

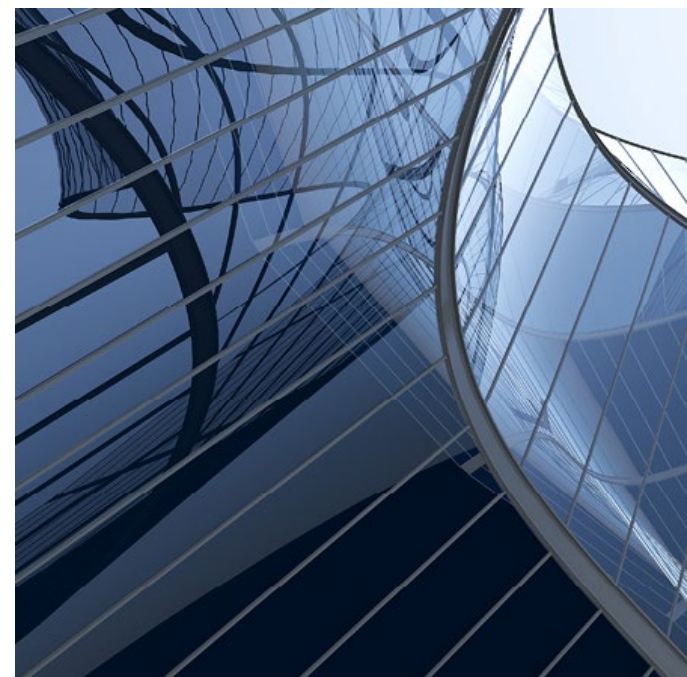
Morgan Stanley

INVESTMENT MANAGEMENT

# Credit Market Monitor

Multi-Asset Credit Team

Q4 2022



## Important Information and Disclosure

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## Table of Contents

PERFORMANCE OVERVIEW 4	CURRENT POSITIONING 5	MACRO VIEWS 8	VALUATIONS 18	CORPORATE CREDIT 24
EMERGING MARKETS 32	SECURITIZED CREDIT 35	GLOBAL CREDIT SNAPSHOT 39	IMPORTANT ADDITIONAL INFORMATION 45	



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.**

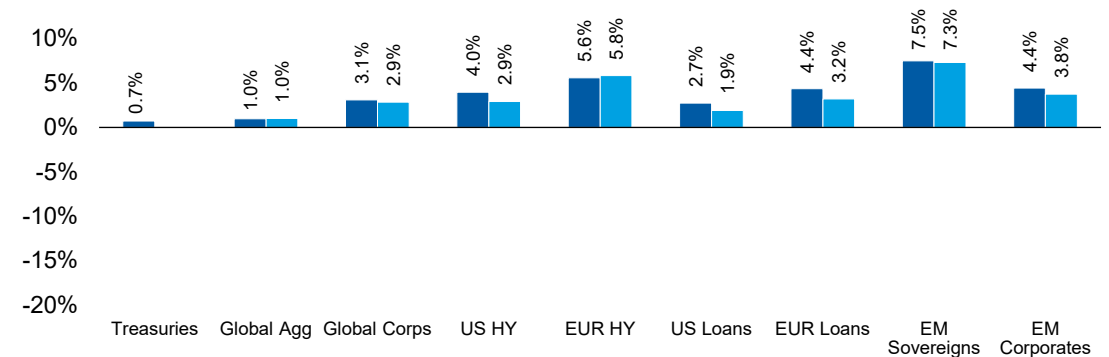
PERFORMANCE OVERVIEW

# A strong end to a tough year for bond markets

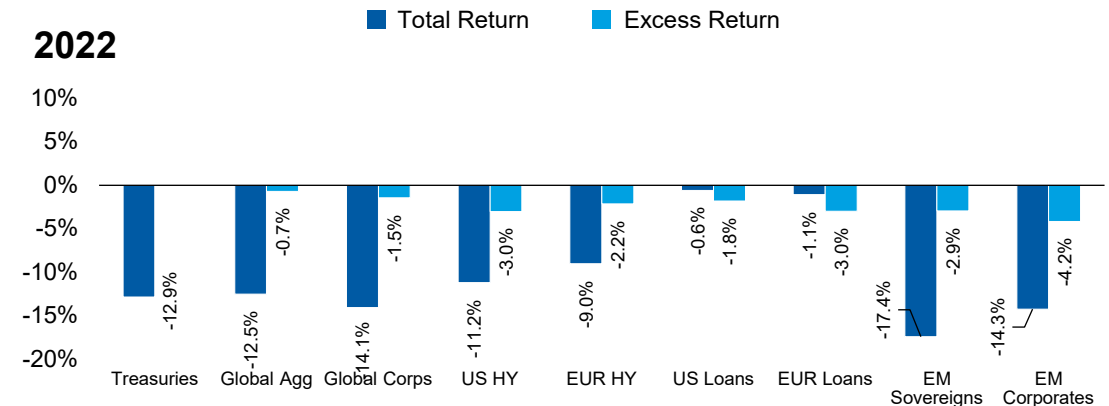
## Market Review

- A strong October and November drove positive total returns for Q4, despite a weak December. Higher yielding markets typically outperformed with emerging market sovereign bonds performing particularly strongly to end the year.
- Central bank policy and inflation remained the primary driver of markets in our opinion, as investors looked for signs of potential dovish pivots from the Fed and the ECB. December’s policy decisions and subsequent commentary brought renewed hawkishness, leading to a sharp government bond market sell off to end the year in the US and Europe.
- Issuance levels were paltry across leveraged finance markets, with US and European loan and bond markets seeing a significant fall off versus 2020 and 2021’s record years. Higher yields, wider spreads, limited near-term maturities and heightened market volatility have made conditions less receptive to primary issuance.
- The fundamental health of issuers across leveraged credit markets remains strong, although the pace of improvements has moderated significantly. The trailing 12-month default rate rose slightly but remains less than 1% across US and European high-yield corporate bond and loan markets. Distress ratios were in focus, with the proportion of global high-yield corporate bonds markets trading with a spread of more than 1000bps now close to 10%, while the proportion of the loan market trading at a price of less than \$80 rose above 7%.
- The lowest rated credit markets generally underperformed during the quarter, with CCC-rated bonds and loans ending a tough year for relative performance.

## Q4 2022



## 2022



Sources: ICE Data Indices, LLC, Bloomberg, and Leveraged Commentary & Data (LCD). As of December 31, 2022. **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. Excess returns for a bond is the total return percentage of that bond minus the total return percentage of a risk-matched basket of government bonds. The excess return of an Index is equal to the average of its constituent security excess returns, weighted by their full market values as of the beginning of the period. Distress ratios measures the % of a high-yield index trading with a credit spread of greater than 1000bps, or the proportion of a floating-rate loan index trading with a price below \$80 (or equivalent currency). Indices used are ICE BofA U.S. Treasury Index (G0Q0), ICE BofA Global Broad Market Index (GBMI), ICE BofA Global Corporate Index (G0BC), ICE BofA U.S. High Yield Index (H0A0), ICE BofA European Currency Developed Markets High Yield Excluding Subordinated Financial Constrained Index (HPSD), S&P LSTA Leveraged Loan Index (LLI), S&P LSTA European Leveraged Loan Index (ELLI). ICE BofA Emerging Markets External Sovereign Index (EMGB), ICE BofA Emerging Markets Corporate Plus Index (EMCB) and the S&P 500. Please see end of this presentation for important additional information and disclosures.

# Current Positioning & Outlook

CURRENT POSITIONING AND OUTLOOK

# Multi-Asset Credit Team Views

## Quarter-To-Quarter Comparison

	Decreasing Exposure	Broadly Unchanged	Increasing Exposure	Current Views on Asset Class
<b>Floating Rate Loans</b>	◆			We significantly reduced exposure through 2022. We believe this part of higher yielding credit markets remains more exposed to a downturn, based on higher leverage and lower average credit quality.
<b>High Yield Corporate Bonds</b>		◆		Broadly unchanged, with no bias to increase further.
<b>Securitized</b>		◆		We retain a preference for BBB-rated and BB-rated Collateralized Loan Obligations (CLOs) and believe that agency Mortgage-Backed Securities (MBS) look more attractive than they have in recent times.
<b>EM Bonds</b>		◆		Valuation advantages persist in emerging markets, however we are not convinced that there is fair compensation for the worsening fundamentals in certain parts of the market.
<b>Other</b>			◆	Increasing exposure to investment grade securities, as a better place than EM bonds to take interest rate duration exposure.
<b>Cash</b>		◆		The opportunity cost of holding cash appears low, in the face of heightened market volatility.

Source: Eaton Vance. As of December 31, 2022. **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. Please see end of this presentation for important additional information and disclosures.

CURRENT POSITIONING AND OUTLOOK

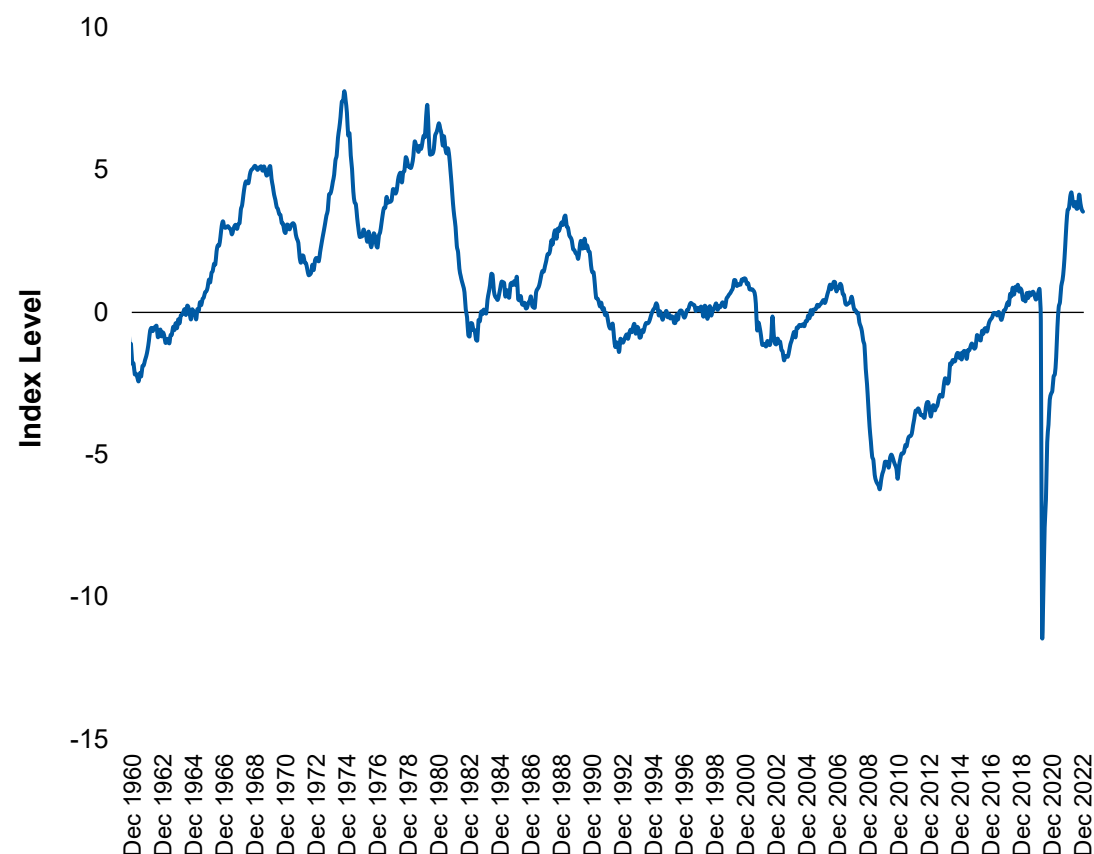
# Outlook and Our Current Thinking

## Outlook

We believe it is unlikely that central banks can engineer a soft landing in this round of monetary policy tightening. This leads us to remain cautious in our outlook.

- We believe that the outlook for high-yield corporate bonds is more favorable than for floating-rate loans right now. Loans look more exposed to an economic downturn with higher leverage levels and lower average credit quality.
- Alongside higher interest rates, quantitative tightening (QT) is set to remove large swathes of liquidity from global financial markets as central bankers look to fight inflation.
- We expect economic activity to wane in developed markets. Growth forecasts have softened significantly, with Europe expected to fare worse than the US, particularly due to energy price issues.
- We believe that fixed-rate bond markets are offering more long-term upside potential than at many stages in the last decade, but note that we are past the peak of fundamental improvements in the health of corporate issuers.
- We favor higher-rated issuance over lower-rated issuance.
- Valuation advantages persist in emerging markets; however we are not convinced that there is fair compensation for the worsening fundamentals in certain parts of the market, yet.

## Federal Reserve Misery Index



Sources: Eaton Vance, Bloomberg, Factset. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Data provided is for informational use only. See end of material for important additional information and disclosures. The Misery Index is a proprietary time series that combines the distance between CPI and the Fed's 2% target with the distance between the Non-Accelerating Inflationary Rate of Unemployment and the actual unemployment rate. Higher level imply more "misery" for the Federal Reserve.

# Macro Views

Higher yields, weaker growth, higher inflation and quantitative tightening



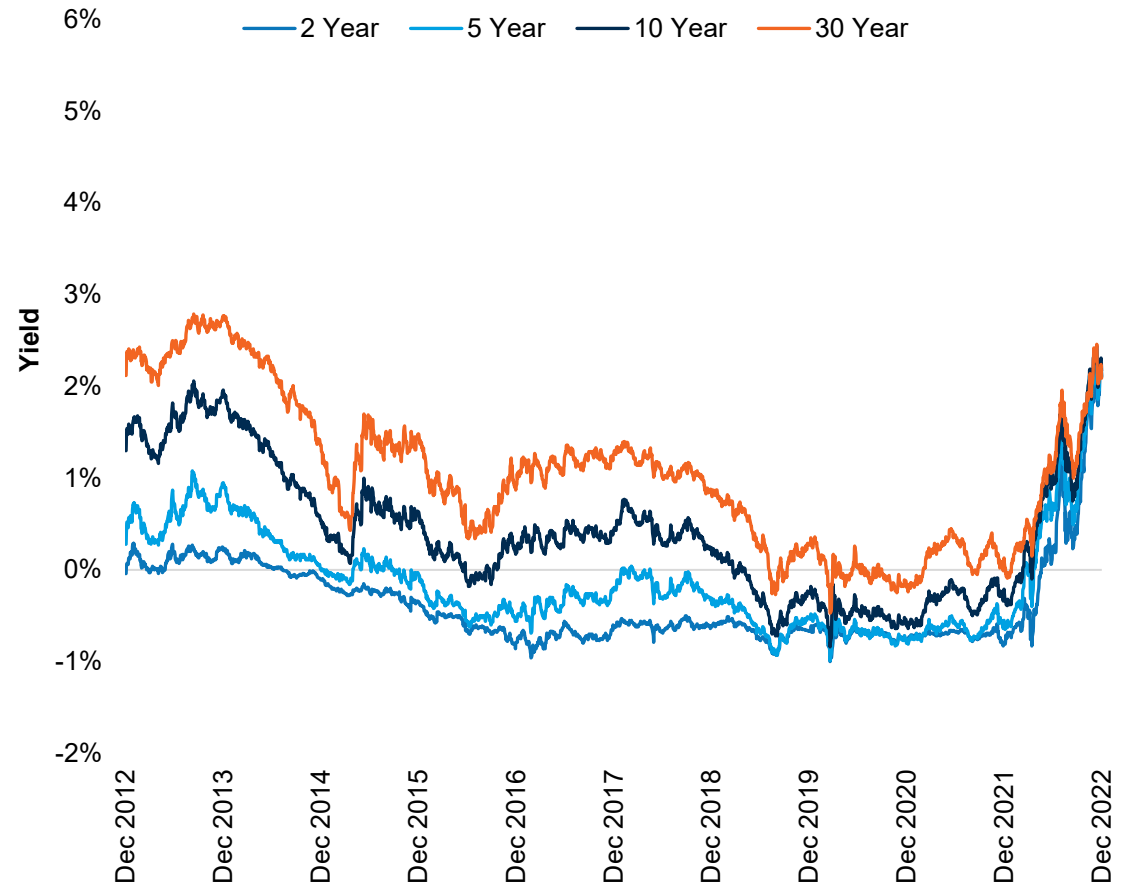
MACRO VIEWS

# Q4 Ends a Year of Aggressive Bear-Flattening in Government Curves

US Nominal Yields



Germany Nominal Yields

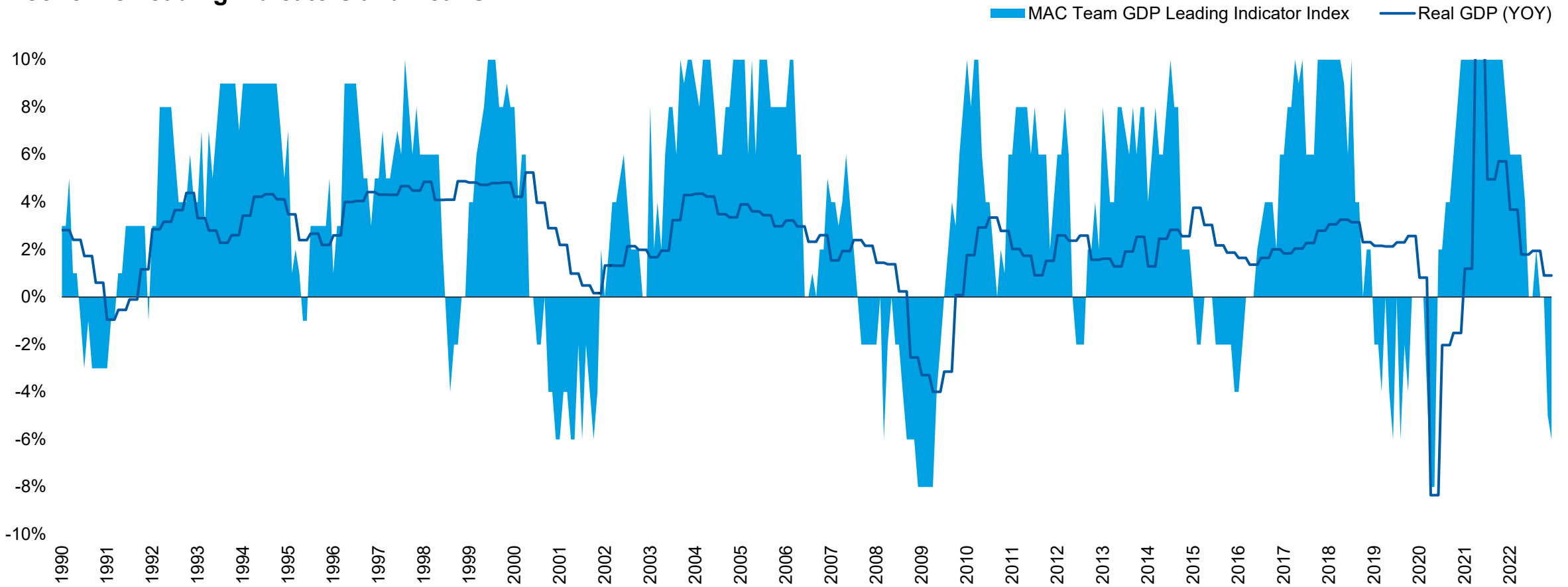


Sources: Eaton Vance, Macrobond. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

