

KEY TAKEAWAYS

- Global credit generated positive returns across the board in June
- In the US, economic data showed signs of a slowdown in inflation and in the economy more broadly, the market tilted more definitively towards pricing in two rate cuts in 2024. Belief in the nearer-term likelihood of a soft-landing grew, with positive returns across most asset classes, and longer duration assets (i.e., equities and Treasuries) leading the way
- In Europe, market moves were largely driven by political headlines after French President Emmanuel Macron called for a snap election in response to the results of the European parliamentary elections
- Emerging Market (EM) debt generated strong positive returns this month with high yield slightly outperforming investment grade due to its superior coupon

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$1.4 billion in high yield inflows, US\$1.0 billion in leveraged loan retail inflows MTD (through 06.30)

HY New Issuance*	US	EUROPE
YTD	US\$165.5 bn	US\$56.9 bn
MTD	US\$17.9 bn	US\$8.0 bn
Loan New Issuance*	US	
YTD	US\$702.6 bn	
MTD	US\$149.6 bn	

Main Market Driver

Macro: Weaker eco data

Micro: Solid technicals

Default Rates (Dollar weighted)**

	US	EUR
LTM	2.5%	2.1%

US New Issuance Names (500 mn and above) MTD

Fortress Trans & Infracore, Herc Holdings Inc., Medline, Saturn Oil & Gas, Acrisure, Solenis, Howard Midstream Energy, Restaurant Brands, GFL Environmental Inc., Buckeye Partners, Virtu Financial, Williams Scotsman, Crescent Energy, MGM China, Copeland, Masterbrand Inc., Ladder Capital, Hertz Corp, Northriver Midstream, KIK Consumer Products

US New Issuance Pipeline (Announced)

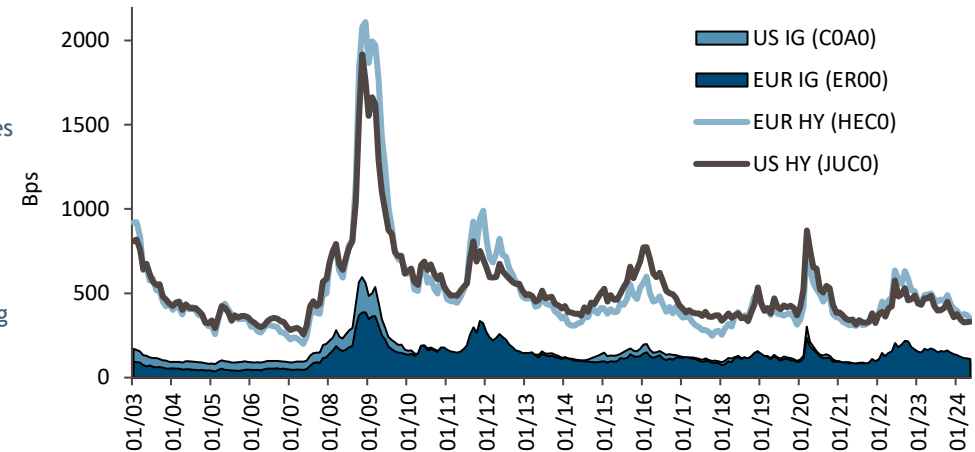
Ritz-Carlton Yacht, Concentra, Vodafone Spain

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.

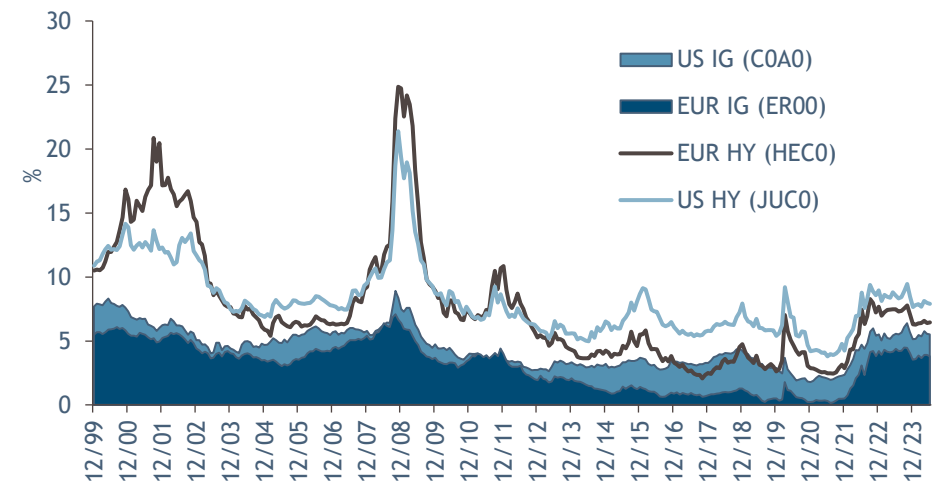
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**Moody's Default Report as of May 31st, 2024. Most recent data available used.

