



KDP Asset Management, Inc.

2010 Mid-Year High Yield Market Update

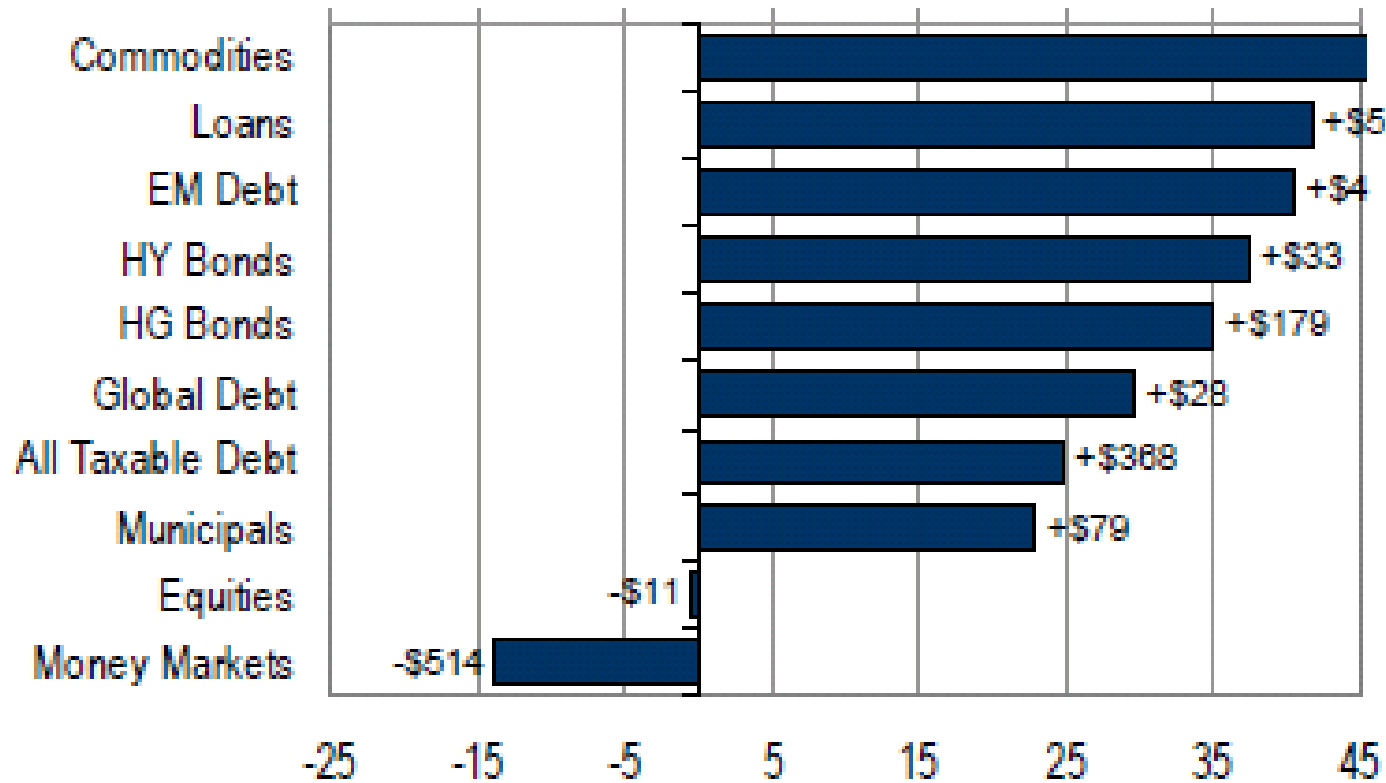
Presented by

Kingman D. Penniman, CFA

June 17, 2010

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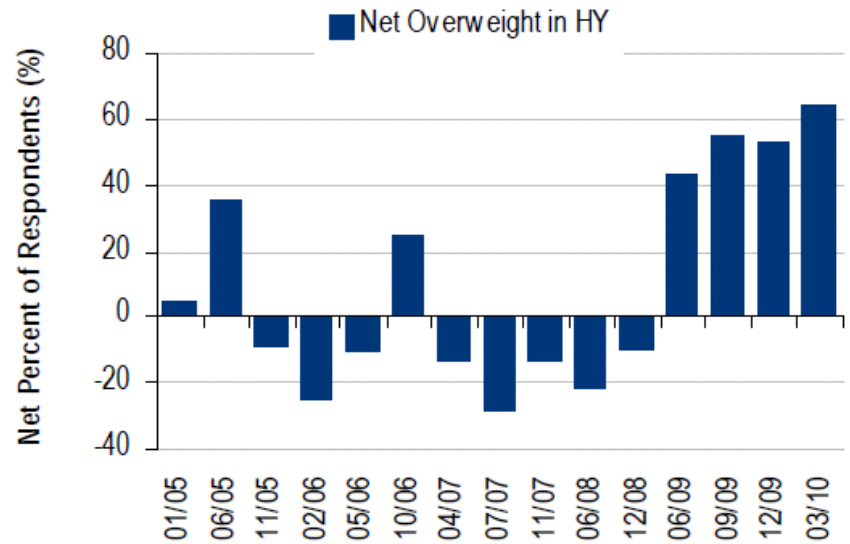
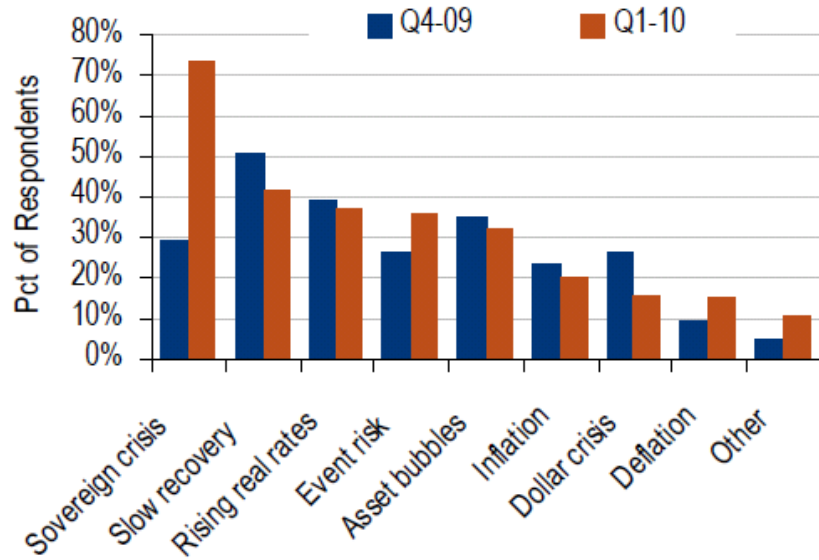
Strong High Yield Fund Inflows in 2009



■ FY Percentage Flows by Sector (US\$bn figures on chart)



Recent Credit Surveys: Institutional Investor Concerns and Portfolio Positioning



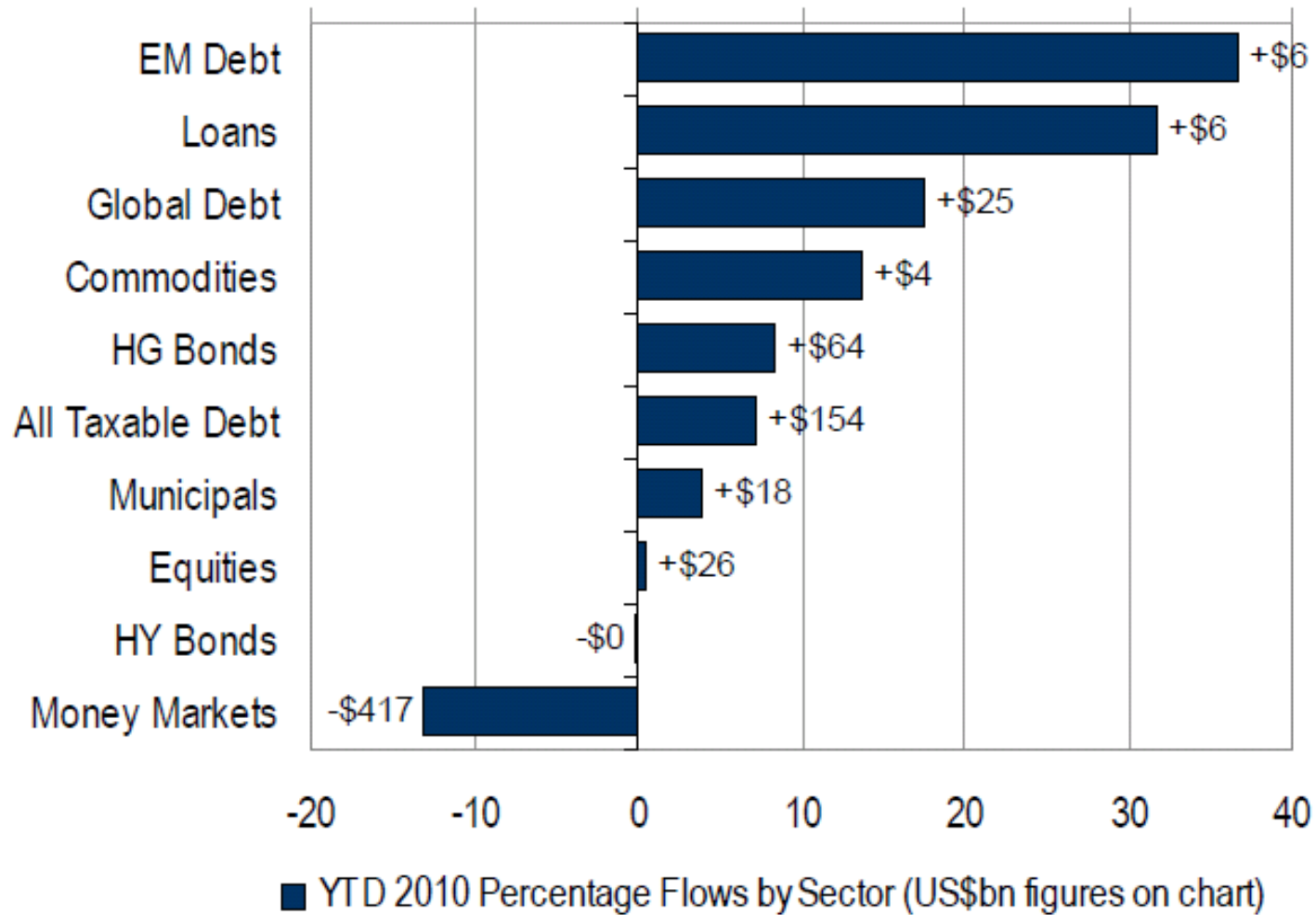
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Source: BofA Merrill Lynch Global Research

