CLO MONTHLY MONITOR
JUNE 2026

CLO performance was positive in June for the lion's share of tranches with carry the primary driver of returns, while spreads widened across the capital stack.

LOAN MARKET REVIEW

- The Morningstar LSTA Leveraged Loan Index returned 0.08% in June as carry offset weakness in secondary prices. Month over month, the average bid for the Morningstar LSTA Leverage Loan Index declined 36 basis points (bps) to end at $94.96 as software issuers experienced renewed selling pressure.

- The loan asset class generated positive performance in June, but the performance belied the industry specific weakness that weighed on prices. The retreat by investors from software and services loans gained steam as secondary prices fell over $2 in June to end at $85.65, and the industry now represents roughly half of all loans priced below $90. Relative to credit peers, loans trailed as high-yield corporate and investment-grade bonds generated total returns of 0.27% and 0.19%, respectively. The floating-rate structure of loans was a tailwind in June as U.S. Treasury yields rose across short and intermediate maturities.

- The effects of volatile energy prices can already be seen in economic data, with June 2026 annual CPI coming in at 3.5%, more than a percentage point higher than the 2.4% February reading prior to the start of the Iran conflict. Cognizant of the effects of the supply shock, Kevin Warsh made the most of his first meeting as new Fed chair in June to set the tone for his approach to policy. The Fed kept the fed funds rate between 3.5%–3.75%, dropped forward guidance, and drove home an emphasis on price stability over full employment by ending the June statement with, "The committee will deliver price stability."

- Institutional loan issuance, representing refinancings and non-refinancings, was $39.3 billion as conditions for primary issuance improved relative to the drought witnessed during spring. Winners from AI capital expenditures were well represented in June as multiple energy and infrastructure related issuers came to market.

- CLO issuance slowed in June with $10.3 billion in new issues and roughly 68% dedicated to broadly syndicated loans. Retail fund flows turned negative during the month, with $160 million in net redemptions, and the year-to-date total reflects over $4 billion of withdrawals as AI-induced volatility and spillover effects from private credit funds dampened investor enthusiasm for the asset class during the spring of 2026.

- Monthly performance was positive for 20 of the 24 GICS II industries, with insurance the worst performer for a second consecutive month. Leading industries were consumer durables and apparel (+1.09%), semiconductors and semiconductor equipment (+1.07%), and technology hardware and equipment (+0.73%), while insurance (-1.21%), software and services (-1.17%), and consumer staples distribution and retail (-0.53%) lagged.

- Performance dispersion continued in June across quality cohorts with single Bs the only area to post negative returns. The breakdown of one-month returns by rating was: BB (+0.27%), B (-0.02%), and CCC (+0.29%). The lingering effects of AI and Iran-conflict volatility can be seen in year-to-date performance, with BB rated loans enjoying a nearly 6-percentage-point performance advantage relative to CCC loans (+2.54% vs. -3.43%) as of month end.

- There was one loan-issuer payment default in June (Inotiv), affecting $267 million in loans outstanding. Looking at the par-weighted default rate, the trailing 12-month rate increased by 1 bp to 1.29%. Including distressed-exchange activity, the 12-month default rate ended the month lower at 2.29%.

CLO MARKET REVIEW

- CLO tranche performance was positive in June across the majority of tranches with the JP Morgan CLOIE Index reporting returns of +0.38% (AAA), +0.43% (AA), +0.50% (A), +0.39% (BBB), and -0.18% (BB).

- New CLO origination during the month was $10.3 billion across 23 deals, which brought the 2026 year-to-date total of $80.3 billion, about 18% behind the record-setting pace of 2025. A confluence of factors in the first half of the year, including selling pressure in software names and volatile energy prices, led some CLO managers to slow down issuance plans. Along those lines, Pitchbook notes that only 89 managers have priced deals through June 2026, well below the 108 managers a year ago.

- CLO ETFs, while still a small portion of the $1-trillion CLO market, have grown significantly in size and popularity, offering retail investors access to a market that was previously out of reach. Assets in CLO ETFs recently surpassed $50 billion, Deutsche Bank notes that the vehicles have grown 25% year over year as investors embrace higher-rated tranches for attractive carry relative to Treasury bills.

