Morgan Stanley
INVESTMENT MANAGEMENT

# High Yield Market Monitor

## High Yield Investment Team

Q2 2026

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A leader in high yield bond investment management, MSIM presents High Yield Market Monitor, an in-depth review of the US and European High Yield markets through clear and impactful charts. Providing timely information across a broad array of topics relating to this distinctive asset class, High Yield Market Monitor serves as a helpful resource in providing connectivity between changing market events and implications for investors' high yield bond allocation.

Use High Yield Market Monitor to educate on the high yield market, provide updates on market conditions and explain the role of high yield bonds within portfolios.


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If you are viewing this book on your computer or tablet, **click or tap on the title box to jump to the beginning of each section.**

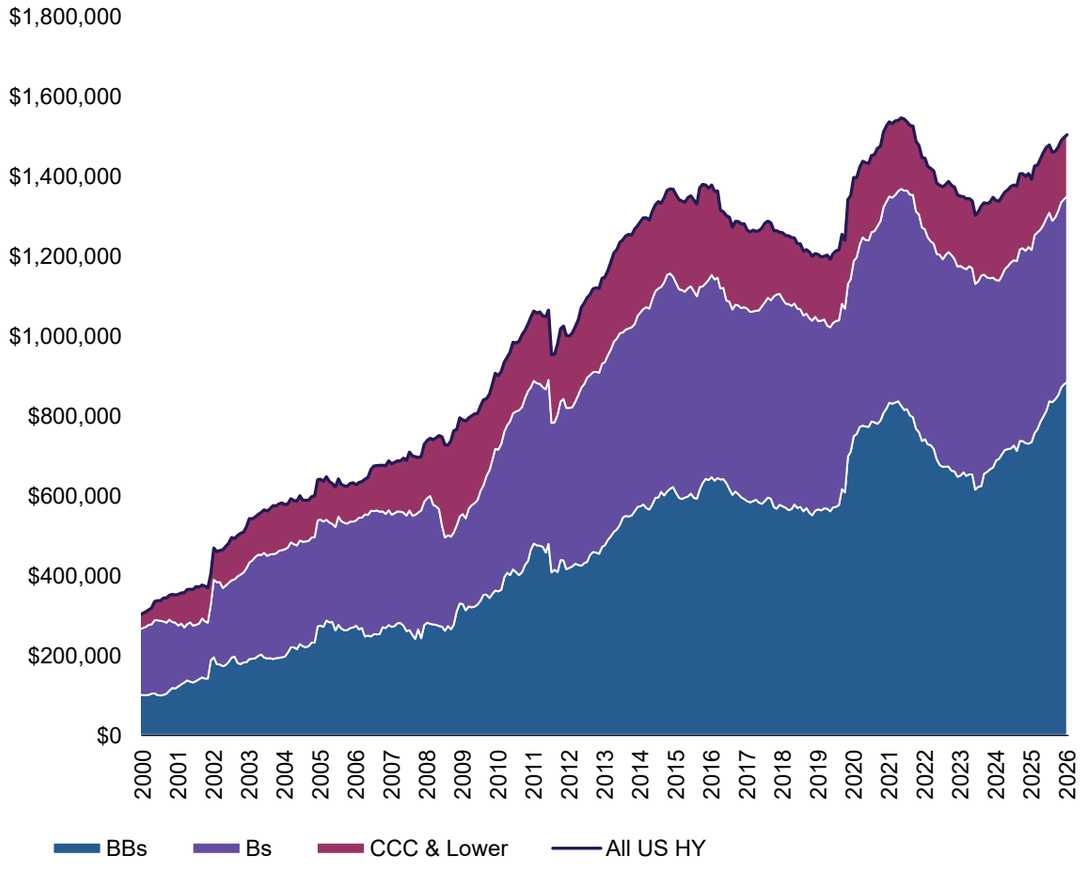
Data provided is for informational use only. See end of report for important additional information.

# High Yield Asset Class Review

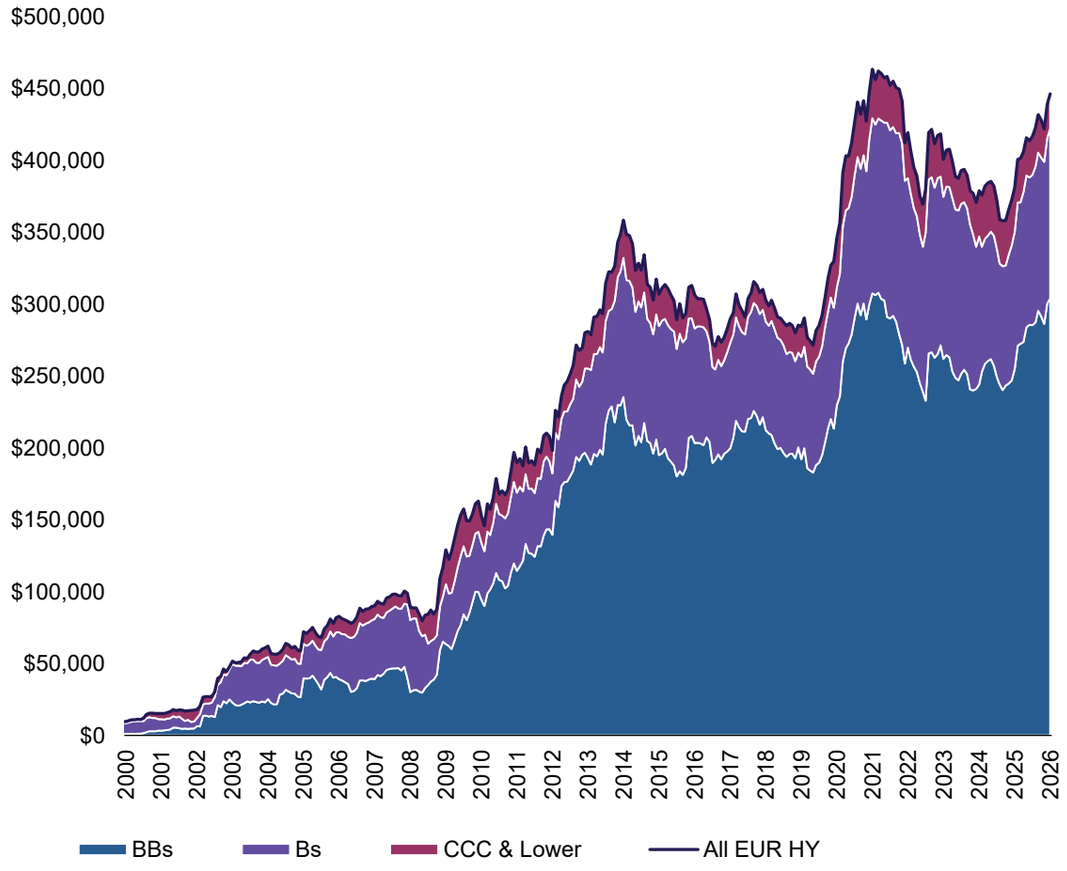
ASSET CLASS REVIEW

# Par Amount Outstanding

## US High Yield Par Outstanding ($M)




## European High Yield Par Outstanding ($M)




Source: BoA as of June 30, 2026. Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures.

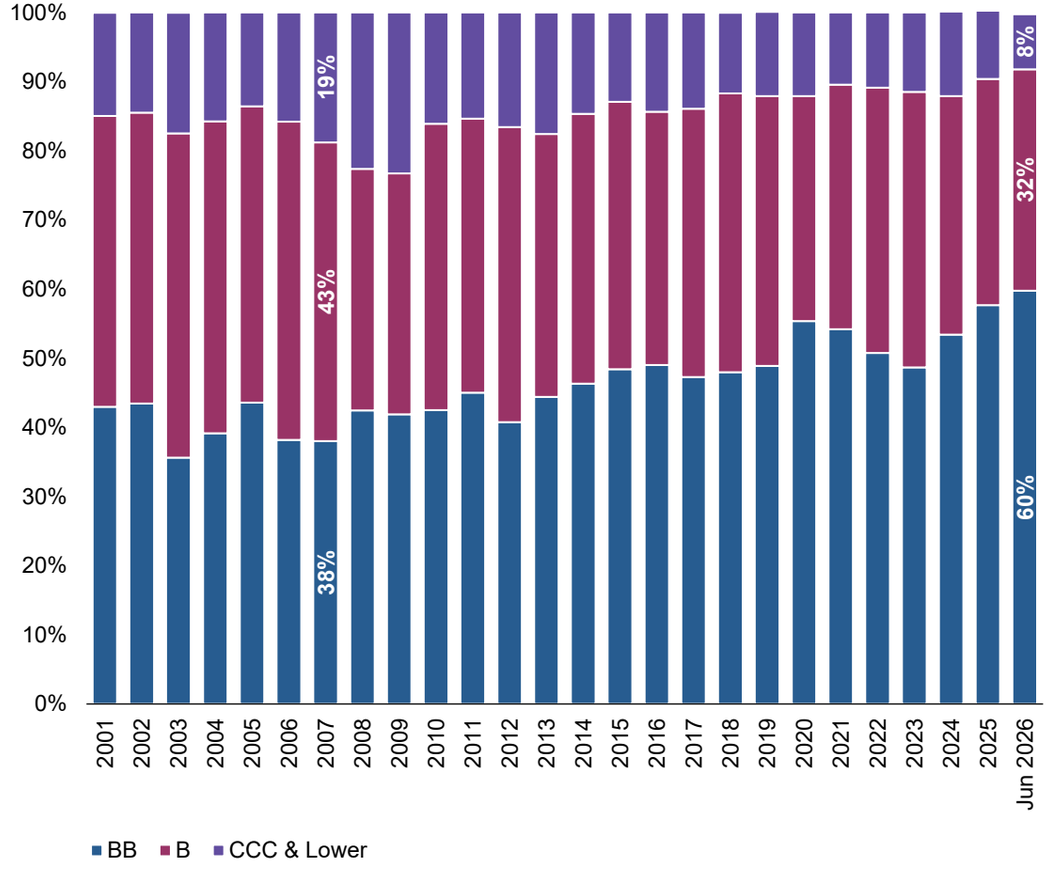
ASSET CLASS REVIEW

# US High Yield Market Snapshot

## Index Statistics

| | |
|---|---|
| Total Par Outstanding ($b) | $1,504.3 |
| Number of Issuers | 855 |
| Number of Issues | 1,899 |
| Yield to Worst (USD-Hedged) | 7.15% |
| Yield to Worst (EUR-Hedged) | 5.54% |
| Spread to Worst | 294 bps |
| Price | $97.11 |
| Years to Maturity | 4.77 yrs. |
| Effective Duration | 3.01 yrs. |

## Index Rating Composition Over Time (%MV)




Source: ICE Indices LLC as of June 30, 2026. Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures.

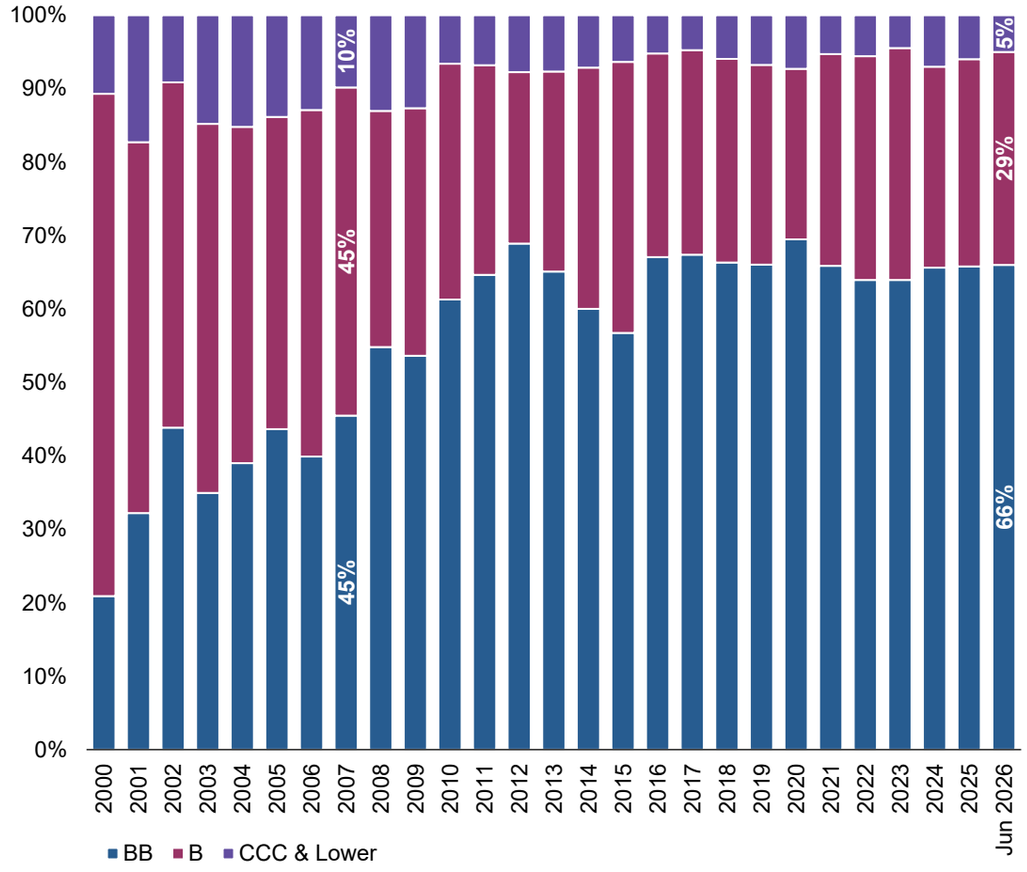
ASSET CLASS REVIEW

# European High Yield Market Snapshot

## Index Statistics

| | |
|---|---|
| Total Par Outstanding ($b) | $469.4 |
| Number of Issuers | 353 |
| Number of Issues | 703 |
| Yield to Worst (USD-Hedged) | 7.02% |
| Yield to Worst (EUR-Hedged) | 5.39% |
| Spread to Worst | 296 bps |
| Price | $98.06 |
| Years to Maturity | 4.06 yrs. |
| Effective Duration | 2.90 yrs. |

## Index Rating Composition Over Time (%MV)

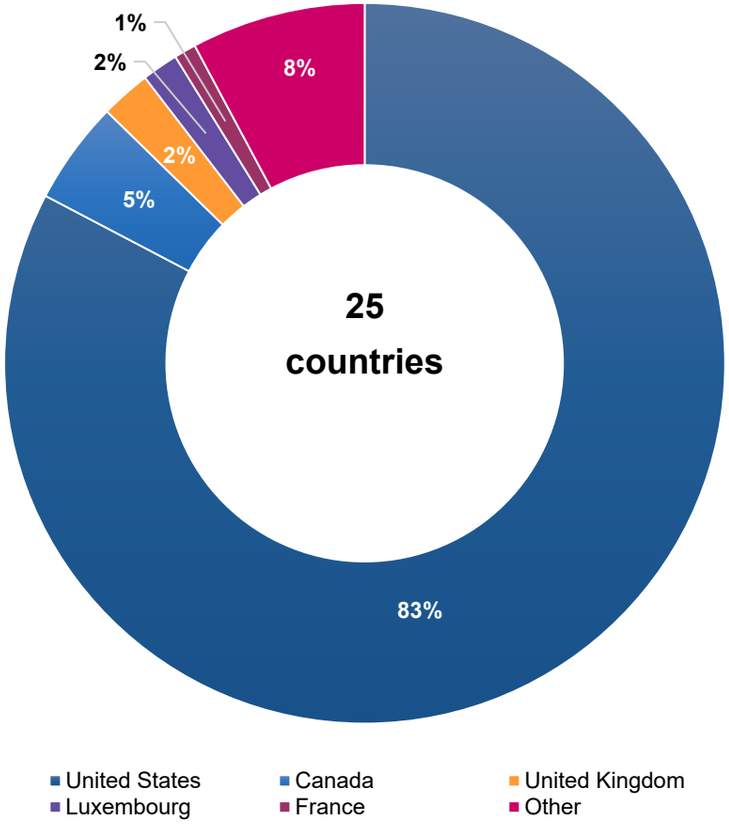



Source: ICE Indices LLC as of June 30, 2026. Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures.

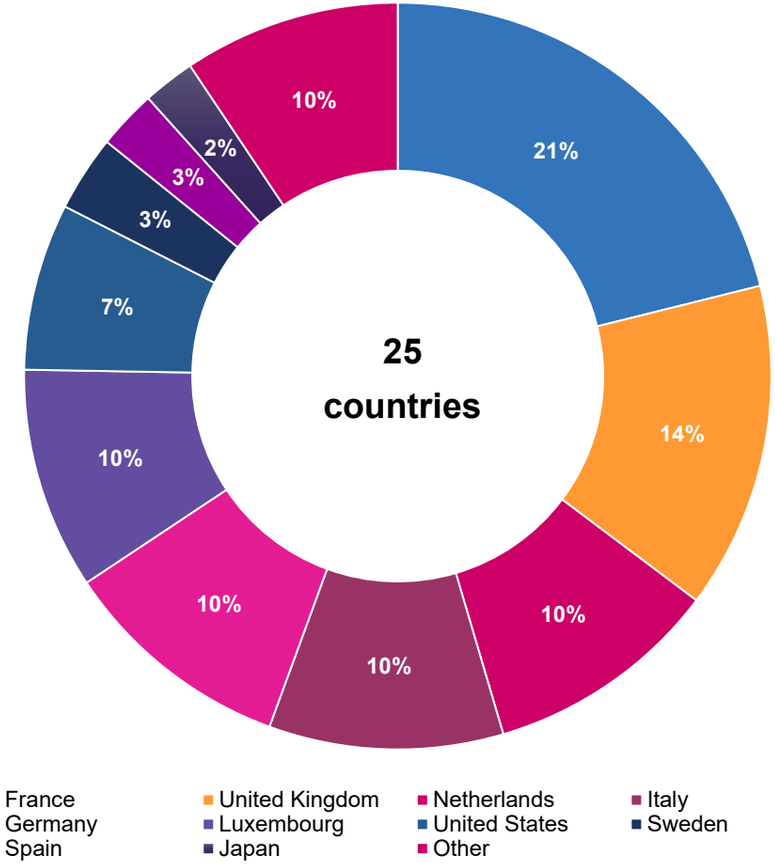
## ASSET CLASS REVIEW

# Top Country Exposure

### US High Yield




### European High Yield

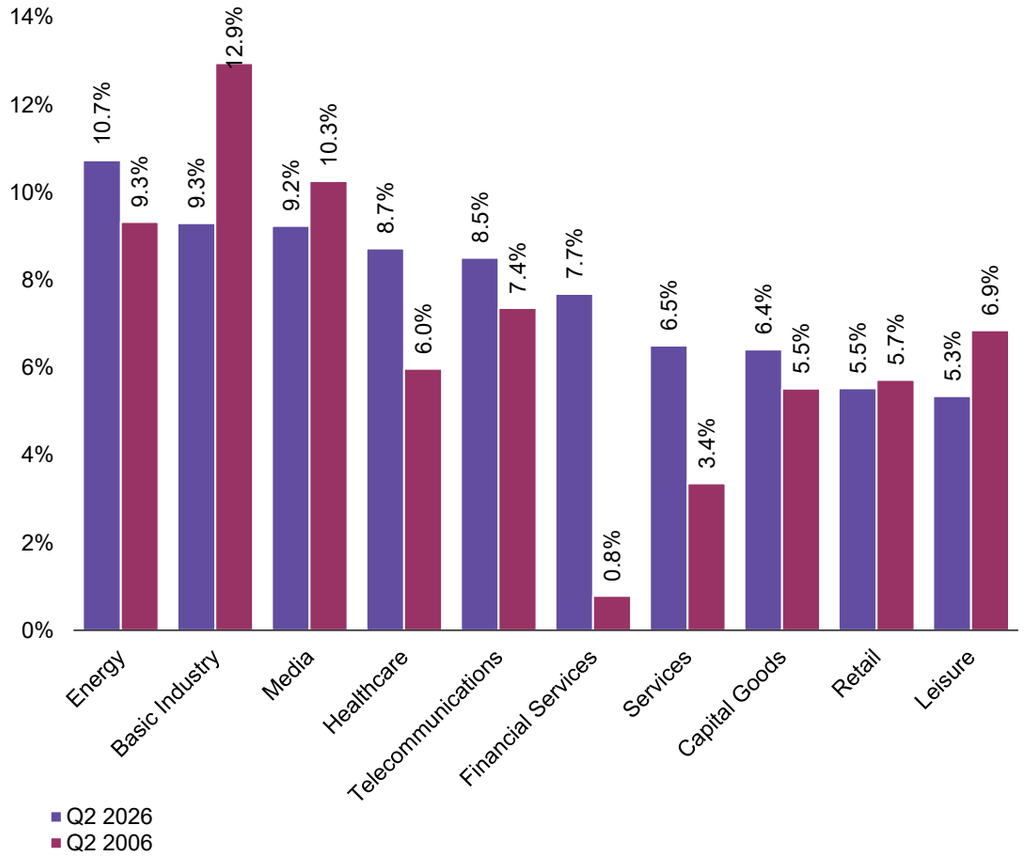



Source: ICE Indices LLC as of June 30, 2026. Country exposure based on country of domicile. Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures.

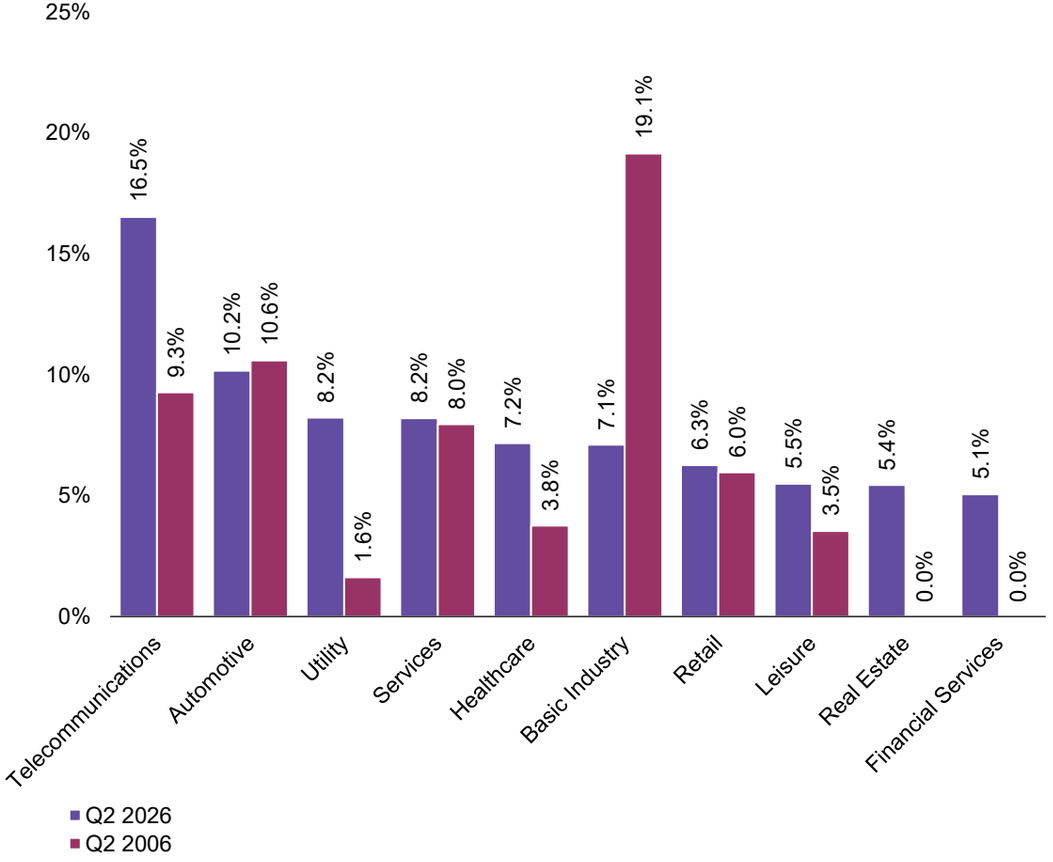
## ASSET CLASS REVIEW

# Top Industry Exposure: Now vs Then

### US High Yield




### European High Yield




Source: ICE Indices LLC as of June 30, 2026. Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures.

