ASSET CLASS FOCUS
APRIL 2026

35TH ANNIVERSARY PPMAMERICA

US High Yield

ADAM SPIELMAN
Head of Leveraged Credit

JOHN BROZ
Portfolio Manager

KARL PETROVICH
Portfolio Manager

KEY TAKEAWAY

Market reaction to AI adoption, private credit fears and conflict in the Middle East has created opportunities to reposition; the strategy was active in Healthcare, Financials and Energy during the quarter

US high yield experienced a risk-off quarter as spreads widened and rates sold off amid AI disruption, private credit concerns and the war in the Middle East. The ICE BofA US High Yield Constrained Index produced a total return of -0.55% in Q1 2026, its worst quarter since Q3 2022.[1] Yields increased by 81 bps to 7.44% with spreads 47 bps wider. CCCs (-2.21%) materially underperformed B (-0.38%) and BB (-0.38%).

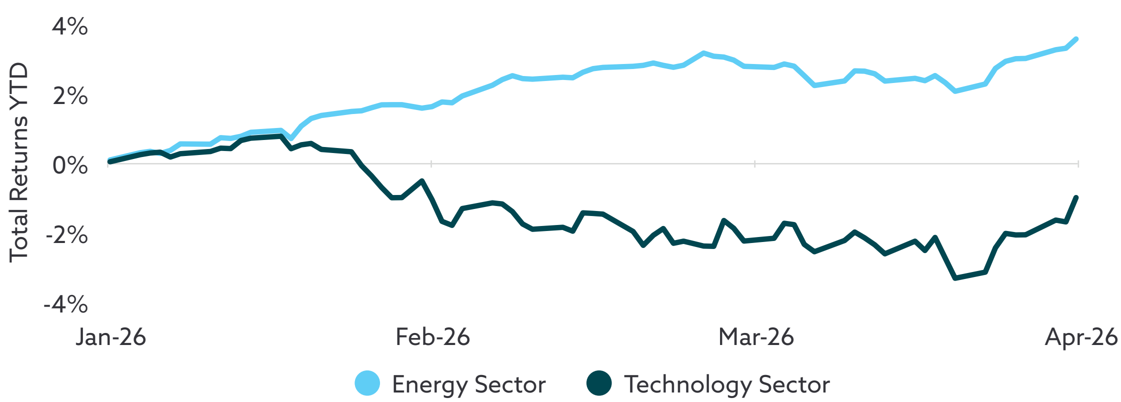
The asset class saw more bonds upgraded ($83B) than downgraded (-$60B) for the fourth time in five quarters.[2] The distress ratio increased 63 bps to 5.54% but remained well below the average since 2006 of 10.52% and supported a continuation of the low default environment. The default rate increased 40 bps to 2.64% but remained below the average since 2006 of 3.89%.

Market concerns in the first quarter started with AI risk, centered on software, but quickly spilled over into parts of healthcare and insurance. Private credit concerns drew further attention to software and related exposure in broadly syndicated loans. The Middle East war and associated disruptions to energy and higher input costs cast a shadow of both slower growth and higher inflation. The quarter saw wide variation in sector performance, with Energy (2.68%) and Technology (-2.44%) the symbolic bookends.

We were active in the quarter, net adding risk at the strategy level seeking to take advantage of more attractive yields, divergent sector performance and additional name opportunities. We increased exposure to core names in the 300-500 bps spread bucket while reducing distressed exposure. Thematically, we expect a heathy M&A environment to benefit high yield companies. For accounts with flexibility, we increased loan exposure aiming to capitalize on underperformance in January and February and to add loan-only credit ideas.

Within sectors, we added to Healthcare names that we believe were overly penalized due to AI concerns. We were also active within Financials, repositioning among names seeking to take advantage of relative value opportunities as the sector underperformed. We reduced overall Energy exposure as the sector sharply rallied by selling down the Gas Distribution sub-sector overweight. We modestly increased the Exploration & Production sub-sector weighting, settling close to the benchmark, and remain underweight the Oilfield Services sub-sector.

ENERGY & TECH SYMBOLIC BOOKENDS OF Q1 2026 HY PERFORMANCE[3]



 (1) Unless indicated, data sourced from ICE Data Services. 1 April 2026. (2) Data for upgrades/downgrades and default/distress sourced from BofA Global Research. 1 April 2026. (3) ICE Data Services. Daily data through 8 April 2026.

