

KEY TAKEAWAYS

- Global credit delivered positive returns on confidence that global growth has troughed, with a continued rally in December following a strong November
- Interest rates declined and spreads tightened due to investor conviction that the Fed (Federal Reserve) and the ECB (European Central Bank) have finished their monetary policy tightening
- Prices across global credit markets remain at discounts to par as yields continue to exceed coupons but have rallied significantly off the lows seen in 2022
- While yields declined again in December, yield levels across all credit markets remain well above the longer-term averages and, we believe, still provide a strong return catalyst

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$2.7 billion in high yield inflows, US\$0.2bn billion in leveraged loan retail outflows MTD (through 12.31)

HY New Issuance*	US	EUROPE
YTD	US\$175.9 bn	US\$49.1 bn
MTD	US\$13.3 bn	US\$2.4 bn

Loan New Issuance*	US
YTD	US\$370.1 bn
MTD	US\$52.5 bn

Main Market Driver

Macro: Federal Reserve

Micro: Strong HY Technicals

Default Rates**

	US	EUR
LTM	5.2%	2.8%

US New Issuance Names (500 mn and above) MTD

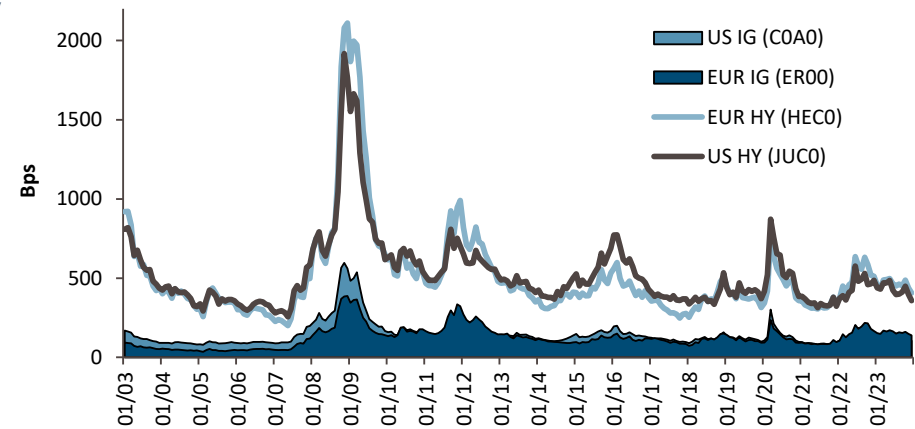
Univision Communications, Hat Holdings, Kinetik Holdings, Nextera Energy, Credit Acceptance Corp, Pennymac Fin Svcs Inc, Alliant Holdings, JP Pointdexter & Co Inc, XPO Inc, Permian Resources, CVR Energy Inc, CQP Holdco, Community Health, OneMain Finance, Bread Financial, Icahn Enterprises, USI Inc

US New Issuance Pipeline (Announced)

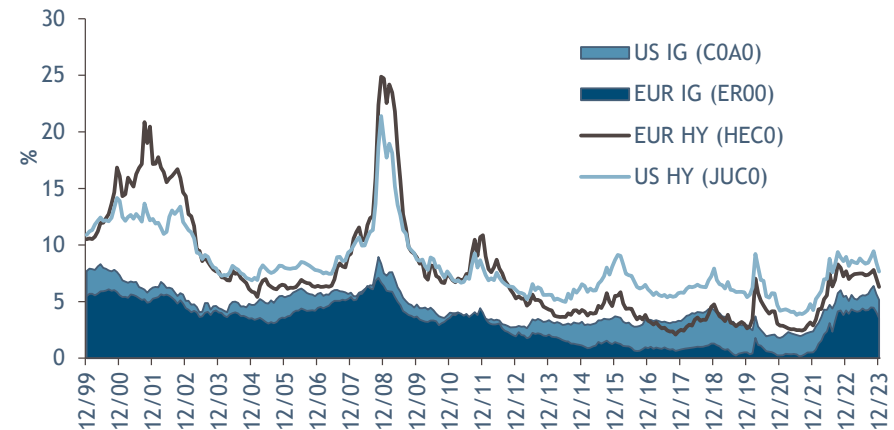
Global Partners

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.

