DoubleLine Fixed Income Outlook

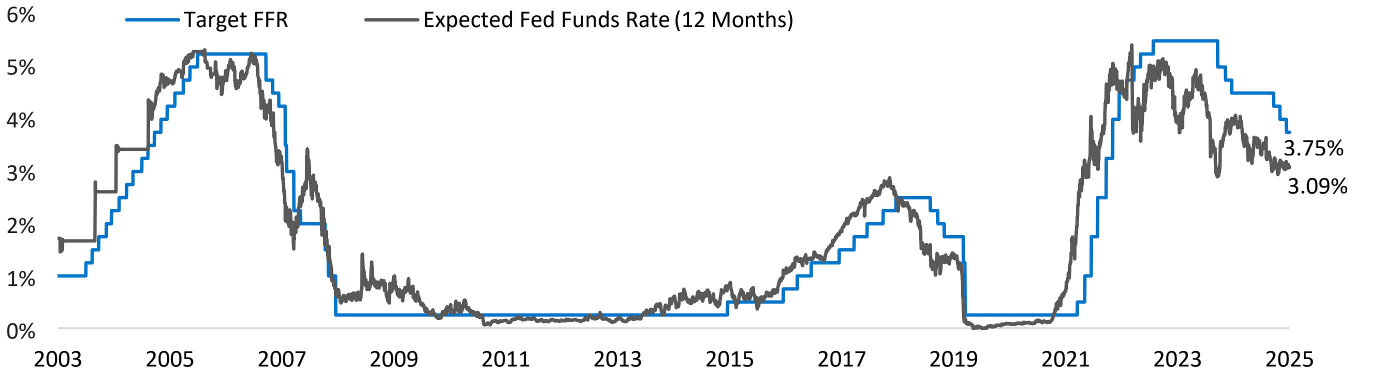
Chris Stegemann | January 31, 2026

Current Backdrop

The market proved resilient in 2025 as it withstood the impact of far-sweeping tariffs, continued and sometimes intensifying geopolitical tensions, the longest federal government shutdown on record and further political polarization. While the market reacted to many of the events of 2025 with bouts of episodic volatility, investors stepped in and continued to support risk assets. While the booming AI ecosystem became a mainstream investment theme, the economic impact, monetization, and who will be the winners and losers remain uncertain.

President Donald Trump's announcement and subsequent implementation of sweeping tariffs erased the initial market optimism experienced after his election in 2024, as equity markets fell and credit spreads widened through April 8. Markets rebounded thereafter, with equities setting record highs, and credit spreads maintaining historically tight levels. The U.S. dollar had its second worst annual return in over 20 years, down 9.4%, as measured by the U.S. Dollar Index (DXY). In the beginning of 2023, DoubleLine stated our belief that the dollar peaked in October 2022 and suggests investors add nondollar exposure to their portfolios. We maintain that stance today. (See: DoubleLine Views on the U.S. Dollar) The U.S. economy powered through potential headwinds, growing 2.3% year-over-year (YoY) through September, buoyed by personal consumption expenditures, which grew 2.6%. Despite persistent volatility in headlines, the Federal Reserve held a steady hand amid tariff-induced uncertainty and noisy data. After inflation stabilized and employment indicators started to show signs of weakness, the Federal Open Market Committee (FOMC) resumed cutting the federal funds rate (FFR) in September after a nine-month pause. The rate was cut by 25 basis points (bps) at each of the last three FOMC meetings of the year while the U-3 unemployment rate closed out 2025 at 4.4%, up from 4.0% at the end of 2024.[1] According to the FOMC's December Summary of Economic Projections (SEP), the median forecast is for one 25-bp cut to the FFR in 2026 while the market expects approximately two 25-bp cuts.[2] *(Figure 1)*

Fed Funds Rate and 12-Month Expectations (Based on Fed Funds Futures)
As of December 31, 2025



Hikes/Cuts Expected in 12 Months
As of December 31, 2025

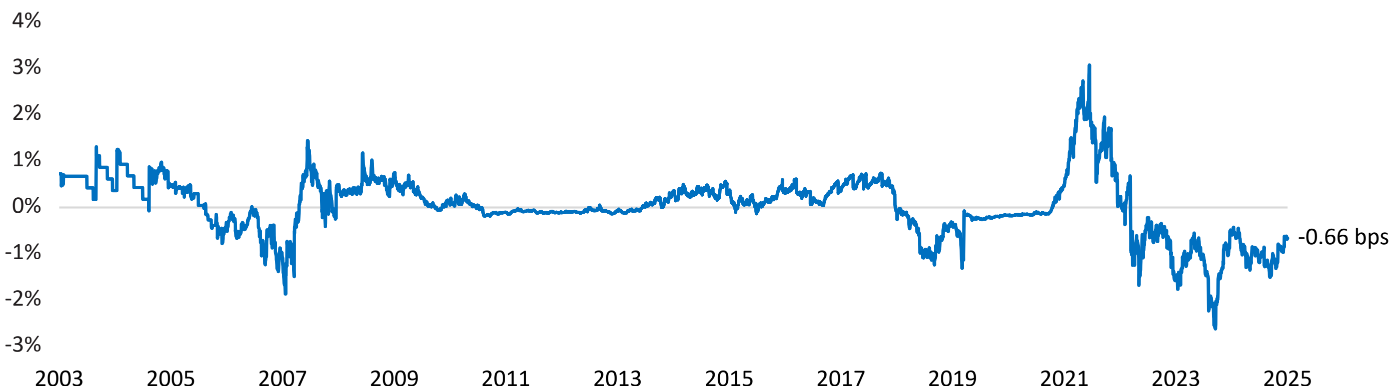


Figure 1
Source: DoubleLine, Federal Reserve, CME Group, Macrobond

Fixed income generally provided mid-to-high single-digit returns in 2025 with relatively narrow dispersion between dollar (USD)-denominated sectors. The Bloomberg US Aggregate Bond Index (the Agg) returned 7.30%, far surpassing the previous year's 1.25%, driven by carry, falling U.S. Treasury yields and spread compression. Emerging markets (EM) local currency investments were the standout winner of the year while floating-rate sectors lagged as short to intermediate fixed-rate securities benefited from falling yields. High-quality assets such as Agency mortgage-backed securities (MBS) outperformed both the Agg and the investment grade (IG) Bloomberg US Corporate Index by 128 and 81 bps, respectively. *(Figure 2)*

2025 Fixed Income Index Performance
As of December 31, 2025

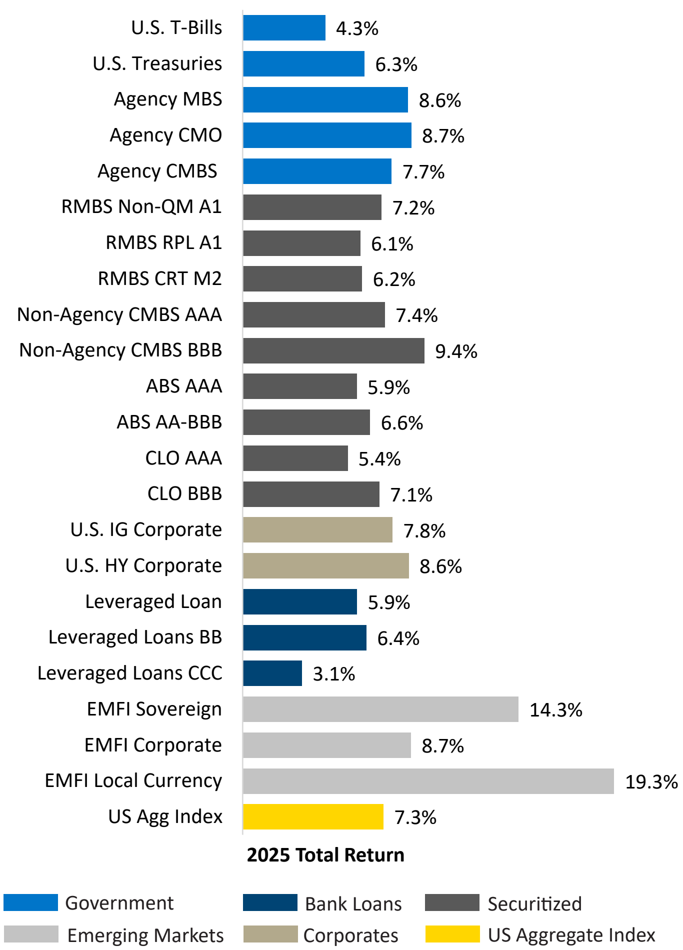


Figure 2
Source: DoubleLine, Bloomberg, BofA Global Research
Indices for Figure 2 can be found at the back of this document.
You cannot invest directly in an index.

Outlook

The backdrop for fixed income remains attractive as we enter 2026, but we believe the year will be defined by active management. Navigating the twists, turns and tweets will be essential for investors, and we expect several catalysts to shape the next 12 months. Concerns stemming from rising debt and deficits in developed markets have resulted in steepening yield curves across the globe as investors have shunned long-term government debt, a theme we believe will persist even if the market were to experience risk-off sentiment. The dollar lost its luster in 2025, a theme we also think will continue. The market is anxiously awaiting the boom in issuance related to AI and the effects it could have on the broader market. As we piece these themes together, we feel 2026 will be characterized by thoughtful positioning, diligent credit work and actively finding opportunities across fixed income sectors.

Fiscal Pressures, Steeper Curves

In 2025, the Treasury curve steepened meaningfully. Front-end yields declined as the Fed cut its policy rate three times while the intermediate segment benefited from easing inflation pressures and a weakening labor market. At the long end, yields remained elevated due to rising fiscal concerns, with the 30-year finishing the year 6 bps higher. *(Figure 3)* Taken together, the curve steepened by 36 bps and 83 bps, as measured by the 2s10s and 2s30s, respectively.

2025 U.S. Treasury Curve Changes
As of December 31, 2025

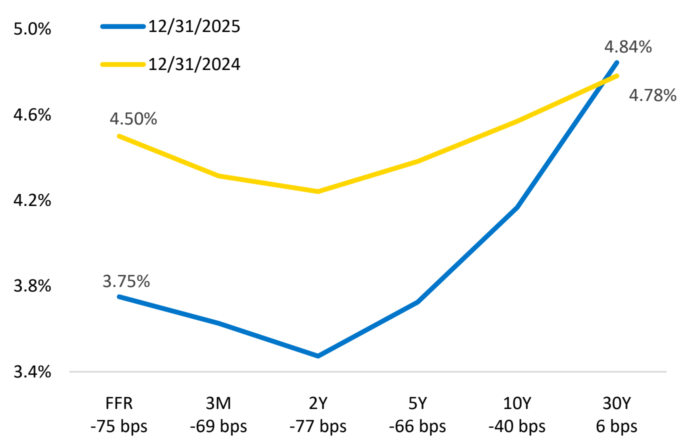


Figure 3
Source: DoubleLine, Bloomberg

Looking ahead to 2026, yield curve steepening is likely to persist in the U.S. and across developed markets. Elevated deficits, rising debt burdens and political resistance to fiscal consolidation in countries such as the U.S., France, the United Kingdom and Japan are likely to keep upward pressure on term premia, leaving long-end yields biased higher. (See: Winds of Change: DM Safe Haven No Longer to Be Taken for Granted) At the same time, the potential for moderating inflation and slowing growth could continue to anchor front-end rates. These forces support a sustained steepening bias and present active managers, such as DoubleLine, with an opportunity to potentially enhance risk-adjusted returns in the year ahead.

