

Newsletter

High yield

April 2026

The month of March was marked by a sharp rise in geopolitical tensions, leading to a surge in oil prices and reviving fears of a stagflationist shock. In this context, volatility increased sharply across asset classes, particularly in fixed income markets, with a marked response from short-term rates. High Yield markets recorded negative performances (-2.69% in Europe and -1.13% in the US), penalized by both higher rates and widening spreads, more pronounced in Europe than in the US. Despite a more tense environment, the market remained functional, offering investment opportunities in a context of returns that have become attractive again.

Highlights of the month

Performance

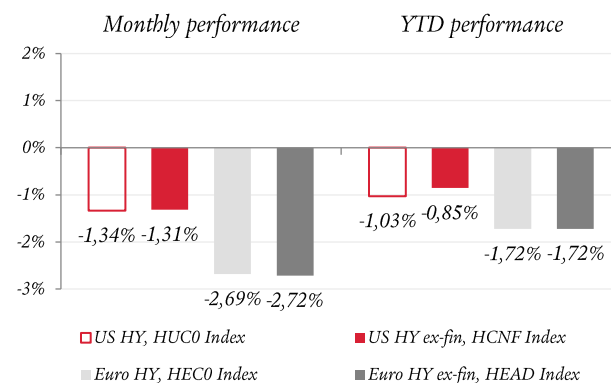
In this tense geopolitical context, the High Yield posted serious underperformances in March, impacted by the rise in sovereign rates and the widening of risk premia. The HY Euro fell by -2.69% over the month with significant deviations in risk premia (+68bps) and rates (+49bps over the German 5 years, and +62bps over 2 years). The US HY posted a more moderate counterperformance at -1.34% (-1.13% excluding currency effects) with an American 5-year increase of +44bps and spreads deviating by +18bps.

Rating segments

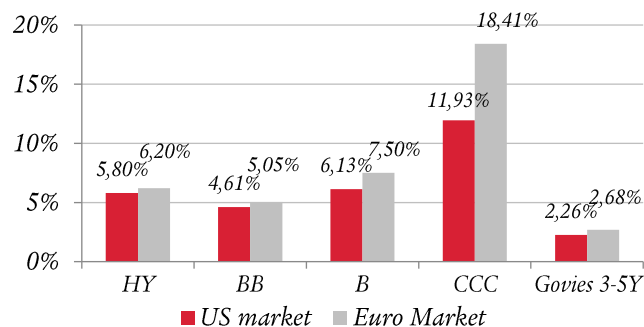
In Europe, despite the sharp rise in rates, the BB is suffering slightly less (-2.53%) than the overall market, with a risk premium increasing by +50bps; the B shows a performance of -3.04% (spreads +96bps) and the CCC -3.18% (spreads +280bps).

In the United States, even if performance remains less negative than in Europe, the spread between ratings is more pronounced. The BB fell by -1.54% (spreads +19 bps), the B by -0.93% (spreads +23 bps), and the CCC by -1.65% (spreads +39 bps).

PERFORMANCE OF THE HIGH-YIELD MARKETS



YIELD TO WORST*



Source: Swiss Life Asset Managers – 31.03.2026

Note: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historic market data. Historical market trends are not a reliable indicator of future market behaviour. This data is provided solely by way of illustration. Depending on the publication date, the information presented may differ from the latest data. Performance in foreign currencies is hedged in euros.

Sectors

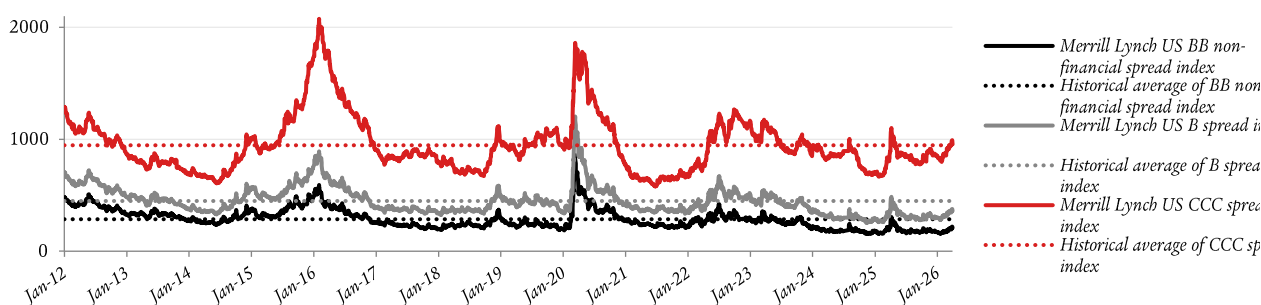
Unsurprisingly, no sector stood out positively in March. In Europe, the industrial (-3.25%) and financial sectors (-2.95%) recorded the largest declines, while Energy (-1.53%) and Technology (-1.47%) were more resilient, thanks to limited premium spreads, or even tightening. In the US, the picture is similar: Energy (-0.03%) and Technology (-0.14%) show the smallest declines, supported by a tightening of risk premia (-36/-37 bps). Conversely, Consumer Goods (-2.91%), Packaging (-2.84%) and Automotive (-2.40%) are clearly underperforming.

