DUCENTA SQUARED
ASSET MANAGEMENT

Economic and Sector Summary & Outlook

Second Quarter 2024

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US Economy

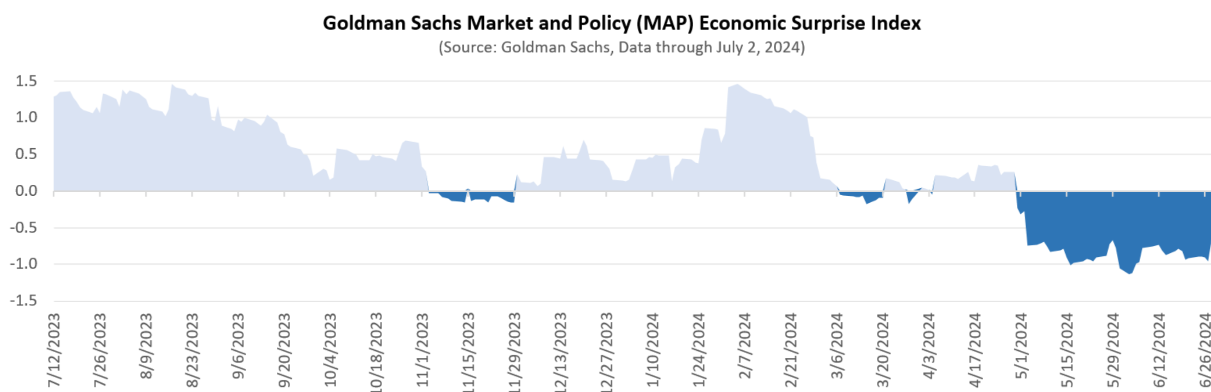
Summary

The US economy exhibited moderate growth during the second quarter of 2024 despite ongoing global political tensions, slower worldwide growth, and the impact of high interest rates due to a restrictive monetary policy. Signs of slowing in employment and manufacturing data offset advances in productivity and GDP realized during the first quarter. Inflation risks continued to moderate, and the market expects the Federal Reserve to reduce borrowing costs later this year.

During the quarter, the yield on the 10-year US Treasury Note increased by 20 basis points, reflecting investor sentiment and expectations regarding future economic conditions. Meanwhile, the yield on three-month US Treasury bills remained almost unchanged, rising by just one basis point. The minimal change in short-term yields indicates uncertainty among market participants regarding the timing of the Federal Reserve's first cut in the federal funds rate.

Economic data generally indicated that the economy was cooling, and inflation risks were subsiding. According to the US Bureau of Economic Analysis, real GDP increased at an annual rate of 1.4% in the first quarter of 2024, a significant slowdown from the 3.4% rate observed in the fourth quarter of 2023. While consumer spending, housing investment, and business investment contributed to economic growth during the first quarter, more recent data has fallen short of forecasts, suggesting a possible deceleration in economic activity.

The Goldman Sachs Market and Policy (MAP) Economic Surprise Index (see chart, below) measures the extent to which recent economic data have diverged from consensus expectations. Positive values indicate better than expected data, while negative values suggest worse-than-expected data. For example, a higher-than-expected employment report would push the index higher, signaling stronger economic conditions. This index provides investors and policymakers with meaningful insight into market sentiment and economic momentum. The MAP Index currently confirms that recent economic trends have fallen short of expectations.

