

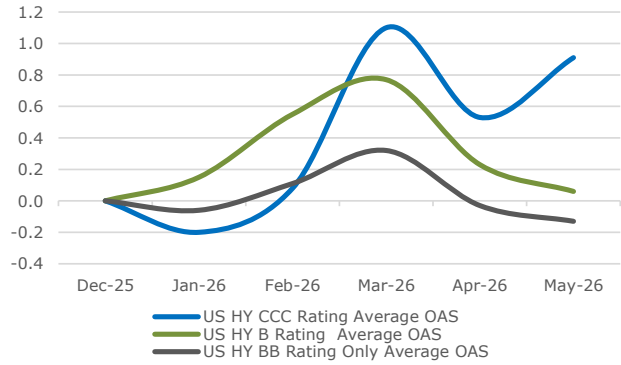
Monthly Spotlight

Growing Divergence Across High Yield Spreads

While broader investor sentiment remains constructive and overall junk spreads hover near historically low levels, fears of a stagflation shock from the Middle East conflict are souring sentiment toward the weakest global corporate borrowers, many of which binged on cheap debt during the era of ultra-low interest rates. Consequently, high yield investors now require about 6.4 percentage points of extra yield to own high-risk CCC-rated bonds over BB notes, marking a 14-month high.

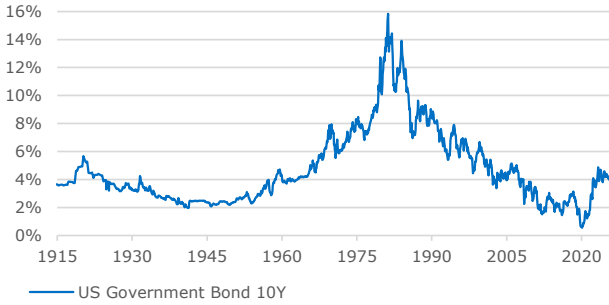
This market dispersion intensified after a synchronized spike in March 2026. By May, the US HY CCC Option Adjusted Spreads (OAS) re-widened close to 1%, whereas the higher-quality BB cohort compressed below its December baseline, as investors actively rotate into higher-quality segments to shield their portfolios (see chart on the right).

Spread Change in % Points by Rating

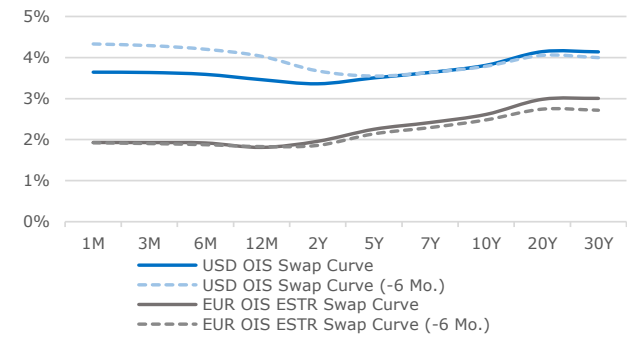


Rates Perspective

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

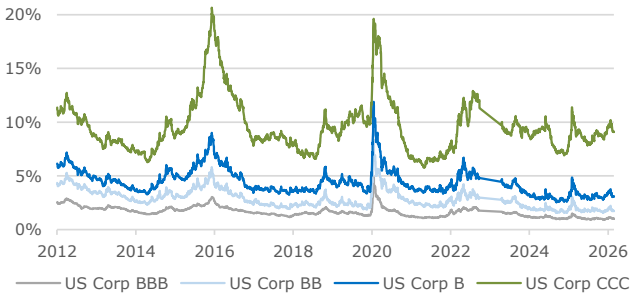


2) Interest Swap Curve: The USD curve remains inverted. EUR shows gradual steepening beyond 2Y.

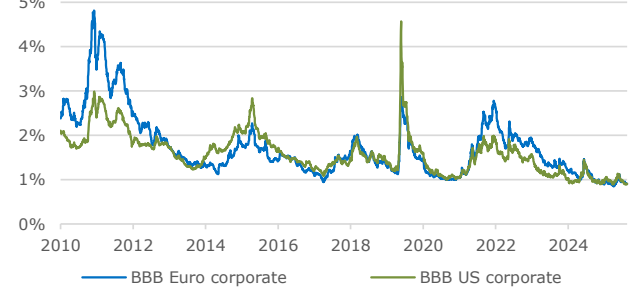


Corporate Perspective

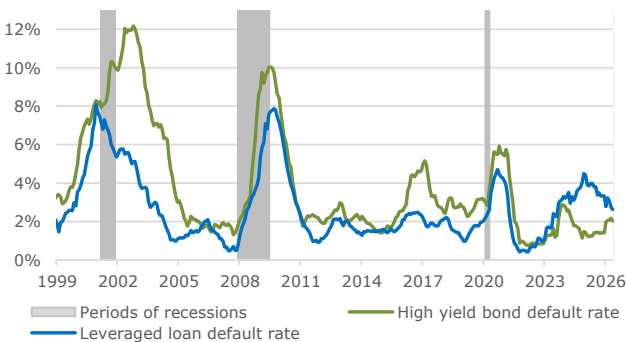
3) US Corp. Rating: Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.