MACRO VIEWS

# Leading Indicators Have Fallen From Peak Optimism in Late 2021

## Economic Leading Indicators and Real GDP



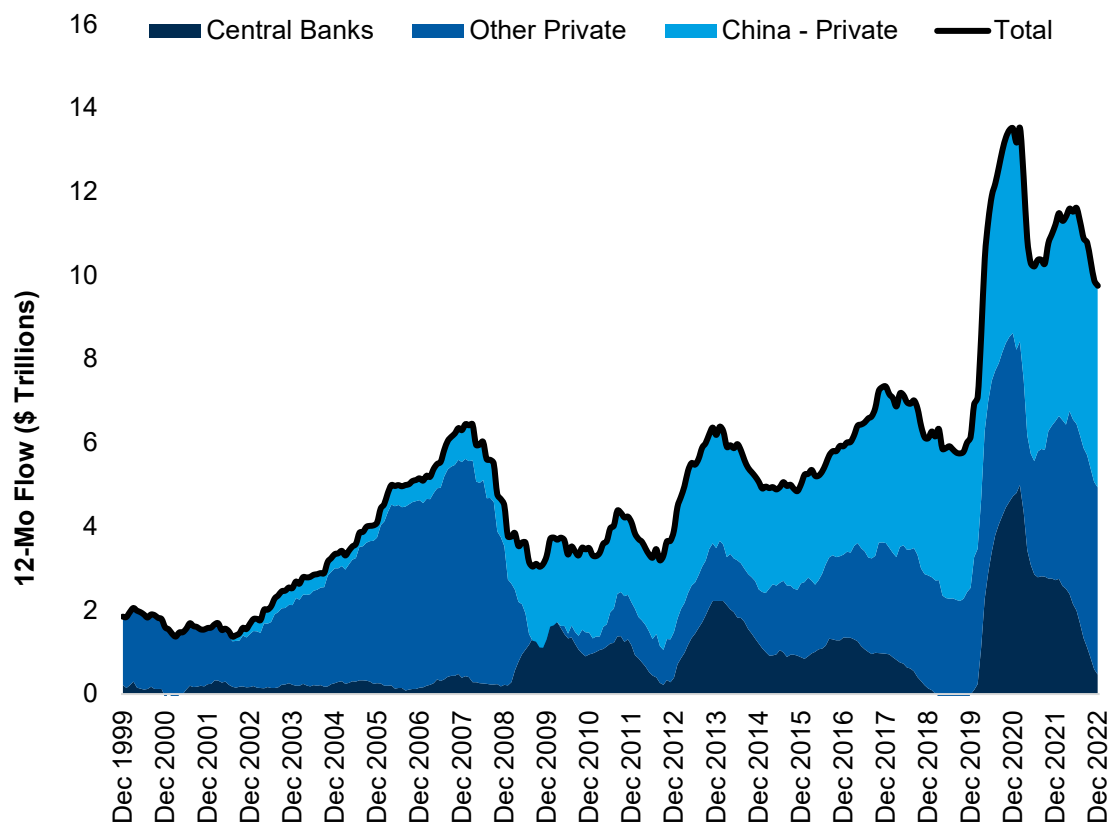
Sources: Eaton Vance, Macrobond. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. The Eaton Vance MAC Team GDP leading indicator index is a diffusion index based on a range of economic indicators including, but not limited to the ISM New Orders (Manufacturing and Services), U.S. Building Permit Approvals, South Korea Export Data, BBB-rated corporate bond credit spreads. 10 is the highest score possible, meaning all indicators are improving.



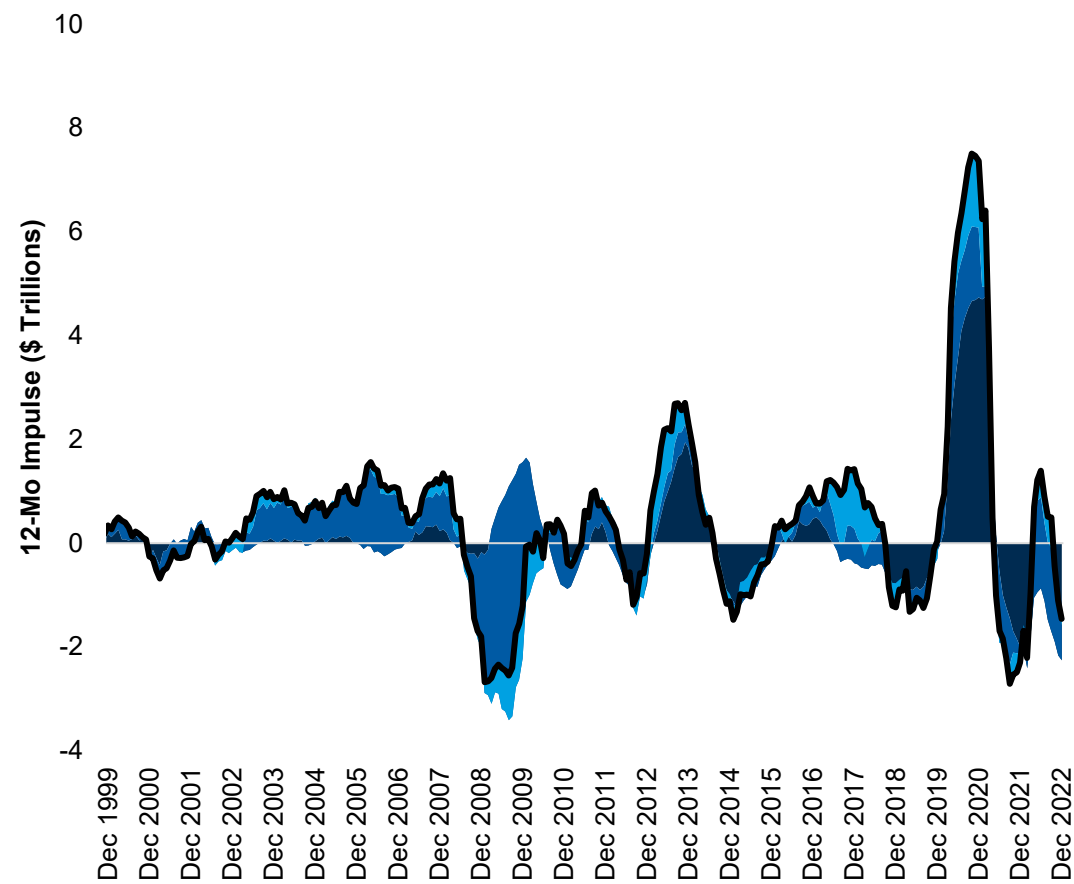
MACRO VIEWS

# Quantitative Tightening a Big Driver of Contraction in Credit Creation

Global Credit Creation — 12-Month Flow



Global Credit Creation — 12-Month Impulse

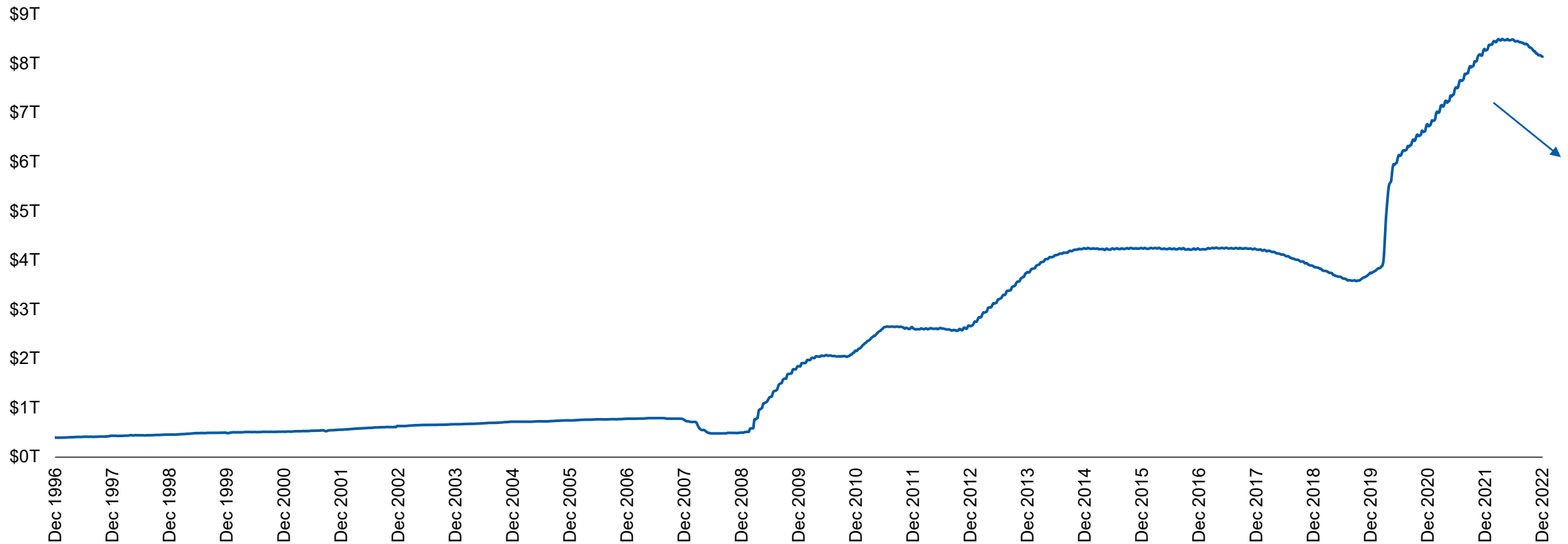


Sources: Macrobond, Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Global Credit Creation is a metric combining central bank balance sheets with other measures of private sector credit creation in the G20 and China.

MACRO VIEWS

# Quantitative Tightening Set to Reduce Central Bank Balance Sheets

## Federal Reserve Securities Held

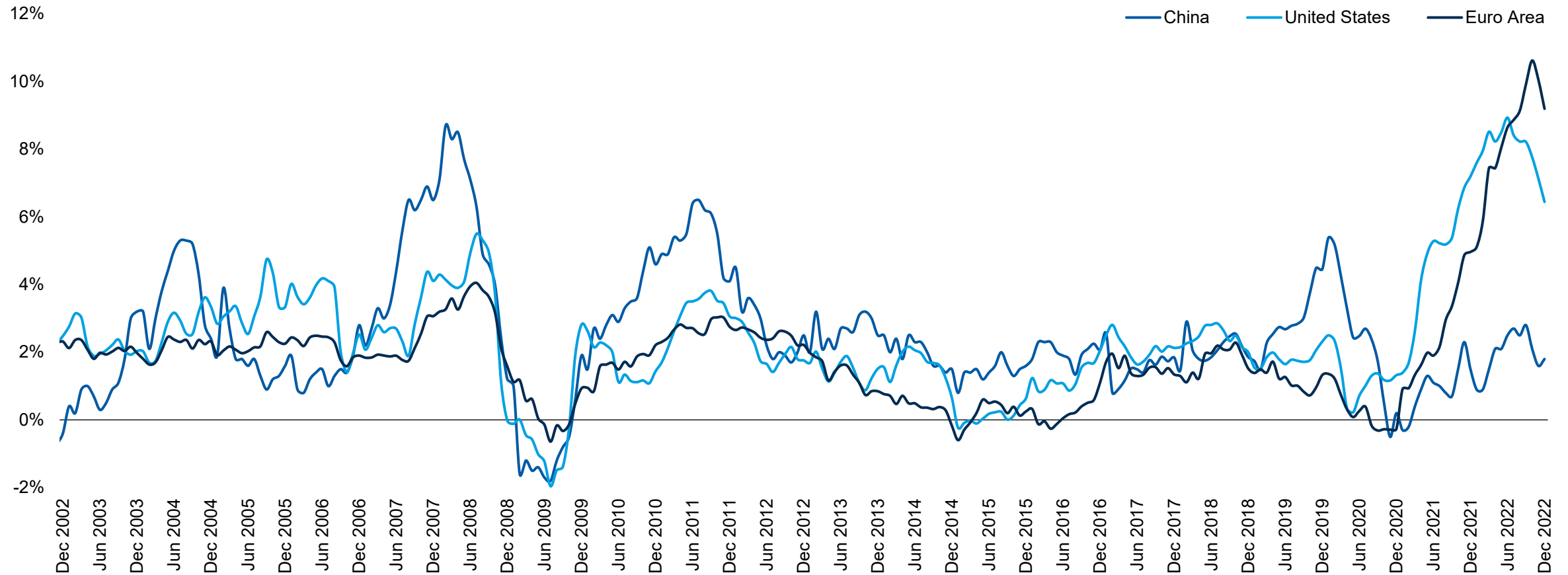


Sources: Macrobond, Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

MACRO VIEWS

# Headline Inflation Numbers Start to Roll Over

## Consumer Price Index

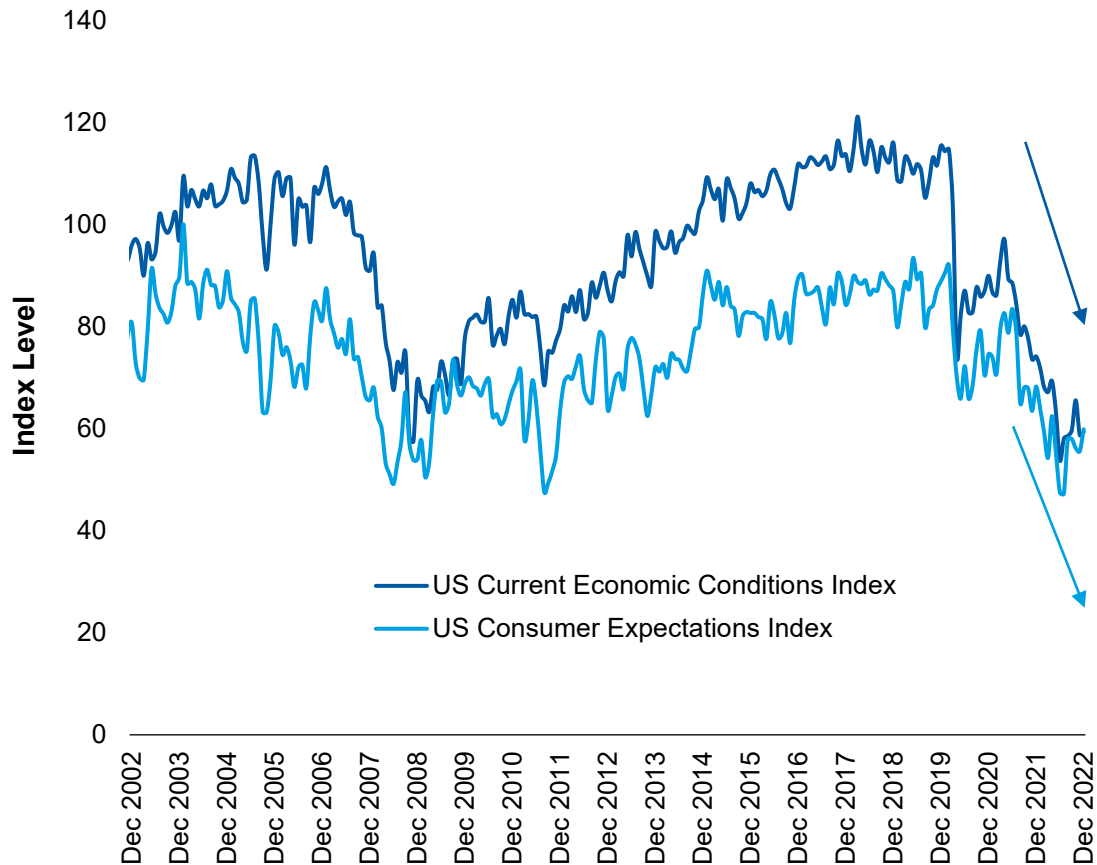


Source: Bloomberg. Macrobond as of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

