MARCUARD HERITAGE

ALTERNATIVE CREDIT LETTER

NOVEMBER 2025

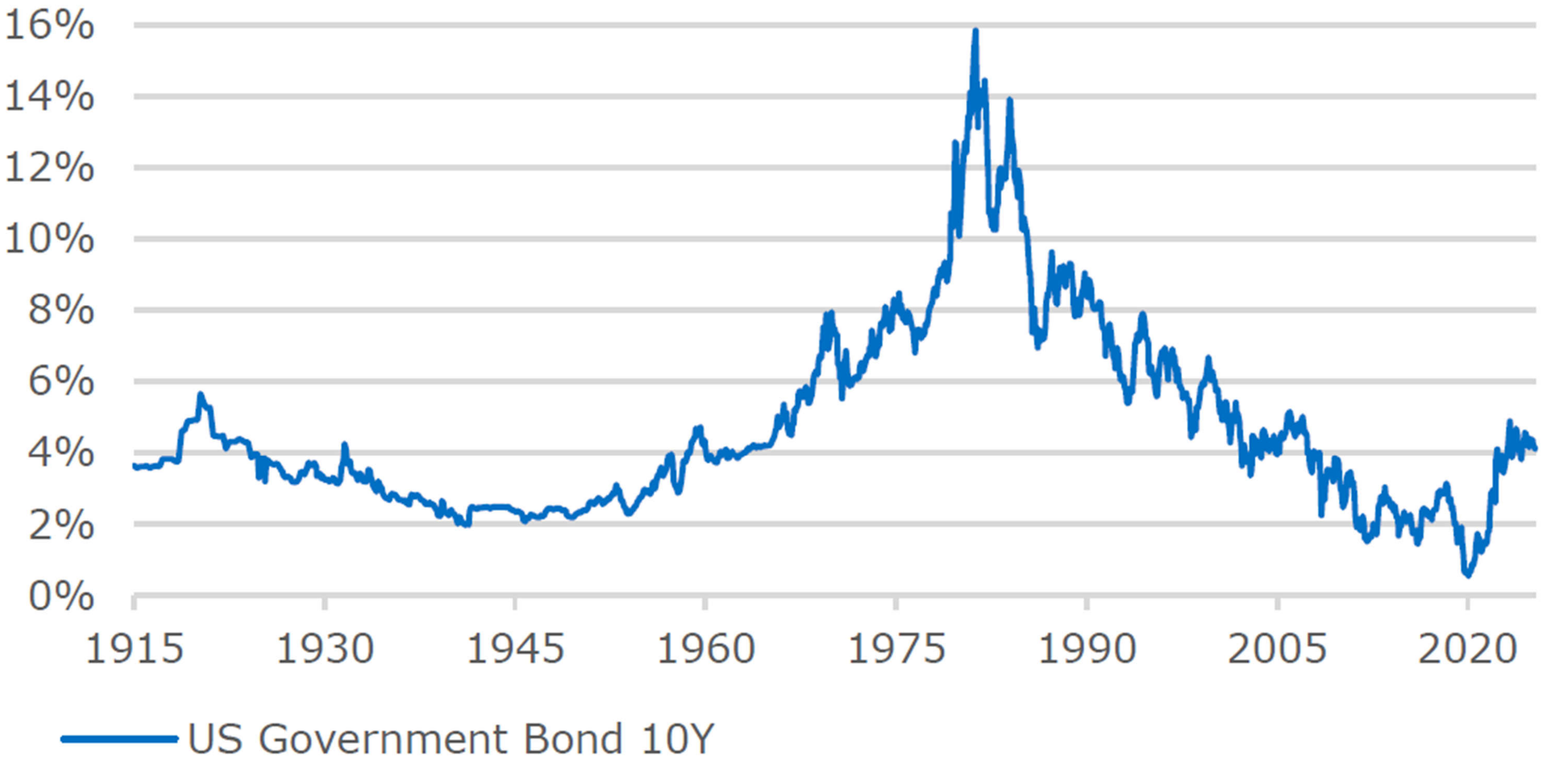
Repo Rates Surge as Liquidity Tightens

MONTHLY SPOTLIGHT

- Quantitative tightening and high sovereign bond issuance have led to a drop in bank reserves.
- The interest rate the Fed pays banks for holding reserves, known as the Interest On Reserve Balances (IORB), is now lower than the Secured Overnight Financing Rate (SOFR).
