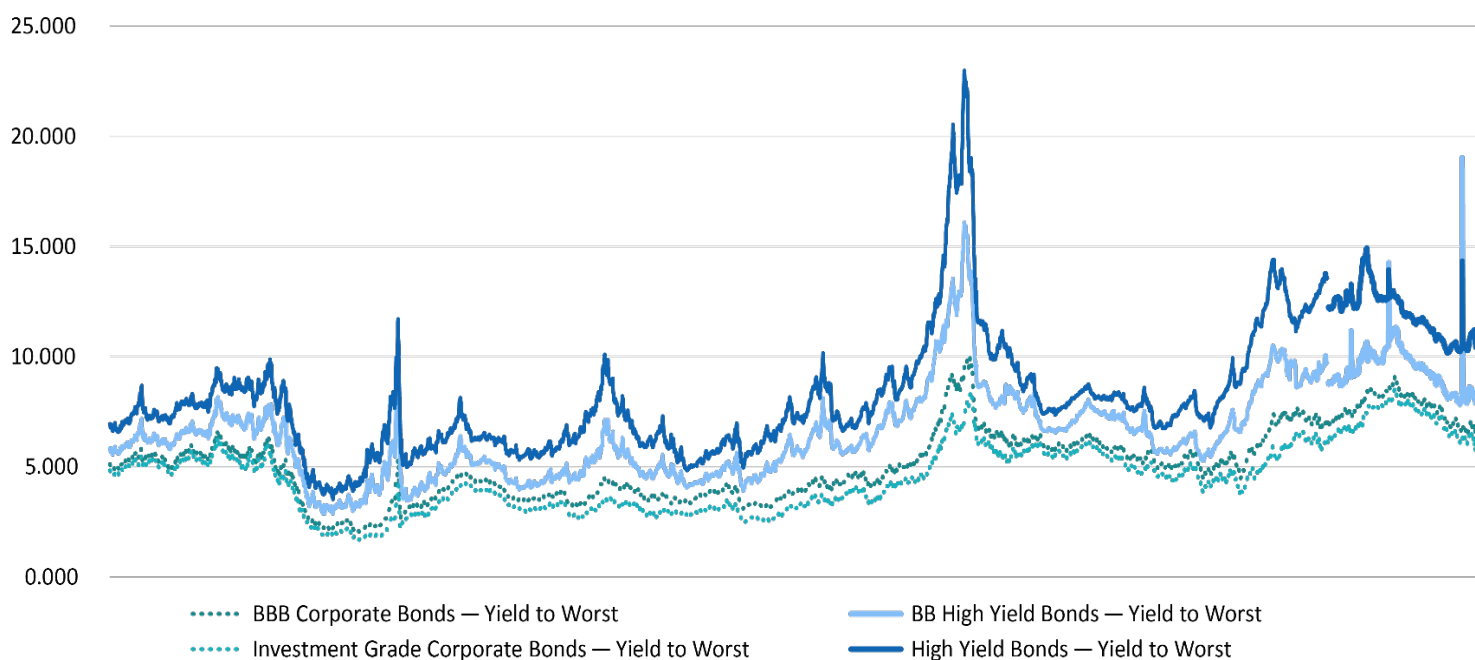


# NAVIGATING NARROW YIELD SPREADS: THE IMPORTANCE OF ACTIVE CREDIT SELECTION

Risk assets have continued to move higher and yields lower as the U.S. economy continues to push forward. With this yield compression, the convergence between BB high-yield bond yields and BBB corporate bond yields has remained near multi-year lows, making credit quality selection more difficult for investors. At current levels, the difference between BB and BBB corporate bond yields is less than half of its historical average at just 73 basis points vs. 148 basis points. In addition, high yield bond investors are only being paid 212 basis points more yield than investment grade corporate bonds – the long-term average is 381 basis points. This yield compression contributes to the challenges of fixed income investing today, highlighting the value of actively managed funds that can rotate with discretion between non-investment grade and investment grade fixed income.

## Historically Tight Yield Spreads Underscore the Need for Active Risk Management



**Past performance does not guarantee future results. Investing involves risk, including loss of principal.** Source: Bloomberg as of 10/31/25. Yield is the income returned on an investment, such as the interest received from holding a security. High-yield bonds (or junk bonds) are bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds. Yield to worst is the lowest potential yield that can be received on a bond without the issuer defaulting. Investment-grade corporate bonds are represented by the Bloomberg US Credit Index, which measures the performance of U.S. investment-grade taxable corporate, fixed-rate, and government-related fixed-income securities. 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. BB/BBB corporate bonds are represented by securities with a BB/BBB credit rating in the Bloomberg U.S. Credit Index.