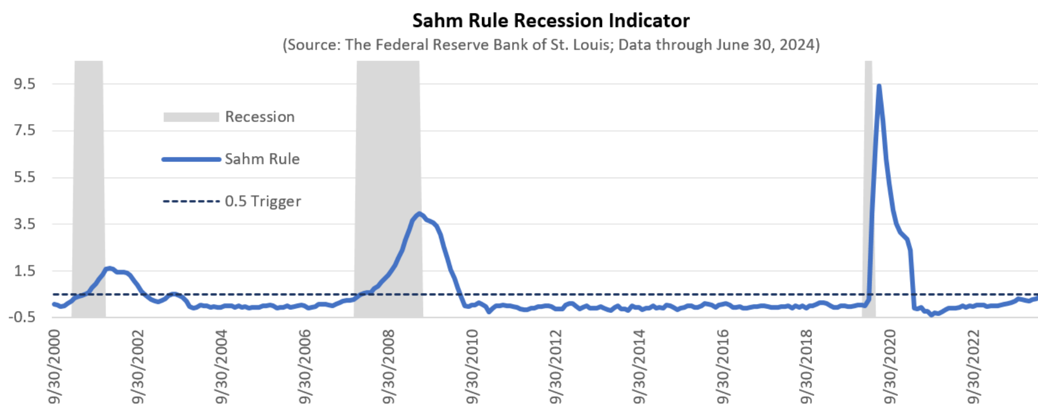


More specifically, we observe that broad declines in the services and manufacturing sectors, as measured by the Institute of Supply Management's (ISM) Services Index and Manufacturing Index, suggest a pullback in the rate of economic growth. Manufacturing has particularly struggled due to high borrowing costs, restrained business investment in equipment, and uneven consumer spending as the Federal Reserve maintains higher interest rates for longer. The ISM Manufacturing Index dipped below the 50-point mark, to 48.5 as of June 30,2024, indicating contraction in the manufacturing sector.

The Conference Board Consumer Confidence Index dropped to 100.4 in June, while the rolling three-month average resides at 99.7, the lowest level since the first quarter of 2021. The decline in consumer confidence reflects growing concerns regarding the economic outlook. The percentage of participants expecting better business conditions in six months fell to 12.5%, an eleven-year low, indicating widespread pessimism about future economic conditions.

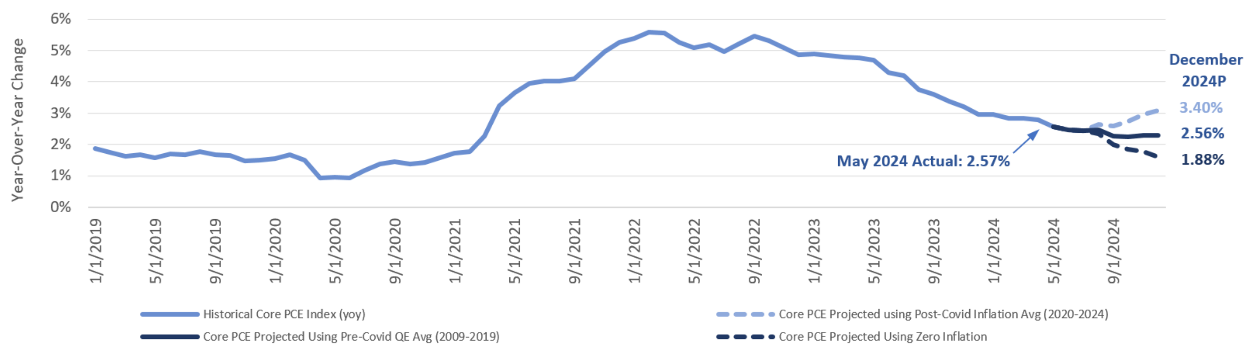
Signs indicate that the labor market, which has driven consumer spending over the past year, is gradually cooling. The unemployment rate rose to 4.1% in June, the highest level in almost three years. Average employment growth over the last three months slowed to its lowest rate since the start of 2021, resulting in fewer job openings and a growing number of people filing for unemployment benefits. This slowdown in job creation could dampen consumer spending, which has been a key driver of economic growth.