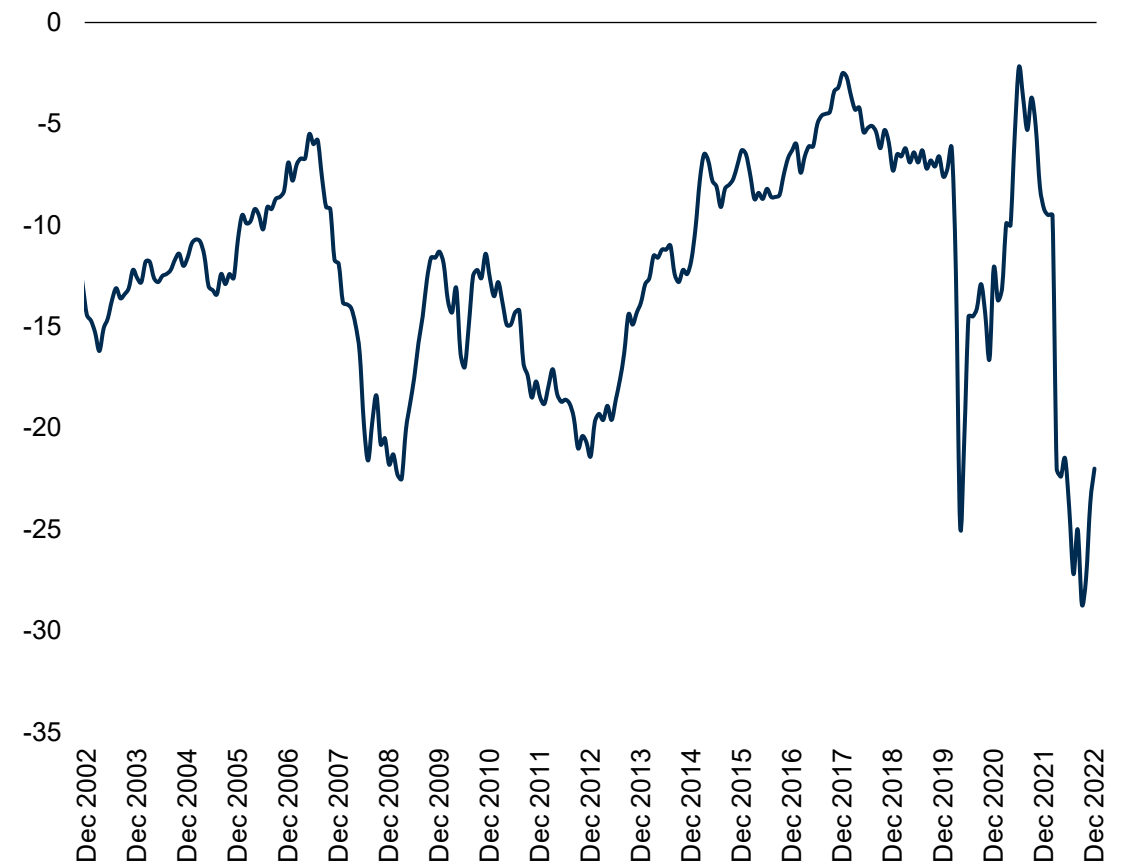
MACRO VIEWS

# Consumer Confidence Remains Weak But Has Stopped Falling...

University of Michigan



EU Consumer Confidence

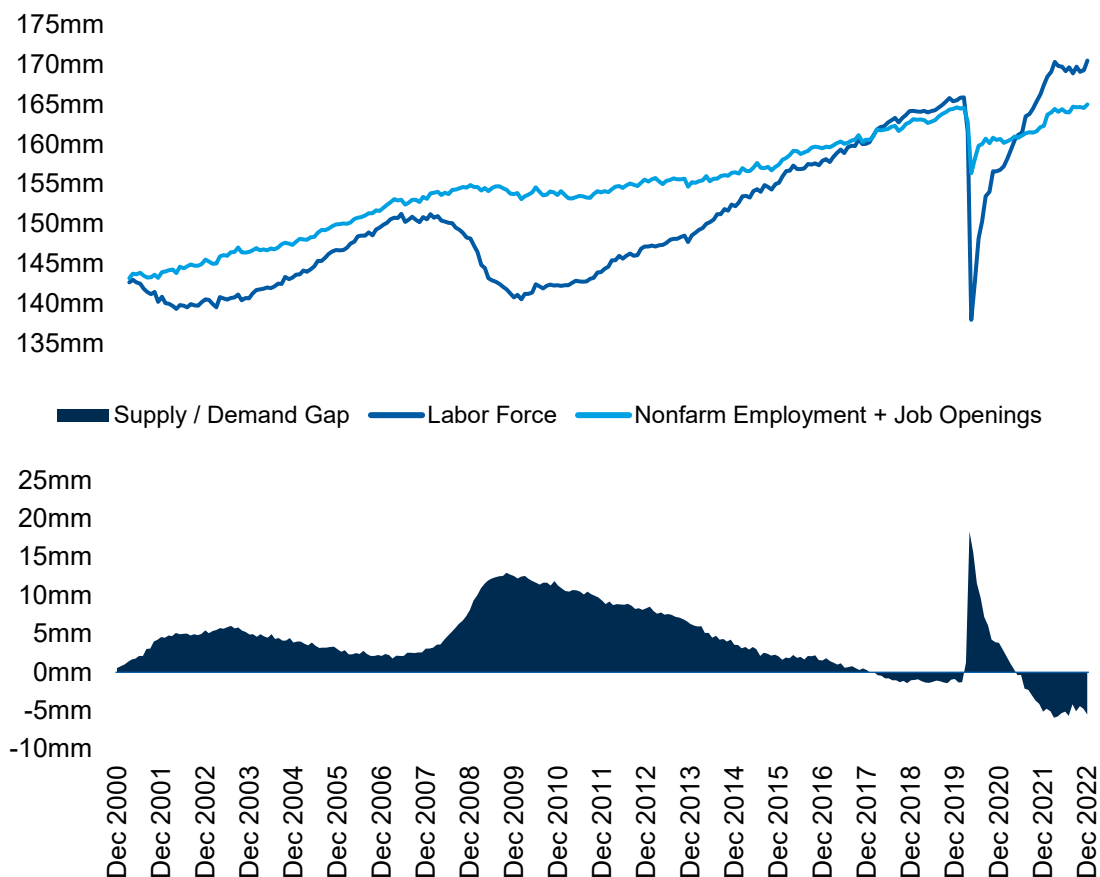


Sources: Macrobond,, University of Michigan, Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additionalBloomberg information and disclosures.

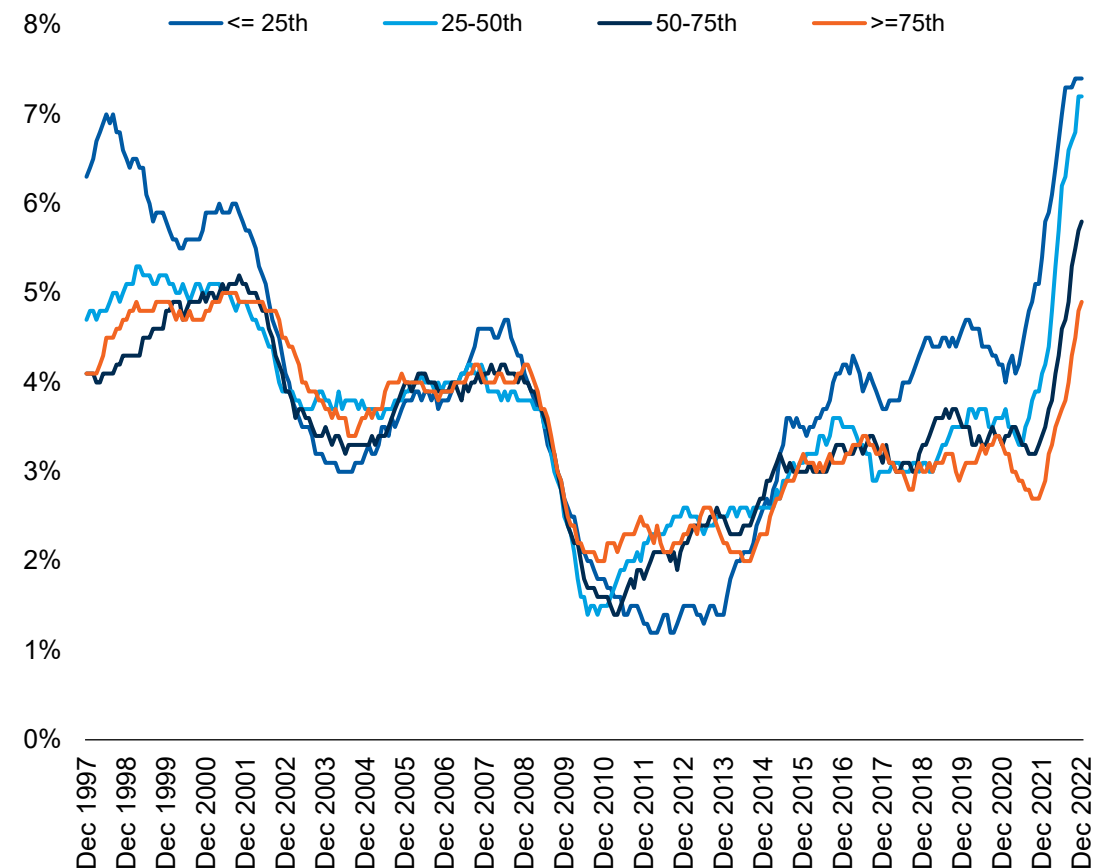
MACRO VIEWS

# ... But Labor Markets Remain Tight

## Labor Slack



## Median Wage (12-Month Moving Average)



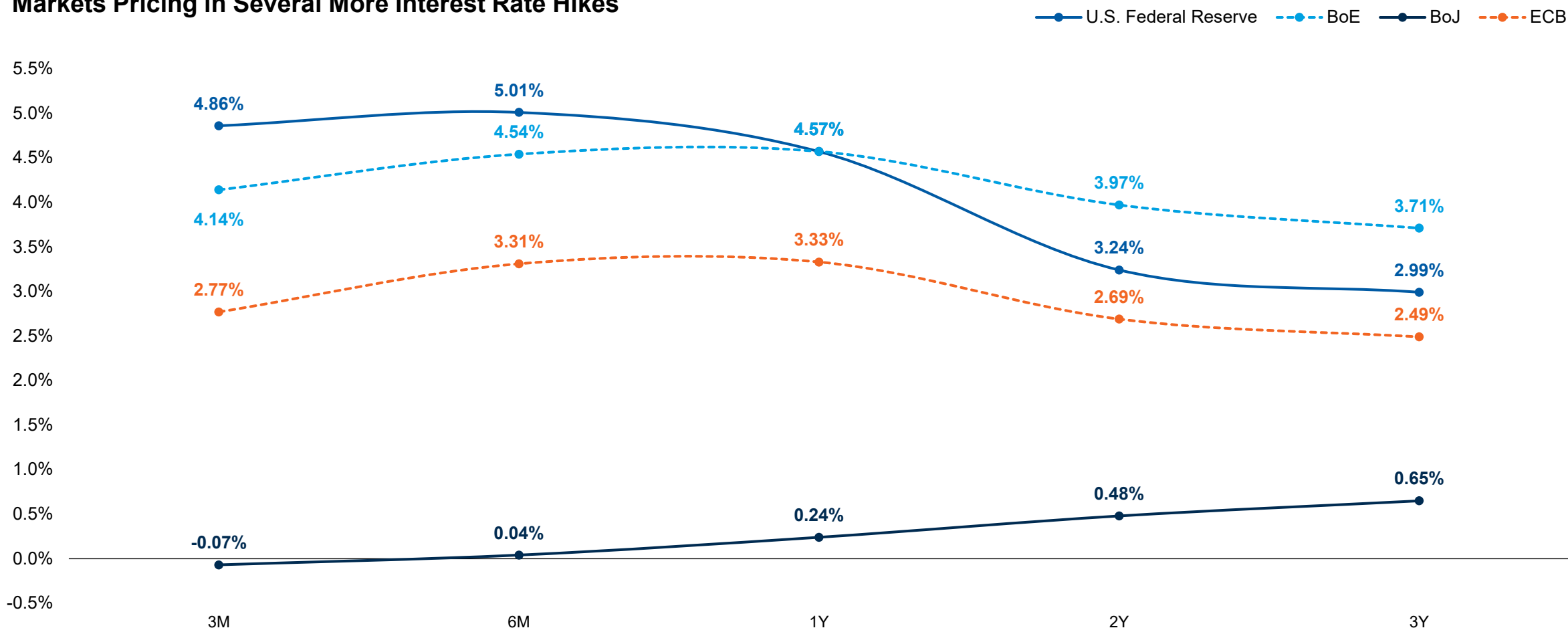
Sources: Macrobond, Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.



MACRO VIEWS

# While Focused on Near-Term Hikes, Markets Are Contemplating Future Cuts

## Markets Pricing in Several More Interest Rate Hikes

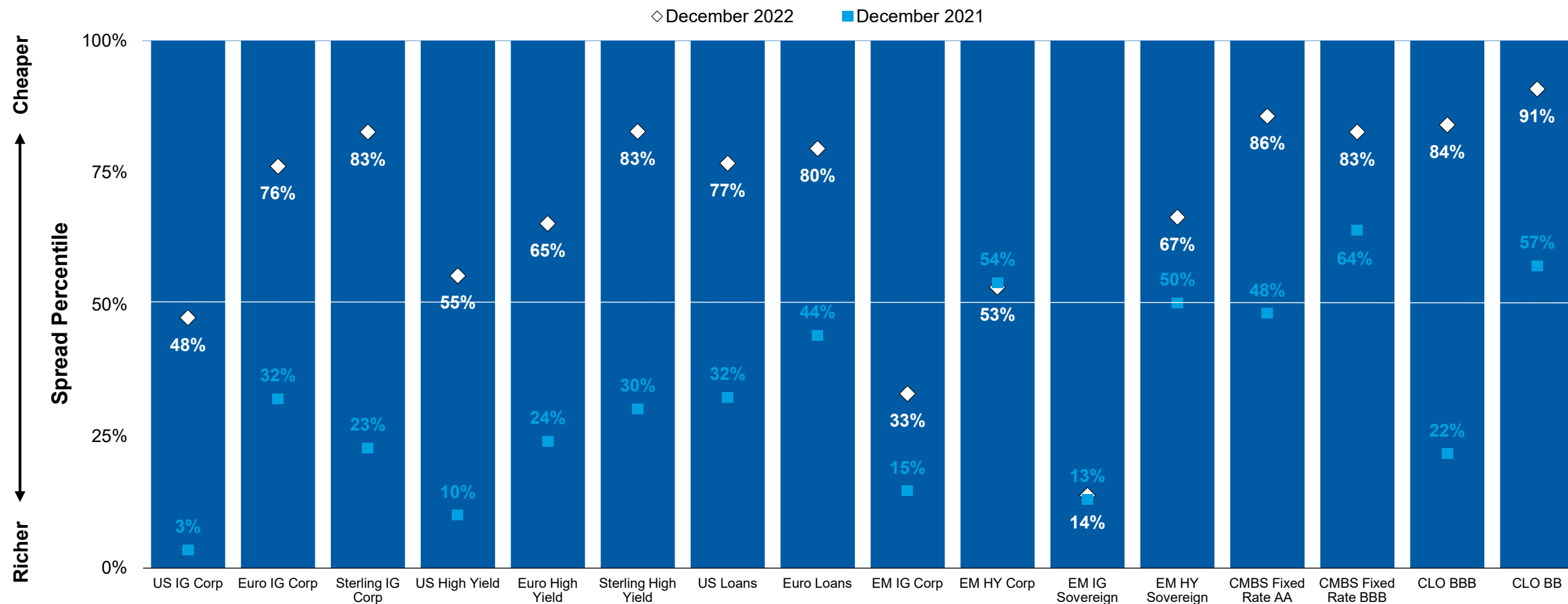


Sources: Eaton Vance, Bloomberg, Factset. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

# Valuations

VALUATIONS

# Spreads Continued to Remain Wide at the End of Q4



Sources: ICE Data Indices, LLC, Leveraged Commentary & Data (LCD), J.P. Morgan. As of December 31, 2022. **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. U.S. IG Corp represented by ICE BofA U.S. Corporate 1 – 10 year Index. Euro IG Corp represented by ICE BofA Euro Corporate 1 – 10 year Index. Sterling IG Corp represented by ICE BofA Sterling Corporate 1 – 10 year Index. U.S. High Yield represented by ICE BofA U.S. High Yield Index. Euro High Yield represented by ICE BofA Euro High Yield Index. Sterling High Yield represented by ICE BofA Sterling High Yield Index. U.S. Loans represented by Morningstar LSTA U.S. Leveraged Loan Index. Euro Loans represented by Morningstar European Leveraged Loan Index. EM IG Corp and EM HY Corp represented by ICE BofA Emerging Markets Corporate Plus Index. EM IG Sov and EM HY Sovereign represented by ICE BofA Emerging Markets External Sovereign Index. CMBS Fixed Rate AAA represented by ICE BofA 7-10 Year AA U.S. Fixed Rate CMBS Index. CMBS Fixed Rate BBB represented by ICE BofA 7-10 Year BBB U.S. Fixed Rate CMBS Index. CLOs represented by the J.P. Morgan Collateralized Loan Obligation Index (CLOIE) Post Crisis.

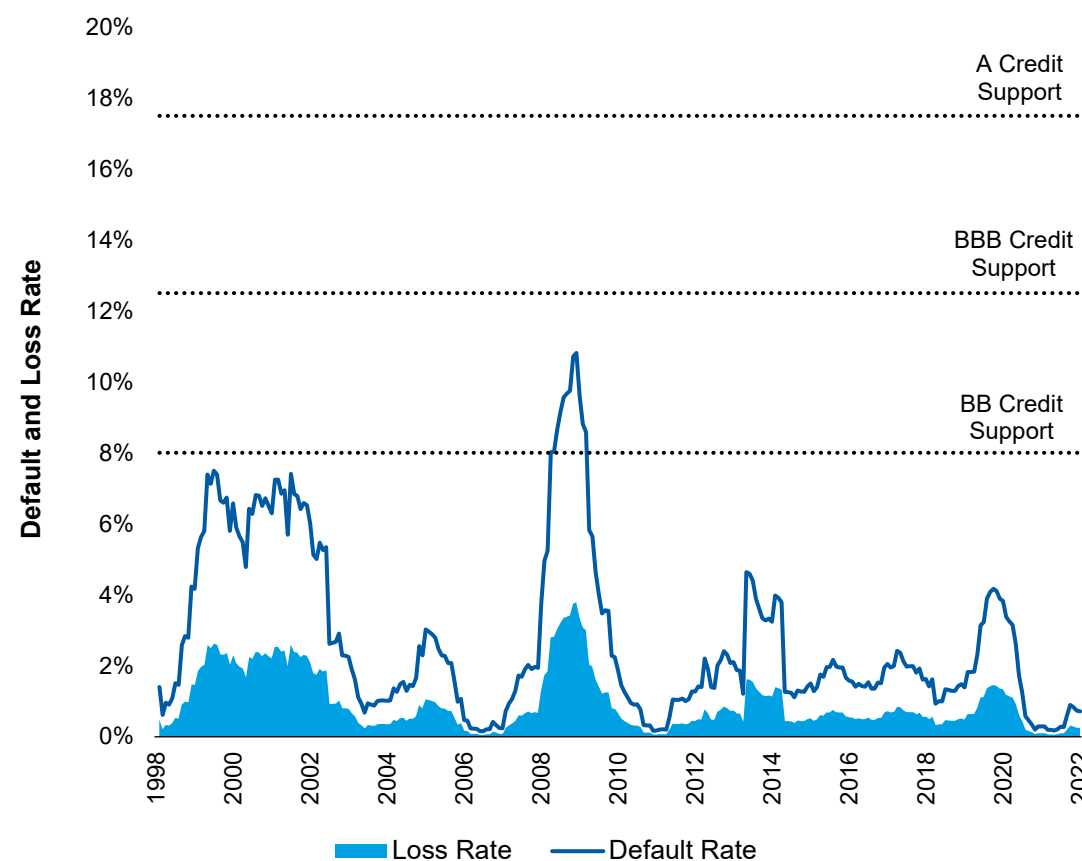
VALUATIONS

# Case Study: Yield Advantage Remains in Mezzanine CLO Tranches

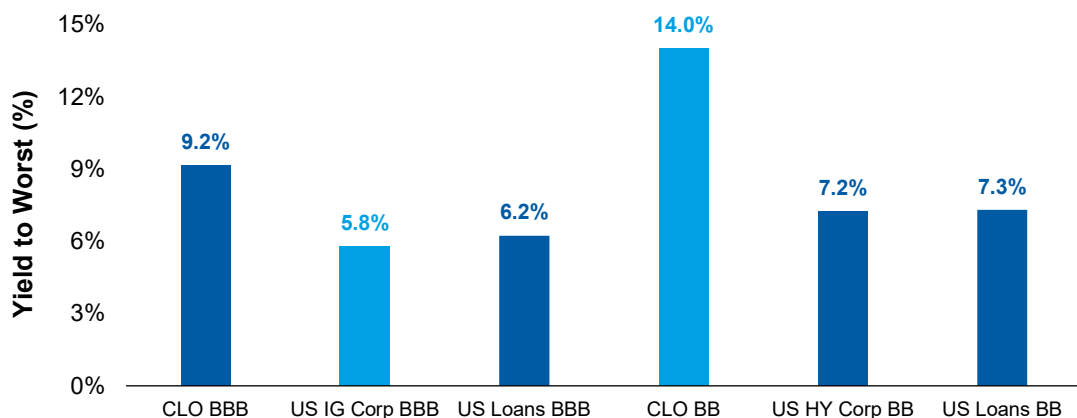
## Illustrative Capital Structure for a U.S. CLO