Primary market

The HY Euro primary is slightly lower in March (€6.5 billion) compared to February (€7.1 billion) but remains however higher than that of March 2025 (€5.9 billion). Momentum remains cautious; indeed, HY Euro issues have focused solely on the BB.

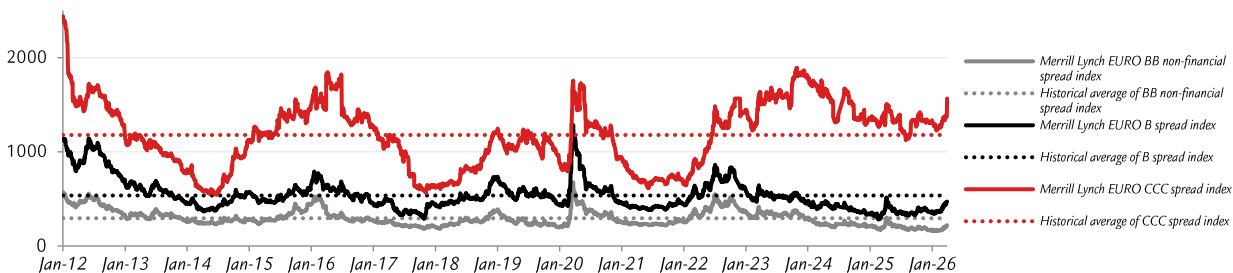
In the United States, after the \$29.9 billion issued in February, the US primary remained dynamic, with \$25.5 billion in March. Unlike the previous month, the bias is much more defensive, with BB representing 2/3 of the outstanding amounts and CCC being very poorly represented (\$150m issued).

DEVELOPMENT OF SPREADS IN THE UNITED STATES



Source: Swiss Life Asset Managers – 31.03.2026

DEVELOPMENT OF SPREADS IN EUROPE



Source: Swiss Life Asset Managers – 31.03.2026

Default rate and changes in the pool

In the Euro market, the default rate reaches a lower level of August 2024 at 0.9%. It is now significantly lower compared to 2.6% at the same time last year with the withdrawal of €3.8 billion in bonds that had defaulted in December 2024. In the United States, the default rate is slightly rising, at 1.7% compared to 1.4% in February, reaching a level not seen since August 2024. This increase reflects both the default of Trinseo in Chemistry and the implementation of Chapter 11 of Cumulus Media. On the Euro market, two issuers were downgraded to *Fallen Angels* in March: the chemist Lanxess and the glass packaging specialist Verallia, while SNF in the chemicals sector became a *Rising Star*. Several issuers are moving into the Investment Grade (*Risings Stars*) category in the US: Big River Steel in the Metals sector, SNF once again in Chemicals, Viking Cruises in Leisure and Vistra in Utilities. FS KKR Capital in Financial Services/BDC and Paramount in Media are making the opposite journey, to the High Yield (*Fallen Angels*) category.

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Our strategy

“The returns become attractive again”

Édouard Faure
Head of Credit Management

1. High-yield strategy

The conflict with Iran dominated the news in March, after the strikes carried out by the United States and Israel on Iran on 28 February. These events caused a dramatic surge in oil prices (Brent +44% at \$104/barrel), with markets gradually integrating the hypothesis of a more lasting conflict whereas a brief confrontation was initially anticipated. The sharp rise in energy prices has revived the prospect of a new stagflationist shock, leading to a marked correction across all asset classes. In the month of March alone, the S&P 500 recorded its largest monthly decline in a year (-4.98% in local currency), while the Stoxx Europe 600 experienced its strongest monthly decline since June 2022 (-7.54% in local currency).