Fund Flows By Asset Class in 2010 YTD

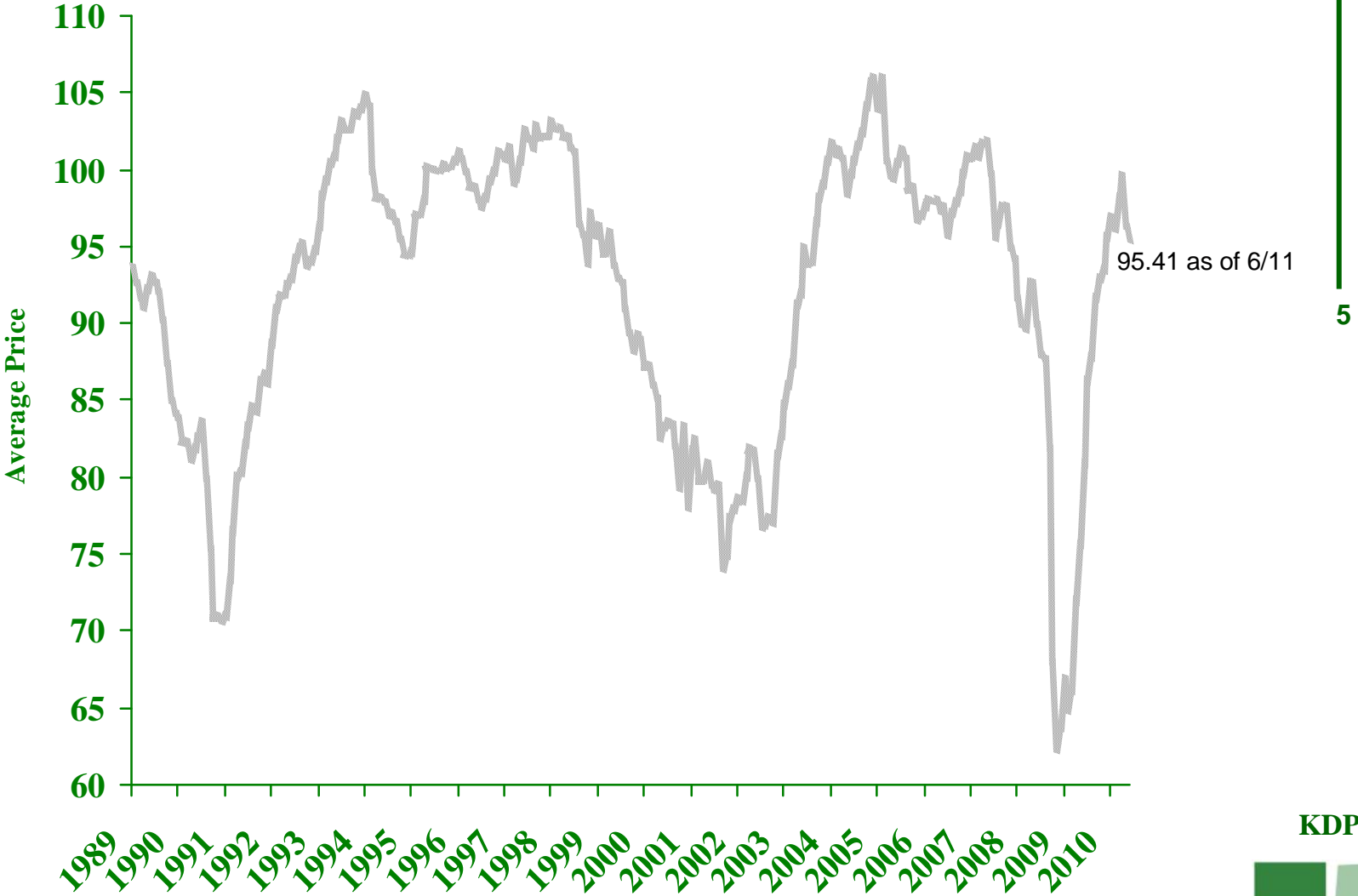


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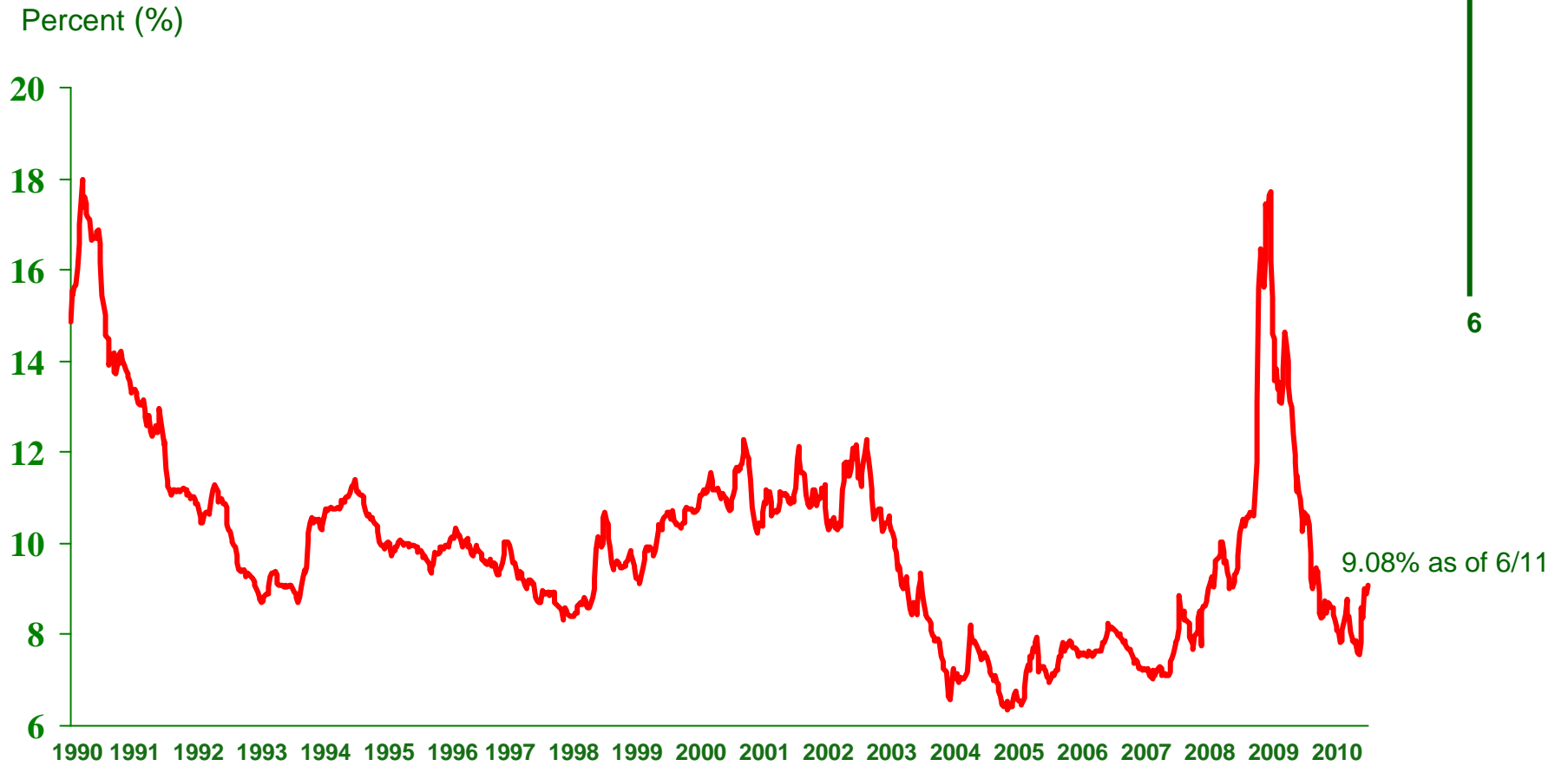
KDP Universe High Yield Bond Price 1/31/89 – 6/11/10



