



ALTERNATIVE CREDIT LETTER

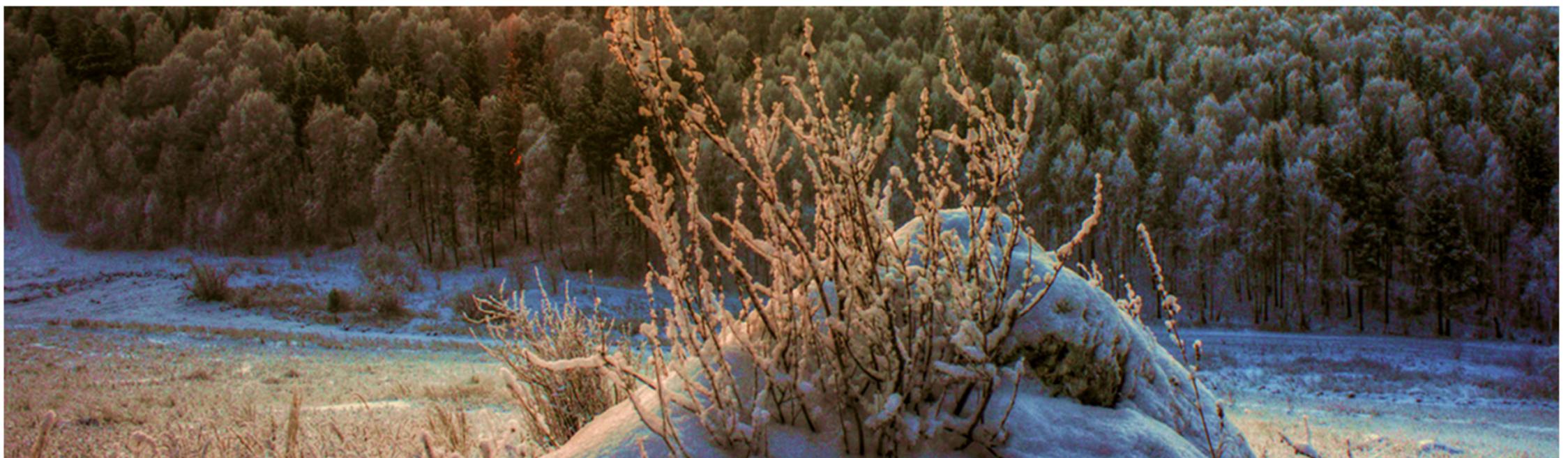
MARCH 2026

Geopolitical Tail Risks and Bank Capital Opportunities

MONTHLY SPOTLIGHT



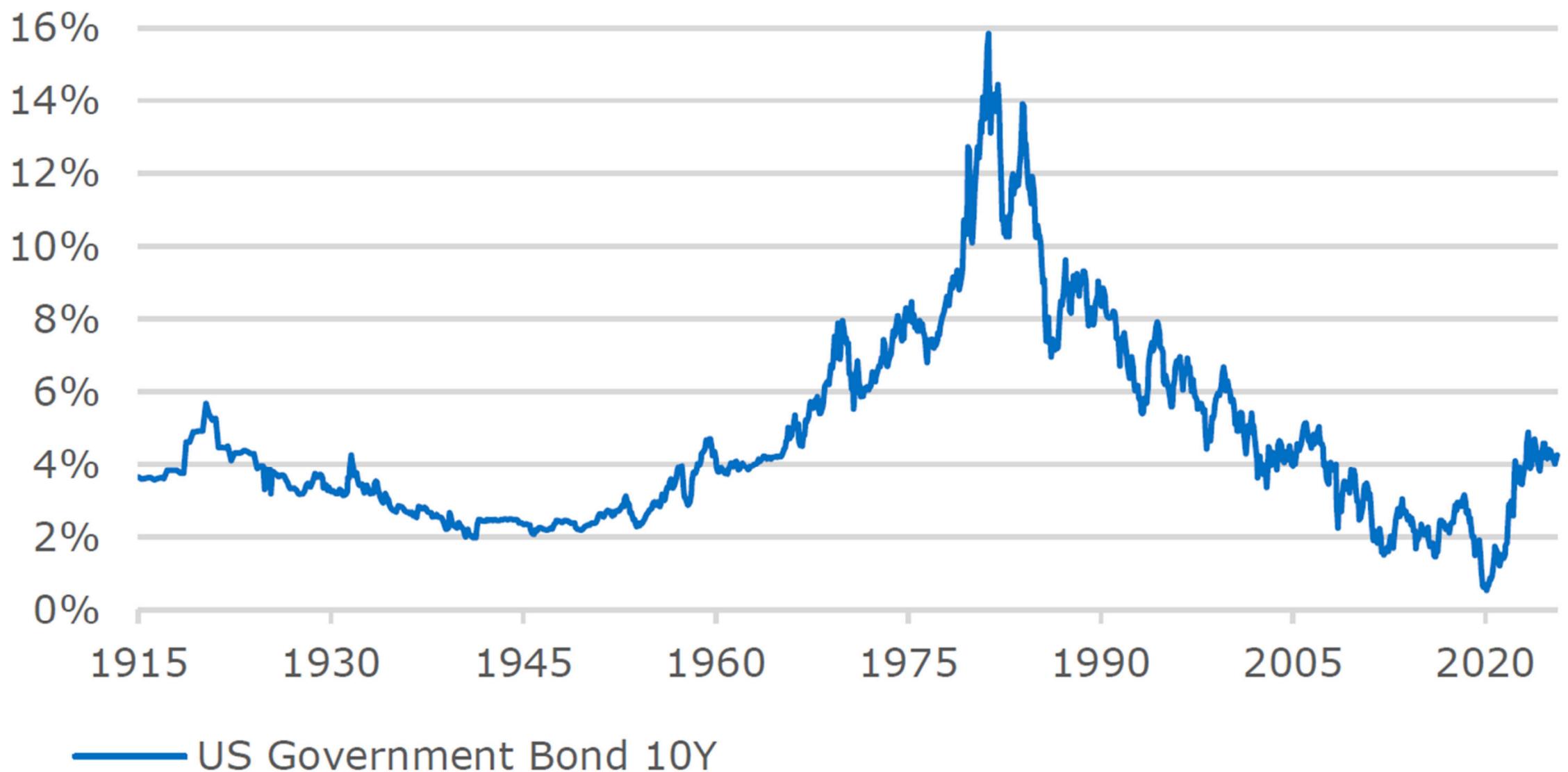
- The Iran conflict's uneven impact on economic sectors & hasn't changed fundamental drivers
- Bank AT1s stand to benefit from structural support, increased M&A activity, ample supply, and strong regulatory frameworks
- Valuations currently offer attractive relative value