Credit Rating	Credit Enhancement	Credit Spread	Average Price
AAA	36%	170 – 215	\$97.9
AA	25%	235 – 280	\$96.0
A	17%	310 – 380	\$93.9
BBB	13%	410 – 650	\$90.8
BB	8%	850 – 1075	\$84.1

## CLO Tranche Support



## Comparative Yields for BBB and BB Tranches of CLOs



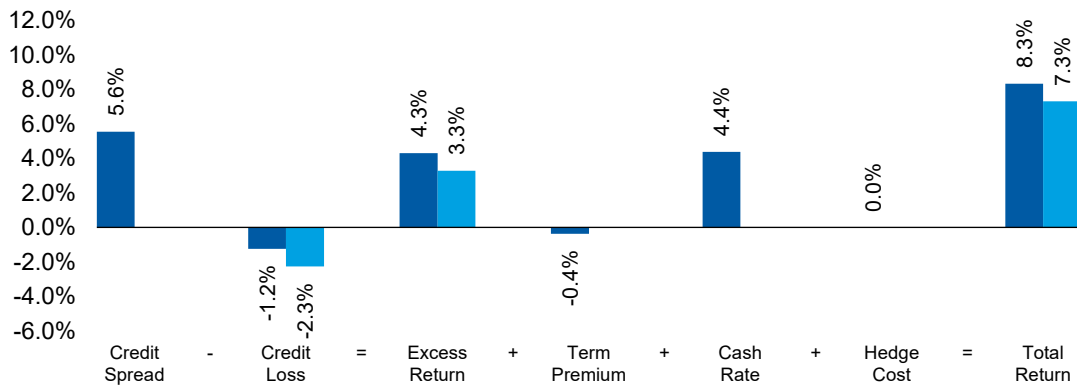
Sources: Eaton Vance, Citibank Velocity, Macrobond, Leveraged Commentary & Data (LCD), December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. All CLO data measures CLO tranches issued after the 2008 financial crisis. Loan data represented by the Morningstar LSTA U.S. Leveraged Loan Index. U.S. IG Corps represented by the ICE BofA U.S. Corporate Index 1-10 Year. U.S. HY Corp represented by the ICE BofA U.S. High Yield Index. EMD Sov represented by the J.P. Morgan EM Bond Index (EMBI) Global Diversified. Default and loss rates measure the Morningstar LSTA U.S. Leveraged Loan Index, with loss rates based on 65% recovery assumption.

VALUATIONS: 5-YEAR FORWARD-LOOKING VIEWS

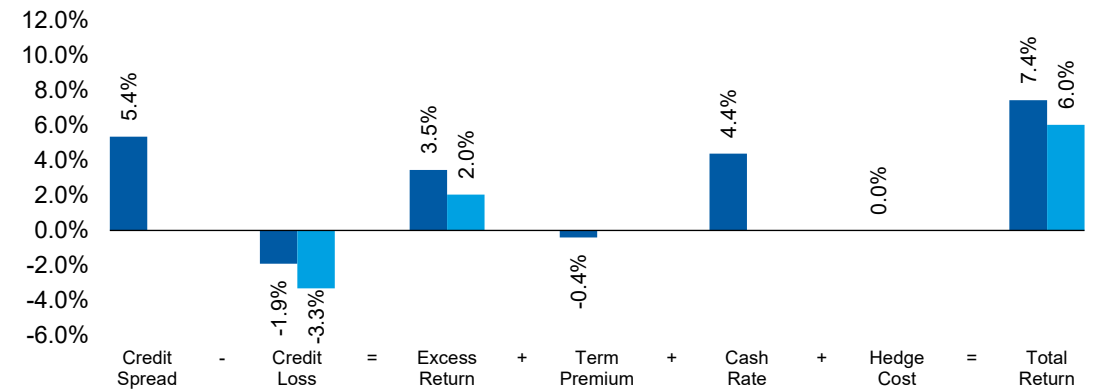
# Forward Returns Driven by Credit Risk and Risk-Free Rates

■ Average Default and Loss Environment ■ Bear Default and Loss Environment

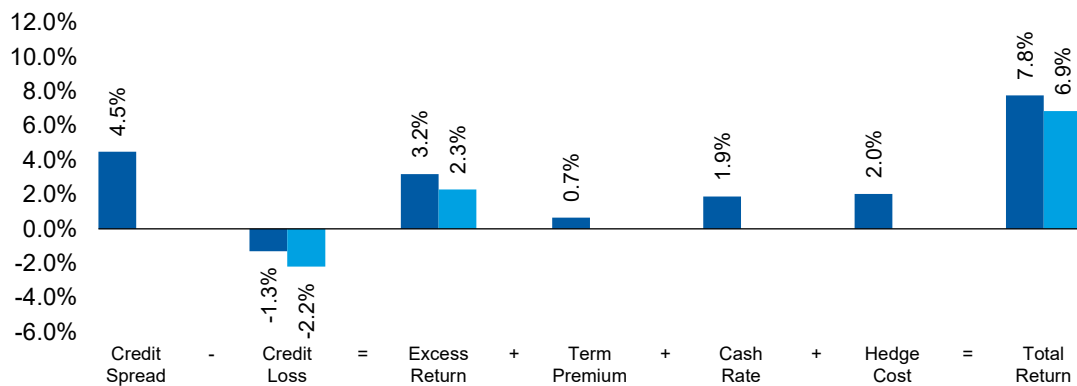
## U.S. Loan Expected Returns



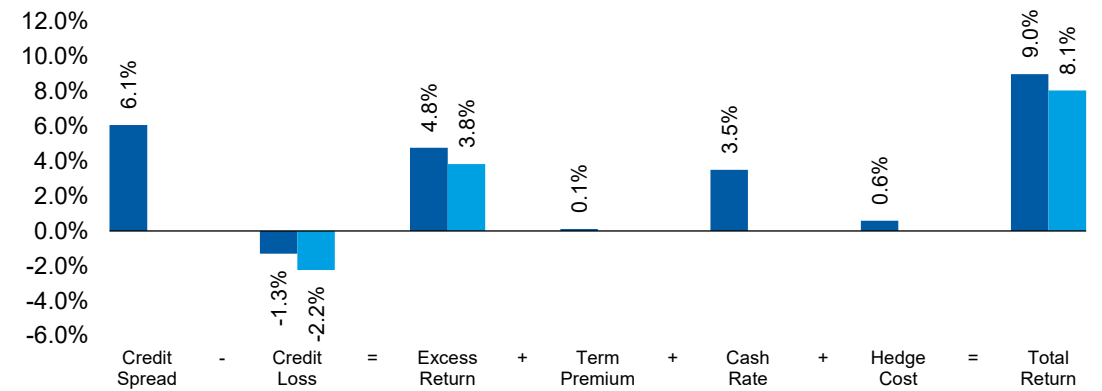
## U.S. High Yield Expected Returns



## Euro High Yield Expected Returns



## GBP High Yield Expected Returns



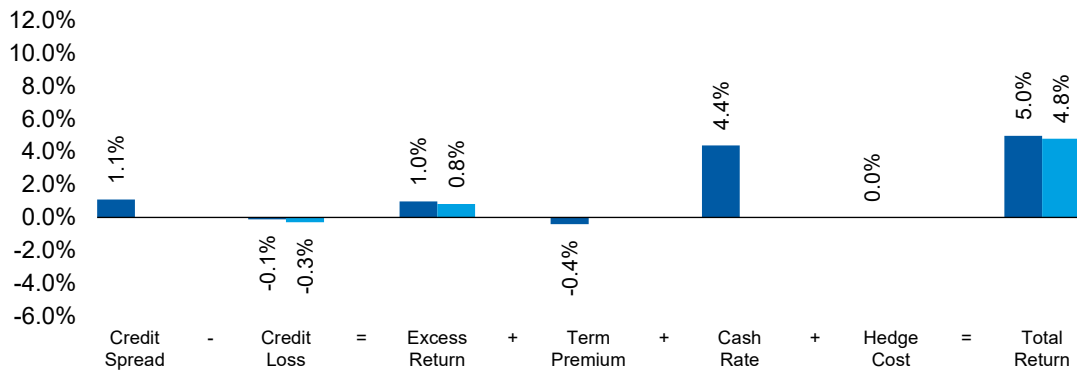
Source: Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Simulated performance is for illustrative purposes only, and does not represent the actual returns of any investor/investment, and should not be considered or used for investment purposes. Investments are subject to loss. Simulated performance has been constructed based on the historical default and recovery rates in the various asset classes and Eaton Vance's assumptions of what future defaults and recoveries could be in a base case and bear case scenario. Forecasts are based on index-level assumptions and do not make allowances for active management.

VALUATIONS: 5-YEAR FORWARD-LOOKING VIEWS

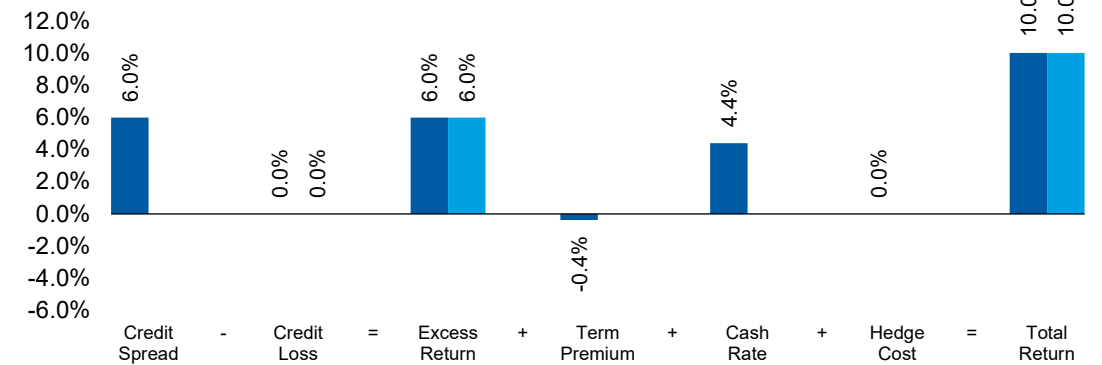
# Sub-Investment Grade EM Bonds Look to Offer Valuation Advantages

■ Average Default and Loss Environment ■ Bear Default and Loss Environment

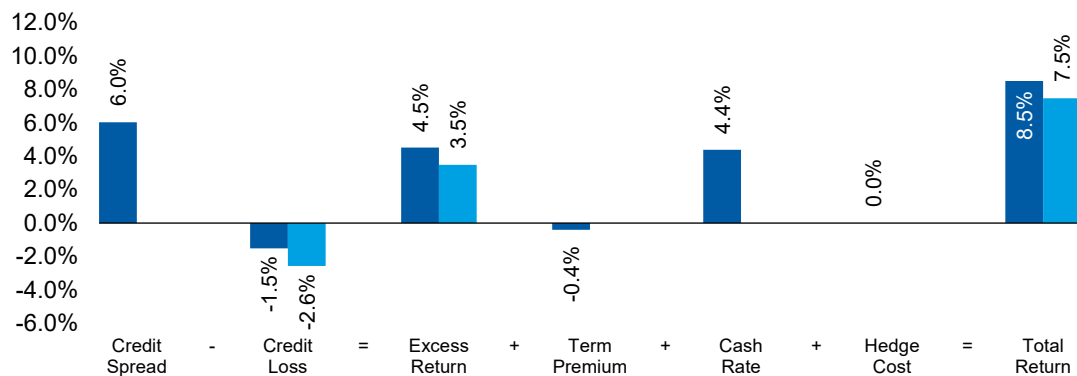
## EM IG Sovereign Expected Returns



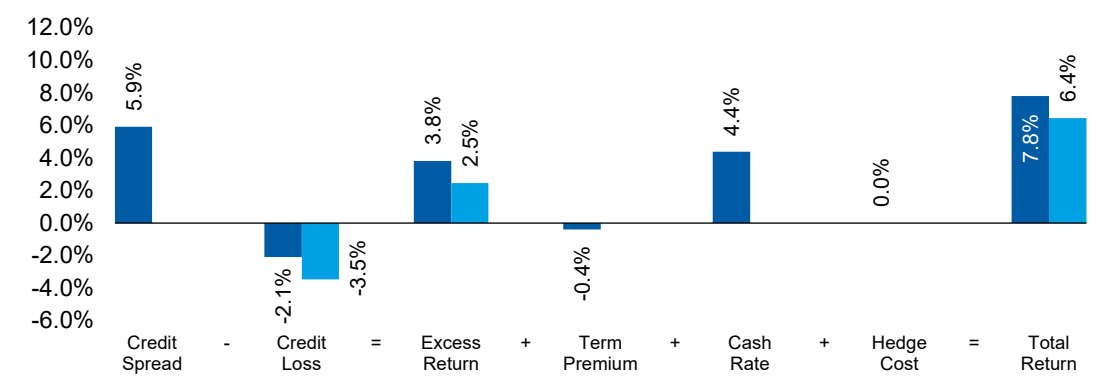
## CLO (BBB) Expected Returns



## EM HY Sovereign Expected Returns



## EM HY Corp Expected Returns

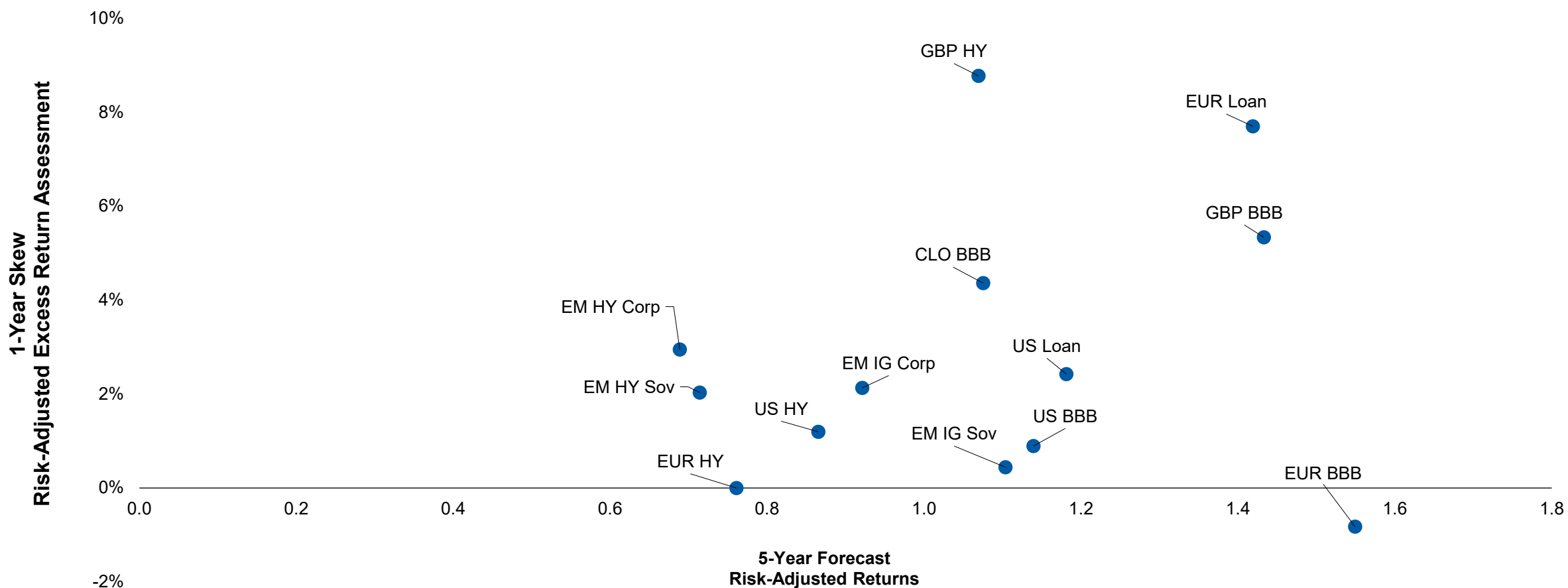


Source: Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Simulated performance is for illustrative purposes only, and does not represent the actual returns of any investor/investment, and should not be considered or used for investment purposes. Investments are subject to loss. Simulated performance has been constructed based on the historical default and recovery rates in the various asset classes and Eaton Vance's assumptions of what future defaults and recoveries could be in a base case and bear case scenario. Forecasts are based on index-level assumptions and do not make allowances for active management.

VALUATIONS

# Skew Shows Better Valuation Opportunities in Some Markets

Skew analysis at December 31, 2022



Source: Eaton Vance, Leveraged Commentary & Data (LCD), and ICE Data Indices, LLC. As of December 31, 2022. **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. Please see slide 19 for the indices used.