- The amount of high-quality loans used for ramping CLO warehouses rose in June as repayments slowed, retail demand turned negative, and slower CLO issuance all impacted the market. When factoring in demand (CLO creation and retail fund flows) versus leveraged-loan supply (issuance less repayments), the market experienced a supply surplus of roughly $12 billion, only the second month of excess supply year to date.

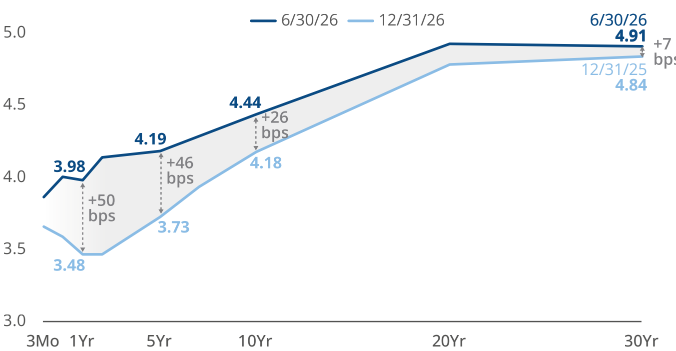
- Looking at leveraged-loan fundamentals, credit metrics were firm in the first quarter of 2026, but highlighted the need for active credit selection amid deterioration in select credit ratings and industries. On the positive side, interest expense declined 1.7% quarter over quarter while interest coverage (EBITDA/ Net Interest Expense) improved to 3.15 times as easier Fed policy last year flowed through to earnings. Offsetting this was a decrease in revenue and EBITDA, which decreased 2% and 6% respectively with the largest declines in CCC rated issuers and sectors impacted by tariffs and energy volatility, such as retail and transportation. While we enter second-quarter 2026 earnings season on a relatively firm footing, the outlook is complicated by a long list of uncertainties, including the price of oil and other input commodities, rising interest rates, unresolved tariff policy, and the potential for slowing economic growth.

- We believe it is important to highlight the potential merits of the asset class for investors in high-quality, public credit. In our opinion, CLOs may offer attractive yield pickup relative to credit peers in a capital-efficient manner for many institutional portfolios and may be well positioned if interest rates move higher. The long-term value of the CLO asset class is supported by strong technical dynamics and higher-quality collateral.

CHARTS OF THE MONTH

1 Short and intermediate Treasury yields have materially increased in the first half of 2026

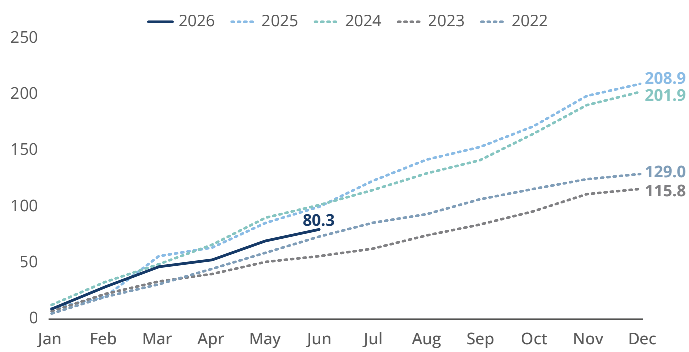
U.S. TREASURY YIELD CURVE (%)



Source: *U.S. Treasury Daily Par Yield Curve Rates, 12/31/2025 and 6/30/2026.*

2 2026 CLO new issuance is well off the record pace of 2025

HISTORICAL U.S. CLO ISSUANCE ($BN)