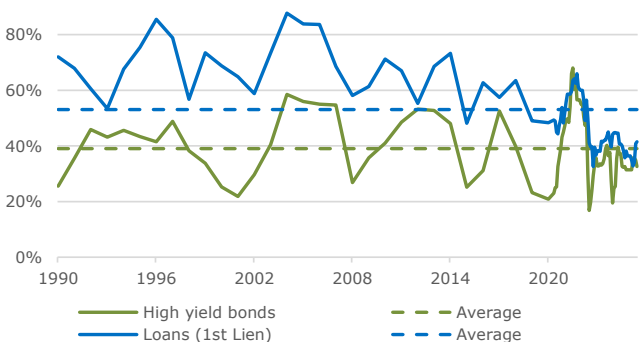
4) EU vs. US: EU credit spreads (OAS) are now at similar levels than in the US.



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



6) Recovery Rates including LMEs: Leveraged Loans (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	37	-3
AA	52	-4
A	68	-7
BBB	102	-11
BB	174	-34
B	311	-50
CCC	909	-85

Global high yield (bps)

	curr	Δ month
US HY	283	-45
EU HY	280	-57
Asia HY	454	-56
EM HY	323	-65

■ spread tightening (positive price action)
■ spread widening (negative price action)

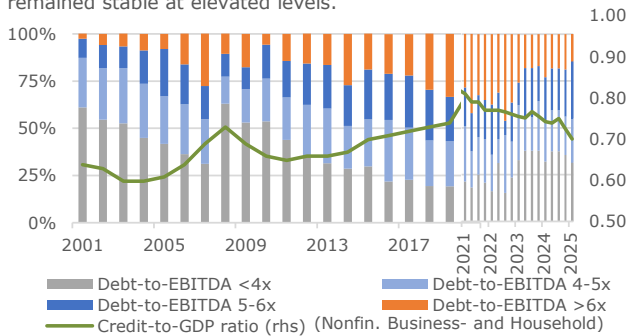
CDS spreads (bps)

	curr	Δ month
CDX IG - US	54	-9
iTraxx IG - EU	59	-12
CDX HY - US	330	-55
iTraxx XO - EU	293	-60

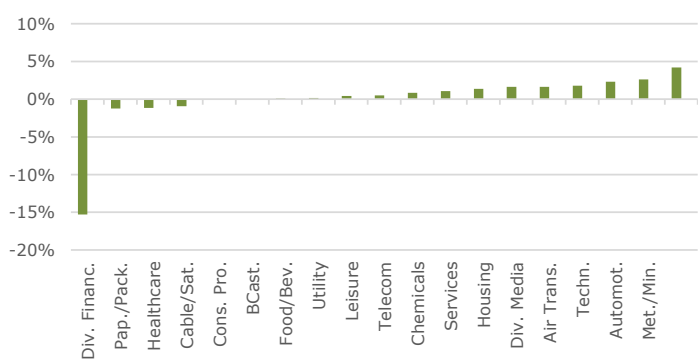
Loans and CLOs yields (bps)

	curr	Δ month
US Loan	747	-11
CLO AAA	477	-16
CLO BBB	697	-41
CLO BB	987	-66

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

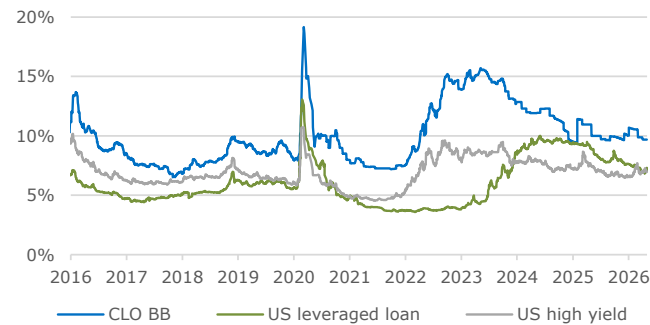


8) YTD Sector High-Yield Returns: Positive YTD results across most of the sectors.



Alternative Perspective

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



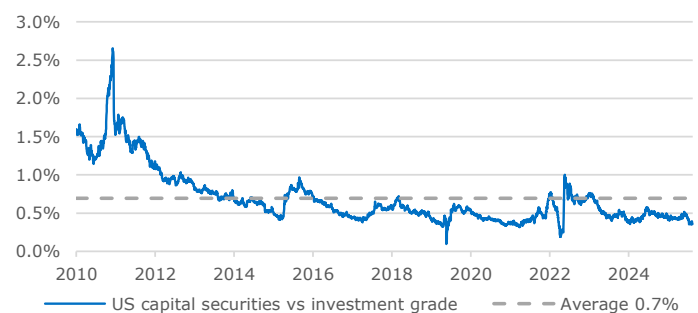
10) CLO Yields: CLOs offer an attractive yield premium over bonds and loans.



