

KEY TAKEAWAYS

- Global credit delivered positive returns in March
- In the US, credit markets were spurred by a supportive macro backdrop—including reduced Treasury volatility—and favorable credit fundamentals
- In Europe, spreads continued to tighten, particularly in the first half of the month. The soft-landing narrative remains firmly in place, with rates broadly lower on the month and the dovish tone of the European Central Bank meeting indicating that a June rate cut looks increasingly likely
- Emerging Market (EM) continues to benefit from robust technicals—shrinking supply, historically robust seasonal performance, and current risk-on sentiment—as we head into the second quarter

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$0.8 billion in high yield outflows, US\$1.1 billion in leveraged loan retail inflows MTD (through 03.31)

HY New Issuance*		EUROPE		Main Market Driver	
YTD	US\$87.6 bn	US\$19.0 bn		Macro: Reduced Treasury Volatility	
MTD	US\$28.3 bn	US\$7.1 bn		Micro: Idiosyncratic	
Loan New Issuance*		US		Default Rates (Dollar weighted)**	
YTD	US\$317.7 bn			US	EUR
MTD	US\$117.9 bn			2.5%	1.5%

US New Issuance Names (500 mn and above) MTD

Clear Channel Outdoor, USA Compression, Cleveland-Cliffs Inc, Rithm Capital Corp, New Fortress Energy, CoreCivic Inc, Xerox Holdings Corp, United Rentals, Alcoa Nederland Holding B.V., Station Casinos, Starwood Property Trust, Baytex Energy, Vital Energy Inc, Transdigm Inc., Macquarie Airfinance, Crescent Energy, Medline, Miter Brands, RHP Hotel Pty, Hilton Domestic Operating, Bombardier, Truist Insurance, ESAB Corp, MGM Resorts, Phinia Inc, Matador Resources, AMC Networks Inc., VMED O2 UK Financing, Surgery Center Holdings

US New Issuance Pipeline (Announced)

Herbalife, Dye & Durham Corp., Rakuten Group

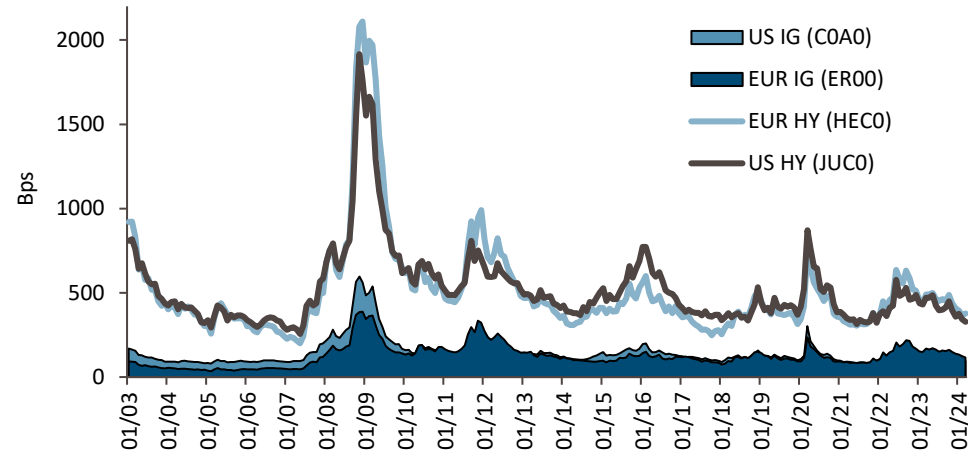
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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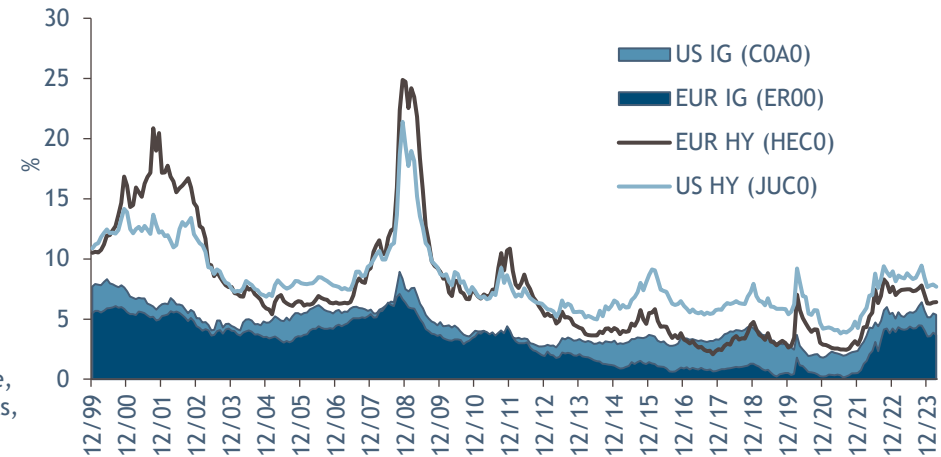
**Moody's Default Report as of February 29th, 2024. Most recent data available used.