- As central banks drain liquidity from the banking system and governments ramp up debt issuance, banks rely on the Fed's liquidity facilities, and money markets face pressure.

RATES PERSPECTIVE

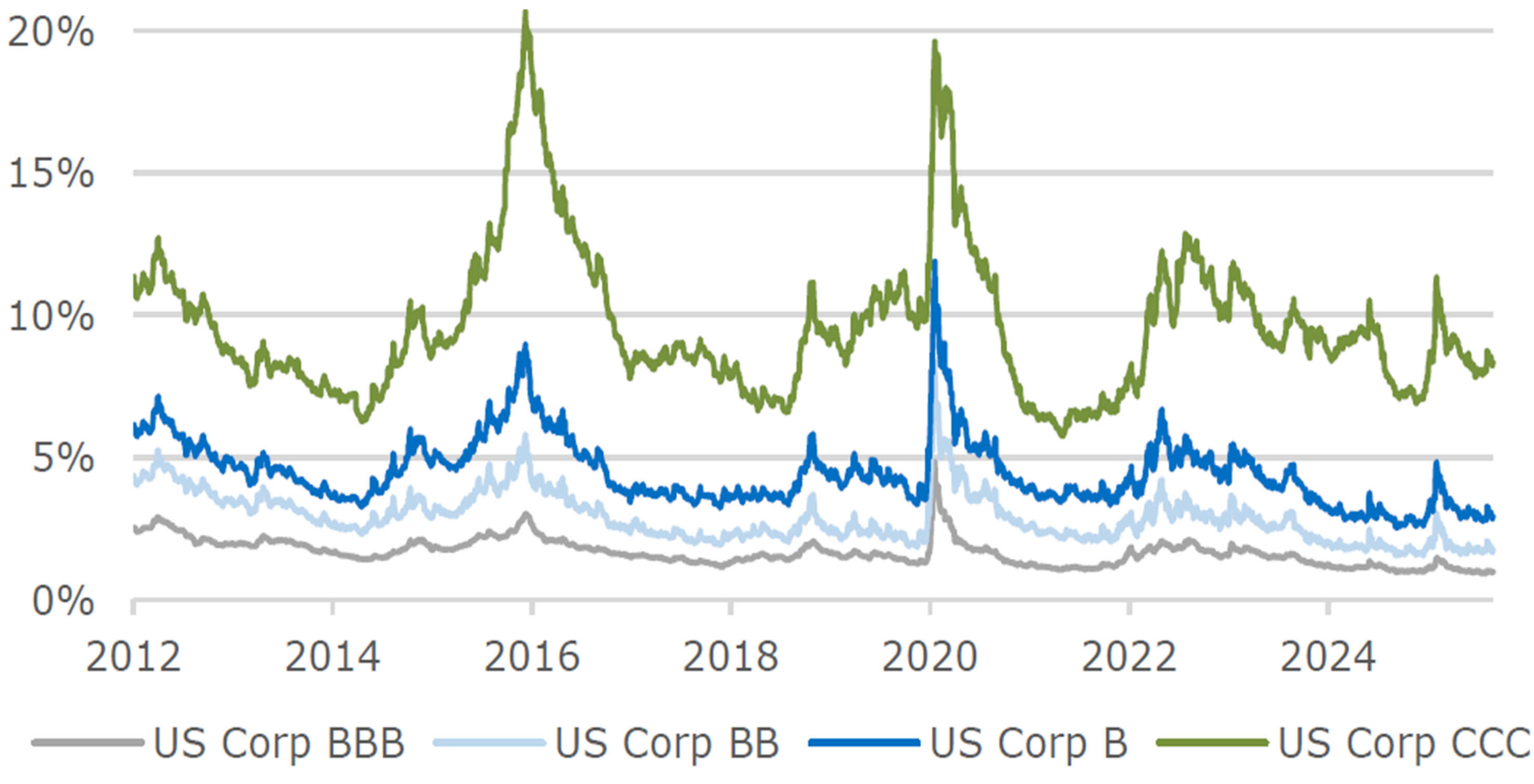
Historical US Treasury Yield: 10-year US government bond yield reached its 100-year low in 2020.



