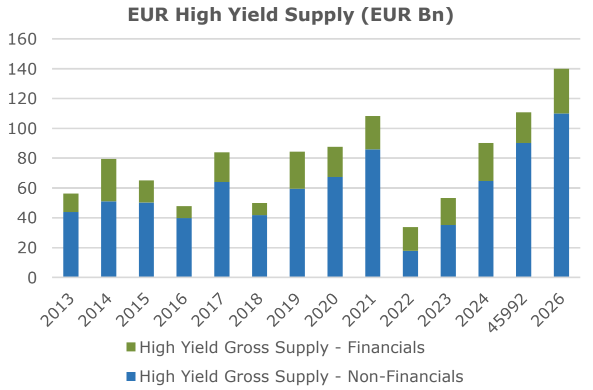
Monthly Spotlight

Record Supply Momentum in High Yield

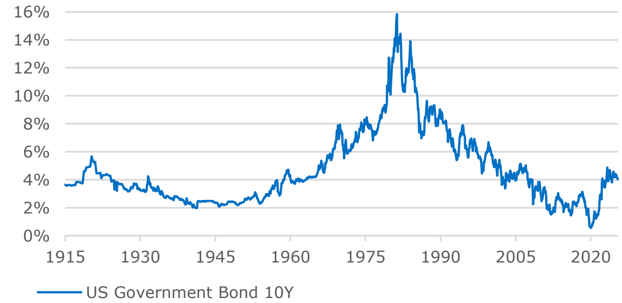
High Yield gross supply in 2025 reached EUR 110 billion, the second highest level on record and broadly in line with the market forecasts, representing an 8% increase from 2024. Corporate issuance rose 20% year on year to EUR 90 billion, driven mainly by the consumer and communications sectors. In contrast, banking issuance declined sharply, down 63% from 2024, bringing total financial supply to EUR 20.8 billion from EUR 28 billion. Most financial issuance was linked to maturities, resulting in a strongly negative net supply, which was further amplified by the large number of rising stars as several peripheral banks moved up to investment grade.

The High Yield refinancing premium, which stood at a 65bps premium at the end of 2024, shifted to a 17bps discount by December. Looking ahead, we expect record gross high yield supply in 2026 of around EUR 140 billion, including EUR 110 billion from corporates and EUR 30 billion from financials, supported by an unprecedented EUR 62 billion in upcoming maturities.

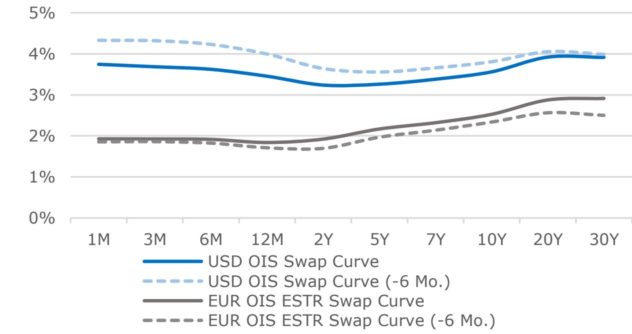


Rates Perspective

1) Historical US Treasury Yield: 10-year US government bond yield reached its 100-year low in 2020.

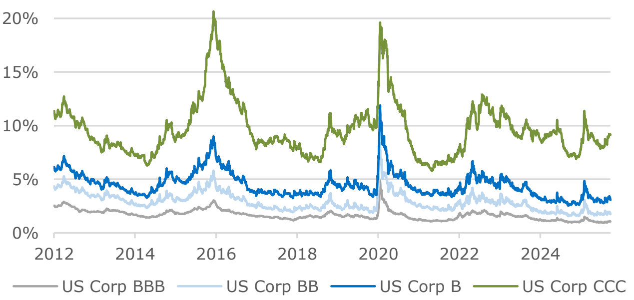


2) Interest Swap Curve: The USD and EUR curves are V-shaped with minima around 2Y maturities.