Down on Dollar

Investors have long benefited from holding dollar assets, but in 2025, non-U.S., nondollar assets took the lead, with the dollar-denominated MSCI Europe Index returning 36.3% on the year, outpacing the 17.9% return of the S&P 500 Index. We believe the dollar peaked in September 2022 when the DXY reached $114.1. Since then, the dollar has fallen 14% to $98.2 as of Dec. 31, 2025. We believe there are several reasons for potential weakness in the dollar, such as the easing Fed; the large fiscal deficit; and the large stock of foreign savings invested in U.S. markets, which if were to abate or reverse would be dollar bearish. The Fed has brought the FFR down 175 bps since August 2024, with markets pricing in an additional 50 bps of cuts in 2026. Further declines would continue to reduce the dollar's yield advantage, leading to assets fleeing dollar investments for greener pastures. The federal deficit remains elevated compared to historical economic expansions, and the increased interest cost on the national debt is leading to an increased need to issue U.S. dollar bonds, further debasing the currency. *(Figure 4)*

Interest on Treasury Debt ($Bn)

As of December 31, 2024

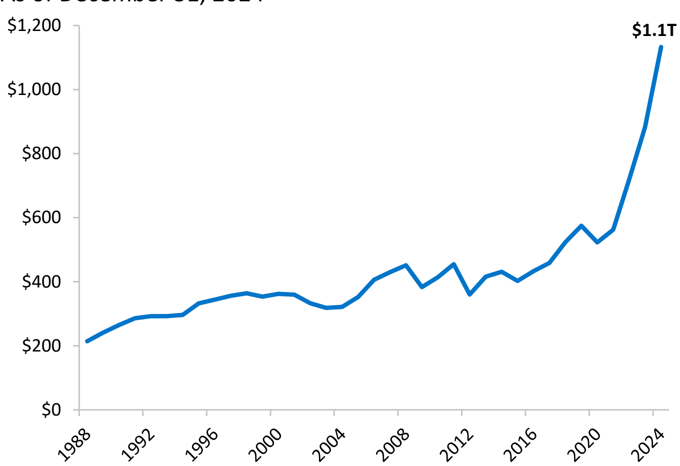


Figure 4

Source: DoubleLine, Bloomberg, U.S. Treasury

The current administration is also running an expansionary fiscal policy, with no slowdown in sight, exhibited by President Trump's latest call for a defense budget increase of 50%, or $500 billion per annum. Lastly, if foreign investors choose to reallocate out of dollar investments and/or U.S. investors choose to increase international investments, this could leave the dollar vulnerable. *(Figure 5)* These trends have led us to add EM local currency positions within some of our Fixed Income Asset Allocation strategies as we seek to take advantage of further weakening of the dollar. (See: DoubleLine Views on the U.S. Dollar)

U.S. Investment Position

As of September 30, 2025

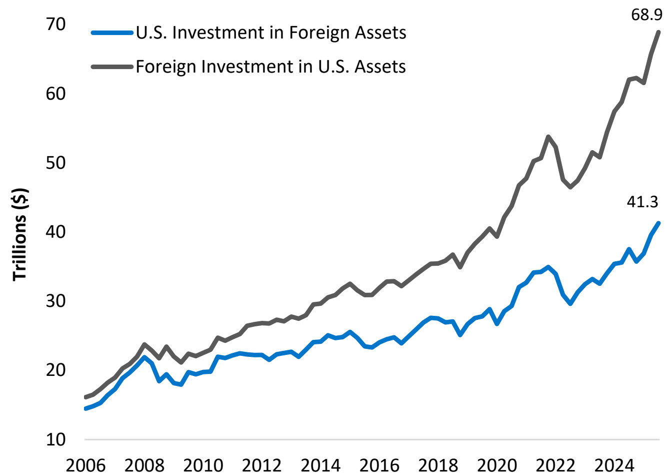


Figure 5

Source: DoubleLine, U.S. Bureau of Economic Analysis

Anticipated Issuance

AI is rapidly reshaping the economy, capital markets and balance sheets. As we enter 2026, DoubleLine is prepared for a wave of issuance across fixed income markets related to the AI ecosystem. J.P. Morgan estimates over $5 trillion will be needed to build out the requisite infrastructure, with a significant portion coming from fixed income markets. *(Figure 6)* While we expect many new entrants into the capital markets, we also expect established companies to adjust their balance sheets and evolve their credit profiles to meet the needs of demands of this changing landscape.

AI Infrastructure Build Estimated to Be $5.4 Trillion
As of November 10, 2025

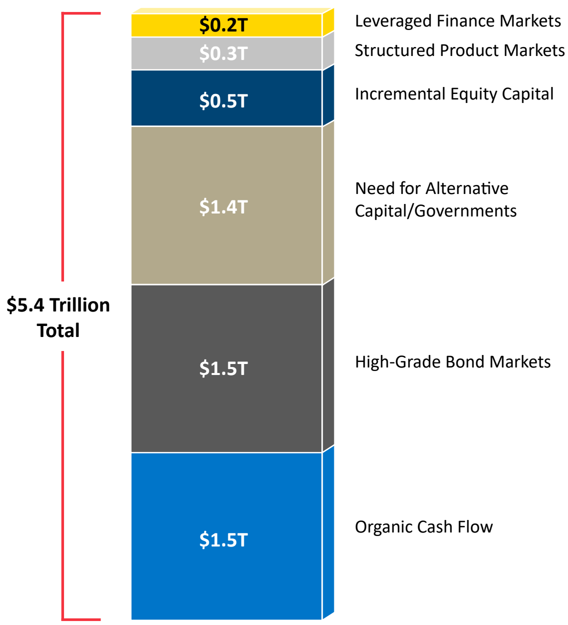


Figure 6
Source: DoubleLine, J.P. Morgan estimates
Reflects assumed permanent financings. For illustrative purposes only.

Despite the enthusiasm surrounding AI, we are actively approaching sector-related risk with caution. Markets often get swept up in excitement during periods of innovation, and we believe careful credit analysis and active management will be essential in navigating markets in 2026. At DoubleLine, we believe an active multi-sector approach that allows for flexibility to invest across asset classes is likely the best way to capitalize on the wide menu of future issuance and any dislocation in the secondary market.

As with any rapidly growing sector, we expect AI to produce numerous winners and losers, which will often grab headlines. Isolated credit events surfaced in 2025, and we feel there are more to come in 2026. If only AI could tell us where those will be …

Sector Outlooks – Thoughts From the DoubleLine Investment Team

U.S. TREASURIES | MUSICAL CHAIRS

U.S. Treasury yields largely moved lower across the curve in 2025, with the two- and 10-year falling 77 bps and 40 bps, respectively, while the 30-year rose 6 bps. The Treasury yield curve continued steepening, with the yield difference between two- and 10-year Treasuries (2s10s) widening 69 bps. The two- and 30-year (2s30s) differential widened to 137 bps, a four-year high, as the 30-year was the lone benchmark Treasury to move higher in yield during the year. *(Figure 7)*

The FOMC resumed cutting the target FFR at its September meeting after a nine-month pause, citing labor market weakness and generally stable inflation, cutting a total of 75 bps at its last three meetings of the year. Varying viewpoints within the Fed emerged as dissents occurred at each of the rate-cutting meetings, with six FOMC members forecasting no cut at the December meeting. The December SEP median 2026 forecast is for one 25-bp cut, below the 55 bps expected by the market, according to the Bloomberg World Interest Rate Probability function as of Dec. 31.

The labor market decelerated to an average monthly jobs gain of 49,000 in 2025 versus 168,000 in 2024. *(Figure 8)* The SEP expects employment to remain steady through 2026, ending the year with 4.4% unemployment rate, in line with the December report.

As Fed Chair Jerome H. Powell's term comes to an end, we expect the agency to continue to be in the headlines amid growing questions around its independence. The nomination of Kevin Warsh to become the next Fed chair ended the exercise of musical chairs at the White House. While a new chair could bring some additional volatility into the Treasury market, we also see fiscal deficits, Fed independence and potential striking down of International Emergency Economic Powers Act tariffs by the Supreme Court as other event risks in 2026.

DoubleLine has generally remained shorter duration relative to respective benchmarks in intermediate-core strategies and slightly longer in shorter strategies. We favor the front end to intermediate tenors while maintaining an underweight to the long bond. We expect additional yield curve steepening as the FOMC might continue to cut the FFR in 2026, and elevated fiscal deficits and persistent above-target inflation will likely put further pressure on the long end. The team maintains that Treasuries are an important part of diversified fixed-income portfolios as a potential offset to risks presented by credit-sensitive sectors.

Steepening U.S. Treasury Yield Curve
As of December 31, 2025

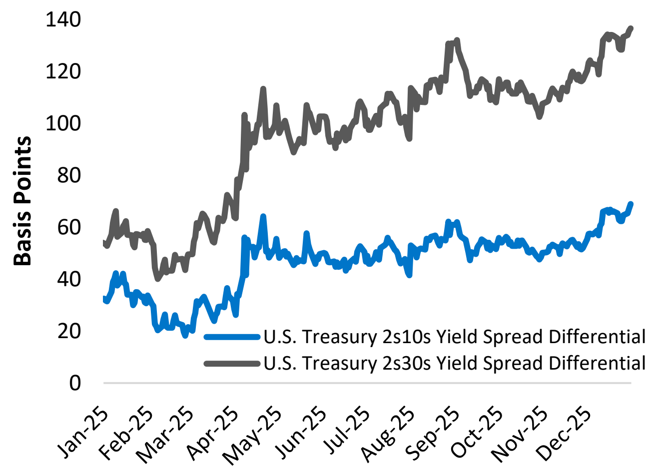


Figure 7
Source: DoubleLine, Bloomberg

Nonfarm Payroll MoM Change
As of December 31, 2025

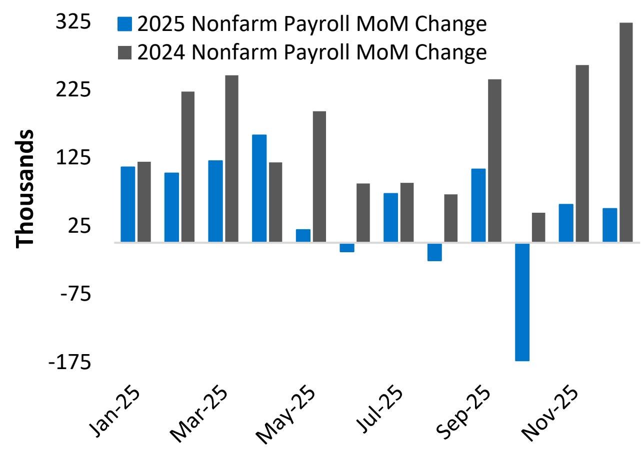


Figure 8
Source: DoubleLine, Bloomberg
MoM = month-over-month

AGENCY MORTGAGE-BACKED SECURITIES | CARRY WITH A SIDE OF CONVEXITY

Agency MBS enter 2026 with meaningfully improved technicals and a more resilient investor base after two volatile years. While spreads tightened through 2025 as rate volatility declined, valuations remain attractive relative to corporate bonds. *(Figure 9)* We expect Agency MBS to deliver modest excess returns in 2026, with greater emphasis on security selection and prepayment risk management.