One economic indicator gaining attention recently is the Sahm Rule (see chart, below). Developed by Claudia Sahm, a Federal Reserve economist, the rule is designed to identify the onset of a recession. It uses real-time data to provide early signals of economic downturns, making it valuable for policymakers and analysts. The Sahm Rule portends a recession when the three-month moving average of the national unemployment rate rises by 0.5 percentage points or more relative to its lowest point during the immediately preceding 12 months. Based on June's data, the Sahm Rule currently resides at 0.43, just 7 basis points from its trigger. While the indicator does not guarantee a recession, it complements other economic indicators, providing a more immediate measure of economic distress. For example, if the unemployment rate continues to rise, it could move the Sahm Rule result to increase, possibly past the 0.5 trigger level signaling a heightened risk of recession, and prompt policymakers to consider measures to stimulate the economy.



The Federal Reserve's preferred measure of underlying US inflation decelerated during the quarter, bolstering the case for lower interest rates later this year. The US Personal Consumption Expenditures Core Price Index (the "Core PCE Index"), which strips out volatile food and energy items dropped to 0.1% in May, according to the US Bureau of Economic Analysis. This marked the smallest advance in inflation since late 2020. On a year-over-year basis, the Core PCE Index dropped from 2.78% in April 2024 to 2.57% in May 2024. While the report offers welcome news for Federal Reserve officials seeking to commence with rate cuts in the coming months, Jerome Powell, the Federal Reserve Chair, suggested he will need "more good data" to strengthen his confidence that inflation is really moving down toward the Federal Reserve's 2% target.

One reason why the Federal Reserve remains cautious regarding the trend of inflation is found in the following chart which forecasts the Core PCE Index for the remainder of the year based on three scenarios, built upon the Federal Reserve of Cleveland's Nowcast estimates in June and July. One can estimate the year end 2024 Core PCE Index as high as 3.40%, by projecting the July estimated amount forward a further five months assuming a monthly growth rate equal to the post-Covid average (2020-2024) of 0.29% per month (see chart, below). Should the remaining five months growth match the pre-Covid average (2009-2019) of 0.13%, the year-end Core PCE Index will be 2.56%. Only if inflation is 0% for the remainder of the year can the Core PCE Index drop below the Federal Reserve's 2.0% target.



Outlook

Based on recent data, we revised our forecast for year 2024 real GDP growth to a range of 1.5% to 2.0% from 2.0% to 2.5%, previously. Several factors contributed to this downward revision:

Slower Growth in Consumer Spending – Consumer spending, as measured by US Personal Consumption Expenditures (nominal dollars, month-over-month, seasonally averaged) grew by only 0.1% in April and 0.2% in May, versus 0.6% in February and 0.7% in March. If the trend continues, weaker consumer spending could impair economic growth.

Decline in Gross Private Domestic Investment – We anticipate real gross private domestic investment to decline over the next several quarters due to higher borrowing costs and increased economic uncertainty, as businesses delay or scale back investment plans in response to tighter financial conditions.

Impact of Recent Economic Data – Adjustments followed recent releases from the US Census Bureau, the Bureau of Economic Analysis, and the Institute for Supply Management. These data releases provided us with insights into the economic performance of various sectors, and contributed to our overall reduction in GDP growth estimates.

Trade Deficit Adjustments – The contribution of the change in real net exports to second-quarter real GDP growth improved slightly. However, this positive move was insufficient to offset the declines in consumption and investment. The trade deficit remains a drag on economic growth, despite some recent improvements.

Corporate Earnings and Market Valuations – The stock market's bull run since October 2022 has raised concerns, particularly regarding earnings growth expectations, amid mounting signs of an economic slowdown. Comparing the ratio of the equal-weighted S&P 500 Index to the market-weighted S&P 500 Index reveals that the breadth of stock market gains is at a 15-year low.

Since the start of the bull market, the S&P 500 is up 55.6%, led by a 118.6% increase in the S&P MegaCap-7 composite. Excluding the MegaCap-7, the remaining 493 issues appreciated 36.4%. This disparity highlights the outsized impact of the largest tech companies on overall market performance.