## ASSET CLASS REVIEW

# Top High Yield Market Industries & Issuers

| Top US High Yield 10 Industries | % of Index | Top 3 Issuers by Industry | | |
|---|---|---|---|---|
| Energy | 10.74% | Venture Global LNG | Sunoco LP | Venture Global Plaquemines LNG |
| Healthcare | 8.72% | Centene Corp | Tenet Healthcare Corp | Bausch Health Companies Inc |
| Telecommunications | 8.36% | Echostar Corp | Uniti Group | Coreweave Inc |
| Diversified Financial Services | 7.59% | Rocket Companies | Onemain Finance Corp | Jane Street Group |
| Services | 5.93% | United Rentals North America Inc | Allied Universal Holdco LLC | Nielsen Holdings Limited |
| Homebuilders & Real Estate | 5.20% | Iron Mountain Inc | MPT Operating Partnership LP | Starwood Property Trust Inc |
| Technology | 4.22% | Cloud Software Group | Ion Platform Finance US Inc | Fair Isaac Corp |
| Broadcasting | 4.07% | Warnermedia Holdings Inc | Paramount Global | Sirius XM Radio Inc |
| Super Retail | 3.90% | Carvana Corp | Rakuten Group Inc | Bath & Body Works Inc |
| Cable & Satellite TV | 3.42% | Charter Communications Corp | Dish Corp | Cablevision Systems Corp |

| Top European High Yield 10 Industries | % of Index | Top 3 Issuers by Industry | | |
|---|---|---|---|---|
| Telecommunications | 16.52% | Telefonica Europe | Virgin Media Inc | Fibercop SPA |
| Automotive & Auto Parts | 10.16% | ZF Automotive | Schaeffler AG | Stellantis NV |
| Utility | 8.20% | Electricite De France SA | Energias De Portugal SA | Veolia Environnement SA |
| Homebuilders & Real Estate | 7.59% | New Immo Holding SA | Webuild SPA | Samhallsbyggnnadsbolaget Norden |
| Healthcare | 7.17% | Bayer AG | Iqvia Inc | Cheplapharm Arzneimittel |
| Diversified Financial Services | 5.49% | Softbank Group Corp | Intrium Investments and Financing | Worldline SA |
| Services | 5.34% | Verisure Holding AB | Loxam SAS | Rexel SA |
| Technology | 4.53% | Infrastructure Wireless Italiane | Atos SE | AMS Osram AG |
| Chemicals | 4.20% | Ineos Finance PLC | Lanxess AG | Celanese US Holdings LLC |
| Containers | 3.51% | Crown European Holdings | Ardagh Metal Packaging Finance PLC | Verallia SAS |

Source: ICE Indices LLC as of June 30, 2026. Data provided is for informational and illustrative purposes only and should not be construed as a recommendation to purchase or sell a security . It is not possible to invest directly in an index. See end of material for important additional information and disclosures.

# High Yield Market Update

## MARKET UPDATE

# High Yield Performance & Characteristics in Context

## Past Performance is Not a Reliable Indicator of Future Results

| Index | Averages | | | | | | Total Returns (%) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Coupon (%) | Price ($) | Yield to Worst (%) | OAS (bps) | Maturity (Yrs.) | Duration (Yrs.) | 3-mo. | YTD | 1Y | 3Y | 5Y | 10Y |
| **High Yield Bonds** | | | | | | | | | | | | |
| **ICE BofA US High Yield Index** | **6.67** | **97.1** | **7.15** | **275** | **4.8** | **3.0** | **2.46** | **1.89** | **5.75** | **8.79** | **4.13** | **5.70** |
| BB Index | 6.03 | 98.9 | 6.07 | 164 | 5.0 | 3.2 | 2.23 | 1.84 | 5.69 | 8.05 | 3.65 | 5.41 |
| B Index | 7.56 | 99.1 | 7.34 | 299 | 4.6 | 2.8 | 2.84 | 2.45 | 6.56 | 8.78 | 4.32 | 5.59 |
| CCC Index | 7.66 | 80.7 | 13.96 | 970 | 3.7 | 2.5 | 2.40 | 0.14 | 2.95 | 11.37 | 5.06 | 6.73 |
| **ICE BofA Global High Yield Index USD Hedged** | **6.49** | **97.4** | **6.87** | **283** | **4.9** | **3.2** | **3.07** | **2.48** | **6.52** | **9.36** | **3.97** | **5.66** |
| **ICE BofA DM High Yield ex Sub Fin Index USD Hedged** | **6.38** | **97.4** | **6.78** | **278** | **4.6** | **3.0** | **2.86** | **2.15** | **5.96** | **8.98** | **4.36** | **5.79** |
| **ICE BofA Euro High Yield Index USD Hedged** | **5.26** | **98.4** | **5.37** | **270** | **4.1** | **2.9** | **4.15** | **2.89** | **6.48** | **9.72** | **4.98** | **6.12** |
| **ICE BofA Eur Ccy DM High Yield ex Sub Fin Const Index USD Hedged** | **5.45** | **98.1** | **5.65** | **286** | **4.1** | **2.9** | **4.15** | **2.92** | **6.52** | **9.57** | **4.93** | **6.03** |
| **ICE BofA 1-3 Yr BB-B US Cash Pay High Yield Index** | **5.87** | **99.0** | **5.88** | **165** | **2.3** | **1.5** | **1.89** | **2.24** | **5.58** | **7.57** | **5.15** | **5.14** |
| **Global Fixed Income Markets** | | | | | | | | | | | | |
| **Bloomberg U.S. Aggregate Index** | **3.74** | **93.1** | **4.73** | **26** | **8.2** | **5.9** | **0.67** | **0.62** | **3.79** | **4.16** | **0.08** | **1.54** |
| U.S. Treasury | 3.36 | 93.0 | 4.37 | – | 7.8 | 5.8 | 0.32 | 0.28 | 2.71 | 3.17 | -0.42 | 0.86 |
| U.S. Mortgage Backed Securities | 3.58 | 91.4 | 4.97 | 24 | 7.2 | 5.4 | 0.58 | 0.99 | 5.21 | 4.60 | 0.50 | 1.38 |
| U.S. Asset Backed Securities | 4.46 | 99.1 | 4.65 | 44 | 4.0 | 2.8 | 0.75 | 1.07 | 4.01 | 5.26 | 2.47 | 2.43 |
| U.S. Commercial Mortgage Backed Securities | 3.65 | 95.7 | 4.88 | 64 | 4.2 | 3.7 | 0.45 | 0.77 | 3.91 | 5.79 | 1.18 | 2.30 |
| U.S. Corp. Investment Grade | 4.56 | 94.0 | 5.20 | 74 | 10.5 | 6.8 | 1.40 | 0.86 | 4.34 | 5.29 | 0.34 | 2.60 |
| **ICE BofA US Inflation-Linked Treasury Index** | **1.26** | **92.4** | **2.12** | **–** | **7.4** | **4.4** | **0.88** | **1.26** | **3.35** | **3.85** | **0.80** | **2.54** |
| **Bloomberg Global Aggregate Ex-U.S. Index** | **2.49** | **94.5** | **2.99** | **25** | **8.1** | **6.6** | **0.99** | **-0.90** | **-1.95** | **2.70** | **-2.89** | **-0.66** |
| **Bloomberg Municipal Bond Index** | **4.68** | **103.2** | **3.58** | **–** | **13.4** | **6.5** | **2.50** | **2.32** | **7.03** | **3.76** | **1.05** | **2.15** |
| **ICE BofA Preferred Index (Fixed Rate)** | **5.68** | **87.9** | **6.40** | **123** | **–** | **7.0** | **1.58** | **0.16** | **4.25** | **5.90** | **1.24** | **3.47** |
| **Morningstar LSTA U.S. Leveraged Loan Index** | **S+3.12** | **95.0** | **8.21** | **495** | **4.6** | **–** | **1.88** | **1.31** | **4.36** | **7.55** | **6.01** | **5.50** |
| **J.P. Morgan EM Bond Index (EMBI) Global Diversified** | **5.78** | **93.6** | **6.92** | **235** | **–** | **6.3** | **4.63** | **3.32** | **11.78** | **10.32** | **2.58** | **3.72** |
| **J.P. Morgan Corp. EM Bond Index (CEMBI) Broad Diversified** | **5.73** | **98.1** | **6.06** | **165** | **–** | **4.4** | **2.42** | **2.21** | **6.82** | **7.98** | **2.67** | **4.22** |
| **J.P. Morgan Govt. Bond Index-EM (GBI-EM) Global Diversified** | **5.72** | **–** | **6.10** | **–** | **–** | **5.4** | **3.85** | **1.52** | **7.85** | **7.31** | **2.13** | **2.68** |

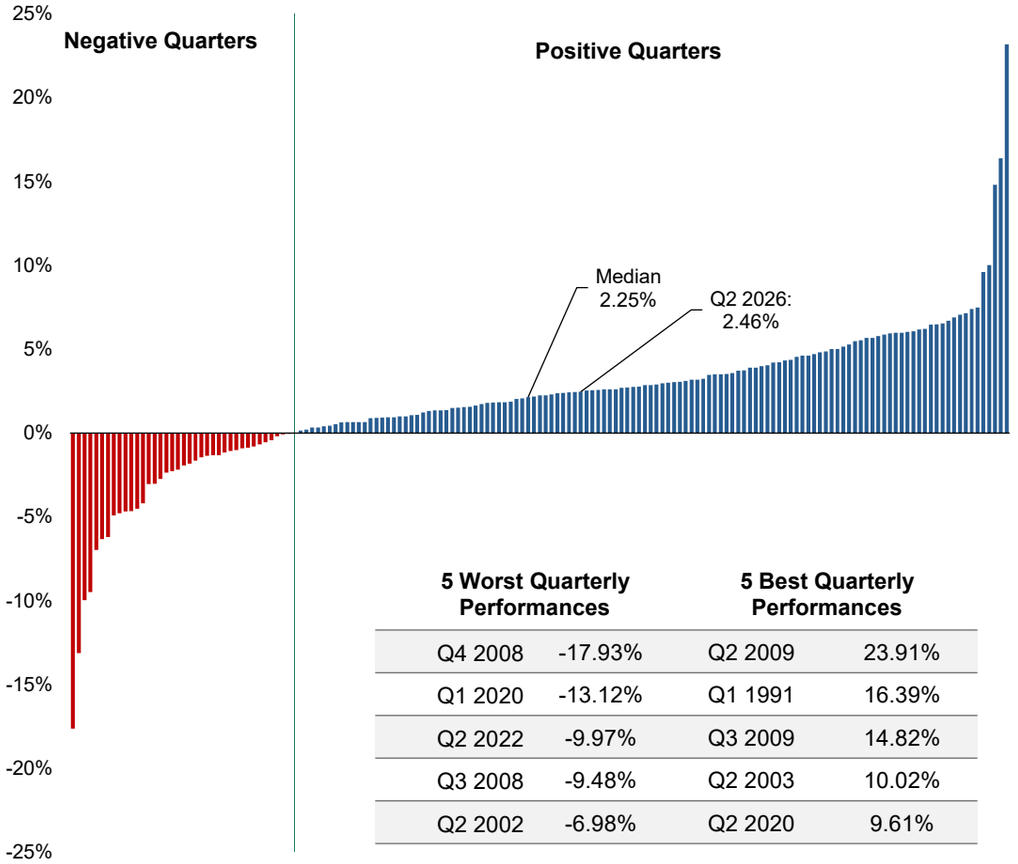
Source: Bloomberg, J.P. Morgan, ICE BofA Data Indices, LLC, Factset, and Leveraged Commentary & Data (LCD), as of June 30, 2026. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. See end of material for important additional information and disclosures. Coupon and Yield to Worst are in local currency. Yield to maturity is shown for the Morningstar LSTA U.S. Leveraged Loan Index. S+ refers to SOFR (Secured Overnight Financing Rate) as the base rate. Loan Index spread represents the three-year discounted spread over SOFR.

MARKET UPDATE

# Performance Analysis: US High Yield Distribution of Quarterly & Annual Returns

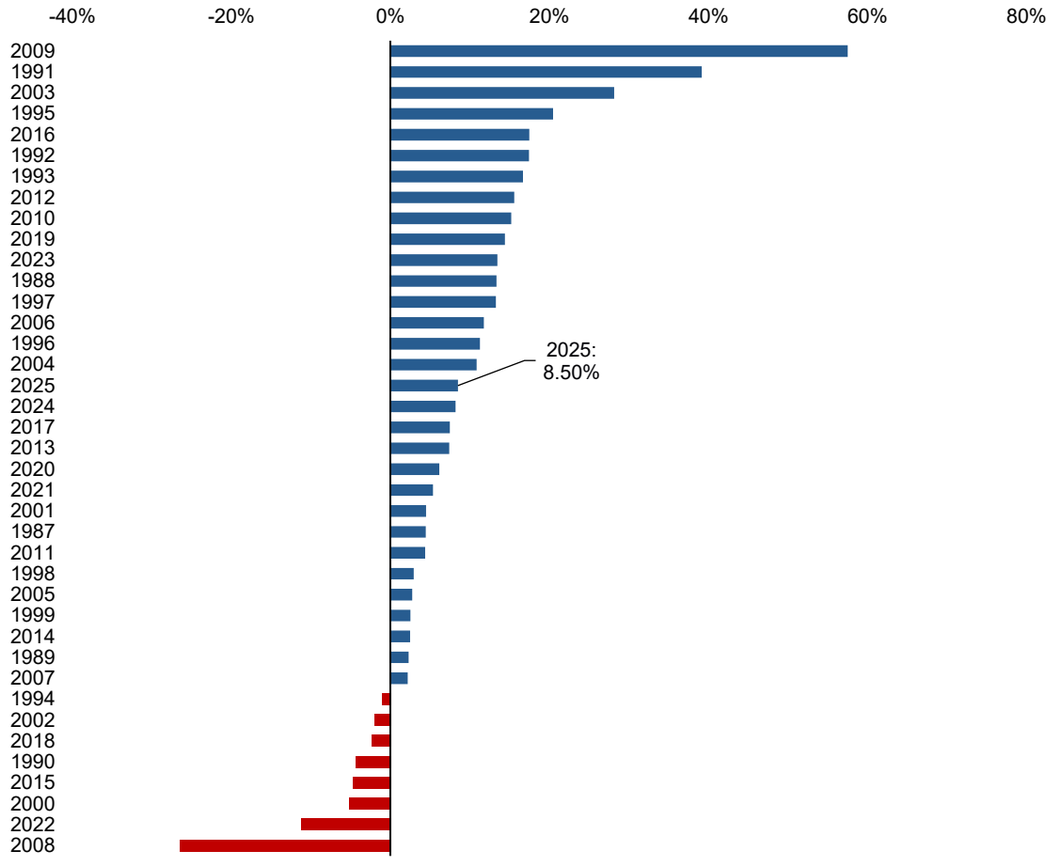
## Past Performance is Not a Reliable Indicator of Future Results

### Quarterly Returns




| 5 Worst Quarterly Performances | | 5 Best Quarterly Performances | |
|---|---|---|---|
| Q4 2008 | -17.93% | Q2 2009 | 23.91% |
| Q1 2020 | -13.12% | Q1 1991 | 16.39% |
| Q2 2022 | -9.97% | Q3 2009 | 14.82% |
| Q3 2008 | -9.48% | Q2 2003 | 10.02% |
| Q2 2002 | -6.98% | Q2 2020 | 9.61% |

### Annual Returns



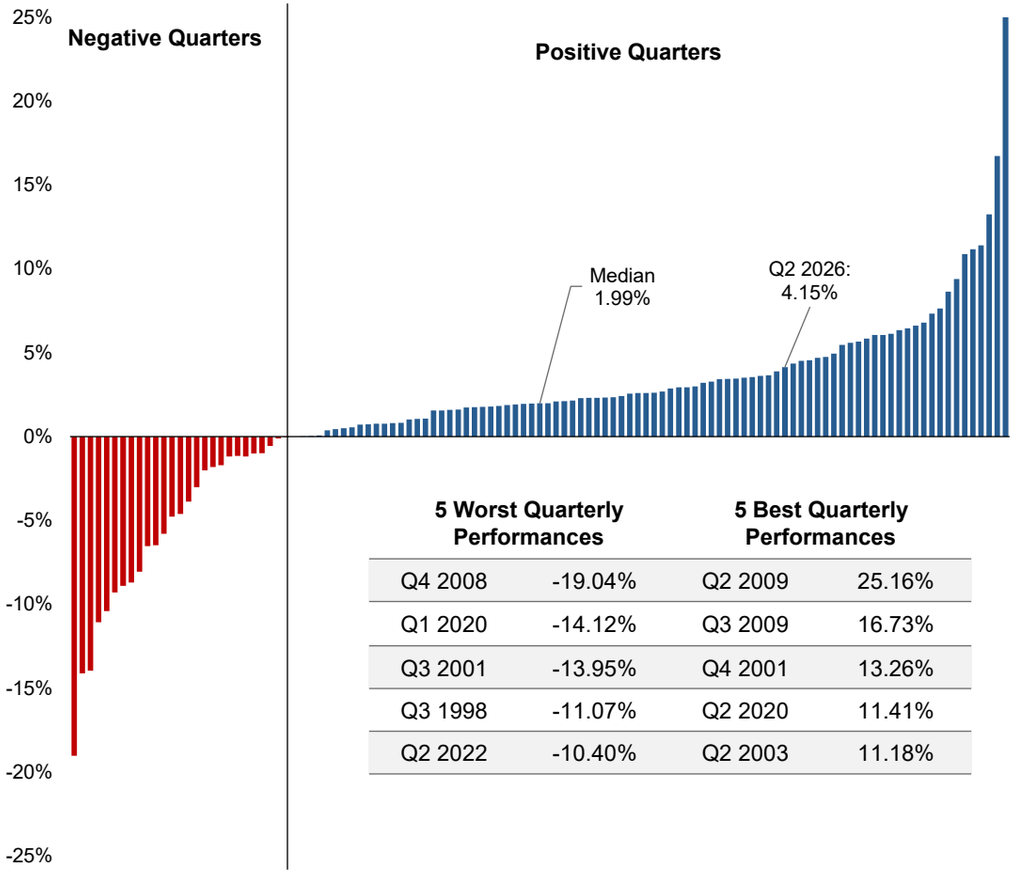

Source: ICE Indices LLC, June 30, 2026. Performance measures all quarterly and annual returns of the ICE BofA US High Yield Index from inception in August 1986 and sorts them from lowest to highest. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

MARKET UPDATE

# Performance Analysis: European High Yield Distribution of Quarterly & Annual Returns

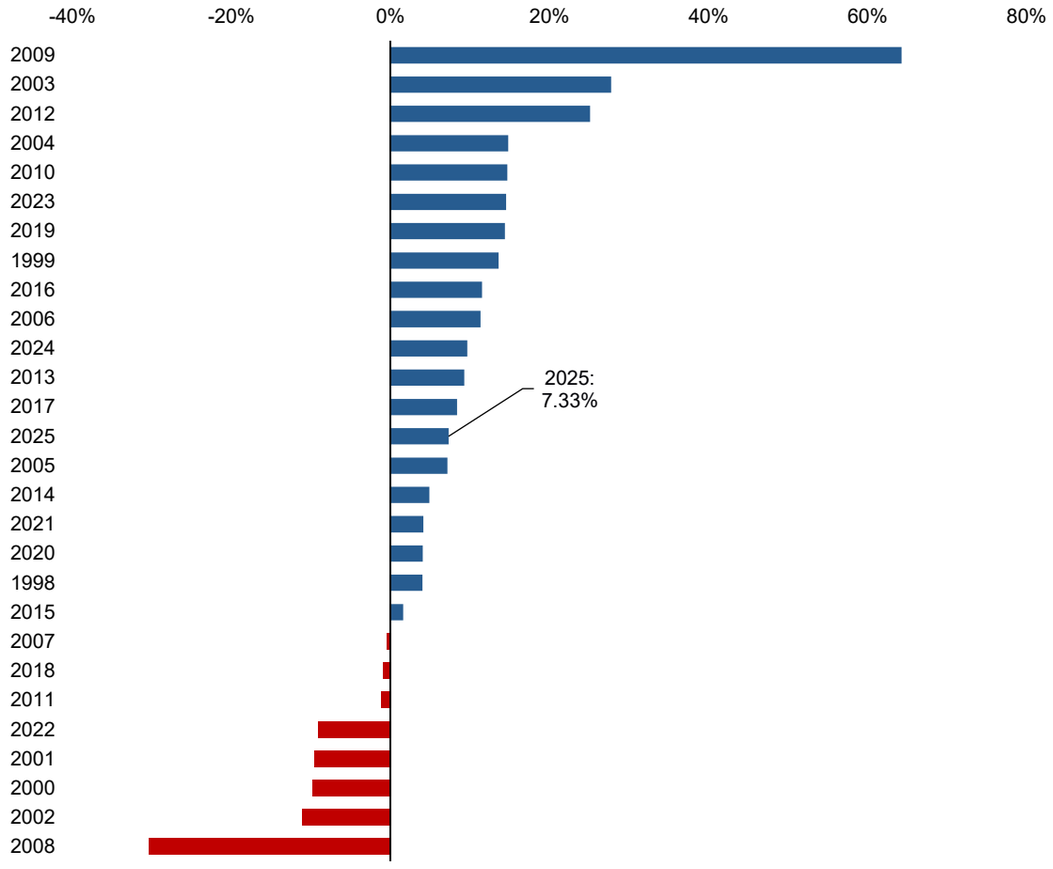
## Past Performance is Not a Reliable Indicator of Future Results

### Quarterly Returns




| 5 Worst Quarterly Performances | | 5 Best Quarterly Performances | |
|---|---|---|---|
| Q4 2008 | -19.04% | Q2 2009 | 25.16% |
| Q1 2020 | -14.12% | Q3 2009 | 16.73% |
| Q3 2001 | -13.95% | Q4 2001 | 13.26% |
| Q3 1998 | -11.07% | Q2 2020 | 11.41% |
| Q2 2022 | -10.40% | Q2 2003 | 11.18% |

### Annual Returns




Source: ICE Indices LLC, June 30, 2026. Performance measures all quarterly and annual returns of the ICE BofA European Currency Dev Mkts High Yield excluding Subordinated Financials Constrained Index – USD Hedged from inception in January 1998 and sorts them from lowest to highest. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment.

