

Newsletter

High yield

May 2026

April was marked by continuing geopolitical tensions in the Middle East, against a backdrop of uncertain negotiations and persistently high energy prices. Despite these risk factors, the markets rebounded, buoyed by initial diplomatic progress and a renewed appetite for risk. Volatility remained high in the bond markets, with mixed movements in yields, which nevertheless ended the month slightly higher. High-yield markets recorded positive returns (+1.94% in Europe and +1.52% in the US), driven by a marked narrowing of spreads and the return of subscription flows. In this environment, the asset class continues to offer attractive yields, supporting carry-oriented strategies.

Highlights of the month

Performance

High-yield markets rebounded sharply in April: investors are now anticipating a resolution to the conflict in the Middle East. The earnings season was strong, economic data was generally resilient, and inflows into the asset class have turned positive again.

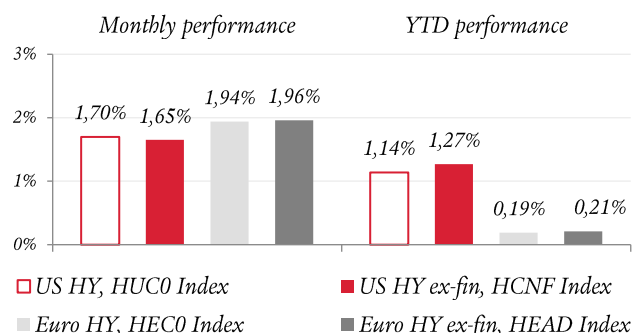
As a result, high-yield markets posted their strongest performances since June 2025 for the HYS index (+1.52% with a narrowing of risk premiums by -45bps) and since December 2023 for the HY€ index (+1.94% with a narrowing of risk premiums by -57bps).

Rating segments

Against this backdrop of a broad resurgence in risk appetite, the high-yield markets saw a tightening trend, with the riskiest ratings (CCC and B) significantly outperforming the most creditworthy ratings (BB).

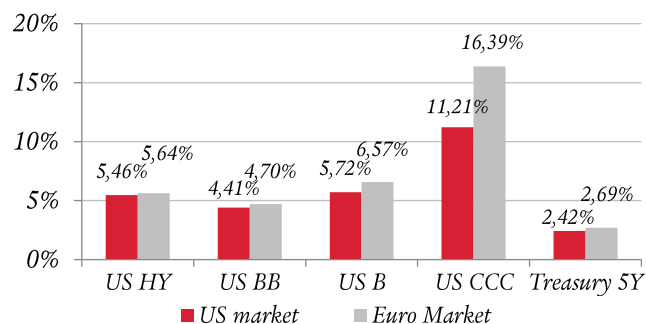
In the HY€ market, the BB spread narrowed by -37bps to 184bps (+1.62% return), the B spread by -95bps to 377bps (+2.50%) and the CCC spread by -194bps to 1371bps (+3.66%). In the HYS market, the BB spread narrowed by 34bps to 174bps (+1.31%), the B spread by 50bps to 311bps (+1.63%) and the CCC spread by 84bps to 872bps (+2.76%).