RATES PERSPECTIVE



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

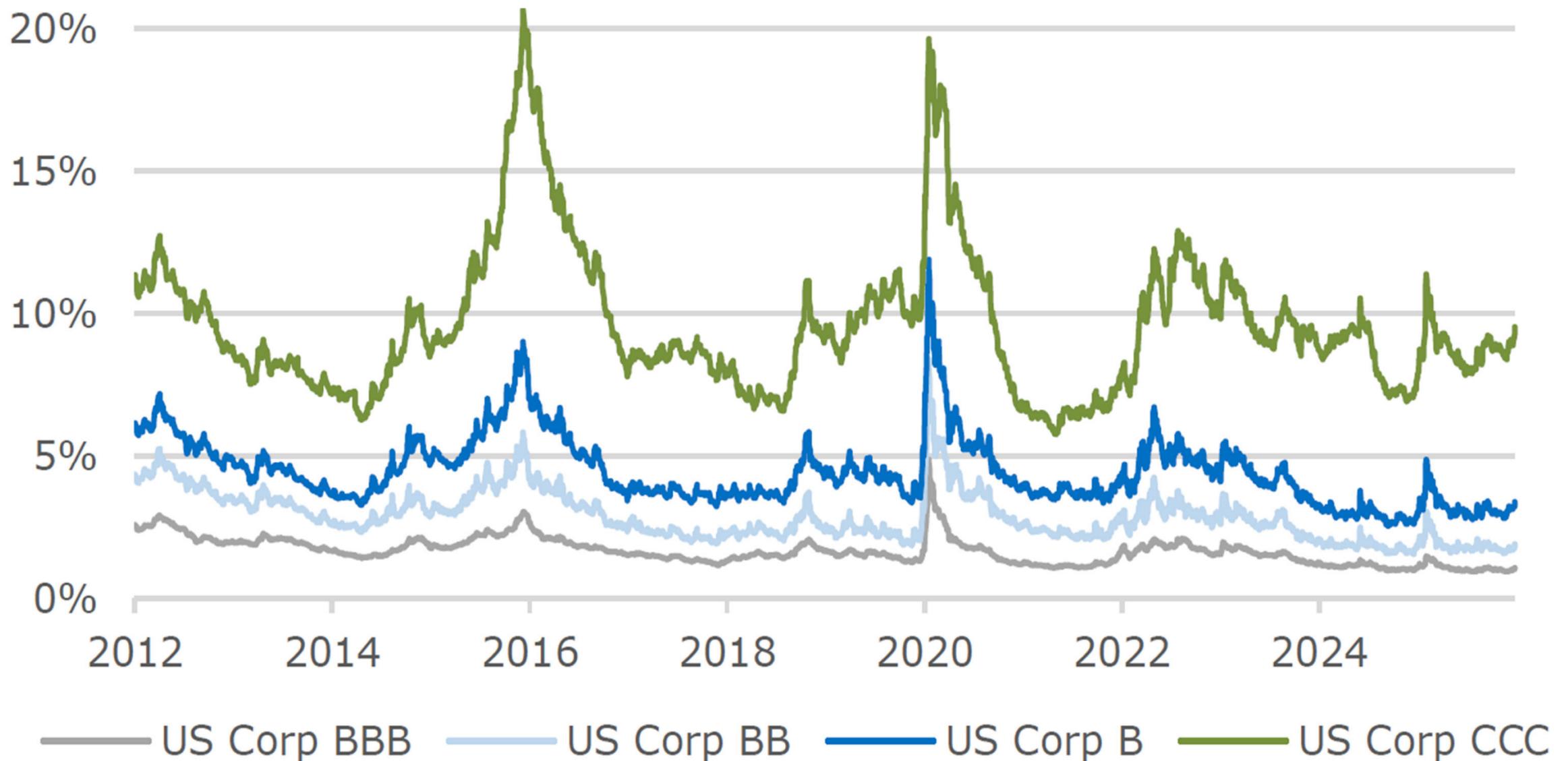


Source: FRED – US Federal Reserve Economic Data

CORPORATE PERSPECTIVE