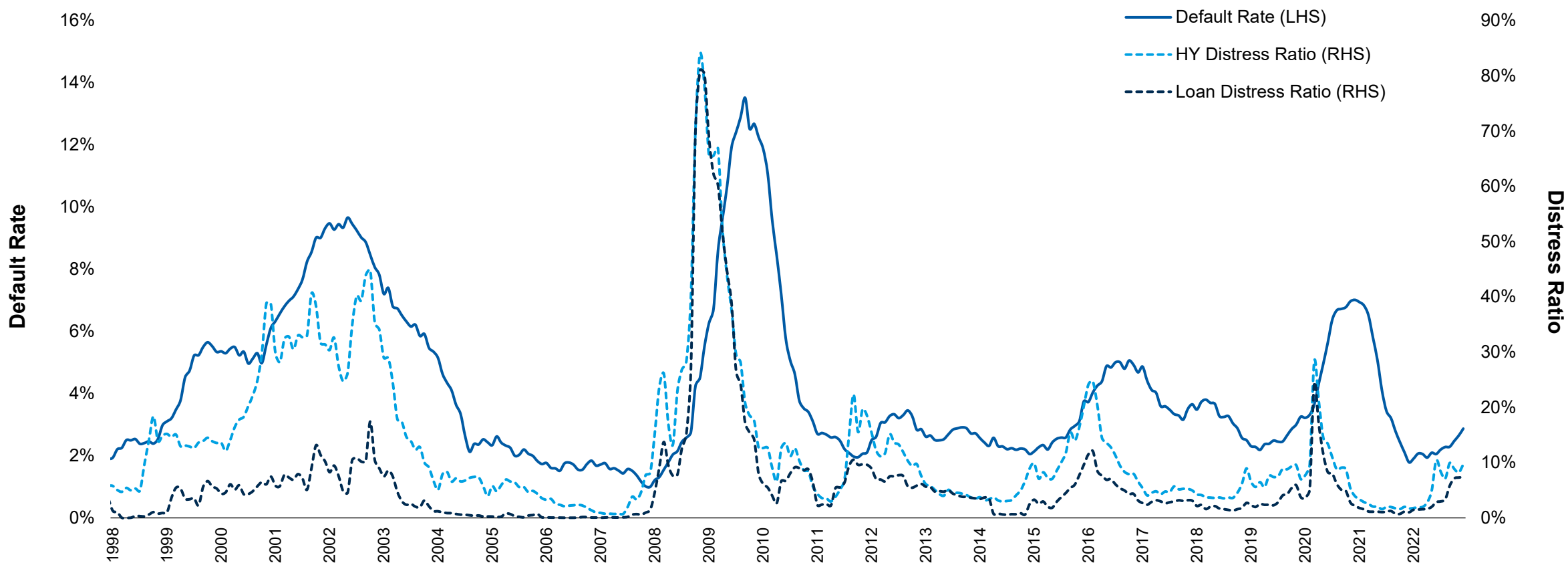
# Corporate Credit



CORPORATE CREDIT

# Default Rates Remain Low, But Signs of Distress Are Increasing

## Global Default Rates and Distress Ratios



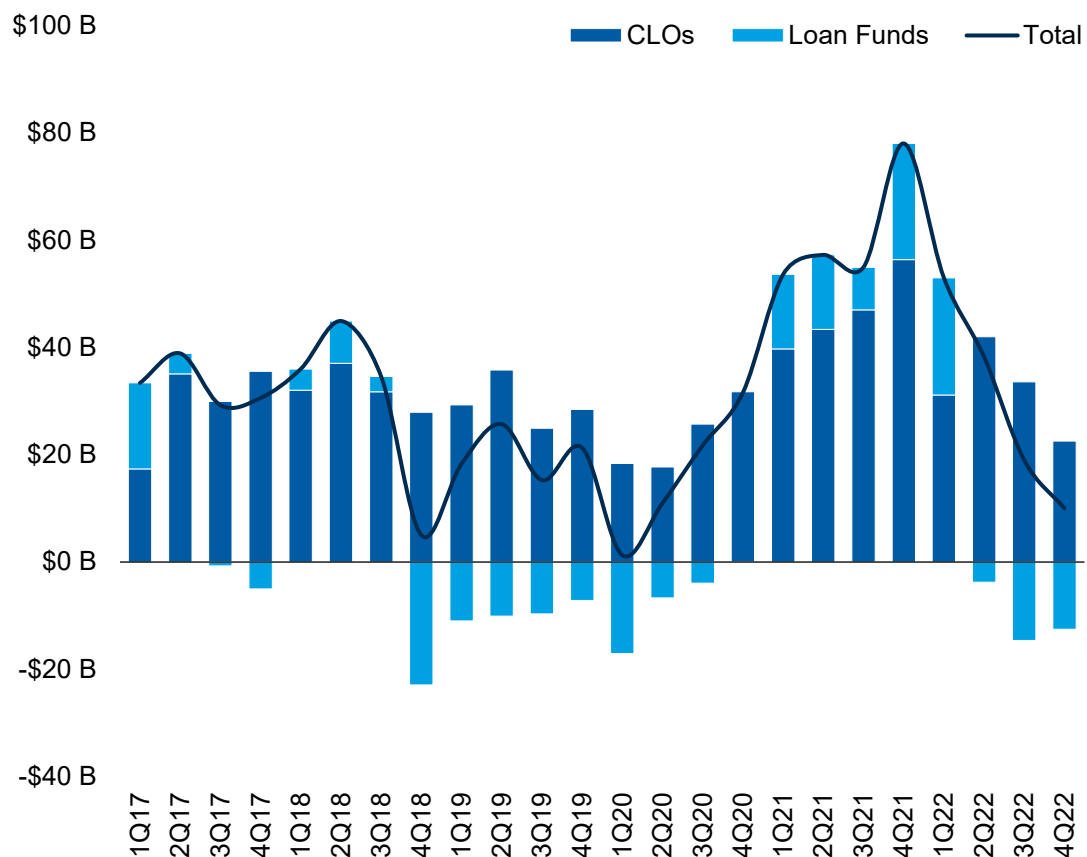
Sources: Moody's, LCD, ICE Data Indices, LLC. Default rate and distress ratio data as of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Default rates are trailing 12-month figures weighted by global speculative-grade issuers. Distress ratio measured as percentage of ICE BofA Developed Markets High Yield Excluding Subordinated Financial Index (HYDF) with spreads over 1000 based on par value and the percentage of the Morningstar LSTA U.S. Leveraged Loan Index trading below \$80.

CORPORATE CREDIT

# Loans: CLO Creation Positive Even as Mutual Fund Flows Remain Negative

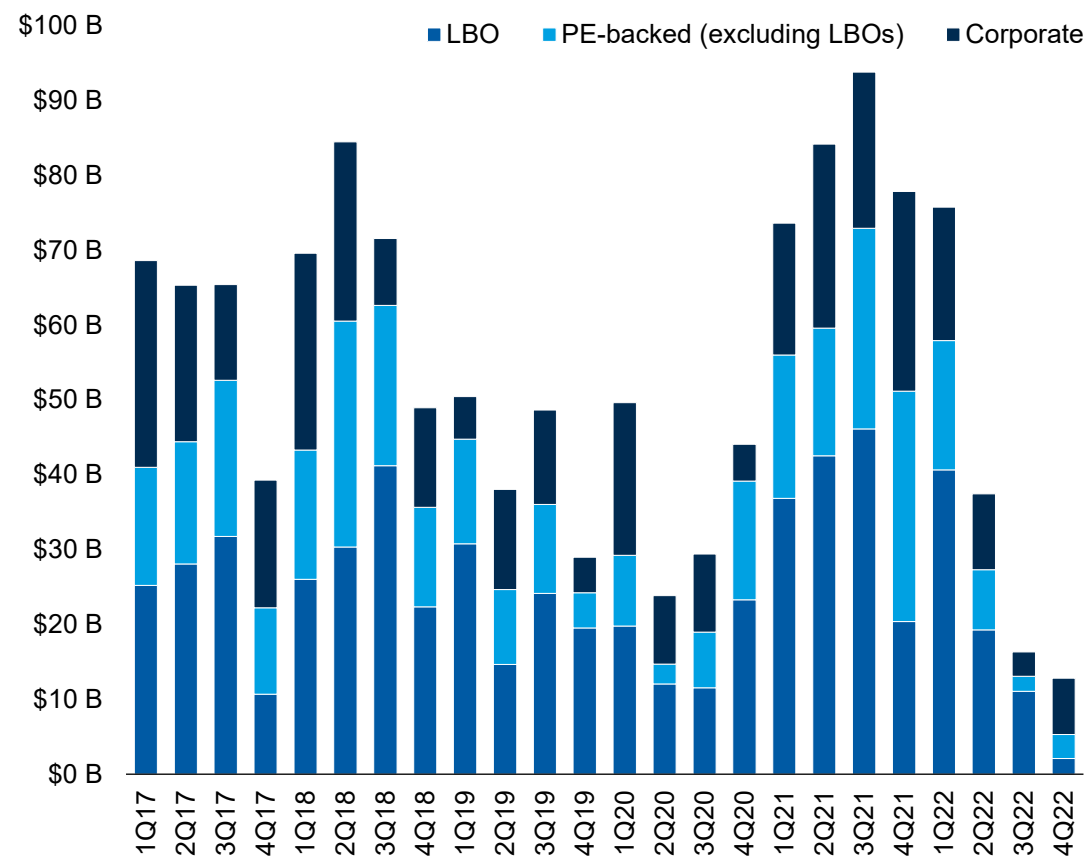
## Visible Demand

Quarterly CLO Creation and Mutual Fund Flows



## Institutional Loan Volume Backing M&A

Leveraged Buyout (LBO) and Other M&A

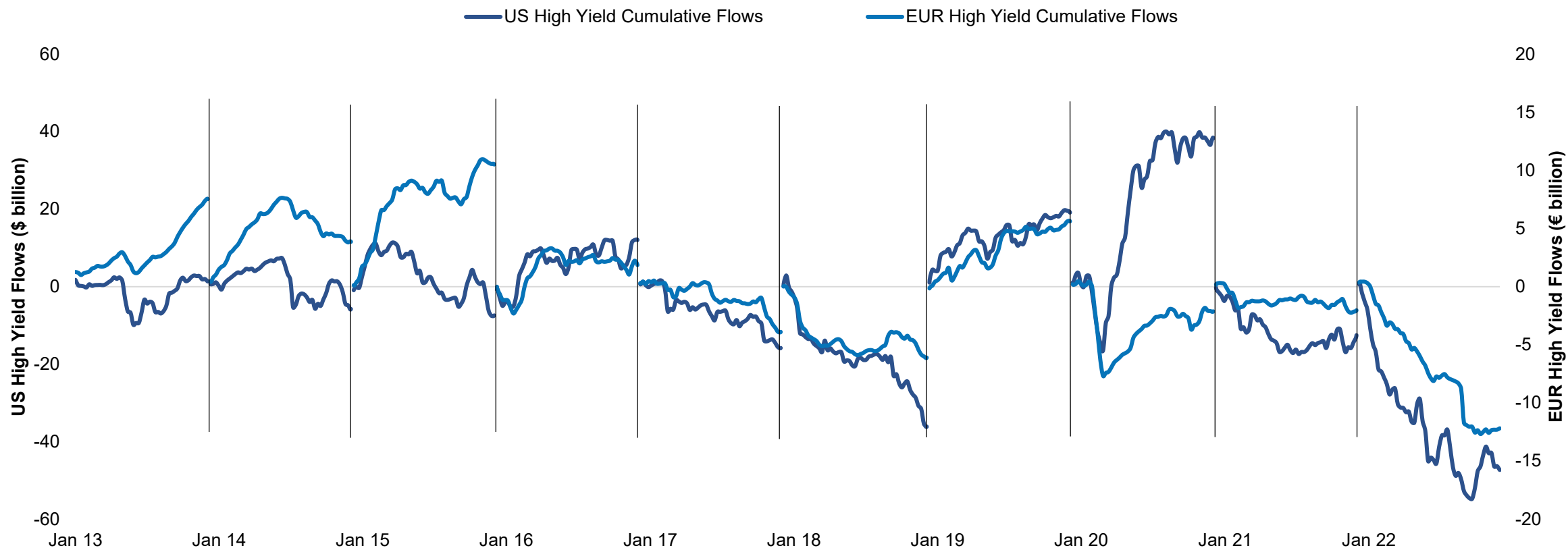


Source: Leveraged Commentary & Data (LCD), December 31, 2022. Past performance is not a reliable indicator of future results. Data provided is for informational use only. It is not possible to invest directly in an Index.

CORPORATE CREDIT

# US and European Funds Have Shrunk During 2021 and 2022

## Cumulative US and European High Yield Flows

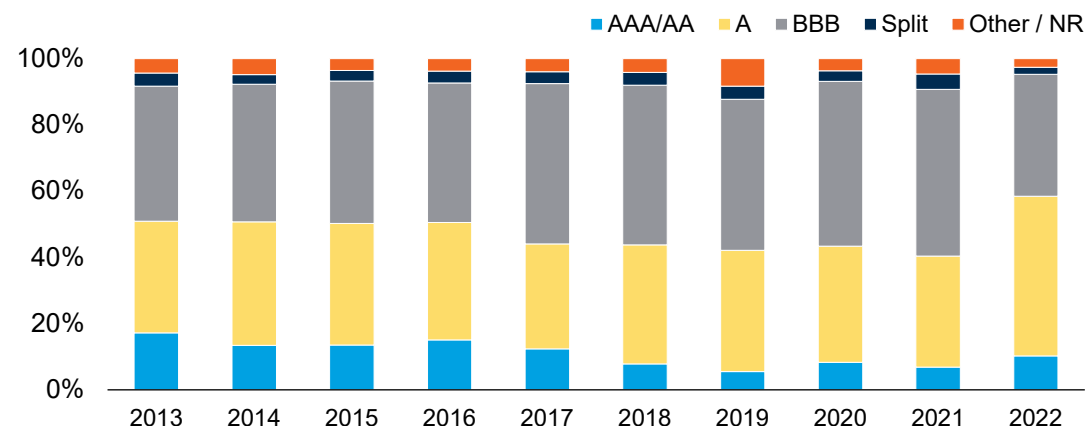


Source: J.P. Morgan and Lipper, December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index.

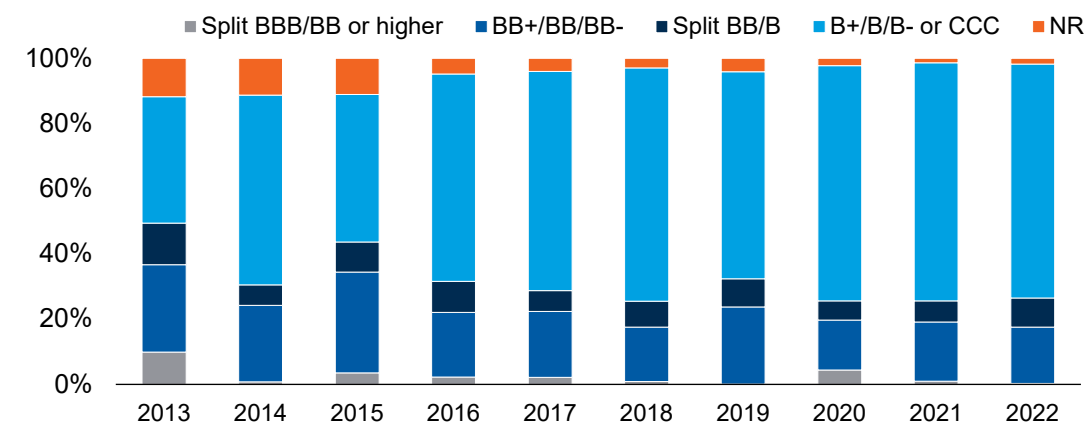
CORPORATE CREDIT

# Quality of Primary Issuance Deviates Between Loan and Bond Markets

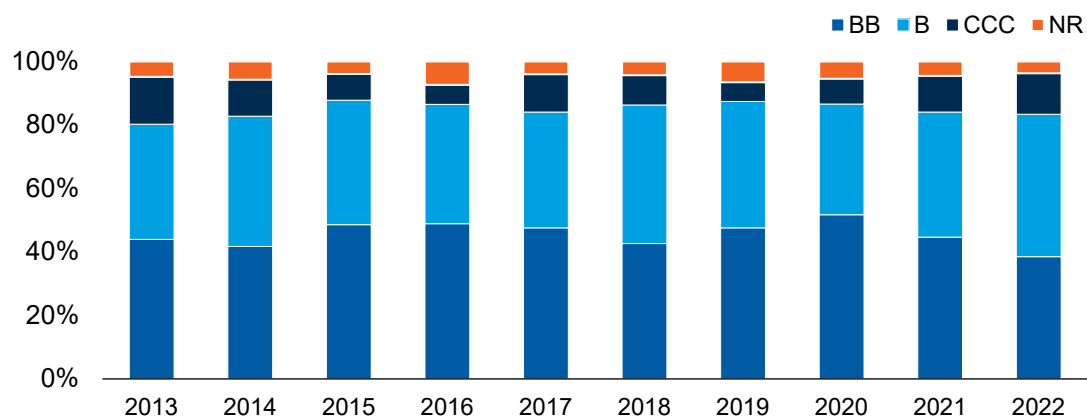
## U.S. Investment Grade



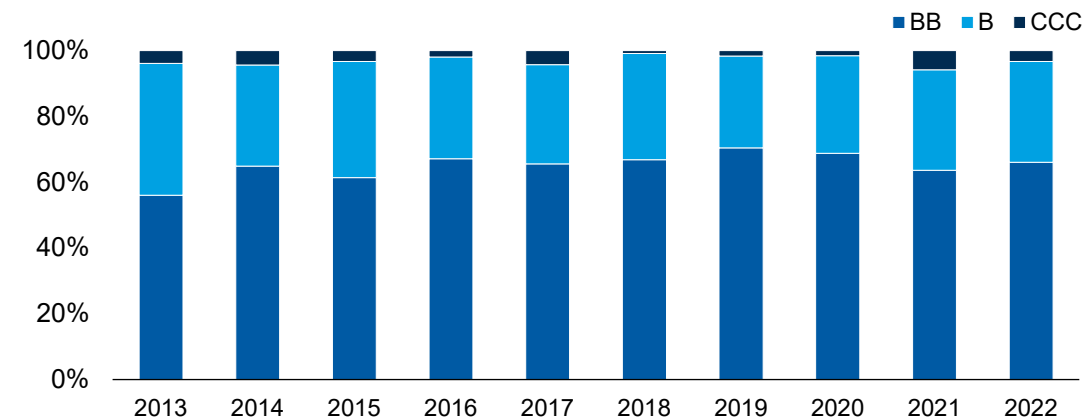
## U.S. Leveraged Loans



## U.S. High Yield



## Euro High Yield

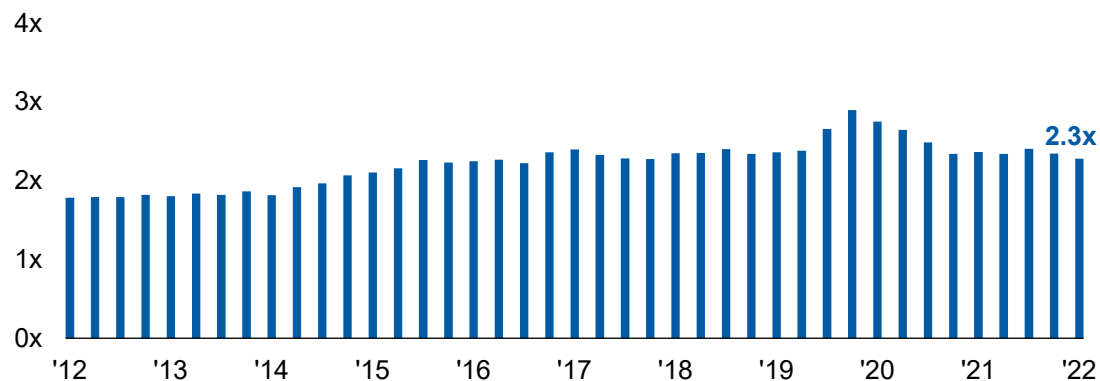


Sources: Morgan Stanley Research, Bloomberg, Dealogic, Bond Radar, Leveraged Commentary & Data (LCD). As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

