

Newsletter

High Yield

October 2026

September marked a turning point for financial markets. The continued rise in sovereign bond yields, driven by higher-than-expected inflation figures and the resilience of the global economy, pushed rates to new highs, with the US 10-year Treasury reaching 5.28% and the German Bund 3.65%, levels not seen for more than fifteen years. Against this backdrop, risk assets began to feel the negative sentiment: equity markets ended the month lower and High Yield risk premiums widened by 41 bps in Europe and 49 bps in the United States, resulting in returns of -1.79% and -2.66%, respectively.

Monthly Highlights

Performance

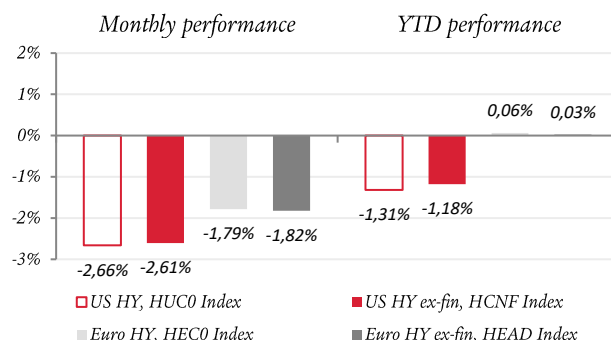
September performance was very negative in both the Euro High Yield market (-1.79%) and the US High Yield market (-2.66%, EUR-hedged). The increase in sovereign yields was more pronounced in the US, rising by 59 bps versus 26 bps for the German 5-year yield, explaining most of the underperformance. High Yield credit spreads widened on both sides of the Atlantic, with US High Yield spreads up 49 bps and Euro High Yield spreads up 41 bps.

Rating Segments

CCC-rated bonds were particularly affected, posting returns of -2.33% in EUR and -3.11% in USD, accompanied by significant spread widening (+56 bps and +132 bps). This illustrates the impact of higher interest rates on financing costs for the riskiest issuers.

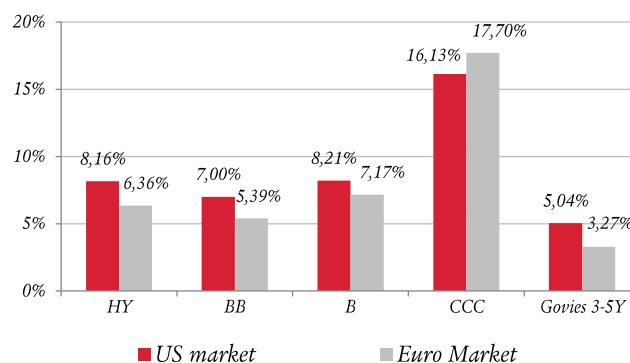
Conversely, B-rated bonds were more resilient than BB-rated bonds within the High Yield segment due to their shorter duration. In EUR High Yield, B-rated bonds declined by 1.64% compared with 1.80% for BB-rated bonds, while in USD High Yield B-rated bonds returned -2.34% versus -2.44% for BBs.

HIGH YIELD MARKET PERFORMANCE



Source: Swiss Life Asset Managers – 30.09.2026

YIELD TO WORST*



Source: Swiss Life Asset Managers – 30.09.2026

Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Past market trends are not a reliable indicator of future market performance. The information provided is for illustrative purposes only. Depending on the publication date, the information presented may differ from the most up-to-date data available. Performance figures expressed in foreign currencies are hedged into euros.

Sectors

Within Euro High Yield, Real Estate (-4.8%), Telecommunications (-2.2%), Leisure (-2.1%), and Transportation (-2.0%) delivered the weakest performances. In contrast, Healthcare (-0.9%), Media (-0.9%), Technology (-1.0%), and Energy (-1.2%) proved more resilient.