Source: KDP



KDP High Yield Daily Yield Index 8/17/90 – 6/11/10

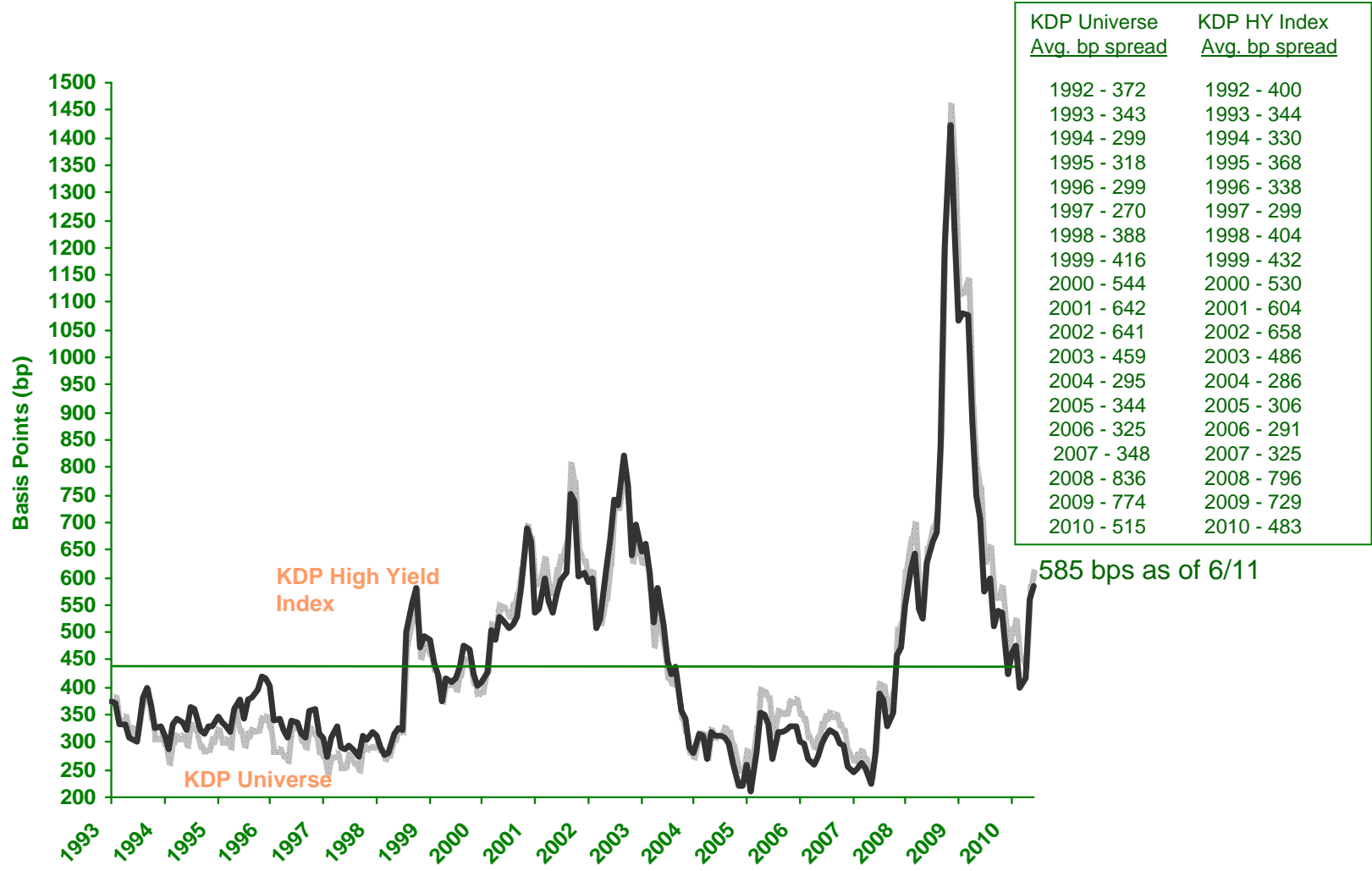


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Source: KDP

Yield Spreads To 10-Year Treasury 1/31/93 – 6/11/10

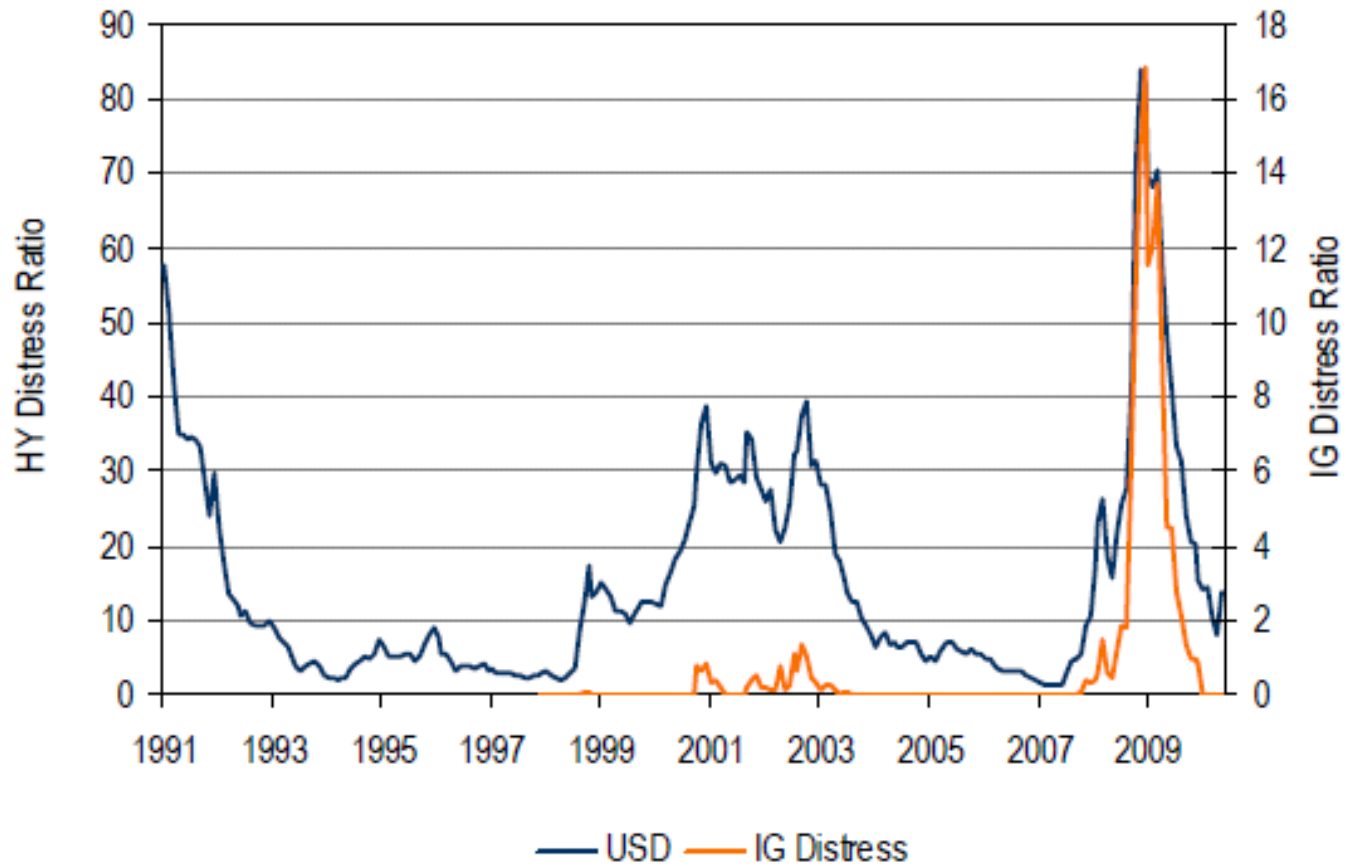


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6/11/2010
Source: KDP



Distressed Ratios



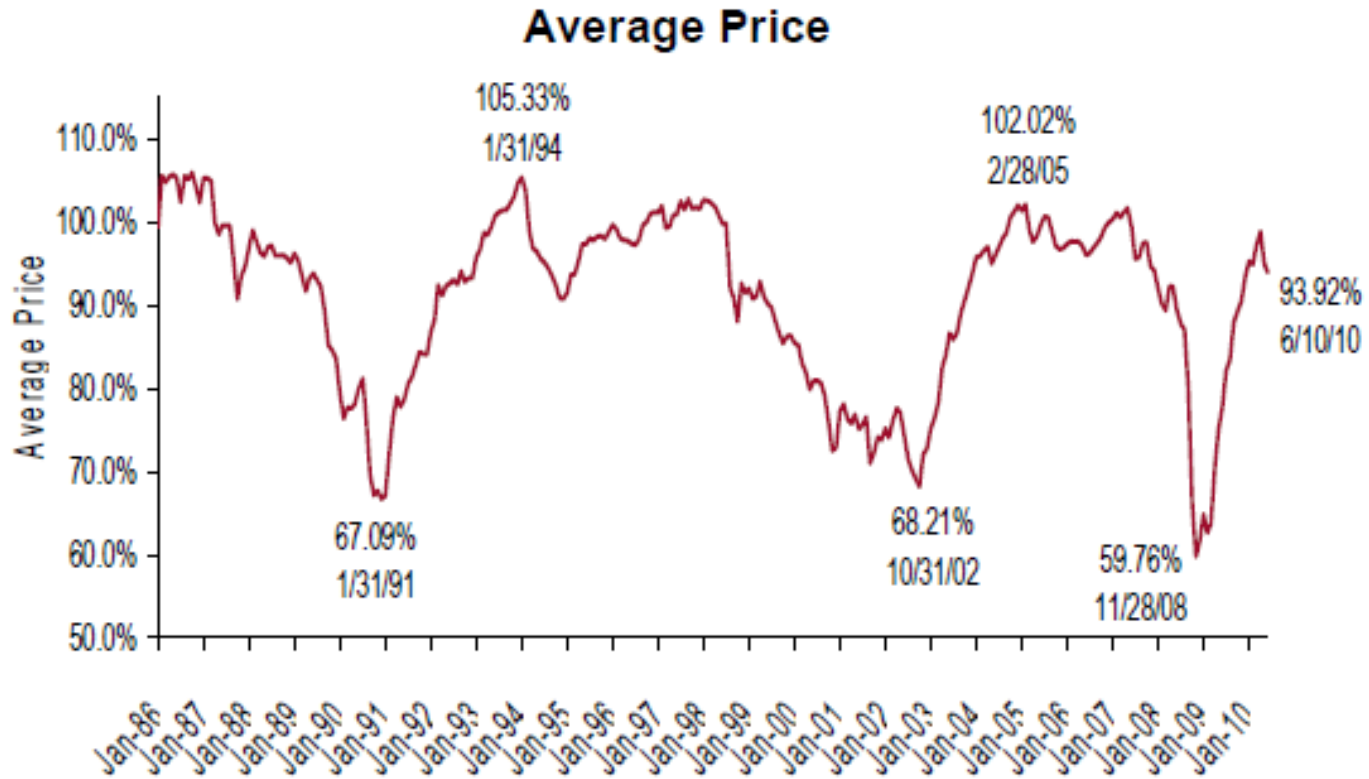
