FOR INSTITUTIONAL INVESTORS ONLY. NOT TO BE DISTRIBUTED TO RETAIL CLIENTS.
This strategy is offered by Insight North America LLC (INA) in the United States. INA is part of Insight Investment. Performance presented is that of Insight Investment and should not specifically be viewed as the performance of INA. Please refer to the important disclosures at the back of this document.

APRIL 2025

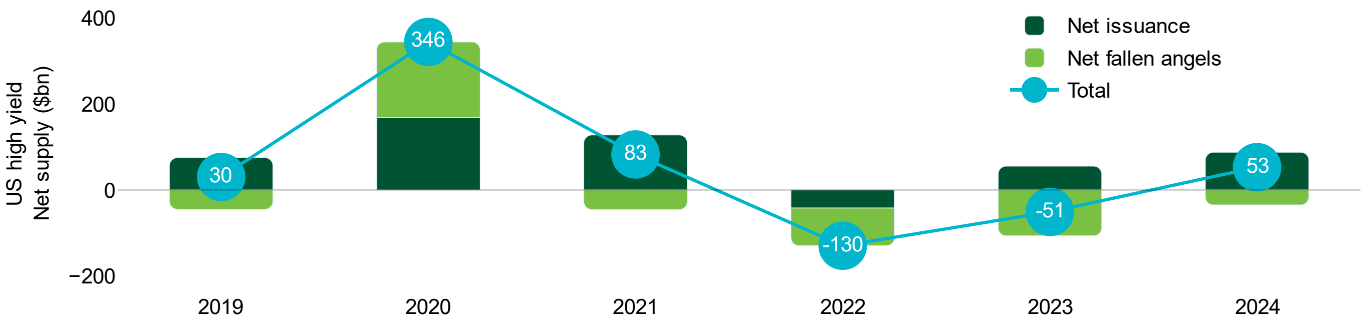
"MATURITY WALLS" POSE LOW DEFAULT RISKS FOR HIGH YIELD

Five years from the start of the pandemic, some are concerned that a wave of corporates are set to refinance at higher rates, threatening disruption. However, our analysis indicates such risks are muted.

IS THE POST-PANDEMIC REFINANCING WAVE ABOUT TO HIT?

During the height of the pandemic, many corporates refinanced issuer debt and extended maturities at record-low interest rates. A wave of "fallen angels" (investment grade bonds downgraded to high yield) also added to supply (Figure 1). Five years on, some are concerned much of this is coming due for refinance within the next two years. However, the data does not indicate this is a risk.

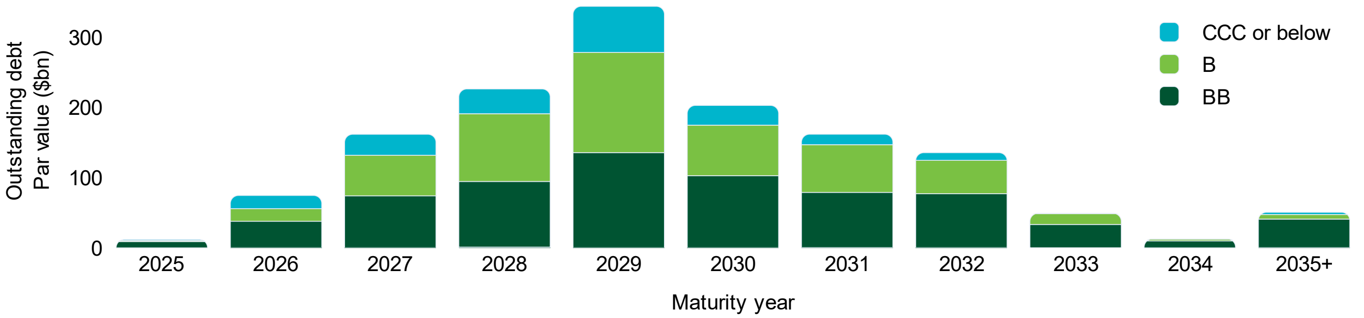
Figure 1: Is the wealth of pandemic issuance and high yield downgrades about to lead to a refinancing wave?[1]



THE MATURITY WALL LOOKS MORE LIKE A GENTLE "STAIRCASE"

However, the maturity calendar does not indicate an avalanche of refinancing over the next two years. Less than $100bn of high yield debt is set to mature by the end of 2026, or $125bn over the next 24 months: 80% of it is rated BB or above (Figure 2).