PERFORMANCE OF THE HIGH-YIELD MARKETS



Source: Swiss Life Asset Managers – 30.04.2026

YIELD TO WORST*



Source: Swiss Life Asset Managers – 30.04.2026

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

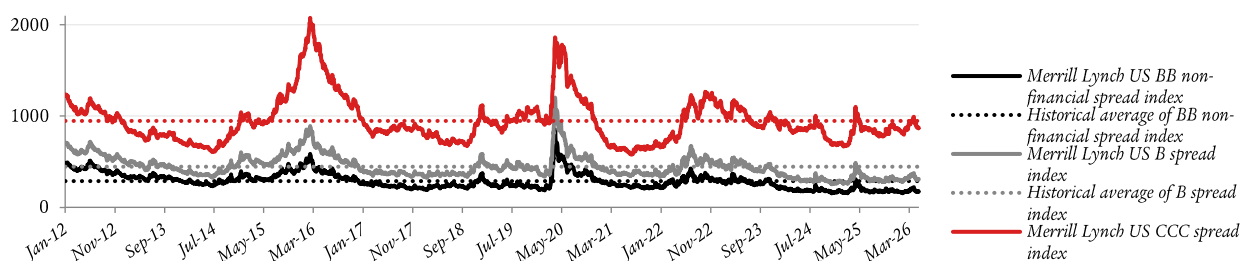
In Europe, the Basic Industries sector (+3.59%) stands out as the main beneficiary of geopolitical tensions in the Middle East, followed by Real Estate (+2.78%) and Capital Goods (+2.28%). Conversely, the Transport (+0.95%), Media (+0.97%) and Utilities (+1.08%) sectors underperformed over the period.

In the United States, the Financial Services (+2.33% in local currency), Automotive (+2.24%) and Telecommunications (+2.17%) outperformed, whilst the Technology & Electronics (+0.57%), Transport (+0.84%) and Capital Goods (+1.28%) sectors underperformed.

Primary market

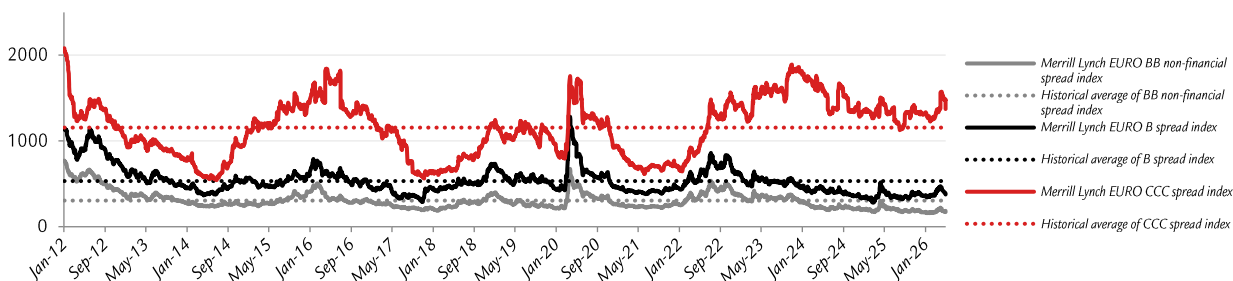
The primary market for HY€ was particularly buoyant in April, with €12.6bn in issues (compared with €6.2bn in April 2025 and €6.8bn in March 2026), bringing the total to nearly €135bn over the last 12 months (+40% year-on-year). Issuance was mainly concentrated in the BB segment at €10.5bn (83% of total issuance), with a relatively high proportion of US issuers (26%). Similarly, the primary market for HY\$ accelerated sharply to reach \$38.4bn (compared with \$9.7bn in April 2025 and \$25.5bn in March 2026), its highest level since September 2025 (\$58.3bn). Issues rated BB still account for the majority but are down slightly on the previous month (60% compared with 66%).

DEVELOPMENT OF SPREADS IN THE UNITED STATES



Source: Swiss Life Asset Managers – 30.04.2026

DEVELOPMENT OF SPREADS IN EUROPE



Source: Swiss Life Asset Managers – 30.04.2026

Default rate and changes in the pool

For the first time since July 2025, the default rate in the HY€ market has risen to 1.2%, up from 0.9% in March 2026, but remains significantly below the historical average since 2005, which stands at 2.4%. In the United States, the default rate has also risen to 1.9%, up from 1.7% the previous month, compared with a historical average since 2005 of 3.4%.

The TV shopping specialist QVC (~\$1.3bn in HY bonds) and its holding company Liberty Interactive (~\$0.8bn) have filed for Chapter 11 protection. Finally, the issuer West Technology Group, which specialises in communications services, was affected by a default on \$0.4bn of HY securities.