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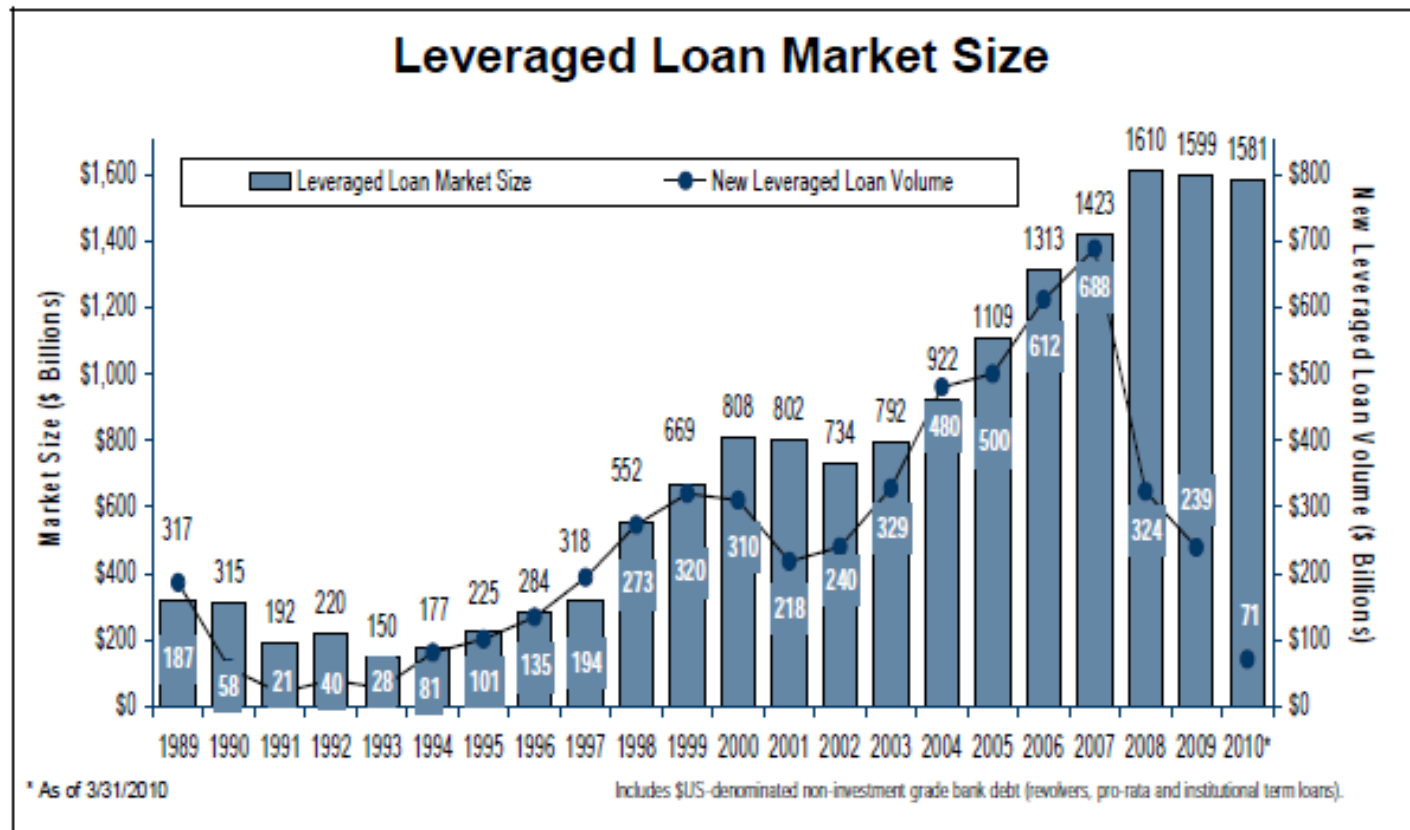


As of 5/31/2010
Source: BofA Merrill Lynch Global Research

Loan Price History



Leveraged Loan Market Size & New Issuance



10

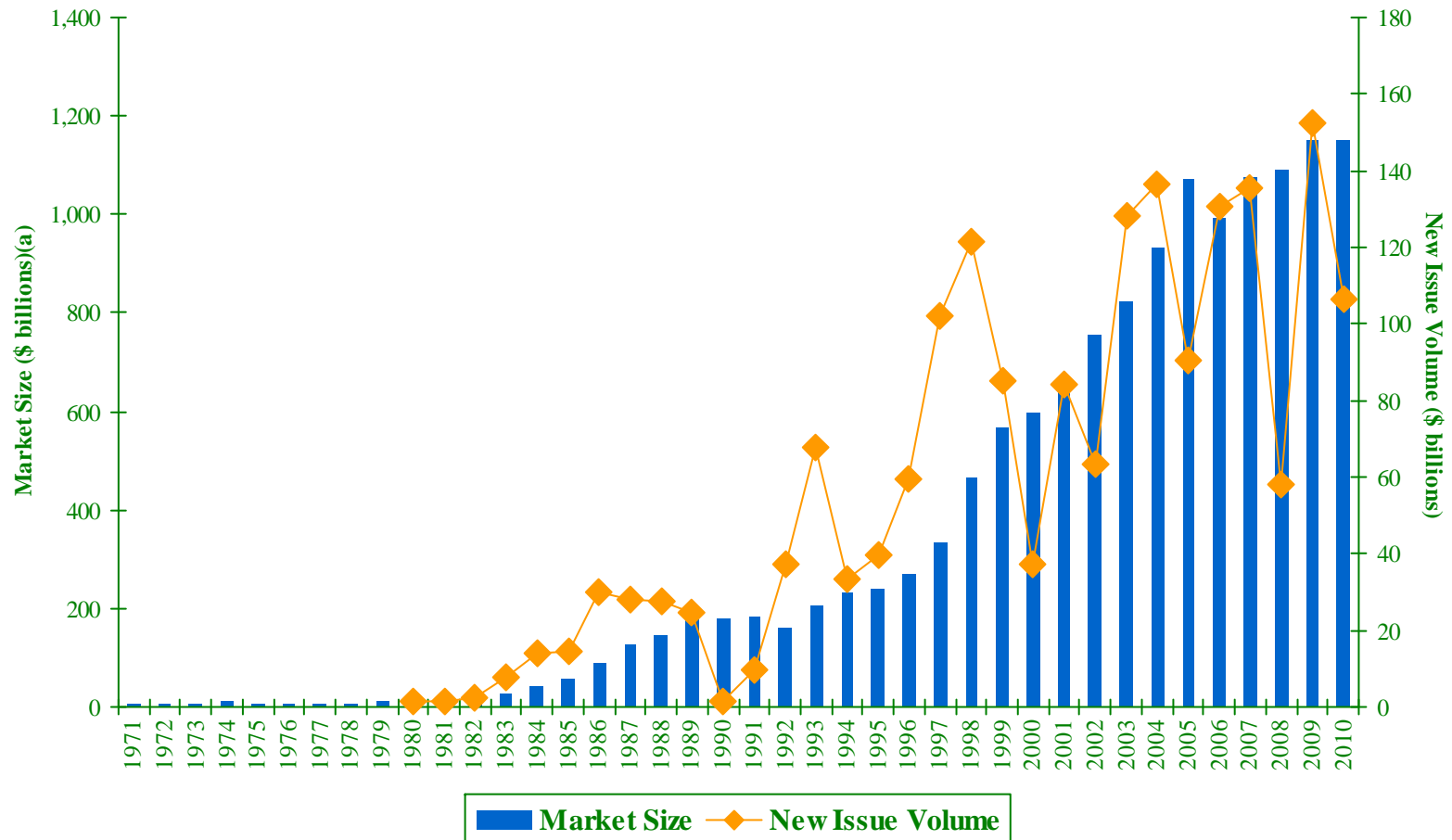
Source: Credit Suisse, LPC

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6/10/2010

High Yield Market Size and New Issue Volume



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(a) Market size as of mid-year.