Starting with the technical picture, we expect overall Agency MBS supply to remain broadly in line with 2025 levels. Fed runoff of roughly $185 billion will continue to push supply into the market, though prevailing mortgage-rate levels should keep prepayment-driven runoff relatively predictable. Bank demand remains mixed: While balance-sheet runoff of legacy low-coupon holdings continues, banks remain meaningful gross buyers of collateralized mortgage obligations (CMOs) and Ginnie Mae pass-throughs, helping to stabilize demand for certain segments of the market.

Money-manager positioning remains a critical support. Although overweights modestly narrowed in the third quarter of 2025, allocations are still elevated relative to history, and steady fund inflows provide a durable base of demand. *(Figure 10)* We expect continued inflows and improving sentiment to drive rotation toward carry-efficient coupons, seasoned collateral and select specified pools where structural characteristics are more favorable.

Primary mortgage rates, after briefly exceeding 7% in 2025, drifted lower into year-end but are expected to remain in the mid-6% range through much of 2026, keeping most borrowers out of the money for conventional refinancing. Even so, borrower sensitivity to rate moves has increased. Originator pricing incentives and borrower "media effects" around Fed meetings contributed to unexpectedly sharp prepayment spikes late in 2025. This dynamic reinforces the value of specified pools, especially loan balance, geography and credit stories where prepayment protection is stronger.

Taken together, the 2026 backdrop favors high-quality carry with structural protection. We expect Agency MBS to deliver modest excess returns, with outperformance driven by security selection. We also see opportunities in Agency CMOs, where investors can source lower-dollar-priced structures with positive convexity that help manage duration more efficiently.

While our outlook is constructive, policy remains a nontrivial watchpoint. The Federal Housing Finance Agency review of loan-level price adjustments, potential adjustments to the credit-score framework and uncertainty around government-sponsored enterprise retained-portfolio activity could introduce incremental headline risk. For now, however, we view these as low-probability considerations rather than catalysts for material spread repricing.

Agency MBS vs. Corporate Bond Spreads
As of December 31, 2025

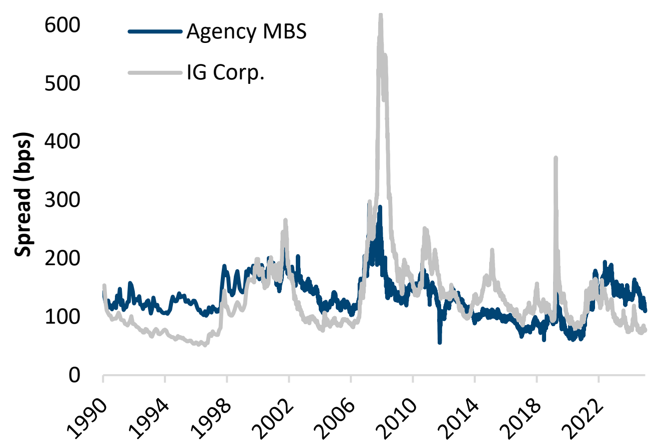


Figure 9
Source: DoubleLine, Bloomberg

Agency MBS Current-Coupon Spreads
As of December 31, 2025

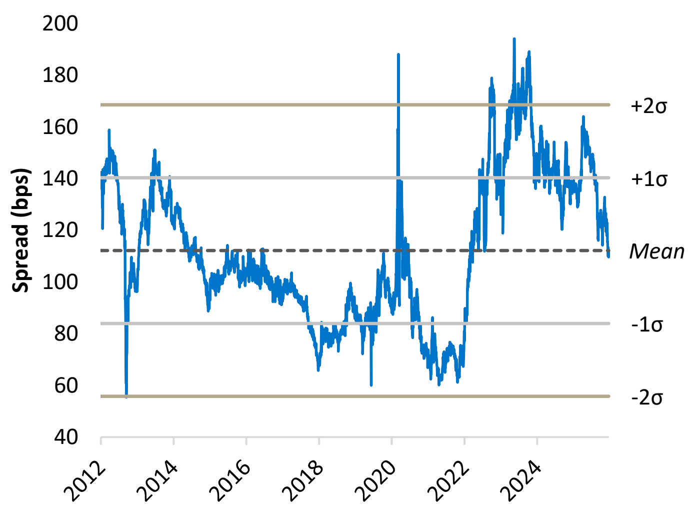


Figure 10
Source: DoubleLine, Bloomberg
σ = standard deviation

U.S. INVESTMENT GRADE CORPORATES | OUT WITH THE OLD, IN WITH THE NEW

IG corporate bonds posted a 0.84% return for the fourth quarter and 7.77% for 2025, as measured by the Bloomberg US Corporate Index, driven largely by their long duration amid falling Treasury yields. Spreads detracted modestly, widening 4 bps to end December at 78 bps, off the 27-year lows the index hit in September.

On the technical front, demand from foreign investors remained strong, with many seeking to capture attractive all-in yields offered by U.S. corporate bonds – particularly in a Fed easing cycle. However, European corporate bonds have become increasingly competitive. Demand for U.S. corporate bonds from Asian investors is expected to remain stable, as many regional insurers are structurally constrained from purchasing sufficient local bonds to meet their liability-matching needs. Market expectations are for issuance to rise in 2026 but still be materially lower than the record set in 2020. The rise in issuance is likely to be driven by merger and acquisition (M&A) activity picking up as well as additional funding needs for AI and power capital expenditure (capex). The yield on the index closed December lower at 4.81% but remained well above a 10-year average of 3.84%. *(Figure 11)*

Fundamentals for IG corporate issuers have remained strong, creating a modest tailwind to spread performance. EBITDA margins for nonfinancial companies continue to set all-time highs, with companies employing conservative management against an uncertain economic backdrop. Gross and net leverage remain strong, and interest coverage ratios are still above 2019-20 levels, signaling a continuation of conservative financial management. The increasing quality of the IG corporate market is visible in the increasing quality of the index, with bonds rated BBB losing more than 6% of their market share over five years. *(Figure 12)* Mergers and acquisitions have supplanted tariffs as the new emerging risk in corporate markets. M&A activity had been muted amid the interest-rate hiking cycle, but with a dovish Fed and conservative balance sheets, activity is expected to pick up.

U.S. economic growth is expected to remain steady in 2026 as monetary policy continues to ease and financial conditions gradually become less restrictive. This backdrop is generally supportive for IG corporate credit, as stable growth and easing policy help anchor earnings, limit refinancing stress and keep default risk contained, even as elevated valuations and rising supply increase the importance of sector and security selection.

The team holds a negative view on the technology sector, driven by surging AI-related capex that could materially increase leverage and net debt issuance while tying a growing share of credit fundamentals to a single, narrow AI investment theme. With valuations tight and monetization uncertain, the sector faces asymmetric downside from supply-driven spread widening and the risk of a late-cycle repricing similar to prior capex-led investment booms. In contrast, we remain constructive on aircraft lessors, supported by a persistent structural supply-demand imbalance in the global aviation market and materially strengthened balance sheets following years of disciplined capital management.

U.S. IG Corporate Bond Yields
As of December 31, 2025

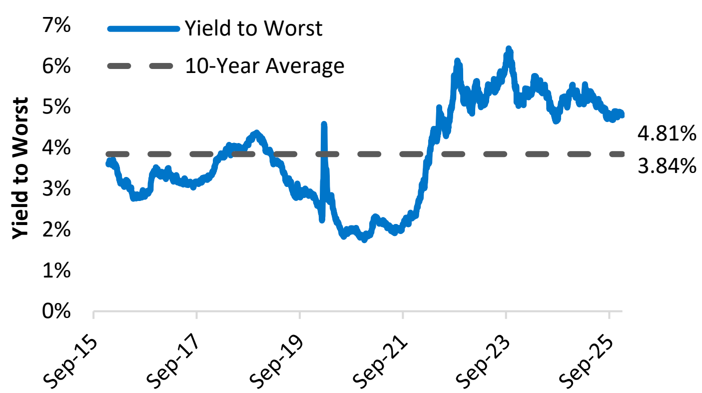


Figure 11
Source: DoubleLine, Bloomberg

IG Market Quality
As of December 31, 2025

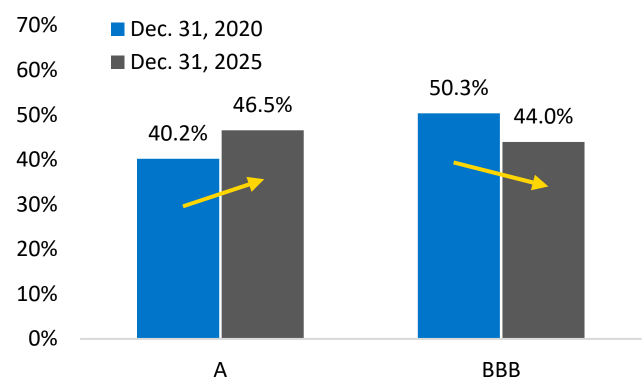


Figure 12
Source: DoubleLine, BofA Global Research

U.S. HIGH YIELD CORPORATES | HOW TIGHT IS TOO TIGHT?

U.S. high yield (HY) corporate bonds returned 1.31% for the fourth quarter and 8.62% for 2025, as measured by the Bloomberg US Corporate HY Index, driven by declining yields and high interest income. HY index spreads tightened 1 bp on the quarter to 266 bps, as spreads remained range-bound. Adding to the positive impact from high carry, the front end of the Treasury curve provided additional gains as yields declined modestly after the October interest-rate cut, with the three-year note down 8 bps and the five-year note falling 2 bps over the period.

HY issuers benefited from improved refinancing conditions, easing the pressure of a previously looming maturity wall. September marked the third largest month of HY issuance on record, as the Fed cut combined with strong demand for corporate bonds provided an opportune moment for issuers to tap the market. Through Nov. 30, HY issuance had already surpassed full-year issuance levels of the previous three years. Of 2025 HY issuance, 64% was used for refinancing while M&A accounted for 16%, up 3% from 2025. In 2026, markets are anticipating elevated issuance, which is expected to lead to modest spread widening.

Fundamentals are beginning to moderate, with net leverage ratios ticking up and interest coverage ratios falling. *(Figure 13)* HY default rates remained low, with the 12-month par-weighted default rate sitting at 1.2% including distressed exchanges. *(Figure 14)* All-in HY yields remained north of 6.5% despite the continued improvement in index quality – a higher proportion of bonds rated BB and fewer rated CCC or below. *(Figure 15)* Expectations for additional fallen angels could further boost BB exposure, and some of the lower-quality HY issuance could continue to be absorbed by private credit markets, both of which could enhance overall index quality going forward.

The moderating fundamental backdrop and tight spreads are signs of the need for increased diligence despite the strong demand and high-quality tilt of the index. Declining lending standards are further heightening risks while increased M&A activity provides opportunities for credit improvement from realized synergies and IG acquirers. This backdrop highlights the importance of active management for effective investing. The team is constructive on companies that are focusing on balance-sheet repair and free-cash-flow generation but remains cautious on companies such as chemicals, autos, consumer finance, and metals and mining that are at higher risk of weakening economic conditions.