With expectations for 12-month forward earnings at new record highs, we remain cautious on the equity markets and credit-sensitive sectors of the fixed-income markets where spreads continue to remain near multi-year lows.

Given that year-to-date returns for the stock market are ahead of most forecasts for the entire year, a modest pullback may be in order. During the first half of 2024, $231 billion flowed into equity ETFs and mutual funds. Disappointing corporate earnings may cause systematic funds to sell stocks, leading to increased volatility and wider credit spreads.

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Our revised forecast reflects a cautious outlook for economic growth, corporate earnings, and market valuations. We advise maintaining a diversified portfolio, with an emphasis on quality investments that can withstand potential market volatility and economic uncertainty.

Sector Analysis

US Interest Rates

In the second quarter of 2024, US Treasury yields shifted modestly higher in a bear steepening fashion. Specifically, yields on the 2-year US Treasury Note and the 10-year US Treasury Note increased 13 basis points and 19 basis points, respectively. As a result, the 2s-10s yield curve steepened 6 basis points, which was essentially in line with the increases in most term premium estimates. While the point-to-point move in yields between the beginning and end of the quarter was relatively minimal, rates tracked a volatile path during the period given moves in European sovereign bond yields (e.g., France 10-year government note yields rose 50 basis points in the quarter) and a higher-than-expected core CPI print in April.

While core CPI inflation remains sticky and slow to normalize, the labor market is beginning to show early signs of softening. In early June for example, the May payrolls report showed the unemployment rate ticking up to 4.1%, versus 3.6% at the start of the year. As a result, employment appears weaker than the Federal Reserve's projections and has complicated market pricing of expected future interest rates cuts as signaled by the Federal Reserve. Currently the implied probability of a 25-basis point cut at the September FOMC meeting is running at 74% versus the 93% probability priced at the beginning of the second quarter, underscoring the uncertainty prevailing in the broad markets.

Looking forward, the Treasury market should continue to grapple with the dynamic of sticky inflation and slowly weakening employment. Consequently, uncertainty in the marketplace will likely increase, particularly as the US Presidential election approaches. As uncertainty increases, risk premiums typically increase and the yield curve tends to steepen given the riskier duration profile of the longer-maturity securities. Among this backdrop of broad uncertainty and late-stage economic cycle trends, we expect these forces to pressure US Treasury yields lower and the yield curve steeper. In the short to medium term, our updated forecast for the 10-year US Treasury Note yield targets a modest move lower toward the 4.0% level. Accordingly, we are working to position portfolios with a moderate steepening bias relative to their respective benchmark indices.

Securitized Products

Interest rates rose modestly in the second quarter while interest rate volatility was relatively unchanged at recent low levels. The FOMC indicated that raising the fed funds rate in the future is highly unlikely, which supports the softness in volatility. Fed funds futures closed the quarter with an equal expectation of either one or two 25 basis point rate cuts. Amid this backdrop of a benign interest rate environment, securitized product spreads were little changed in the period.

Mortgages, as measured by the Bloomberg US MBS Index, provided a total return of 0.07% in the second quarter and -0.98% year-to-date. As mentioned, spreads for MBS over the quarter were little changed, tightening 1 basis point to 48 basis points. The MBS Index generated -9 basis points of excess return. Across the coupon stack belly coupons (3.5% through 5.5%) underperformed the wings. On a year-to-date basis, higher coupons outperformed lower coupons. The source of lower coupon underperformance is largely due to two factors: 1) bank portfolio restructuring sales, and 2) subdued demand from money managers tied to the MBS Index. Bank portfolios maintain significant exposure to lower coupon mortgages originated during the pandemic years. These low yielding securities create a drag on banks' net interest margins. Efforts by banks to reduce these positions have forced the market to absorb large blocks of these securities as banks chase higher yielding investments. As we noted in previous periods, money managers began moving to an overweight of the MBS sector versus their indices during the second half of last year. Given the composition of the MBS Index, this biased money manager purchases to lower coupon MBS. That demand has largely run its course and market technicals for lower coupon mortgages has turned negative.

