



ALTERNATIVE CREDIT LETTER

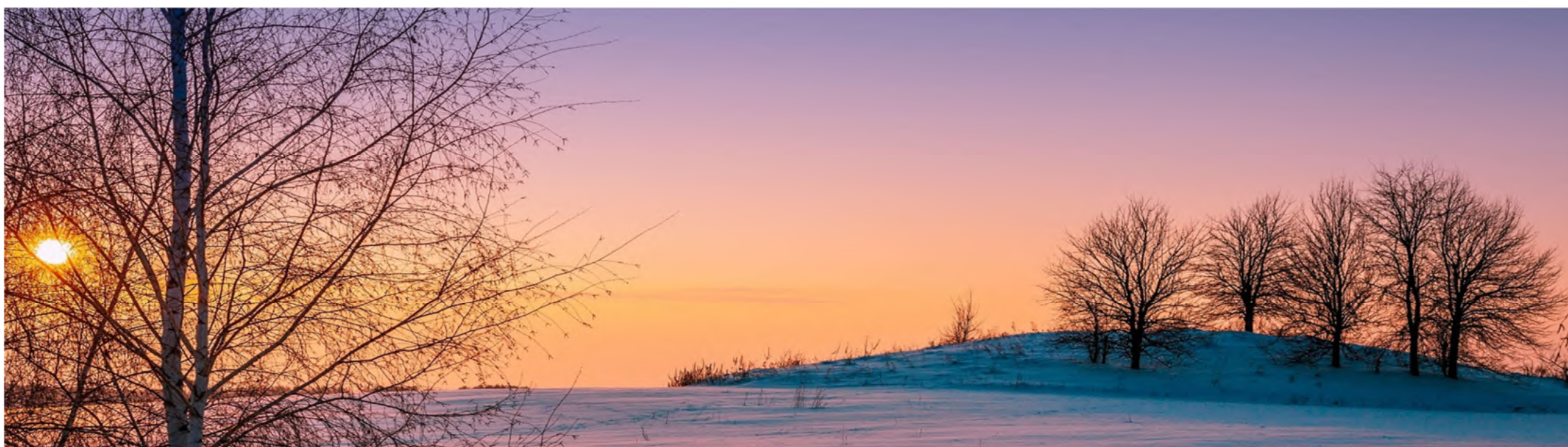
JANUARY 2026

Resilient EU high-yield issuance despite sponsor stagnation

MONTHLY SPOTLIGHT



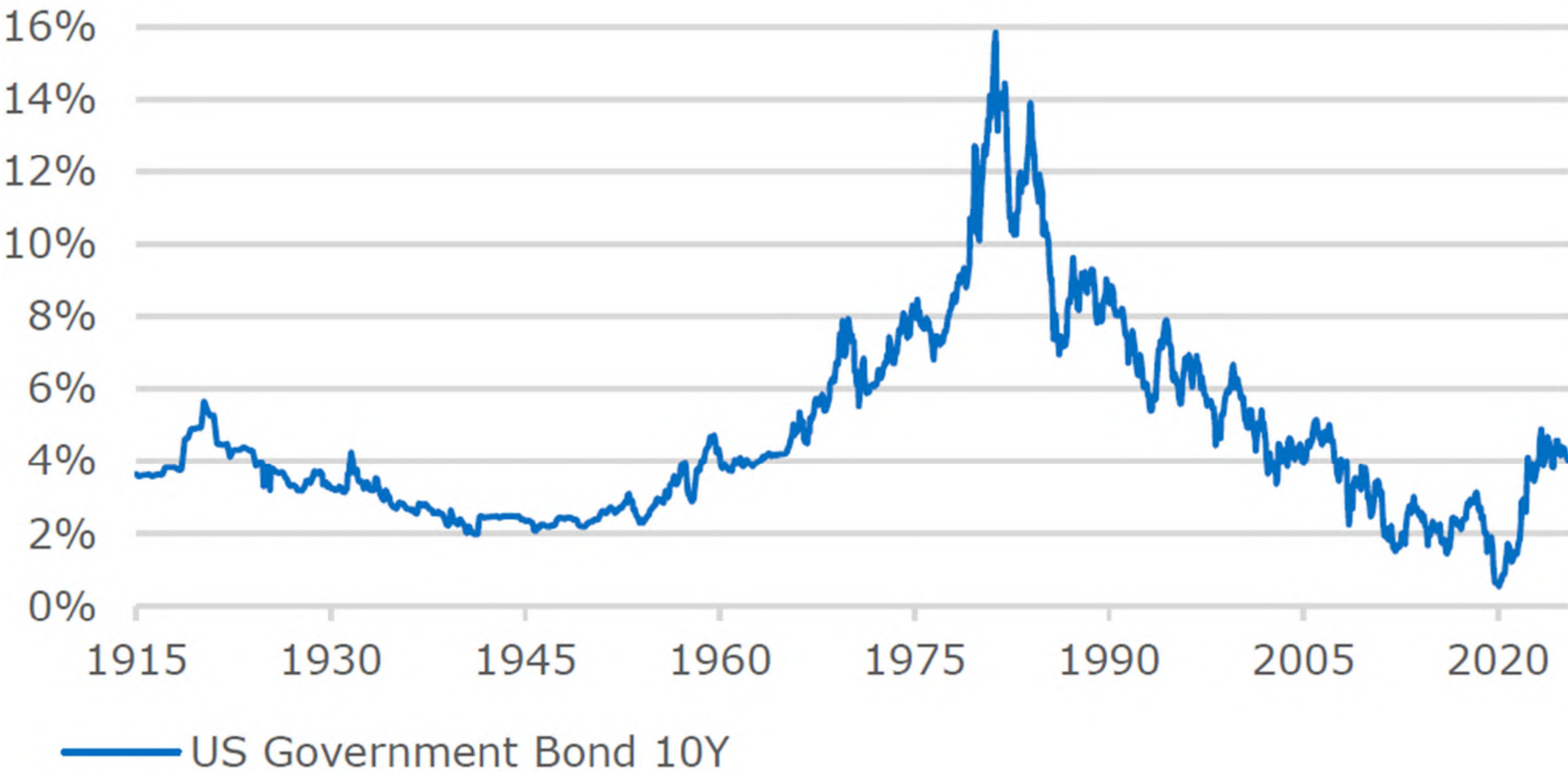
- 🚀 European high-yield issuance rose 8.8% in 2025 to EUR 132 billion, second only to 2021 in this decade, when interest rates were near zero.
- + M&A activity showed significant growth.
- Private equity exits have stalled since 2021, as valuation gaps between buyers and sellers deter PE funds from realizing lower returns.