HY Balance Sheets
As of December 31, 2025

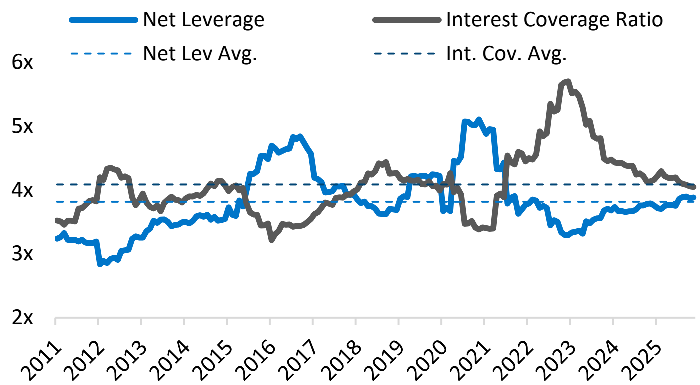


Figure 13
Source: DoubleLine, Bloomberg

HY Default Rates
As of December 31, 2025

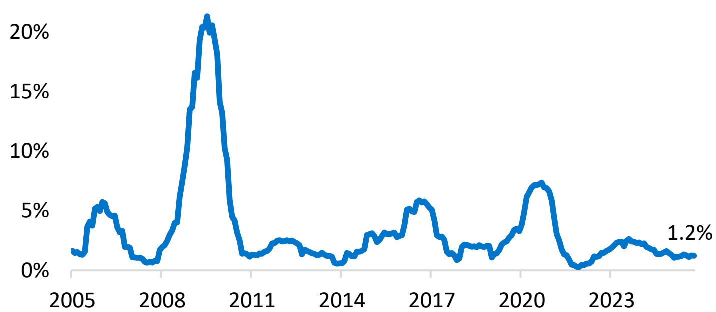


Figure 14
Source: DoubleLine, BofA Global Research

HY Index Market Share by Rating
As of December 31, 2025

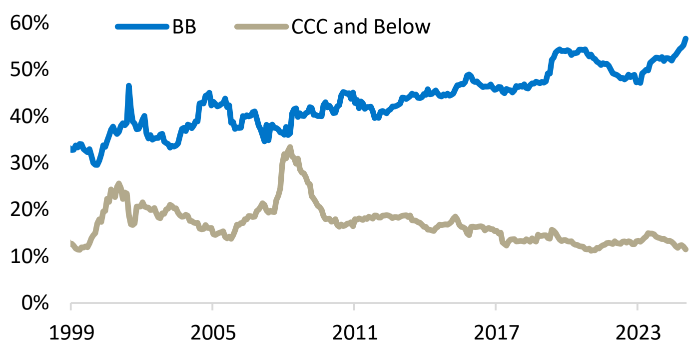


Figure 15
Source: DoubleLine, BofA Global Research

U.S. BANK LOANS | LESS CUSHION, MORE CARE REQUIRED

After a record-setting third quarter, the bank loan sector experienced sharply lower primary activity in the final three months of 2025, with gross issuance of $156 billion down 61% quarter-over-quarter. *(Figure 16)* Repricing activity pulled back the most, declining 73%, as the weighted average nominal spread of the Morningstar LSTA US Leveraged Loan Index fell to 319 basis points – 21 bps lower on the year and the lowest level since the Global Financial Crisis (GFC).

At the index level, the asset class reached an all-time high par amount outstanding of $1.55 trillion in 2025, up 9.2% on the year. This growth was driven by a meaningful decline in repayments, alongside modestly higher buyout and M&A-related issuance.

The sector ended the quarter with a discount margin of 394 bps, 7 bps wider over the period, and a yield to maturity of 7.86%. Bank loans returned 1.22% in the quarter and 5.90% for the full year, as measured by the index. The Fed cut interest rates by 50 bps in the quarter, following a 25-bp cut in September, which will reduce income received by bank loan investors from the underlying base rate.

Retail demand remained negative to close out 2025, with outflow totaling $3.97 billion, marking the third consecutive quarter of withdrawals. As a result, total retail outflow for 2025 reached $10.73 billion.

Overall, the share of bank loans priced at par or higher rose to 58% from 37% at the end of September, with higher-quality loans rallying the most. *(Figure 17)*

Looking ahead, borrowers have been effective in pushing out near-term loan maturities through refinancing and extension activity. However, the amount of loans maturing in the next three years climbed to an all-time high of $344 billion, 22% of outstanding loans, as of the end of 2025.

While spreads remain tight, bank loans offer yield pickup compared to other areas of fixed income, and the slowing pace of Fed rate cuts makes the asset class incrementally more attractive, particularly in the context of a growing economy.

At an industry level, the team favors health care providers benefiting from enhanced procedure volume as well as vertical software providers with high revenue retention. We remain cautious on cable and telecommunication names amid shifting consumer preferences.

Bank Loan Gross Issuance
As of December 31, 2025

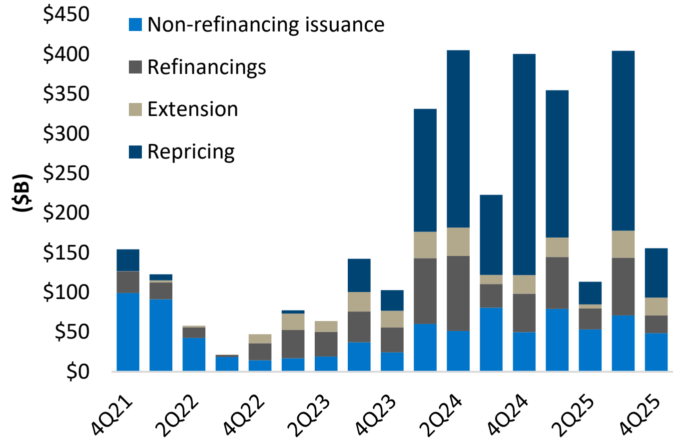


Figure 16
Source: Pitchbook

Share of Bank Loans Priced at Par or Higher
As of December 31, 2025

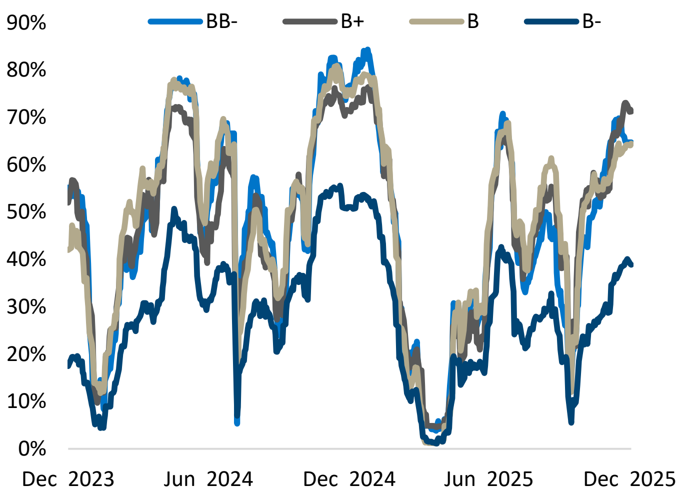


Figure 17
Source: Pitchbook

NON-AGENCY RESIDENTIAL MORTGAGE-BACKED SECURITIES | NAVIGATING THE HPA DIVIDE

The non-Agency residential MBS market enters 2026 from a position of structural strength: high homeowner equity, disciplined post-GFC underwriting and stable investor demand anchor the sector. Yet the year ahead is likely to feature greater dispersion. Regional home-price bifurcation, uneven collateral performance across vintages and rising supply will likely create both opportunity and the need for sharper security-level due diligence.

Housing sits at an important turning point. We expect flat national housing-price appreciation (HPA) in 2026, as demand remains constrained and affordability stays near historic lows. Regional divergence will likely persist: In the South and West, home prices are expected to decline roughly 5%, led by Florida, Texas, Arizona and Colorado – markets with elevated inventory and heavy builder buydown activity. The Northeast and Midwest should see continued, though slower, appreciation driven by tighter supply and more resilient affordability. *(Figure 18)*

Despite cooling home prices, borrowers remain well insulated. A record $36 trillion in home equity, sturdy credit enhancement and high median FICO scores across recent vintages generally provides substantial protection against loss. Serious delinquencies remain low relative to other consumer credit categories, and the higher-quality underwriting of recent years has supported confidence in the sector. *(Figure 19)* Still, risk is not uniform, as newer-vintage borrowers entering at elevated price levels have less embedded equity and might be more sensitive to localized HPA weakness.

New issuance is set for another strong year, with estimates calling for a 20% YoY increase. Investor demand is similarly robust, led by insurers anchoring AAA tranches, selective re-engagement from banks and credit unions and continued participation from money managers seeking spread pickup over IG credit. As of Dec. 31, non-qualified mortgages (non-QMs) rated AAA offered roughly 125 bps over Treasuries for negligible credit risk – a rare combination of carry and structural protection. With dispersion across shelves increasing, we favor issuers with consistent underwriting standards and slower-paying collateral profiles. At the mezzanine level, non-QMs rated BBB continue to screen attractively relative to credit risk transfers and collateralized loan obligations (CLOs) rated BBB, offering shorter weighted average lives and strong credit enhancement.

Absent a material change in macroeconomic conditions, the environment should remain broadly constructive for residential credit. The backdrop is fundamentally sound but undeniably uneven, with credit outcomes increasingly tied to geography, insurance and tax burdens, and borrower vintage. We expect skilled collateral selection, structural discernment and active surveillance to be the key drivers of outperformance in 2026.

Home Price Change by Metro Region
As of December 31, 2025

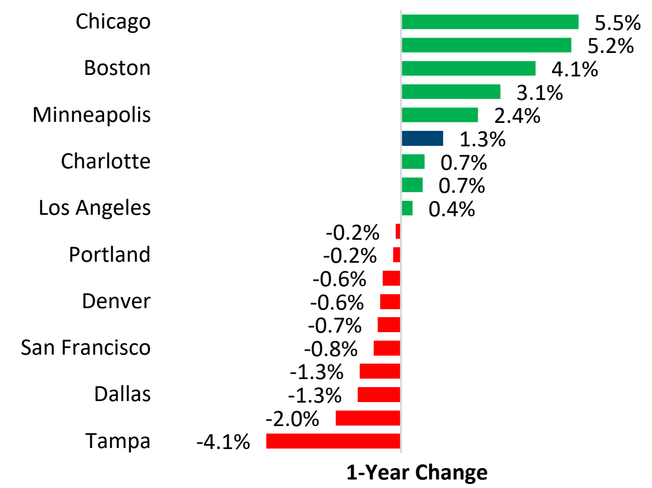


Figure 18
Source: DoubleLine, National Association of Realtors, S&P CoreLogic Case-Shiller U.S. National Home Price SA Index

Deliquencies and Lending Standards
As of September 30, 2025

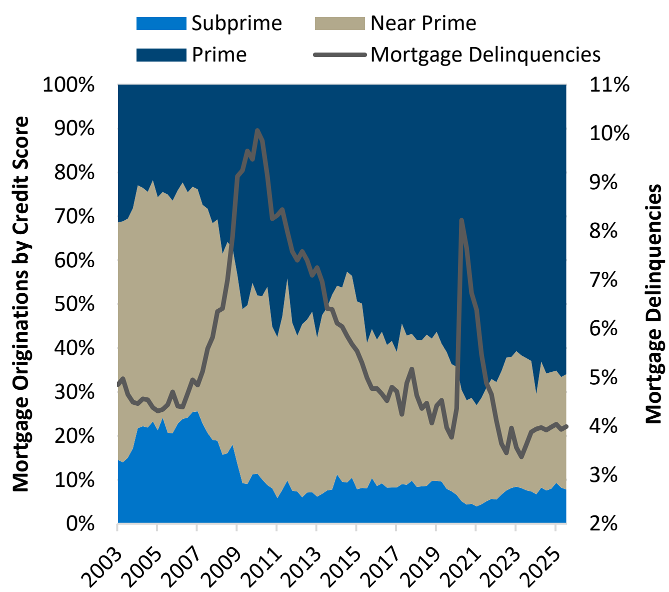


Figure 19
Source: DoubleLine, New York Federal Bank of Reserve
Credit scores: < 659 = subprime; 660-759 = near prime; > 760 = prime

NON-AGENCY COMMERCIAL MORTGAGE-BACKED SECURITIES | FROM SURVIVE TO THRIVE

After several years of stress and prolonged price discovery, 2026 increasingly looks like a transition year from “survive” to “thrive” for commercial real estate (CRE) and non-Agency commercial (CMBS). Valuations have reset meaningfully, capitalization rates have moved higher, and lenders have been forced to work through the “K-shaped” recovery of their CRE portfolios. The result is a market that is finally moving through the backlog of legacy challenges and regaining forward momentum.