We have targeted portfolios to be overweight mortgages relative to their indices and we continue to position ourselves with a bias toward higher coupons. Given our expectation that we have seen the highs for interest rates this year, we are mindful of positioning on the coupon stack to balance the greater interest rate carry of higher coupons versus price appreciation potential of lower dollar price coupons. We also continue to add to longer duration, high convexity agency CMOs which should perform well if interest rates fall meaningfully.

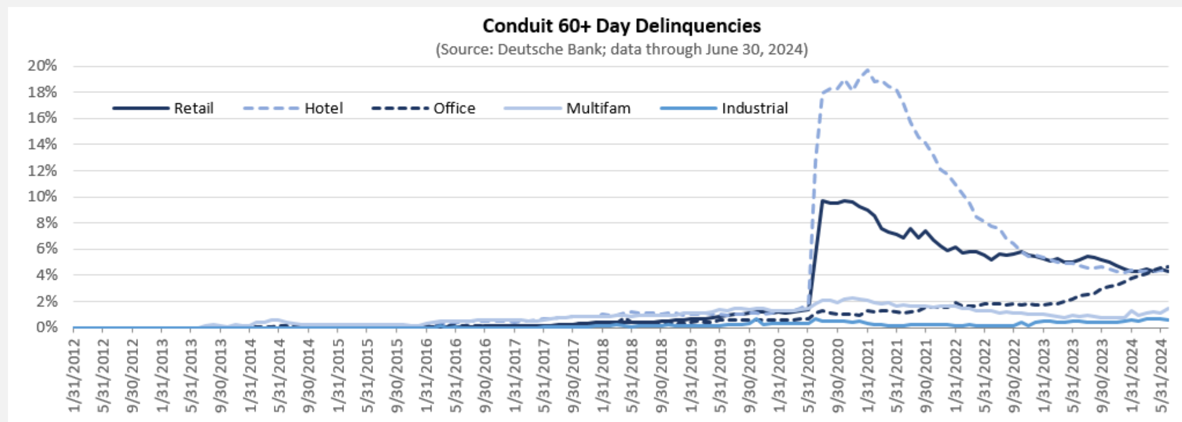
The ABS sector performed well during the quarter as a result of strong carry and short duration. The total return for the US Bloomberg ABS Index was 0.98% for the second quarter and 1.66% year-to-date. These strong absolute returns are the result of the short average lives of the sector combined with the inverted yield curve which provides attractive yields and little sensitivity to interest rate moves. The ABS Index generated excess return of 17 basis points in the quarter and 71 basis points year-to-date. ABS sector fundamentals remain positive as consumer finances remain well supported by the strong labor market. Sector technicals appear well balanced as demand has kept up with increased supply this year (approximately 30% higher versus 2023), driven by attractive yields within the ABS sector. We see the ABS sector as very attractive given its high yield and high quality credit characteristics and are overweight the sector versus benchmarks.

The CMBS sector continued to perform well during the second quarter. The US Bloomberg CMBS Index generated a 0.68% total return last quarter resulting in 1.53% total return for the year-to-date period. The CMBS Index OAS widened one basis point during the quarter which, when combined with excess yield, resulted in 24 basis points of excess return. CMBS sector fundamentals remain very challenged, especially for the office and retail sectors. We maintain a small exposure to the sector within the portfolios, in-line with benchmark index weightings, focusing on modestly seasoned deals where underlying asset performance can be assessed. Given the lack of improvement in fundamentals, and the recent strong performance of the sector we find the sector to be fairly valued, especially versus the outright cheap levels that prevailed last year. Any further improvement in asset valuations will likely require a lower interest rate environment. Federal Rate cuts could act as a catalyst and trigger additional CMBS spread tightening in future periods.