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

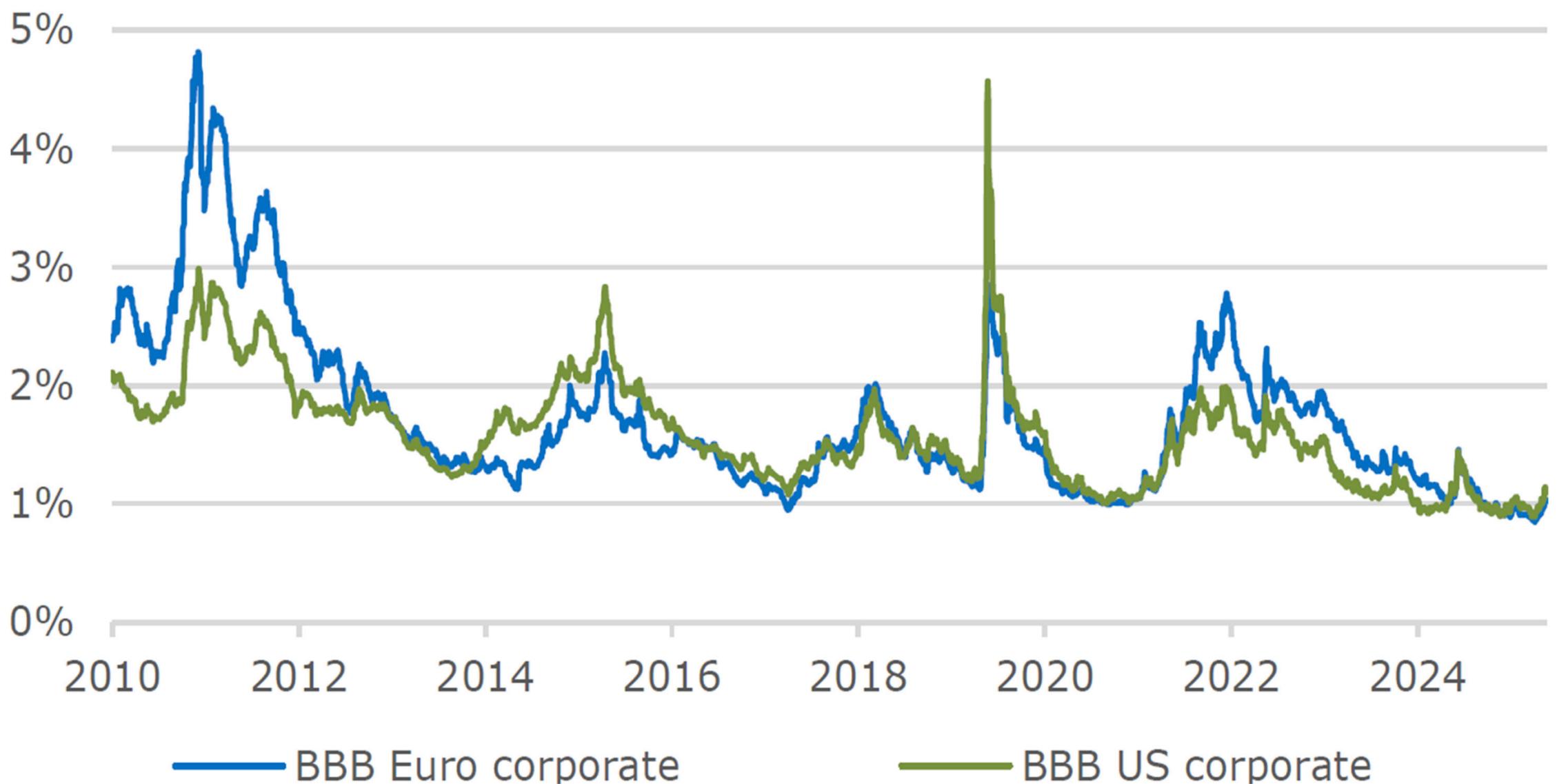


Source: Ice Data Indices, LLC

CORPORATE PERSPECTIVE



