Market Update

July 2009

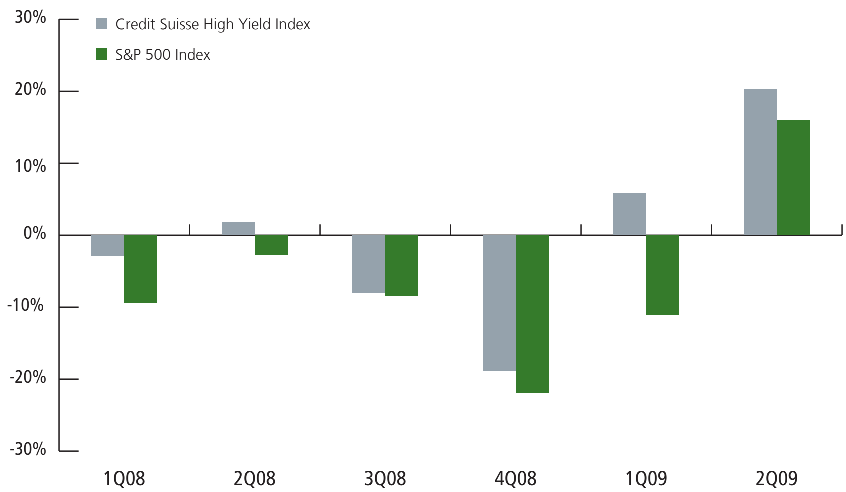
"We feel that many higher yielding issues continue to be attractively priced and offer compelling long-term growth prospects."

High Yield Posts Record Rally in Quarter

Following the return of credit market liquidity and renewed investor risk appetites, the Credit Suisse High Yield Index surged 20.24% in the second quarter, its highest quarterly return on record. The strongest performance came at the beginning of the period with a 10.8% return in April. Returns during May and June also were positive, though more muted, as sentiment began to diminish at the end of the quarter. Overall performance was led by securities with the lower-quality credit, specifically the most speculative grade CCC-rated tier.

High yield spreads fell more than 500 basis points during the quarter and ended 1,019 basis points above the 10-year Treasury. Falling yields had a positive effect on new issuance activity, as the volume within the quarter was the most since the second quarter of 2007. The pace of defaults slowed during the quarter, yet market participants continue to expect bankruptcies to remain elevated. The issuer-based default rate ended the month at 9.65%, while the dollar-weighted default rate is currently 8.63%. Both figures remain approximately 100 to 250 basis points below their respective highs.

High Yield Quarterly Returns



Source: Mellon Analytical Solutions LLC

All Sectors Gain

All sectors within the index were positive during the quarter, led by information-technology (33.77%) and the recovering financial (30.87%) sectors. The consumer-discretionary (25.91%), materials (25.17%) and industrials (20.21%) sectors also were strong. Sectors that trailed on a relative basis included more stable areas such as telecommunications services (9.32%), utilities (10.19%) and health care (10.94%).

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Past performance is no guarantee of future results. Current performance may be lower or higher than the performance quoted.

Lowest Quality Outperforms

All quality tiers within the high yield market experienced outstanding returns during the quarter, led by the lowest-quality issues. The most speculative and riskiest part of the market performed best, as the CCC-rated tier (43.42%) outperformed the higher-quality BB (11.92%) and B-rated (22.52%) segments of the market. This is in line with the move to risky assets we have seen in recent months as investors have become more confident we are not entering a depression.

Strong Issuance

A boost in deal activity during the quarter was triggered by improved liquidity conditions in some areas of the credit market, falling yields, as well as a recovery in general sentiment. During the period, $55 billion in new volume was priced and the total for the year already surpasses the entire amount for all of 2008. More importantly, issuance has broadened and is more diversified among sectors. The largest amount of new issuance came from the energy, health care and gaming/leisure industries.

Positioning: Cyclicals Attractive, Selective with Financials

Even in these challenging times, we strongly believe that many investment opportunities will be available in the future, just as there were in other times of distress. While the economy has sustained a significant shock, we expect the recovery to be slow. We feel that many higher yielding issues continue to be attractively priced and offer compelling long-term growth prospects. Our research focus is centered primarily on risk management and seeks out improving business fundamentals and cleaner balance sheets, while avoiding the most impaired credits. In-depth credit analysis is a critical component of our strategy, as we utilize our own proprietary credit ratings to evaluate the possibilities and consequences of credit changes within issues.

Early cyclical companies offer attractive valuations and should be boosted by U.S. dollar devaluation, global infrastructure stimulus spending, and higher commodity prices. We remain broadly cautious and selective in the financial sector. Excess leverage continues to be taken out of the financial sector, as regulations expand and balance sheets shrink. We continue to evaluate whether investors are properly compensated for the risks taken in many areas of the high yield market, and we remain committed to the higher-quality tiers at this point in time. While we expect the next several quarters to be volatile, we feel the financial markets should rebound and reward those who stay long-term oriented.

Index Definitions

The **Credit Suisse High Yield Index** is an unmanaged index of high yield debt securities. **The S&P 500 Index** is generally considered representative of the U.S. stock market. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

High-yield bonds are lower-rated securities, which present greater risks than investments in higher-rated securities. This is because there is a greater likelihood that the company issuing the lower-rated securities may default on income and principal payments.

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