The market for sovereign rates has seen a strong rebound in volatility, particularly on the short part of the curve. Faced with the risk of a marked resurgence in inflation linked to the rise in oil prices, investors now expect up to three ECB rate hikes in 2026 and no movement by the Fed (against two previously anticipated cuts). Short-term rates rose sharply (+62 bps on the German 2-year benchmark and +42 bps on the US 2-year benchmark), while long-term rates also rose, but more moderately (+36 bps on the Bund and +38 bps on the 10-year US Treasury). This dynamic led to a marked increase in bond volatility, almost doubling compared to end of February, while equity markets rose by around 50%.

The performance of high yield markets was negative in March (-2.69% for euro high yield and -1.13% for US high yield), penalized by the combined effect of higher rates and widening risk premia. This was more pronounced in Europe (+68 bps) than in the United States (+18 bps), reflecting a less favourable perception of the consequences of the conflict for Europe. Although liquidity has been reduced in a context of increased volatility, the market has remained functional: no panic selling was observed, the main flows coming from ETFs. Moreover, while a few issuers have accessed the primary market, volumes have remained limited, with the majority preferring to wait for a lull.

We have been very active in all our portfolios to take advantage of the opportunities generated by the renewed volatility. While maintaining an overall cautious stance on risk premiums, we added risk at the end of the month following the marked spread widening. We also conducted several tactical operations via credit derivatives. After reducing the duration at the end of February/beginning of March, we increased it again in the second part of the month, following the sharp rise in rates. We have also strengthened some attractive returns positions within our Opportunity High Yield 2028 Maturing Fund. Finally, we took advantage of the increase in yields to launch a new vintage of maturity funds: **SLF (F) Opportunity High Yield 2032**.

2. Private debt: a booming market now facing its first tensions

A segment that has become essential in the business financing landscape

Private debt has established itself over the last decade as one of the pillars of financing for private companies, driven by a growing disintermediation of credit and by investors seeking investments offering an attractive return-risk couple. At the end of June 2025, the global private debt outstanding reached approximately \$1,800 billion (according to Preqin), a level now comparable to that of the US High Yield or Leveraged Loans market. This rapid growth is mainly explained by (i) the gradual withdrawal of traditional banks from financing the riskiest companies after the 2007-2008 financial crisis, (ii) the emergence of more flexible structures proposed by private debt managers (unitranche, PIK*, reduced documentation...), (iii) execution times significantly shorter than on public markets, and (iv) investors' continued appetite for assets benefiting from high illiquidity premiums and weakly correlated with listed assets. The segment has gradually been structured around traditional closed-end funds, semi-liquid vehicles, but also Business Development Companies (BDC) vehicles accessible to "retail" investors, whose role has considerably increased.

In the space of a few years, BDCs have become an essential link in the financing chain of the American middle market. Their outstanding amounts now exceed \$500 billion and reflect the ramping up of this model. BDCs must comply with a regulatory asset coverage ratio of at least 150%, i.e. a debt/equity ratio of approximately 2x. In fact, the BDCs benefiting from an "Investment Grade" rating (which is the vast majority at the moment) generally operate with a lower debt/equity ratio, often less than 1.3x, in order to preserve a safety margin and support the stability of their risk premia on bond debts issued by the BDC. Their portfolios are generally diversified, often over 150 lines, but with a marked sectoral concentration in activities considered more resilient: software, healthcare, B2B services. These three sectors can represent more than half of their exposures. The credit quality of a BDC depends, among other things, (i) on the degree of seniority in the capital structure of the loans made, (ii) the proportion of PIKs, (iii) the share of non-accrual loans, and (iv) the degree of concentration of its exposures. Finally, there are two main categories of BDC: (i) listed BDCs, whose valuation fluctuates depending on supply and demand, and (ii) private or perpetual BDCs, which are not listed but must offer partial liquidity to their investors via quarterly redemption windows, often capped at 5%.

Visible first pressures: valuations, redemptions and limited transparency

After several years of uninterrupted growth, the private debt market has entered a more complex phase since mid-2025, marked by the first significant credit accidents and a gradual deterioration in investor sentiment. The resounding bankruptcies of Tricolor and First Brands (among others), both financed by private debt players, have highlighted the segment's potential weaknesses. This context, combined with the growing uncertainty surrounding AI's impact on software business models, a sector typically representing about 20% of BDC exposures, has led to a significant reevaluation of risk. Public BDCs have seen their performance deteriorate: the S&P BDC index has fallen by more than 10% since the beginning of the year 2026, and by about 25% over one year. This weakness reflects several simultaneous dynamics: (i) the pressure on the valuations of loans executed, whose adjustment is by nature progressive, (ii) the increase in the proportion of PIK, a sign of an increased need for flexibility for certain companies, (iii) the rise in 'non-accruals', linked to the increase in credit events, (iv) the first reductions of dividends by certain actors, and (v) a lack of transparency maintained by most actors.