Source: FRED – US Federal Reserve Economic Data

CORPORATE PERSPECTIVE

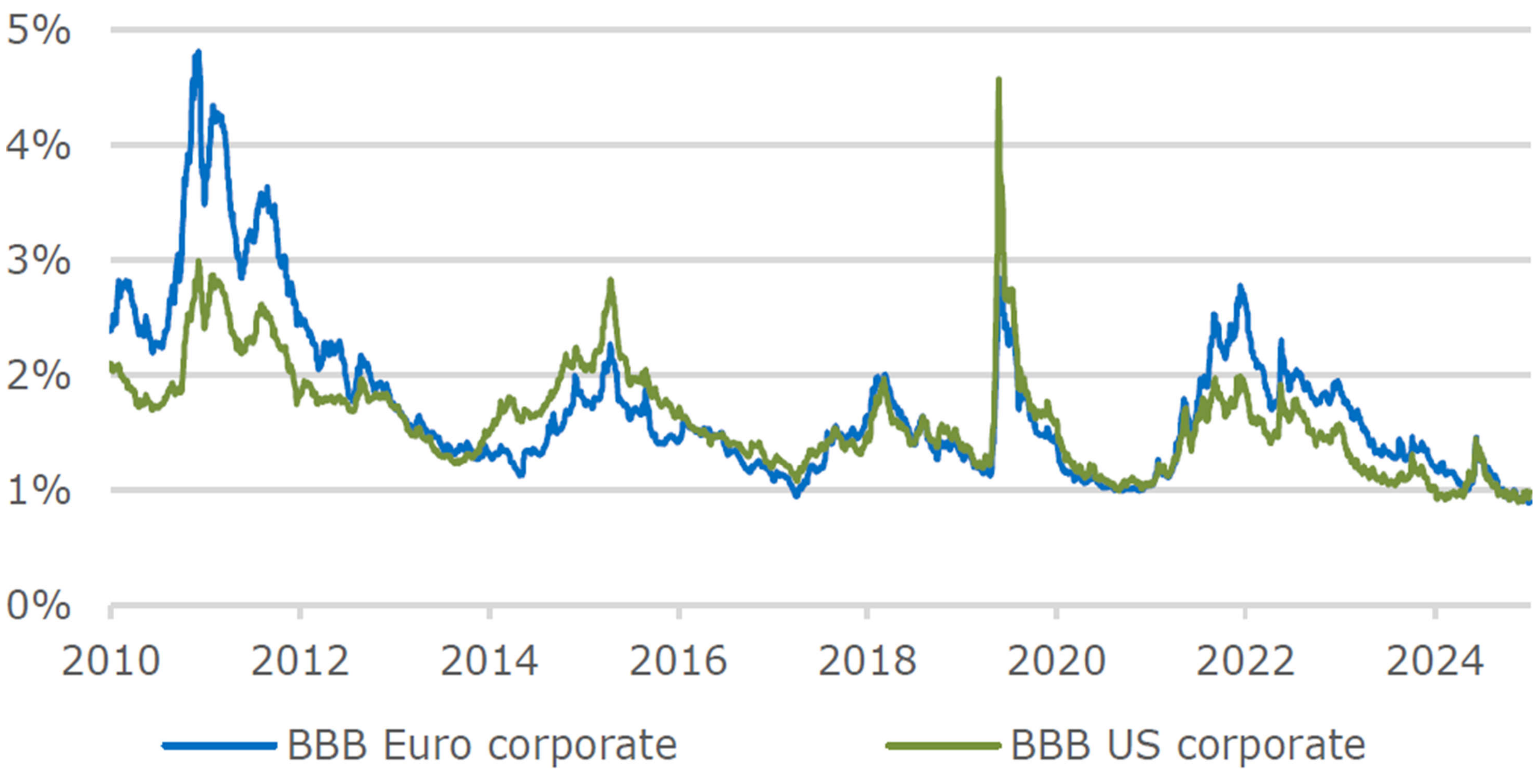
US Corp. Rating: Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.