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

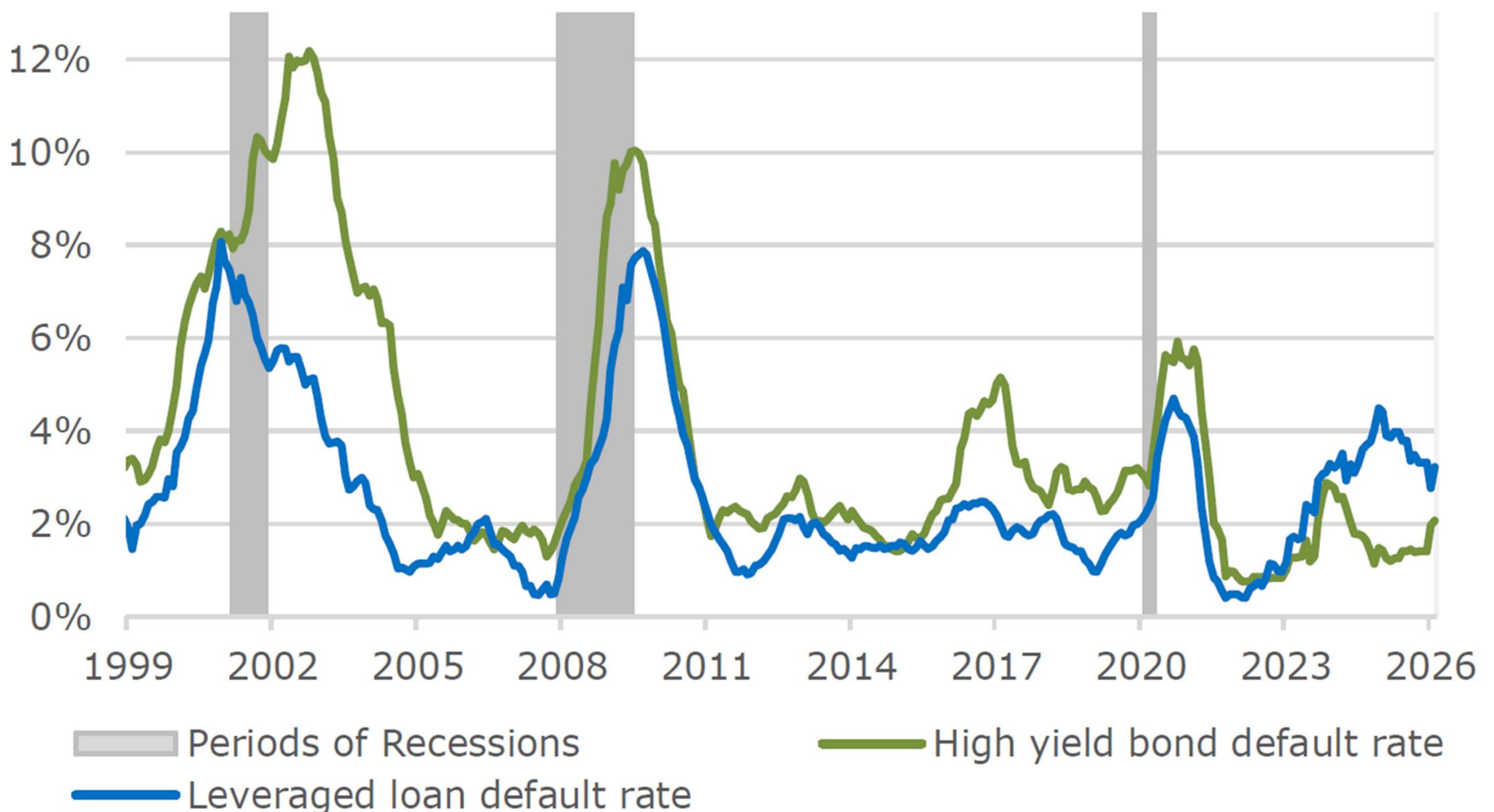


Source: Ice Data Indices, LLC

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	41	+8
AA	54	+9
A	71	+11