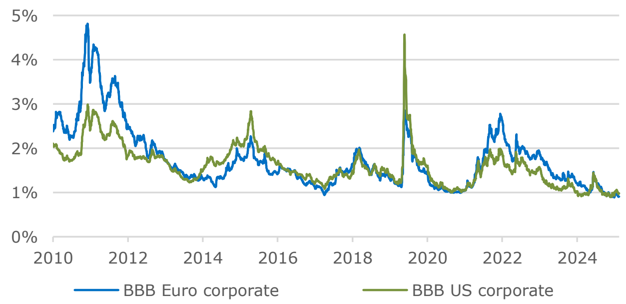


Corporate Perspective

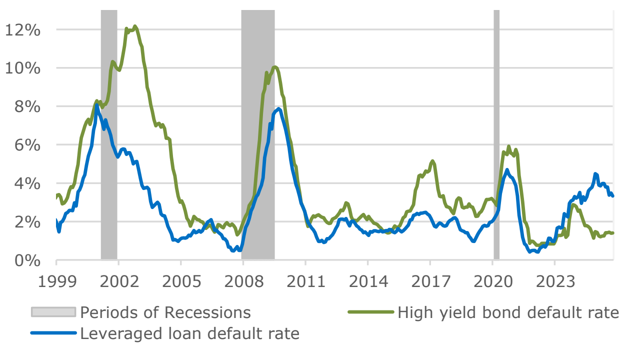
3) US Corp. Rating: Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.



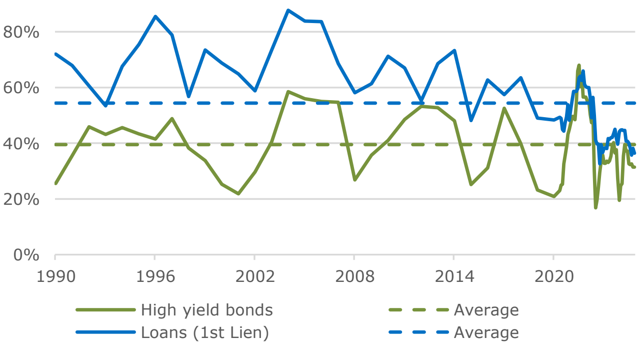
4) EU vs. US: EU credit spreads (OAS) are now at similar levels than in the US.



5) Default Rates: HY bond default rates are now for the first time lower vs. loans.



6) Recovery Rates: Recovery rates of leveraged loans are higher (Ø54%) vs. high yield bonds (Ø39%) due to lower severity.



OAS spread change overview across major credit asset classes - as of month end

US corporates by rating (bps)

	curr	Δ month
AAA	33	-2
AA	47	+0
A	66	+0
BBB	104	+2
BB	173	-6
B	306	-1
CCC	917	+52

Global high yield (bps)

	curr	Δ month
US HY	295	+1
EU HY	283	+2
Asia HY	443	+62
EM HY	355	+4

CDS spreads (bps)

	curr	Δ month
CDX IG - US	51	-1
iTraxx IG - EU	53	-2
CDX HY - US	322	-6
iTraxx XO - EU	256	-10

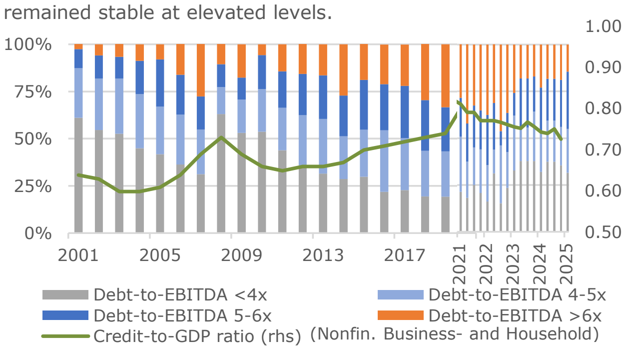
Loans and CLOs yields (bps)

	curr	Δ month
US Loan	730	-2
CLO AAA	525	-11
CLO BBB	717	-11
CLO BB	982	-11

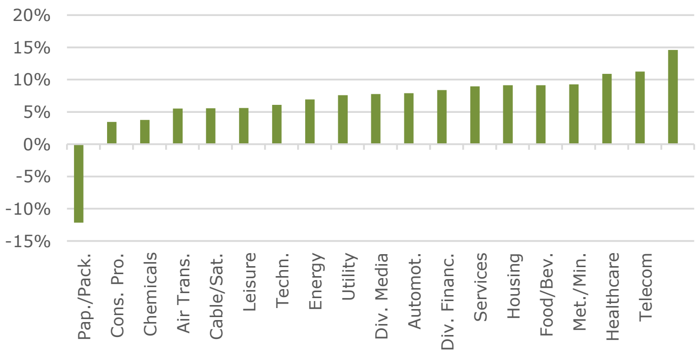
spread tightening (positive price action)

spread widening (negative price action)

7) US Leverage: Debt-to-EBITDA ratio of US companies remained stable at elevated levels.