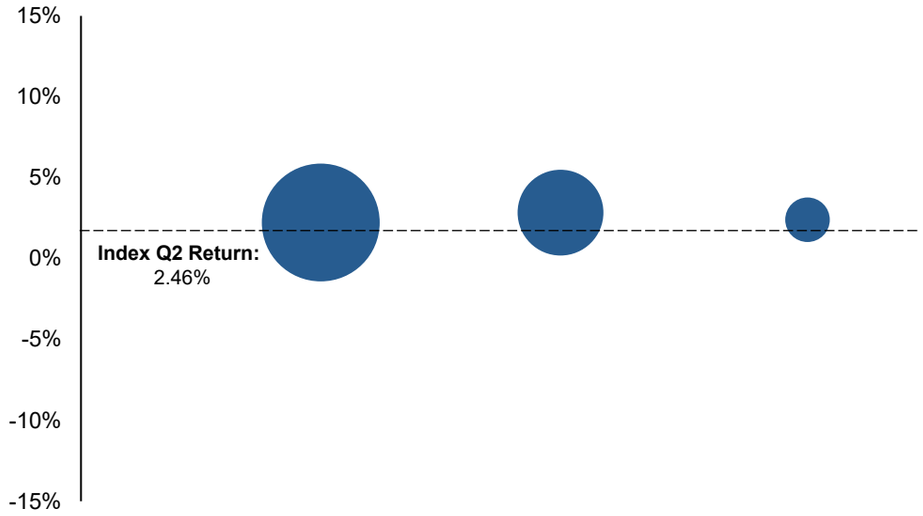
MARKET UPDATE

# Performance Analysis: US High Yield Returns by Ratings and Top & Bottom Industries

## Past Performance is Not a Reliable Indicator of Future Results

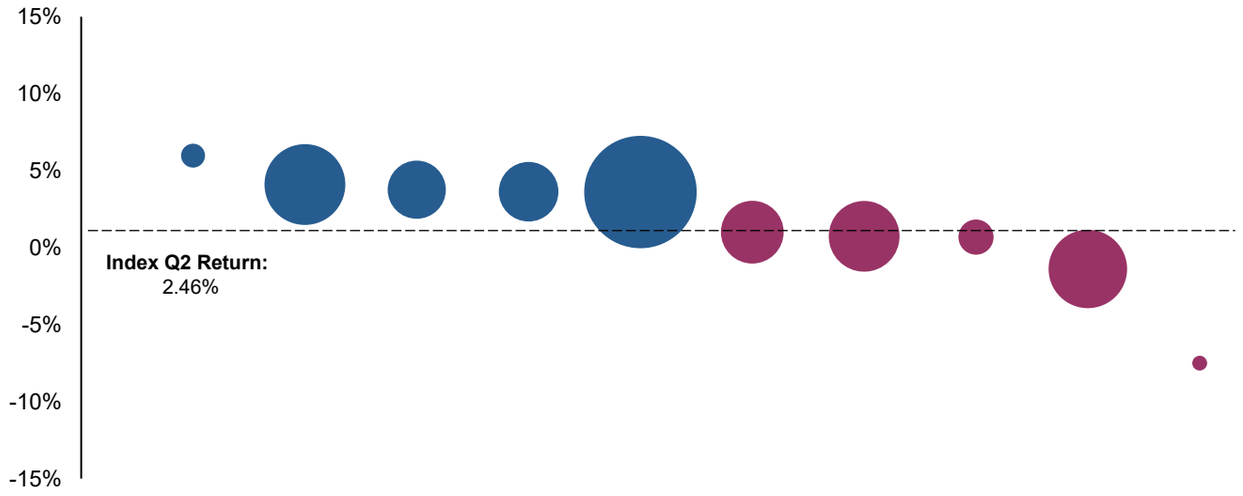
### Ratings Returns

*Q2 Total Return*




### Industry Returns

*Q2 Total Return*




| | BB | B | CCC & Lower |
|---|---|---|---|
| **Q2 2026 Return** | 2.2% | 2.8% | 2.4% |
| **Market Weight** | 59.8% | 31.7% | 8.5% |

| | Top 5 | | | | Bottom 5 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ent/Film | Retail | Building Materials | Containers | Div Fin Services | Food/Bev | Insur | Food/Drug Retail | Cable & Sat | Railroad |
| **Q2 2026 Return** | 6.0% | 4.1% | 3.8% | 3.6% | 3.6% | 1.0% | 0.7% | 0.7% | -1.4% | -7.5% |
| **Market Weight** | 0.3% | 3.8% | 2.0% | 2.1% | 7.4% | 2.3% | 2.9% | 0.7% | 3.6% | 0.1% |

Source: ICE Indices LLC June 30, 2026. Performance measures top and bottom five ranked quarterly returns of the various industries of the ICE US High Yield Index broken out using a hybrid of the Merrill Level 3 and Level 4 industry classification. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. Bubble size reflects market weight of the industry in the Index.

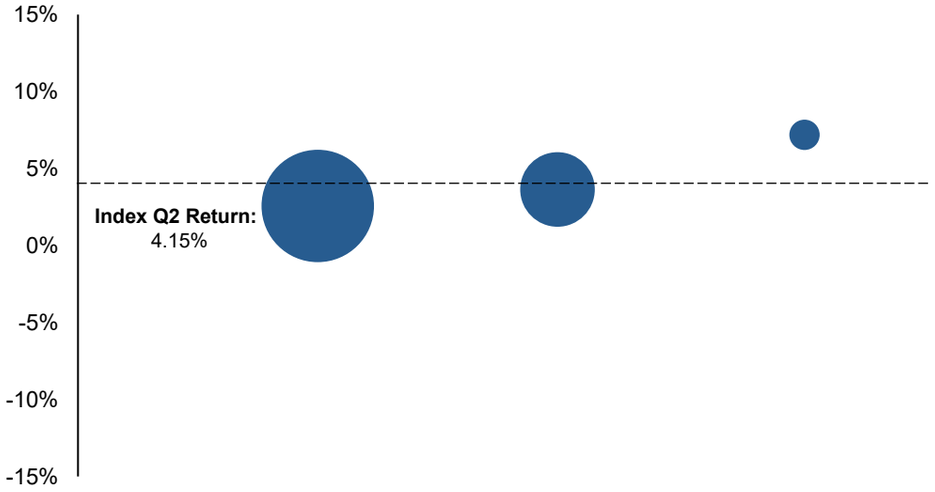
MARKET UPDATE

# Performance Analysis: European High Yield Returns by Ratings and Top & Bottom Industries

## Past Performance is Not a Reliable Indicator of Future Results

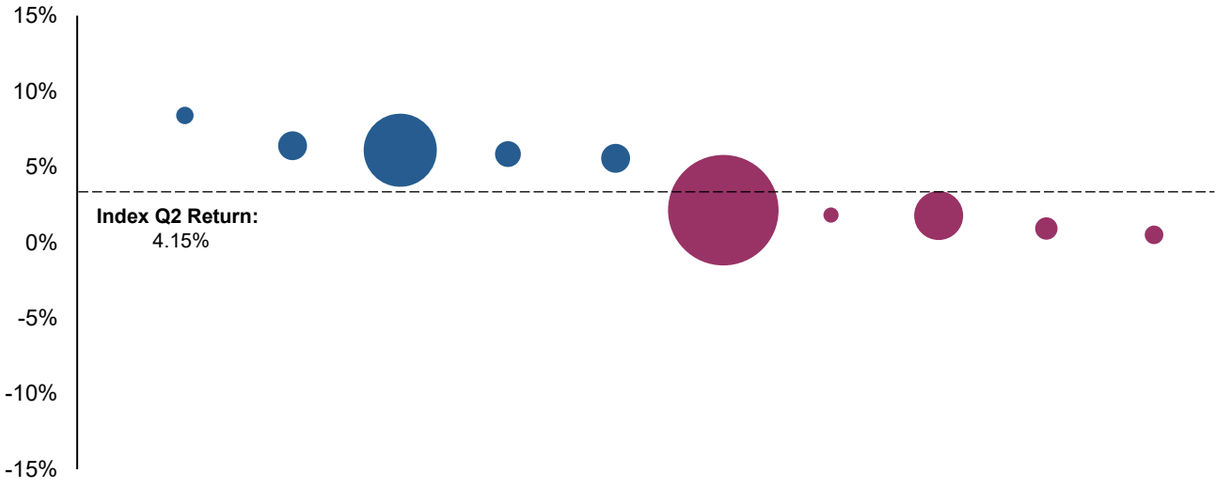
### Ratings Returns

*Q2 Total Return*




### Industry Returns

*Q2 Total Return*




| | BB | B | CCC & Lower |
|---|---|---|---|
| **Q2 2026 Return** | 2.6% | 3.6% | 7.2% |
| **Market Weight** | 66.1% | 29.1% | 4.8% |

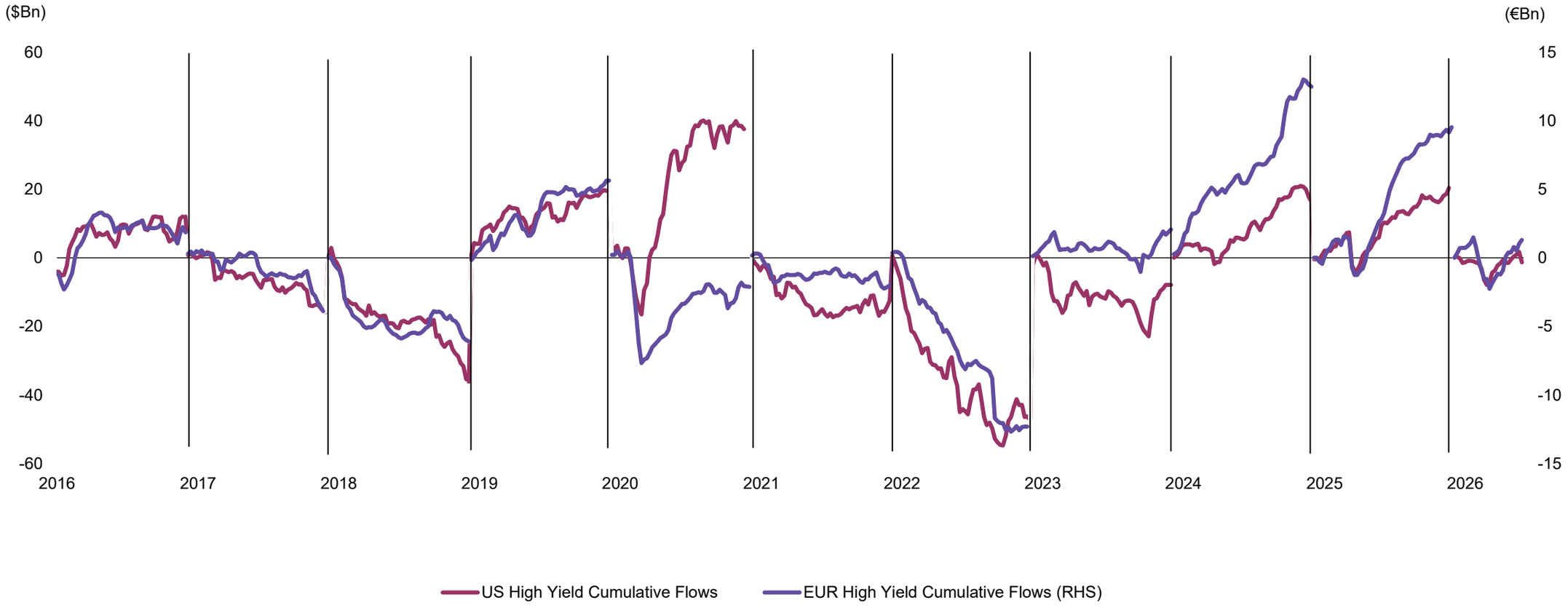
| | Top 5 | | | | Bottom 5 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Steel | Building Materials | Chemicals | Rest | Metals & Mining | Utility | Railroad | Energy | Banking & Thrifts | Cable & Satellite |
| **Q2 2026 Return** | 8.4% | 6.4% | 6.1% | 5.8% | 5.6% | 2.1% | 1.8% | 1.8% | 0.9% | 0.5% |
| **Market Weight** | 0.2% | 0.6% | 3.6% | 0.4% | 0.6% | 8.2% | 0.2% | 1.6% | 0.3% | 0.2% |

Source: ICE Indices LLC June 30, 2026. Performance measures top and bottom five ranked quarterly returns of the various industries of the ICE BofA European Currency Dev Mkts High Yield excluding Subordinated Financials Constrained Index – USD Hedged broken out using a hybrid of the Merrill Level 3 and Level 4 industry classification. Data provided is for informational use only. Indexes are unmanaged, do not reflect the deduction of fees and expenses, and are not available for direct investment. Bubble size reflects market weight of the industry in the Index.

MARKET UPDATE

# Technical Factors: Demand for High Yield

## Cumulative Fund Flows

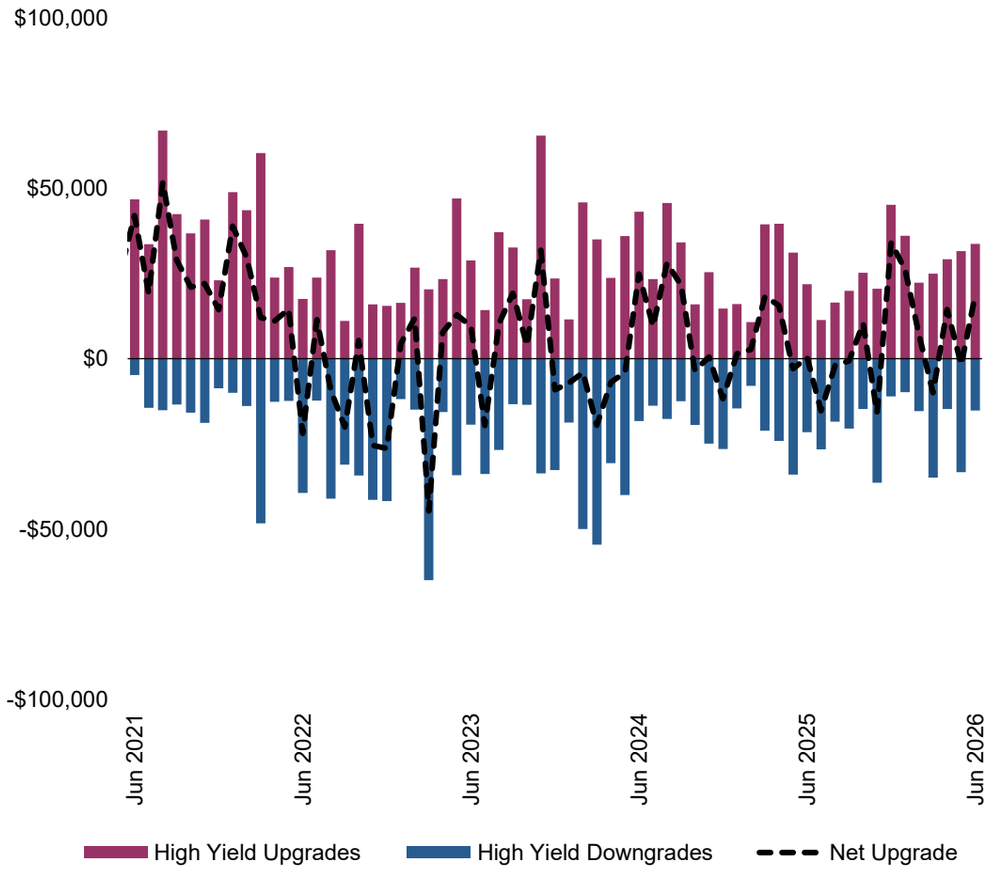



Source: Source: J.P. Morgan and Lipper as of June 30, 2026

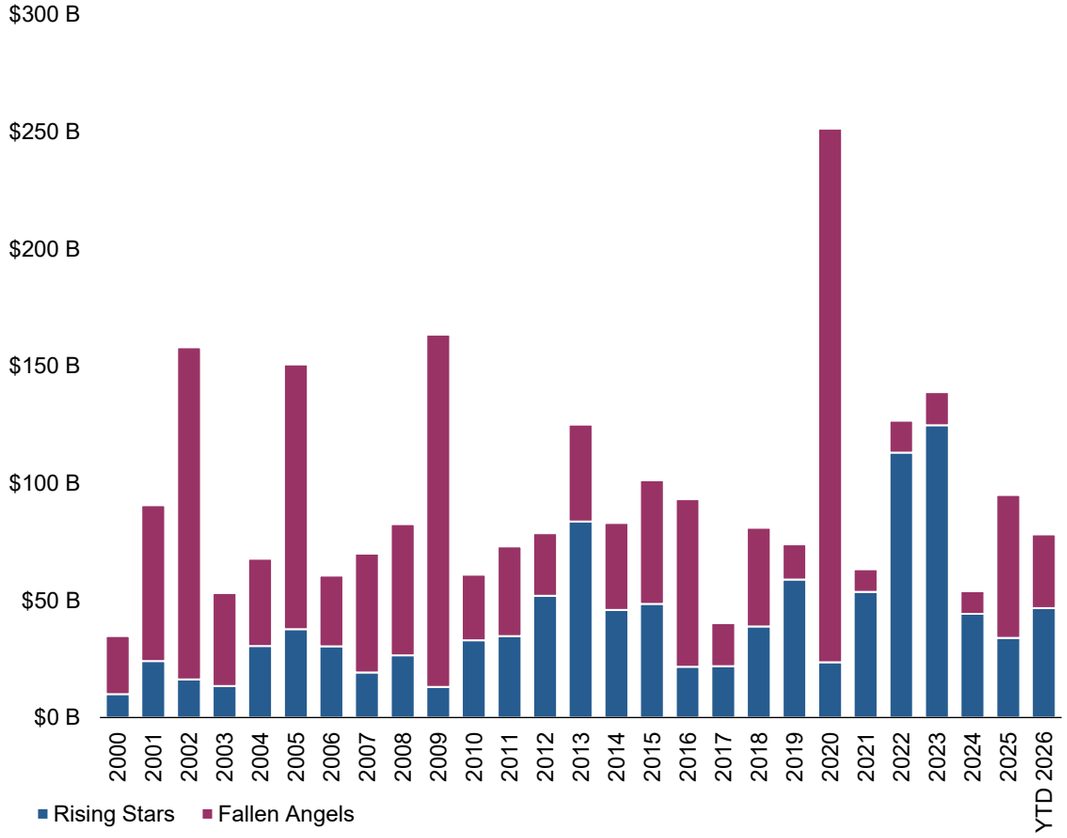
MARKET UPDATE

# Technical Factors: High Yield Ratings Migration

## Up/Downgrade Volume by Par Value ($M)




## Rising Stars & Fallen Angels

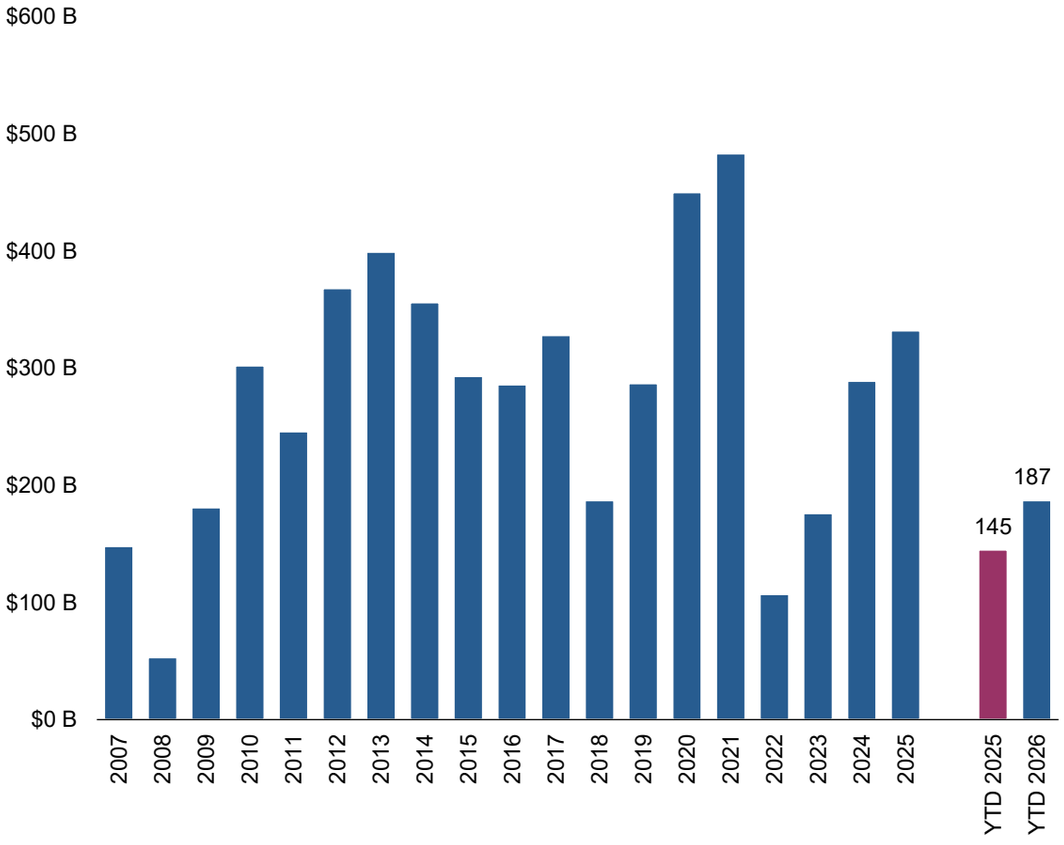



Source: BoA, JP Morgan as of June 30, 2026. Data provided is for informational use only.