RATES PERSPECTIVE



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

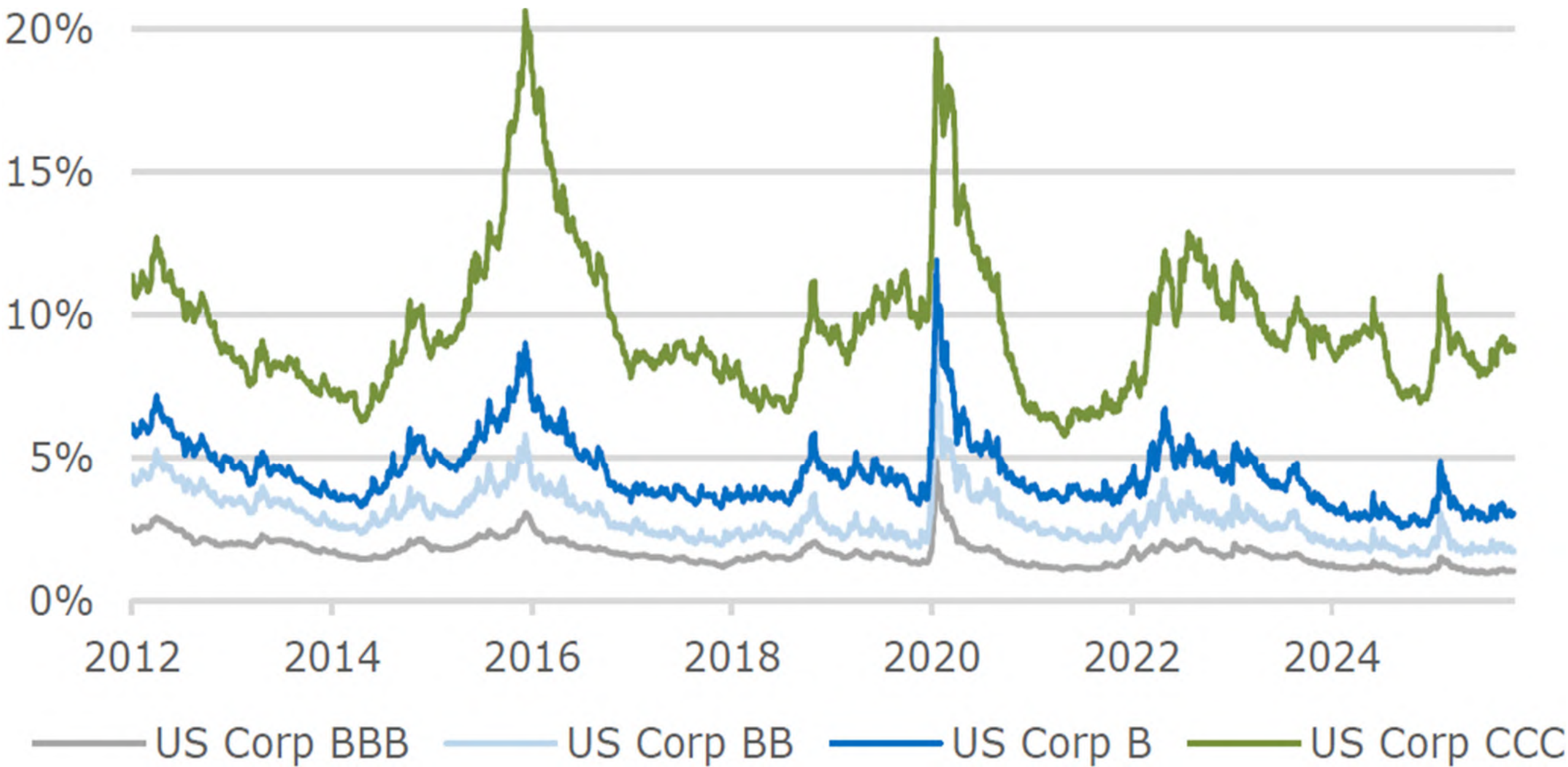


Source: FRED – US Federal Reserve Economic Data

CORPORATE PERSPECTIVE



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