Credit Spotlight

Commercial Real Estate (CRE) – Not Out of the Woods Yet

The commercial real estate (CRE) market has faced significant challenges over the past several quarters due to shifts in work and shopping habits post-pandemic and rapidly rising interest rates, both of which have negatively impacted underlying valuations. The five major CRE sectors—retail, industrial, office, multi-family, and hotel—have experienced varying degrees of impact from these changes.



Sector-Specific Performance

- Industrial and Multi-Family: These sectors have performed relatively well through the pandemic. Industrial properties benefited from the surge in e-commerce, while multi-family properties remained in demand due to ongoing housing needs.
- CMBS Securities: Investors are also looking at Commercial Mortgage-Backed Securities (CMBS). Spreads have narrowed from their post-pandemic wides of 2023, presenting opportunities to purchase fundamentally cheap securities.

Credit Spotlight (continued)

- Hotel and Retail: Predictably, these sectors were almost immediately negatively affected by the pandemic shutdowns. Hotels faced significant declines in occupancy rates, and retail properties struggled with reduced foot traffic and store closures.

- Office: The pandemic's impact on the office sector was more subtle but appears to be more long-lived. The shift to remote work and hybrid models has led to decreased demand for office space, with some properties experiencing significant markdowns in valuations.

Investment Vehicles for CRE Exposure

Investors can gain exposure to the CRE loan market through three primary investment vehicles:

- Conduit Deals: These deals contain a diversified pool of CRE loans and were created prior to the Great Financial Crisis (GFC). Despite facing structural stress during the GFC, the super senior AAA-rated classes of these deals never experienced losses due to their 30% credit enhancement and loan diversification.

- Single-Asset Single-Borrower (SASB) Deals: These are backed by typically higher quality assets or single borrowers. In the current cycle, some SASB deals, especially those backed by office loans, are expected to experience losses up to their AAA class due to significant markdowns in property appraisals.

- CRE CLOs (Commercial Real Estate Collateralized Loan Obligations): These are shorter-term floating rate deals structured as CLOs and are a more recent investment structure compared to conduit deals.

Market Dynamics and Opportunities

Despite the downturn, investors continue to search the CRE market for investment opportunities:

- Private Equity: It is reported that upwards of $256 billion has been raised by private equity funds to be deployed into the US CRE loan space. These funds aim to capitalize on distressed assets and forced sales.

- CMBS Securities: Investors are also looking opportunistically at Commercial Mortgage-Backed Securities (CMBS). Spreads have narrowed from their post-pandemic wides of 2023, presenting opportunities to purchase fundamentally cheap securities.

Distressed Investments and Resolutions

Investors must be aware that CRE loans typically have a much longer timeline to resolve delinquent and foreclosed loans compared to residential mortgages. According to Barclays, the average time for a CRE loan transferred to special servicing to resolve is approximately three and a half years. Many resolutions involve loan modifications and extensions, which delay but do not eliminate defaults.

Conclusion

Opportunities do exist in the CRE market for investors, particularly in distressed assets and CMBS securities. However, it is crucial to factor in the specific dynamics of each CRE sector:

- Office Sector: Fundamentals continue to deteriorate, and investment assumptions should reflect this ongoing decline.

- Retail and Hotel Sectors: Fundamentals have largely recovered and stabilized in the post-pandemic period.

- Industrial and Multi-Family Sectors: Exhibited mostly stable fundamentals throughout the pandemic and post-pandemic period, establishing a relatively sound basis for investment.

Overall, while challenges remain, savvy investors can find value by carefully navigating the CRE market and understanding the unique aspects of each sector and investment vehicle.