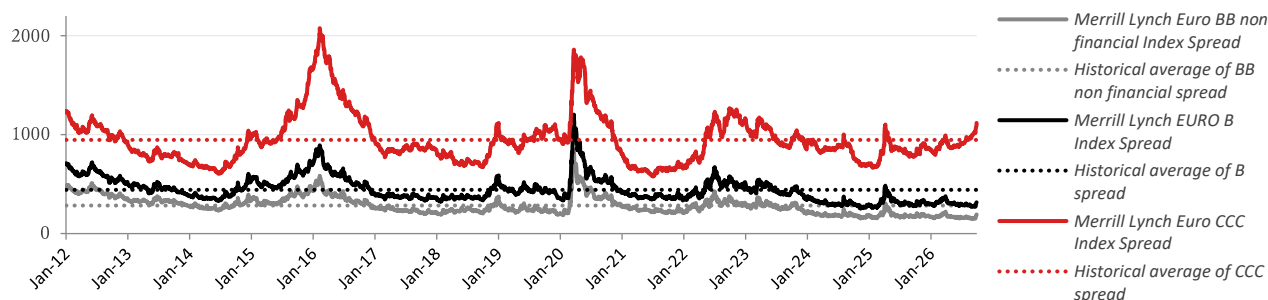
In the US market, the worst-performing sectors were Media (-3.7%), Consumer Goods (-2.9%), Telecommunications (-2.7%), and Automotive (-2.7%). Conversely, Technology (-1.6%), Healthcare (-1.7%), Capital Goods (-2.0%), and Energy (-2.0%) recorded the strongest relative performance.

Primary market

The High Yield primary market rebounded in September, with €12.2 billion of issuance in EUR High Yield, although below September 2025 levels (€14 billion). Similarly, the US High Yield market recorded \$51.1 billion of issuance compared with \$58.3 billion in August 2025.

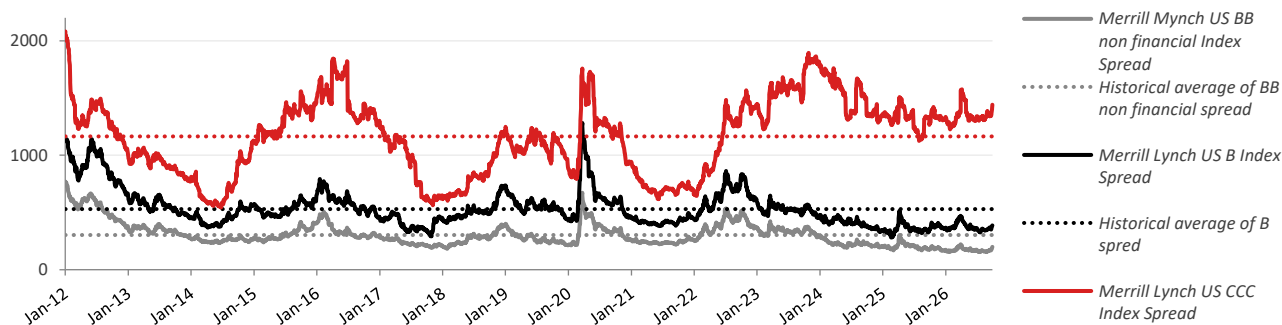
BB-rated issuances accounted for the majority of US issuance (75%). In Europe, BB-rated bonds represented almost the entirety of issuance.

CHANGES IN SPREADS IN THE UNITED STATES



Source: Swiss Life Asset Managers – 30.09.2026

CHANGES IN SPREADS IN EUROPE



Source: Swiss Life Asset Managers – 30.09.2026

Default and Universe Evolution

In Euro High Yield, the default rate declined slightly again to 0.5% in September, its lowest level since July 2023 and half the average of the past ten years (1.2%). Regarding transitions between High Yield and Investment Grade, French car manufacturer Renault (€2.7bn) was upgraded to Investment Grade by Moody's (from Ba1 to Baa3), reflecting the sustained improvement in Renault's credit quality in recent years, supported by a significantly strengthened balance sheet and consistent free cash flow generation. No Fallen Angels were recorded in the Euro market.

In US High Yield, the default rate remained unchanged from the previous month at 1.7%, while remaining 70 bps below its ten-year average (2.4%). Among the Rising Stars in the US were Burger King (\$4bn), the fast-food restaurant chain, Newmark Group (\$475m), a company specialising in commercial real estate services, Roblox (\$1bn), the online gaming platform, and SBA Communications (\$1.5bn), a telecommunications infrastructure operator owning mobile phone towers. On the Fallen Angels side, Flowers Foods (\$1.3bn), a producer and distributor of packaged bakery products in the United States, and Leggett & Platt, a manufacturer of components notably used in bedding, furniture and the automotive industry, joined the High Yield universe.