Source: Ice Data Indices, LLC

CORPORATE PERSPECTIVE

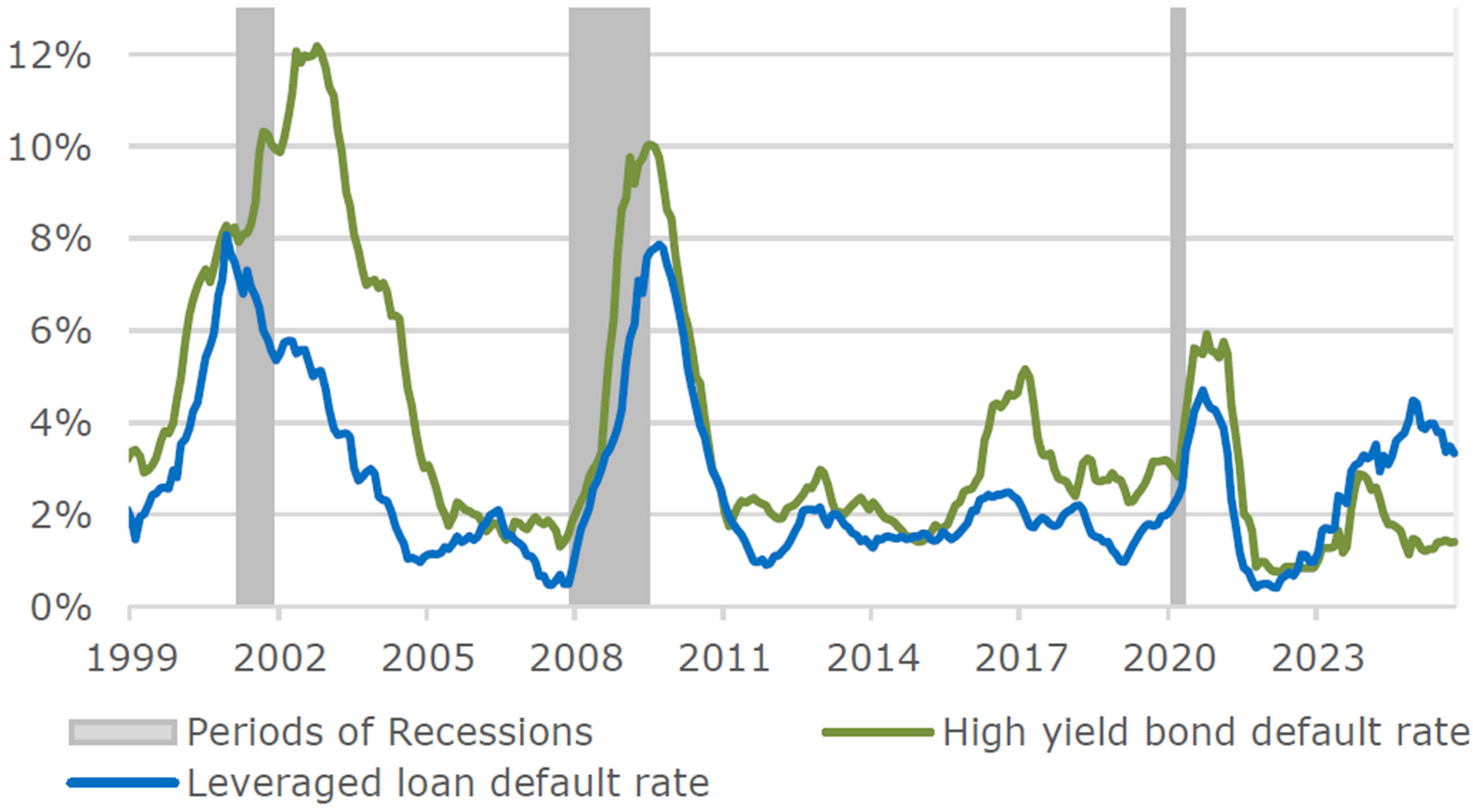
EU vs US: EU credit spreads (OAS) are now at similar levels than in the US.



