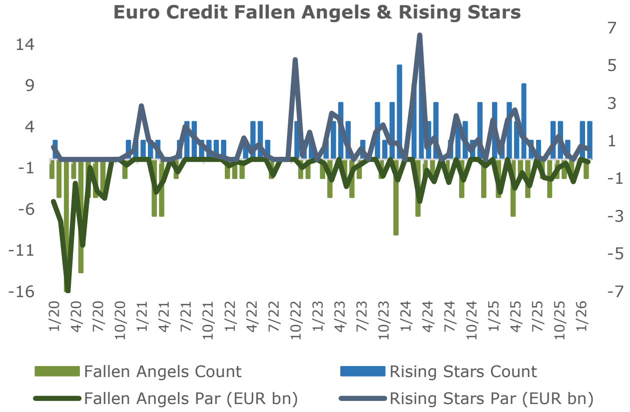
Monthly Spotlight

Euro Credit Resilience: Upgrades Outpace Downgrades.

Euro credit upgrades continue to dominate in early 2026, maintaining a 4:1 lead over downgrades. Following a strong 2025, where 20 "rising stars" (issuers upgraded from high-yield to investment-grade) outpaced 14 "fallen angels" (issuers downgraded to high-yield), four companies (Unicaja Banco, Abanca Corporación Bancaria, National Bank of Greece, and Autostrade per l'Italia) have already climbed to high-grade status this year, totaling EUR 2.9 billion. In contrast, only one fallen angel (Illimity Bank) has slipped to high-yield (see chart; lines represent par value in EUR bn, bars represent issuer count).

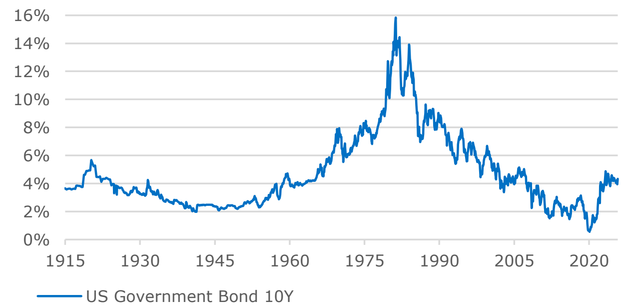
This migration reflects credit resilience despite geopolitical instability and slowing growth. While rising-star momentum remains solid, rating flows may balance out later in 2026 due to slowing growth and Middle East downgrade risks. Notably, the potential pool for fallen angels still exceeds that of rising stars.

Euro Credit Fallen Angels & Rising Stars

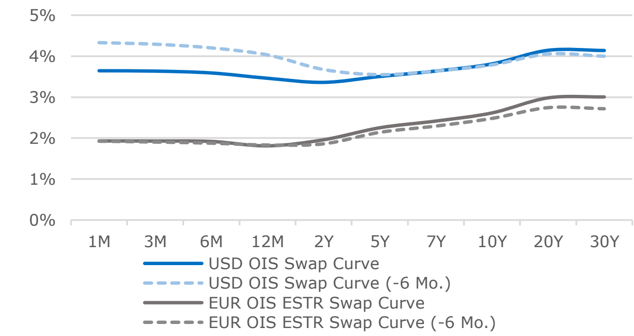


Rates Perspective

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

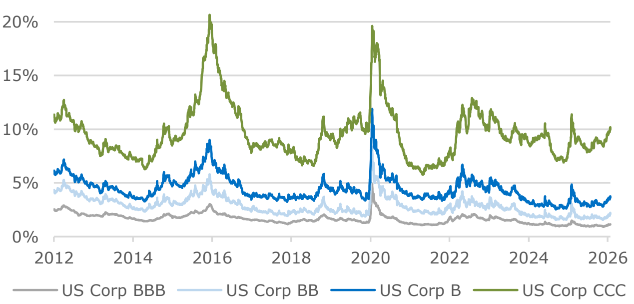


2) Interest Swap Curve: The USD curve remains inverted EUR shows gradual steepening beyond 2Y.