Disclaimer: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historical market data. Past market trends are not a reliable indicator of future market performance. The information provided is for illustrative purposes only. Depending on the publication date, the information presented may differ from the most up-to-date data available. Performance figures expressed in foreign currencies are hedged into euros.



Our strategy

“After months of resilience, credit spreads have widened.”

Édouard Faure

Head of Credit Portfolio Management

1. High Yield Strategy

During September, markets were once again dominated by sovereign yield movements. Volatility remained particularly elevated, and yields reached new highs. The German 10-year yield surpassed 3.65%, its highest level since 2008, while the US equivalent exceeded the symbolic 5% threshold and peaked at 5.28%, its highest level since 2002. This rise was driven by stronger-than-expected inflation data and continued global economic resilience. Investors consequently revised their monetary policy expectations, with markets at one point pricing in four additional ECB rate hikes over the next twelve months. Should such a scenario materialize, the consequences for economic growth could become significant.

In Europe, France's fiscal situation also attracted investor attention. Concerns regarding public finances and political uncertainty linked to the 2027 presidential election contributed to a significant widening of the spread between French OATs and German Bunds.

After several months of resilience, risk assets finally began to feel the impact of higher rates. Equity markets ended the month in negative territory, with the S&P 500 down 0.35% and the Euro Stoxx 50 down 2.22%.

The High Yield market was not immune. In Europe, credit spreads widened by 41 basis points and the High Yield index returned -1.79%. In the US, spreads widened by 49 basis points, resulting in a local currency return of -2.66%. Notably, the impact of rising rates and spread widening contributed almost equally to performance. BB-rated bonds suffered mainly from interest-rate sensitivity, while B and CCC segments were more affected by deteriorating market sentiment.

From a sector perspective, Telecommunications and Real Estate, both highly sensitive to interest rates, ranked among the weakest sectors. The Automotive sector also struggled amid fragile fundamentals. By contrast, Energy and Technology proved more resilient thanks to stronger operational prospects.

In this environment, our overall positioning remained broadly unchanged. We continue to maintain a slightly longer duration than the market, as the recent increase in yields has restored attractive income levels. We remain cautious on credit risk and maintain spread exposure below market levels. Target-maturity funds now offer particularly attractive yields and, in our view, represent compelling entry points. Finally, we continued participating in the primary market while remaining highly selective regarding the risk premium offered by issuers.

2. French risk at the heart of markets, but not necessarily at the heart of credit Risk

The rise in French sovereign yields and the widening of the OAT-Bund spread have brought the French question back to the forefront of investors' concerns. Questions surrounding the government's fiscal trajectory, the level of public debt and political uncertainty are legitimately fueling the debate around French risk. However, this assessment cannot be mechanically applied to High Yield corporate credit.

French issuers currently account for nearly 23.5% of the ICE BofA European High Yield Index. This weighting is significant but should be interpreted with caution, as it reflects issuers' domicile rather than their actual economic exposure.

Nearly 72% of the French universe is made up of BB-rated issuers; consequently, the French exposure within the index is primarily composed of established companies with regular access to capital markets and strong competitive positions.

The most important point, however, concerns their actual economic exposure. The main French index contributors, including EDF (1.76%), Iliad (1.77%), Renault (1.10%), Valeo (1.09%), Forvia (1.04%), Veolia (0.99%), Air France-KLM (0.92%), New Immo (0.89%), SFR (0.77%) and Loxam (0.72%), together represent nearly 11% of the index. Yet behind this weighting lie highly diverse business profiles. EDF still generates approximately 75% of its revenue in France and SFR remains exclusively exposed to the domestic market. By contrast, Air France-KLM generates less than 30% of its revenue in France. At Iliad, expansion in Italy and Poland has gradually reduced France's contribution to around 64% of group revenue. Loxam generates nearly 60% of its business internationally, while Valeo and Forvia derive more than 90% of their revenues abroad. Veolia now generates almost 80% of its revenue outside its home market. Renault also benefits from a broadly diversified revenue base across Europe and internationally. As for New Immo, although more than half of its revenues and assets remain located in France, the group also has a significant presence in several other countries.