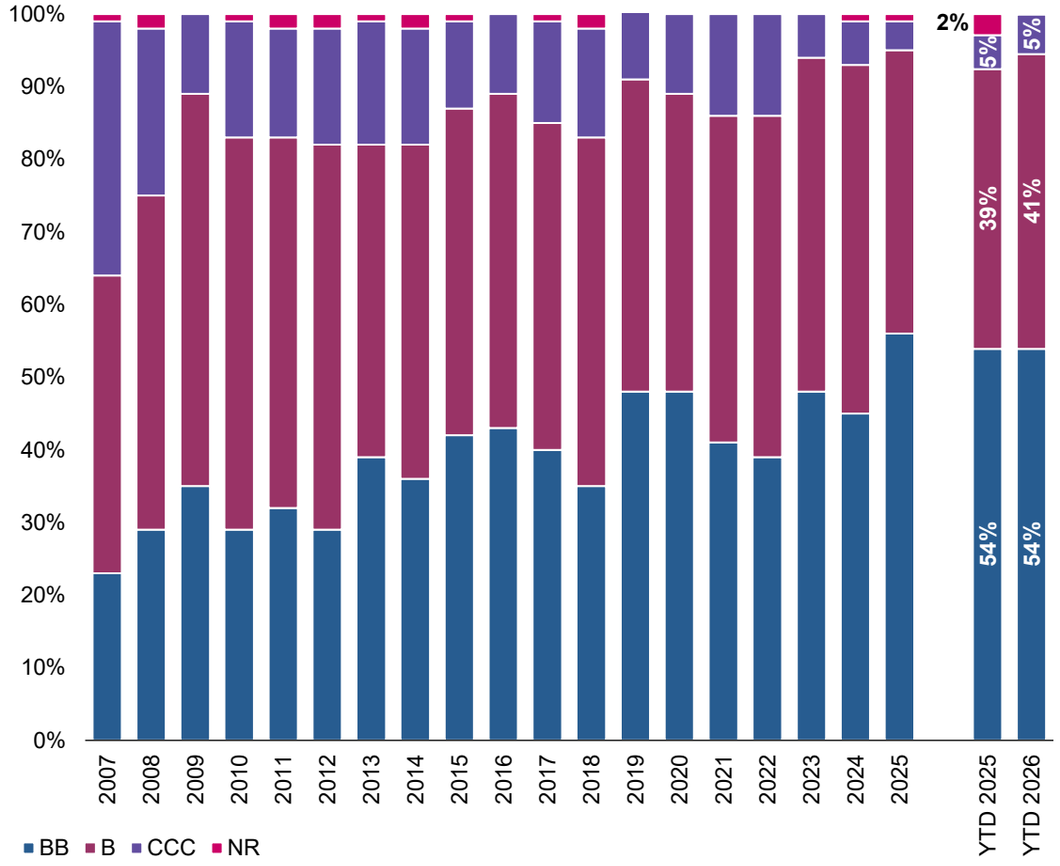
MARKET UPDATE

# Technical Factors: US High Yield Issuance

## New Issue Volume




## Issuance by Credit Quality

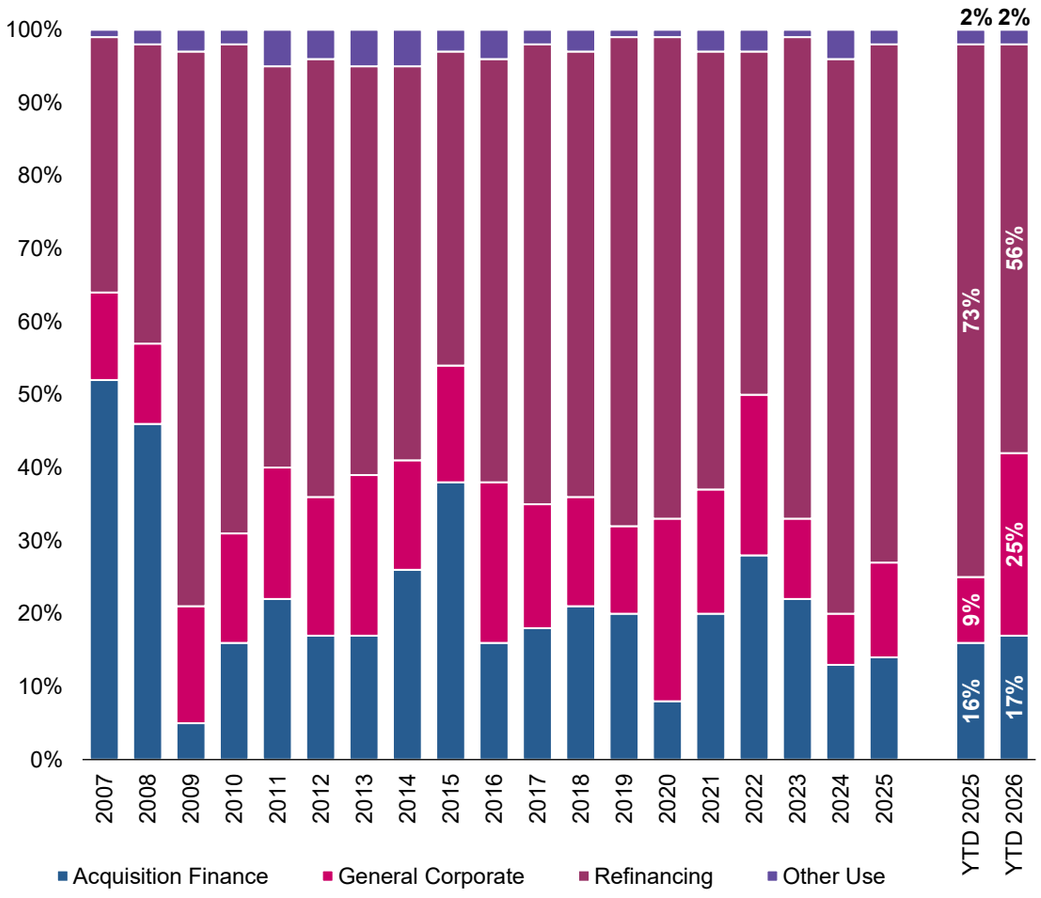



Source: J.P.Morgan, June 30, 2026. Data provided is for informational use only

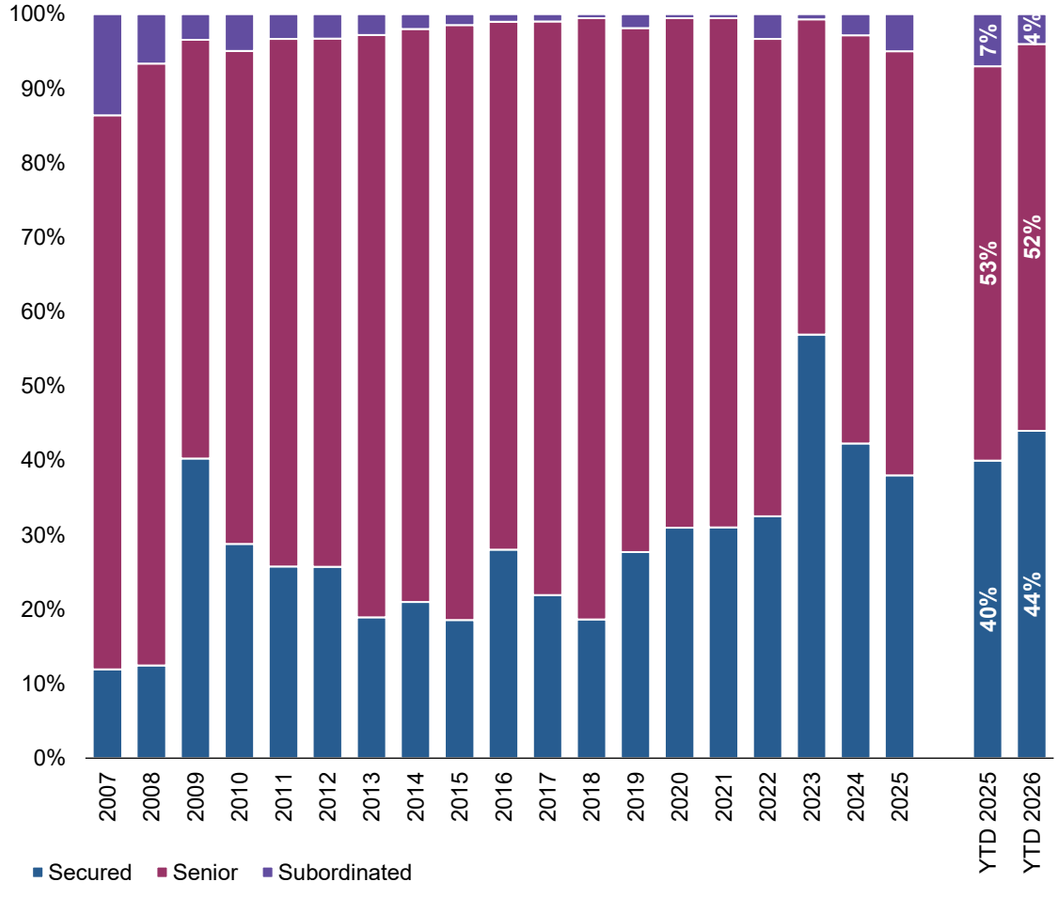
MARKET UPDATE

# Technical Factors: US High Yield Issuance

## Issuance by Use of Proceeds




## Issuance by Seniority

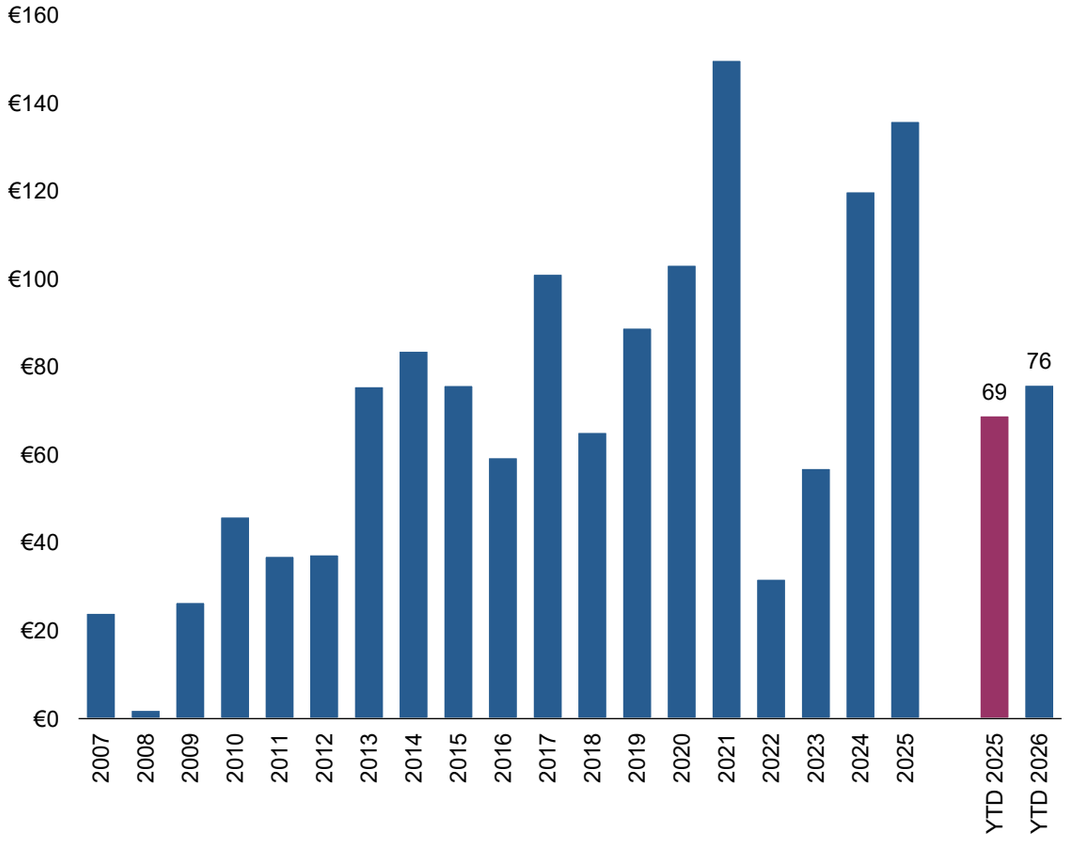



Source: J.P.Morgan, BoA as of June 30, 2026. Data provided is for informational use only