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CORPORATE BOND SPREADS (STW) BY INDEX



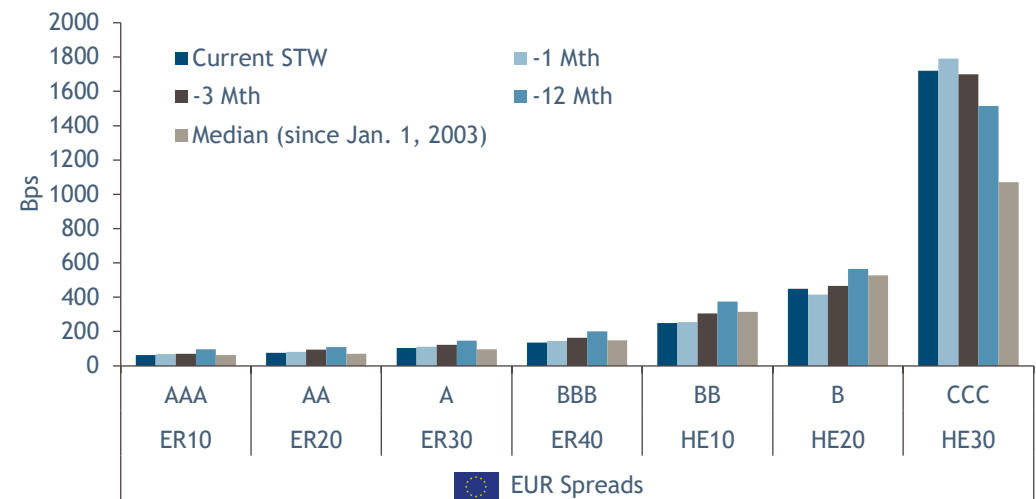
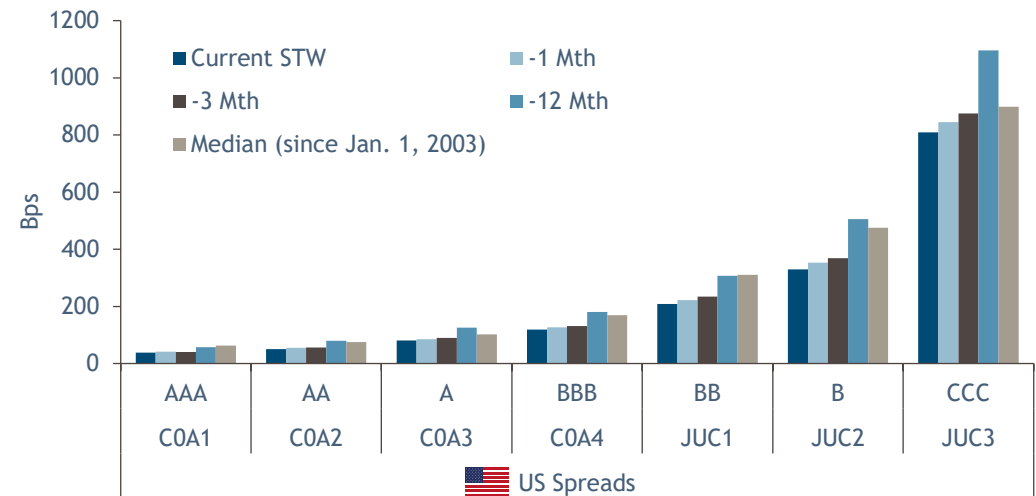
CORPORATE BOND YIELDS (YTW) BY INDEX



