

# Credit in focus

For global professional / qualified /  
institutional clients and investors.

## Navigating liquid opportunities in 2025

Income and  
valuation reset

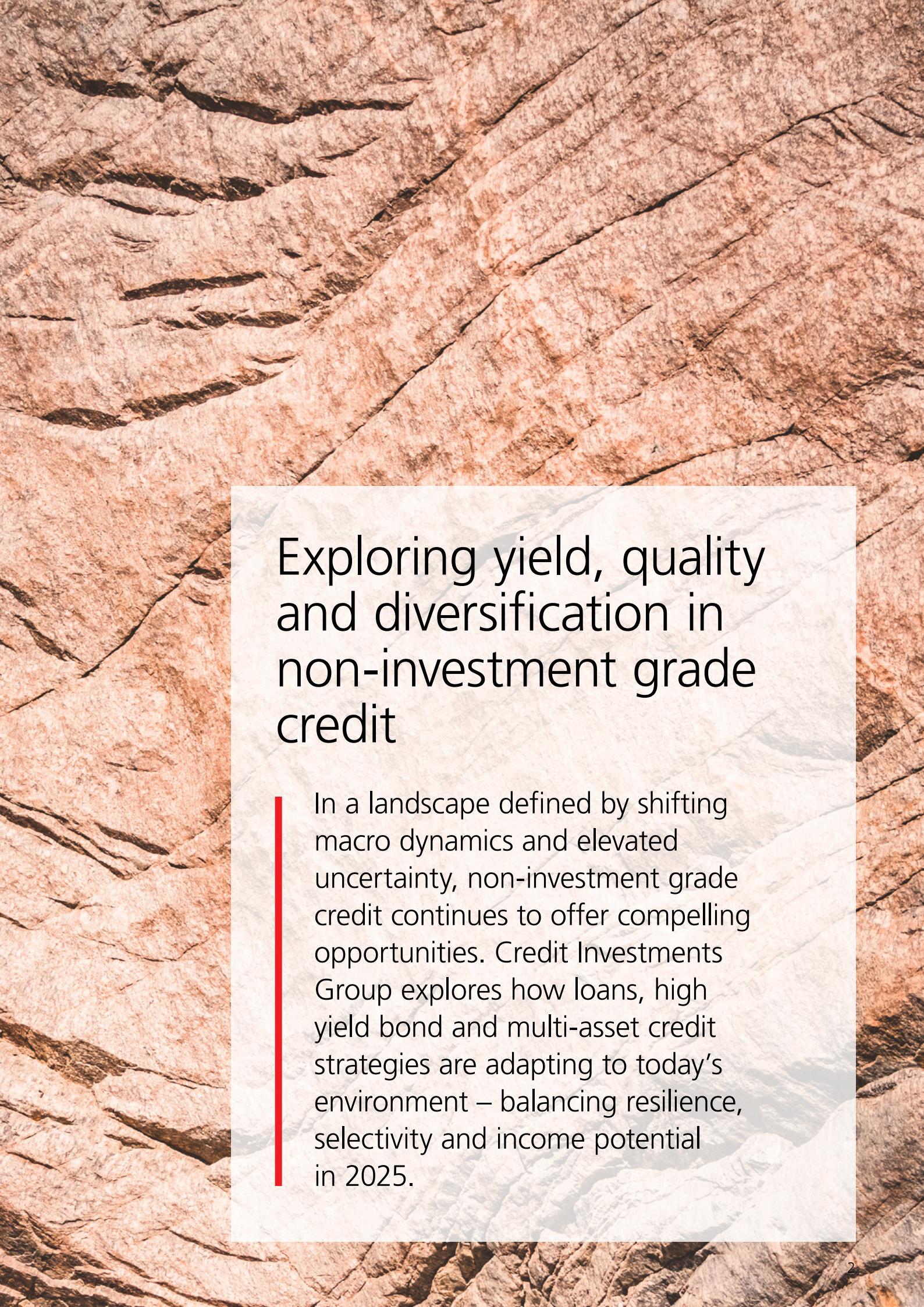
Selectivity across  
the capital structure

Resilience amid  
macro uncertainty



**UBS**





# Exploring yield, quality and diversification in non-investment grade credit

In a landscape defined by shifting macro dynamics and elevated uncertainty, non-investment grade credit continues to offer compelling opportunities. Credit Investments Group explores how loans, high yield bond and multi-asset credit strategies are adapting to today's environment – balancing resilience, selectivity and income potential in 2025.





## The evolution of credit: from junk bonds to institutional quality

The non-investment grade credit market has undergone a profound transformation. What began decades ago as a niche “junk bond” segment has evolved into a core component of institutional portfolios. Today, the high yield bond market is nearly USD 1.5 trillion in size, with half of the universe rated BB – at the upper end of the non-investment grade spectrum. These are not speculative issuers, but increasingly stable businesses attracting pension and insurance capital.

The syndicated loan market, similarly institutionalized, now rivals high yield in size and significance. Once the domain of banks, it has grown into a USD 1.5 trillion floating-rate market with robust participation from asset managers, CLOs and institutional lenders. The Credit Investments Group (CIG) has been at the heart of this evolution, managing close to USD 60 billion in assets and drawing on a track record that dates back to the late 1990s.



## Macro-driven volatility meets technical resilience

The current environment is shaped by uncertainty. Tariffs, shifting trade policies, interest rate speculation, and geopolitical instability have created an unpredictable backdrop for investors. However, this has also strengthened the case for liquid credit, particularly in areas that offer yield with defensive characteristics.