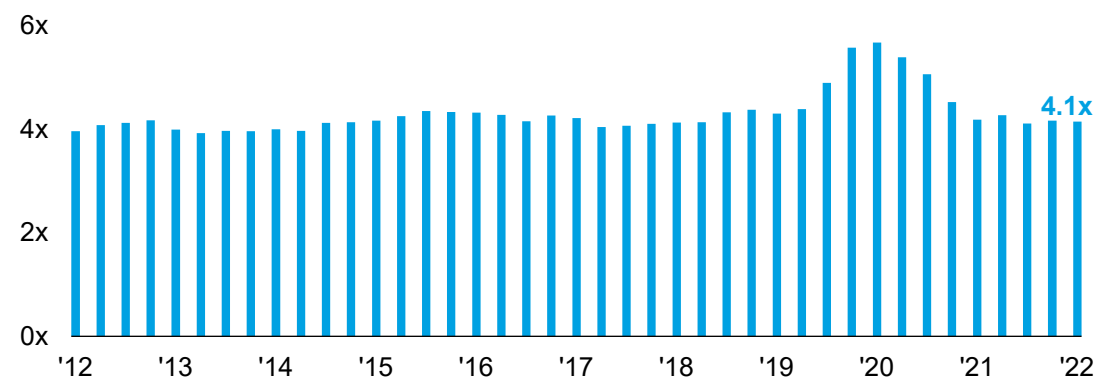
CORPORATE CREDIT

# Fundamentals in IG and Loans Show Improvements

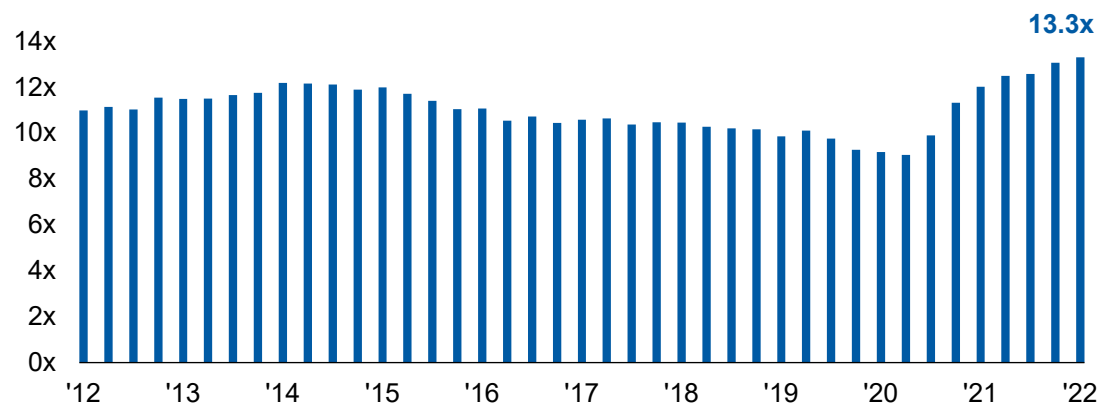
U.S. Investment-Grade Gross Leverage



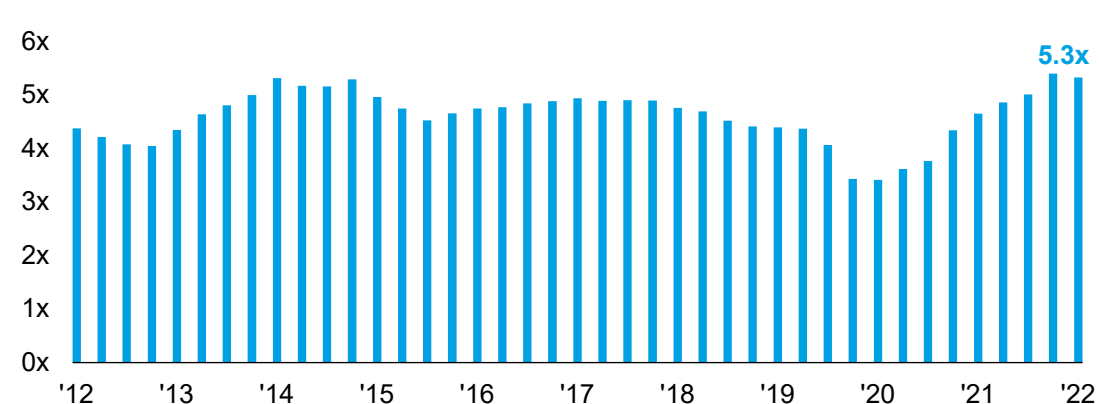
U.S. Loan Gross Leverage



U.S. Investment-Grade Gross Interest Coverage



U.S. Loan Interest Coverage

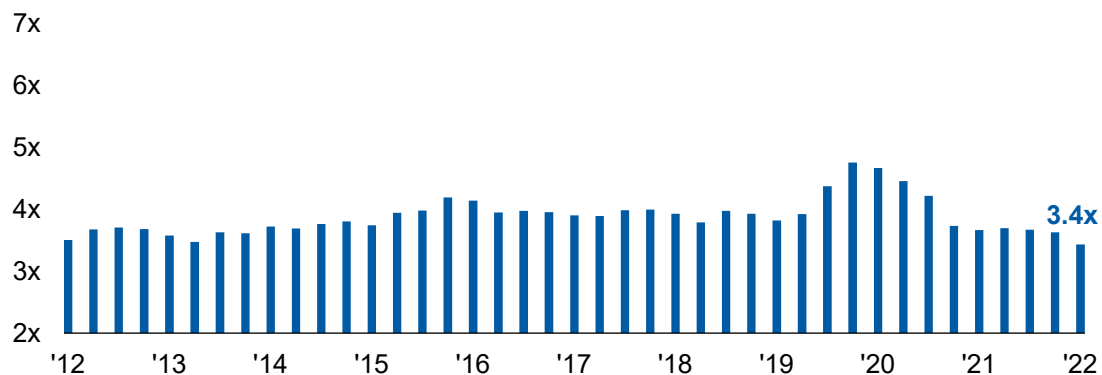


Sources: Morgan Stanley Research and Leveraged Commentary & Data (LCD). Most recent available data as of Q3 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

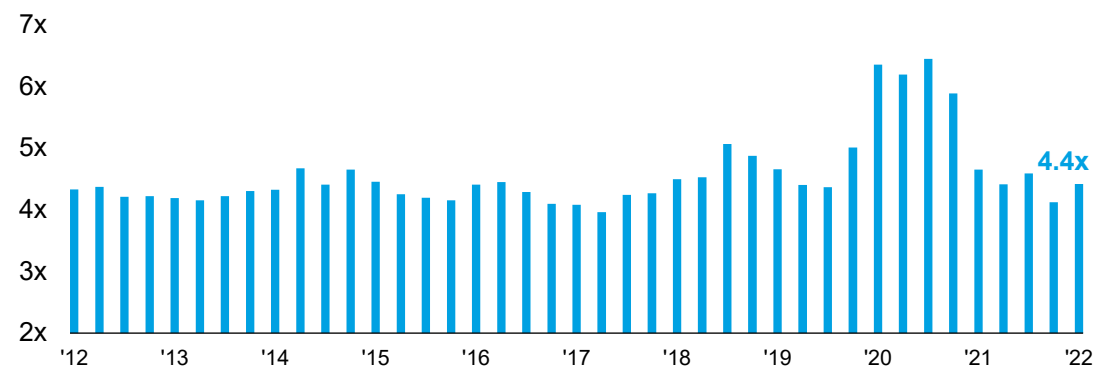
CORPORATE CREDIT

# High-Yield Fundamentals Stronger Than in 2020-2021

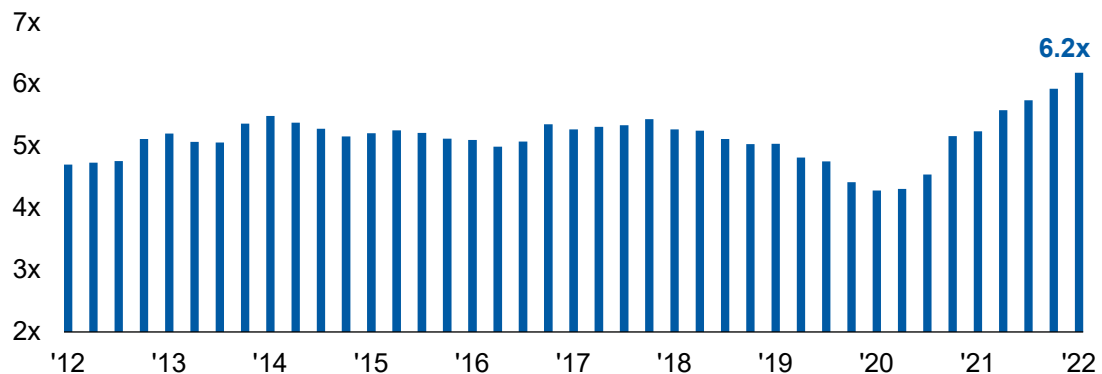
## U.S. High-Yield Gross Leverage



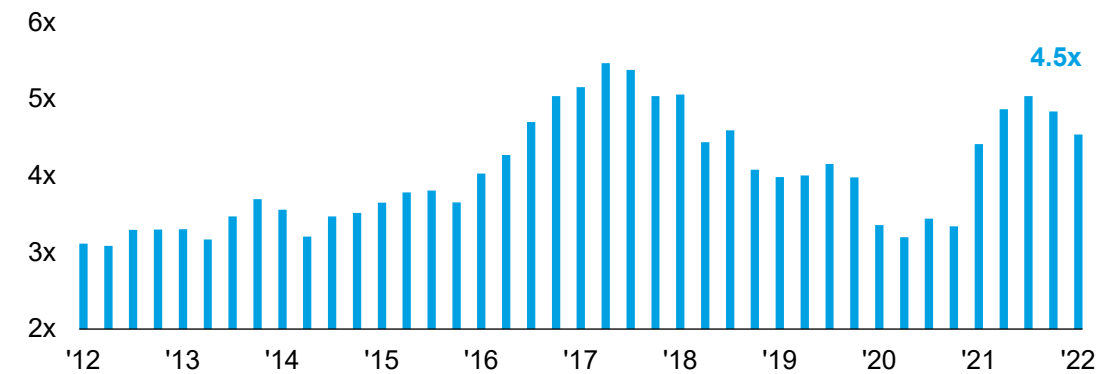
## European High-Yield Gross Leverage



## U.S. High-Yield Interest Coverage



## European High-Yield Interest Coverage

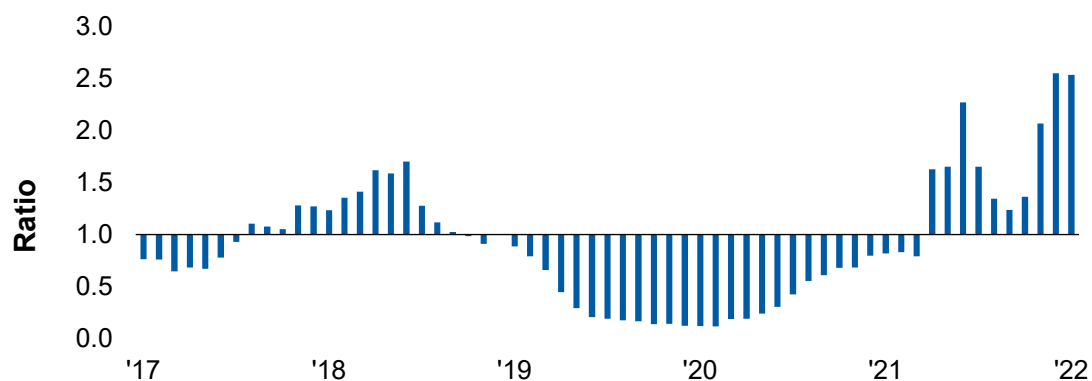


Sources: Morgan Stanley Research. Most recent available data as of Q3 2022 for U.S. High Yield and Q2 2022 for European High Yield. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

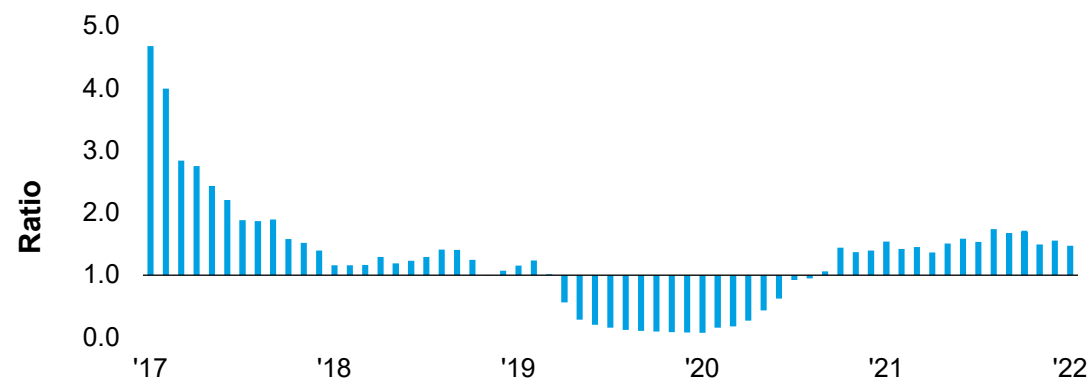
CORPORATE CREDIT

# Below-IG Ratings Upgrades Outpaced Downgrades in Q4

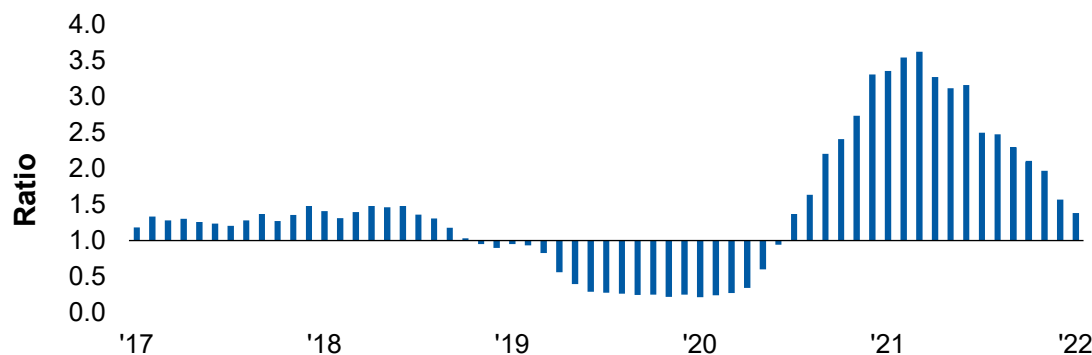
U.S. Investment-Grade Sum of Up/Down Ratio



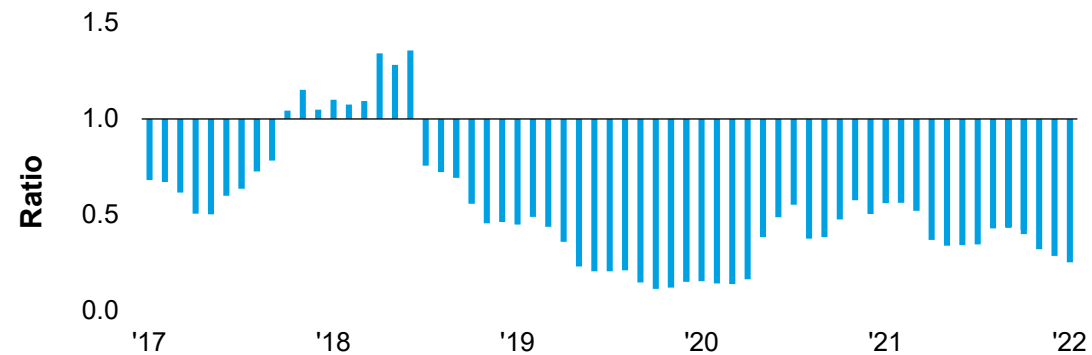
Euro High-Yield Sum of Up/Down Ratio



U.S. High-Yield Sum of Up/Down Ratio



EM Corporates Sum of Up/Down Ratio



Source: ICE Data Indices, LLC. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. U.S. Investment Grade represented by the ICE BofA US Investment Grade Corporate Bond Index. U.S. High Yield represented by the ICE BofA U.S. High Yield Index. Euro High Yield represented by the ICE BofA Euro High Yield Index. EM Corporates represented by the ICE BofA Emerging Markets Corporate Plus Index.