BBB	107	+13
BB	189	+18
B	338	+32
CCC	950	+95

Global high yield (bps)

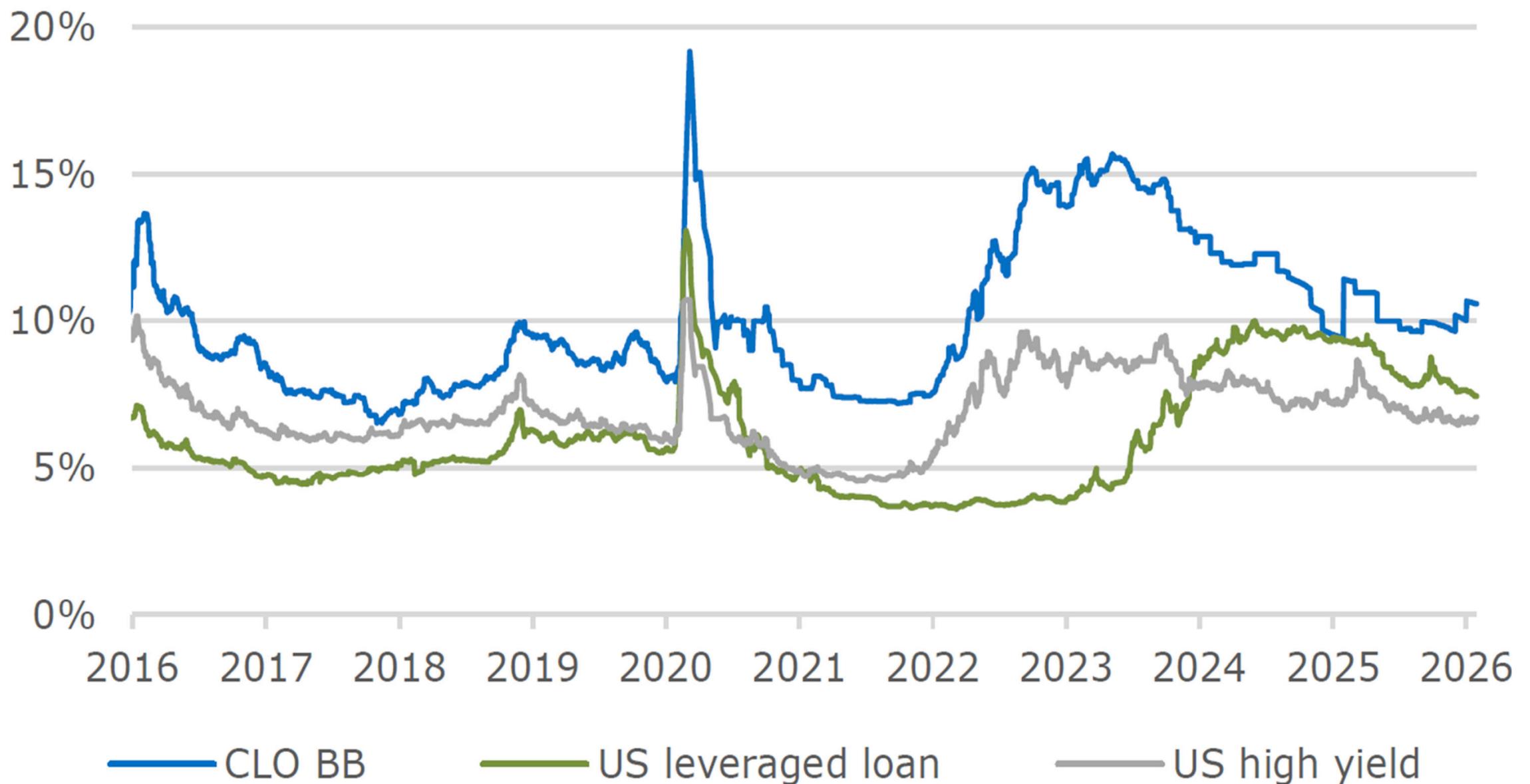
	curr	Δ month
US HY	310	+30
EU HY	269	+6
Asia HY	399	+31
EM HY	345	+26