Source: Ice Data Indices, LLC

CORPORATE PERSPECTIVE

Default Rates: High-yield bond default rates are now lower vs. loans.



Source: J.P.Morgan Default Monitor

OAS

OAS spread change overview across major credit asset classes – as of month end.

US corporates by rating (bps)

	curr	Δ month
AAA	31	+0
AA	43	-2
A	63	-4
BBB	97	-4
BB	177	+0
B	283	-8
CCC	807	+19

Global high yield (bps)

	curr	Δ month
US HY	280	-2
EU HY	272	-11
Asia HY	365	-33
EM HY	394	+18

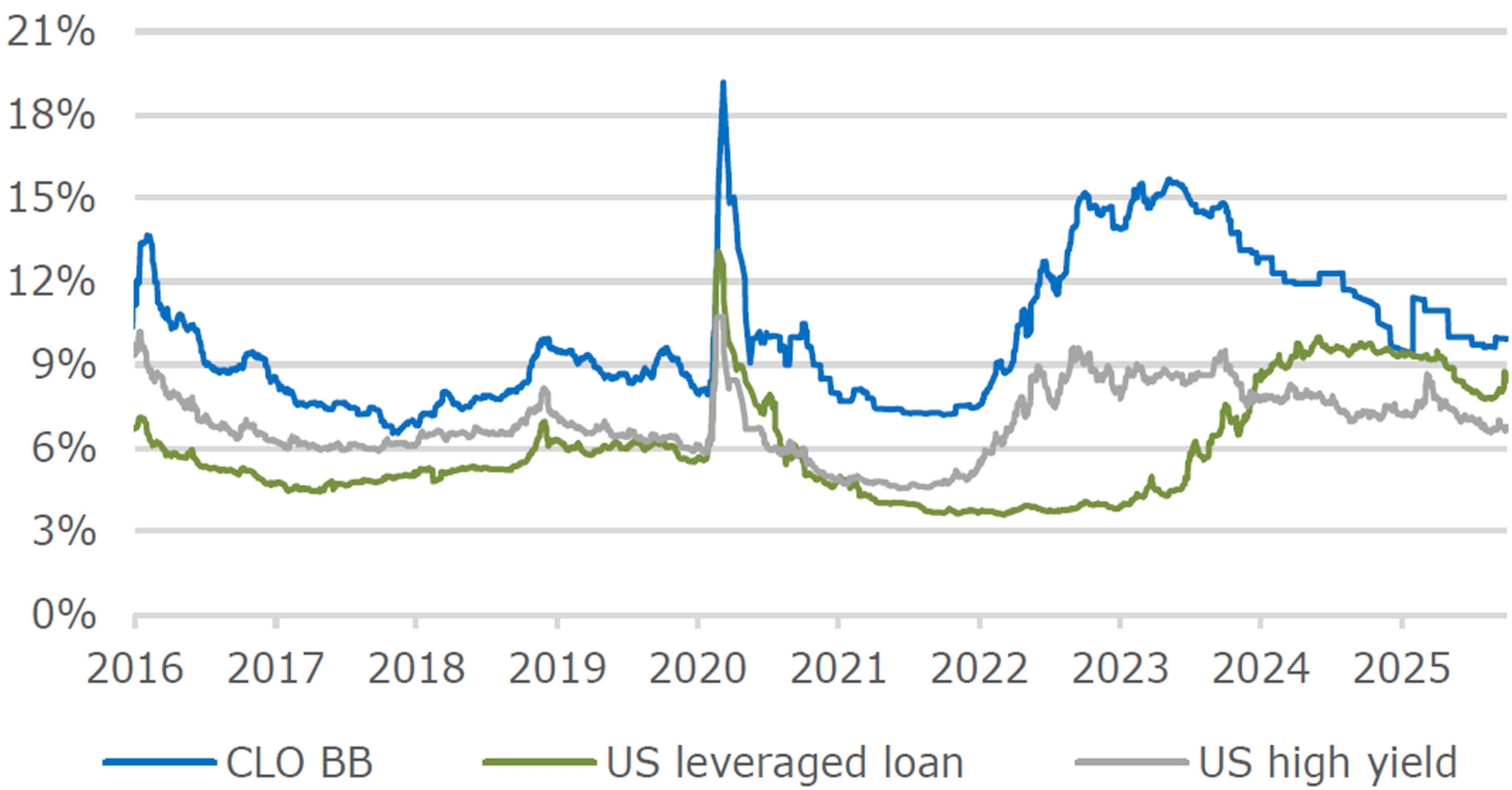
spread tightening (positive price action)