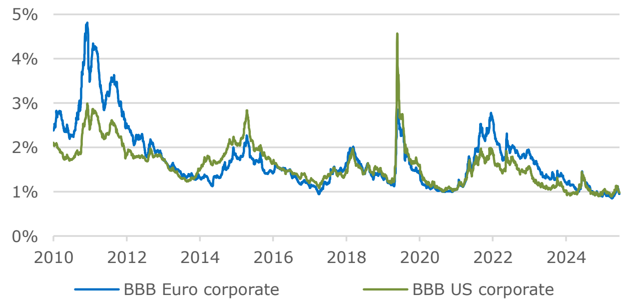


Corporate Perspective

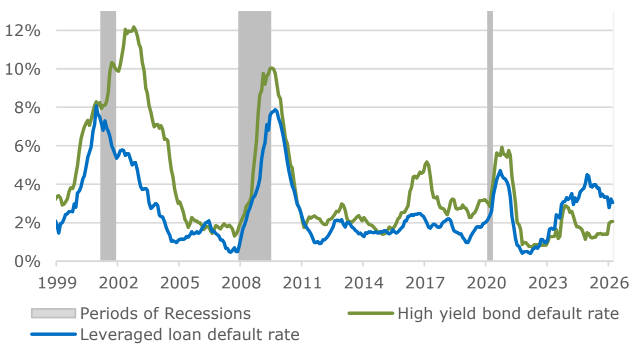
3) US Corp. Rating: Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.



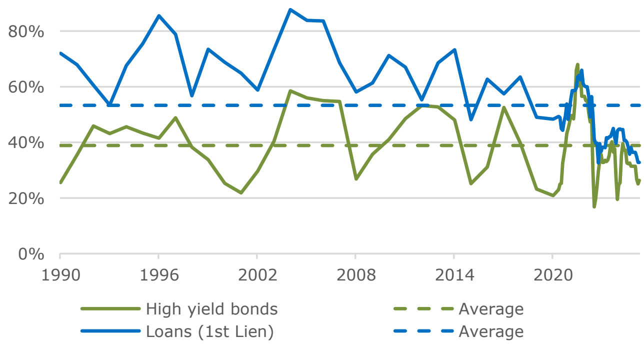
4) EU vs. US: EU credit spreads (OAS) are now at similar levels than in the US.



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 (Ø53%) 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	40	-1
AA	56	+2
A	75	+4
BBB	113	+6
BB	208	+19
B	361	+23
CCC	994	+44

Global high yield (bps)

	curr	Δ month
US HY	328	+18
EU HY	337	+68
Asia HY	511	+112
EM HY	387	+43

CDS spreads (bps)

	curr	Δ month
CDX IG - US	63	+7
iTraxx IG - EU	71	+16
CDX HY - US	385	+53
iTraxx XO - EU	353	+93

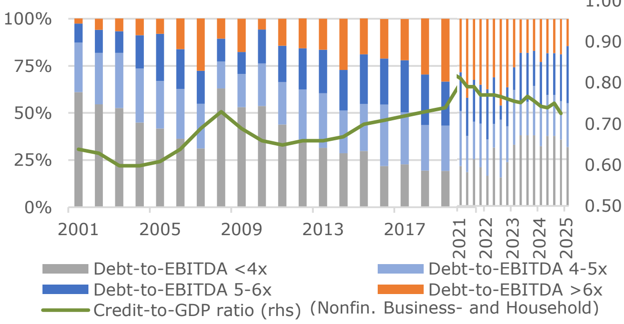
Loans and CLOs yields (bps)

	curr	Δ month
US Loan	758	-21
CLO AAA	493	+5
CLO BBB	738	-3
CLO BB	1053	-5

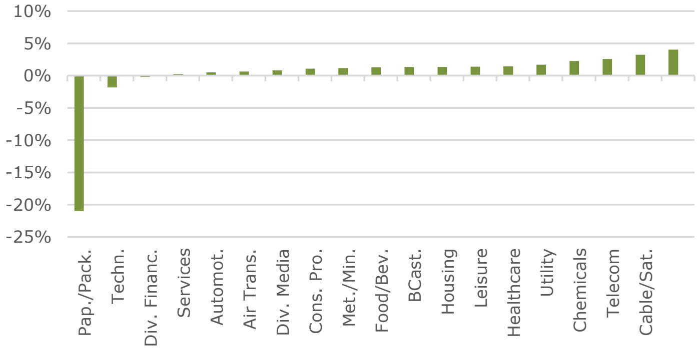
spread tightening (positive price action)

spread widening (negative price action)

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

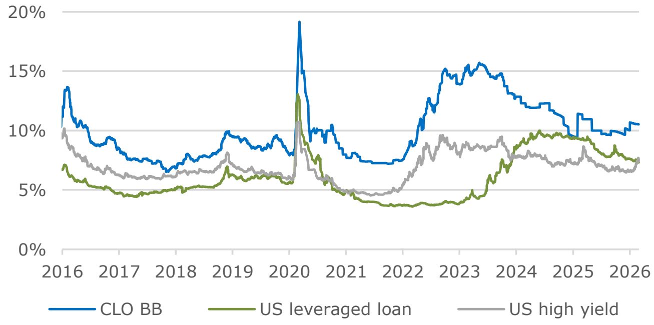


8) YTD Sector High-Yield Returns: Positive YTD results across most of the sectors.