CORPORATE BOND SPREADS (STW) BY INDEX



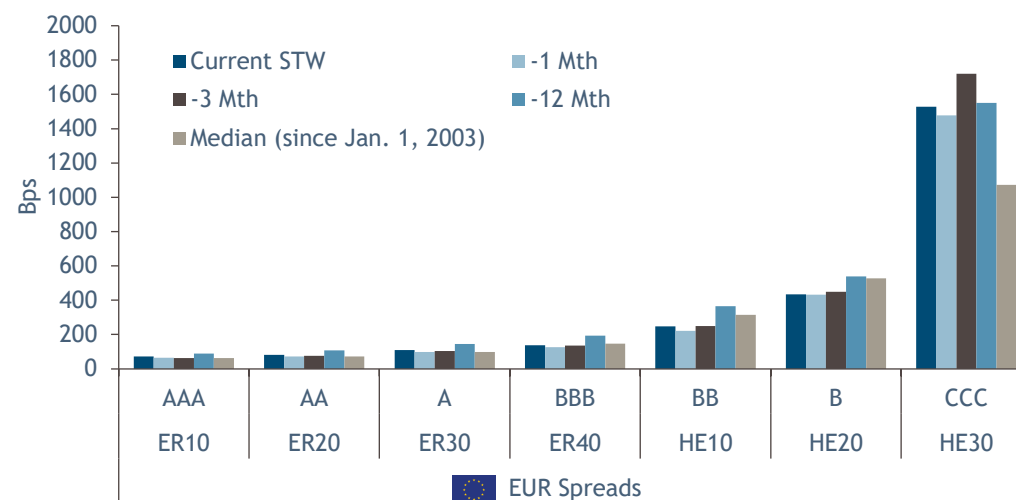
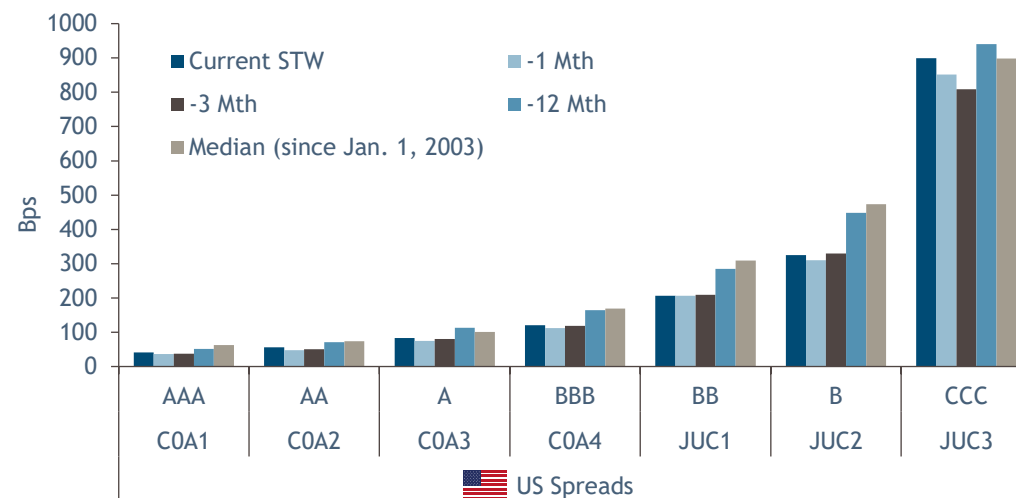
CORPORATE BOND YIELDS (YTW) BY INDEX



CORPORATE BOND SPREADS (STW) - JUNE 30, 2024

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	98	90	96	134	129
	JUC0	HY	339	332	328	424	451
	JUC4	BB/B	255	250	261	359	382
	COA1	AAA	41	37	38	52	63
	COA2	AA	56	48	51	71	75
	COA3	A	83	75	81	113	101
	COA4	BBB	121	112	119	165	169
	JUC1	BB	207	207	209	285	310
	JUC2	B	325	310	330	448	474
	JUC3	CCC	899	852	809	940	898
EM	EMCL	All	193	191	201	274	304
EUR	ER00	IG	120	110	116	164	117
	HEC0	HY	378	351	377	464	430
	ER10	AAA	72	65	62	89	63
	ER20	AA	82	72	76	108	72
	ER30	A	109	99	103	145	98
	ER40	BBB	138	127	135	193	148
	HE10	BB	247	221	249	365	314
	HE20	B	435	432	449	539	527
	HE30	CCC	1527	1477	1721	1551	1073

CORPORATE BOND SPREADS (STW)