Figure 2: The maturity staircase looks relatively gentle over the coming years[2]

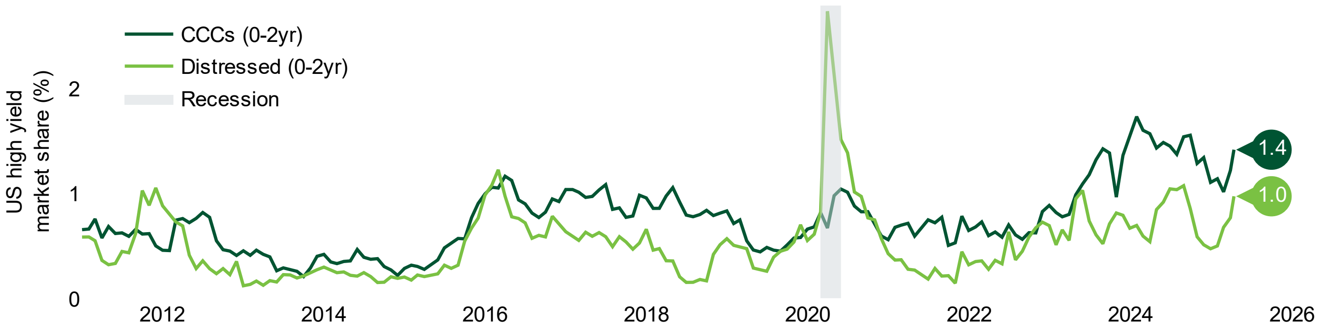


But what happened to all the debt raised in 2020 and 2021? A par-weighted 50% of those issuers have already been back to the primary high yield market and a further ~10% have even been upgraded to investment grade. Meanwhile, ~80% of the par-weighted fallen angels downgraded during 2020 or 2021 have since transitioned back to investment grade.

[1] Source: Bloomberg (Bloomberg US High Yield Corporate Index); Insight; April 18, 2025. Net fallen angels are the par value of fallen angels less the par value of rising stars.
[2] Source: Bloomberg (Bloomberg US High Yield Corporate Index); ICE (ICE BofA 0-1 Year US High Yield Index); Insight; April 18, 2025.

Even considering recent tariff-related volatility, the proportion of high yield debt due for maturity within two years is not far off historical norms. The bonds most at risk of default, i.e. those with CCC ratings or trading at distressed levels (credit spreads of over 1000bp), are in line with historical average levels (Figure 3).

Figure 3: The ratio of distressed and CCC US high yield bonds remains contained[3]



The high yield market has remained open to CCC borrowers so far in 2025, with $1.7bn worth of deals issued[3]. As a last resort, issuers have other options, such as refinancing in the loan or private credit markets. We find many issuers trading at distressed levels that are most at risk are actively working with their creditors in a cooperative group on refinancing options.

THE TRADE WAR MAY POSE MORE RISKS THAN MATURITY SCHEDULES

While we do not believe a maturity wall poses meaningful near-term risks, the global trade war will likely impose higher costs as well as potential demand challenges given challenged consumer confidence. At present, it is too early to fully assess the impact.

Nonetheless, we believe corporates are starting from a position of relative fundamental strength. The 12-month trailing default rate remains low at 1.1%, with only one default in Q1 2025[4]. Earnings and interest coverage ratios also look compelling to us. Longer-term structural shifts have reduced default risk (such as a long-term rise in average high yield credit ratings and increasing leveraged buy-out activity in private markets).

Further, the mid-sized nature of many high yield issuers means they often operate in close geographical proximity to their customer base even when operating internationally.

CONCLUSION – A SYSTEMATIC APPROACH MAY HELP DIVERSIFY AWAY DEFAULT RISKS

We expect defaults will likely tick up to more historically normal levels. But we believe global trade, rather than maturity walls, may be the main driver.

We believe full diversification across most high yield market segments, achievable with the right systematic strategy, can potentially offer a high degree of protection.

In our view, such a strategy may leave investors well placed to capture what may be a compelling entry point in high yield markets.

FIND OUT MORE

Insight Investment
200 Park Avenue
New York, NY 10166

inquiries@insightinvestment.com

company/insight-investment-north-america

www.insightinvestment.com

[3] Source: Bloomberg (Bloomberg US High Yield Corporate Index), ICE (ICE BofA 0-1 Year US High Yield Index); Insight; April 18, 2025.
[4] Source: Bloomberg, Insight, April 2025

IMPORTANT INFORMATION

IMPORTANT DISCLOSURES

This document has been prepared by Insight North America LLC (INA), a registered investment adviser under the Investment Advisers Act of 1940 and regulated by the US Securities and Exchange Commission. INA is part of 'Insight' or 'Insight Investment', the corporate brand for certain asset management companies operated by Insight Investment Management Limited including, among others, Insight Investment Management (Global) Limited, Insight Investment International Limited and Insight Investment Management (Europe) Limited (IIMEL).

Opinions expressed herein are current opinions of Insight, and are subject to change without notice. Insight assumes no responsibility to update such information or to notify a client of any changes. Any outlooks, forecasts or portfolio weightings presented herein are as of the date appearing on this material only and are also subject to change without notice. Insight disclaims any responsibility to update such views. No forecasts can be guaranteed.

Nothing in this document is intended to constitute an offer or solicitation to sell or a solicitation of an offer to buy any product or service (nor shall any product or service be offered or sold to any person) in any jurisdiction in which either (a) INA is not licensed to conduct business, and/or (b) an offer, solicitation, purchase or sale would be unavailable or unlawful.

This document should not be duplicated, amended, or forwarded to a third party without consent from INA. This is a marketing document intended for institutional investors only and should not be made available to or relied upon by retail investors. This material is provided for general information only and should not be construed as investment advice or a recommendation. You should consult with your adviser to determine whether any particular investment strategy is appropriate.