ABOUT PPM AMERICA

Our mission is to be seen by clients and their advisors as a consistently reliable partner to help them achieve their long-term value goals.

PPM is a US-based institutional asset manager with $93.73 billion in assets under management as of 31 December 2025.[4] Established in Chicago in 1990, PPM exists to consistently support institutional clients in achieving their long-term value goals. We offer our mentality of hard work, straight talk, full transparency and humility. Our success is supported by a team-based culture that encourages debate, collaboration and consistency. At the center of our belief is the fact that our best ideas to date have and can come from any team member anywhere in our firm. We believe the success of our investment culture is best demonstrated by the strong retention of our clients and investment professionals.

Past performance is no guarantee of future results. Investments involve varying degrees of risk and may lose value.

Generally, PPM America, Inc. is referred to herein as "PPM." Any use or reproduction of the information contained herein is prohibited without the written permission of PPM.

This document has been prepared solely for informational purposes and is not a recommendation, offer, or a solicitation of an offer, to buy, sell, or hold any security or instrument. Certain products and services may not be available in all jurisdictions or to all client types. No offer of any interest in any product will be made in any jurisdiction in which the offer, solicitation or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation or sale.

The opinions and views expressed herein are not intended to be relied upon as a prediction or forecast of actual future events or performance, guarantee of future results, recommendations or advice. Forward-looking statements are subject to uncertainties that could cause actual developments and results to differ materially from the expectations expressed. All statements other than statements of historical fact are forward-looking statements based on PPM's plans, expectations and views as of the date herein, and can be identified by the use of words such as "may", "will", "except", "view", "potential", "target", "likely", "believe", "anticipate", "should", "estimate", or other similar words. This information has been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed. Information and opinions expressed by PPM are current as of the date indicated and are subject to change without notice.

This document may include simplified presentations of complex processes and are provided for illustrative purposes only. PPM's actual activities and processes may differ from what is shown herein. No assurance can be given that such processes will be applied at any given time and are subject to change without notice.

(4) AUM includes committed but unfunded capital for PPM's private equity and commercial real estate businesses. AUM includes both securities issued by PPM CLO vehicles held by PPM separately managed account clients and the underlying collateral assets of the CLO vehicles managed by PPM.

There can be no assurance that any particular individual will be involved in the management of any portfolio for any period of time, if at all. Furthermore there can be no assurance that any PPM professionals presented herein will remain with PPM or that past experience or performance of such professionals serves as an indicator of his or her performance.

Indices are unmanaged and are not available for direct investment. The index returns do not reflect management fees, transaction costs, or other expenses, with the exception of ICE indices that do reflect transaction costs. Performance of any index does not represent actual portfolio performance. A portfolio may differ significantly from the securities included in an index. Any index information provided is for comparison purposes only to reflect general market conditions for the period shown.

The **ICE BofA US High Yield Constrained Index** provides a measure of below investment grade bonds, is constructed based on the ICE BofA US High Yield Index and imposes a 2% issuer cap. The **ICE BofA US High Yield Index** provides a broad measure of below investment grade, USD-denominated fixed rate corporate debt. It includes corporate bonds with risk exposures to countries that are members of the FX-G10, Western Europe or territories of the US and Western Europe.

Any "ICE" of "ICE Index" referenced herein (the "Index") is a product of ICE Data Indices, LLC ("ICE Data") and are used with permission. ICE® is a registered trademark of ICE Data or its affiliates. Where applicable, BofA® is a registered trademark of Bank of America Corporation licensed by Bank of America Corporation and its affiliates ("BofA") and may not be used without BofA's prior written approval. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the Indices, index data and any data included in, related to, or derived therefrom. Neither ICE Data, its affiliates nor their respective third party suppliers shall be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the Indices or the index data or any component thereof, and the Indices and index data and all components thereof are provided on an "as is" basis and your use is at your own risk. Inclusion of a security within an index is not a recommendation by ICE Data to buy, sell, or hold such security, nor is it considered to be investment advice. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse, or recommend PPM America, Inc., or any of its products or services.

35TH ANNIVERSARY PPMAMERICA