MARKET PERFORMANCE % AND STATISTICS - JUNE 30, 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	0.94	1.10	1.02	2.51	3.55	7.90	339	10.36	9.62	1.65	4.94	3.69
JC4N	US HY BB-B	1.02	1.09	1.15	2.42	3.60	7.07	255	9.76	9.17	1.56	4.38	3.55
HEC0	Euro HY	0.54	0.96	1.48	3.13	2.98	6.45	378	10.69	9.76	0.85	3.41	2.31
HEC5	Euro HY BB-B	0.47	0.85	1.25	2.93	3.05	5.60	294	10.32	10.00	0.88	3.20	1.91
Investment Grade													
COA0	US IG	0.64	1.85	0.12	0.04	6.67	5.52	98	5.04	3.21	-2.81	-1.24	0.78
C4NF	US BBB Corporates	0.66	1.94	0.19	0.16	6.86	5.69	117	5.70	4.15	-2.79	-0.74	1.05
ER00	Europe IG	0.75	0.24	0.14	0.54	4.53	3.80	120	6.44	3.16	-2.42	-0.97	-0.86
EN40	Europe BBB	0.86	0.22	0.24	0.77	4.52	3.90	130	6.82	3.35	2.22	1.66	1.33
Governments (7-10 Year Indices)													
G4O2	US Treasuries 7-10 Yrs	1.27	1.79	-0.06	-1.38	7.20	4.37	3	0.32	-1.50	-4.50	-4.45	-1.25
G4L0	UK Gilts 7-10 Yrs	1.28	0.76	-0.84	-2.61	7.21	4.10	-2	6.37	-3.47	-5.50	-5.04	-2.88
G4D0	German Fed Govt 7-10 Yrs	1.60	-0.25	-0.79	-2.36	7.64	2.43	0	2.14	-2.22	-5.56	-4.60	-3.55
Equities													
S&P	S&P 500 incl. Dividends	3.59	4.96	4.28	15.29				24.54	22.03	9.99	16.99	15.03
DAX	DAX Index	-1.42	3.16	-1.39	8.86	YTM (%)	Discount Margin		12.93	19.43	5.50	10.32	8.02
Loans								bps (3yr life)					
CS Leveraged Loan Index		0.27	0.91	1.86	4.44	9.41		507	11.04	10.57	5.96	7.36	5.36
CS Western European Leveraged Loan Index		0.09	1.15	2.04	4.13	8.33		490	9.78	10.23	4.82	5.98	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 delivered positive returns across the board in June. Economic data began to show signs of a slowdown in inflation and in the economy more broadly. In particular, CPI (Consumer Price Index) and PPI (Producer Price Index) growth waned dramatically month-over-month, the jobs data was softer than expected, consumer spending and confidence weakened, and high mortgage rates pressured home sales. Consequently, the yield curve shifted lower, and the market tilted more definitively towards pricing in two rate cuts in 2024. As belief in the nearer-term likelihood of a soft-landing grew, returns were positive across most asset classes, with longer duration assets (i.e., equities and Treasuries) leading the way. Within corporate fixed income, modest spread widening caused returns to lag Treasuries. Leveraged loans and CCC rated credit were the least positive performers due to heavy repricing activity and idiosyncratic credit concerns, respectively.

Europe:

In Europe, credit markets generated mostly positive returns across the board in June. Market moves in June were largely driven by political headlines in Europe, with French President Emmanuel Macron calling a snap election in response to the results of the European parliamentary elections. Interest rates rallied in Europe and the US, while spreads simultaneously widened. While across Europe, the move in rates initially overpowered the spread widening (resulting in longer duration credit outperforming earlier in the month), this outperformance was tempered as rates sold off later in the month when a French left-wing government looked less likely to materialize. By the end of the month European credit had marginally outperformed the US in investment grade. This was primarily driven by the move lower in rates which more than offset the larger spread widening seen in Europe. European high yield lagged for the month given its sensitivity to European headlines, but its shorter duration. Primary markets were relatively quiet during this period of volatility, providing technical support for the markets; however, we expect issuance to resume in July before the summer break.

EM:

Emerging Market (EM) debt generated positive returns this month, outperforming both its sovereign counterparts and developed market peers. High yield slightly outperformed investment grade this month, due to its superior coupon. Within high yield, single B rated credit outperformed; the homebuilders/real estate sector in Asia delivered particularly strong performance as did the telecommunications sector in Latin America. Within investment grade, EMEA (Europe, Middle East, and Africa) credit outperformed, driven by the region's heavy energy exposure in a particularly strong month for energy. At the close of the month, China finally announced that its highly anticipated Third Plenum meeting will be held between 15th and 18th July; the meeting has previously been used to announce transformative economic reforms.

Outlook:

With generally positive economic growth, stable to lower rate expectations, low default rates and positive flows, the outlook for corporate credit remains sound. Supply (which was somewhat lower in June than in recent months) continues to be easily absorbed, particularly with much of it going towards refinancing activity. Spreads remain near historical tight, but high all-in yields continue to captivate investors in the absence of major shocks. We believe spread movements in some pockets this past month may offer good opportunities. With disinflation taking hold, fixed income markets may be pivoting to duration leadership in certain markets. That said, we are mindful of rising geopolitical uncertainties (as the election-related events in Europe and the United States in recent weeks have shown), which could change current trends and/or increase risk premia.

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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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