MARCUARD HERITAGE

ALTERNATIVE CREDIT LETTER

JULY 2026

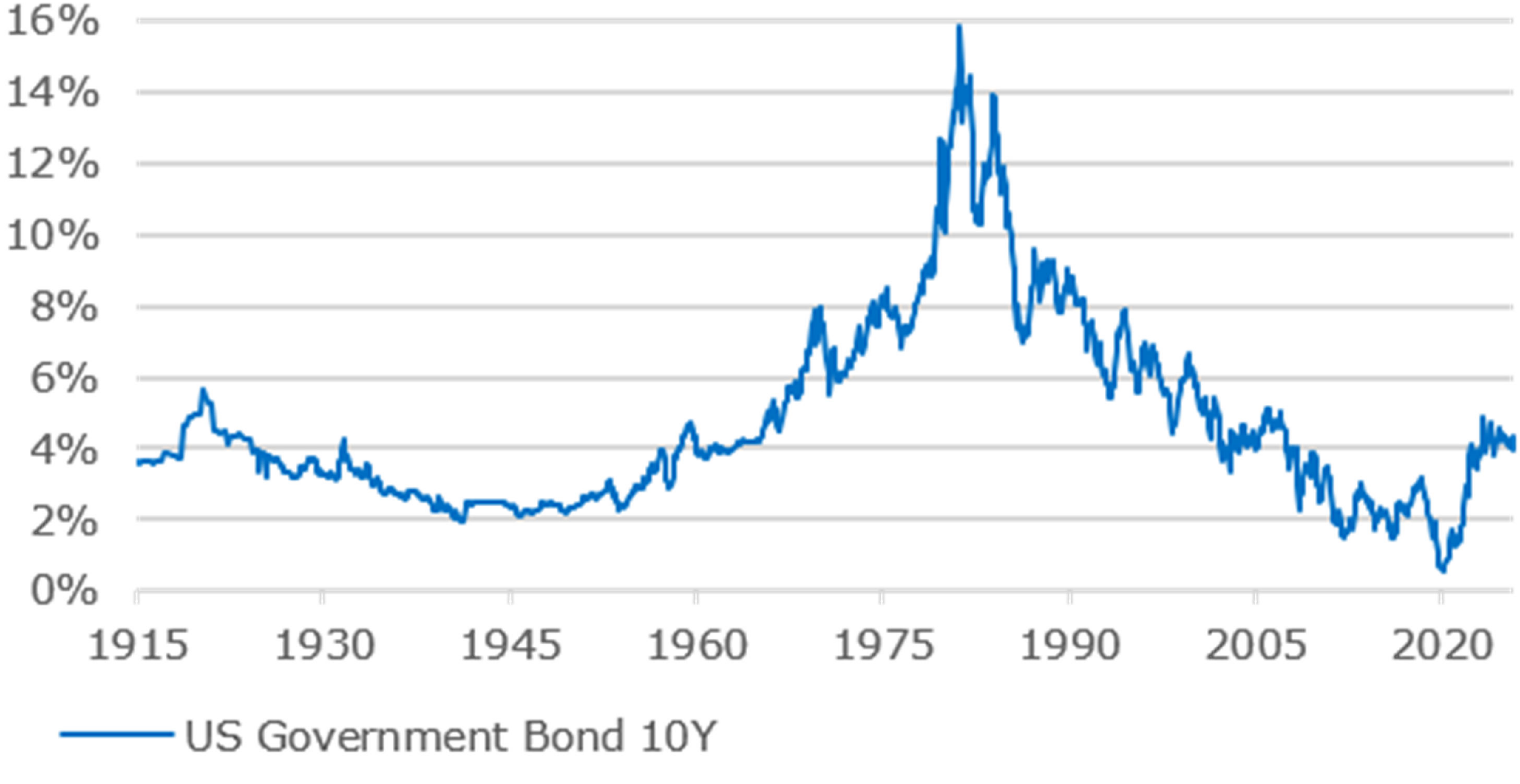
Rising Stars Maintain Q2 Lead in European Credit

MONTHLY SPOTLIGHT

- European credit rating upgrades to investment grade outnumbered downgrades to high yield in the first half of 2026
    - 11 upgrades to investment grade (“rising stars”)
    - 3 downgrades to high yield (“fallen angels”)
- Positive trend since 2022 continues