-  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.

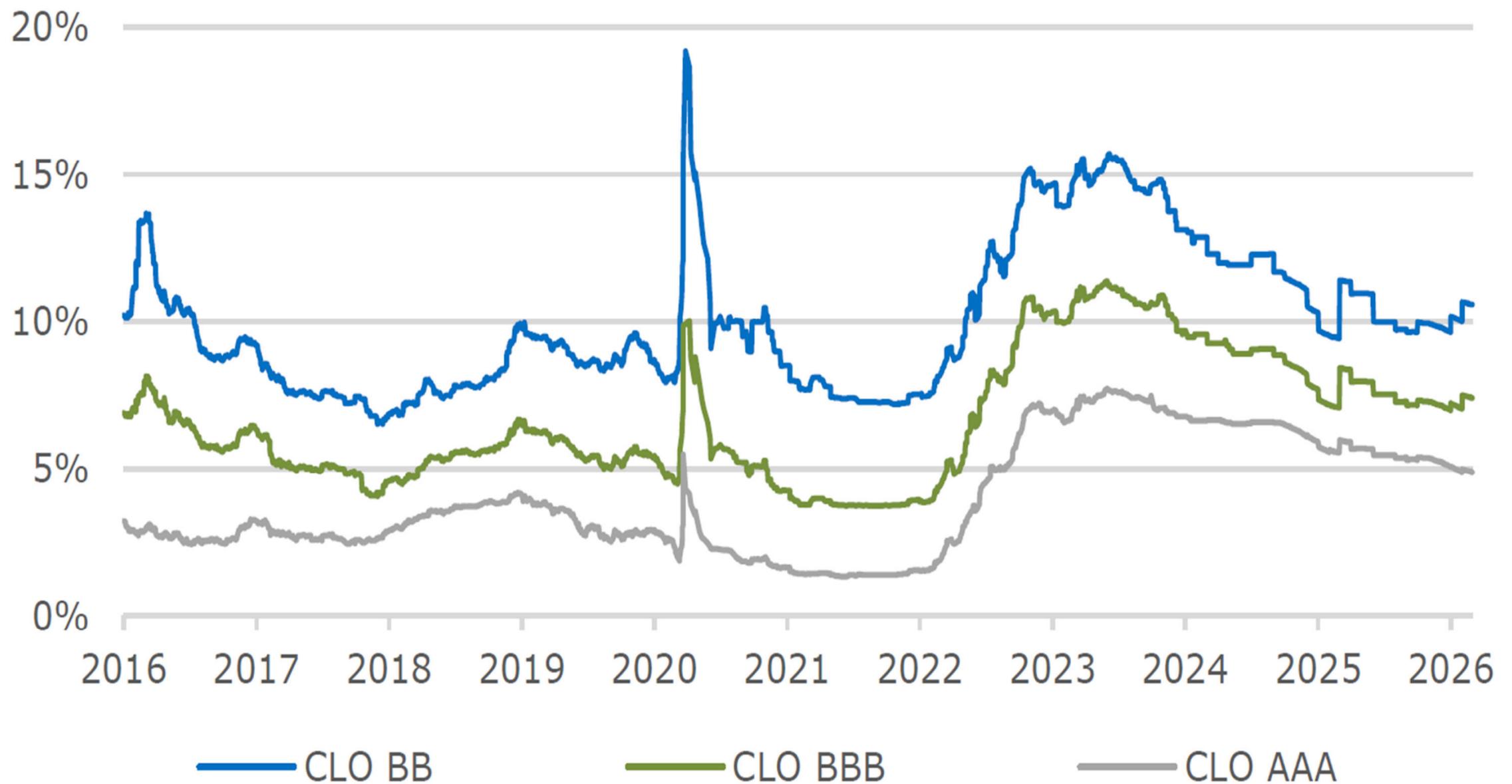


Source: Bloomberg

ALTERNATIVE PERSPECTIVE



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

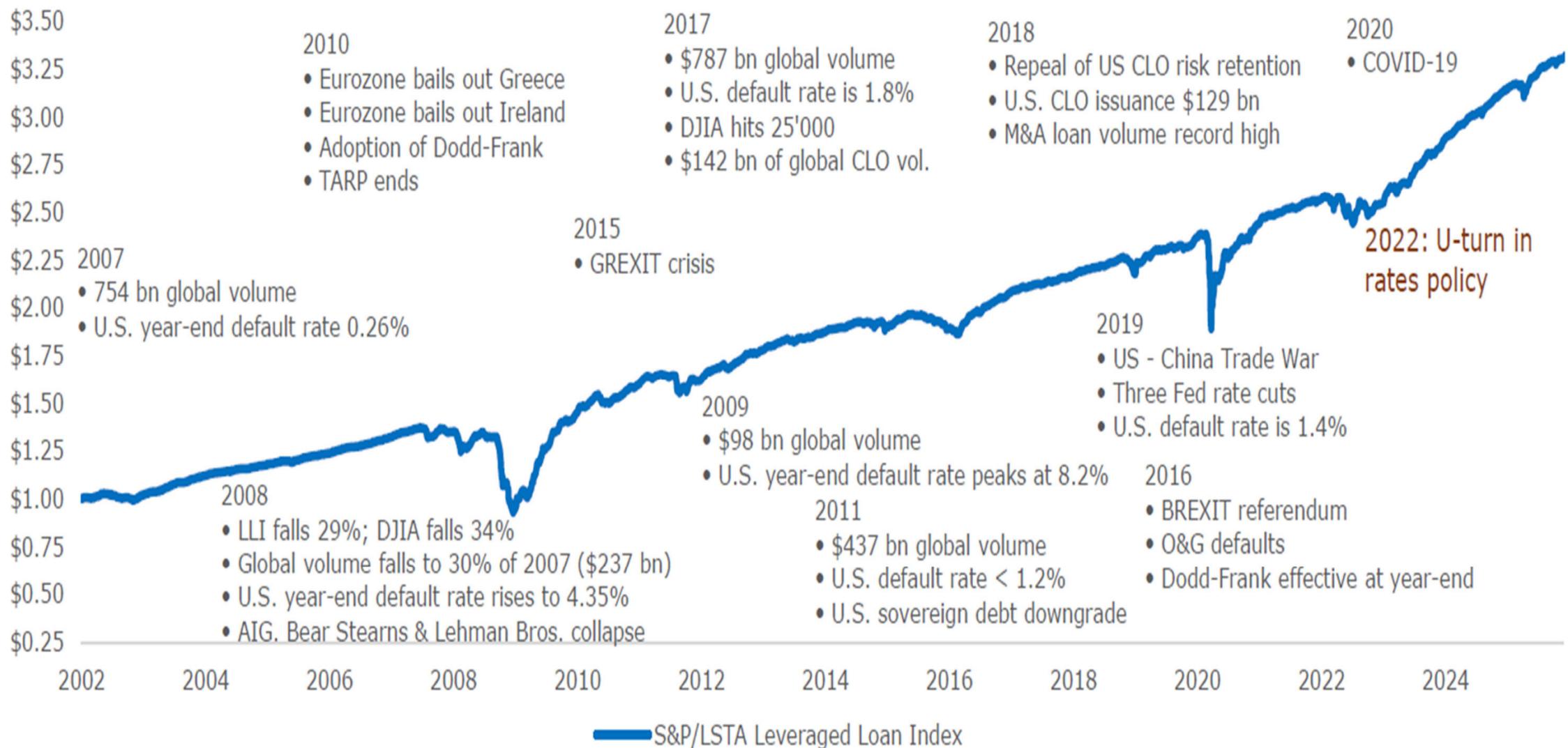


Source: Bloomberg

US LOAN INDEX TOTAL RETURN



Attractive Long-Term Yield Generation