spread widening (negative price action)

Source: Bloomberg

ALTERNATIVE PERSPECTIVE

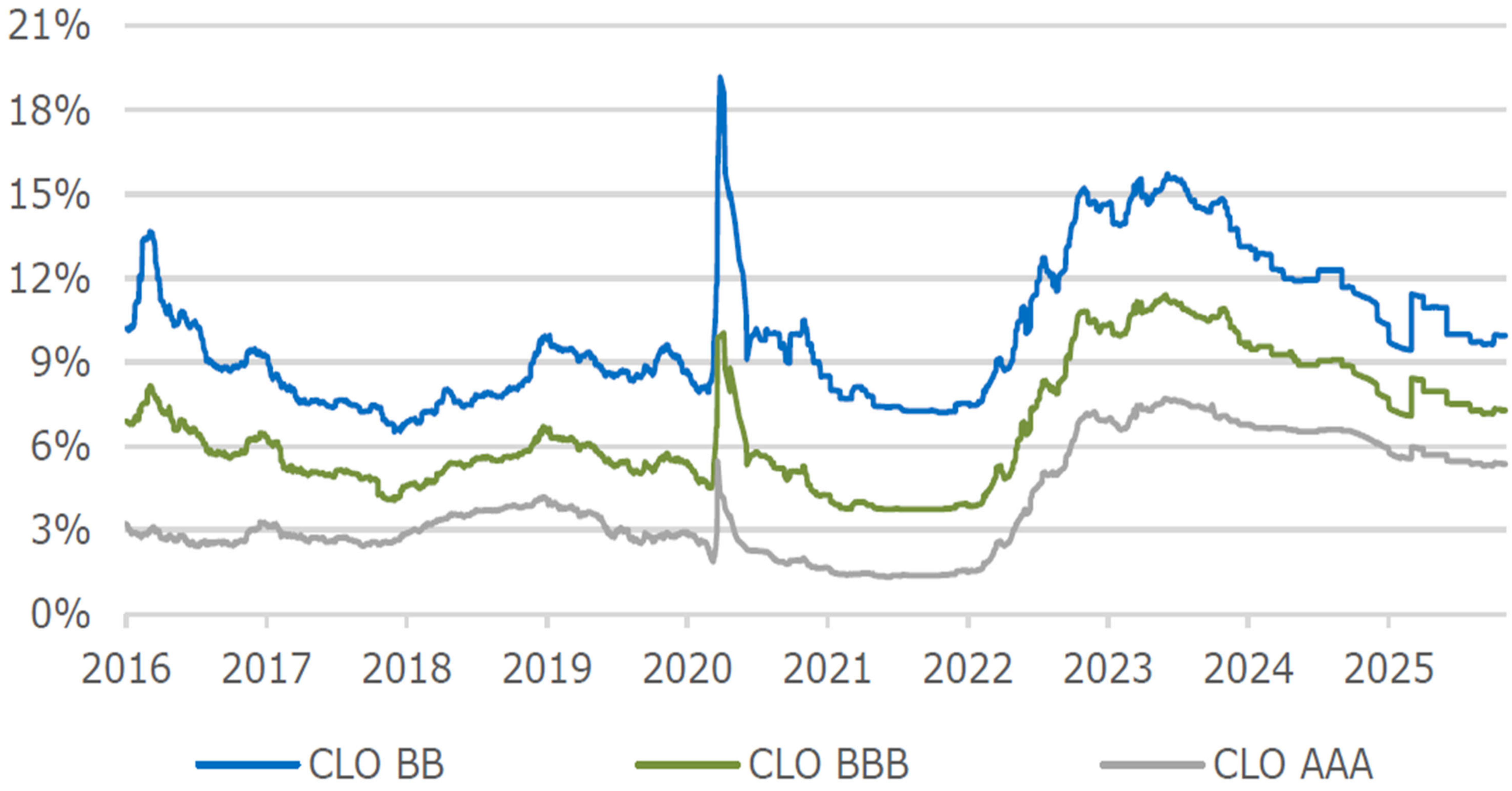
Loans vs. CLO vs. High-Yield: CLO BB yields are wider vs. loans and high-yield bonds.



