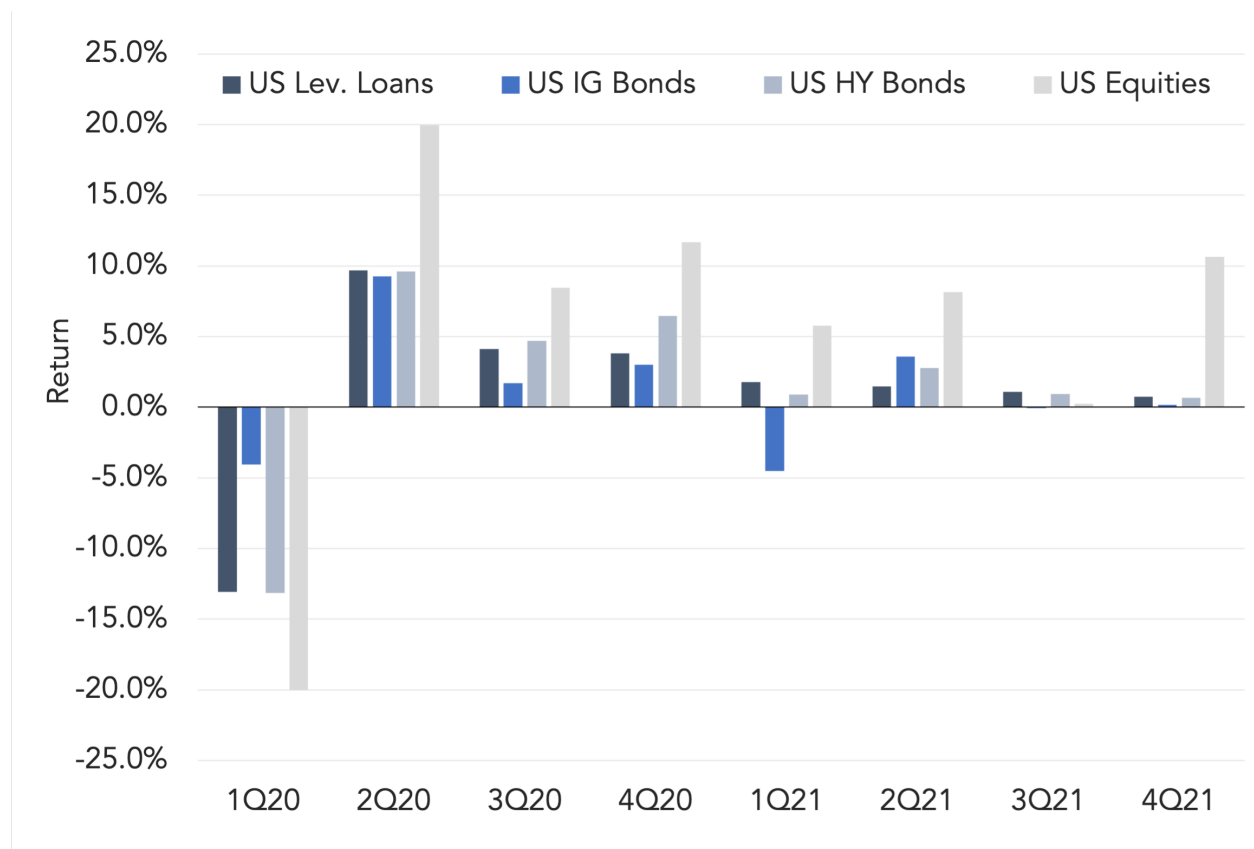


US leveraged loan returns advance to 5.2% in 2021, HY bonds gain 5.4%

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US leveraged loans wrapped up 2021 by posting a return of 0.78% in the fourth quarter, outpacing both high yield bonds (0.66%) and investment grade bonds (0.17%). In comparison, returns on the S&P500 accelerated to 10.7% in 4Q21, the highest all year.

4Q21 was the most volatile quarter of the year as news of the Omicron variant combined with new guidance from the Federal Reserve roiled markets in the last week of November. For full-year 2021, loan returns advanced to 5.2%, from 3.1% in 2020, while high yield bonds gained 5.4%, down from 6.2% in the prior year. Investment grade bonds lost 1%, the first negative reading since 2018, while equities raced ahead and gained 27%, compared to 16% in 2020.

Returns in 2021 were driven by a risk-on environment from investors flush with cash. In the leveraged loan market, record demand from CLOs and loan funds propelled new money issuance forward and pushed valuations higher. In the secondary market, loans climbed 170bp higher to the 98.2 context, with investors moving down the credit spectrum to find value. Triple C rated loans outperformed and finished the year 252bp higher.

(Past performance is no guarantee of future results.)