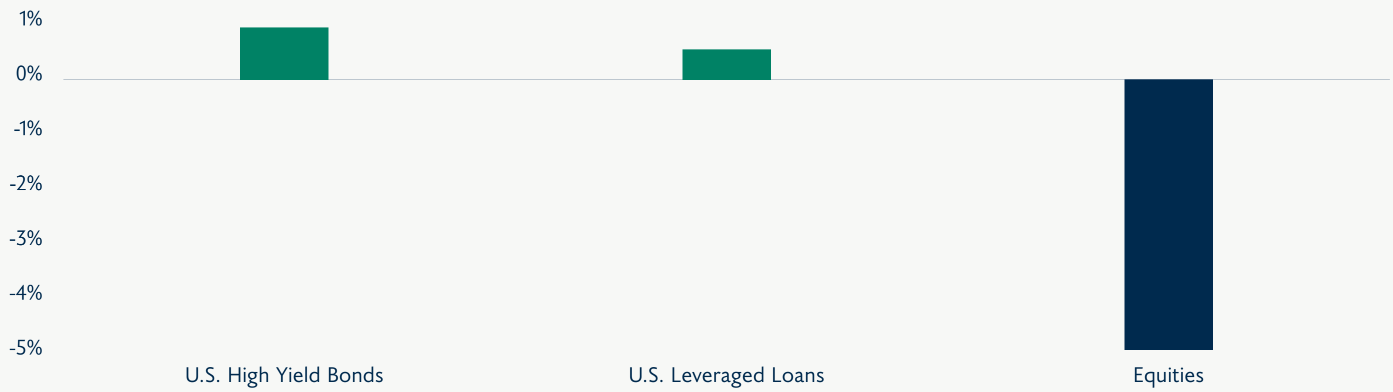
Credit Strength Amid Market Volatility

Markets have had a bumpy ride so far in 2025, with heightened volatility due to uncertainty around the economic impact of higher tariffs and trade conflicts. The S&P 500 fell more than 18% between February and April in anticipation of and following Trump's tariff announcement, and is down -4.93% for the year, as of April 30, 2025. At the same time, trade war uncertainty continues to cloud the outlook for markets going forward.

While credit hasn't been immune to the turmoil, it has helped investors insulate their portfolios from these shocks. Year-to-date through April 30, U.S. high yield bonds and senior loans are up 0.95% and 0.55%, respectively[1] with attractive yields around 8%.

Risk Asset Returns Year-to-Date



Source: Bloomberg, as of April 30, 2025. U.S. High Yield Bonds represented by the ICE BofA U.S. High Yield Constrained Index; U.S. Leveraged Loans represented by the S&P UBS Leveraged Loan Index; Equities represented by S&P 500 Index.

There are several factors that help explain why credit can help strengthen portfolios during volatile markets relative to equities:[2]

- High coupon income: attractive, regular payments can buffer a portfolio during temporary price declines
- Contractual returns: when borrowers meet their payment obligations, investors earn their promised yield, while equities must deliver excellent business performance to drive strong returns
- Priority of repayment: we believe credit investors can achieve attractive outcomes versus equity holder even if a company becomes troubled

We believe alternative credit remains a compelling option for income-seeking investors whose return targets align with the high-single digit yields we are observing today.

[1] Represented by the ICE BofA U.S. High Yield Constrained Index, the S&P UBS Leveraged Loan Index, and the S&P 500 Index, respectively.

[2] Risk factors that may negatively impact yield expectations include fees, liquidity differences, tax treatment, default risk and recovery rates.

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All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money, or the entire investment. Past performance is no guarantee of future results.

As an asset class, private credit is comprised of a large variety of different debt instruments. While each has its own risk and return profile, private credit assets generally have increased risk of default, due to their typical opportunistic focus on companies with limited funding options, in comparison to their public equivalents. Because private credit usually involves lending to below investment grade or non-rated issuers, yield on private credit assets is increased in return for taking on increased risk.

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The ICE BofA U.S. High Yield Constrained Index is an unmanaged index that measures the performance of U.S. dollar-denominated, below investment grade, corporate debt publicly issued in the U.S. domestic market. It specifically caps the issuer exposure to 2% and includes securities with remaining maturities of less than 5 years. The index tracks a broad representation of the U.S. dollar-denominated high-yield corporate bond market.

S&P UBS Leveraged Loan Index is a market-value weighted index that tracks the performance of the investable universe of US dollar-denominated leveraged loans. It provides a benchmark for the U.S. dollar leveraged loan market.

S&P 500 Index tracks the performance of 500 of the largest publicly traded companies in the United States. It’s considered a broad gauge of the U.S. stock market, particularly the large-cap segment. The index is weighted by market capitalization, meaning stocks with larger market values have a greater impact on the overall index.

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