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 (#9)

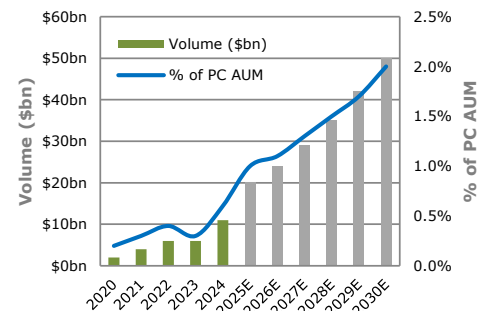
In this edition, we look at credit secondaries — a small but fast-growing corner of private credit that offers attractive opportunities for selective investors.

What it is. Credit secondaries are simply the resale market for private credit funds. Existing investors sometimes need or want to sell their stakes in private credit funds before the fund's end. A specialist buyer steps in, takes over the position, and typically pays less than its current value. The buyer inherits a portfolio of loans already in place — with a shorter remaining life, faster cash returns, and a clearer view of the underlying borrowers.

Why it matters. The market has grown from USD 2bn in 2020 to over USD 20bn in 2025 and could reach USD 50bn by 2030. Yet it still represents less than 1% of total private credit — versus 2–3% in the more mature private equity secondaries market — and few buyers have set aside dedicated capital for it. That imbalance allows disciplined investors to acquire established, performing loan portfolios at meaningful discounts.

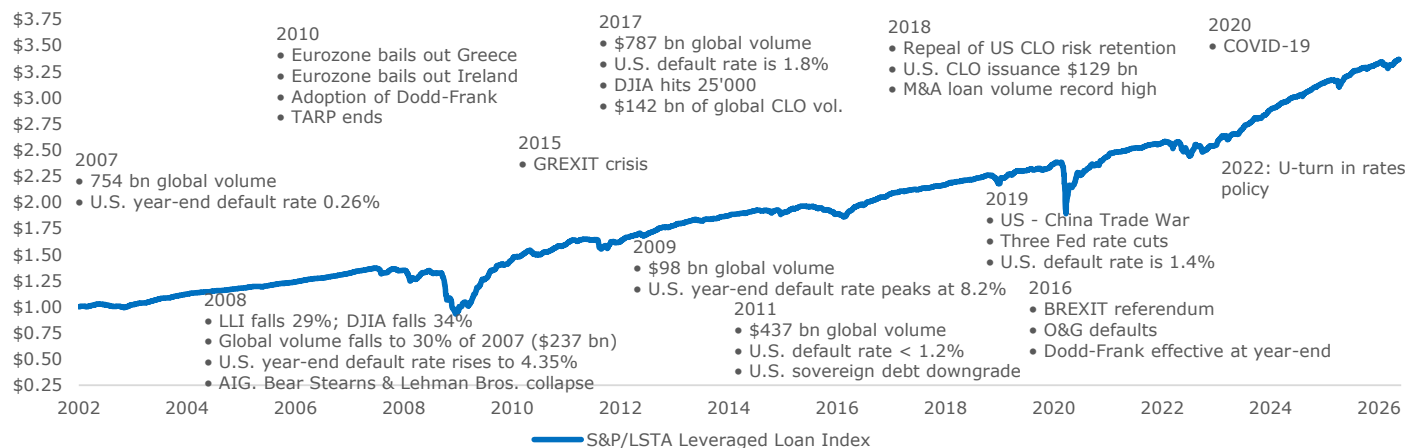
Why it fits our approach. As a credit specialist active across both the primary and secondary markets, we have no pressure to invest in either. We weigh every opportunity against our full credit pipeline and commit only when the relative value is genuinely compelling. This selectivity matters: outcomes in credit secondaries vary widely deal by deal. By cherry-picking — favouring deals not widely shopped and priced conservatively — we can strengthen the diversification, duration and return profile of a credit portfolio without crowding into its most competitive corners.

Credit Secondaries – Volume vs. % of Private Credit (PC) AUM



Source: Kroll / StepStone Private Credit Benchmarks — New Issues, contractual spread (bps), as of May 2026

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 periodically 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

Alpium Investment Management

Bank of America Merrill Lynch indices

Bloomberg

The Federal Reserve

US Census Bureau

Federal Reserve Bank of St. Louis

Markit CDS indices

Moody's Investors Service

J.P. Morgan

Palmer Square indices

Preqin

S&P

Federal Housing Finance Agency

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