Assets under management (AUM) represented by the value of the client's assets and liabilities Insight is asked to manage. These will primarily be the mark-to-market value of securities managed on behalf of clients, including collateral if applicable. Where a client mandate requires Insight to manage some or all of a client's liabilities (e.g. LDI strategies), AUM will be equal to the value of the client specific liability benchmark and/or the notional value of other risk exposure through the use of derivatives. Regulatory assets under management without exposures can be provided upon request. Unless otherwise specified, the performance shown herein is that of Insight Investment (for Global Investment Performance Standards (GIPS®), the 'firm') and not specifically of Insight North America. A copy of the GIPS composite disclosure page is available upon request.

Past performance is not a guide to future performance, which will vary. The value of investments and any income from them will fluctuate and is not guaranteed (this may partly be due to exchange rate changes). Future returns are not guaranteed and a loss of principal may occur.

Certain performance numbers used in the analysis are gross returns. The performance reflects the reinvestment of all dividends and income. INA charges management fees on all portfolios that they manage and these fees will reduce the returns on the portfolios. For example, assume that $30 million is invested in an account with INA, and this account achieves a 5.0% annual return compounded monthly, gross of fees, for a period of five years. At the end of five years that account would have grown to $38,500,760 before the deduction of management fees. Assuming management fees of 0.25% per year are deducted monthly from the account, the value at the end of the five year period would be $38,022,447. Actual fees for new accounts are dependent on size and subject to negotiation. INA's investment advisory fees are discussed in Part 2A of its Form ADV. A full description of INA's advisory fees are described in Part 2A of Form ADV available from INA at www.adviserinfo.sec.gov

Targeted returns intend to demonstrate that the strategy is managed in such a manner as to seek to achieve the target return over a normal market cycle based on what Insight has observed in the market, generally, over the course of an investment cycle. In no circumstances should the targeted returns be regarded as a representation, warranty or prediction that the specific deal will reflect any particular performance or that it will achieve or is likely to achieve any particular result or that investors will be able to avoid losses, including total losses of their investment.

The information shown is derived from a representative account deemed to appropriately represent the management styles herein. Each investor's portfolio is individually managed and may vary from the information shown. The mention of a specific security is not a recommendation to buy or sell such security. The specific securities identified are not representative of all the securities purchased, sold or recommended for advisory clients. It should not be assumed that an investment in the securities identified will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.

The quoted benchmarks within this document do not reflect deductions for fees, expenses or taxes. These benchmarks are unmanaged and cannot be purchased directly by investors. Benchmark performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be material factors relevant to any such comparison such as differences in volatility, and regulatory and legal restrictions between the indices shown and the strategy.

Transactions in foreign securities may be executed and settled in local markets. Performance comparisons will be affected by changes in interest rates. Investment returns fluctuate due to changes in market conditions. Investment involves risk, including the possible loss of principal. No assurance can be given that the performance objectives of a given strategy will be achieved.

Insight does not provide tax or legal advice to its clients and all investors are strongly urged to consult their tax and legal advisors regarding any potential strategy or investment.

Information herein may contain, include or is based upon forward-looking statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals expansion and growth of our business, plans, prospects and references to future or success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as 'anticipate,' 'estimate,' 'expect,' 'project,' 'intend,' 'plan,' 'believe,' and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

Insight and BNY Mellon Securities Corporation (BNYMSC) are subsidiaries of BNY Mellon. BNYMSC is a registered broker and FINRA member. BNY Mellon is the corporate brand of the Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally. Products and services may be provided under various brand names and in various countries by subsidiaries, affiliates and joint ventures of the Bank of New York Mellon Corporation where authorized and regulated as required within each jurisdiction. Unless you are notified to the contrary, the products and services mentioned are not insured by the FDIC (or by any government entity) and are not guaranteed by or obligations of the Bank of New York Mellon Corporation or any of its affiliates. The Bank of New York Mellon Corporation assumes no responsibility for the accuracy or completeness of the above data and disclaims all expressed or implied warranties in connection there with. Personnel of certain of our BNY Mellon affiliates may act as: (i) registered representatives of BNYMSC (in its capacity as a registered broker-dealer) to offer securities, (ii) officers of the Bank of New York Mellon (a New York chartered bank) to offer bank-maintained collective investment funds and (iii) associated persons of BNYMSC (in its capacity as a registered investment adviser) to offer separately managed accounts managed by BNY Mellon Investment Management firms.

Disclaimer for Non-US Clients: Prospective clients should inform themselves as to the legal requirements and tax consequences within the countries of their citizenship, residence, domicile and place of business with respect to the purchase and ongoing provision of advisory services. No regulator or government authority has reviewed this document or the merits of the products and services referenced herein.

This document is directed and intended for 'institutional investors' (as such term is defined in various jurisdictions). By accepting this document, you agree (a) to keep all information contained herein (the 'Information') confidential, (b) not use the Information for any purpose other than to evaluate a potential investment in any product described herein, and (c) not to distribute the Information to any person other than persons within your organization or to your client that has engaged you to evaluate an investment in such product.

Telephone conversations may be recorded in accordance with applicable laws.