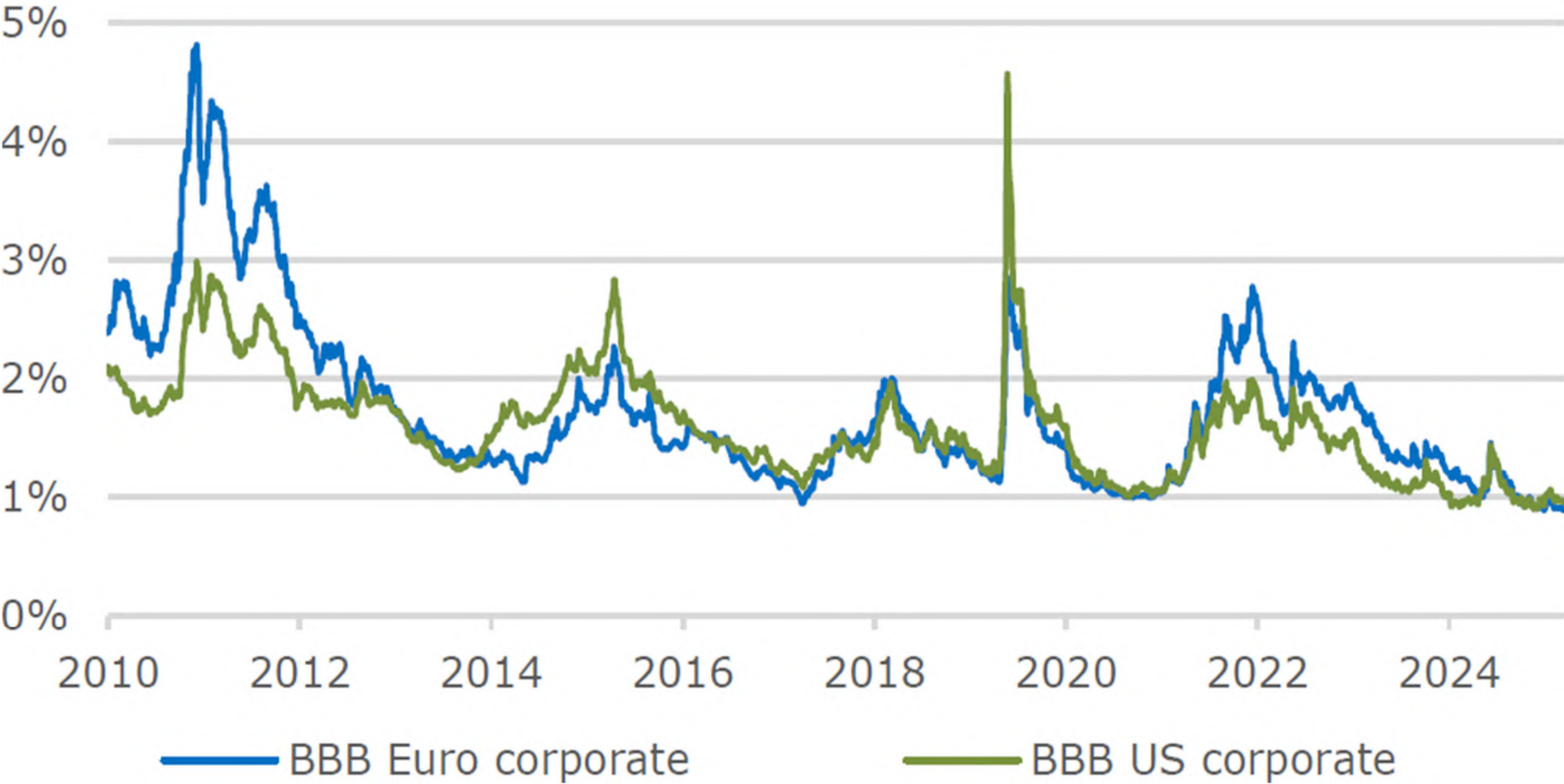


Source: Ice Data Indices, LLC

CORPORATE PERSPECTIVE



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

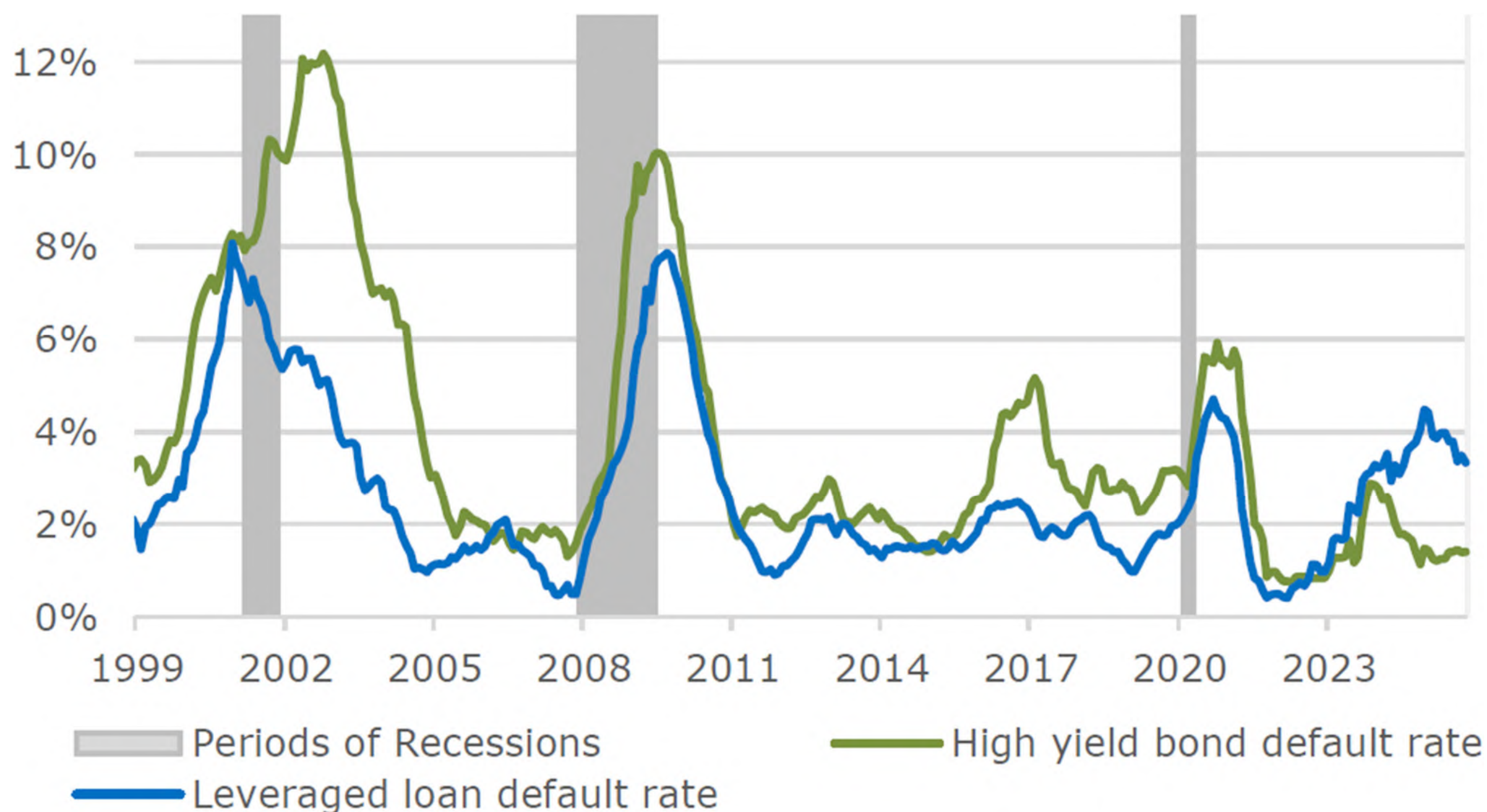


Source: Ice Data Indices, LLC

CORPORATE PERSPECTIVE



Default Rates: High-yield bond default rates are now lower than leveraged loan default rates.



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	34	+1
AA	49	+2
A	65	-1
BBB	101	-3
BB	169	-4
B	301	-5
CCC	885	-32

Global high yield (bps)