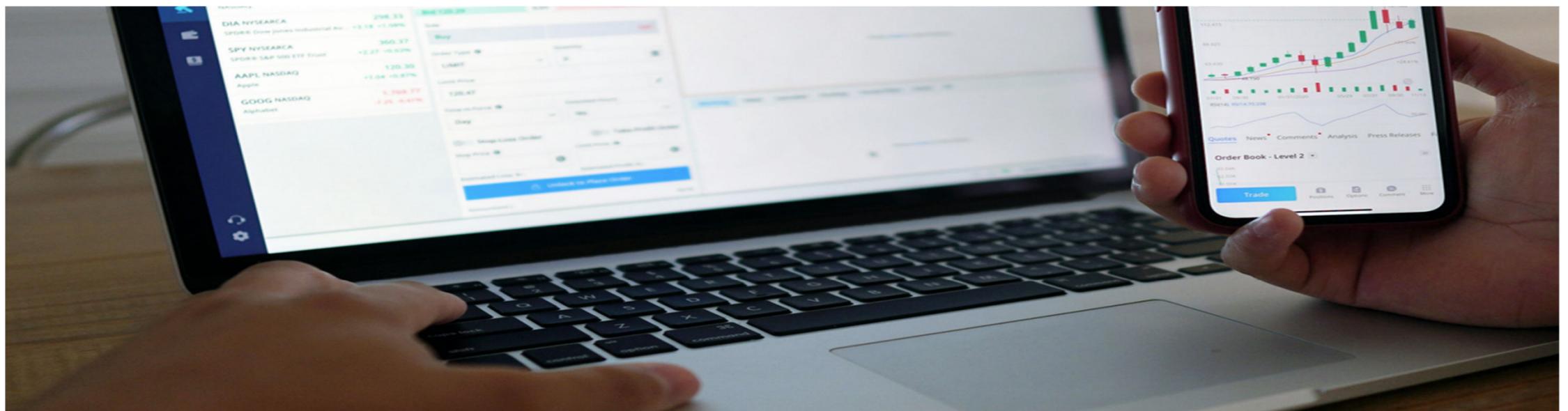
Source: Bloomberg

EDUCATION CORNER



Private Credit – AI risk in Direct Lending

- Direct lending has experienced volatility and higher investor withdrawals recently
- But there is limited evidence of sector-wide credit stress

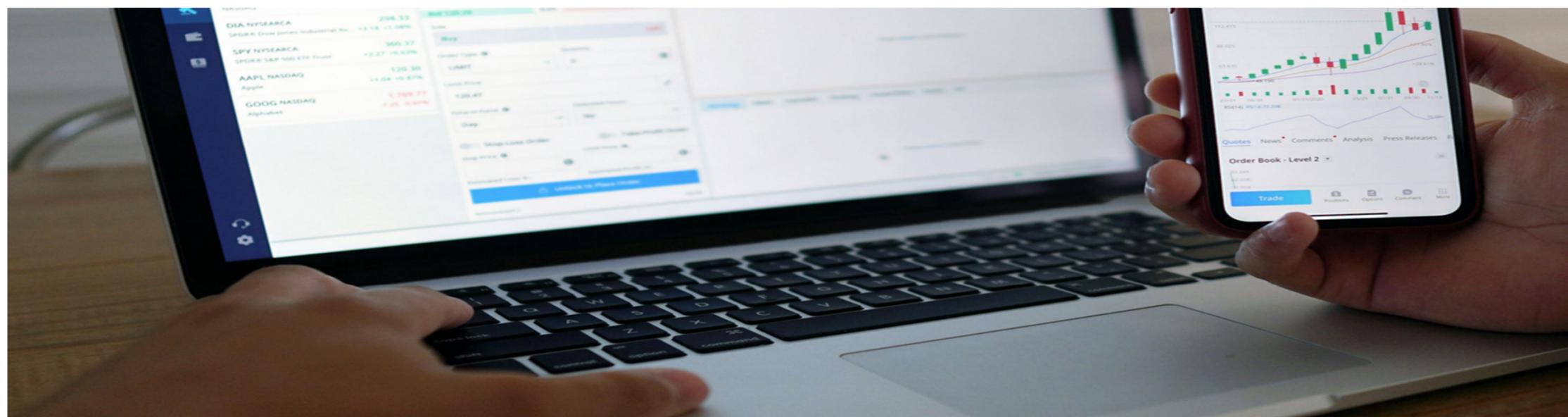


EDUCATION CORNER (continued)



Private Credit – AI risk in Direct Lending

- AI may increase dispersion in private credit by reducing entry barriers over time
- Senior lending strategies seem well-positioned
- Returns are anchored in contractual cash flows
- Capital structure seniority offers protection



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