The combination of resilient corporate fundamentals and a slower supply pipeline is creating technical tailwinds. Fewer new issues are coming to market, while income-focused investors continue to allocate to floating-rate and high carry products. The result is a supportive technical backdrop, even in the face of macroeconomic noise.



## Where value emerges: opportunities across the spectrum

Loans and high yield bonds remain par-priced asset classes, but today they are trading below par – offering an attractive entry point for long-term investors. Many performing double B and single B loans are trading in the mid-90s, while parts of the high yield market have repriced due to rates rather than credit concerns.


These dislocations present unique convexity opportunities. In the loan market, discounted names with solid fundamentals provide price recovery potential. In high yield, quality issuers have been affected more by rising interest rates than by deteriorating creditworthiness, offering upside without necessarily taking on additional credit risk.



## Active selection is key: distinguishing risk from price

Identifying where risk lies – and where it doesn't – is central to success in credit markets. CIG's investment process is built on rigorous credit analysis, with teams of sector specialists covering specific issuers across New York and London.


Understanding whether price moves are driven by fundamentals, technicals, or rates helps identify potential sources of value. Credit selection today is not about simply avoiding defaults – it's about recognizing when market inefficiencies create mispricing. This disciplined process enables investors to stay focused on carry and convexity, while mitigating unnecessary volatility.



## Allocating strategically: credit as a core diversifier

Advisors and institutional investors increasingly view non-investment grade credit as a core allocation within multi-asset portfolios. With lower duration than traditional fixed income and higher risk-adjusted returns than many equity strategies, credit plays a critical role in balancing yield, diversification, and defensiveness.

Single-asset strategies (loans or high-yield) allow for targeted implementation, while multi-asset credit strategies offer flexible allocation across the spectrum. The growing convergence between loans, bonds, and even private credit markets further supports a unified, research-driven approach to credit investing – enabling flexible allocation across a broader universe of credit instruments.



## Navigating short-term turbulence with long-term conviction

While the structural outlook remains positive, recent market moves underscore the need for active management. In early April, we saw both loans and high yield down approximately 1.5-2.0% in the first few business days of the month, as spreads widened amid weaker sentiment and policy-driven headlines. Both asset classes ended up flat in April. Compared to equity markets, however, credit proved resilient: lower volatility, smaller drawdowns, and more stable fundamentals.

Loan spreads widened moderately, but valuations remain more compelling than in equities, particularly given lower day-to-day volatility. While some further spread widening may occur, the repricing helps normalize markets and could pave the way for steady performance in the second half of 2025 – largely in line with carry.

High yield's larger exposure to cyclical sectors, particularly energy, contributed to relative underperformance. Yet, the segment is starting this period from a position of strength. Balance sheets have improved, and the quality mix has shifted upward, providing a more robust foundation than in prior cycles.



## Private credit and market convergence

The expanding private credit market plays a growing role in shaping the landscape. In times of market stress, direct lenders have absorbed transactions that might previously have caused volatility in syndicated markets. This has created a stabilizing effect: transactions are completed off-market, reducing new issue pressure and smoothing technicals in public credit.

Moreover, many issuers now operate across both private and public credit markets. For investors, this means opportunity sets are blending – and the tools to access them must evolve accordingly. Strategies that can invest across broadly syndicated loans, high yield bonds, and CLOs, which CIG have experience and track record in managing, are well positioned to take advantage of the full credit spectrum.

## Resilient income in an uncertain world

Despite market swings and policy unpredictability, the fundamental thesis for non-investment grade credit remains intact. Income remains the dominant driver of return, and careful selection provides avenues for capital upside. With improving valuations and disciplined underwriting, we believe the market offers compelling opportunities for active managers focused on credit quality and relative value.

For allocators, the choice is not about market timing – but about finding the right partners, processes, and platforms to navigate complexity with conviction.

**For marketing and information purposes by UBS.**

For global professional / qualified / Institutional clients and investors. UBS Group funds under Luxembourg law. Arrangements for marketing fund units mentioned in this document may be terminated at the initiative of the management company of the fund(s). Before investing in a product please read the latest prospectus and key information document carefully and thoroughly. Any decision to invest should take into account all the characteristics or objectives of the fund as described in its prospectus, or similar legal documentation. Investors are acquiring units or shares in a fund, and not in a given underlying asset such as building or shares of a company. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. Members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document. Units of UBS Group funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold, or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The calculated performance takes all costs on the fund level into consideration (ongoing costs). The entry and exit costs, which would have a negative impact on the performance, are not taken into consideration. If whole or part of the total costs to be paid is different from your reference currency, the costs may increase or decrease as a result of currency and exchange rate fluctuations.

Commissions and costs have a negative impact on the investment and on the expected returns. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency and exchange rate fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. Future performance is subject to taxation which depends on the personal situation of each investor, and which may change in the future. The details and opinions contained in this document are provided without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed, or republished for any purpose without the written permission of UBS Asset Management Switzerland AG or a local affiliated company. This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

A summary of investor rights in English can be found online at: [ubs.com/funds](https://ubs.com/funds).

More explanations of financial terms can be found at [ubs.com/glossary](https://ubs.com/glossary).

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.



[ubs.com/am-linkedin](https://ubs.com/am-linkedin)

[ubs.com/am](https://ubs.com/am)