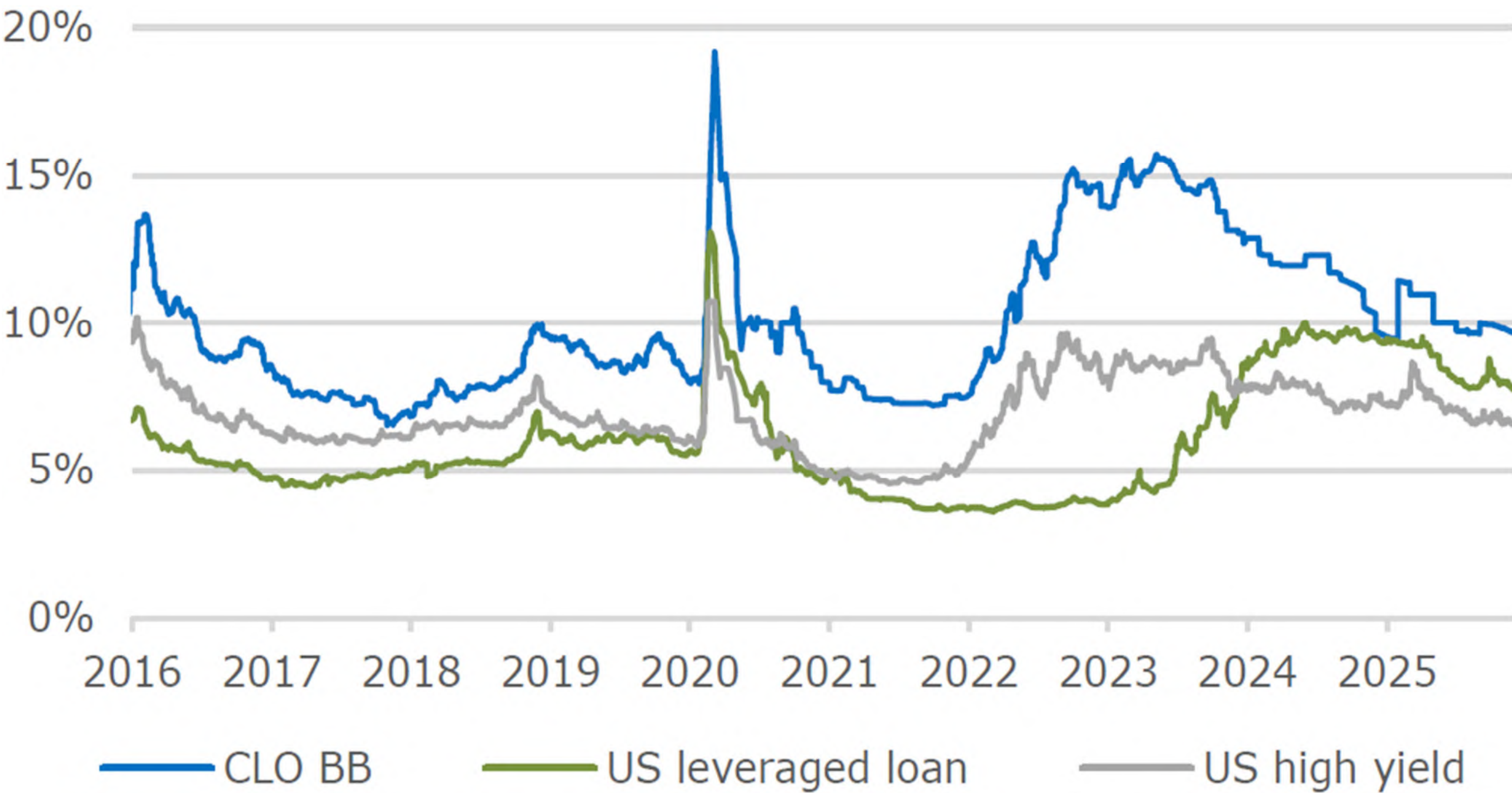
	curr	Δ month
US HY	281	-14
EU HY	270	-13
Asia HY	418	-25
EM HY	339	-16

- spread tightening
(positive price action)
- spread widening
(negative price action)