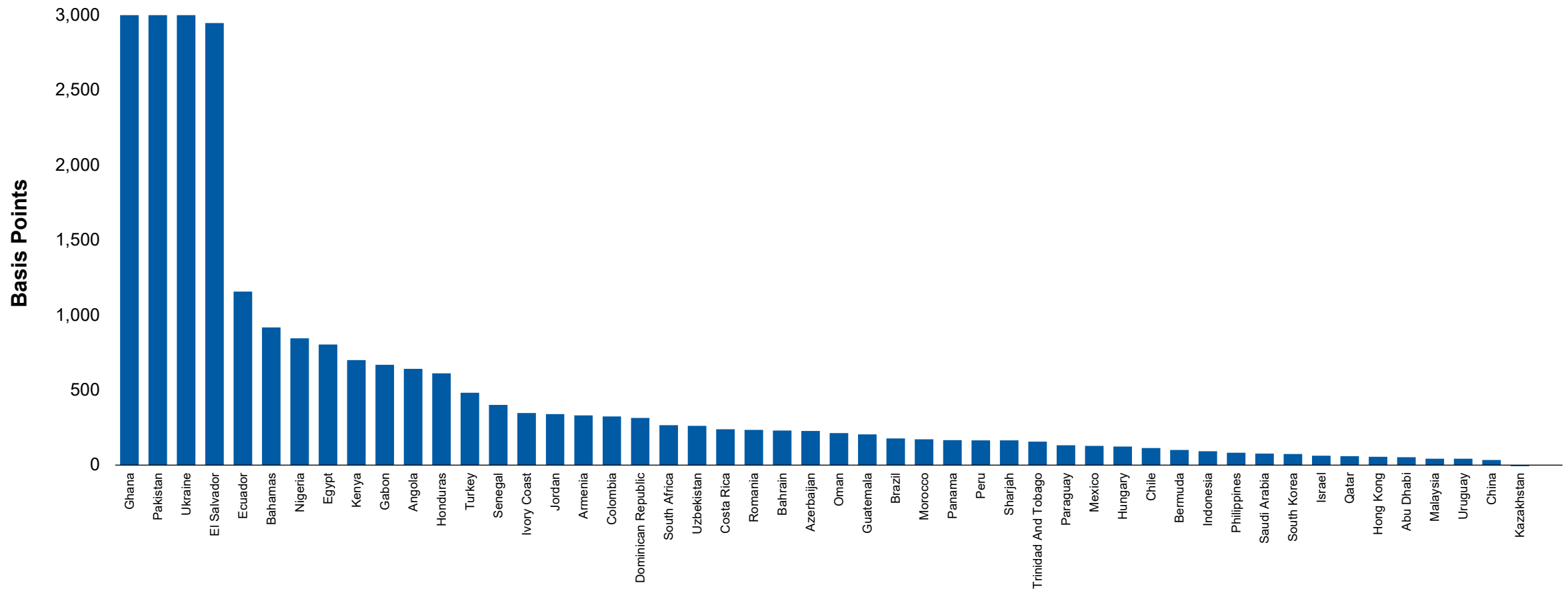
# Emerging Markets



EMERGING MARKETS

# Country Selection Remains Crucial Amid Wide Dispersion Among Sovereigns

## 5-Year Spreads

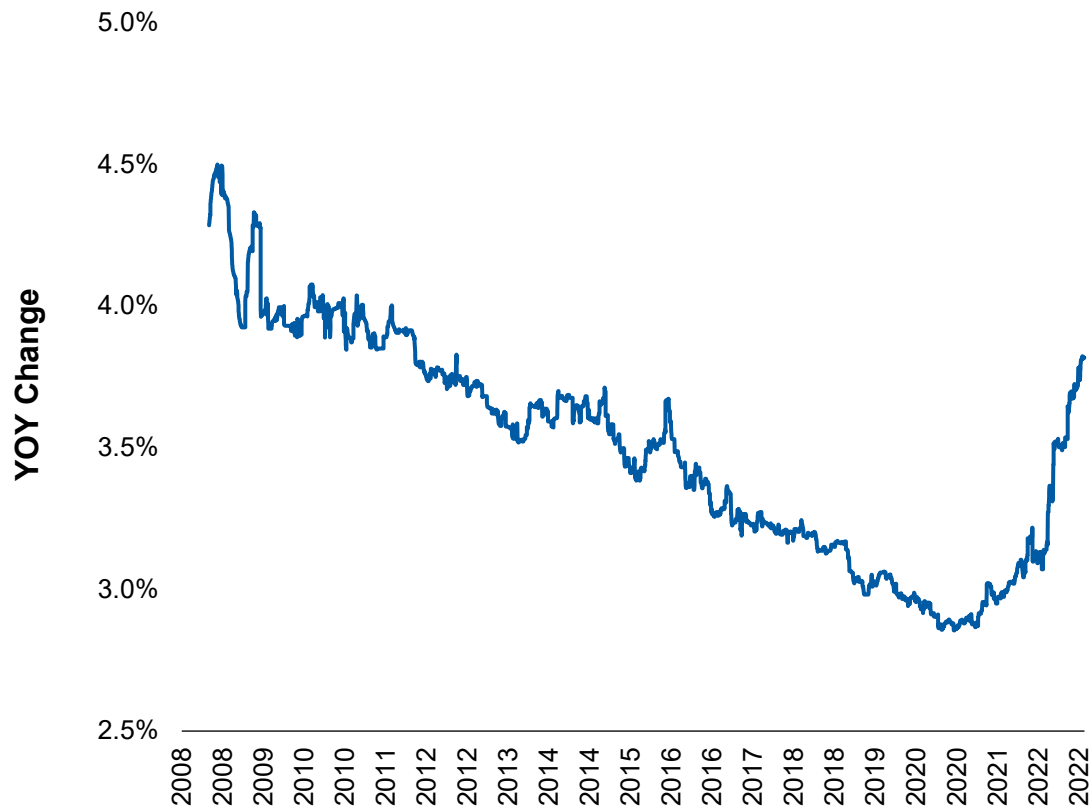


Source: Eaton Vance proprietary data and calculations. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities. Underlying individual country spreads are capped at 3,000 bps.

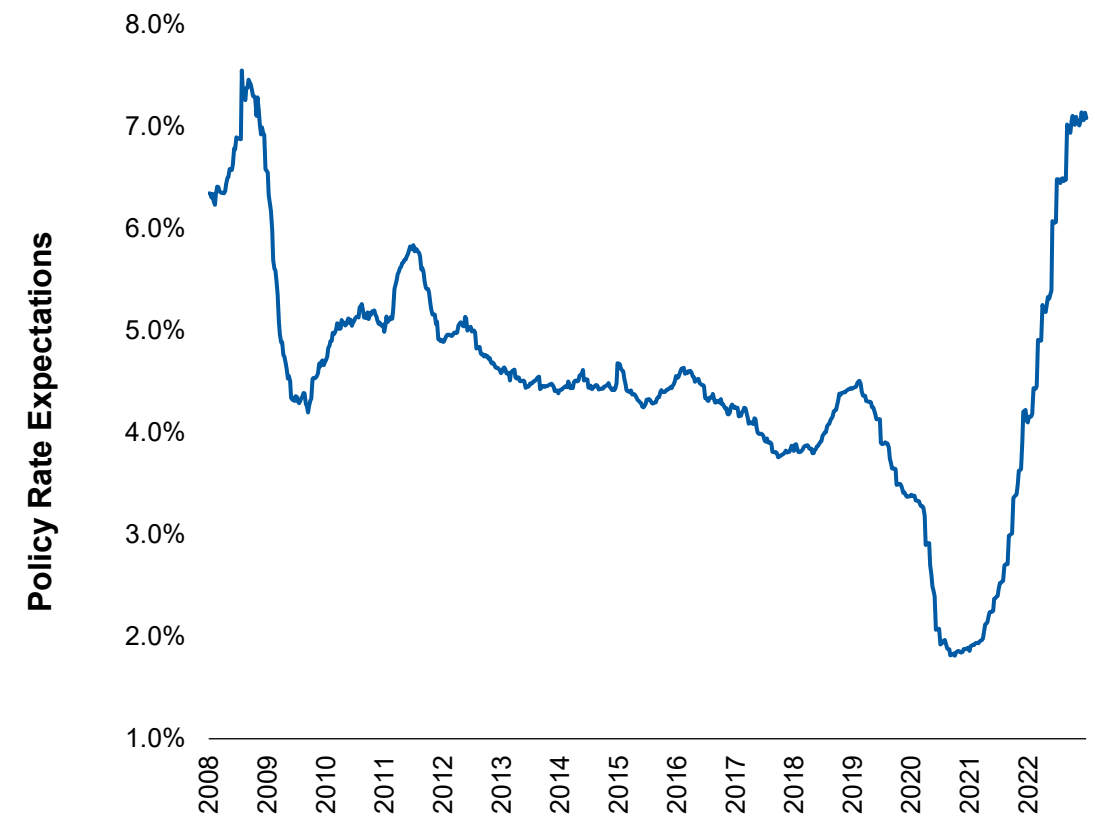
EMERGING MARKETS

# EM Inflation and Policy Rate Expectations Move Sharply Higher

EM Consensus CPI Expectations\*



EM Consensus Policy Rate Expectations\*\*



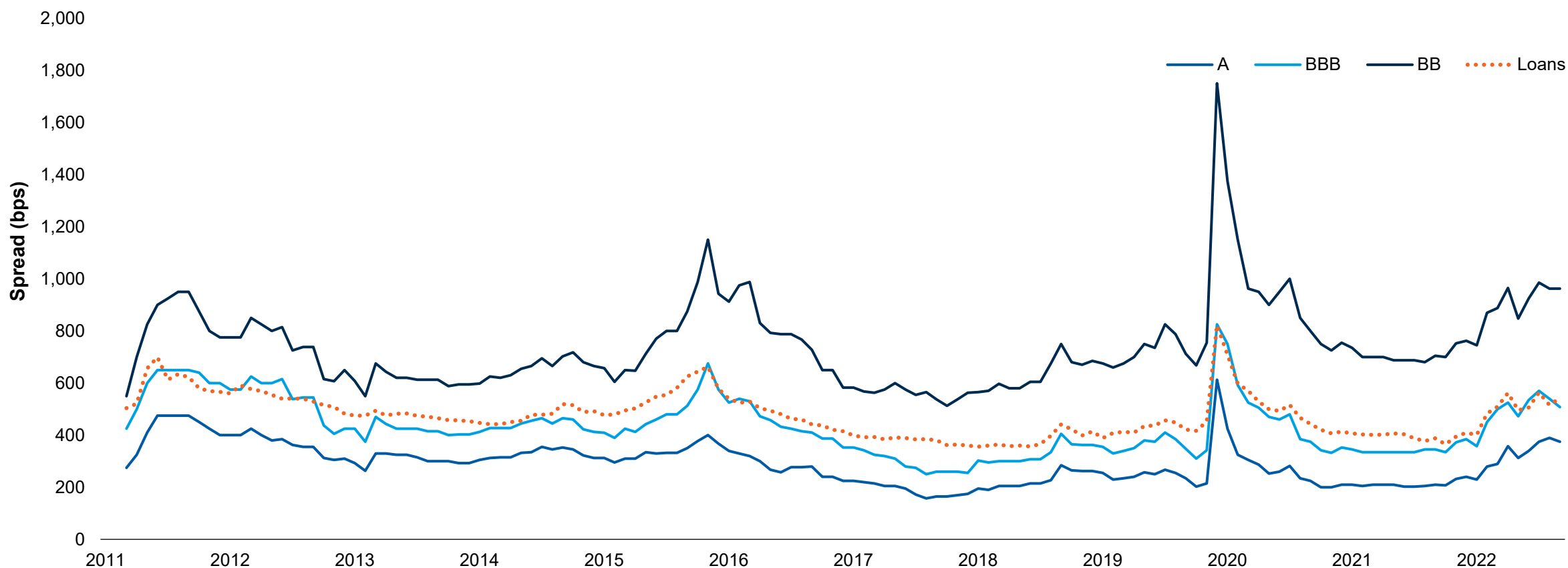
Sources: Bloomberg, Eaton Vance. As of December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. \*Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified. \*\*Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified.

# Securitized Credit

SECURITIZED CREDIT

# Volatility of CLOs Relative to Underlying Loans

## Post-Crisis CLO Spreads: A, BBB, BB vs. Loans

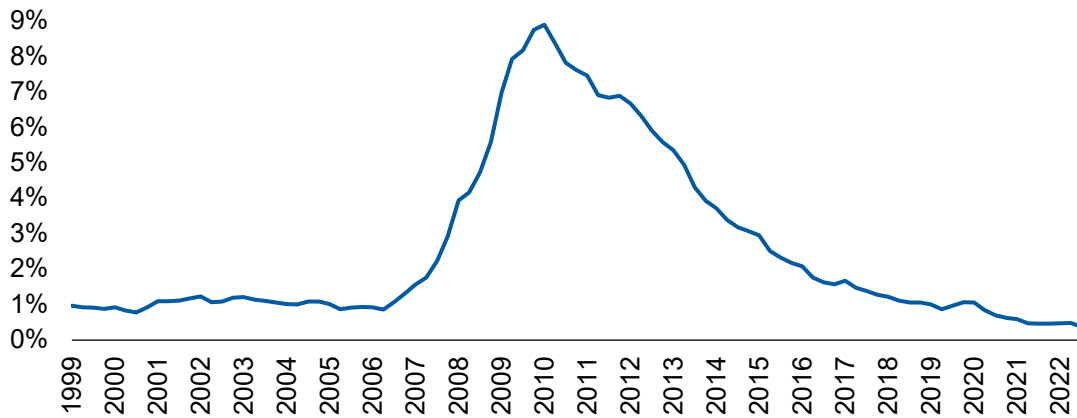


Sources: Citibank Velocity and Leveraged Commentary & Data (LCD), December 31, 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. All CLO data measures CLO tranches issued after the 2008 financial crisis. Loans represented by the Morningstar LSTA US Leveraged Loan Index and show spread-to-maturity.

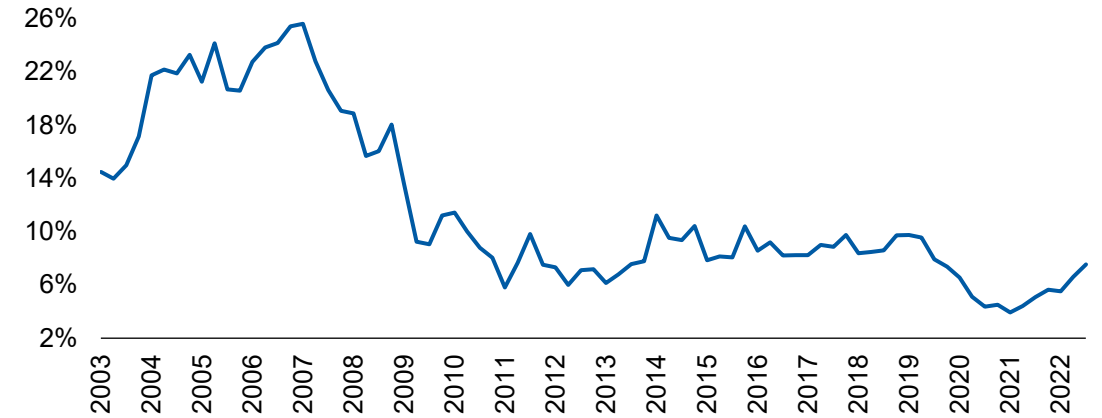
SECURITIZED CREDIT

# Consumer Balance Sheets Look in Fine Health

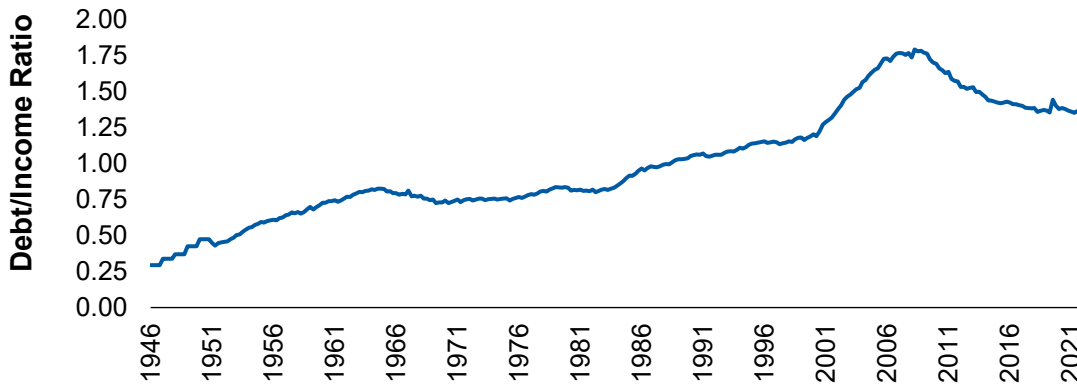
### U.S. Residential Mortgage 90+ Day Delinquent Rates



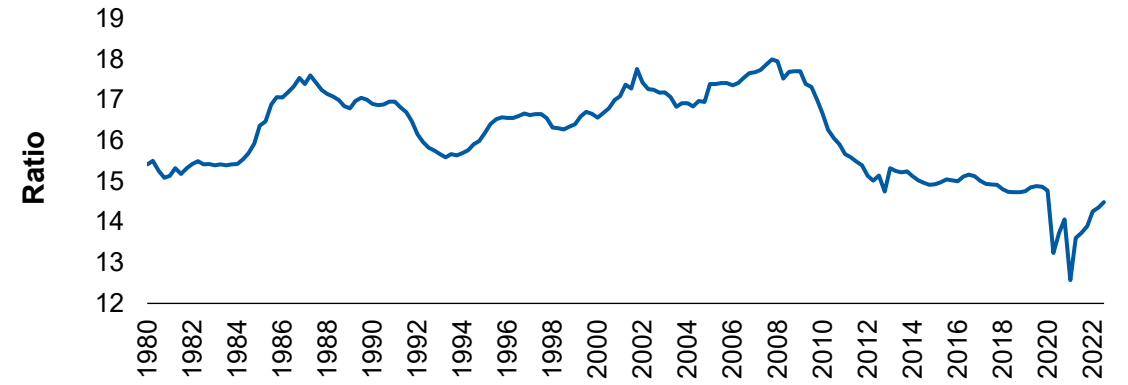
### Subprime Mortgage Originations



### Household Debt/Income



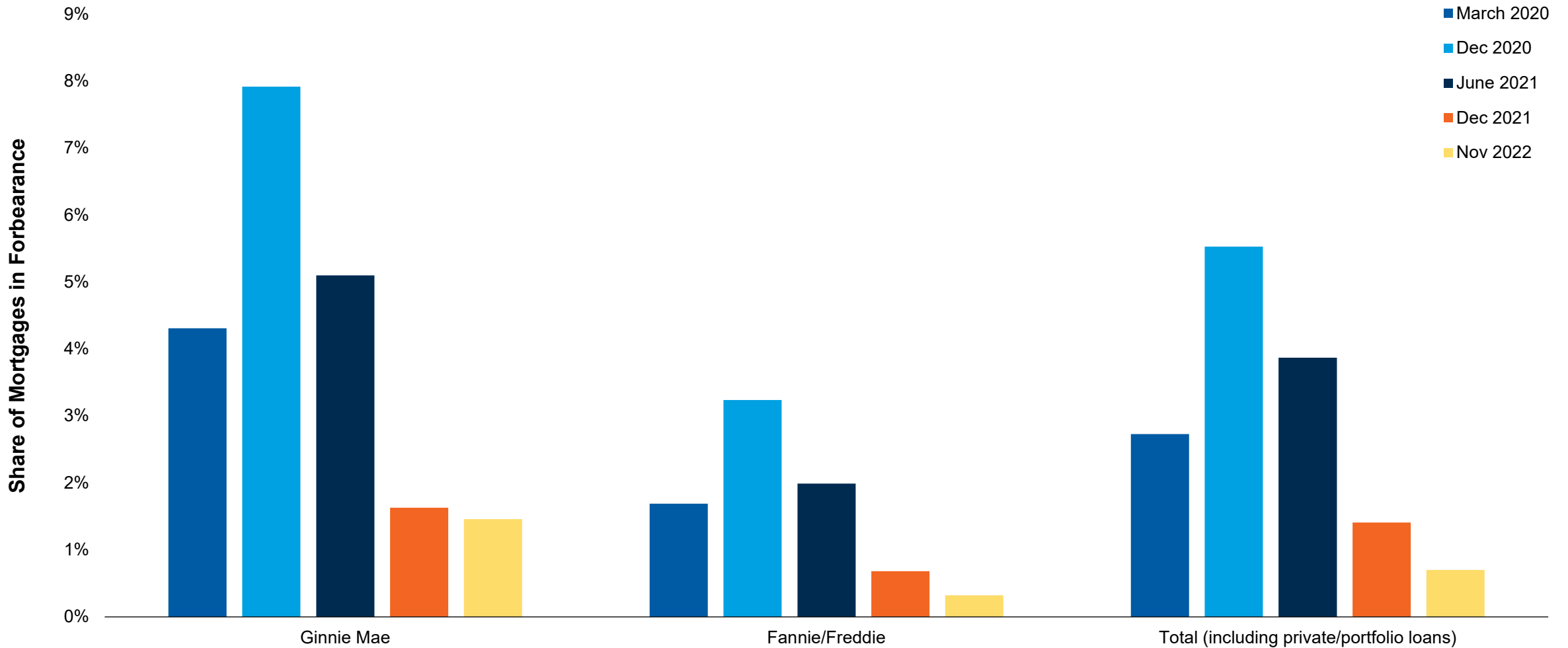
### Financial Obligation Ratios



Source: Macrobond. Most recent available data as of Q3 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Subprime borrower defined as having a FICO score below 659.