Source: Bloomberg

ALTERNATIVE PERSPECTIVE

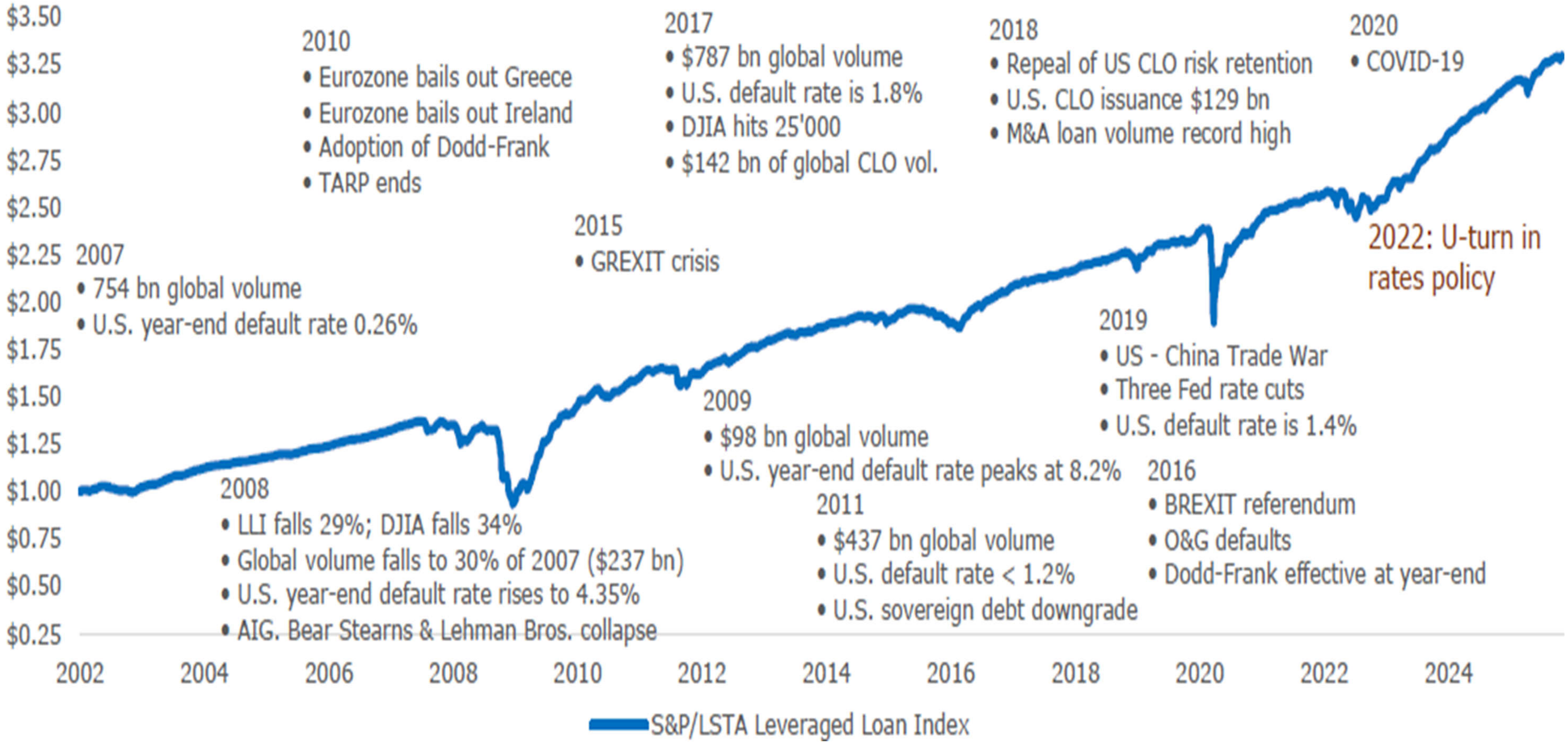
CLO Yields: CLOs offer an attractive yield premium over bonds and loans.



Source: Bloomberg

US LOAN INDEX TOTAL RETURN

Attractive Long-Term Yield Generation



Source: Bloomberg

EDUCATION CORNER

Private Credit

Private credit managers often face unpredictable capital flows when borrowers refinance loans early.

To prevent a performance drag from holding idle cash, managers might accelerate repayments.

Efficient capital deployment is vital for maximizing returns.

DISCLAIMER

Marcuard Heritage AG, one of its subsidiaries or affiliates (hereinafter altogether Marcuard Heritage) has prepared this document (advertising material). This document is for information purpose only. It is not intended to be investment advice or research, a sales prospectus, an offer, or a solicitation to an offer for any investment activity. This document is of general information and does not consider specific investment objectives of any recipient. It should therefore not be regarded by recipients as a substitute for the exercise of their judgment. The explanations contained in this document are based on general economic principals and assumptions. Different assumptions or views could lead to materially different results. Any investment entails a certain degree of investment risks. The attention is hereby drawn to such risks (which can be substantial). Changes in foreign exchange rates may have a negative impact on the price, value or income of an investment. The market in specific securities may be illiquid and therefore valuing the investment and identifying the risks may be difficult. Some investments may be subject to sudden, and large drawdown in value and may return less than the invested amount. Past performance is no guarantee of future results.

This material is not intended for distribution into the US or to US persons or in jurisdictions where its distribution by Marcuard Heritage would be restricted. Marcuard Heritage prohibits the re-distribution of this document in whole or in part without the prior written agreement of Marcuard Heritage.

All information provided in this document is subject to copyright with all rights reserved.

CONTACT INFORMATION

www.marcuardheritage.com

investmentsolutions@marcuardheritage.com