New Issue Volume as of 6/11/2010

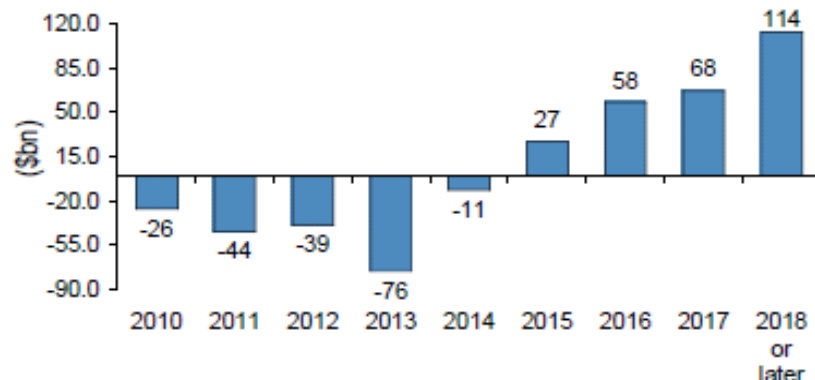
Source: Edward I. Altman, Salomon Center, NYU Stern School of Business; Citigroup Global Markets; KDP Investment Advisors, Inc.

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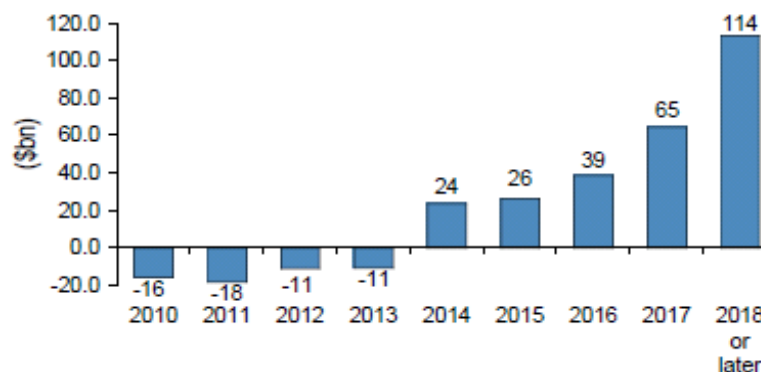


Leveraged Credit Maturity Schedules Have Been Opportunistically Extended Since 2008

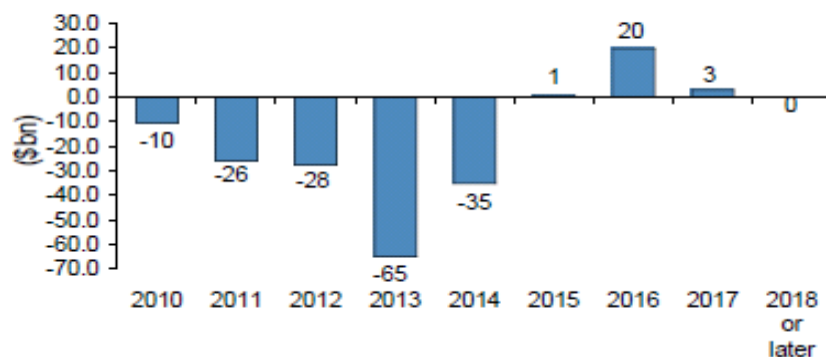
Change in high-yield bond and loan maturity schedules over the past 15 months



Change in the high-yield bond maturity schedule since the end of 2008



Change in the leveraged loan maturity schedule since the end of 2008



- Near term maturities have been reduced materially, particularly in the loan market
- Peak years of 2014-2015 have been relatively unchanged

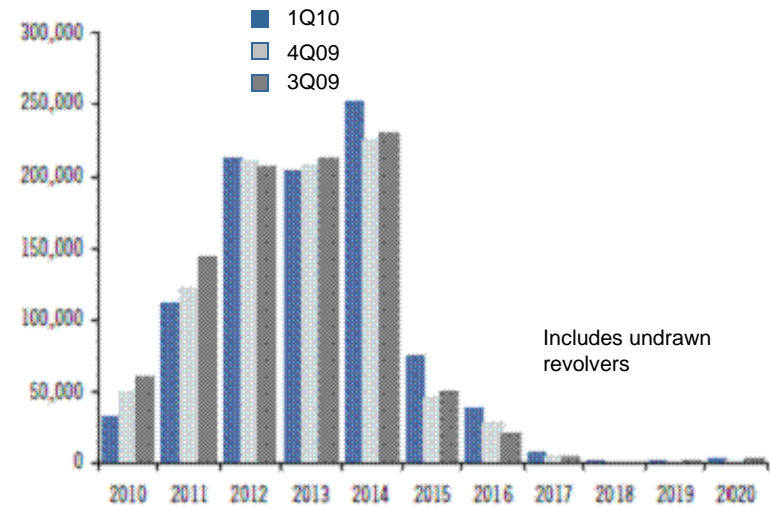
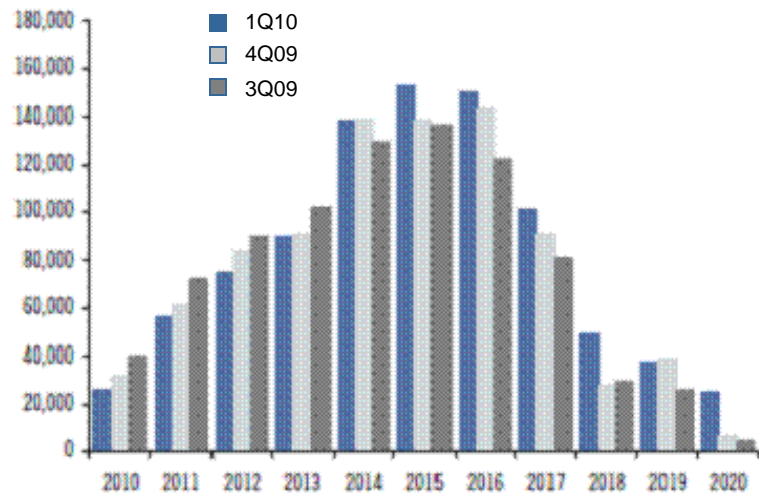
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Note: Change is measured between December 31, 2008 and March 2010
Source: JP Morgan, Markit

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Significant Maturities Loom Despite Recent Financing Boom



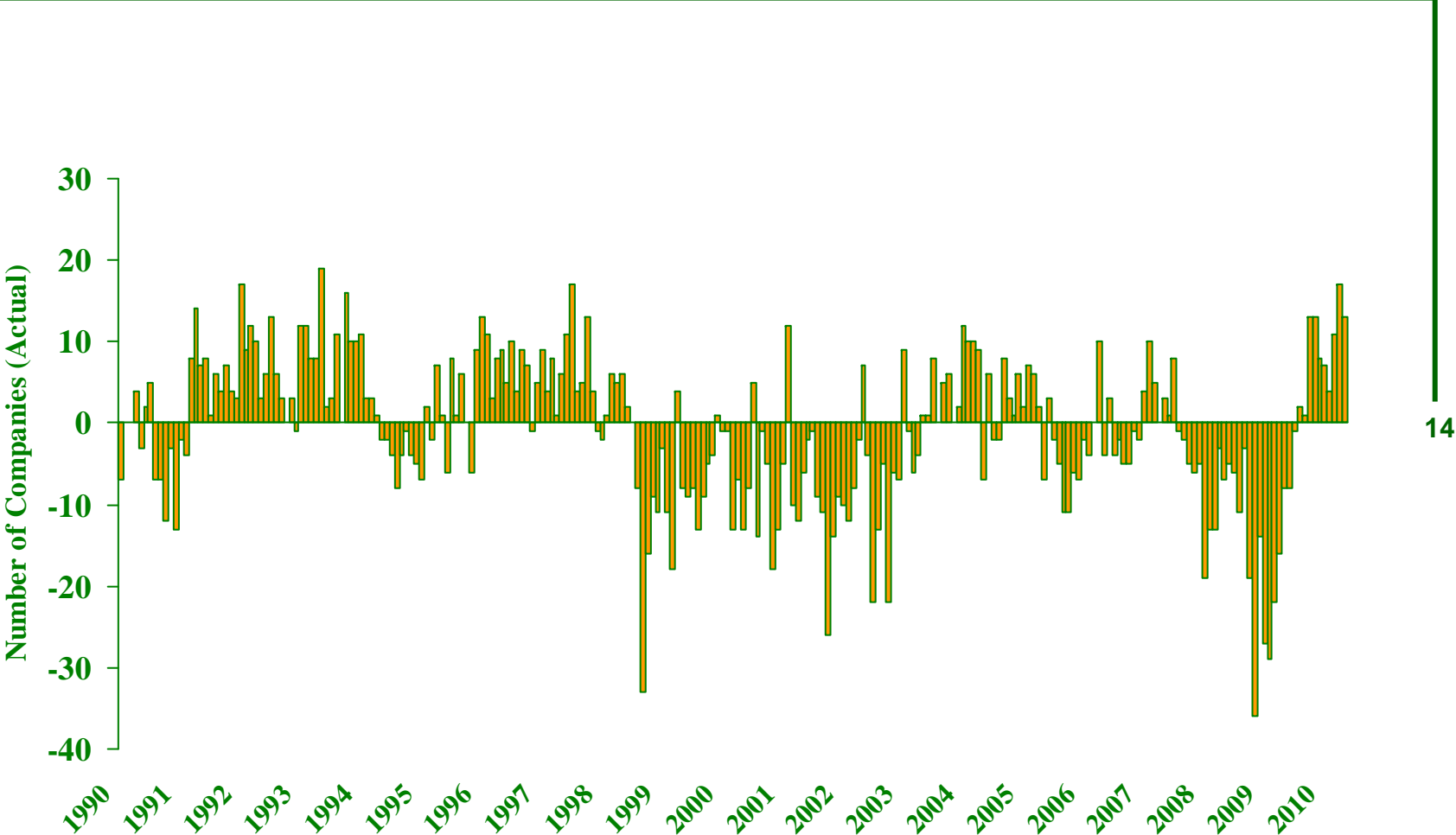
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Source: Bloomberg, CIRA