Investment Grade Credit

During the second quarter of 2024, the OAS on the Bloomberg US Corporate Bond Index (the "Corporate Index") widened 4 basis points to finish the period at 94 basis points. The 10-year US Treasury Note yield rose by 19 basis points during the quarter, contributing to a -0.09% total return for the Corporate Index. Within the period, performance in April was particularly poor at -2.54%. However, despite the negative total returns, corporate

bonds outperformed Treasuries, posting a 0.22% excess return as investors pursued higher coupon bonds (i.e., coupons in excess of 5.5%). While sentiment on rates was negative in April, economic data began to soften somewhat in May and June, leading investors to adopt a more sanguine outlook. At the end of April, the fed futures market wasn't pricing in a cut until December, but by the end of May that timing had moved up to November and two full cuts were priced in for January 2025. Yield buyers were still prevalent throughout the quarter as the yield to worst on the Corporate Index was still above 5.5% through the end of May, though that number dropped to 5.48% by the end of June. During the second quarter of 2024, the average duration of the Corporate Index dropped slightly from 7.01 years to 6.92 years.

Once again, BBBs outperformed the rest of the benchmark, returning 0.08% versus -1.35% for AAA-rated bonds. Financials (0.49% total return) outperformed both utilities (-0.60% total return) and industrials (-0.34% total return) due to better sentiment surrounding bank earnings given the record high amount of bond underwriting during the quarter. New issuance slowed somewhat from the first quarter, hurt by higher interest rates. Investor appetite for new issue was robust, as coupons approaching and sometimes exceeding a range of 5.5% to 6% enticed "buy and hold" investors who now expect rate cuts before year end. Valuations appear tight as spreads on the Bloomberg US Corporate Bond Index hover around 94 basis points, but higher coupon yields have drawn crossover buyers from non-traditional areas and kept both primary and secondary issues well supported. We currently advocate for a slight overweight to investment grade credit and see value in industries that should benefit from a lower rate regime including REITs, BDCs, aircraft lessors, and technology.

High Yield

The US high yield market treaded water in the second quarter, returning +1.09% (Bloomberg US Corporate HY Index) as spreads backed up modestly. The second quarter gain pushed the year-to-date return to 2.58%, but notably, after outperforming in the first quarter, the CCC-rated segment of the high yield market underperformed (-0.01% total return) in the second quarter as investors grew more cautious on the riskiest high yield issuers. BB-rated high yield returned 1.32% in the second quarter, followed by single-Bs which returned 1.03%. High yield spreads traded in a narrow range during the second quarter, ending June at 309 basis points, 10 basis points wider for the quarter but 14 basis points tighter year-to-date. With wider spreads and a modest increase to Treasury yields during the second quarter, the yield-to-worst finished June at 7.91%, up 25 basis points from March. The consumer non-cyclical (2.5% total return), leisure (2.0%), and aerospace / defense (1.9%) sectors outperformed in the second quarter, while the communications sector continued to underperform (-1.8%) against a backdrop of secular challenges and the potential for debtholder-unfriendly liability management exercises ("LMEs").

Solid corporate credit fundamentals across most sectors continue to give comfort to high yield investors. The first quarter 2024 earnings season (latest available data) reaffirmed that while revenue and EBITDA growth is generally anemic (i.e., approximately 1.5% and -0.3% year-over-year, respectively), credit metrics remained better than historical averages. Total leverage ticked up 0.1x in the first quarter to 4.0x versus a historical average of 4.3x. Higher interest rates continue to cause deterioration in Interest coverage, which dropped 0.1x to 4.9x, but like leverage, this remains solid historically (i.e., versus a long-term average of 4.5x). While there are many headlines around distressed exchanges and LMEs in the leveraged finance space, default activity appears to have plateaued. Including distressed exchanges, the US high yield default rate ended the second quarter at 1.8%, down over 100 basis points from year-end 2023.