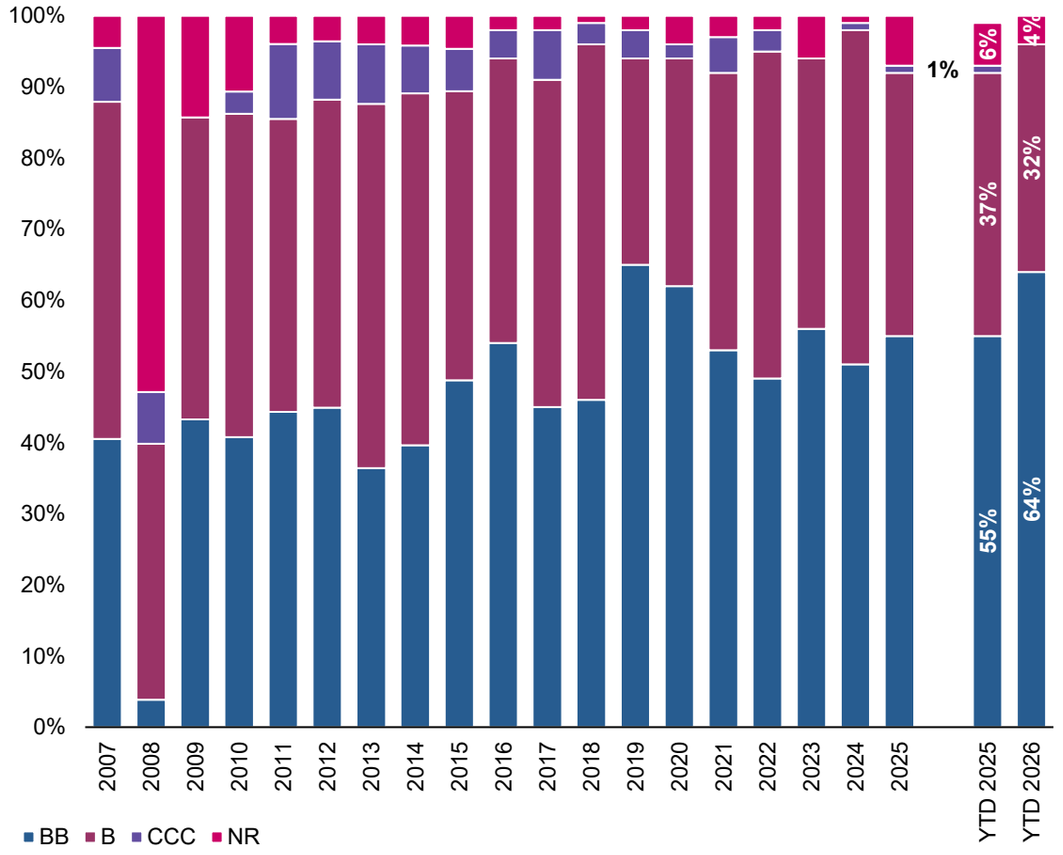
MARKET UPDATE

# Technical Factors: European Currency High Yield Issuance

## New Issue Volume




## Issuance by Credit Quality

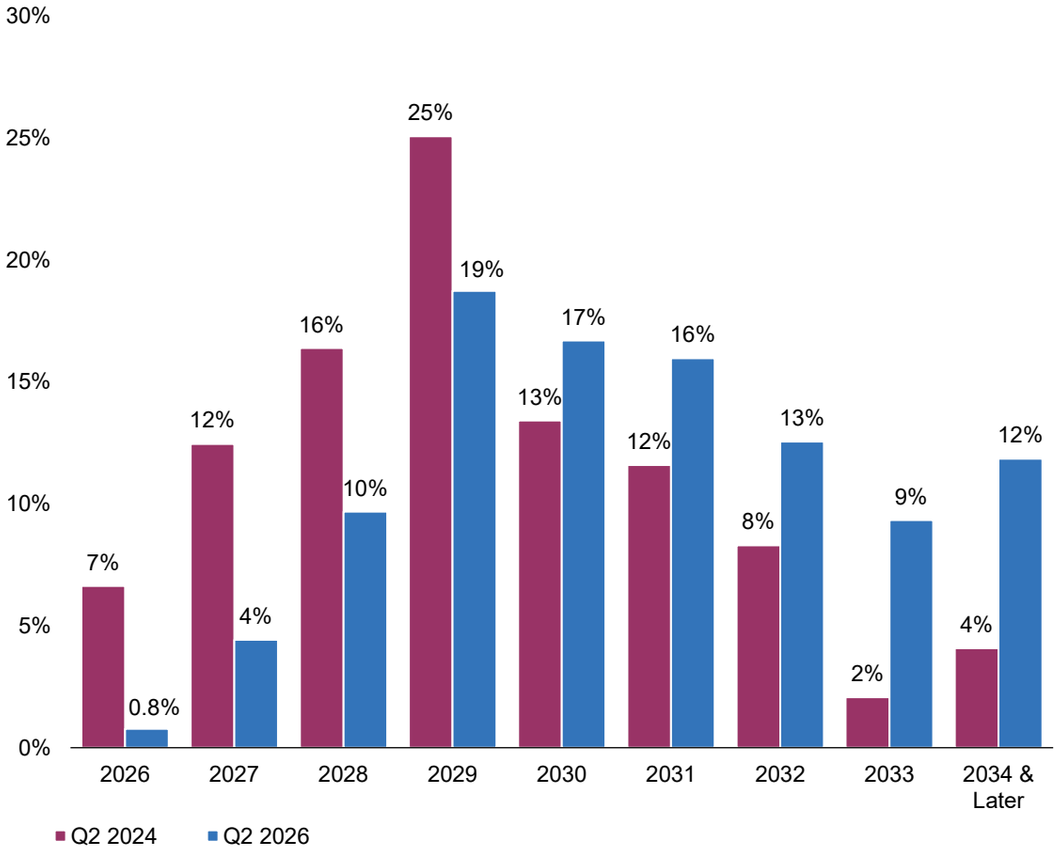



Source: J.P.Morgan, June 30, 2026. Data provided is for informational use only

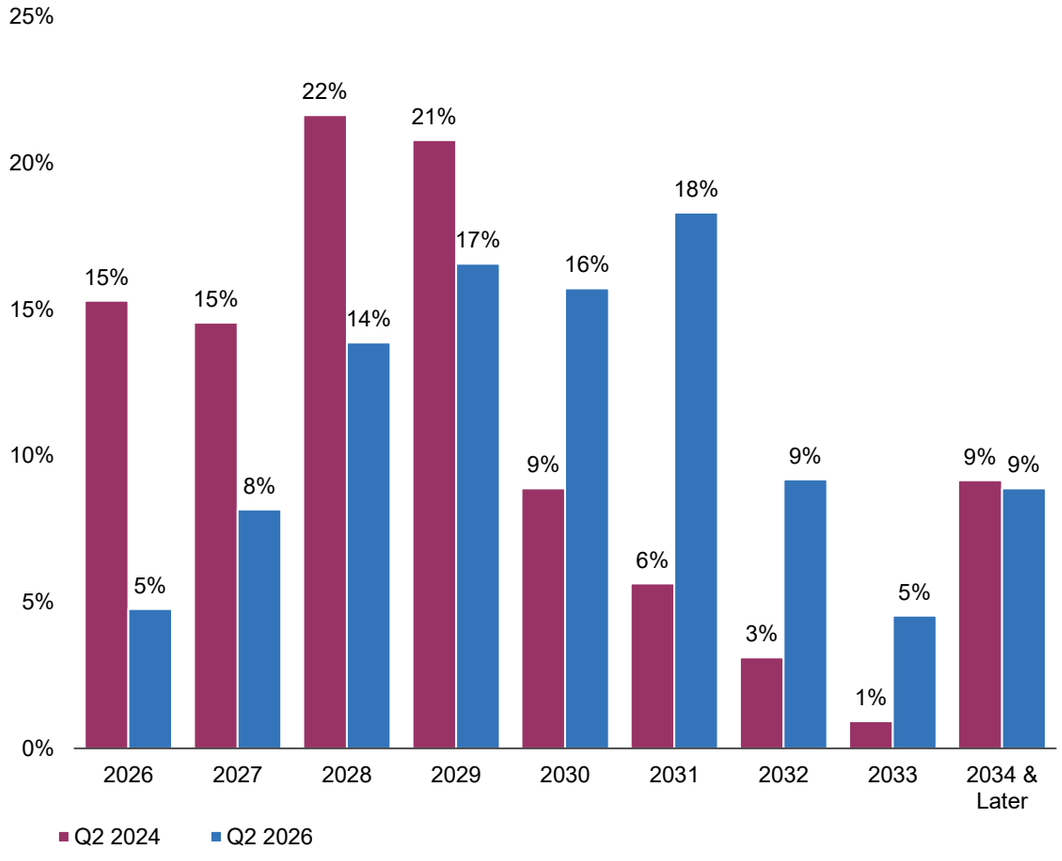
MARKET UPDATE

# Technical Factors: Maturity Walls

## US High Yield Maturity Distribution




## European High Yield Maturity Distribution



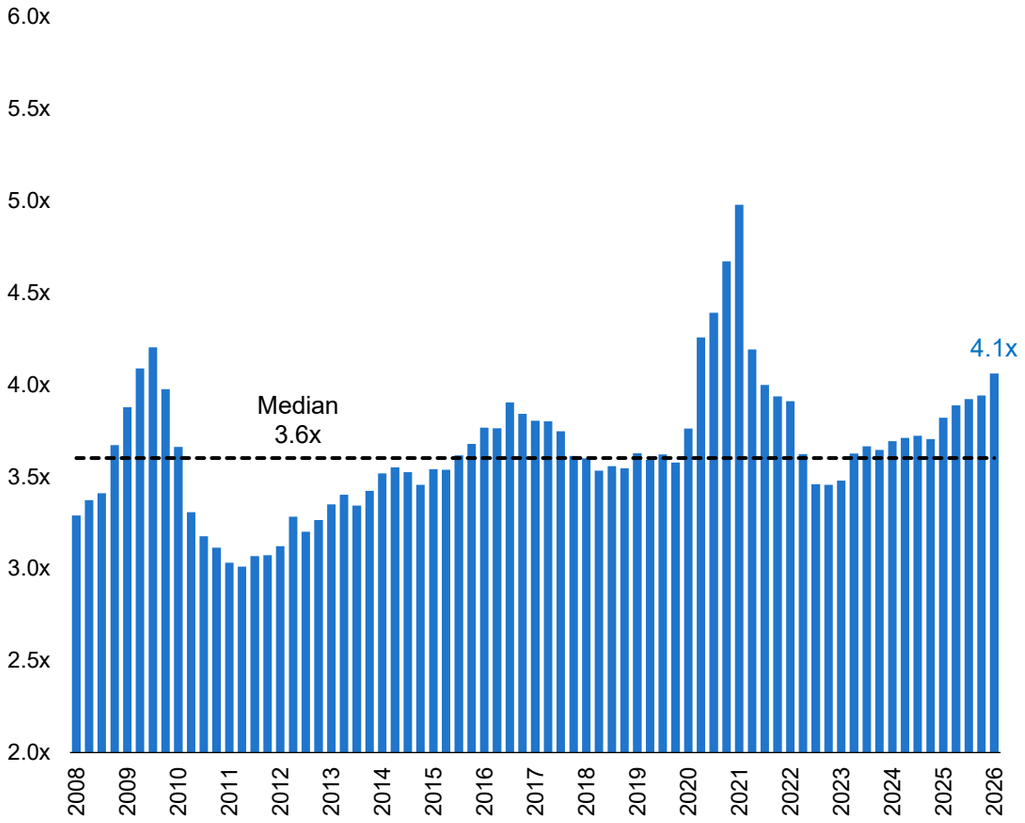

Source: BoA as of June 30, 2026

# Fundamentals & Valuation

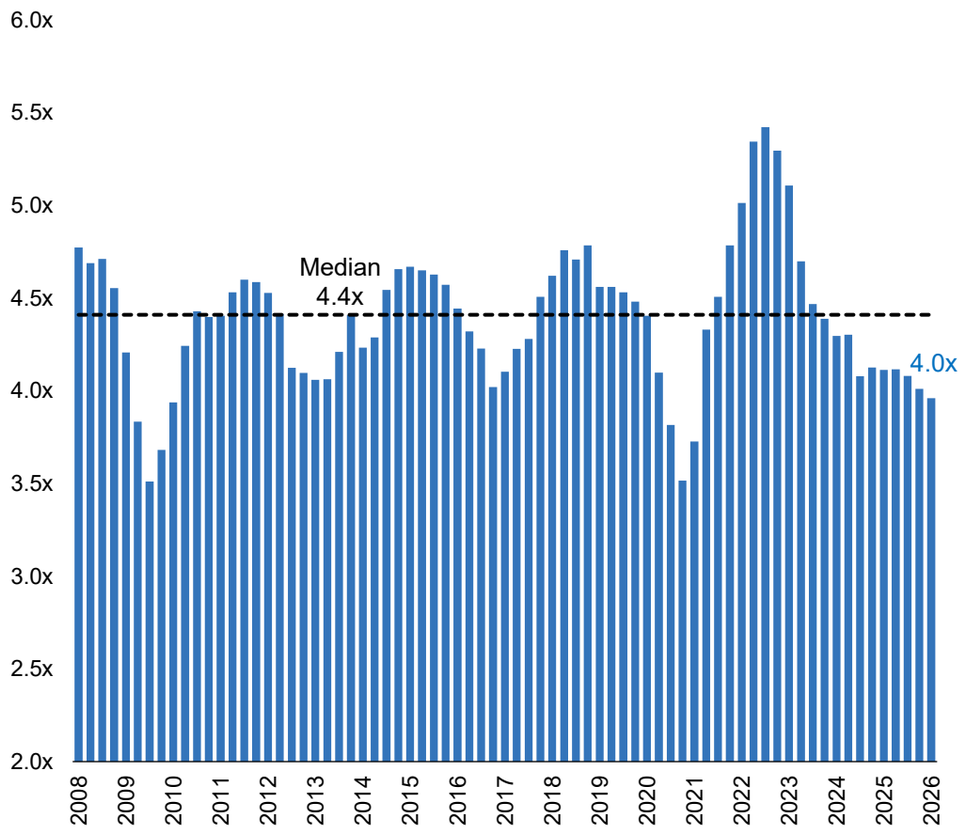
FUNDAMENTALS & VALUATION

# US High Yield Issuer Leverage & Coverage

## Net Leverage




## Interest Coverage

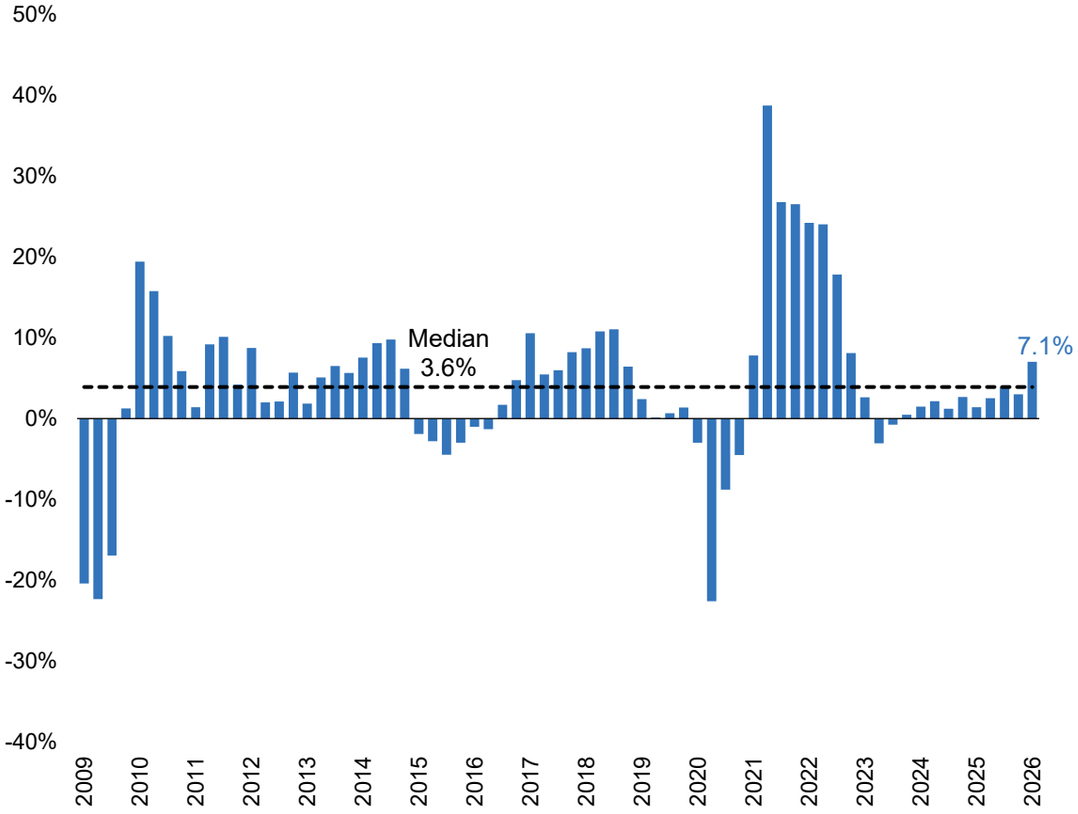



Source:J.P.Morgan as of June 18, 2026. Issuer fundamentals are reported for Q1 2026. Data provided is for informational use only. See end of material for important additional information and disclosures.

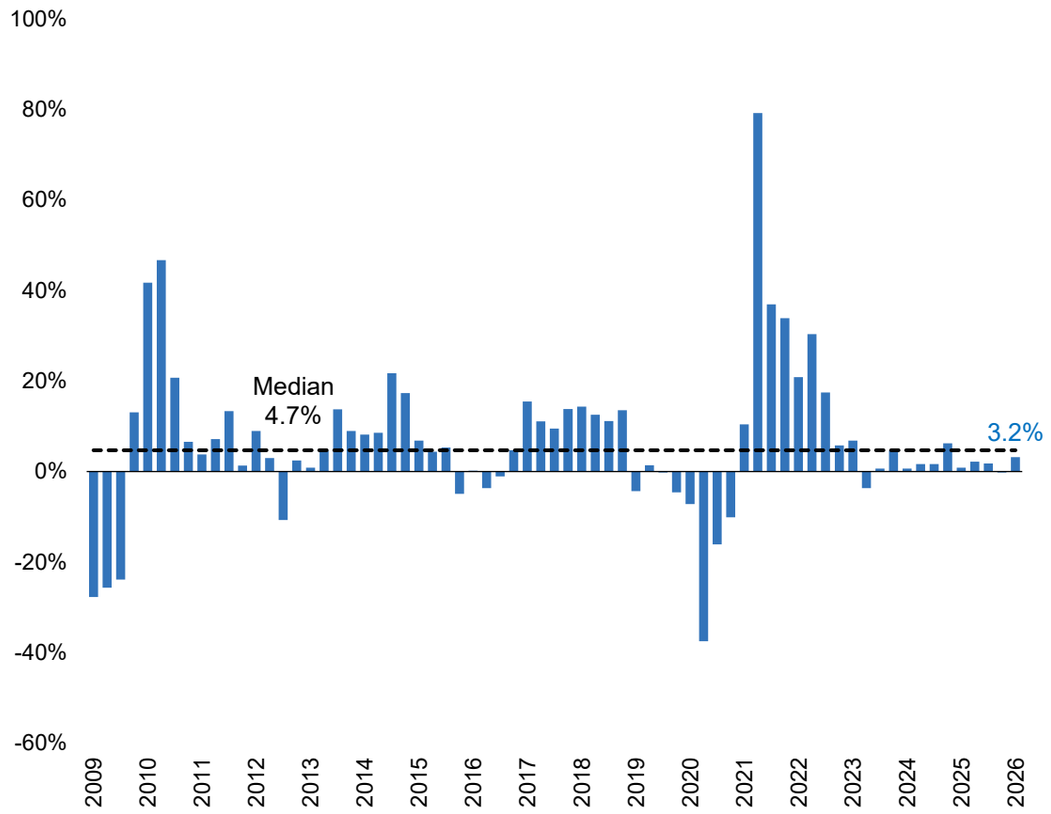
FUNDAMENTALS & VALUATION

# US High Yield Issuer Revenue & Earnings Growth

## Year-Over-Year Revenue Growth




## Year-Over-Year EBITDA Growth

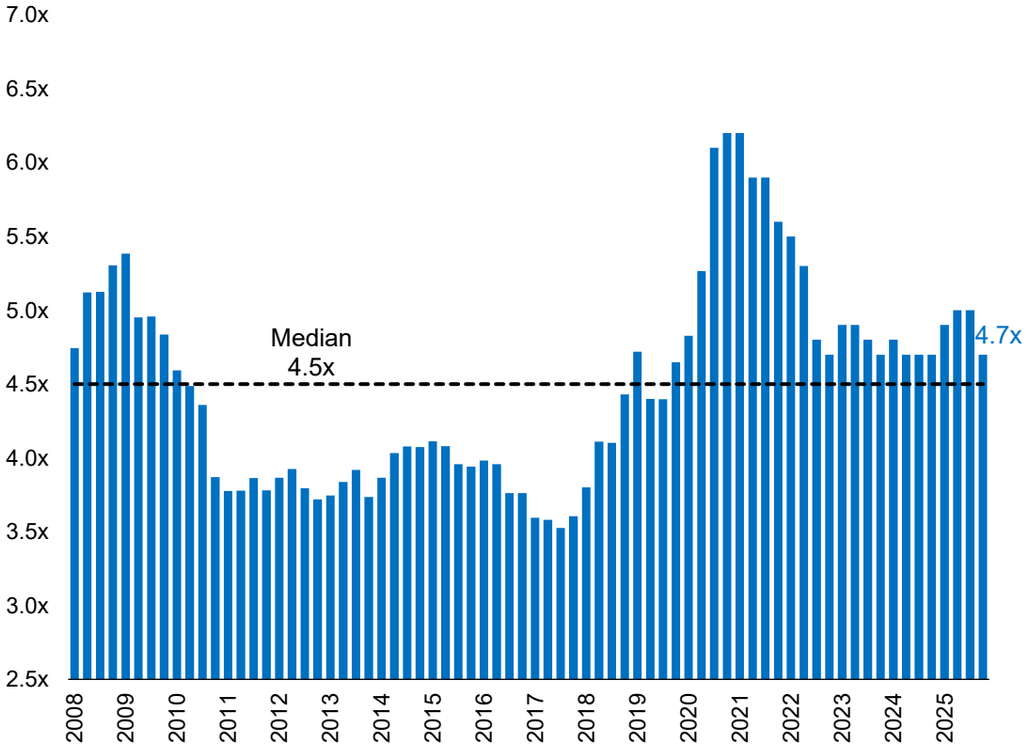



Source:J.P.Morgan as of June 18, 2026. Issuer fundamentals are reported for Q1 2026. Data provided is for informational use only. See end of material for important additional information and disclosures.

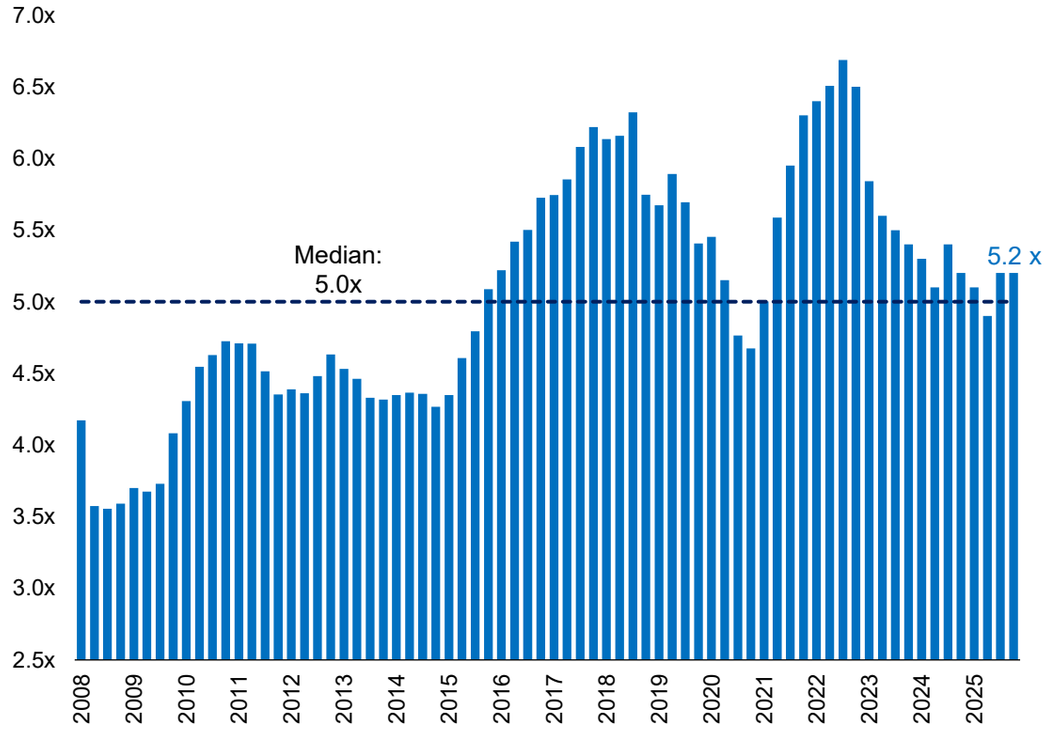
FUNDAMENTALS & VALUATION

# European High Yield Issuer Leverage & Coverage

## Net Leverage




## Interest Coverage

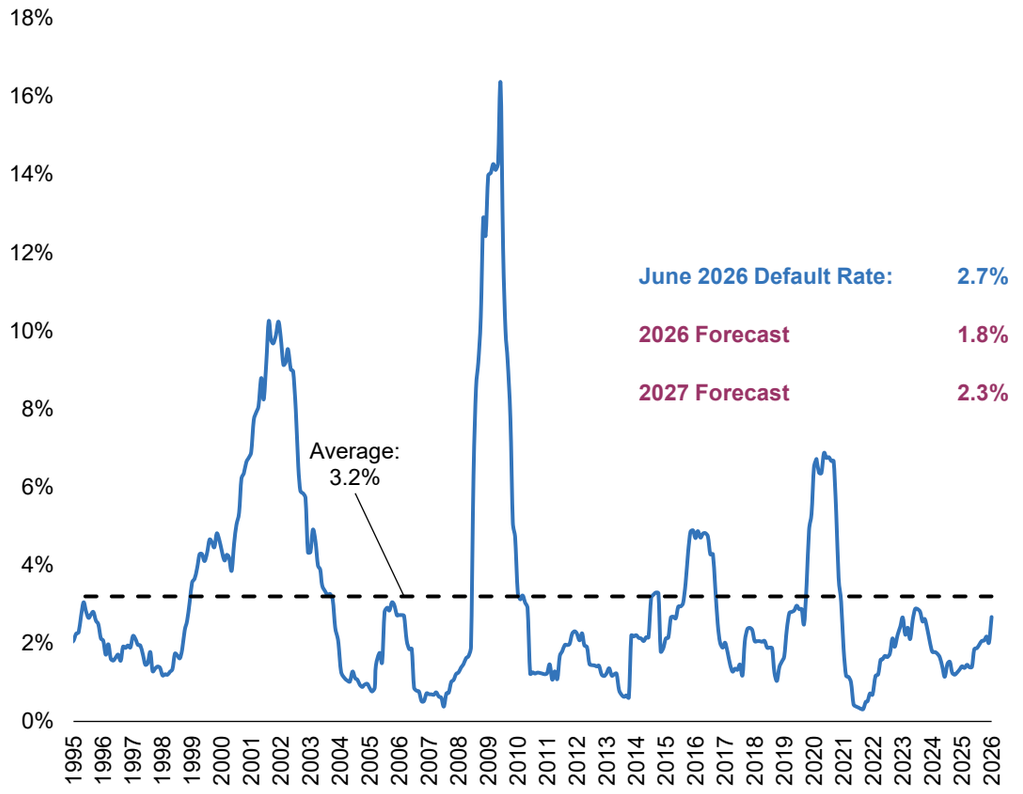



Source:J.P.Morgan as of April 24, 2026. European high yield issuer fundamentals are reported for Q4 2025. Data provided is for informational use only. See end of material for important additional information and disclosures.

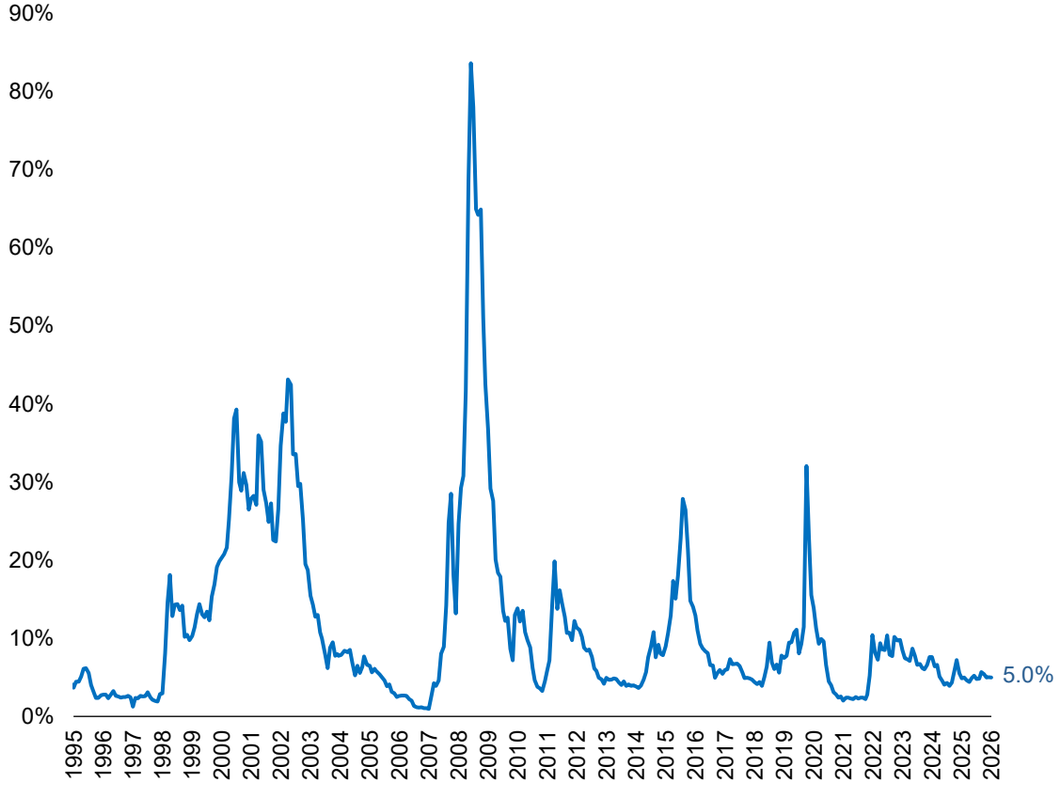
FUNDAMENTALS & VALUATION

# US High Yield Default Rate & Distress Ratio

## Default Rate




## Distress Ratio

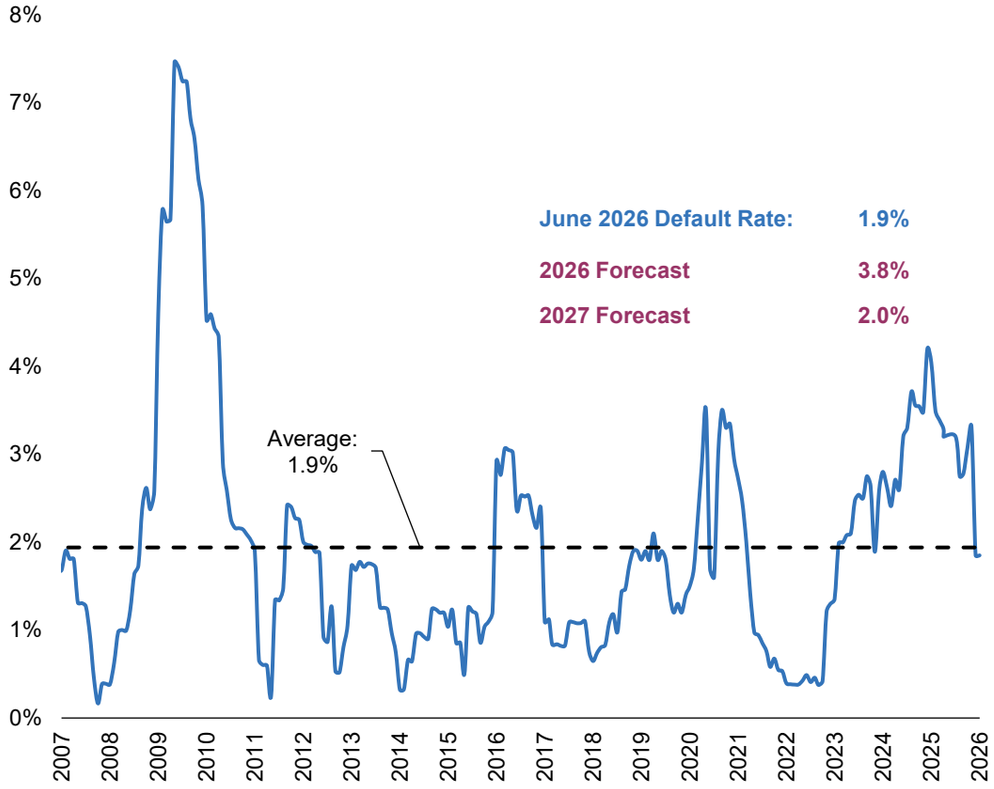



Source: J.P.Morgan, June 30, 2026.Data provided is for informational use only. Default rate measures last 12 months by par value including distressed exchanges. Distress ratio measures the percent of high yield bonds trading with a spread to worst greater than 1000 bps. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass.