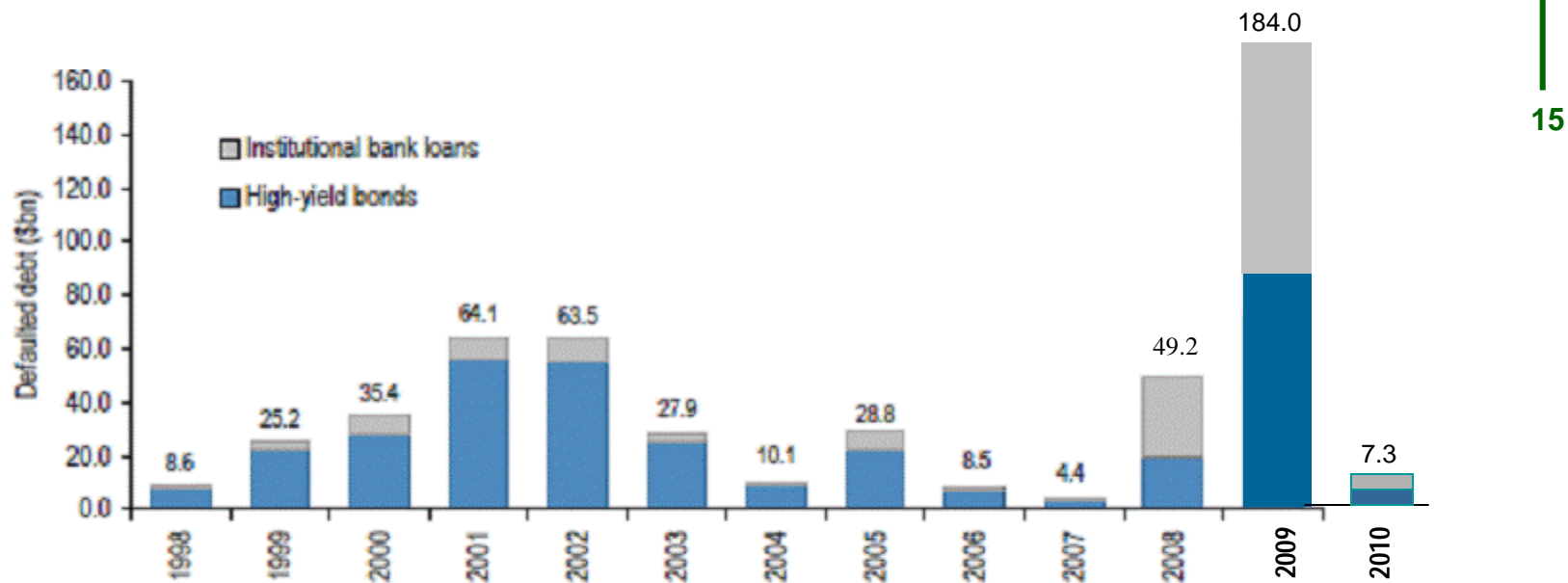
KDP Default Risk Changes Net Change 1990 through May 2010



5/31/2010
Source: KDP



High Yield & Loan Defaults Surge in 2009



Note: Includes grace period defaults

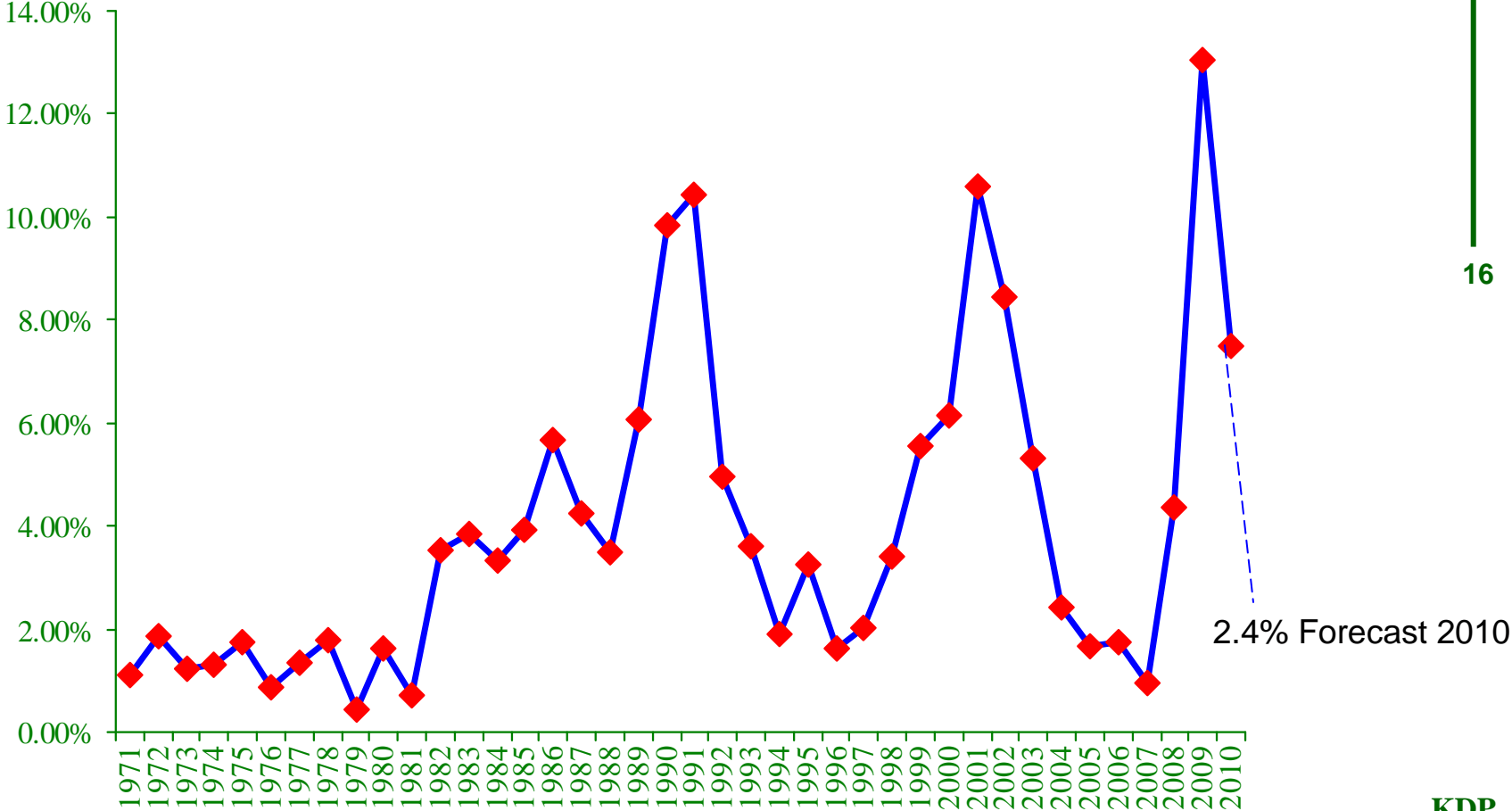
5/31/2010

Source: JP Morgan; S&P/LCD

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Moody's Historical High Yield Default Rate 1971 – May 2010



16

2.4% Forecast 2010

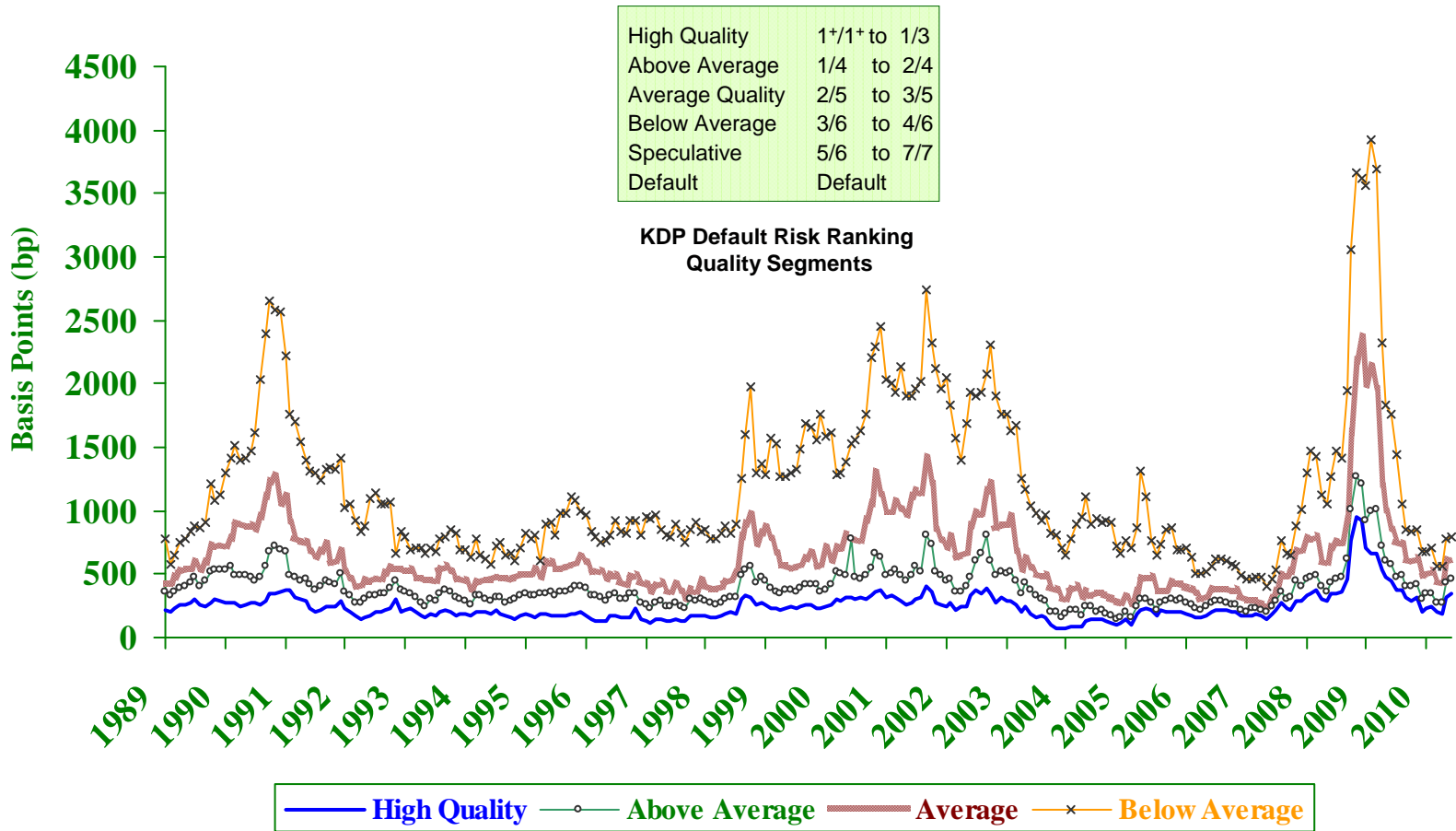
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Note: Defaults based on developed and emerging markets rated universe.