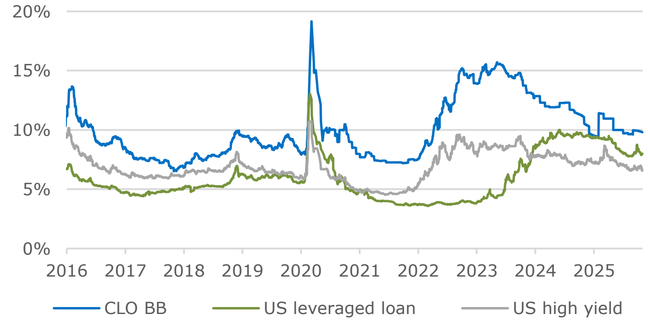


8) YTD Sector High-Yield Returns: Positive YTD results across most of the sectors.



Alternative Perspective

9) Loans vs. CLO vs. HY: CLO BB yields are wider vs. loans and HY bonds.



10) CLO Yields: CLOs offer an attractive yield premium over bonds and loans.

11) Asia vs. US: Asian IG spreads have tightened thanks to gradual post-COVID recovery and US inflation easing.

12) Capital vs. IG: Capital Securities structurally earn a premium vs. US IG bonds. Capital Securities are dominated by the financial sector.

Education Corner - Series: Private Credit (#3)

In this series, we look at the capital structure of a company and how different layers of financing provide distinct forms of exposure. Today's environment features a more segmented capital stack, with banks, private credit funds, mezzanine investors and equity sponsors each operating at different risk levels and return expectations.

Senior lenders (banks, insurers, conservative credit funds) hold first-rank security, full collateral recourse and the strongest control rights. Spreads are lowest given higher recoveries and tighter structures.

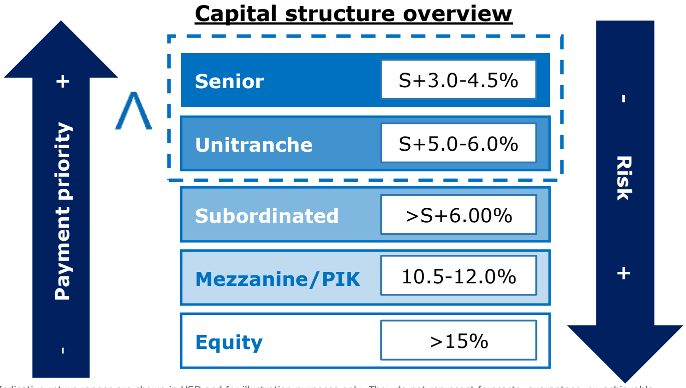
Unitranche lenders (private debt funds) provide a single blended loan with first-lien security but higher leverage and simplified covenants. They price for moderate additional risk while maintaining direct recourse.

Subordinated lenders (mezzanine and specialist credit funds) sit below secured creditors with limited or no direct recourse, weaker enforcement rights and lower recoveries, compensated by materially higher spreads or PIK features.

Equity holders absorb first loss and rely entirely on business performance and valuation outcomes.