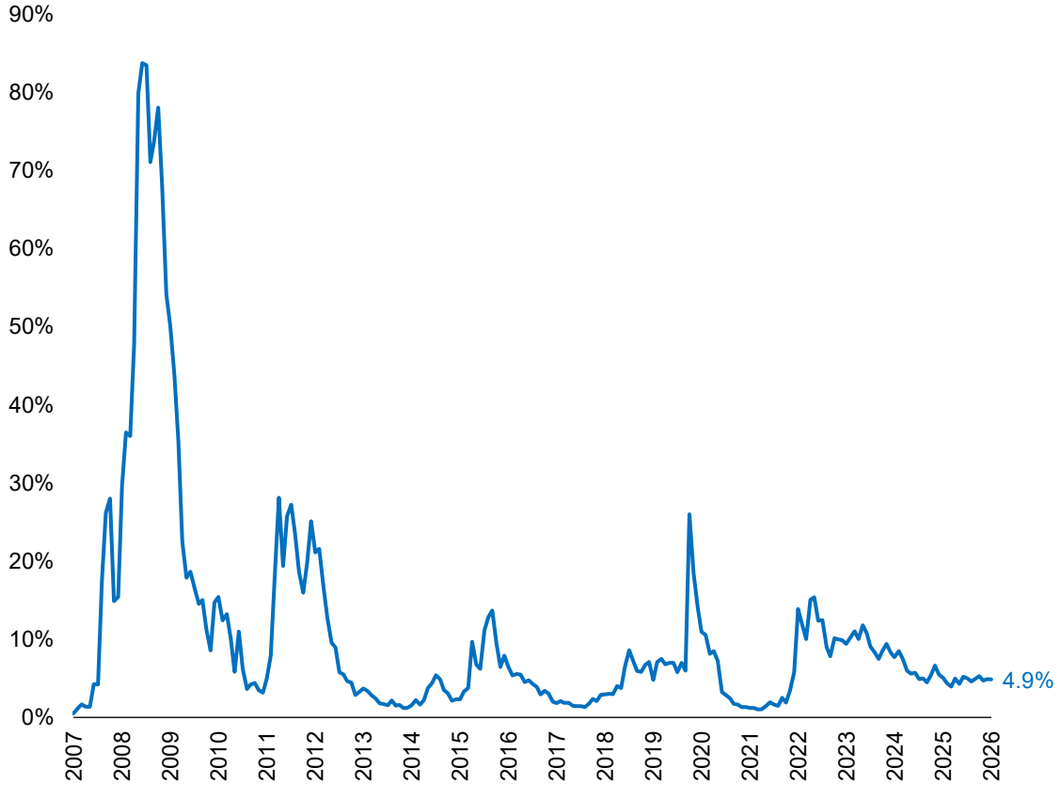
FUNDAMENTALS & VALUATION

# European High Yield Default Rate & Distress Ratio

## Default Rate




## Distress Ratio

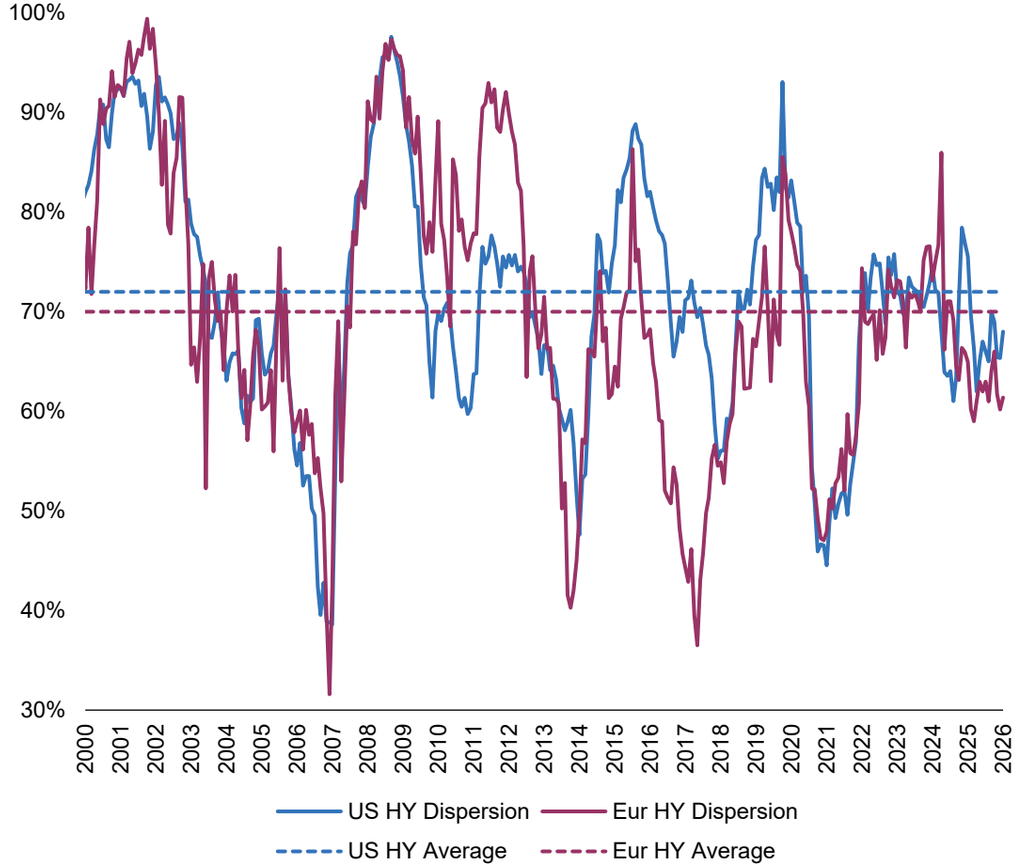



Source: J.P.Morgan, June 30, 2026.Data provided is for informational use only. Default rate measures last 12 months by par value including distressed exchanges. Distress ratio measures the percent of high yield bonds trading with a spread to worst greater than 1000 bps. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass.

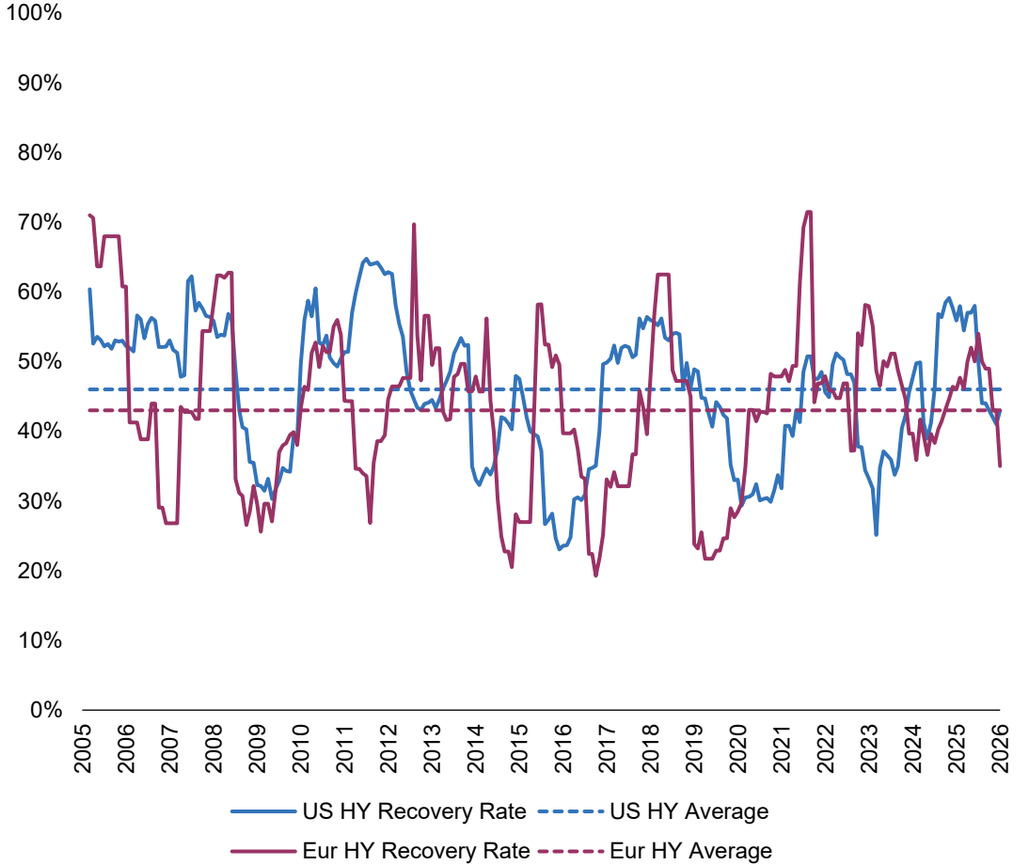
FUNDAMENTALS & VALUATION

# High Yield Dispersion & Recovery Rates

## Dispersion




## Recovery Rates

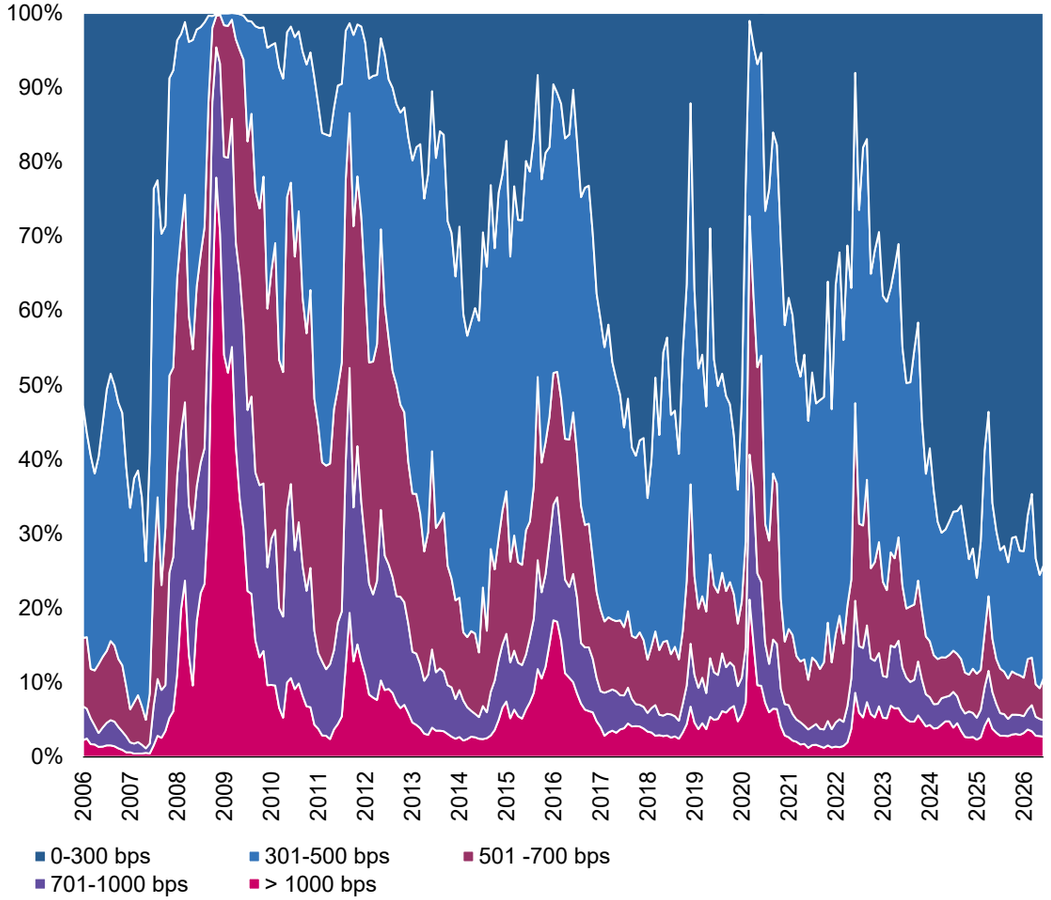



Source: BoA as of June 30, 2026. Data provided is for informational use only. Dispersion is measured by the percentage of the market that is trading within 100 bps of the overall index level. Recovery rates measured by the trailing twelve month par-weighted recovery rate.

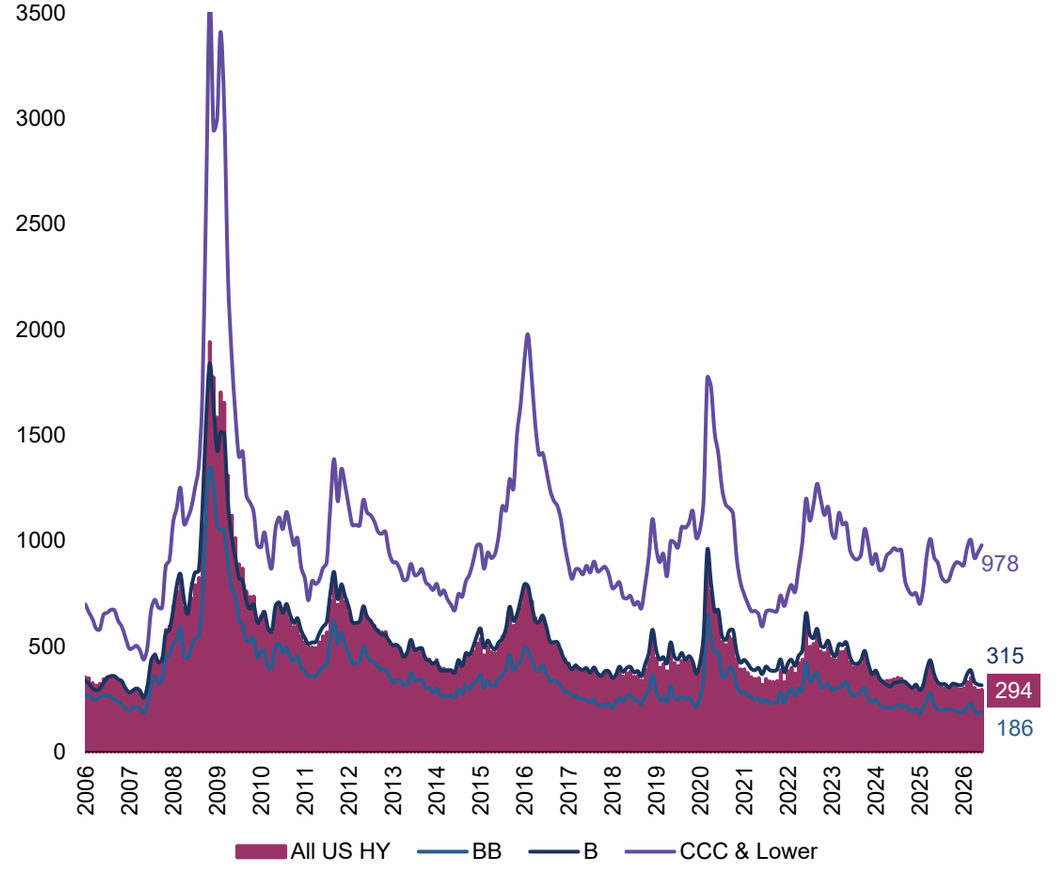
FUNDAMENTALS & VALUATION

# US High Yield Spread Composition

## Spread to Worst Distribution




## Spread to Worst by Credit Quality Segment

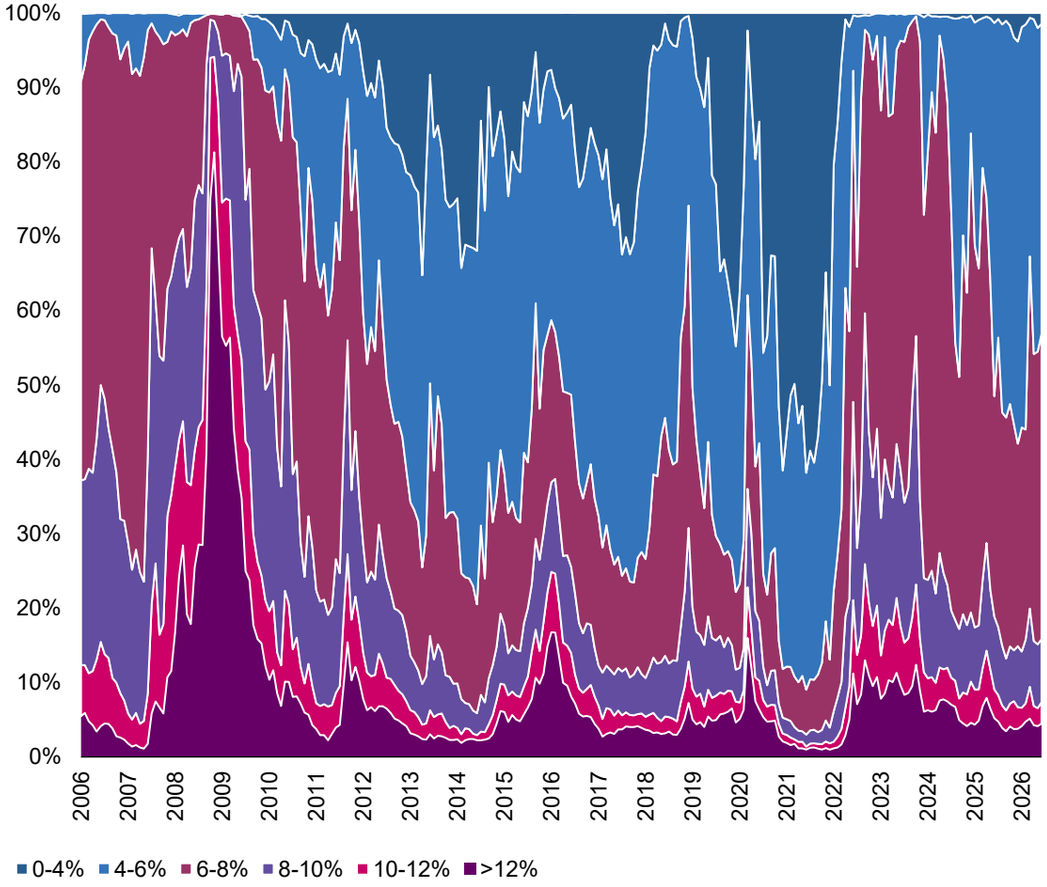



**Past performance is no guarantee of future results.** Source: ICE Indices LLC June 30, 2026. Data provided is for informational and illustrative purposes only. It is not possible to invest directly in an index. See end of material for important additional information and disclosures. The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment.