Source: *Pitchbook/LCD Research as of June 30, 2026*

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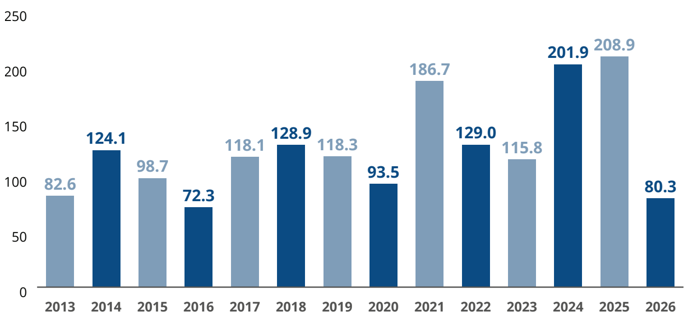
Market Data	June 2026 Return (%)	1 Year Return (%)	Yield (%)	Yield Change (%)	DM (BPS)	Price ($)
J.P. Morgan CLO Indices						
AAA-Rated	0.38	5.13	4.9	0.1	103	100.1
AA-Rated	0.43	5.60	5.2	0.1	130	100.1
A-Rated	0.50	5.83	5.5	0.1	161	100.1
BBB-Rated	0.39	6.57	7.2	0.2	319	99.3
BB-Rated	-0.18	6.39	11.8	0.3	769	91.9
Morningstar LSTA Leveraged Loan Index						
BB-Rated	0.27	5.71	6.1	0.0	257	99.3
B-Rated	-0.02	4.37	7.3	0.0	458	95.9
CCC-Rated	0.29	-3.35	11.8	-0.2	1,678	71.2

Source: J.P. Morgan, Morningstar, as of June 30, 2026

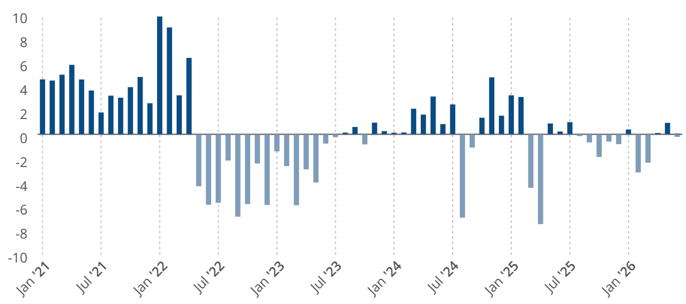
TECHNICALS

ANNUAL CLO NEW ISSUANCE ($BN)



Source: Pitchbook/LCD Research as of June 30, 2026

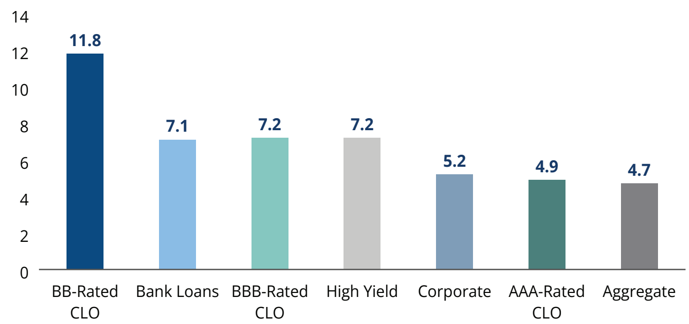
MONTHLY BANK LOAN FUND FLOWS ($BN)



Source: Pitchbook/LCD Research as of June 30, 2026

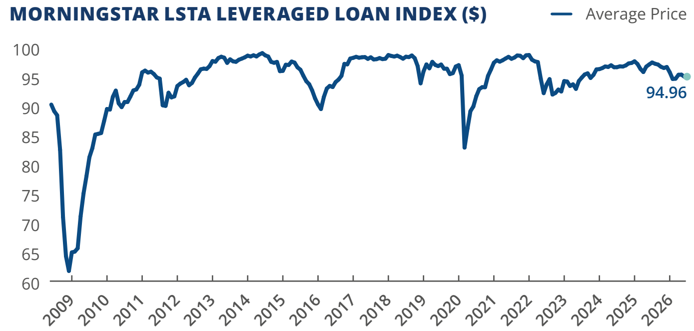
VALUATIONS

YIELDS ON VARIOUS ASSET CLASSES (%)



Source: Bloomberg, J.P. Morgan and Morningstar as of June 30, 2026

MORNINGSTAR LSTA LEVERAGED LOAN INDEX ($)



Source: Morningstar as of June 30, 2026