Source: Moody's Investor Service

Yield Spread To 10-Year Treasury By Quality Sector



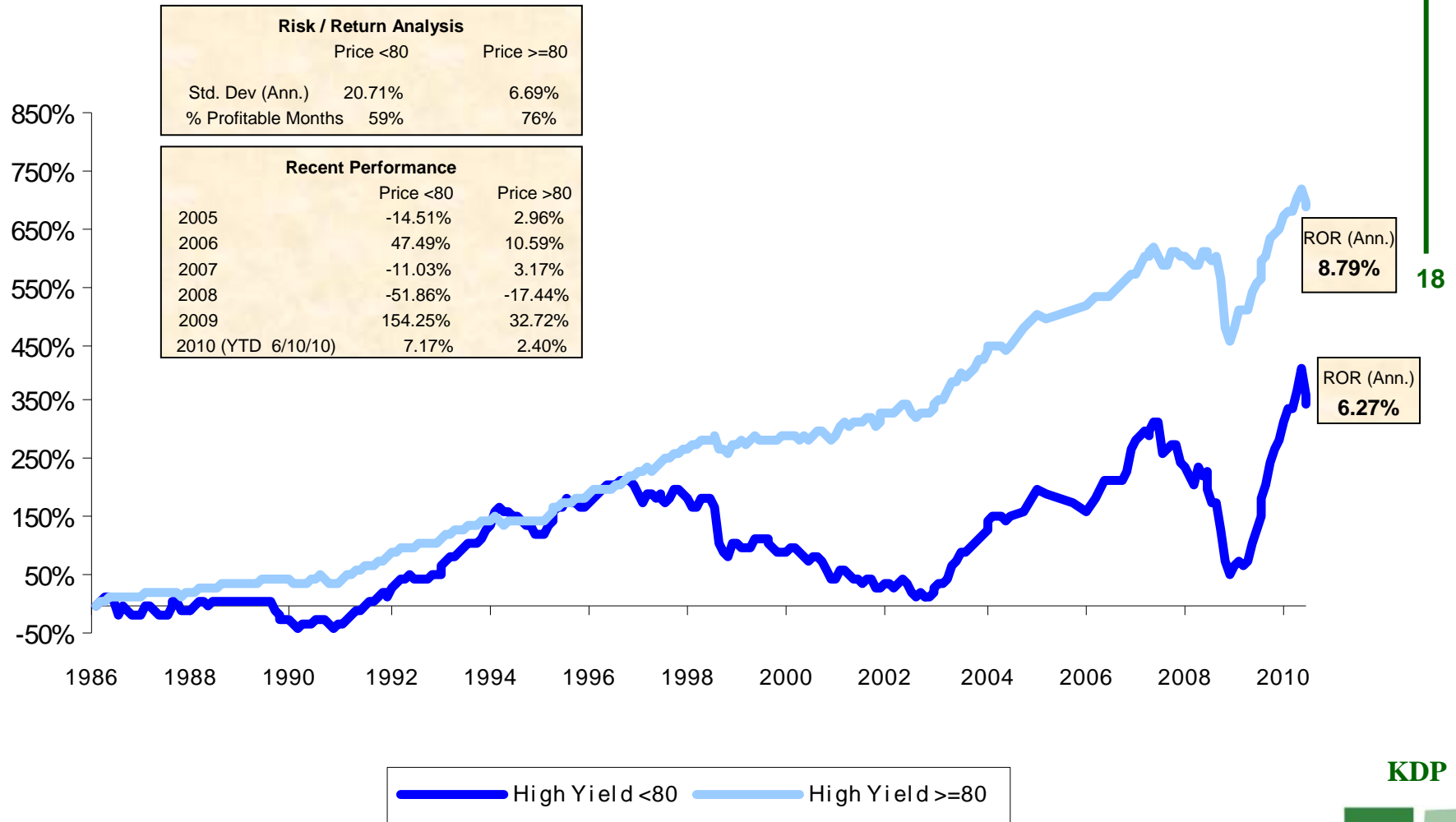
Cash Pay Bonds

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Strategic v. Tactical Allocations

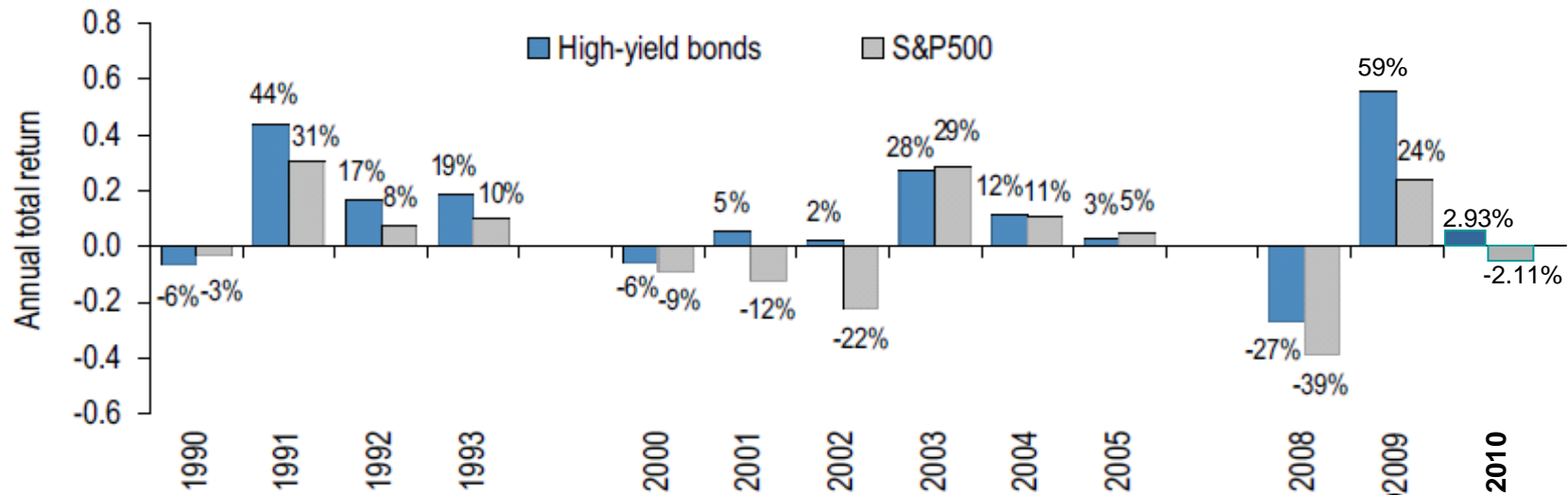
Cumulative Total Returns of HY Bonds with Price Greater Than and Less Than 80 1986 – June 10, 2010