CORPORATE BOND SPREADS (STW) BY INDEX



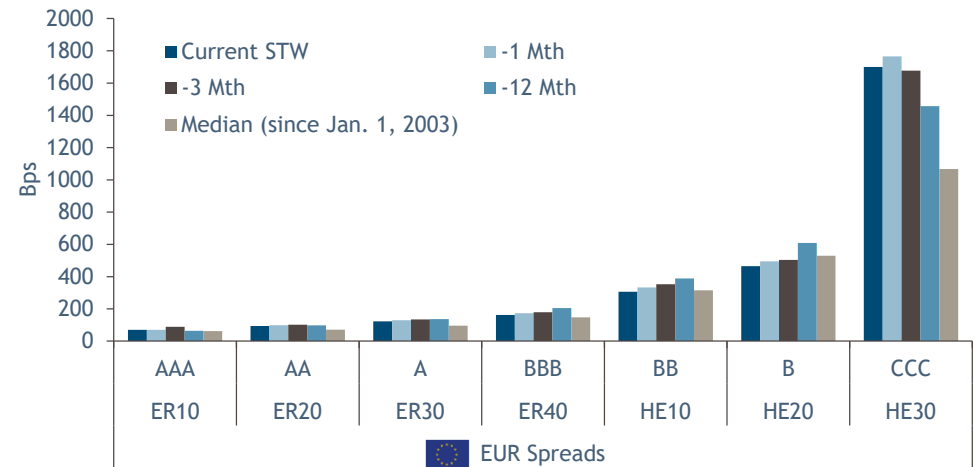
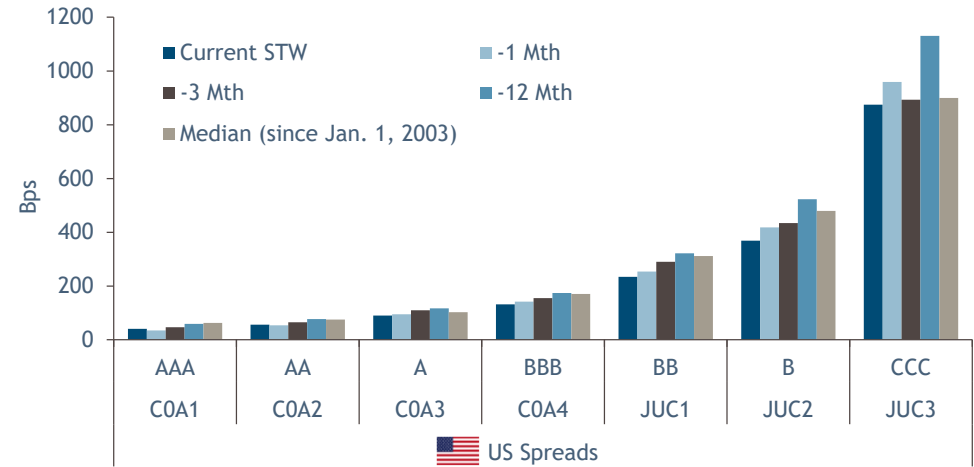
CORPORATE BOND YIELDS (YTW) BY INDEX



CORPORATE BOND SPREADS (STW) - DECEMBER 31, 2023

	Index	Rating	Current STW	-1 Mth	-3 Mth	-12 Mth	Median (since Jan. 1, 2003)
US	COA0	IG	106	113	127	141	131
	JUC0	HY	358	397	413	487	456
	JUC4	BB/B	294	328	354	409	388
	COA1	AAA	41	35	47	59	63
	COA2	AA	56	54	65	77	76
	COA3	A	90	95	110	117	103
	COA4	BBB	132	142	155	174	171
	JUC1	BB	234	254	290	322	312
	JUC2	B	369	418	434	523	480
	JUC3	CCC	875	959	893	1131	900
EM	EMCL	All	245	255	253	293	305
EUR	ER00	IG	139	148	154	167	117
	HEC0	HY	407	438	453	512	433
	ER10	AAA	70	70	89	64	63
	ER20	AA	94	99	102	98	71
	ER30	A	123	130	135	137	96
	ER40	BBB	163	173	179	205	148
	HE10	BB	306	333	353	389	316
	HE20	B	465	495	504	609	530
	HE30	CCC	1700	1766	1677	1457	1067

CORPORATE BOND SPREADS (STW)



