

KEY TAKEAWAYS

-Global credit generated mostly positive returns as positive sentiment and tightening spreads across both high yield and investment grade supported a risk on environment in May

-In the US, risk assets rallied as volatility declined in both the Treasury and equity markets. Fixed income assets posted positive returns as rates moved lower and longer duration assets outperformed

-In Europe, while spreads outperformed, they were offset by higher interest rates, leading to underperformance compared to the US. In May, the trend was driven by generally softer-than-expected US economic data and stronger European data including stickier-than-expected inflation reports

-EM (Emerging Market) debt generated positive returns with corporates outperforming their sovereign counterparts given the weakness in the sovereign high yield universe, particularly in Ecuador and Argentina

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$4.9 billion in high yield inflows, US\$3.8 billion in leveraged loan retail inflows MTD (through 05.31)

HY New Issuance*	US	EUROPE
YTD	US\$147.6 bn	US\$48.9 bn
MTD	US\$33.6 bn	US\$15.0 bn
Loan New Issuance*	US	
YTD	US\$549.7 bn	
MTD	US\$159.7 bn	

Main Market Driver

Macro: Positive sentiment/tightening spreads

Micro: Solid technicals

Default Rates (Dollar weighted)**	US	EUR
LTM	2.7%	2.2%

US New Issuance Names (500 mn and above) MTD

Park Intermed Holdings, SS&C Technologies, Hilcorp Energy, Genesis Energy, Block Inc., Graphic Packaging, Hudson Automotive, Garrett Motion, Organon & Co., Hess Midstream, OneMain Finance, Allied Universal, Cloud Software, Lifepoint Health Inc., Baldwin Insurance, Icahn Enterprises, Encore Capital Group Inc., Blue Racer Midstream, Insight Enterprise, Service Properties Trust, ION Trading Technologies, Pennymac Fin Svcs Inc, California Resources, Alta Equipment Group, Bombardier, Zebra Technologies Corp, Sensata Technologies, Gates Corporation, Gray Television Inc., Sotera Health, Univision Communications, Staples Inc., Velocity Vehicle Group

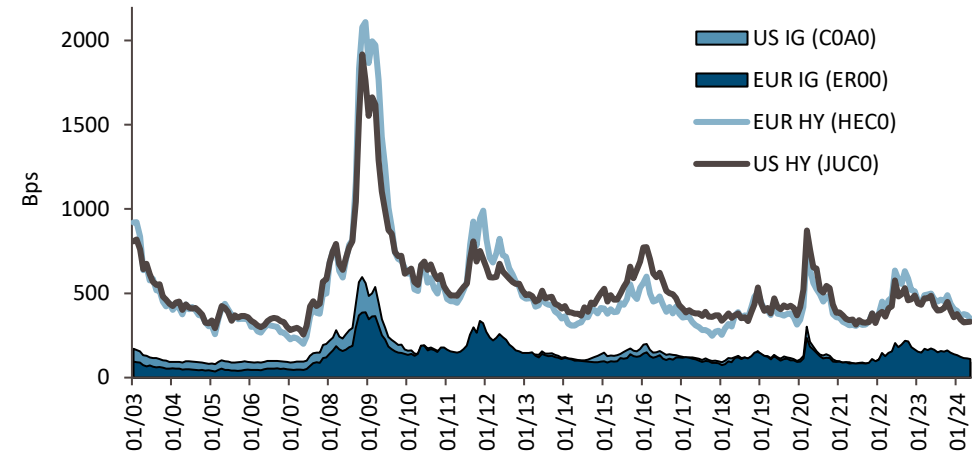
US New Issuance Pipeline (Announced)

N/A

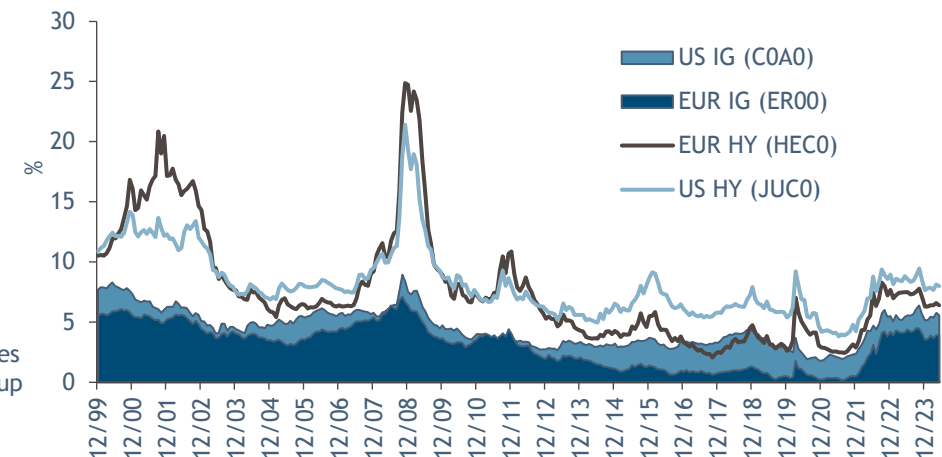
Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