As for Rising Stars/Fallen Angels, the trend remained stable in the €-denominated High Yield sector. In the US dollar High Yield sector, bonds issued by the Canadian group Nova Chemicals (~\$0.4bn) were upgraded to Investment Grade following its acquisition by Borouge (a group jointly owned by ADNOC and OMV). Similarly, the bonds of the US oil agencies (S&P, Fitch and Moody's). Conversely, the bonds of the US health insurance group Centene (~\$14.5bn) were downgraded to High Yield by S&P.

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Our strategy

“Returns remain attractive despite the narrowing of risk premiums”

Édouard Faure
Head of Credit

1. High-yield strategy

The conflict in the Middle East once again dominated the news in April. Negotiations began during the month, raising hopes of a possible de-escalation. However, the process remains uncertain, with often contradictory statements from the various parties. The Strait of Hormuz remains closed at this stage, continuing to place significant strain on oil supply chains. Against this backdrop, energy prices remained high: Brent crude eased temporarily to around \$90/barrel during the month, before returning to its highs towards the end of the period, close to \$120/barrel. Despite this uncertain environment, the initial diplomatic progress was welcomed by the markets. Risk assets thus rebounded during April: the S&P 500 rose by +5.57% (in local currency), reaching a new all-time high of 7,200 points, whilst the Stoxx Europe 600 also posted a solid gain of +5.56%. These performances are all the more remarkable given the backdrop of persistent inflationary pressures and downward revisions to growth forecasts linked to the conflict.

The sovereign bond market remained highly volatile, reflecting uncertainty surrounding the outlook for inflation and monetary policy. Expectations regarding ECB rate hikes initially fell to two at the start of the month, before rising back to three by the end of the period, following higher-than-expected inflation figures and a rebound in oil prices. Against this backdrop, short-term rates initially fell, driven by renewed optimism regarding a resolution to the conflict, before rising again and ending the month at levels slightly higher than those seen at the end of March (+3 bp on the German 2-year and +8 bp on the US 2-year). The same trend was observed at the long end of the curve: despite significant intra-month movements, yields rose slightly over the month (+4 bp on the 10-year Bund and +5 bp on the US Treasury).

The credit market, and in particular the high-yield segment, has benefited from the rebound in risk assets and a renewed appetite for risk among investors. Against this backdrop, high-yield performance has been positive, at +1.94% for the euro segment and +1.70% for the US segment (in local currency). This performance is mainly attributable to a narrowing of risk premiums, by -57 bp in Europe (following a widening of +68 bp in March) and by -45 bp in the US (following +18 bp the previous month). Subscription flows have picked up again, whilst the primary market has returned to a more sustained level of activity.

Against this backdrop, the rise in sovereign bond yields continues to underpin the asset class's overall return, despite the narrowing of risk premiums. We believe that the current environment remains favourable for a carry strategy. We have therefore taken advantage of the primary market and opportunities in the secondary market to further diversify the portfolios of our maturity-matching funds. As for open-ended funds, we have also participated in new issues whilst maintaining a broadly stable positioning: a slight underweight in credit risk, given the rapid narrowing of spreads, and a long duration exposure to benefit from persistently high interest rates.

2. Automotive: European carmakers' factories could become a Trojan horse for Chinese manufacturers.

The resurgence of geopolitical tensions in the Middle East, marked in particular by the conflict surrounding Iran, reignited oil-related risks in the spring. In Europe, this situation led to a rapid surge in prices at the pump, once again putting pressure on household budgets. For high-yield investors, this macroeconomic context is significant: the automotive sector accounts for 11.2% of the Euro High Yield Index, of which 3.1% is exposed to car manufacturers (OEMs), Nissan, Renault, Stellantis, Jaguar, Volvo, and 8.1% to equipment suppliers such as Forvia, Mahle, Plastic Omnium, Schaeffler, Valeo and ZF. A recent sector report highlights that the energy shock could accelerate a transformation already underway: the rapid breakthrough of Chinese car manufacturers into the European market.