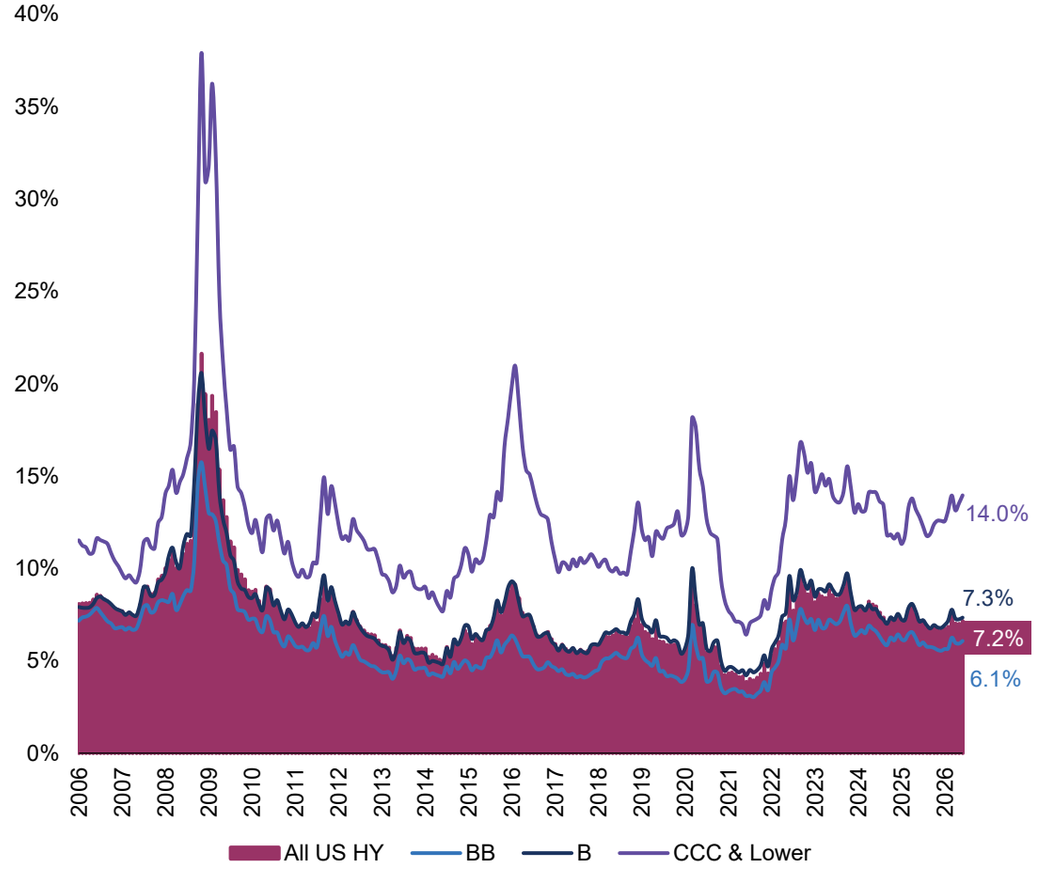
FUNDAMENTALS & VALUATION

# US High Yield YTW Composition

## Yield to Worst Distribution




## Yield to Worst by Credit Quality Segment

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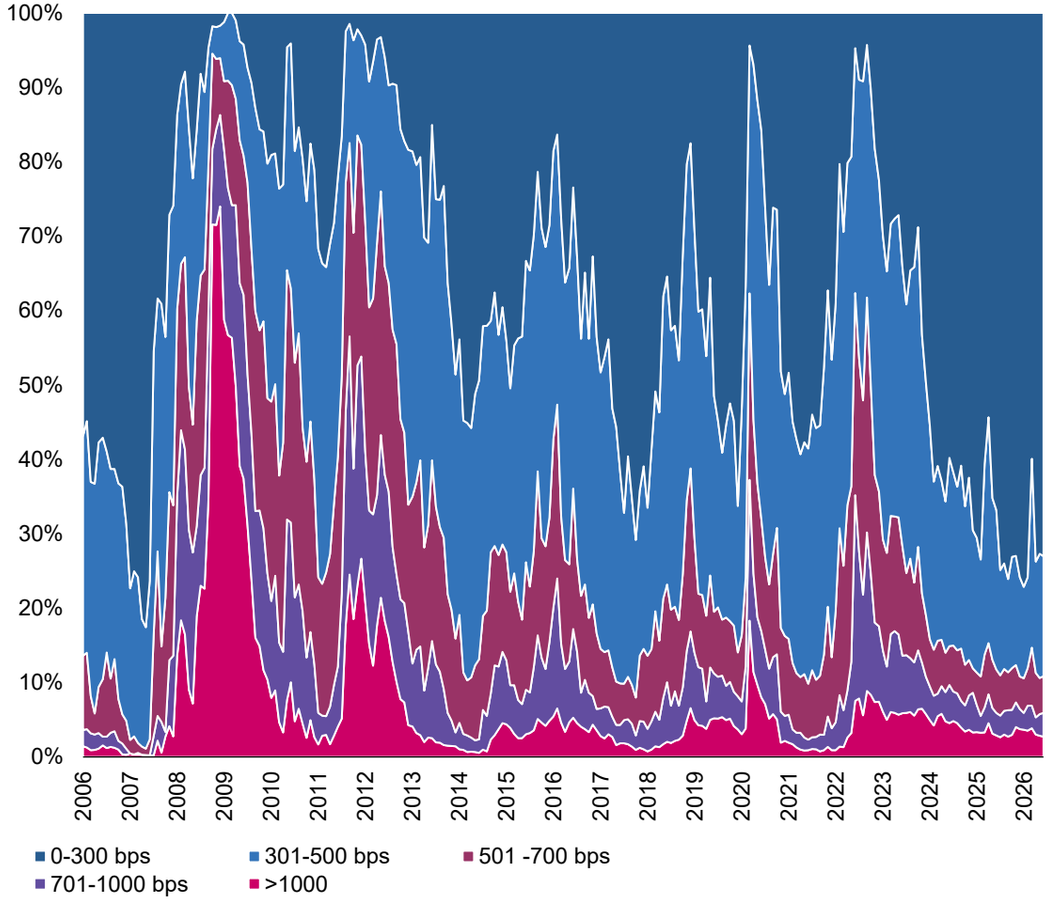
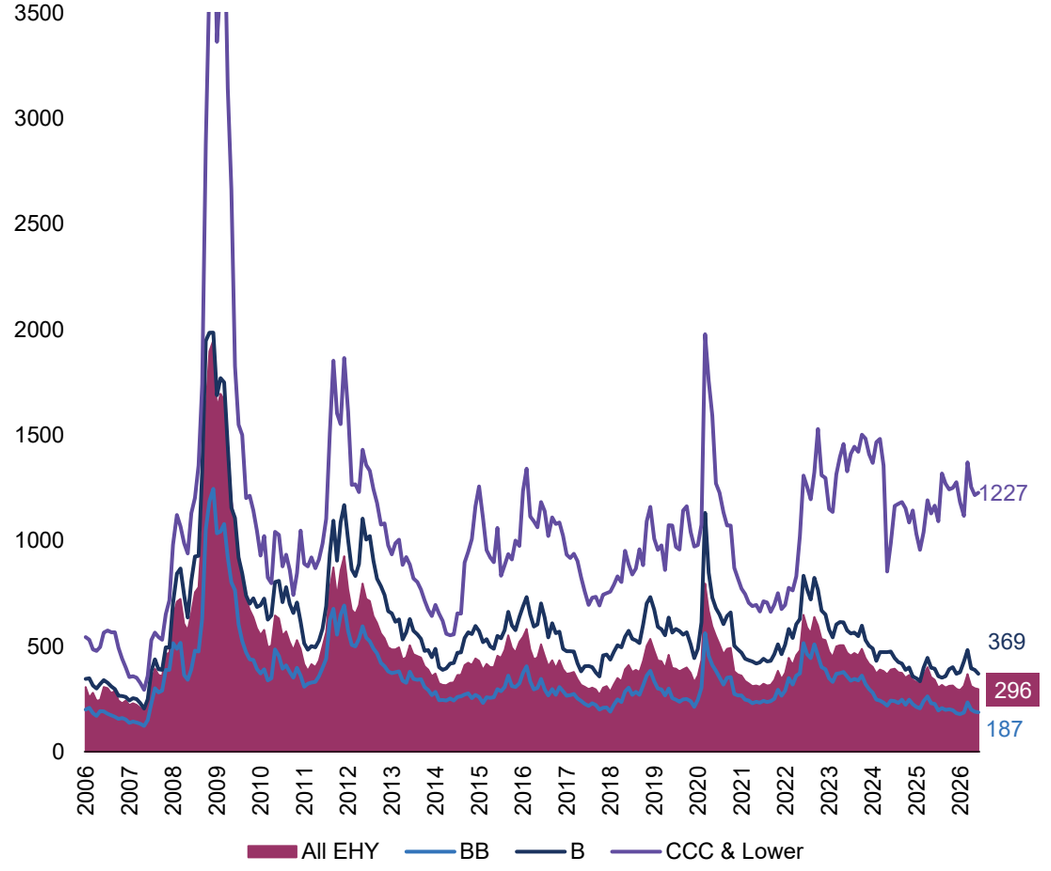
FUNDAMENTALS & VALUATION

# European High Yield Spread Composition

## Spread to Worst Distribution




## Spread to Worst

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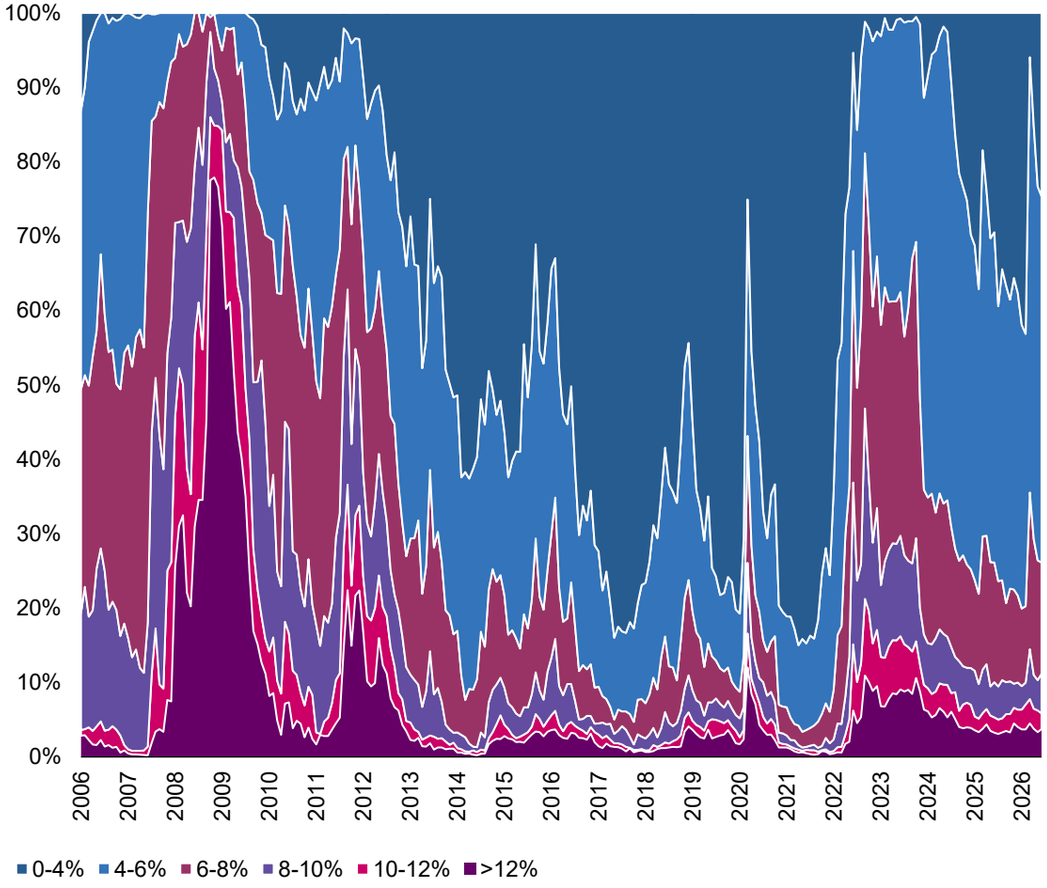
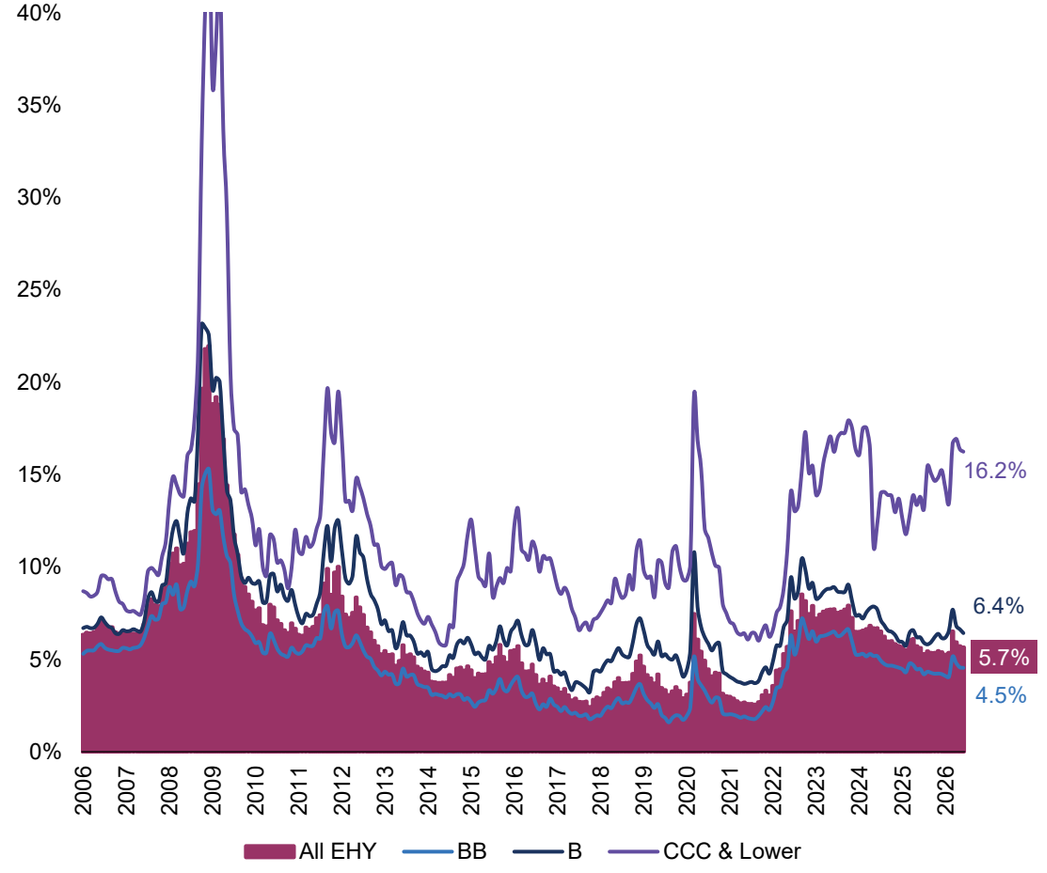
FUNDAMENTALS & VALUATION

# European High Yield YTW Composition

## Yield to Worst Distribution




## Yield to Worst by Credit Quality Segment

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# Case for High Yield

## CASE FOR HIGH YIELD

# Historical High Yield Returns in Context

## Past Performance is Not a Reliable Indicator of Future Results

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | YTD 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Higher | US High Yield 17.49 | EMD (Local Currency) 15.21 | Municipal 1.28 | Investment Grade 14.54 | Global Agg Ex-U.S. 10.11 | US High Yield 5.36 | Bank Loan -0.77 | European High Yield 14.57 | European High Yield 9.68 | EMD (Local Currency) 19.26 | EMD (Hard Currency) 4.63 |
| | Global High Yield 16.57 | Global Agg Ex-U.S. 10.51 | MBS 0.99 | EMD (Hard Currency) 14.42 | Investment Grade 9.89 | Bank Loan 5.20 | Municipal -8.53 | Global High Yield 13.77 | Bank Loan 8.95 | EMD (Hard Currency) 14.30 | European High Yield 4.15 |
| | European High Yield 11.54 | EMD (Hard Currency) 9.32 | Treasury 0.86 | US High Yield 14.41 | Treasury 8.00 | Global High Yield 5.04 | European High Yield -9.04 | US High Yield 13.46 | Global High Yield 8.59 | Global Agg Ex-U.S. 8.85 | EMD (Local Currency) 3.85 |
| | EMD (Hard Currency) 10.19 | European High Yield 8.39 | Bank Loan 0.44 | European High Yield 14.40 | EMD (Corp. Bonds) 7.13 | European High Yield 4.17 | Global High Yield -10.58 | Bank Loan 13.32 | US High Yield 8.20 | EMD (Corp. Bonds) 8.73 | Global High Yield 2.86 |
| | Bank Loan 10.16 | EMD (Corp. Bonds) 7.96 | European High Yield -0.86 | Global High Yield 14.29 | US High Yield 6.17 | Municipal 1.52 | US High Yield -11.22 | EMD (Local Currency) 12.70 | EMD (Corp. Bonds) 7.63 | MBS 8.58 | Municipal 2.50 |
| | EMD (Local Currency) 9.94 | Global High Yield 7.59 | EMD (Corp. Bonds) -1.65 | EMD (Local Currency) 13.47 | EMD (Hard Currency) 5.88 | EMD (Corp. Bonds) 0.91 | EMD (Local Currency) -11.69 | EMD (Hard Currency) 11.09 | EMD (Hard Currency) 6.54 | US High Yield 8.50 | US High Yield 2.46 |
| | EMD (Corp. Bonds) 9.65 | US High Yield 7.48 | Global High Yield -1.90 | EMD (Corp. Bonds) 13.09 | Global High Yield 5.61 | Investment Grade -1.04 | MBS -11.81 | EMD (Corp. Bonds) 9.08 | Investment Grade 2.13 | Global High Yield 8.24 | EMD (Corp. Bonds) 2.42 |
| | Investment Grade 6.11 | Investment Grade 6.42 | Global Agg Ex-U.S. -2.15 | Bank Loan 8.64 | Municipal 5.21 | MBS -1.04 | EMD (Corp. Bonds) -12.26 | Investment Grade 8.52 | MBS 1.20 | Investment Grade 7.77 | Bank Loans 1.88 |
| | MBS 1.67 | Municipal 5.45 | US High Yield -2.26 | Municipal 7.54 | European High Yield 4.07 | EMD (Hard Currency) -1.51 | Treasury -12.46 | Municipal 6.40 | Municipal 1.05 | European High Yield 7.33 | Investment Grade 1.40 |
| | Global Agg Ex-U.S. 1.49 | Bank Loan 4.12 | Investment Grade -2.51 | Treasury 6.86 | MBS 3.87 | Treasury -2.32 | Investment Grade -15.76 | Global Agg Ex-U.S. 5.72 | Treasury 0.58 | Treasury 6.32 | Global Agg Ex-U.S. 0.99 |
| | Treasury 1.04 | MBS 2.47 | EMD (Hard Currency) -4.61 | MBS 6.35 | Bank Loan 3.12 | Global Agg Ex-U.S. -7.05 | EMD (Hard Currency) -16.45 | MBS 5.05 | EMD (Local Currency) -2.38 | Bank Loan 5.90 | MBS 0.58 |
| Lower | Municipal 0.25 | Treasury 2.31 | EMD (Local Currency) -6.21 | Global Agg Ex-U.S. 5.09 | EMD (Local Currency) 2.69 | EMD (Local Currency) -8.75 | Global Agg Ex-U.S. -18.70 | Treasury 4.05 | Global Agg Ex-U.S. -4.22 | Municipal 4.25 | Treasury 0.32 |

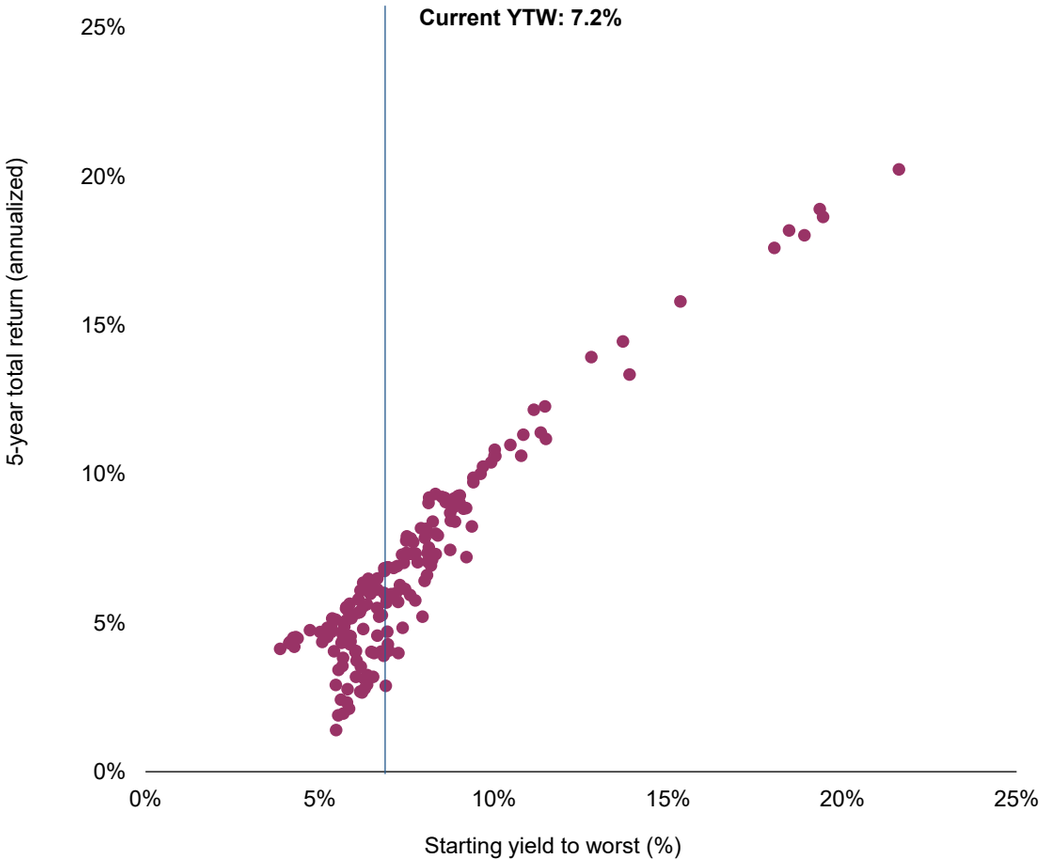
Source: Morningstar as of June 30, 2026. It is not possible to invest directly in an index. Data provided is for informational use only. See end of report for important additional information. Investment Grade represented by Bloomberg U.S. Corporate Index. MBS represented by Bloomberg U.S. Mortgage-Backed Securities (MBS) Index. Treasury represented by Bloomberg U.S. Treasury Index. High Yield represented by ICE BofA US High Yield Index. Global High Yield represented by ICE BofA DM High Yield ex Sub. Financials Index- USD Hedged. European High Yield represented by ICE BofA European Currency Dev Mkts High Yield excluding Subordinated Financials Constrained Index – USD Hedged. Municipal represented by Bloomberg Municipal Bond Index. Bank Loan represented by Morningstar LSTA U.S. Leveraged Loan Index. Global Agg Ex-U.S. represented by Bloomberg Global Aggregate Ex-USD Index. EMD (Local Currency) represented by J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. EMD (Hard Currency) represented by J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified. EMD (Corp. Bonds) represented by J.P. Morgan Corporate Emerging Market Bond Index (CEMBI) Broad Diversified.

CASE FOR HIGH YIELD

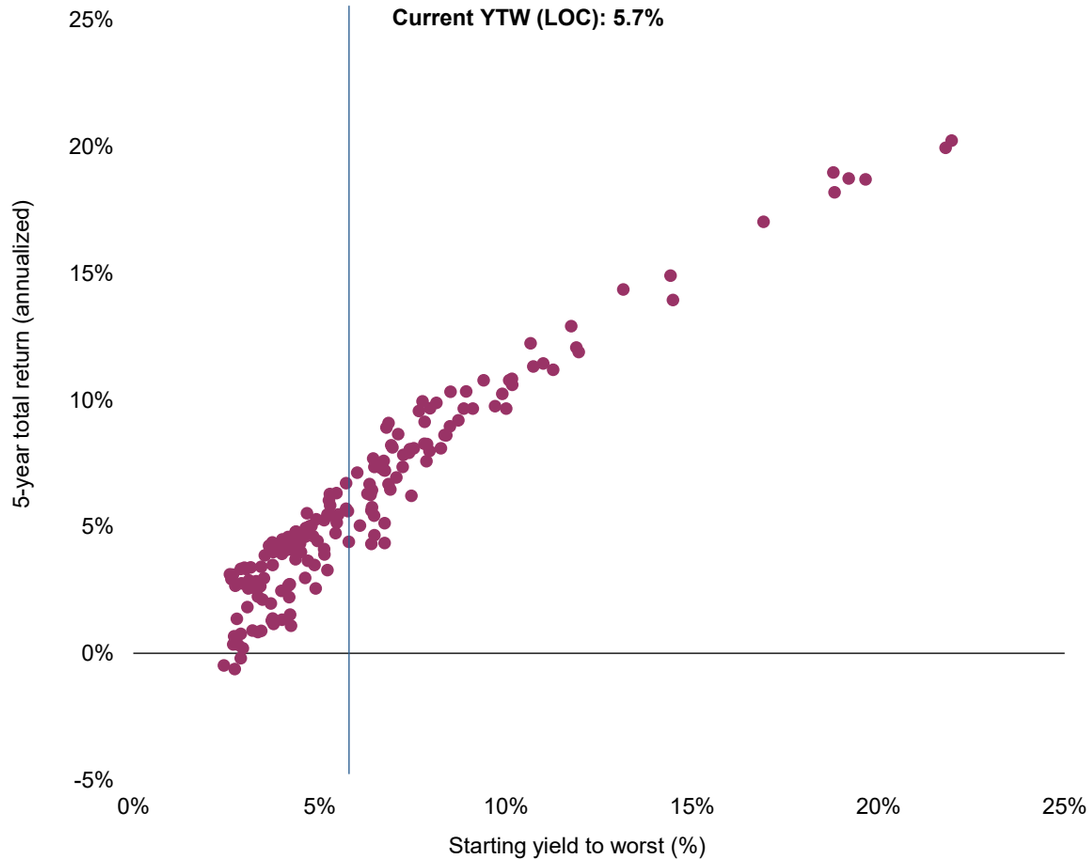
# Starting Yields: Building Blocks of Future Returns

## Past Performance is Not a Reliable Indicator of Future Results

### US High Yield Starting Yield vs 5-Yr Annualized Total Return




### EUR High Yield Starting Yield vs 5-Yr Annualized Total Return

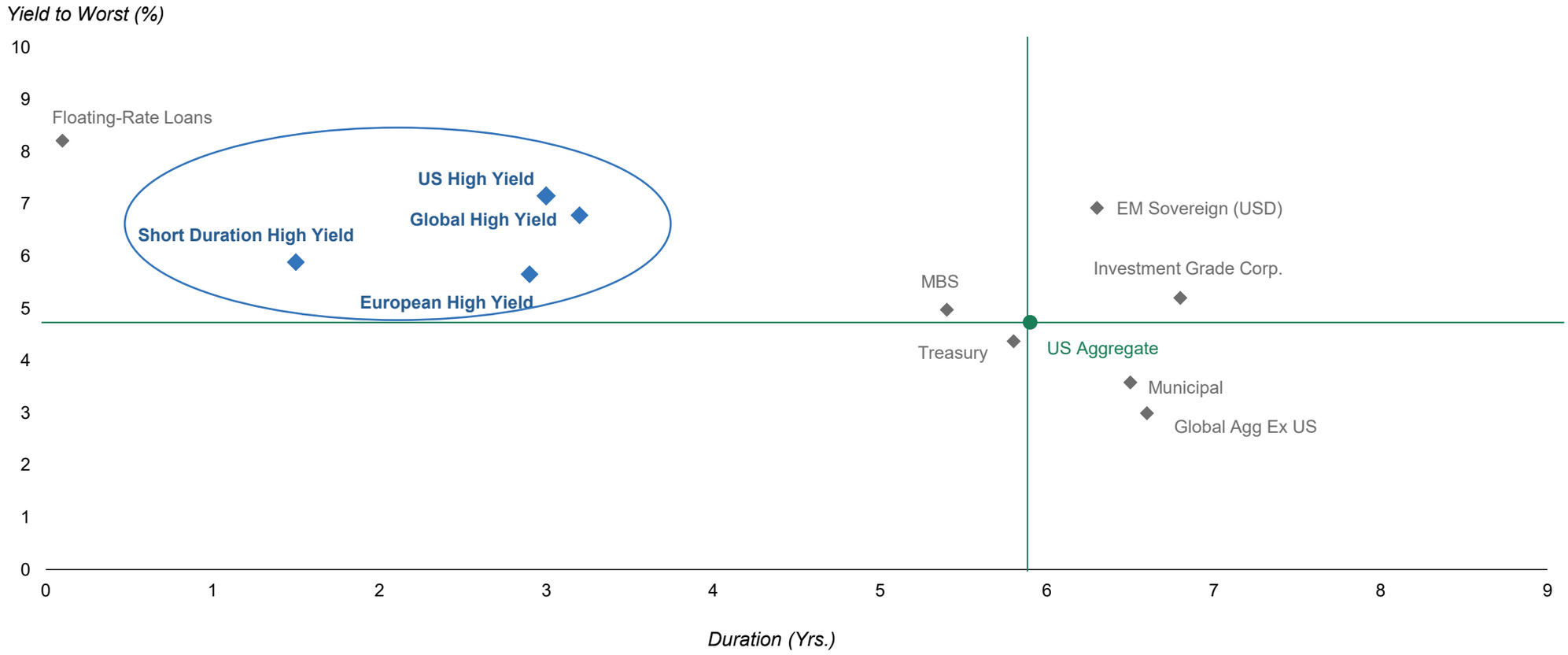



Source: Bloomberg, MSIM, ICE Indices. Note: Yields are in local currency as of June 30, 2026. US High Yield = ICE BofA US High Yield Index (H0A0). European High Yield= ICE BofA European Ccy Developed Mkts High Yield excl Sub-Financials Constrained Index (HPSD). Based on 20 years of historic data. This index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment.