The non-Agency CMBS market heads into 2026 with its strongest footing in years. Issuance is expected to continue to rebound across conduit, single asset, single borrower (SASB) and CRE CLO securitizations as borrowers re-engage in a more predictable rate environment. *(Figure 20)* A stabilizing macro backdrop and improving fundamentals across most property types are helping restore confidence, creating the foundation for a healthier financing ecosystem.

While recent headlines have highlighted rising non-Agency CMBS delinquencies, much of the increase is being driven by maturity defaults. These are heavily concentrated in commodity office and underperforming assets financed with low-coupon loans approaching maturity – segments that continue to skew aggregate statistics. Outside of these pockets, CRE performance remains bifurcated: The haves versus have-nots dynamic persists, but asset values for higher-quality properties appear to have stabilized, absorption is improving in several sectors, and lending activity is gradually picking up. We expect delinquencies to continue rising as more legacy office loans mature, though this will occur against a backdrop of better price transparency and more active capital markets. *(Figure 21)*

We expect spreads to stay tiered but broadly resilient. Senior tranches should benefit from renewed bank and insurance demand; BBB- and below should continue to offer compelling spread premium versus other credit sectors, supported by improving liquidation activity away from office. With fundamentals stabilizing and market depth improving, we see room for carry-driven positive total returns, even if robust new-issue supply tempers spread tightening.

In this environment, we continue to favor well-diversified conduit bonds and CRE CLOs, and SASB transactions backed by resilient property types, credible business plans and strong sponsor support while maintaining caution toward office-heavy or highly levered structures that remain vulnerable to further value impairment. Key risks include a deeper or more prolonged CRE downturn, more severe office repricing and slower-than-expected recovery in property-level net operating income – particularly in a scenario where economic growth moderates meaningfully.

Private-Label CMBS Annual Issuance

As of November 30, 2025

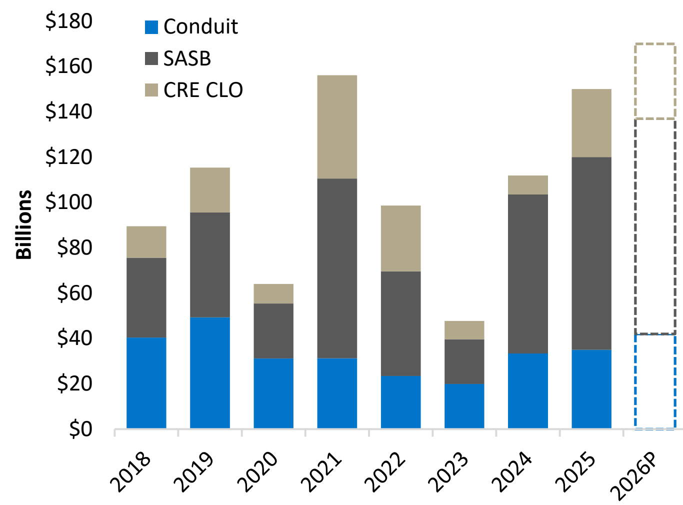


Figure 20

Source: DoubleLine, BofA Global Research

Private-label CMBS expected issuance based on average forecasts of Morgan Stanley, J.P. Morgan and BofA Global Research.

Lending and Transactions

As of September 30, 2025

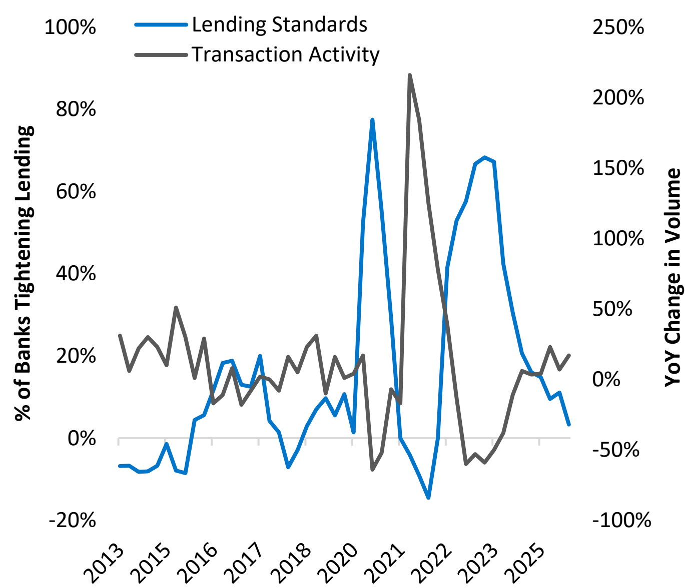


Figure 21

Source: DoubleLine, Real Capital Analytics, Federal Reserve Bank of St. Louis

ASSET-BACKED SECURITIES | DATA-CENTERING ON SELECTIVITY

The asset-backed securities (ABS) market enters 2026 with strong technicals, balanced credit fundamentals and broad investor demand. While headline consumer credit continues to soften, the underlying story is one of improving recent-vintage performance, disciplined underwriting and increasing diversification across asset types. The defining theme for 2026 will be selectivity: Identifying issuers and structures where tighter standards are translating into tangible performance improvement is likely to drive the strongest risk-adjusted returns.

Gross ABS issuance is projected to approach $390 billion in 2026, the fourth consecutive year of expansion and a record high. Consumer ABS will likely continue to dominate, representing roughly two-thirds of supply, while commercial and esoteric issuance is expected to grow more than 30% to roughly $130 billion, led by an estimated $40 billion of digital infrastructure deals, one of the fastest-scaling sectors of the securitization market. *(Figure 22)* Notably, the growth within digital infrastructure ABS is driven by static pools of stabilized and contracted facilities with no construction risk. (See: [Securitizing the Digital Present & Future])

Despite the rally in spreads this year, ABS continue to screen attractively versus similarly rated corporate bonds, leaving room for potential further spread tightening in 2026. *(Figure 23)* Technicals remain a meaningful tailwind: Consistent fund inflows, improving secondary liquidity and a stabilizing macro backdrop all support positive total-return potential across senior ABS.

As credit normalization progresses and rate volatility moderates, the landscape will be increasingly defined by dispersion across issuers, asset types and collateral vintages. We expect the market to reward active management and structural discernment over passive exposure. A focus on credit enhancement levels, excess-spread resiliency and collateral stratification will be critical for capturing yield while maintaining durability against potential macro shocks.

Risk management remains central to 2026 positioning. Key risks include a slower-than-expected easing cycle, labor market weakness concentrated in lower-income cohorts and performance fatigue in issuers with outsized exposure to post-pandemic credit vintages. Maintaining discipline through selective structure-level evaluation and ongoing surveillance of collateral performance will be essential.

Ultimately, we expect 2026 to offer an opportunity-rich but nuanced environment. Investors able to dynamically shift exposure across consumer and esoteric sectors, guided by robust data, structural analysis and nimble security selection, will be best positioned to capitalize on evolving spread opportunities throughout the year.

Digital Infrastructure Issuance
As of November 30, 2025

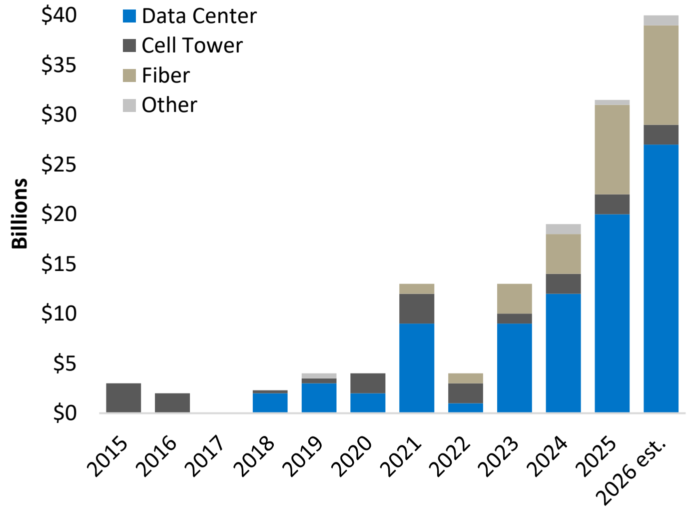


Figure 22
Source: DoubleLine, BofA Global Research, Bloomberg, Intex
Includes cell towers issued under corporate tickers.

ABS vs. IG Corporates Relative Spread
As of December 16, 2025

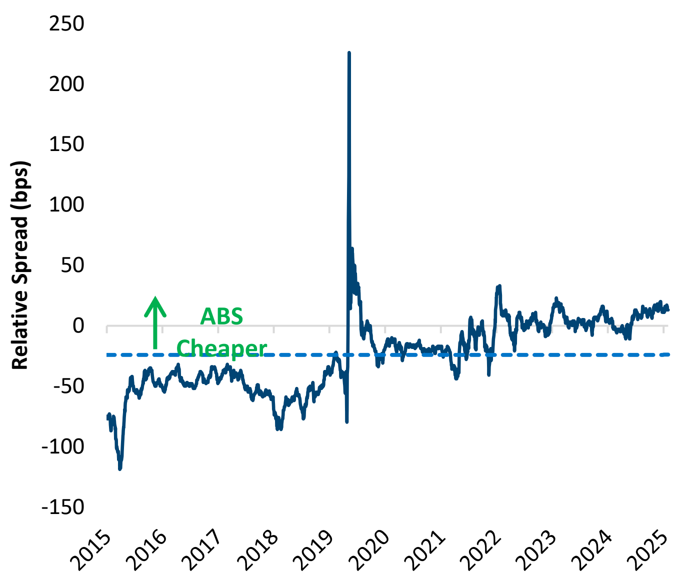


Figure 23
Source: DoubleLine, Bloomberg, ICE BofA U.S. Fixed-Rate ABS Index and ICE BofA U.S. Corporate Index
Dashed line represents the average relative spread of ABS versus IG corporate debt.

COLLATERALIZED LOAN OBLIGATIONS | MOMENTUM MEETS A CHANGING RATE REGIME

CLOs head into 2026 with near-record issuance expectations, historically strong demand and improving credit metrics. While future Fed rate cuts could nudge all-in yields lower, CLOs still stand out for their stable carry, robust structures and deeply entrenched investor demand, keeping them among the most efficient sources of yield in securitized products. Selectivity remains essential, particularly given credit drift, mezzanine vulnerability and refinancing waves that could temporarily test liquidity.