Tensions are even more visible within private/perpetual BDCs. The semi-liquid model, particularly appreciated by individual or semi-institutional investors, is facing its first real 'stress test'. Redemption requests have significantly increased in recent quarters, forcing several vehicles to activate their quarterly 'gates' at 5%, or even to reduce the proportion of accepted withdrawals. This mechanism, designed to protect the stability of the portfolio, can however fuel a self-sustained phenomenon: the fear of future illiquidity encourages some investors to ask for their exit more quickly, mechanically feeding the selling pressure. In several cases, despite the use of these redemption limits, the BDCs continued to post positive net sales but significantly lower than previous years. This rebalancing between inputs and outputs constitutes a major structural change for the sector, long driven by massive collection. These tensions occur in a global environment where financing conditions have deteriorated for the most fragile issuers, where credit dispersion is increasing and where certain historically protected segments, such as software, show the first signs of vulnerability.

Risk of transmission to the High Yield market?

The central issue for bond investors is now the possibility, and the extent, of a contagion from private debt difficulties to public markets, particularly in the High Yield segment.

According to Deutsche Bank estimates, the BDCs hold over \$140 billion in leveraged loans, a relatively significant volume. In a scenario of protracted withdrawals, private BDCs, to meet their liquidity obligations and maintain regulatory leverage, could be required to sell off a significant portion of their leveraged loans, which are their most liquid assets. This potential wave of sales would mechanically put pressure on the prices of Leveraged Loans, increase risk premiums for the riskiest segments, and could further weaken the most indebted companies, which rely on regular refinancing. Prolonged stress on the Leveraged Loan market has historically had repercussions on high yield, particularly on B and CCC ratings, which are more correlated with financing conditions in private markets (especially compared to BB ratings).

The rise in refinancing needs constitutes another vector of transmission. Several companies financed by private debt arrive close to significant maturities between 2026 and 2029. In an environment where private lenders are becoming more selective and requiring higher risk premia, some borrowers may turn to public markets. This phenomenon would increase the supply of High Yield bonds, potentially in a context where investor demand is no longer increasing at the same pace, leading to additional pressure on High Yield risk premia.

At this stage, the tensions observed in the private debt segment are, in our view, more a structural adjustment of a market that is emerging from an exceptional phase of expansion than a systemic shock. The defects remain, at this stage, contained and the fundamentals of issuers globally do not announce an imminent wave of widespread failures. However, the combination of liquidity tensions in private BDCs, AI-related uncertainties in the software sector, first major credit accidents, and high refinancing needs on 2026–2029, constitutes a context likely to maintain increased volatility on the riskiest segments of High Yield over the next quarters.

***PIK:** Payment in Kind: Form of deferred remuneration in which the interest due is **capitalised**, added to the nominal amount of the debt. The repayment, including accrued interest, is ultimately made at maturity or during a liquidity event.

About Swiss Life Asset Managers

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This close link with insurance underpins its investment philosophy, which has as its main objectives to invest within the framework of a responsible approach to risks and to act every day in the interest of its clients. Swiss Life Asset Managers also offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg, the UK, Italy and the Nordic countries.

As at 31 December 2025, Swiss Life Asset Managers managed assets of €309.6 billion for the Swiss Life Group, including over €156.5 billion in assets under management for third-party clients. Swiss Life Asset Managers is a leading institutional real estate investor in Europe. Of the 309.6 billion euros of assets under management, 96.1 billion euros are invested in real estate. In addition, Swiss Life Asset Managers manages 26.3 billion euros of real estate jointly with Livit. As of 31 December 2025, Swiss Life Asset Managers managed EUR 122.4 billion in real estate assets.

Swiss Life Asset Managers employs more than 2300 people in Europe.

A financially self-determined life

Swiss Life enables people to lead a financially self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their future in a financially self-determined manner.

¹ #2 IPE Top 150 Real Estate Investment Managers 2025 Ranking Europe, #2 INREV Fund Manager Survey 2025

Swiss Life Asset Managers data at 31/03/2026

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