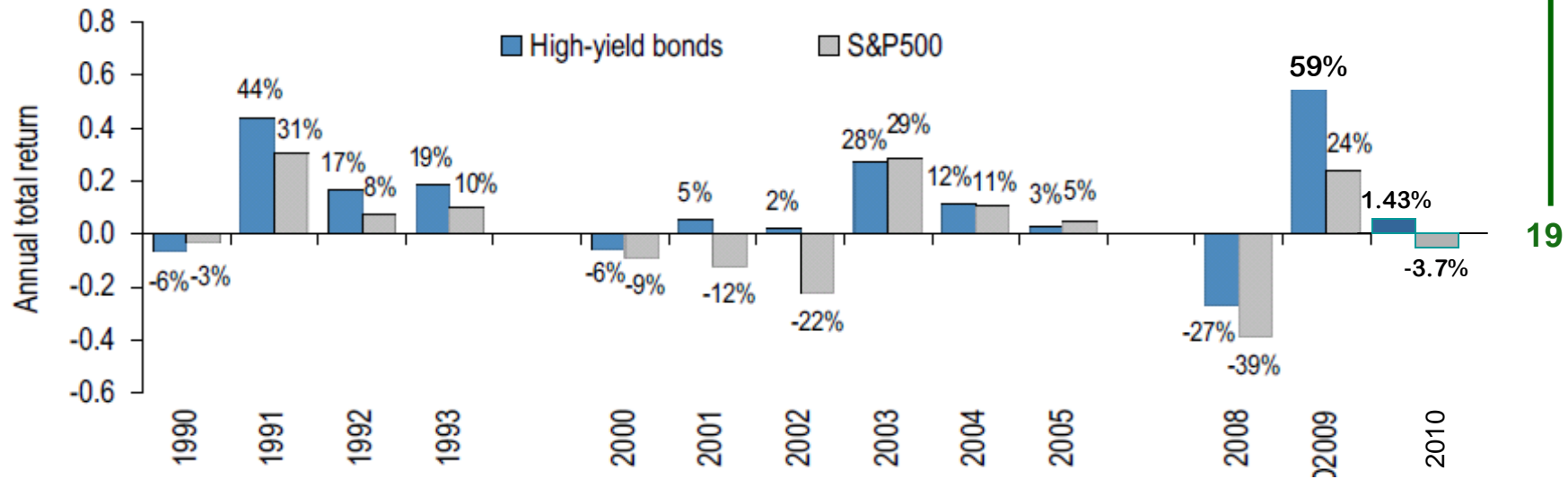
Recent Performance		
	Price <80	Price >80
2000	-25.11%	-0.28%
2001	-8.38%	9.23%
2002	-5.13%	4.13%
2003	83.52%	20.91%
2004	30.91%	11.09%
2005	-14.51%	2.96%
2006	47.49%	10.59%
2007	-11.03%	3.17%
2008	-51.86%	-17.44%
2009	154.25%	32.72%



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Past Historical Returns of High Yield vs. Equities during Downturns



Source: J.P. Morgan

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As of 1/31/10