RATES PERSPECTIVE

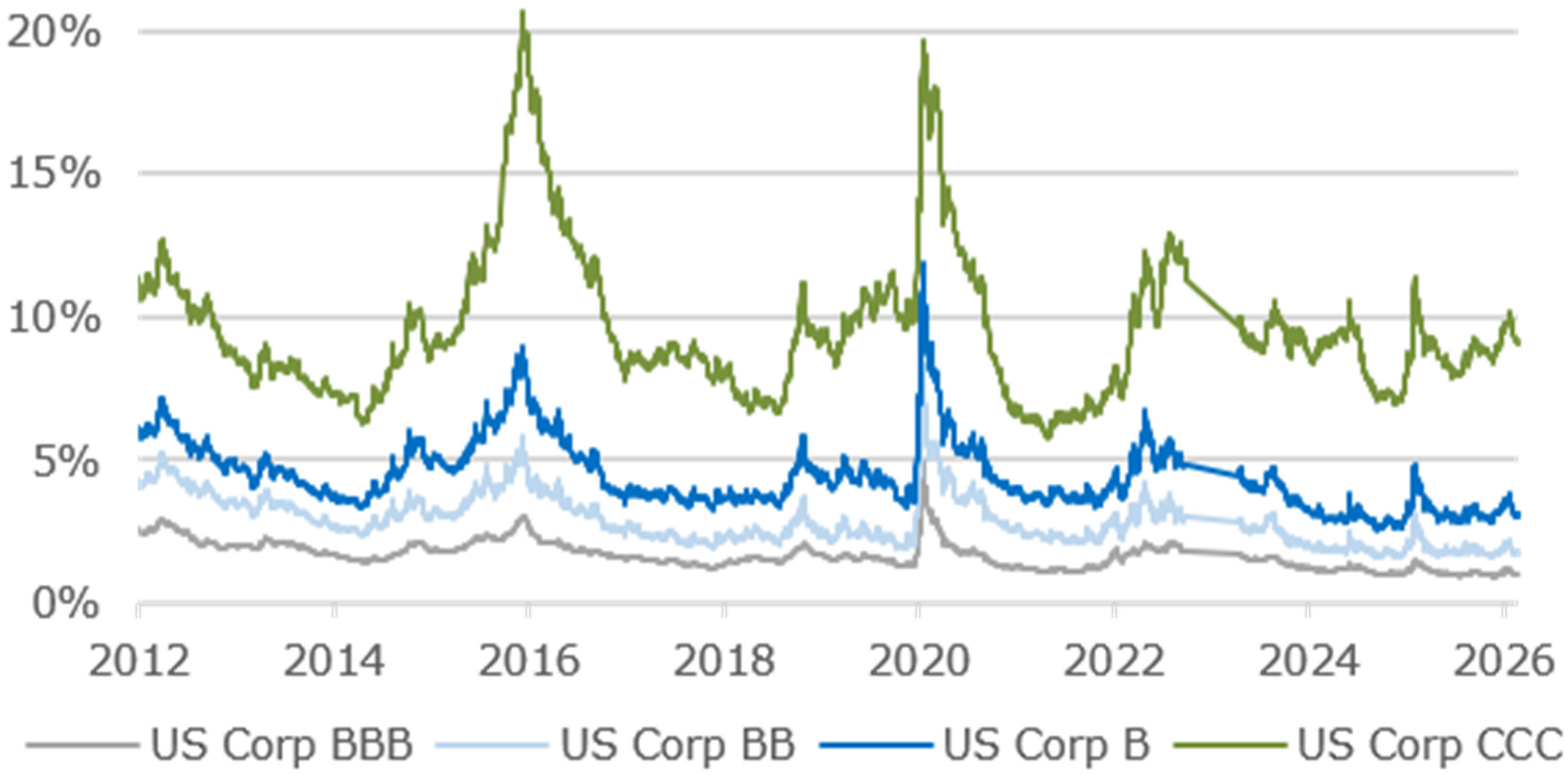
Historical US Treasury Yield: The 10-year US government bond yield reached its 100-year low in 2020.