Although down slightly from the first quarter, the high yield primary market remained very active in the second quarter as market technicals remained firm. Issuers printed $78 billion in new supply in the second quarter, pushing the year-to-date total to $166 billion, nearly equaling the total for all of 2023 ($176 billion). A significant portion of issuance (approximately 80%) has been directed toward refinancing existing debt, with acquisition and LBO financings representing just 9% of supply, well below the long-term average and the slowest pace since 2020. Retail fund inflows slowed to just shy of $1.0 billion in the second quarter, bringing year-to-date flows to $5.5 billion versus -$9.6 billion in the same period of 2023. The robust refinancing activity in the first half of 2024 cut maturities through 2026 by over 50%. The challenge going forward is that a large proportion of those remaining maturities are lower-rated bonds (B3 and below), a segment of the market that investors started to shy away from in the second quarter.

The backdrop for high yield investors, and our general positioning, has not materially changed from the beginning of the second quarter. Spreads remain at the tight end of the historical range – particularly for BBs and Bs – justified by stable credit fundamentals, solid technicals, and attractive all-in yields hovering around 8%. Yet the weakness in CCCs and more mixed economic data of late suggest that investors should proceed with caution. We continue to expect coupon-like returns (as spread tightening is likely limited) and remain overweight in less-cyclical industries with selective positions in lower-rated bonds that offer attractive yield prospects.

Leveraged Loans

The US leveraged loan market continued its strong run in the second quarter, returning 1.86% (Credit Suisse Leveraged Loan Index), just missing posting the seventh consecutive quarter of greater than 2% gains. The year-to-date return now totals 4.44%, surpassing most other fixed income asset classes. As was the case with the high yield market, the script flipped somewhat in the second quarter, as higher-rated tiers of the market outperformed lower-quality loans after underperforming in the first quarter. Loan spreads (3-year discount margin) and yields both remained relatively steady in the quarter, ending June at 509 basis points and 9.36%, respectively. On both a spread and yield basis, loans continue to offer a near-record yield advantage compared to the high yield market. Loan market technicals remained very healthy in the second quarter, characterized by strong CLO issuance (nearly $100 billion year-to-date versus $116 billion in all of 2023) and positive retail flows positive ($12 billion YTD versus -$17 billion in 2023). Robust demand drove a record $385 billion of supply in the quarter (including the largest two months on record in May and June), of which more than 90% represented refinancings or repricings.

The first quarter earnings season confirmed recent credit trends for loan issuers, namely that fundamentals for higher quality issuers (largely higher rated) are mostly stable and healthy, while concern lingers that lower-rated issuers face ongoing pressure as rates remain high. In the first quarter of 2024, revenue and EBITDA increased 2.6% and 0.7% year-over-year, respectively, and leverage improved slightly to 4.9x. The robust repricing activity contributed to the first quarter-over-quarter decline in interest expense since the first quarter of 2022, and interest coverage metrics improved for the first time in eight quarters to 3.04x. It is notable, however, that 46% of loan issuers maintain interest coverage of less than 2x, including nearly 10% with coverage of less than 1x. Those issuers with weak interest coverage tend to be private, loan-only borrowers. This stress among weaker loan credits shows up in the default rate, which when including distressed exchanges, ended June at 3.10%. While not high in a historical context, the 131-basis point gap between the high yield and leverage loan default rate is the highest in nearly a decade.

As long as interest rate cuts by the Federal Reserve remain months, if not quarters, into the future, the US leveraged loan market appears highly attractive on a relative value basis given yields and spreads well in excess of the high yield market. Increasingly mixed economic data and the stress from some lower-rated issuers suggest that an up-in-quality stance is still appropriate. As such, we continue to prefer issuers that have capital structures and cash flow resiliency to withstand a slowing economy and high interest rates over coming quarters.

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Past performance is no guarantee of future results.

The MOVE Index is a measure of US interest rate volatility that tracks the movement in US Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The Bloomberg US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1 / BB+ / BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Credit Suisse Leveraged Loan Index tracks the investable market of the US dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's / S&P ratings of Baa1 / BB+ or Ba1 / BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

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