The CLO market enters 2026 with strong momentum following a second consecutive record-setting year of issuance. Through mid-December, U.S. managers priced $203 billion of new-issue CLOs, surpassing last year's all-time high, even as broadly syndicated loan (BSL) supply declined.[3] *(Figure 24)* The market withstood the September shocks associated with a pair of bankruptcies in the auto parts and auto lending sectors, with demand snapping back quickly and validating the deep, diversified investor base supporting the asset class.

Demand remains a defining strength. U.S. banks increased CLO holdings in 2025 for the first time since early 2023, insurers continued expanding allocations, Japanese institutions stayed active in primary and secondary markets, and exchange-traded fund (ETF) participation surged.[4] CLO ETFs now hold $37.5 billion, adding $16 billion in 2025 across AAA and mezzanine-focused products.[5] *(Figure 25)*

Collateral fundamentals are largely stable. As of November, CLO defaults hit a three-year low of 0.4%, aided by managers selling out of lower-rated assets and improving weighted average rating factor profiles.[6] However, the loan default rate including distressed exchanges was 3.7%, elevated compared to historical averages. Meanwhile, two high-profile September bankruptcies have heightened investor attention around tail risks, despite minimal direct representation in CLO portfolios. Broadly speaking, our loan outlook signals a healthier pipeline for 2026: more M&A and leveraged buyout volume, more corporate event financing and rising loan issuance, which appear supportive of better equity arbitrage and new-issue formation.

Heading into 2026, we believe CLOs rated AAA remain compelling relative to IG corporate bonds, especially from tier-one issuers. Down the capital structure, mezzanine CLOs might offer selective upside through resets as credit stabilizes but will still require disciplined manager bias. Key risks could include a sharper macro slowdown, widening recovery-rate dispersion, ETF outflows if rates fall faster than expected and manager crowding in certain sectors.

U.S. CLO Issuance

As of December 15, 2025

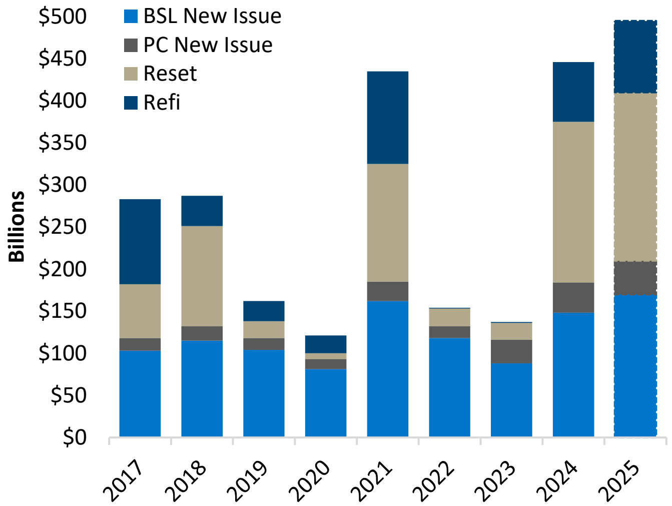


Figure 24
Source: DoubleLine, Citi
PC = private credit

CLO ETF Assets Under Management

As of November 30, 2025

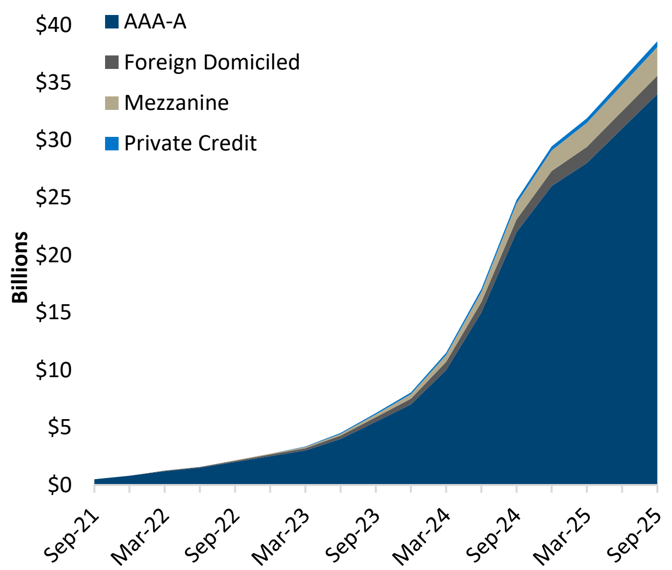


Figure 25
Source: DoubleLine, BofA Global Research, Bloomberg

EMERGING MARKETS (USD-DENOMINATED) | RISING GEOPOLITICAL TENSION

Emerging markets continued their streak of positive returns in 2025. EM sovereign bonds (EMBI GD) outperformed EM corporate bonds (CEMBI BD), returning 14.3% versus 8.7%, respectively.[7] The EMBI GD outperformance was driven by higher overall duration as Treasury yields largely fell over the past year in addition to greater spread tightening. Credit spreads for the EMBI GD and CEMBI BD tightened 72 bps and 3 bps, respectively.[8] *(Figure 26)*

Emerging markets have performed well despite unprecedented and shifting tariff policy, as strong growth and fundamentals have provided a positive backdrop. Throughout the year, emerging markets seemed to follow the Fed's lead on reducing interest rates amid easing inflation expectations. Meanwhile, escalating geopolitical tensions became a focal point, and the shifting geopolitical order might become a primary theme in 2026.

The EM corporate HY default rate increased to 3.6% in 2025 after a multiyear low in 2024 of 1.3%, driven by weakness in Latin America.[9] Recent geopolitical escalation in the region will be an area of focus in 2026, as spillover effects could result in winners and losers. Overall, credit fundamentals for EM corporates remained resilient, and EM IG and HY corporates had net leverage ratios lower than that of U.S. and European corporates.[10] The trajectory of EM credits in 2025 was also positive, as there were significantly more rising stars than fallen angels during the year.

EM corporate issuance posted another strong year with $473 billion in gross issuance, up over 17% YoY.[11] Providing a tailwind to the asset class was a negative $41 billion in net issuance.[12] *(Figure 27)* DoubleLine believes positive credit fundamentals and continued negative net supply will support EM corporates in 2026.

The team believes EM fixed income could provide another year of solid returns, with a forecast for mid- to high single digits. Although credit spreads are close to their lowest levels in the past decade, we anticipate they will remain well supported due to favorable fundamental and technical conditions. Further easing by the Fed could also provide positive tailwinds to EM returns.

We remain overweight Latin America relative to the benchmarks, as the region offers credits with attractive risk-adjusted returns, and many companies in the region generate revenue in hard currency. We will also be closely evaluating heightened geopolitical risk in the region.

In overall portfolio allocation, DoubleLine believes that EM fixed income offers investors diversification benefits when paired with U.S. investments. Emerging markets often exhibit different economic drivers, growth cycles and monetary and fiscal policies.

We believe the asset class is likely to continue to migrate up the credit quality curve. We believe the environment in 2026 will be one where active management will have an opportunity to identify market dislocations, participate in the new-issue market and differentiate among credits through bottom-up fundamental analysis.

EM Sovereign & Corporate Spreads (USD-denominated)
As of December 31, 2025

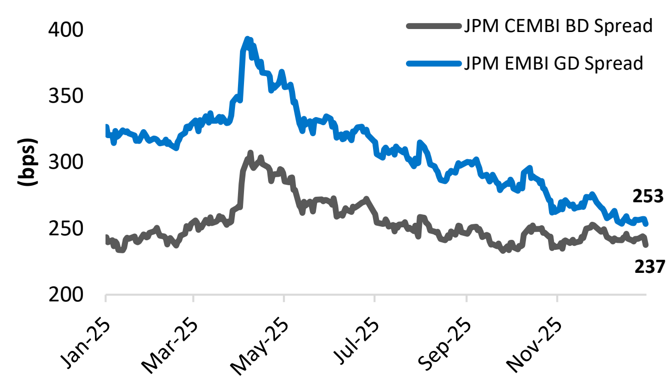


Figure 26
Source: DoubleLine, J.P. Morgan

EM Corporate External Bond Financing
As of December 31, 2025

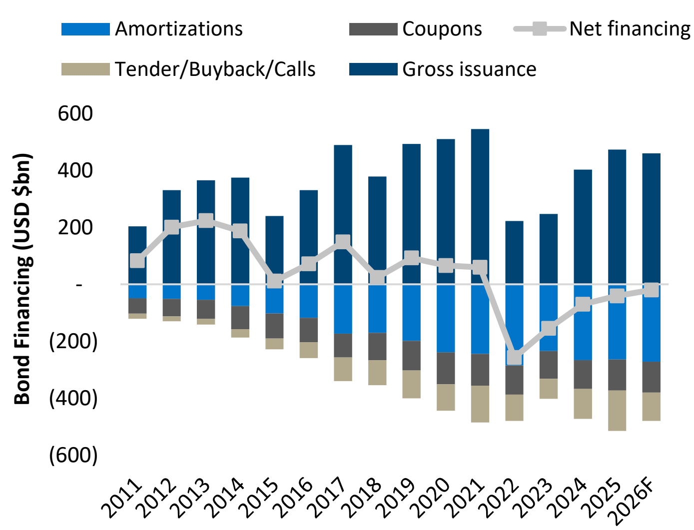


Figure 27
Source: DoubleLine, J.P. Morgan

INTERNATIONAL FIXED INCOME (LOCAL FX & RATES) | INTEREST RATE DIFFERENTIALS

Global government bonds posted generally positive returns over the fourth quarter. Developed markets (DM) government bonds returned 0.11%, as measured by the FTSE World Government Bond Index. EM local currency government bonds returned 3.34%, as measured by the J.P. Morgan Government Bond Index Emerging Markets Global Diversified.

The dollar, as measured by the DXY, strengthened modestly against most G-10 peers during the final three months of 2025. Stronger-than-expected U.S. economic growth, alongside shifting expectations for U.S. interest rate cuts, led to a range-bound dollar in the second half of the year following a steep drop in the first half. The dollar strengthened early in the quarter before moving lower as the market became increasingly confident of a December rate cut. The Treasury curve steepened over the period, with the two-year yield down 14 bps, and 10- and 30-year yields up 2 bps and 11 bps, respectively.

The euro ended the quarter broadly flat against the U.S. dollar while the Japanese yen weakened. Shortly after taking office in October, Japanese Prime Minister Sanae Takaichi's Cabinet approved significant fiscal spending measures. Combined with inflation running above 2%, these policies contributed to yen weakness despite the Bank of Japan's interest rate hike in December.

EM currency performance against the dollar was choppy over the quarter, weakening in October and November before strengthening in December. Additional Fed rate cuts improved the carry appeal of EM local currency bonds, which posted positive returns in 2025.

DoubleLine believes U.S. policy uncertainty might prompt foreign investors to diversify away from the U.S. and increasingly hedge their dollar exposure. This rebalancing, against the backdrop of large twin deficits in the U.S., will likely continue to underpin a structurally lower dollar. *(Figure 28)* In this environment, EM local currency bonds can continue to perform, especially given that the asset class is underowned. EM currencies could also benefit from widening interest-rate differentials if the Fed continues to lower rates.

In developed markets, the team is short the broad dollar as U.S. policy and trade uncertainty weighs on the U.S. growth outlook. We are monitoring international repatriation flows out of the U.S. and rising hedge ratios, which are longer-term bearish for the dollar. *(Figure 29)* We are generally overweight non-U.S. DM sovereign bonds, favoring the front and belly of local government curves. We maintain a steepening bias for most G-10 government bond curves, as longer-term rates are pressured by rising fiscal pressures across the U.S., Europe and Japan.