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

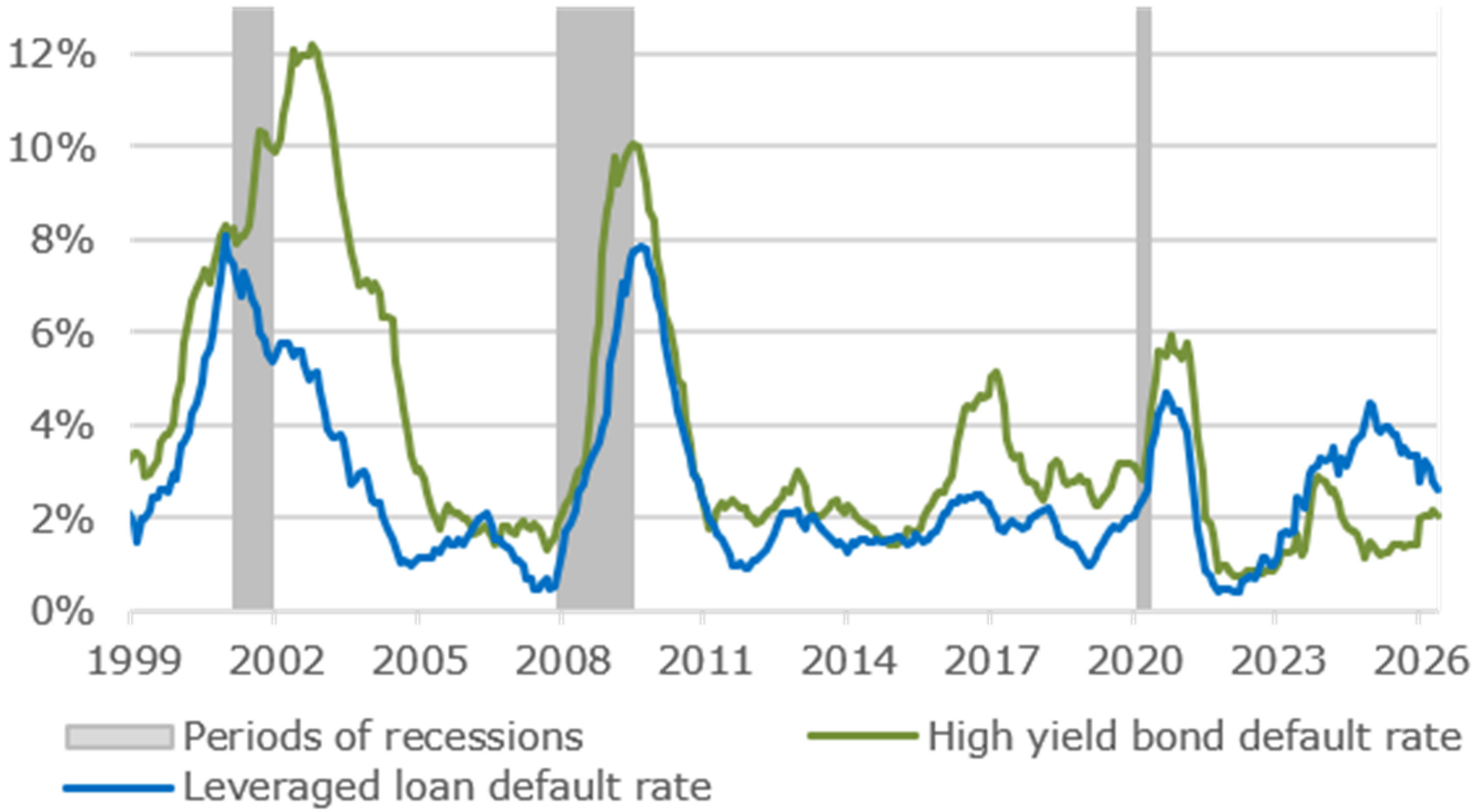
CORPORATE PERSPECTIVE

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

OPTION ADJUSTED SPREADS

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

US corporates by rating (bps)

	curr	Δ month
AAA	37	-3
AA	52	-4
A	68	-7
BBB	102	-11
BB	174	-34
B	311	-50
CCC	909	-85