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CORPORATE BOND SPREADS (STW) BY INDEX



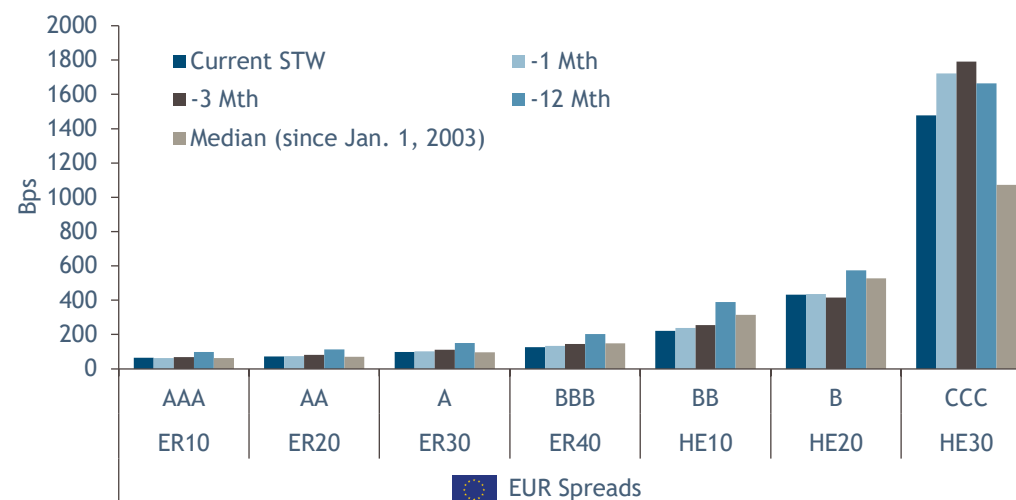
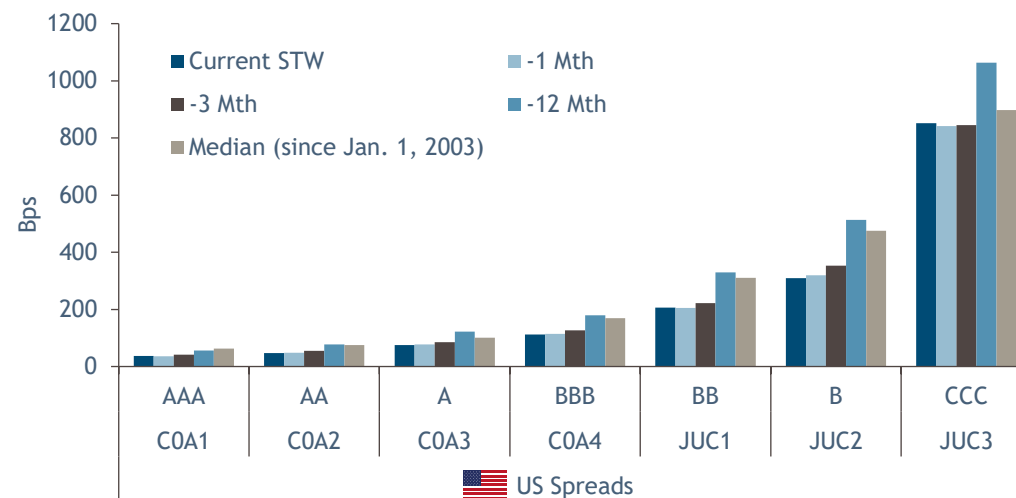
CORPORATE BOND YIELDS (YTW) BY INDEX



CORPORATE BOND SPREADS (STW) - MAY 31, 2024

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	90	92	102	145	129
	JUC0	HY	332	329	344	486	451
	JUC4	BB/B	250	254	279	413	382
	COA1	AAA	37	36	42	56	63
	COA2	AA	48	49	55	78	75
	COA3	A	75	78	86	122	101
	COA4	BBB	112	115	127	180	170
	JUC1	BB	207	205	222	330	311
	JUC2	B	310	320	353	513	475
	JUC3	CCC	852	842	845	1063	897
EM	EMCL	All	191	194	213	303	305
EUR	ER00	IG	110	114	124	172	117
	HEC0	HY	351	372	366	498	431
	ER10	AAA	65	63	69	98	63
	ER20	AA	72	74	82	113	71
	ER30	A	99	102	112	150	97
	ER40	BBB	127	133	144	202	148
	HE10	BB	221	239	255	389	314
	HE20	B	432	436	416	574	528
	HE30	CCC	1477	1722	1792	1665	1073