## CASE FOR HIGH YIELD

# Higher Yield and Lower Duration

### Past Performance is Not a Reliable Indicator of Future Results




Source: Morningstar as of June 30, 2026. It is not possible to invest directly in an index. Data provided is for informational use only. See end of report for important additional information. US Aggregate represented by Bloomberg US Aggregate Index. Investment Grade represented by Bloomberg U.S. Corporate Index. MBS represented by Bloomberg U.S. Mortgage-Backed Securities (MBS) Index. Treasury represented by Bloomberg U.S. Treasury Index. High Yield represented by ICE BofA US High Yield Index. Global High Yield represented by ICE BofA DM High Yield ex Sub. Financials Index- USD Hedged. European High Yield represented by ICE BofA European Currency Dev Mkts High Yield excluding Subordinated Financials Constrained Index – USD Hedged. Municipal represented by Bloomberg Municipal Bond Index. Bank Loan represented by Morningstar LSTA U.S. Leveraged Loan Index. Global Agg Ex-US represented by Bloomberg Global Aggregate Ex-USD Index. EM Sovereign (USD) represented by the J.P Morgan EM Bond Index (EMBI) Global Diversified Index.

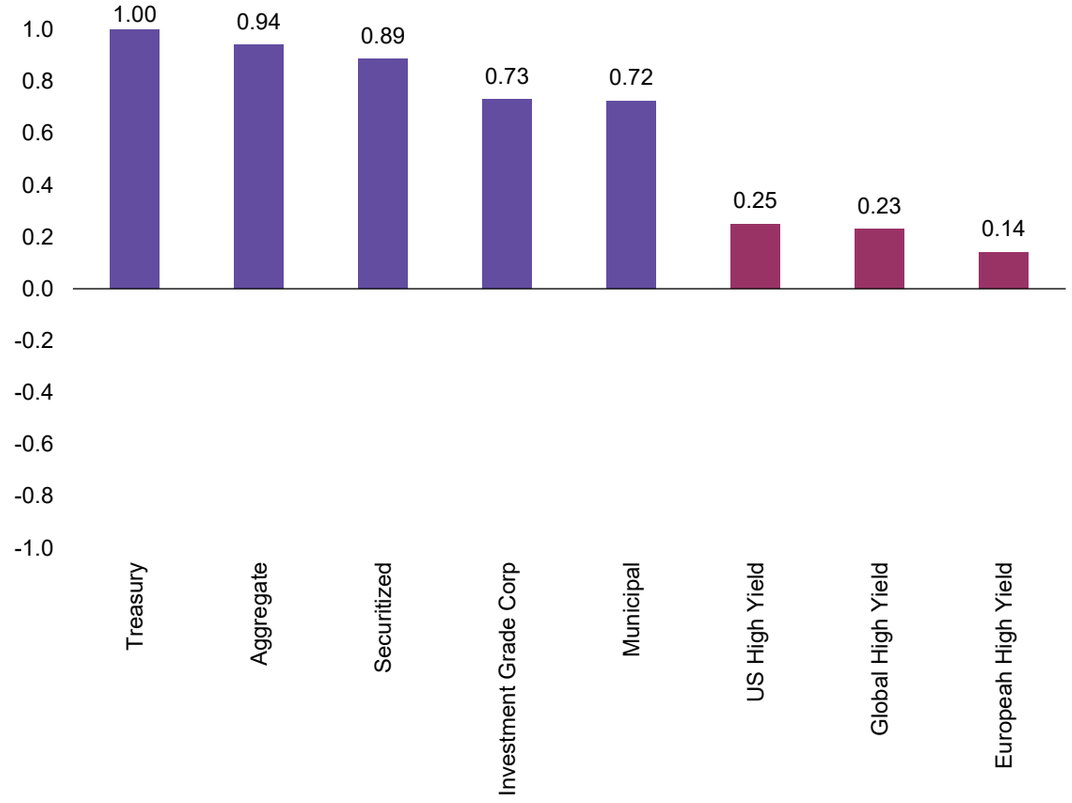
CASE FOR HIGH YIELD

# Lower Correlations and Higher Return per Level of Risk

## Past Performance is Not a Reliable Indicator of Future Results

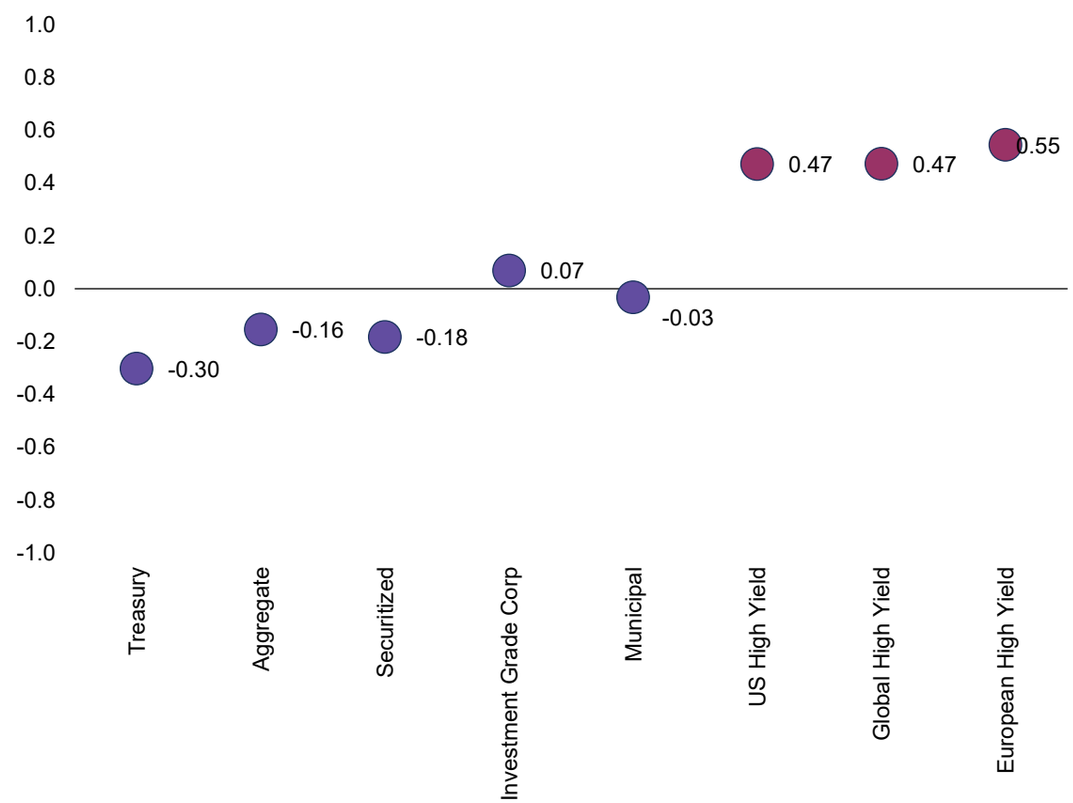
### Correlation to Core Bond Allocations

*10-Year Correlation to US Treasuries*




### Sharpe Ratio

*10-Year Sharpe Ratio*



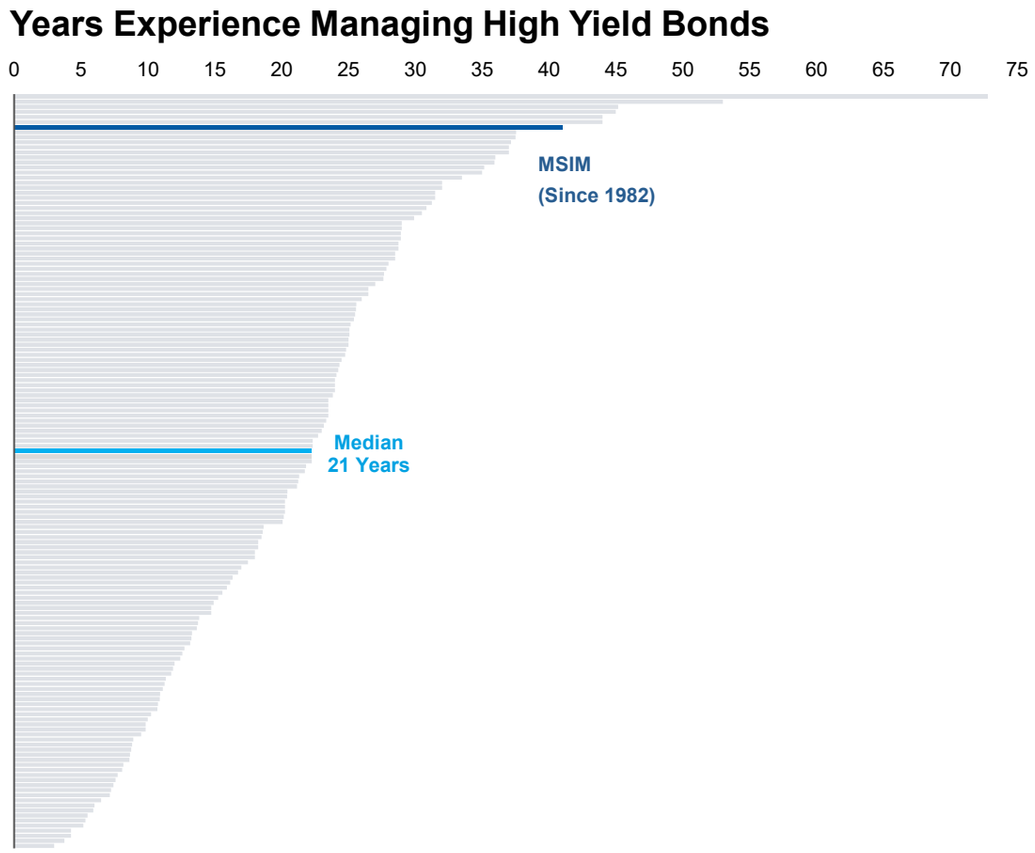

Sources: Bloomberg, ICE Data Indices LLC, Morningstar. As of June 30, 2026. The index performance is provided for illustrative purposes only and is not meant to depict the performance of a specific investment. Correlation is a statistical measure of how two securities perform in relation to each other. Sharpe Ratio measures an investment's risk-adjusted return by dividing excess return over the risk-free rate by the standard deviation. Treasury represented by Bloomberg U.S. Treasury Index. Aggregate represented by Bloomberg U.S. Aggregate Index. MBS represented by Bloomberg U.S. Mortgage-Backed Securities (MBS) Index. Investment Grade Corp. represented by Bloomberg U.S. Corporate Index. Municipal represented by Bloomberg Municipal Bond Index. US High Yield represented by ICE BofA US High Yield Index. Global High Yield represented by ICE BofA Global High Yield Index. European High Yield represented by ICE BofA European High Yield Index.

# About MSIM

## MSIM FOR HIGH YIELD

# The Advantage of Our Experience

- High Yield managers since 1982
- 35+ member team dedicated exclusively to high yield bond management with an average team tenure of over a decade with the firm
- Risk-adjusted performance orientation underpinned by rigorous bottom-up credit research
- Historically high information ratios and efficient up/down market capture
- Continuity of leadership, team and process




Source: eVestment, December 31, 2025. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Based on eVestment US High Yield Fixed Income universe using oldest investment offering for each firm.

## MSIM FOR HIGH YIELD

# High Yield Investment Team

### TEAM LEADERSHIP AND PORTFOLIO MANAGEMENT

**Stephen Concannon, CFA**
Co-Head of High Yield
33 Years Industry
26 Years Firm

**Jeffrey Mueller**
Co-Head of Fixed Income
Co-Head of High Yield
22 Years Industry
11 Years Firm

### PORTFOLIO MANAGEMENT

**Bo Hunt**
24 Years Industry
10 Years Firm

**Justin Bourgette, CFA**
20 Years Industry
20 Years Firm

**Alex Clementi, CFA**
19 Years Industry
6 Years Firm

**Tom Wills, CFA**[1]
28 Years Industry
16 Years Firm

**Kelley Gerrity**[2]
26 Years Industry
21 Years Firm

### CREDIT RESEARCH

**Dean Graves, CFA**
Co-Head of High Yield Research
34 Years Industry
13 Years Firm

**Hari Thirumalai**
Co-Head of High Yield Research
35 Years Industry
9 Years Firm

**16 Research Analysts**[3]
20 Years Industry
10 Years Firm

**4 Research Associates**
3 Years Industry
2 Years Firm

### TRADING

**Dan Sullivan, CFA**
20 Years Industry
13 Years Firm

**Noah Coons, CFA**
29 Years Industry
27 Years Firm

**Gregory DeMilio**
12 Years Industry
12 Years Firm

### PORTFOLIO ANALYSTS

**Joe Cinar**
12 Years Industry
12 Years Firm

**Erin Kelly**
1 Year Industry
1 Year Firm

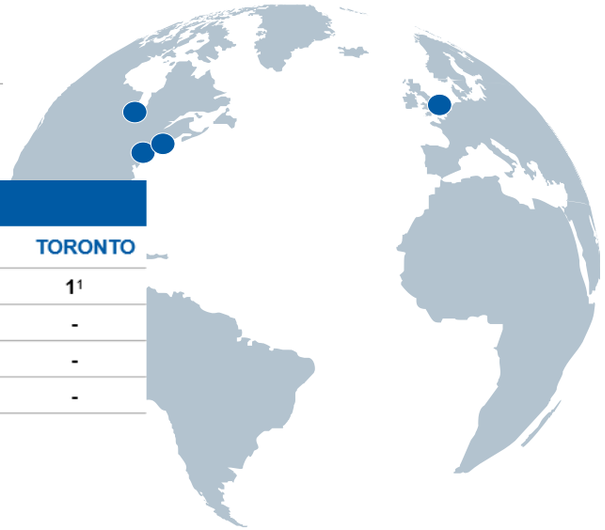
### PRODUCT & PORTFOLIO STRATEGY

**William Reardon**
12 Years Industry
12 Years Firm

**Dónal Kinsella**
16 Years Industry
7 Years Firm

**Alison Katz, CFA**
23 Years Industry
8 Years Firm

**Bryan Kelly, CFA**
13 Years Industry
7 Years Firm



**GLOBAL FOOTPRINT**

| | BOSTON | NEW YORK | LONDON | TORONTO |
|---|---|---|---|---|
| PORTFOLIO MANAGERS | 4[2] | - | 2 | 1[1] |
| ANALYSTS | 9 | 6 | 7[3] | - |
| TRADERS | 2 | 1 | - | - |
| PRODUCT STRATEGY | 3 | - | 1 | - |

Employee data as of 06/30/2026. Team members may change from time to time without notice.
[1]Tom Wills is a portfolio manager on the Global Convertible Bond Strategy and is based in Toronto
[2] Kelley Gerrity is a portfolio manager on the Multi-Asset Credit Strategy.
[3]Includes one analyst covering Financials for the Broad Markets Fixed Income and High Yield Teams.

## ADDITIONAL INFORMATION

# Important Information and Disclosure

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Because of the greater number of investment considerations involved in investing in investments that receive lower ratings, investing in lower rated investments depends more on the investment adviser's judgment and analytical abilities than may be the case for investing in investments with higher ratings. While the investment adviser will attempt to reduce the risks of investing in lower rated or unrated securities through, among other things, active portfolio management, credit analysis and attention to current developments and trends in the economy and the financial markets, there can be no assurance that the investment adviser will be successful in doing so.

## ADDITIONAL INFORMATION

# Important Information and Disclosure

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**Yield to Worst** is a measure which reflects the lowest potential yield earned on a bond without the issuer defaulting. The yield to worst is calculated by making worst-case scenario assumptions by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer

**ABOUT ASSET CLASS COMPARISONS:**

Elements of this report include comparisons of different asset classes, each of which has distinct risk and return characteristics. Every investment carries risk, and principal values and performance will fluctuate with all asset classes shown, sometimes substantially. Asset classes shown are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. All asset classes shown are subject to risks, including possible loss of principal invested.

The principal risks involved with investing in the asset classes shown are interest-rate risk, credit risk and liquidity risk, with each asset class shown offering a distinct combination of these risks. Generally, considered along a spectrum of risks and return potential, U.S. Treasury securities (which are guaranteed as to the payment of principal and interest by the U.S. government) offer lower credit risk, higher levels of liquidity, higher interest-rate risk and lower return potential, whereas asset classes such as high-yield corporate bonds and emerging market bonds offer higher credit risk, lower levels of liquidity, lower interest-rate risk and higher return potential. Other asset classes shown carry different levels of each of these risk and return characteristics, and as a result generally fall varying degrees along the risk/return spectrum.

Costs and expenses associated with investing in asset classes shown will vary, sometimes substantially, depending upon specific investment vehicles chosen. No investment in the asset classes shown is insured or guaranteed, unless explicitly stated for a specific investment vehicle. Interest income earned on asset classes shown is subject to ordinary federal, state and local income taxes, excepting U.S. Treasury securities (exempt from state and local income taxes) and municipal securities (exempt from federal income taxes, with certain securities exempt from federal, state and local income taxes). In addition, federal and/or state capital gains taxes may apply to investments that are sold at a profit. MSIM does not provide tax or legal advice. Prospective investors should consult with a tax or legal advisor before making any investment decision.

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## ADDITIONAL INFORMATION

**INDEX DEFINITIONS:**

**Bloomberg Global Aggregate Ex-USD Index** is a broad-based measure of global Investment Grade fixed-rate debt investments, excluding USD-denominated debt.

**Bloomberg Municipal Bond Index** is an unmanaged index of municipal bonds traded in the U.S.

**Bloomberg U.S. Agency Index** measures agency securities issued by U.S government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government

**Bloomberg U.S. Aggregate Index** is an unmanaged index of domestic investment-grade bonds, including corporate, government and mortgage-backed securities

**Bloomberg U.S. Asset Backed Securities (ABS) Index** measures ABS with the following collateral type: credit and charge card, auto, and utility loans

**Bloomberg U.S. CMBS Index** measures the market of conduit and fusion CMBS deals with a minimum current deal size of $300mn

**Bloomberg U.S. Corporate Investment Grade Index** is an unmanaged index that measures the performance of investment-grade corporate securities within the Barclays U.S. Aggregate Index

**Bloomberg U.S. Mortgage Backed Securities (MBS) Index** measures agency mortgage-backed pass-through securities issued by GNMA, FNMA, and FHLMC

**Bloomberg U.S. Treasury Index** measures public debt instruments issued by the U.S. Treasury

**ICE BofA Current 10-Year US Treasury Index** is a one-security index comprised of the most recently issued 10-year US Treasury note.

**ICE BofA US Corporate Index** tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market.

**ICE BofA Fixed Rate Preferred Securities Index** is an unmanaged index of fixed-rate, preferred securities issued in the U.S.

**ICE BofA US High Yield Index** tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.

**ICE BofA Global High Yield Index** tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic or Eurobond markets.

**ICE BofA Developed Market High Yield ex Sub Financials Index** contains all securities in the ICE BofA Global High Yield Index from developed markets countries except subordinated financials, but caps issuer exposure at 2%

**ICE BofA Euro High Yield Index** tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets.

**ICE BofA Eur Ccy Developed March High Yield ex Sub Fin Constrained Index** contains all securities in The ICE BofA European Currency High Yield Index provided they: 1) are not subordinated financials; 2) have a developed markets country of risk. Issuer exposure is capped at 3%.

**ICE BofA 1-3 Yr BB-B US Cash Pay High Yield Index** is a subset of ICE BofA US Cash Pay High Yield Index including all securities with a remaining term to final maturity less than 3 years and rated BB1 through B3, inclusive.

**J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified** is an unmanaged index of USD-denominated emerging market corporate bonds.

**J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified** is an unmanaged index of USD-denominated bonds with maturities of more than one year issued by emerging markets governments.

**J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified** is an unmanaged index of local-currency bonds with maturities of more than one year issued by emerging market governments

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Source of all data: MSIM, as of June 30, 2026, unless otherwise specified.

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