Global high yield (bps)

	curr	Δ month
US HY	283	-45
EU HY	280	-57
Asia HY	454	-56
EM HY	323	-65

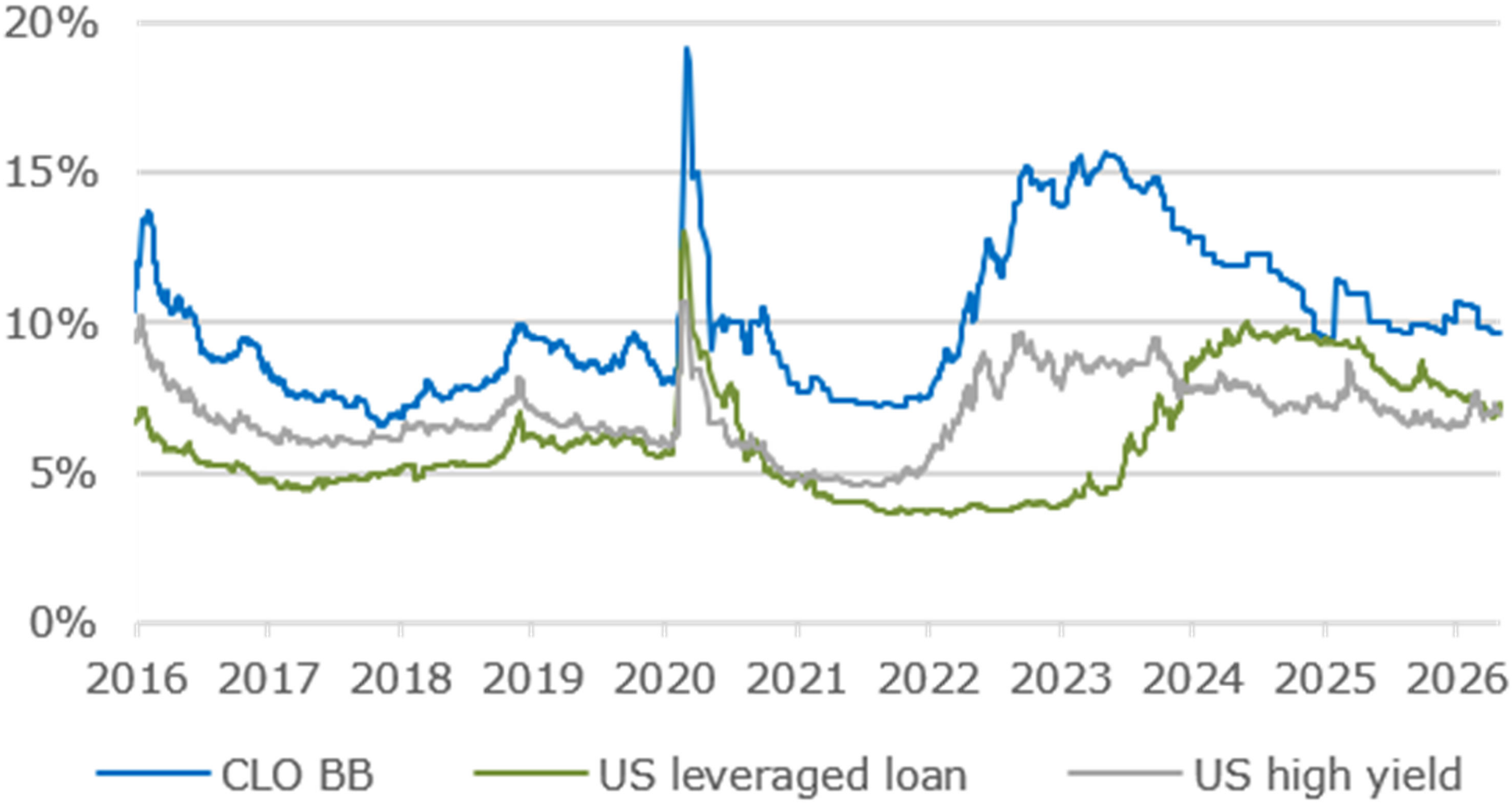
spread tightening (positive price action)

spread widening (negative price action)