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MARKET PERFORMANCE % AND STATISTICS - DECEMBER 31, 2023

		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	3.69	4.58	7.09	13.41	3.65	7.65	358	13.41	0.41	2.01	3.02	5.20
JC4N	US HY BB-B	3.38	4.53	7.04	12.39	3.73	7.01	295	12.39	0.31	1.71	2.80	5.08
HEC0	Euro HY	2.90	2.86	5.56	12.01	2.98	6.30	407	12.01	-0.42	0.82	1.29	3.21
HEC5	Euro HY BB-B	2.94	2.97	5.74	12.19	3.07	5.78	356	12.19	-0.29	0.75	0.99	2.77
Investment Grade													
COA0	US IG	4.04	5.64	7.91	8.40	6.82	5.15	106	8.40	-4.26	-3.17	-0.08	2.63
C4NF	US BBB Corporates	4.24	6.03	8.42	9.46	6.98	5.32	125	9.46	-4.35	-2.99	0.06	3.09
ER00	Europe IG	2.76	2.30	5.55	8.02	4.44	3.54	139	8.02	-3.59	-2.74	-1.42	0.07
EN40	Europe BBB	2.90	2.33	5.61	8.62	4.47	3.68	153	8.62	4.22	2.79	2.09	1.67
Governments (7-10 Year Indices)													
G402	US Treasuries 7-10 Yrs	3.85	4.44	6.39	3.36	7.33	3.89	1	3.36	-6.12	-5.13	-1.56	0.36
G4L0	UK Gilts 7-10 Yrs	5.09	2.75	7.76	5.63	7.61	3.47	-3	5.63	-6.41	-5.86	-3.18	-1.62
G4D0	German Fed Govt 7-10 Yrs	3.51	2.71	6.95	6.60	7.56	1.96	0	6.60	-6.85	-5.50	-3.52	-2.21
Equities													
S&P	S&P 500 incl. Dividends	4.53	9.13	11.68	26.26				26.26	1.67	9.98	12.02	15.67
DAX	DAX Index	3.31	9.49	8.87	20.31	YTM (%)	Discount Margin		20.31	2.69	6.88	6.04	9.67
Loans													
		bps (3yr life)											
CS Leveraged Loan Index		1.61	1.19	2.85	13.04	9.13		528	13.04	5.76	5.64	4.92	5.56
CS Western European Leveraged Loan Index		1.19	0.97	1.83	12.46	8.01		505	12.46	4.30	4.41	3.90	4.12

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

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CREDIT MARKET UPDATE

US:

US credit delivered positive returns in December with a continued rally following a strong November. Interest rates declined and spreads tightened on a combination of a dovish Fed (Federal Reserve) pivot, a further slowdown in inflation, and a still-resilient US economy. This month, US high yield generated positive performance led by CCC rated credit. Prices across global credit markets remain at discounts to par but have rallied significantly off the lows seen in 2022. While yields declined again in December, yield levels across all credit markets remain well above the longer-term averages and, we believe, still provide a strong return catalyst. Looking ahead, we remain committed to the higher carry opportunity in credit, including high-yielding assets, although with a quality bias given the slowly moderating economic backdrop.

EUROPE:

European credit markets generated positive returns in December with a continued rally following a strong November. Interest rates declined and spreads tightened due to investor conviction that the ECB (European Central Bank) and the Fed (Federal Reserve) have finished their monetary policy tightening. This month, high yield outperformed investment grade and longer-duration credit outperformed shorter-duration credit. Prices across global credit markets remain at discounts to par as yields continue to exceed coupons but have rallied significantly off the lows seen in 2022. While yields declined again in December, yield levels across all credit markets remain well above the longer-term averages and, we believe, still provide a strong return catalyst. Looking ahead, we remain committed to the higher carry opportunity in credit, including high-yielding assets, although with a quality bias given the slowly moderating economic backdrop.

EM:

Emerging Market debt delivered positive returns in December with a continued rally following a strong November. Interest rates declined and spreads tightened on a combination of a dovish Fed (Federal Reserve) pivot, a further slowdown in inflation, and a still-resilient US economy. Prices across global credit markets remain at discounts to par but have rallied significantly off the lows seen in 2022. While yields declined again in December, yield levels across all credit markets remain well above the longer-term averages and, we believe, still

provide a strong return catalyst. Looking ahead, we remain committed to the higher carry opportunity in credit, including high-yielding assets, although with a quality bias given the slowly moderating economic backdrop.

OUTLOOK

We believe credit markets in 2024 will benefit from the relatively high carry in bond yields on their way to delivering mid-to-high single digit total returns—maybe more if an added optimistic yield scenario materializes. We see potential dispersion of returns based on credit quality and refinancing risk—an environment of opportunities for an active manager. High yield markets are expected to outperform investment grade, and we expect technical factors to be supportive in general, which could leave spreads around their historical averages in a low growth economic scenario. Furthermore, we do not believe there are sectors to avoid vs. sectors to love, as we see potential for both positive and negative idiosyncratic situations developing in various industries, generating alpha opportunities in 2024.

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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;
G402 - 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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