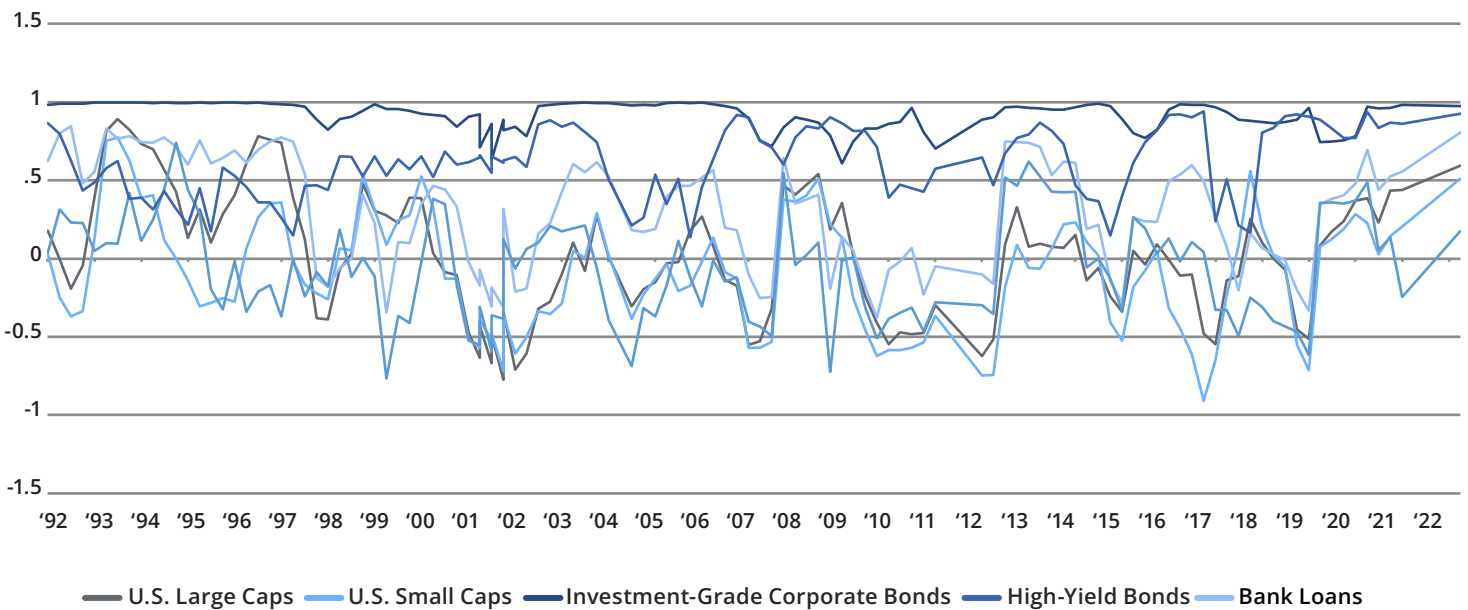


Why Bank Loans May Provide an Avenue For Diversification in a Portfolio

Historically, while correlations for many assets classes have increased, bank loans still offer the lowest correlation to broad investment-grade bonds of major fixed-income sectors. Even more impressive, as of April 30, 2022, bank loans now carry a lower correlation to investment-grade bonds than U.S. large-cap and U.S. small-cap stocks at 0.17 vs. 0.59 for large-caps and 0.51 for small-caps. Meanwhile, as of April 30, 2022, high-yield bonds are near their record 12-month high correlation to broad investment-grade bonds at 0.80 (0.85 is the all-time high).

Historical Correlations Among Major Fixed-Income Asset Classes



Source: Morningstar as of 4/30/22. U.S. Large Caps is represented by the Russell 1000 Index. U.S. Small Caps is represented by the Russell 2000 Index. Investment-Grade Corporate Bonds is represented by the Bloomberg US Credit Index. High-Yield Bonds is represented by the Bloomberg Corporate High Yield Index. Bank Loans is represented by the Credit Suisse Leverage Loan Index.

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