Energy prices and consumer confidence: a key leading indicator for the automotive sector

Historically, car sales have been highly sensitive to consumer confidence, which is an important leading indicator of demand. However, rising energy prices act as an indirect tax on purchasing power, primarily affecting low-income households and the middle classes, particularly in Europe where fuel is structurally expensive. The sector report highlights that the recent surge in prices at the pump has already led to a marked deterioration in European consumer confidence, which is traditionally linked to a slowdown, or even a postponement, in car purchases.

This phenomenon does not depend solely on the price of a barrel of oil, but on its visibility in the daily budget: unlike other expenditure items, fuel is paid for frequently and remains psychologically very sensitive. Even if oil prices stabilise, the effect on confidence may persist, negatively influencing the decision to purchase a car several months after the initial shock.

Total cost of ownership is becoming a key factor in decision-making

In this climate, European households are rediscovering the total cost of ownership (TCO) of a vehicle, which includes not only the purchase price, but also expenditure on fuel or electricity, servicing, taxation and maintenance. According to industry experts, energy now accounts for around 12% of the total cost of an electric vehicle, compared with over 25% for a petrol or diesel-powered vehicle. Rising prices at the pump make this advantage much more tangible, particularly for corporate fleets and households on a tight budget.

This shift in behaviour automatically favours electrified vehicles, battery electric vehicles and plug-in hybrids, a segment in which Chinese manufacturers offer a particularly competitive range, both in terms of price and technological content.

The rapid rise of Chinese manufacturers in Europe

The market share of Chinese car manufacturers in Europe has risen sharply over the past twelve months, now standing at around 8%, with sales growth of nearly 100% year-on-year in the first quarter. Players such as BYD, SAIC (MG), Chery and Leapmotor are no longer positioning themselves solely in niche markets, but are directly targeting the mass-market segments: compact cars, family SUVs and everyday vehicles, where European manufacturers' volumes have traditionally been concentrated.

Their key strength lies in a clear proposition for the consumer: well-equipped vehicles, electric or hybrid, often priced 5% to 30% lower than comparable European models, and therefore better suited to an environment of constrained purchasing power.

From competitive pressure to the transformation of Europe's industrial base

Faced with this growing competitive pressure, European manufacturers are gradually adapting their industrial strategy. The sector report highlights a key trend: the shift by Chinese manufacturers from an export-focused

approach towards localising production in Europe, in order to reduce logistics costs, limit the impact of customs duties and improve their political acceptability.

In practical terms, this shift is taking the form of industrial partnerships with established European players. Stellantis is a prime example: the group has strengthened its ties with Dongfeng, its long-standing partner in China, and has made a major strategic shift with Leapmotor, acquiring a 21% stake in October 2023 and establishing a joint venture dedicated to the marketing and production of Leapmotor vehicles in Europe. The aim is twofold: to rapidly bring affordable electric vehicles to the European market and to utilise under-utilised industrial capacity on the Old Continent.

This type of partnership illustrates a profound transformation of European production facilities: certain factories historically dedicated to local brands could in future assemble models developed by Chinese manufacturers, but produced in Europe, with a significant local content.

High-Yield Challenges: A Shift in Risk Profile Rather Than a Widespread Shock

For high-yield investors, this trend does not necessarily signal a collapse of the European automotive sector, but rather a rapid restructuring of value chains. Car manufacturers (OEMs), which are more directly exposed to price wars and pressure on margins, appear to be structurally more vulnerable in this context.

By contrast, component suppliers, which account for the bulk of the sector's high-yield exposure, could benefit from the localisation of Chinese players by supplying components and modules to both new entrants and established manufacturers.

In a sector accounting for over 11% of the Euro High Yield Index, rising energy prices are thus acting as a catalyst for transformation, bringing together macroeconomic challenges, consumer confidence and industrial restructuring. More than ever, this development calls for a selective and differentiated assessment of automotive credit risk.

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

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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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GP-07000055 of 13.11.2007

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