Ultimately, the economic reality of these companies is often quite different from what their nationality alone might suggest. A significant share of the cash flows used to repay their debt is generated in international markets, reducing their direct sensitivity to the French economy. This dynamic can be observed across a large portion of the French High Yield universe. CMA CGM is primarily dependent on global trade flows. Accor is more exposed to international tourism flows. Nexans benefits from global investment linked to electrification and energy infrastructure. Eurofins, Verallia and OPmobility also operate in largely international markets.

Thus, while French issuers represent almost one quarter of the index, actual economic exposure to the French economy is meaningfully lower. A substantial portion of the revenues and cash flows generated by the largest French issuers originates outside France. Legal "France risk" is therefore not necessarily the same as economic "France risk".

This distinction becomes even clearer when comparing High Yield with private debt. A significant proportion of direct lending strategies remain focused on SMEs and mid-sized companies whose revenues, assets and decision-making centres remain largely domestic. In contrast, the European High Yield market is more heavily composed of larger issuers benefiting from a meaningful international presence. In private debt, exposure to French issuers often provides a reasonable approximation of actual economic exposure to France. In High Yield, that economic exposure can be significantly lower whenever a substantial proportion of revenues is generated abroad.

Ultimately, French sovereign risk is currently a major theme for financial markets. It would be excessive to downplay its consequences. Nevertheless, it would be equally excessive to mechanically equate French sovereign risk with French corporate credit risk as the weighting of French issuers within the index overstates investors' effective economic exposure to France.

Our conviction is that French risk today represents more of a valuation risk than a fundamental credit risk for a large portion of High Yield issuers. Many of them generate a substantial share of their revenues outside France and remain more exposed to European or global growth drivers than to domestic economic conditions alone. The key question, therefore, is not which companies are French, but to what extent their earnings actually depend on the French economy.

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 insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in multiple European locations.

As at 30 June 2026, assets under management for third-party clients amount to EUR 170.7 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 325.9 billion. Swiss Life Asset Managers is a leading institutional real estate investor in Europe¹. Of the assets totalling EUR 325.9 billion, EUR 97.7 billion are invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling EUR 26.9 billion in value. Total real estate assets under management and administration at the end of June 2026 thus came to EUR 124.6 billion.

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 2026

Disclaimer:

The information contained in this document is intended for both professional and non-professional clients within the meaning of Article 4 of the Swiss Financial Services Act (FinSA), which incorporates the principles of MiFID. This document is provided exclusively for information and marketing purposes. It should not be construed as investment advice or as a solicitation to make an investment.

This presentation contains historical market data. Past market performance is not a reliable indicator of future market performance. The information provided is for illustrative purposes only. Depending on the publication date, the information presented may differ from updated data. The figures, comments, and analyses contained in this document do not constitute any commitment or guarantee on the part of Swiss Life Asset Managers France.

Swiss Life Asset Managers France shall not be liable for any decision made on the basis of this information. All information and opinions expressed in this document are subject to change without notice. Prospective investors should read the Key Information Document (KID) and the prospectus of each UCITS prior to any subscription. These documents are available free of charge in paper or electronic format from the fund management company or its representative: Switzerland: Swiss Life Asset Management AG, General-Guisan-Quai 4, P.O. Box 2831, 8002 Zurich France: Swiss Life Asset Managers France, 122 Rue La Boétie, 75008 Paris or online at fr.swisslife-am.com. Sources: Swiss Life Asset Managers, data as of 31 September 2026. "Swiss Life Asset Managers" is the asset management brand of the Swiss Life Group.

* Yield to Worst (YTW) refers to the lowest yield an investor can receive on a bond without the issuer actually defaulting.

Discover all our publications

www.swisslife-am.com

For Further Information, Please Contact Us:

France : service.clients-securities@swisslife-am.com,

Tél. : +33 (0)1 40 15 22 53

Switzerland: info@swisslife-am.com

Swiss Life Asset Managers France

Portfolio Management Company

GP-07000055 of 13/11/2007

Public limited company with an Executive Board and

Supervisory Board, with share capital of €671,167

Registered Office : Tour la Marseillaise, 2 bis, boulevard

Euroméditerranée, Quai d'Arenc 13002 Marseille

Principal office : 122 rue La Boétie, 75008 Paris