SECURITIZED CREDIT

# MBS: Forbearance Down From Pandemic Levels, But Flat in Recent Months



Source: Mortgage Bankers Association Forbearance Survey. Most recent available data as of November 2022. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

# Global Credit Snapshot

## GLOBAL CREDIT SNAPSHOT

## Global Bond Market Characteristics

Index	Averages							Weight
	Price (\$)	Coupon/ Nominal (%)	Duration/ WAL* (yrs)	OAS/4-Yr DM (bps)	Yield to Horizon (%)	Face	Market	
Global High Yield Corporates	86.3	5.3%	3.7	486	8.9%	1,741,770	1,528,609	100.0%
USD High Yield Corporates	86.5	5.8%	3.8	478	9.4%	1,307,659	1,150,209	100.0%
EUR High Yield Corporates	86.2	3.6%	3.2	488	7.0%	385,534	337,166	100.0%
GBP High Yield Corporates	83.3	5.2%	3.1	680	9.7%	48,577	41,235	100.0%
USD Floating-Rate Loans	92.9	7.6%	4.5	575	9.6%	1,375,406	1,277,399	100.0%
EUR Floating-Rate Loans	92.5	6.9%	4.3	597	9.0%	243,738	225,520	100.0%
EM High Yield Sovereigns	81.9	5.7%	3.8	594	10.0%	259,681	216,288	100.0%
EM High Yield Corporates	85.5	6.0%	3.3	645	9.9%	305,028	265,669	100.0%
EM Investment Grade Sovereigns	94.3	3.7%	4.6	77	5.1%	278,255	265,221	100.0%
EM Investment Grade Corporates	91.3	3.3%	3.7	155	5.4%	651,101	600,410	100.0%
USD Investment Grade Corporates	91.8	3.3%	4.1	121	5.3%	3,734,326	3,459,424	100.0%
EUR Investment Grade Corporates	89.3	1.5%	4.2	155	3.9%	2,084,477	1,877,363	100.0%
GBP Investment Grade Corporates	90.7	3.4%	4.3	197	5.7%	197,004	181,481	100.0%

Sources: Eaton Vance, ICE Data Indices, LLC and Leveraged Commentary & Data (LCD). As of December 31, 2022. **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. Face and market value measured in thousands. High-yield and investment-grade corporate and sovereign bond data reflect all bonds tracked by ICE BofA, excluding subordinated financial debt. Leveraged loans data reflect various sub-indices of the Morningstar LSTA US Leveraged Loan Index. \* US and European loan investments are floating-rate instruments. As a result, there is limited interest rate duration but we have included the weighted averaged maturity for these markets as a comparator.



## GLOBAL CREDIT SNAPSHOT

## Global Corporate High-Yield and Leveraged Loan Characteristics

Index	Averages							
	Price (\$)	Coupon/ Nominal (%)	Duration/ WAL* (yrs)	OAS/4-Yr DM (bps)	Yield to Horizon (%)	Face	Market	Weight
High Yield Corporate USD - BB	89.9	5.0%	4.1	307	7.6%	622,545	567,503	49.3%
High Yield Corporate USD - B	87.1	6.1%	3.7	514	9.6%	514,068	455,860	39.6%
High Yield Corporate USD - CCC	72.3	7.4%	3.4	1115	16.2%	171,046	126,846	11.0%
<b>USD High Yield Corporate Total</b>	<b>86.5</b>	<b>5.8%</b>	<b>3.8</b>	<b>478</b>	<b>9.4%</b>	<b>1,307,659</b>	<b>1,150,209</b>	<b>100.0%</b>
High Yield Corporate EUR - BB	87.5	3.0%	3.1	361	6.0%	242,875	215,652	64.0%
High Yield Corporate EUR - B	85.9	4.3%	3.2	602	7.9%	116,978	101,983	30.2%
High Yield Corporate EUR - CCC	74.6	5.9%	3.3	1287	13.4%	25,680	19,530	5.8%
<b>EUR High Yield Corporate Total</b>	<b>86.2</b>	<b>3.6%</b>	<b>3.2</b>	<b>488</b>	<b>7.0%</b>	<b>385,534</b>	<b>337,166</b>	<b>100.0%</b>
High Yield Corporate GBP - BB	85.3	4.6%	3.1	504	8.4%	29,730	25,840	62.7%
High Yield Corporate GBP - B	80.6	6.2%	3.0	956	11.7%	17,915	14,720	35.7%
High Yield Corporate GBP - CCC	70.6	6.2%	3.1	1419	15.2%	932	675	1.6%
<b>GBP High Yield Corporate Total</b>	<b>83.3</b>	<b>5.2%</b>	<b>3.1</b>	<b>680</b>	<b>9.7%</b>	<b>48,577</b>	<b>41,235</b>	<b>100.0%</b>
Morningstar LSTA Leveraged Loans – BBB	98.9	6.0%	4.0	232	6.4%	72,950	72,141	5.6%
Morningstar LSTA Leveraged Loans – BB	97.6	6.8%	4.6	349	7.5%	336,248	328,199	25.7%
Morningstar LSTA Leveraged Loans – B	92.5	7.8%	4.5	615	10.0%	873,397	808,319	63.3%
Morningstar LSTA Leveraged Loans - CCC	74.1	9.0%	3.8	1553	17.6%	92,812	68,739	5.4%
<b>USD Floating-Rate Loan Total</b>	<b>92.9</b>	<b>7.6%</b>	<b>4.5</b>	<b>575</b>	<b>9.6%</b>	<b>1,375,406</b>	<b>1,277,399</b>	<b>100.0%</b>
Morningstar European Leveraged Loans – BB	96.0	6.3%	4.2	425	7.4%	39,464	37,896	16.8%
Morningstar European Leveraged Loans – B	91.8	7.0%	4.4	632	9.3%	204,274	187,624	83.2%
<b>EUR Floating-Rate Loan Total</b>	<b>92.5</b>	<b>6.9%</b>	<b>4.3</b>	<b>597</b>	<b>9.0%</b>	<b>243,738</b>	<b>225,520</b>	<b>100.0%</b>

Sources: Eaton Vance, ICE Data Indices, LLC and Leveraged Commentary & Data (LCD). As of December 31, 2022. **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. Face and market value measured in thousands. High-yield and investment-grade corporate bond data reflect all bonds tracked by ICE BofA, excluding subordinated financial debt. Leveraged loans data reflect various sub-indices of the Morningstar LSTA US Leveraged Loan Index and the S&P Europe Leveraged Loan Index.

\* US and European loan investments are floating-rate instruments. As a result, there is limited interest rate duration but we have included the weighted averaged maturity for these markets as a comparator.

## GLOBAL CREDIT SNAPSHOT

## Global Investment-Grade Corporate Characteristics

Index	Averages							
	Price (\$)	Coupon/ Nominal (%)	Duration/ WAL* (yrs)	OAS/4-Yr DM (bps)	Yield to Horizon (%)	Face	Market	Weight
Investment-Grade Corporate USD – AAA 1-10 year	93.1	2.4%	3.2	39	4.0%	42,997	40,385	1.2%
Investment-Grade Corporate USD – AA 1-10 year	92.1	2.6%	3.7	55	4.4%	358,113	332,187	9.6%
Investment-Grade Corporate USD – A 1-10 year	92.4	3.0%	4.1	87	4.8%	1,141,212	1,062,704	30.7%
Investment-Grade Corporate USD – BBB 1-10 year	91.4	3.6%	4.2	151	5.7%	2,192,004	2,024,148	58.5%
<b>USD Investment-Grade Total</b>	<b>91.8</b>	<b>3.3%</b>	<b>4.1</b>	<b>121</b>	<b>5.3%</b>	<b>3,734,326</b>	<b>3,459,424</b>	<b>100.0%</b>
Investment-Grade Corporate EUR – AAA 1-10 year	90.6	1.0%	4.8	62	3.1%	8,858	8,043	0.4%
Investment-Grade Corporate EUR – AA 1-10 year	91.0	1.2%	4.1	96	3.2%	225,396	206,439	11.0%
Investment-Grade Corporate EUR – A 1-10 year	90.0	1.3%	4.3	119	3.5%	699,837	634,455	33.8%
Investment-Grade Corporate EUR – BBB 1-10 year	88.5	1.7%	4.1	189	4.3%	1,150,386	1,028,426	54.8%
<b>EUR Investment-Grade Total</b>	<b>89.3</b>	<b>1.5%</b>	<b>4.2</b>	<b>155</b>	<b>3.9%</b>	<b>2,084,477</b>	<b>1,877,363</b>	<b>100.0%</b>
Investment-Grade Corporate GBP – AAA 1-10 year	89.7	2.4%	3.6	112	4.8%	3,368	3,039	1.7%
Investment-Grade Corporate GBP – AA 1-10 year	91.6	2.5%	4.2	119	4.4%	18,184	16,860	9.3%
Investment-Grade Corporate GBP – A 1-10 year	90.6	2.9%	4.2	157	5.1%	65,729	60,291	33.2%
Investment-Grade Corporate GBP – BBB 1-10 year	90.6	3.9%	4.3	237	6.2%	109,724	101,291	55.8%
<b>GBP Investment-Grade Total</b>	<b>90.7</b>	<b>3.4%</b>	<b>4.3</b>	<b>197</b>	<b>5.7%</b>	<b>197,004</b>	<b>181,481</b>	<b>100.0%</b>

Sources: Eaton Vance, ICE Data Indices, LLC. As of December 31, 2022. **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. Face and market value measured in thousands. Investment-grade corporate bond data reflect all bonds tracked by ICE BofA.

## GLOBAL CREDIT SNAPSHOT

## Global EM Sovereign and Corporate Characteristics

Index	Averages							
	Price (\$)	Coupon/ Nominal (%)	Duration/ WAL* (yrs)	OAS/4-Yr DM (bps)	Yield to 5-Yr (%)	Face	Market	Weight
EM Investment Grade Sovereigns – AA	94.3	3.1%	4.6	42	4.5%	62,475	59,348	22.4%
EM Investment Grade Sovereigns – A	94.7	3.3%	4.6	50	4.5%	84,450	80,683	30.4%
EM Investment Grade Sovereigns – BBB	94.0	4.3%	4.6	112	5.7%	131,330	125,190	47.2%
<b>EM Investment Grade Sovereigns</b>	<b>94.3</b>	<b>3.7%</b>	<b>4.6</b>	<b>77</b>	<b>5.1%</b>	<b>278,255</b>	<b>265,221</b>	<b>100.0%</b>
EM High Yield Sovereigns – BB	95.0	5.1%	4.1	192	6.3%	78,996	76,165	35.2%
EM High Yield Sovereigns – B	90.6	6.5%	3.6	476	9.1%	131,105	120,875	55.9%
EM High Yield Sovereigns – CCC	38.0	4.6%	3.0	2922	30.6%	49,579	19,247	8.9%
<b>EM High Yield Sovereigns</b>	<b>81.9</b>	<b>5.7%</b>	<b>3.8</b>	<b>594</b>	<b>10.0%</b>	<b>259,681</b>	<b>216,288</b>	<b>100.0%</b>
EM Investment Grade Corporate – AAA	93.2	3.5%	4.9	86	5.1%	1,000	937	0.2%
EM Investment Grade Corporate – AA	91.1	2.6%	4.0	84	4.7%	58,010	53,249	8.9%
EM Investment Grade Corporate – A	92.1	2.9%	3.6	105	4.8%	277,790	257,849	42.9%
EM Investment Grade Corporate – BBB	90.7	3.7%	3.7	213	6.0%	314,301	288,375	48.0%
<b>EM Investment Grade Corporates</b>	<b>91.3</b>	<b>3.3%</b>	<b>3.7</b>	<b>155</b>	<b>5.4%</b>	<b>651,101</b>	<b>600,410</b>	<b>100.0%</b>
EM High Yield Corporates – BB	87.9	5.4%	3.7	439	8.6%	197,047	176,135	66.3%
EM High Yield Corporates – B	85.6	6.8%	2.7	799	10.8%	81,587	71,398	26.9%
EM High Yield Corporates – CCC	66.7	7.5%	2.2	2041	18.7%	26,394	18,136	6.8%
<b>EM High Yield Corporates</b>	<b>85.5</b>	<b>6.0%</b>	<b>3.3</b>	<b>645</b>	<b>9.9%</b>	<b>305,028</b>	<b>265,669</b>	<b>100.0%</b>

Sources: Eaton Vance, ICE Data Indices, LLC. As of December 31, 2022. **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. Face and market value measured in thousands. EM high-yield and investment-grade sovereign and corporate bond data reflect all bonds tracked by ICE BofA.

## GLOBAL CREDIT SNAPSHOT

## U.S. Securitized Characteristics

Index	Price (\$)	Coupon/ Nominal (%)	Duration/ WAL* (yrs)	Averages		Face	Market
				OAS/4-Yr DM (bps)	Yield to Horizon (%)		
CMBS AAA	91.3	3.1%	4.1	126	5.2%	790,663	723,980
CMBS AA	88.4	3.8%	3.8	305	6.6%	96,224	85,405
CMBS A	84.9	4.0%	3.4	542	7.9%	53,336	45,480
CMBS BBB	78.3	3.6%	3.6	660	9.2%	55,097	43,330
CLO AAA	97.9	5.2%	3.4	189	5.8%	525,067	514,277
CLO AA	96.0	5.8%	5.3	262	6.8%	98,509	94,578
CLO A	93.9	6.3%	6.0	349	7.9%	50,368	47,318
CLO BBB	90.8	7.4%	6.6	522	10.0%	50,981	46,302
CLO BB	84.1	10.5%	7.1	992	15.8%	37,470	31,496

Sources: Eaton Vance, ICE Data Indices, LLC and JPMorgan. As of December 31, 2022. **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. Face and market value measured in thousands. CMBS data reflect all bonds tracked by ICE BofA. CLO data reflect various sub-indices of the J.P. Morgan Collateralized Loan Obligation Index (CLOIE) Post Crisis.

## IMPORTANT ADDITIONAL INFORMATION

### INDEX DEFINITIONS

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

**ICE BofA Euro Corporate Index** tracks the performance of EUR denominated investment grade corporate debt publicly issued in the eurobond or Euro member domestic markets.

**ICE BofA Sterling Corporate Index** tracks the performance of GBP denominated investment grade corporate debt publicly issued in the eurobond or UK domestic market.

**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 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 Sterling High Yield Index** tracks the performance of GBP denominated below investment grade corporate debt publicly issued in the sterling domestic or eurobond markets.

**ICE BofA US Treasury Index** tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market.

**ICE BofA European Currency Developed Markets High Yield Excluding Subordinated Financials Constrained Index** contains all securities in The ICE BofA European Currency High Yield Index provided they are not subordinated financials and have a developed markets country of risk.

**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.

**Morningstar LSTA US Leveraged Loan Index** is an unmanaged index of the institutional leveraged loan market.

**Morningstar European Leveraged Loan Index** is an unmanaged index of the European institutional leveraged loan market.

**Standard & Poor's 500 Index** is an unmanaged index of large-cap stocks commonly used as a measure of U.S. stock market performance.

**ICE BofA 7-10 Year AA US Fixed Rate CMBS Index** tracks the performance of US dollar denominated investment grade fixed rate commercial mortgage backed securities publicly issued in the US domestic market including all securities with an average life greater than or equal to 7 years and less than 10 years and rated AA.

**ICE BofA BBB US Fixed Rate CMBS Index** tracks the performance of US dollar denominated investment grade fixed rate commercial mortgage backed securities publicly issued in the US domestic market including all securities with an average life greater than or equal to 7 years and less than 10 years and rated BBB1 through BBB3, inclusive.

**ICE BofA Developed Markets High Yield Ex-Subordinated Financial Index (Hedged)** is an unmanaged index of global developed market below investment grade corporate bonds, USD hedged.

**ICE BofA Global Broad Market Index** tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities.

**ICE BofA Global Corporate Index** tracks the performance of investment grade corporate debt publicly issued in the major domestic and eurobond markets.

**ICE BofA Emerging Markets External Sovereign Index** tracks the performance of US dollar and euro denominated emerging markets sovereign debt publicly issued in the major domestic and eurobond markets.

**ICE BofA Emerging Markets Corporate Plus Index** tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets.

**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

**J.P. Morgan Collateralized Loan Obligation Index (CLOIE) Post Crisis** is comprised solely of cash arbitrage CLOs backed by broadly syndicated leveraged loans

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