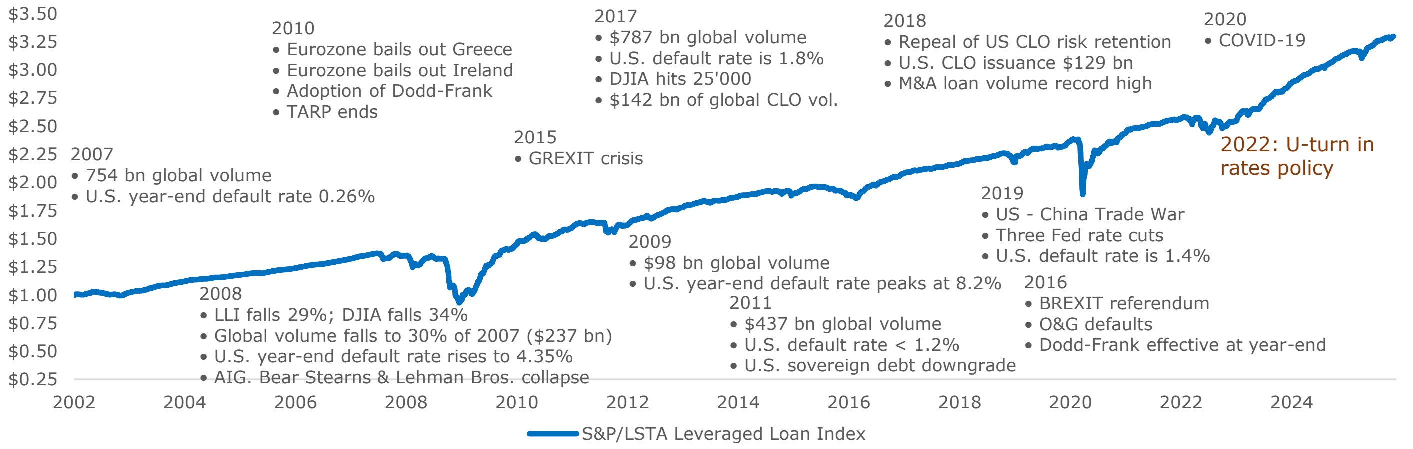
Different investor types intervene at each level. Our experience spans the full capital stack, but **our core direct lending focus remains senior and unitranche**, where we see the most balanced risk–return profile.

Capital structure overview



Indicative return ranges are shown in USD and for illustration purposes only. They do not represent forecasts, guarantees, or achievable outcomes for any specific investment or market environment. Spreads for senior, unitranche, and subordinated / second -lien loans typically reference floating base rates (e.g., SOFR). Mezzanine and PIK instruments are often structured with fixed coupons but may als o be floating depending on market practice. Returns on credit instruments reflect contractual terms agreed with borrowers, whereas equity r eturns are non-contractual and generally represent underwritten performance targets rather than fixed outcomes. Actual results may differ ma terially based on market conditions, underlying asset performance, capital structure, and other factors.

US Loan Index Total Return - Attractive Long Term Yield Generation



List of Abbreviations

Capital Securities (or preferred securities): Are fixed income securities combining features of bonds and preferred stocks.

CDS: Credit Default Swaps transfer credit event risk to another party in exchange of a perdiodically paid premium. CDX index covers the US IG-, iTraxx the EU IG- and iTraxx crossover (XO) the EU HY market.

CLOs: Collateralized loan obligations are structured finance securities collateralized predominantly by a large pool of different loans.

Default Rate: Number of defaulted corporate issuers of leveraged loans and high yield bonds.

Loans: Are syndicated, public tradable loans. Synonyms are «syndicated loans», «loans», «leveraged loans» and «bank loans».

OAS: Option-adjusted spread is the yield difference of an interest paying security to the risk free rate considering embedded options.

TIPS: Treasury Inflation-Protected Securities are US government linked to the US CPI Urban Non-Seasonally Adjusted.

Up-/ downgrades: Rating actions of Moody's and S&P of up-or downgrades of US high yield bond issuers denominated in USD.

Up-/ downgrade ratio: Number of upgrades of total rating actions.

Recovery Rates: Bond issuer-weighted recovery rates express the principal and accrued interest on defaulted debt that can be recovered in percentage of face value. Example:
Expected loss rate if US HY defaults were 10%: 10% ./. Estimated average recovery rate of ~30% = -7%; Example for Loans:
Expected loss rate if US Loan defaults were 10%: 10% ./. Estimated average recovery rate of ~65% = -3.5%;

Data and Price Sources

Alpinum Investment Management	Federal Reserve Bank of St. Louis	Palmer Square indices
Bank of America Merrill Lynch indices	Markit CDS indices	Preqin
Bloomberg	Moody's Investors Service	S&P
The Federal Reserve	J.P. Morgan	Federal Housing Finance Agency
US Census Bureau		

Disclaimer

Contact Information:
Alpinum Investment Management AG
Talstrasse 82
CH-8001 Zurich
Tel: +41 43 888 79 30
Fax: +41 43 888 79 31
alpinumim.com