In emerging markets, the team is long EM currencies, as repatriation flows are longer-term bullish for low-yielding, current-account-surplus countries, and EM currencies with high local real rates could see appreciation vis-à-vis the dollar. We are overweight Latin America and select Central and Eastern Europe, Middle East and Africa (CEEMEA) local currency bonds, as a weaker dollar, additional Fed rate cuts, lower oil prices and slowing inflation allow additional space for central banks to ease monetary policy rates.

In the quarter, we became more neutral on Central European allocations, and overall, portfolio credit quality moved incrementally higher over the period to the end of the neutral Central and Eastern Europe allocation. We continue to maintain underweight positions in countries facing elevated geopolitical risks.

Twin Deficit vs. DXY
As of December 31, 2025

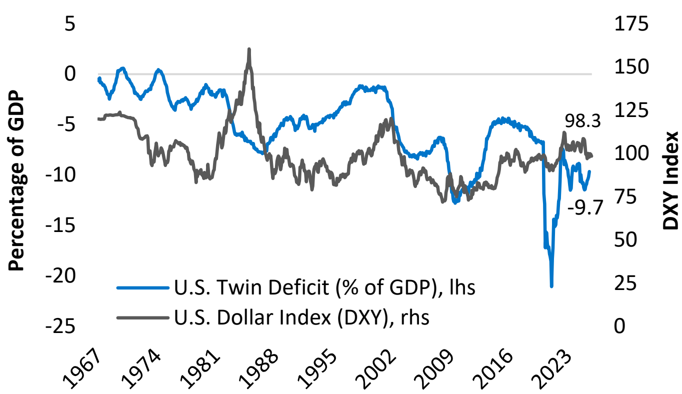


Figure 28
Source: DoubleLine, J.P. Morgan

U.S. Investment Position | As of September 30, 2025

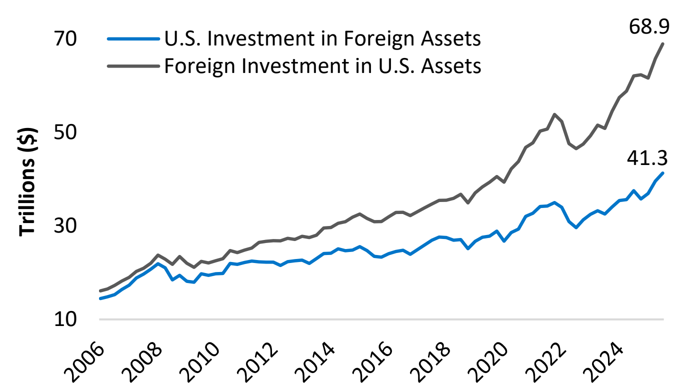
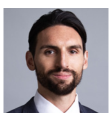
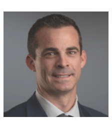


Figure 29
Source: DoubleLine, U.S. Bureau of Economic Analysis

Chris Stegemann
Manager, Client Portfolio Management
Mr. Stegemann joined DoubleLine in 2017. He is a Client Portfolio Manager and Manager of the Client Portfolio Management team. In this capacity, Mr. Stegemann is responsible for communicating DoubleLine's macroeconomic views and portfolio positioning via client engagement, published market commentary and dedicated strategy content, with a focus on DoubleLine's Fixed Income Asset Allocation strategies. Prior to DoubleLine, Mr. Stegemann was in mutual fund distribution for Putnam Investments. He holds a B.S. in Finance and minors in Accounting and Economics from Elon University's Martha & Spencer Love School of Business. Mr. Stegemann holds the FINRA Series 3, 6, 7 and 63 licenses.



Phil Gioia, CFA
Client Portfolio Manager
Mr. Gioia joined DoubleLine in 2018 and serves as a Client Portfolio Manager. In this capacity, he is responsible for communicating DoubleLine's macroeconomic views and portfolio positioning via client engagement, published market commentary and dedicated strategy content, with a focus on DoubleLine's Securitized Product strategies. Prior to DoubleLine, Mr. Gioia was an Investment Product Manager for Fidelity Investments. He holds a B.S. in Financial Management and Business Administration with a minor in Accounting from Salve Regina University, and he earned a certification for the Applied Data Science Program from the Massachusetts Institute of Technology. Mr. Gioia is a CFA® charterholder and holds the FINRA Series 7 and 63 licenses.



Jeff Probst, CFA
Client Portfolio Manager
Mr. Probst joined DoubleLine in 2025 as a Client Portfolio Manager. In this capacity, he is responsible for communicating DoubleLine's macroeconomic views and portfolio positioning via client engagement, published market commentary and dedicated strategy content. Prior to DoubleLine, Mr. Probst was with Silicon Valley Bank as a Portfolio Manager. Previous to that, he was with Chandler Asset Management as a Senior Portfolio Manager. Mr. Probst holds a B.S. in Managerial Economics and a M.S. in Agriculture and Resource Econonmics from University of California, Davis. He is also a CFA® charterholder.

Compton, CFA
Product Associate
Mr. Compton joined DoubleLine in 2024 as a Product Associate on the Client Portfolio Management team. He is responsible for communicating DoubleLine's portfolio positioning via client engagement, published market commentary, competitor analysis and dedicated strategy content. Prior to DoubleLine, Mr. Compton was with WAMCO as a Product Analyst-IG Credit/LDI. Prior to that, he was with Cincinnati Asset Management as a Junior Credit Analyst. Mr. Compton holds a B.S. in Business Administration from Washington University in St. Louis. He is a CFA® charterholder and holds the FINRA Series 7 and 63 licenses.

Michael Marsalla
Product Associate
Mr. Marsalla joined DoubleLine in 2024 as a Product Associate on the Client Portfolio Management team. He is responsible for communicating DoubleLine's portfolio positioning via client engagement, published market commentary, competitor analysis and dedicated strategy content. Prior to DoubleLine, Mr. Marsalla was with PIMCO as an Institutional Account Senior Associate. He holds a B.A. in Business Administration from Arizona State University and an MBA from the UCLA Anderson School of Management. Mr. Marsalla holds the FINRA Series 7 and 63 licenses.

Endnotes

[1] U.S. Bureau of Labor Statistics

[2] Bloomberg World Interest Rate Probability

[3] LCD Pitchbook

[4] J.P. Morgan Research

[5] Morningstar

[6] LCD Research

[7] J.P. Morgan Emerging Market Bond Index Global Diversified, J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified

[8] Source: J.P. Morgan

[9] Source: J.P. Morgan

[10] Source: J.P. Morgan

[11] Source: J.P. Morgan

[12] Source: J.P. Morgan

Index Definitions and Terms

Indices for Figure 2

U.S. T-Bills: ICE BofA 3-Month U.S. Treasury Bill Index; **U.S. Treasuries:** Bloomberg US Treasury Index; **Agency MBS:** Bloomberg US MBS Index; **Agency CMO:** ICE BofA U.S. Agency CMO Index; **Agency CMBS:** Bloomberg US CMBS Index; **RMBS:** BofA Global Research; **Non-Agency CMBS:** Bloomberg US Non-Agency Investment Grade CMBS Index; **ABS AAA:** Bloomberg US ABS AAA Index; **ABS AA-BBB:** ICE BofA U.S. Fixed-Rate Miscellaneous ABS Index; **CLOs:** Palmer Square CLO Total Return Index; **U.S. IG Corporate:** Bloomberg US Corporate Index; **U.S. HY Corporate:** Bloomberg US Corporate High Yield Index; **Leveraged Loans:** Morningstar LSTA US Leveraged Loan TR USD Index; **EMFI Sovereign:** J.P. Morgan EMBI Global Diversified; **EMFI Corporate:** J.P. Morgan CEMBI Broad Diversified; **EMFI Local Currency:** J.P. Morgan Government Bond Index Emerging Markets Global Diversified; **US Agg Index:** Bloomberg US Aggregate Bond Index

Agency – Mortgage securities whose principal and interest are guaranteed by a U.S. government agency such as Fannie Mae (FNMA) or Freddie Mac (FHLMC).

Asset-Backed Securities (ABS) – Investment securities, such as bond or notes, that are collateralized by a pool of assets, such as loans, leases, credit card debt, royalties or receivables.

Basis Points (bps) – Basis points (or basis point (bp)) refer to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01% or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as: 1% change = 100 basis points; 0.01% = 1 basis point.

Bloomberg US Aggregate Bond Index – This index (the "Agg") represents securities that are SEC registered, taxable and U.S. dollar denominated. It covers the U.S. investment grade, fixed-rate bond market, with components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Bloomberg US Asset-Backed Securities (ABS) Index – This index is the ABS component of the Bloomberg US Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos and utility.

Bloomberg US Asset-Backed Securities (ABS) AAA Index – This index tracks the AAA-rated ABS component of the Bloomberg US Aggregate Bond Index, a flagship measure of the U.S. investment grade, fixed-rate bond market. The ABS index has three subsectors: credit and credit cards, autos and utility.

Bloomberg US Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the market of conduit and fusion CMBS deals with a minimum current deal size of $300 million.

Bloomberg US Corporate High Yield (HY) Index – This index measures the U.S. dollar-denominated, HY, fixed-rate corporate bond market. Securities are classified as HY if the respective middle ratings of Moody's, Fitch and S&P are Ba1, BB+ or BB+ or below. The Bloomberg US HY Long Bond Index, including bonds with maturities of 10 years or greater, and the Bloomberg US HY Intermediate Bond Index, including bonds with maturities of 1 to 9.999 years, are subindices of the Bloomberg US Corporate HY Bond Index.

Bloomberg US Corporate Index – This index measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg US Mortgage-Backed Securities (MBS) Index – This index measures the performance of investment grade, fixed-rate, mortgage-backed, pass-through securities of the government-sponsored enterprises (GSEs): Federal Home Loan Mortgage Corp. (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

Bloomberg US Non-Agency Investment Grade Commercial Mortgage-Backed Securities (CMBS) Index – This index measures the market of non-Agency investment grade conduit and fusion CMBS deals with a minimum current deal size of $300 million.

Bloomberg US Treasury Index – This index measures U.S. dollar-denominated, fixed-rate nominal debt issued by the U.S. Treasury with a remaining maturity of one year or more. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Bloomberg World Interest Rate Probability (WIRP) – Statistical function developed by Bloomberg that uses fed funds futures and options to assess the probability of future Federal Open Market Committee (FOMC) decisions. It seeks to calculate the chances of a rate hike at each of the FOMC meetings using futures trading data.

Capital Expenditures (Capex) – Funds used by a company to acquire, upgrade and maintain physical assets such as property, plants, buildings, technology or equipment. Capex is often used to undertake new projects or investments by a company, commonly with the goal of increasing the scope of or adding some economic benefit to operations.

Collateralized Loan Obligation (CLO) – Single security backed by a pool of debt.

Collateralized Mortgage Obligation (CMO) – Refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. In turn, CMOs distribute principal and interest payments to investors based on predetermined rules and agreements.

Commercial Mortgage-Backed Securities (CMBS) – Securitized loans made on commercial rather than residential properties.