CORPORATE BOND SPREADS (STW) - MARCH 31, 2024

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	96	102	106	148	129
	JUC0	HY	328	344	358	470	451
	JUC4	BB/B	261	279	294	397	383
	COA1	AAA	38	42	41	58	63
	COA2	AA	51	55	56	80	75
	COA3	A	81	86	90	126	102
	COA4	BBB	119	127	132	181	170
	JUC1	BB	209	222	234	307	311
	JUC2	B	330	353	369	506	475
	JUC3	CCC	809	845	875	1096	899
EM	EMCL	All	201	213	245	313	305
EUR	ER00	IG	116	124	139	170	117
	HEC0	HY	377	366	407	489	432
	ER10	AAA	62	69	70	97	63
	ER20	AA	76	82	94	109	71
	ER30	A	103	112	123	146	97
	ER40	BBB	135	144	163	201	148
	HE10	BB	249	255	306	375	315
	HE20	B	449	416	465	564	528
HE30	CCC	1721	1792	1700	1515	1071	

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - MARCH 31, 2024

		Performance Summary (%)				Characteristics			Performance History (% annualised)				
High Yield		MTD	Pr. Mth	QTD	YTD	DTW (yrs)	YTW (%)	STW (bps)	1 Year	2 Year	3 Year	4 Year	5 Year
JUC0	US HY	1.18	0.27	1.47	1.47	3.56	7.69	328	11.00	3.50	2.23	7.08	4.01
JC4N	US HY BB-B	1.15	0.04	1.26	1.26	3.63	7.02	261	9.85	3.29	2.03	6.49	3.86
HEC0	Euro HY	0.44	0.35	1.63	1.63	2.95	6.40	377	10.89	2.90	0.84	5.82	2.48
HEC5	Euro HY BB-B	0.65	0.31	1.66	1.66	3.01	5.64	304	10.69	2.90	0.89	5.43	2.09
Investment Grade													
COA0	US IG	1.19	-1.40	-0.08	-0.08	6.75	5.36	96	4.70	-0.37	-1.70	0.94	1.62
C4NF	US BBB Corporates	1.29	-1.45	-0.02	-0.02	6.92	5.53	114	5.33	-0.02	-1.60	2.06	1.96
ER00	Europe IG	1.21	-0.89	0.40	0.40	4.51	3.67	116	6.78	-0.75	-2.38	0.23	-0.47
EN40	Europe BBB	1.21	-0.84	0.54	0.54	4.51	3.77	126	7.17	3.52	2.34	1.75	1.40
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	0.72	-2.05	-1.32	-1.32	7.26	4.22	3	-1.49	-3.56	-3.65	-4.26	-0.47
G4L0	UK Gilts 7-10 Yrs	1.81	-1.78	-1.78	-1.78	7.43	3.84	-2	1.02	-5.06	-4.89	-4.50	-2.44
G4D0	German Fed Govt 7-10 Yrs	1.09	-2.02	-1.58	-1.58	7.83	2.25	0	2.62	-4.80	-5.43	-4.38	-3.04
Equities													
S&P	S&P 500 incl. Dividends	3.22	5.34	10.55	10.55				29.86	9.45	11.47	21.31	15.03
DAX	DAX Index	4.61	4.58	10.39	10.39	YTM (%)	Discount Margin		18.32	13.26	7.21	16.80	9.92
Loans													
								bps (3yr life)					
CS Leveraged Loan Index		0.83	0.89	2.52	2.52	9.34		509	12.40	7.14	5.82	9.37	5.30
CS Western European Leveraged Loan Index		0.19	0.51	2.04	2.04	8.20		495	10.82	5.63	4.51	8.44	4.13

Past performance is not a reliable indicator of current or future performance.

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CREDIT MARKET UPDATE

US:

In the US, credit markets delivered positive returns in March, spurred by a supportive macro backdrop—including reduced Treasury volatility—and favorable credit fundamentals. Riskier rated credits within US high yield and US investment grade corporates outperformed their broad categories, but overall, high yield and investment grade returns were similar. The Federal Reserve meeting this month struck a dovish tone, with implications that a first rate cut in June looks tenable and an estimated three rate cuts for the year.

Europe:

In Europe, credit markets delivered positive returns in March. Spreads continued to tighten, particularly in the first half of the month. The soft-landing narrative remains firmly in place, with rates broadly lower on the month and the dovish tone of the European Central Bank meeting indicating that a June rate cut looks increasingly likely. There was healthy activity in the primary market on both the investment grade and high yield side, with a noticeable pick-up for the high yield market where issuance was easily absorbed by continued inflows to the asset class.

