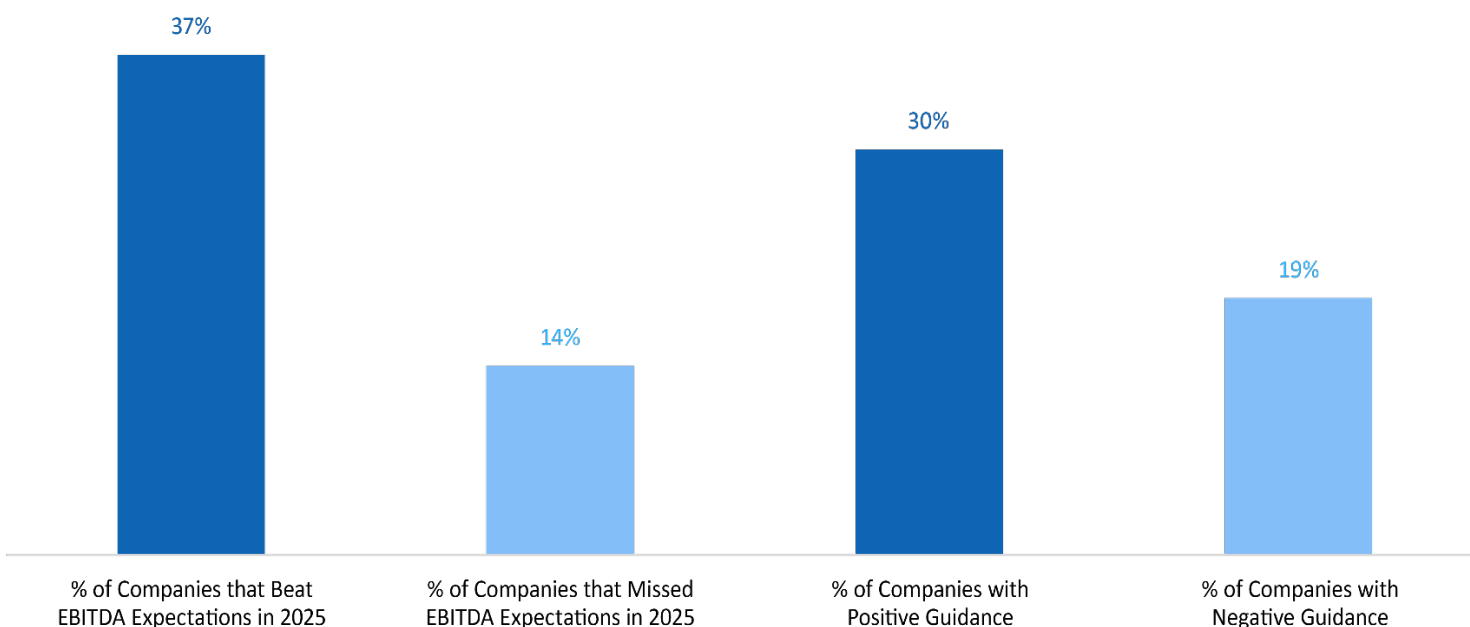


Q2: STRONG EARNINGS FOR HIGH YIELD

This has been the strongest earnings season for high-yield companies in two years. The market is broadly in agreement; since the unofficial start of earnings season on July 15, high-yield spreads are essentially unchanged, yields are 28 basis points tighter, and the S&P 500 is up 2.3%. Guidance has been strong in aggregate with industrials and services remaining the positive outliers. 2.7x as many high-yield companies (37%) have beaten EBITDA (earnings before interest, taxes, depreciation and amortization) expectations as missed (14%). 1.6x as many high-yield companies have provided guidance that analysts interpreted as positive (30%) vs. negative (19%). 29% of companies have warned that they are experiencing inflationary pressures (down from 41% in 1Q25), and 23% of companies are warning about tariffs (75 out of 323).

Second Quarter 2025 Results for High-Yield Companies



Past performance does not guarantee future results. Investing involves risk, including loss of principal. Source: Bloomberg as of 6/30/25.

High yield refers to a bond whose credit rating is below BBB-. Spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, represented by treasury bonds. Yield is the income returned on an investment, such as the interest received from holding a security. Basis points, otherwise known as bps or "bips," are a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. S&P 500 Index is a stock market index tracking the performance of 500 large companies listed on stock exchanges in the United States. EBITDA, or earnings before interest, taxes, depreciation, and amortization, is an alternate measure of profitability to net income. Negative guidance refers to a publicly traded company providing a projection or estimate for its future earnings, revenues, or other key financial metrics that is lower than the average market expectation. Positive guidance refers to optimistic, forward-looking statements made by a company's management about its future financial performance.