Conduit Loans – Type of loans, also known as commercial mortgage-backed securities (CMBS) loans, that are commercial real estate loans pooled together with similar commercial mortgages and sold on the secondary market. On the secondary market, conduit loans are divided into tranches based on risk, return and loan maturity.

Convexity – A measure of the curvature, or the degree of the curve, in the relationship between bond prices and bond yields. Convexity demonstrates how the duration of a bond changes as the interest rate changes. Portfolio managers will use convexity as a risk-management tool to measure and manage the portfolio's exposure to interest rate risk.

Credit Quality – Determined from the highest available credit rating from any nationally recognized statistical rating organization (NRSRO, generally S&P, Moody's or Fitch). DoubleLine chooses to display credit ratings using S&P's rating convention, although the rating might be sourced from another NRSRO. The rating organization evaluates a bond issuer's financial strength, meaning its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from "AAA," the highest grade, to "D," the lowest grade. In situations where the rating organization has not issued a formal rating on a security, the security will be classified as "nonrated."

Credit Risk Transfer (CRT) – Pioneered by Freddie Mac in 2013, CRT programs structure mortgage credit risk into securities and (re)insurance offerings, transferring credit risk exposure from U.S taxpayers to private capital.

Duration – Measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) – Measure of a company's overall financial performance that is used as an alternative to net income in some circumstances.

Fallen Angel – A bond that was initially given an investment grade rating but has since been reduced to junk-bond status. The downgrade is caused by a deterioration in the financial condition of the issuer.

Fed Funds Futures – Financial contracts that represent the market opinion of where the daily official federal funds rate will be at the time of the contract expiry. The futures contracts are traded on the Chicago Mercantile Exchange and are cash settled on the last business day of every month. Fed funds futures can be traded every month as far out as 36 months.

Federal Funds Rate – Target interest rate, set by the Federal Reserve at its Federal Open Market Committee (FOMC) meetings, at which commercial banks borrow and lend their excess reserves to each other overnight. The Fed sets a target federal funds rate eight times a year, based on prevailing economic conditions.

Federal Open Market Committee (FOMC) – Branch of the Federal Reserve System that determines the direction of monetary policy specifically by directing open market operations. The FOMC comprises the seven board governors and five (out of 12) Federal Reserve Bank presidents.

FICO Score – This credit score, created by the Fair Isaac Corp., is used by lenders along with other details on a borrower's credit report to assess credit risk and determine whether to extend credit.

FTSE World Government Bond Index (FTSE WGBI) – This broad index measures the performance of fixed-rate, local currency, investment grade sovereign bonds. It is a widely used benchmark comprising sovereign debt from more than 20 countries that is denominated in a variety of currencies.

G-10 (Group of Ten) – The G-10 comprises 11 industrialized nations that meet on an annual basis, or more frequently as needed, to consult each other, debate and cooperate on international financial matters. The member countries are: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States.

Ginnie Mae (GNMA) – The Government National Mortgage Association (Ginnie Mae) is a federal government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities (MBS) issued by approved lenders. Ginnie Mae's guarantee allows mortgage lenders to obtain a better price for MBS in the capital markets.

Government-Sponsored Enterprise (GSE) – Quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies – although they are privately held – provide public financial services. GSEs help to facilitate borrowing for a variety of individuals, including students, farmers and homeowners.

High Yield (HY) – Bonds that pay higher interest rates because they have lower credit ratings than investment grade (IG) bonds. HY bonds are more likely to default, so they must pay a higher yield than IG bonds to compensate investors.

ICE BofA 3-Month U.S. Treasury Bill Index – This unmanaged index comprises a single U.S. Treasury issue with approximately three months to final maturity, purchased at the beginning of each month and held for one full month.

ICE BofA U.S. Agency Collateralized Mortgage Obligation (CMO) Index – This index tracks the performance of U.S. dollar-denominated, fixed-rate Agency CMOs publicly issued in the U.S. domestic market. Qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule, an original deal size for the collateral group of at least $250 million and a current outstanding deal size for the collateral group that is greater than or equal to 10% of the original deal size.

ICE BofA U.S. Corporate Index – This index tracks the performance of U.S. dollar-denominated, investment grade (IG) corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating (based on an average of Moody's, S&P and Fitch) and an IG-rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency, long-term sovereign debt ratings). Securities must also have at least one year remaining to final maturity, a fixed coupon schedule and a minimum amount outstanding of $250 million.

ICE BofA U.S. Fixed-Rate Asset-Backed Securities (ABS) Index – This index tracks the performance of U.S. dollar-denominated, investment grade (IG) ABS publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating based on an average of Moody's, S&P and Fitch.

ICE BofA U.S. Fixed-Rate Miscellaneous Asset-Backed Securities (ABS) Index – This index tracks the subset of the ICE BofA U.S. Fixed-Rate ABS Index rated AA to BBB and includes all ABS collateralized by anything other than auto loans, home equity loans, manufactured housing, credit card receivables and utility assets.

Investment Grade (IG) – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI BD) – This index is a uniquely weighted version of the CEMBI, which is a market capitalization-weighted index consisting of U.S. dollar-denominated emerging markets corporate bonds. The CEMBI BD limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI GD) – This index is a uniquely weighted version of the EMBI. The EMBI tracks bonds from emerging markets (EM), and comprises sovereign debt and EM corporate bonds. The EMBI GD limits the weights of index countries with larger debt stocks by only including specified portions of those countries' eligible current face amounts of debt outstanding.

J.P. Morgan Government Bond Index Emerging Markets Global Diversified (GBI-EM GD) – This custom-weighted index tracks local currency bonds issued by emerging markets governments, excluding China and India, and has a broader roster of countries than the base GBI-EM, which limits inclusion to countries that are readily accessible and where no impediments exist for foreign investors.

K-Shaped Recovery – Occurs when, following a recession, different parts of the economy recover at different rates, times or magnitudes. This is in contrast to an even, uniform recovery across sectors, industries or groups of people. A K-shaped recovery leads to changes in the structure of the economy or the broader society as economic outcomes and relations are fundamentally changed before and after the recession.

Legacy Asset – Distressed investment security held by the asset management estates (AMEs) of failed corporate credit unions. Legacy assets, issued before the shift to post-Global Financial Crisis (GFC) rules, primarily consist of private-label, aka non-Agency, residential mortgage-backed securities (non-Agency RMBS); Agency mortgage-backed securities (Agency MBS); commercial mortgage-backed securities (CMBS); student loan and other asset-backed securities (ABS); and corporate bonds.

Mezzanine Level – Middle tranches of a collateralized loan obligation (CLO) capital structure that are riskier than senior tranches but less risky than the equity tranche. Mezzanine tranches offer higher yields to compensate for their higher risk, and they are typically rated AA to BB.

Morningstar LSTA US Leveraged Loan Index – This market capitalization-weighted index tracks the U.S. leveraged loan market.

Morningstar LSTA US Leveraged Loan TR USD Index – This index tracks the market-weighted performance of institutional weighted loans based on market weightings, spreads and interest payments.

Mortgage-Backed Securities (MBS) – Investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments.

MSCI Europe Index – This index is U.S. dollar denominated and represents the performance of mid- and large-capitalization equities across 15 developed markets in Europe. With 424 constituents, it covers approximately 85% of the free-float-adjusted market capitalization in each country.

Non-Qualified Mortgage (Non-QM) – Any home loan that doesn't comply with the Consumer Financial Protection Bureau's existing rules on qualified mortgages (QMs). Usually this type of alternative mortgage loan accommodates people who are not able to prove they are capable of making the mortgage payments. Just because it is a non-QM mortgage loan does not necessarily mean high risk or subprime mortgage risk, and in many cases these non-QM mortgage loans require a high FICO score but simply do not check all the boxes associated with a QM loan. Non-QM loans for mortgages are protected by the lender against any type of lawsuit should the borrower become unable to afford the loan.

Palmer Square CLO Total Return Index – This index tracks on a total return basis the Palmer Square CLO (collateralized loan obligation) Senior Debt Index, which comprises CLOs issued after Jan. 1, 2009, and meet certain inclusion criteria.

Par – Short for "par value," par can refer to bonds, preferred stock, common stock or currencies, with different meanings depending on the context. Par most commonly refers to bonds, in which case, it means the face value, or value at which the bond will be redeemed at maturity.

Pass-Through Security – Pool of fixed income securities backed by a package of assets. A servicing intermediary collects the monthly payments from issuers and, after deducting a fee, remits or passes them through to the holders of the pass-through security (that is, people or entities who have invested in it).

Prime – Classification of borrowers, rates or holdings in the lending market that are considered to be of high quality. This classification often refers to loans made to high-quality "prime" borrowers that are offered "prime" or relatively low interest rates.

Private Label – Refers to debt-issued securities that are not issued by the government-sponsored enterprises (GSEs). "Agency" refers to debt-issued securities that are issued by the GSEs.

Re-Performing Loan (RPL) – A mortgage that became delinquent because the borrower was behind on payments by at least 90 days, but it is "performing" again because the borrower has resumed making payments.

Residential Mortgage-Backed Securities (RMBS) – Investment similar to a bond that is made up of a residential mortgage or bundle of residential mortgages bought from the banks that issued them. Investors in RMBS receive periodic payments similar to bond coupon payments.

Rising Star – Bonds that were considered speculation grade when issued but have since improved their financials, reducing the risk of default. These bonds are now closer to the security of an investment grade bond. So while rising stars are still junk bonds, there's a chance they will not always remain junk bonds.

S&P Cotality Case-Shiller U.S. National Home Price SA Index – This index tracks the value of single-family housing within the United States and is a composite of single-family price indices for the nine Census Bureau divisions. This index is seasonally adjusted ("SA").

S&P 500 Index – This unmanaged capitalization-weighted index of the stocks of the 500 largest publicly traded U.S. companies is designed to measure performance of the broad domestic economy through changes in the aggregate market value of the 500 stocks, which represent all major industries.

Spread – Difference between yields on differing debt instruments, calculated by deducting the yield of one instrument from another. The higher the yield spread, the greater the difference between the yields offered by each instrument. The spread can be measured between debt instruments of differing maturities, credit ratings or risk.

Standard Deviation – Measure of the variation or dispersion of a set of data from its mean or expected/budgeted value. A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values. It can function as a measure of an investment's volatility.

Subprime – Below-average credit classification of borrowers with a tarnished or limited credit history, and which are subject to higher than average interest rates. Subprime loans carry more credit risk and, as such, will carry higher interest rates.

2s10s – Measure of the difference in yields between the two- and 10-year U.S. Treasuries.

2s30s – Measure of the difference in yields between the two- and 30-year U.S. Treasuries.

U.S. Dollar Index (DXY) – A weighted geometric mean of the U.S. dollar's value relative to a basket of six major foreign currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona and Swiss franc.

U-3 Unemployment Rate – Officially recognized rate of unemployment, compiled and released monthly by the U.S. Bureau of Labor Statistics, measuring the number of unemployed people as a percentage of the labor force.

Weighted Average Life (WAL) – Average number of years for which each U.S. dollar of unpaid principal on a loan, mortgage or bond remains outstanding.

Weighted Average Rating Factor (WARF) – Used by credit rating companies to indicate the credit quality of a portfolio. This measure aggregates the credit ratings of a portfolio's assets into a single rating.

Yield to Maturity (YTM) – The total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but is expressed as an annual rate.

Yield to Worst (YTW) – The lowest yield of a bond that can be received short of default.

You cannot invest directly in an index.

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