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 (#7)

There has been recent volatility in direct lending markets following negative media coverage, which has contributed to increased redemption requests across parts of the US non-traded BDC universe. Despite elevated outflows, there is limited evidence of broad credit stress, with portfolios monitored demonstrating resilient fundamentals.

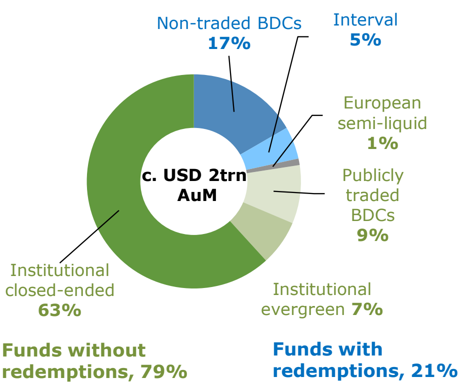
Industry-wide redemption requests reached c. USD 20bn in Q1 2026, with only ~50% fulfilled due to fund-level caps. This dynamic is concentrated in retail-oriented vehicles, which represent c. 15% of the global private credit market and are structurally more flow-sensitive.

In our view, recent pressure is primarily sentiment-driven and amplified by fund structures. Vehicles distributed to retail investors typically offer periodic liquidity (generally subject to ~5% quarterly caps), which can create "run-for-the-door" dynamics as investors accelerate redemption requests ahead of potential limits. European markets have remained more stable, supported by a predominantly institutional investor base and limited exposure to retail flows. On the sell side, there is evidence of spread widening, improving the risk-return profile for new investments.

An important takeaway from recent events is the need for investors to fully understand the liquidity profile of the vehicles they invest in. Asset-liability mismatches can create structural challenges, as inherently illiquid assets cannot be transformed into liquid exposures without trade-offs.

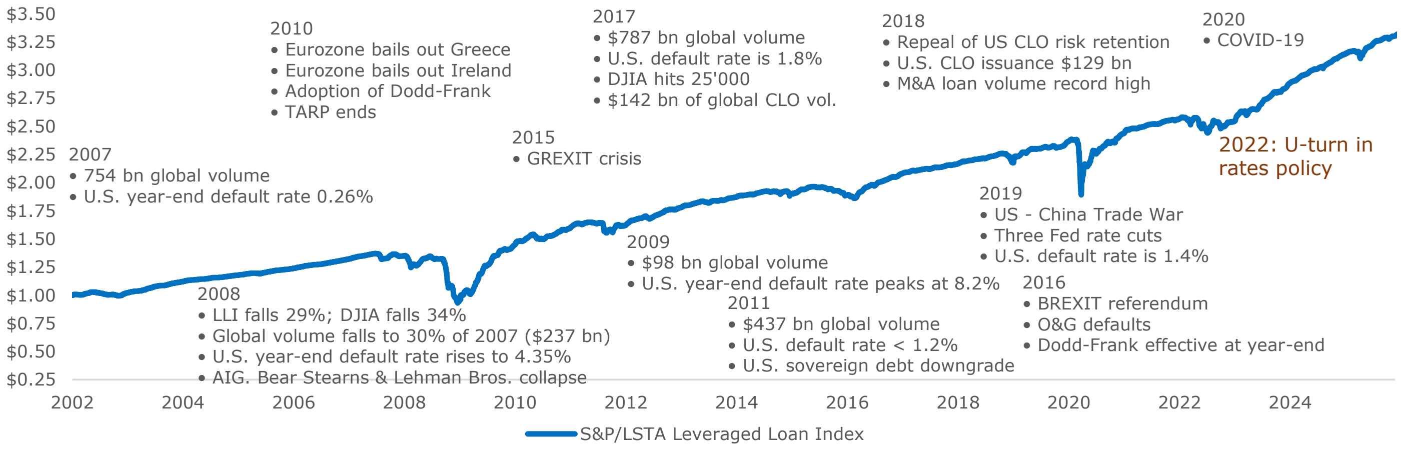
This situation is creating entry opportunities and we see institutional investors continuing to deploy capital. It also highlights the importance of manager selection, understanding liquidity frameworks, and a disciplined approach to private credit allocation.

Private credit AuM by structure



Alpinum Investment Management

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

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