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - MAY 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	1.10	-1.01	0.09	1.55	3.58	7.98	332	11.10	5.33	1.79	4.94	4.01
JC4N	US HY BB-B	1.09	-0.95	0.13	1.39	3.64	7.17	251	10.11	4.90	1.65	4.25	3.86
HEC0	Euro HY	0.96	-0.03	0.93	2.57	3.00	6.41	351	10.68	5.55	0.87	3.75	2.70
HEC5	Euro HY BB-B	0.85	-0.07	0.78	2.45	3.06	5.62	273	10.50	5.61	0.91	3.37	2.29
Investment Grade													
COA0	US IG	1.85	-2.33	-0.52	-0.60	6.68	5.56	90	4.67	1.67	-2.49	-0.91	1.11
C4NF	US BBB Corporates	1.94	-2.37	-0.47	-0.49	6.83	5.74	109	5.56	2.35	-2.39	-0.30	1.44
ER00	Europe IG	0.24	-0.84	-0.61	-0.21	4.52	3.93	110	5.20	1.00	-2.53	-0.83	-0.71
EN40	Europe BBB	0.22	-0.84	-0.62	-0.09	4.50	4.05	122	5.50	2.71	1.80	1.35	1.08
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	1.79	-3.04	-1.31	-2.62	7.25	4.50	2	-2.20	-2.52	-4.57	-4.74	-1.23
G4L0	UK Gilts 7-10 Yrs	0.76	-2.83	-2.09	-3.84	7.28	4.23	-2	3.28	-4.56	-5.73	-5.33	-3.04
G4D0	German Fed Govt 7-10 Yrs	-0.25	-2.10	-2.34	-3.89	7.69	2.61	0	-0.54	-3.81	-5.91	-4.88	-3.69
Equities													
S&P	S&P 500 incl. Dividends	4.96	-4.08	0.67	11.30				28.17	14.84	9.55	16.54	15.78
DAX	DAX Index	3.16	-3.03	0.03	10.42	YTM (%)	Discount Margin		18.09	13.39	6.25	12.41	9.54
Loans													
							bps (3yr life)						
CS Leveraged Loan Index		0.91	0.68	1.59	4.16	9.48	492		13.22	9.28	6.01	7.65	5.35
CS Western European Leveraged Loan Index		1.14	0.78	1.93	4.01	8.40	468		10.69	8.05	4.89	6.36	4.33

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

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CREDIT MARKET UPDATE

US:

In the US, risk assets rallied in May as volatility declined in both the Treasury and equity markets. Fixed income assets posted positive returns as rates moved lower and longer duration assets outperformed; investment grade outperformed high yield this month given the duration bias of the higher quality asset class, while high yield outperformed syndicated loans since the latter are floating rate and therefore exposed to very little interest rate duration. The US government curve bull steepened (benefitting exposure at the long end of the curve) and outperformed its European government peers as a string of sticky inflationary data forced investors to pare back the speed of policy normalization from the European Central Bank and the Bank of England.

Europe:

In Europe, credit markets generated mostly positive returns as constructive sentiment and tightening spreads across both high yield and investment grade supported a risk on environment in May. While spreads outperformed this month, they were offset by higher interest rates in Europe, leading to underperformance compared to the US. The outperformance of US rates stood in sharp reversal to the previous month; in April, European rates outperformed as the Federal Reserve pushed back on rate cuts while the European Central Bank confirmed market expectations of a cut in June. In May, the trend was driven by generally softer-than-expected US economic data and stronger European data including stickier-than-expected inflation reports at the close of the month.

EM:

Emerging Market (EM) debt generated positive returns this month as risk assets rallied. EM corporates outperformed their sovereign counterparts given the weakness in the sovereign high yield universe, particularly in Ecuador and Argentina. Within corporate credit, high yield outperformed investment grade on the back of robust performance from Asia, led by China which benefitted from the country's latest policy initiatives, strong coupon, and spread tightening. This month, Chinese authorities announced a new set of measures to address oversupply in the property market, signaling progress following April's Politburo meeting and ahead of July's Third Plenum. Latin America generated strong performance led by longer dated Brazilian securities.

Outlook

Primary markets remained active for both investment grade and high yield this month. Within high yield, most of the new issuance was the refinancing of existing debt; there is no technical pressure on the market despite the robust calendar. We have a sense that issuers who may have previously held off on issuing debt are now taking the opportunity to seize the moment with spreads close to year-to-date low levels. We have also seen a resurgence of longer-dated issuance (particularly in Europe); perhaps another indication that issuers do not expect rates to settle significantly lower than current levels.

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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;
C0A0 - ICE BofA US Corporate Index;
C0A1 - ICE BofA AAA US Corporate Index;
C0A2 - ICE BofA AA US Corporate Index;
C0A3 - ICE BofA Single-A US Corporate Index;
C0A4 - 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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