ALTERNATIVE PERSPECTIVE



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



Source: Bloomberg

ALTERNATIVE PERSPECTIVE



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

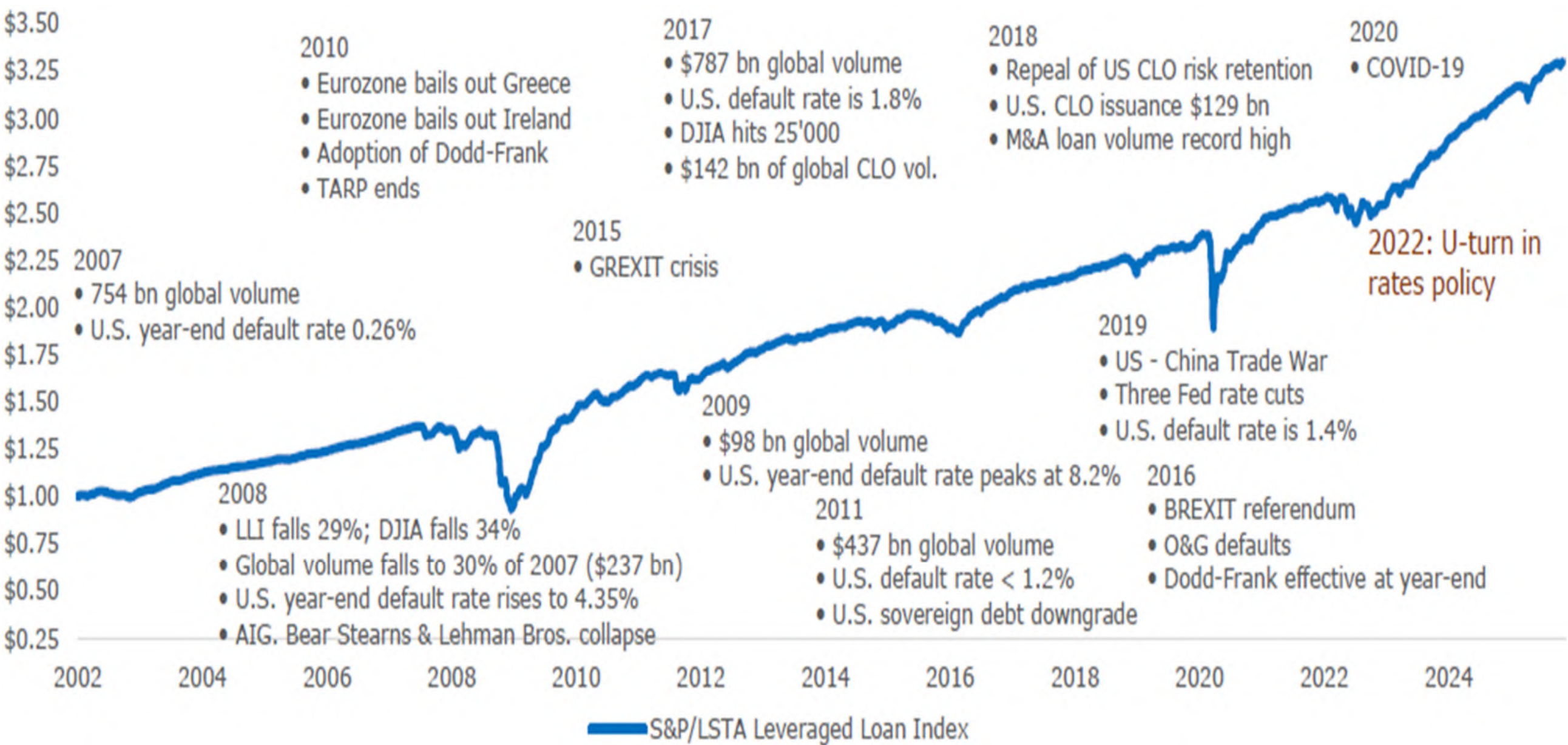


Source: Bloomberg

US LOAN INDEX TOTAL RETURN



Attractive Long-Term Yield Generation



Source: Bloomberg

EDUCATION CORNER



Private Credit – Direct Lending

- Originally, direct lending was a niche strategy.
- Due to stricter post-financial-crisis regulations, banks reduced middle-market lending.
- Direct lenders stepped in and it became a mainstream alternative asset class.



EDUCATION CORNER (continued)



Private Credit – Direct Lending

- Sophisticated direct lenders provide customized, flexible financing with fast execution.
- Free from regulatory constraints, they use rigorous underwriting and deep sector expertise, with a buy-and-hold mindset, offering investors a compelling long-term investment option.



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