Source: KDP, Credit Suisse



Past Historical Returns of High Yield vs. Equities During Downturns



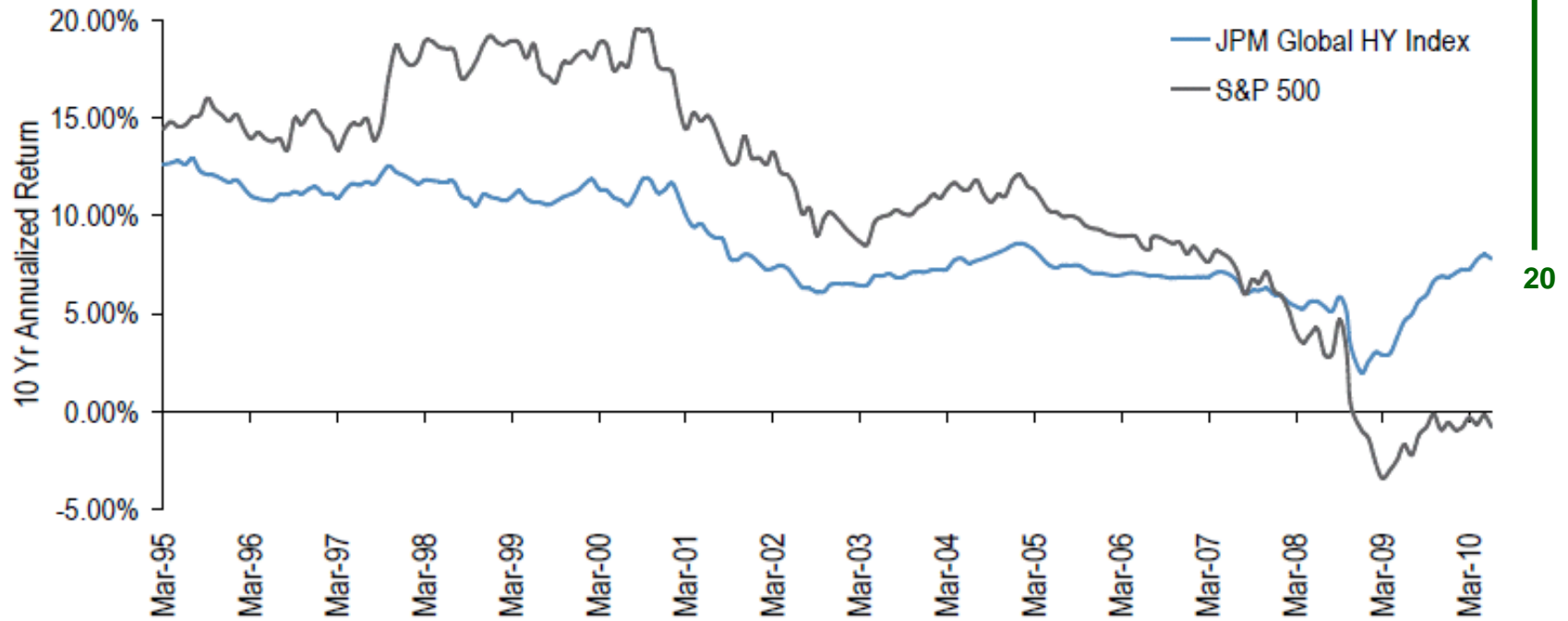
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As of 6/11/10
Source: JP Morgan

10-Year Rolling Annualized Returns of High Yield vs. Equities

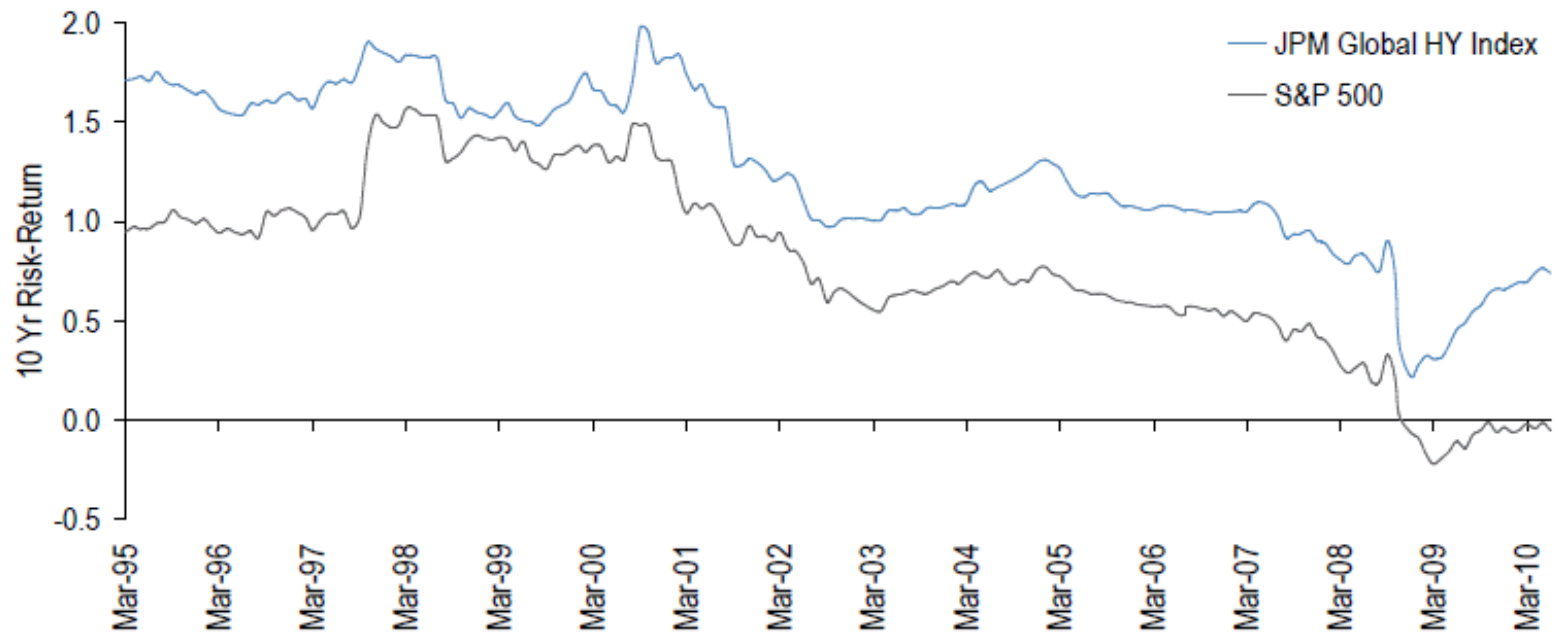


Note: As of 5/29/2010
Source: JP Morgan

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10-Year Rolling Risk-Return of High Yield vs. Equities



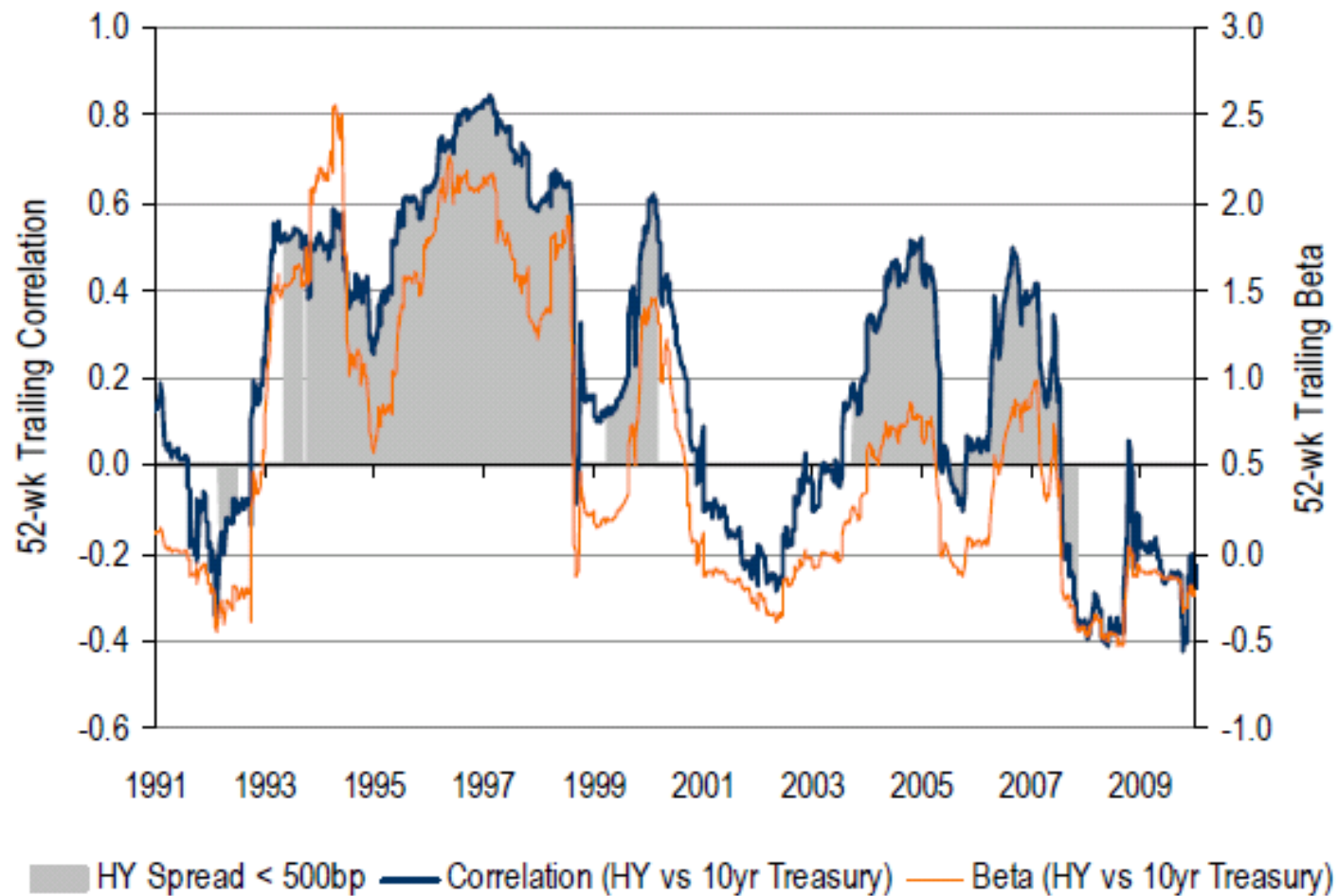
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Note: As of 5/29/2010
Source: JP Morgan

High Yield Correlation to Treasuries Depends on Level of Spreads



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Source: BofA Merrill Lynch Global Research