

Looking for Long Bonds?

FIXED INCOME BULLETIN - JANUARY 2024

KEY TAKEAWAYS

- > High yields have led to greater investor demand for longer-dated corporate bonds, but supply decreased in 2023
- > The investment grade private credit (IGPC) market has been a source for longer-term bonds both in 2023 and historically, offering a greater percentage of 10+ year issuance compared to investment grade public credit (IG)
- > IGPC can also offer other benefits such as greater credit spread potential and covenants to protect from downgrades

Elevated yields have increased investor demand for longer-dated corporate bond yields.¹ Unfortunately, long-end supply for public corporate bonds declined in 2023 as companies were reluctant to lock-in paying higher coupons for an extended period. With a dearth of long-dated credit in the public market, where else can investors find comparable opportunities?

Our access to the IGPC market has provided a source for longer-dated and off-the-run maturities and helped us meet client portfolio targets. For example, 34% of non-financial IGPC issuance in 2023 had maturities of 10+ years, compared to only 21% for IG.^{2,3} Additionally, the IGPC market can provide investors with more bespoke lengths of maturity, including 12- and 15-years.

Beyond long-end maturity opportunities, IGPC can offer investors additional benefits including covenant protections and greater credit spread potential than

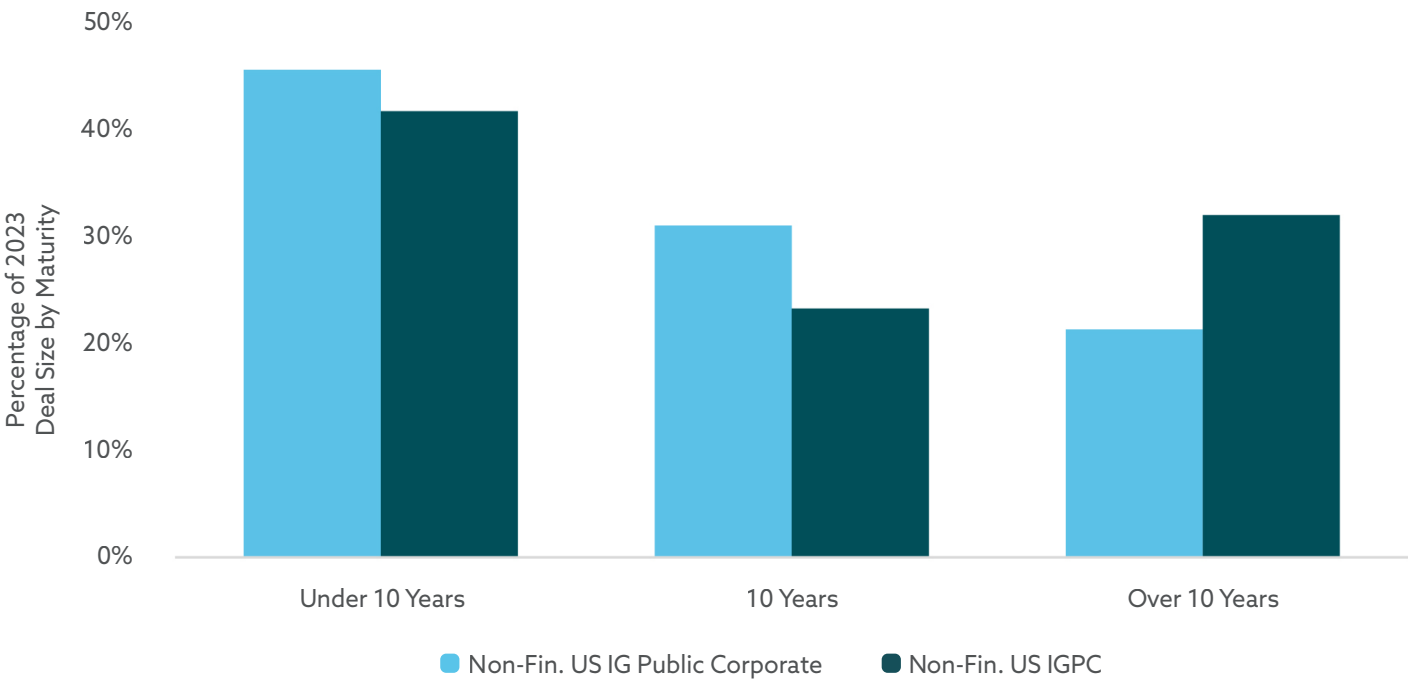
comparable public investments (typically 20 to 100 bps).³ IGPC covenants are more robust than public-style covenants and may protect from rating downgrades through leverage and cash flow tests. Structural and financial covenants can also safeguard investors from major credit deterioration events such as leveraged buyouts, leveraged dividends and other shareholder-friendly activities.

If you are looking for an alternative way to access the long-end market while adding spread potential and covenants through IGPC, we welcome the opportunity to listen and, hopefully, be of help.



LUKE STIFFLEAR, CFA
Senior Managing Director,
Head of Private Placements

IGPC: A HONEY HOLE OF LONG-END ISSUANCE^{2,3}



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