Source: Bloomberg

ALTERNATIVE PERSPECTIVE

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



Source: Bloomberg

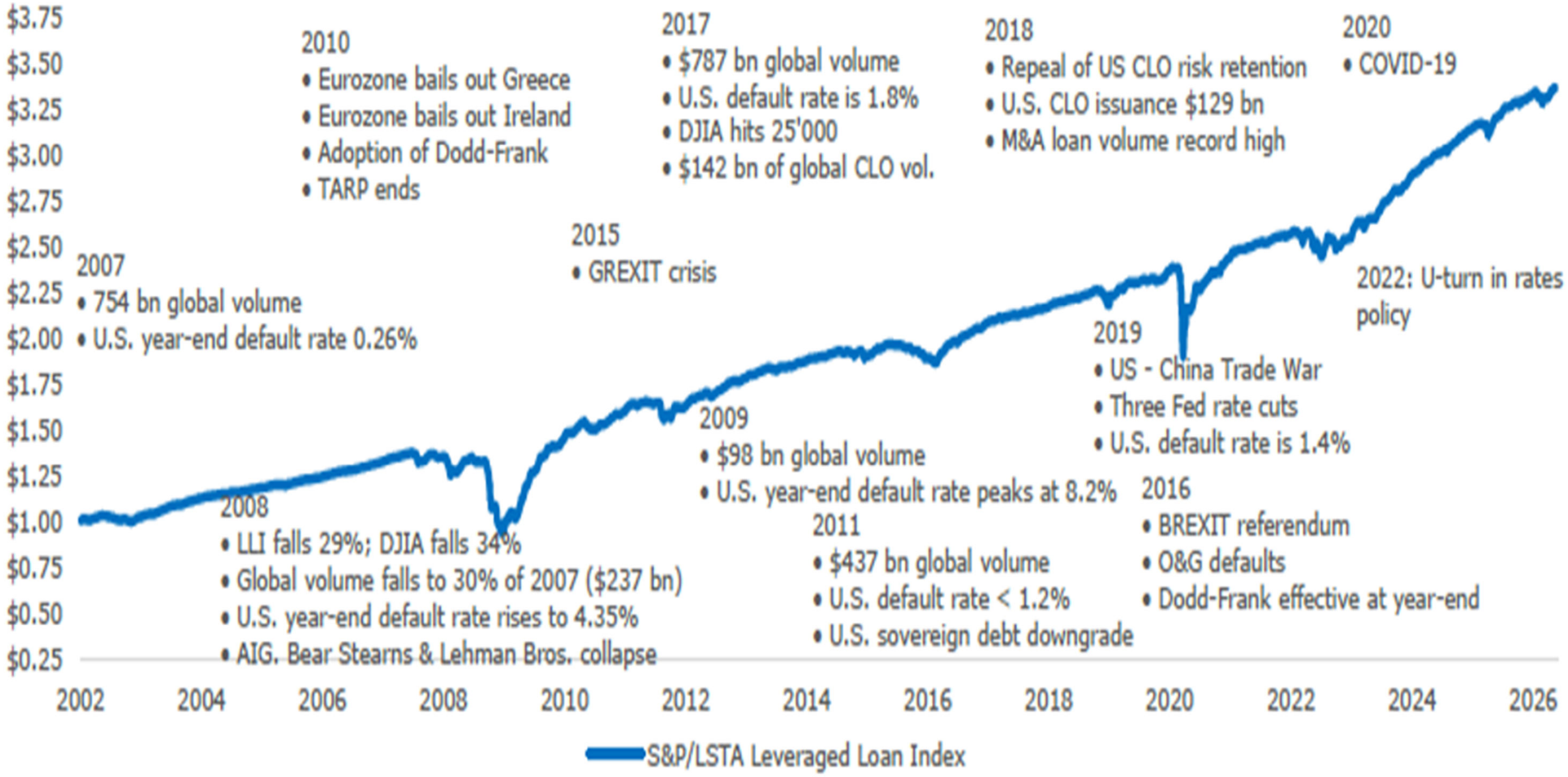
ALTERNATIVE PERSPECTIVE

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

U.S. and European direct lending

- Growth of ~40% over 20 years driven by reduced bank lending & private equity growth
- Different risk-return profiles:
  - U.S.: Highly mature & competitive
  - EU: Lower leverage & higher equity cushion
- Balance allocation for diversification

EDUCATION CORNER (continued)

U.S. and European direct lending

	U.S.	EU
Direct Lenders (concentration)	Many (low)	Few (high)
Middle-market share by Direct Lenders	80%	50%
General Partner equity stake	47%	57%
Leverage (senior-secured)	5x	4.5x
Interest rate characteristics	higher base rate	wider credit spreads
Income-yield	9.7%	9.4%
Total return p.a. since 2019	8.5%	9%

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CONTACT INFORMATION

www.marcuardheritage.com

investmentsolutions@marcuardheritage.com