EM:

Emerging Market (EM) debt delivered positive performance as spreads continued to grind tighter; fundamentals remain strong and defaults have been contained. In this environment, high yield outperformed investment grade, with the strongest returns coming from the lower-rated segments of the market. By sector, the best performers came from areas such as energy and automotives while financials were weaker. Longer-duration bonds outperformed their shorter-duration counterparts. Sovereigns from the stressed lower-rated countries of Argentina and Ukraine delivered notable performance. This month, supply remained tight, with issuance lagging other sub-asset classes. This is likely the result of reduced supply from China as issuers access cheaper local funding and demand for Chinese high yield wanes. Central bank decisions were prevalent this month; as fears of a hard landing recede for developed markets, dovish sentiments were echoed by various EM central banks—especially throughout Latin America—while there were some outliers (e.g., Turkey, Taiwan, etc.). EM continues to benefit from robust technicals—shrinking supply, historically robust seasonal performance, and current risk-on sentiment—as we head into the second quarter.

Outlook

This month we had relatively dovish commentary from both the Federal Reserve and the European Central Bank following moderated inflation data in February. There is an expectation, however, that rate cuts by both central banks are unlikely to start until June. While the Federal Reserve remains on hold and post-meeting commentary has been relatively benign, the central bank seems committed to staying data dependent and the data generally remains strong. For credit investors year to date, spreads and coupons have cushioned the negative total return impact of rising government yields, leading to positive excess returns across global credit across the board. While spreads have compressed, yields remain high. Prices remain discounted on average, providing some cushion for potential additional interest rate volatility. Globally, trailing 12-month defaults across high yield markets remain below the long-term average. Looking ahead, we anticipate continued primary market activity as companies address upcoming maturities and investors deploy cash balances.

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Important Information

The following indices referenced in the snapshot are ICE BofA indices:

JUC0 - ICE BofA US Cash Pay High Yield Constrained Index
JUC1 - ICE BofA BB US Cash Pay High Yield Constrained Index;
JUC2 - ICE BofA Single-B US Cash Pay High Yield Constrained Index;
JUC3 - ICE BofA CCC and Lower US Cash Pay High Yield Constrained Index;
JUC4 - ICE BofA BB-B US Cash Pay High Yield Constrained Index;
JC4N - ICE BofA BB-B US Non-Financial Cash Pay High Yield Constrained Index;
HEC0 - ICE BofA Euro High Yield Constrained Index;
HE10 - ICE BofA BB Euro High Yield Index;
HE20 - ICE BofA Single-B Euro High Yield Index;
HE30 - ICE BofA CCC & Lower Euro High Yield Index;
HEC5 - ICE BofA BB-B Euro Non-Financial High Yield Constrained Index;
COA0 - ICE BofA US Corporate Index;
COA1 - ICE BofA AAA US Corporate Index;
COA2 - ICE BofA AA US Corporate Index;
COA3 - ICE BofA Single-A US Corporate Index;
COA4 - ICE BofA BBB US Corporate Index;
C4NF - ICE BofA BBB US Non-Financial Corporate Index;
ER00 - ICE BofA Euro Corporate Index;
ER10 - ICE BofA AAA Euro Corporate Index;
ER20 - ICE BofA AA Euro Corporate Index;
ER30 - ICE BofA Single-A Euro Corporate Index;
ER40 - ICE BofA BBB Euro Corporate Index;
EN40 - ICE BofA BBB Euro Non-Financial Index;
G4O2 - ICE BofA 7-10 Year US Treasury Index
G4L0 - ICE BofA 7-10 Year UK Gilt Index
G4D0 - ICE BofA 7-10 Year German Government Index;
EMCL - ICE BofA US Emerging Markets Liquid Corporate Plus Index.

S&P 500 - The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. DAX - The German Stock Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

CS Leveraged Loan Index - The CS Leveraged Loan Index is designed to mirror the investable universe of US dollar denominated leveraged loan market. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have a minimum outstanding balance of \$100 million for all facilities except TL A facilities (TL A facilities need a minimum outstanding balance of US\$1 billion), issuers domiciled in developed countries, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

CS Western European Leveraged Loan Index - The CS Western European Leveraged Loan Index is designed to mirror the investable universe of the Western European leveraged loan market. Loans denominated in US dollar or Western European Currencies are eligible for inclusion. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have minimum outstanding balance of \$100 million (in local currency), issuers with assets located in or revenues derived from Western Europe, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

All performance, duration, yield and spread data downloaded from Bloomberg. Markit iBoxx USD Leveraged Loan (IBOXLTRI), S&P 500 incl. Dividends, and DAX figures from Bloomberg. You cannot invest directly into an index.

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