Market Insights

2026

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Liquid credit

SCOR INVESTMENT PARTNERS

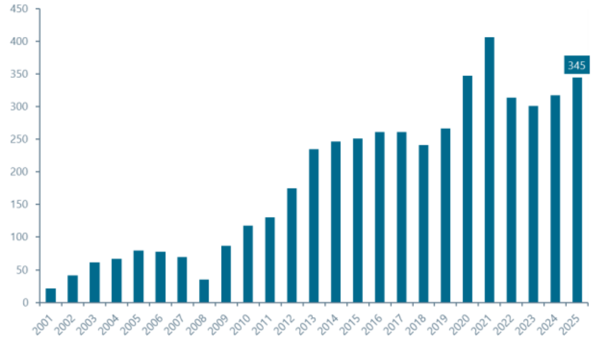
February 2026

Record levels in the primary High Yield market

Primary market activity remained very strong in 2025, as issuances reached EUR 125 billion, matching the record levels seen in 2021. The market was largely driven by refinancing, supported by favorable conditions that incentivized issuers to act proactively. BB-rated issuers led supply (55% of volumes), followed closely by B-rated borrowers (37% of volumes), confirming sustained investor demand across high yield market.

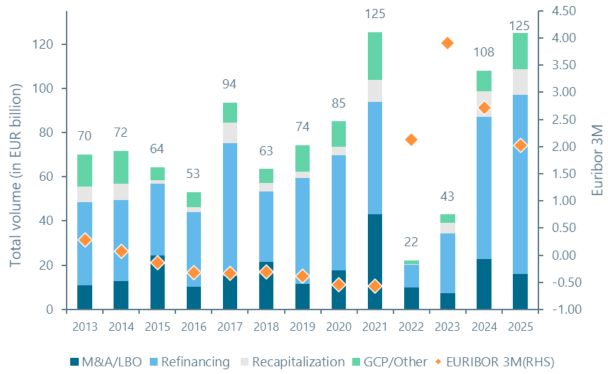
European High Yield - outstanding market size[1]

In EUR billion



Evolution of High Yield issuances[2]

In EUR billion



Strong tailwind from technical factors

Technical dynamics were driven on the one hand by EUR 9.5 billion in inflows[3], reflecting increased investor confidence in the market; and on the other hand, by limited net supply of EUR 14.5 billion, as most issuances were conducted as part of refinancing operations.

Market yields above historical average

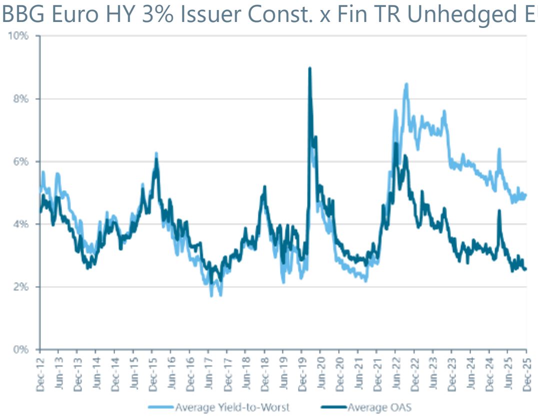
Yield conditions entering 2026 remain highly attractive.

The average yield to worst stood at 4.91% at the end of December 2025, still above long term averages despite tight spreads.

While spread spikes have been only temporary, overall credit fundamentals remain solid, supporting a constructive market backdrop.

Average YTW and OAS[4]

BBG Euro HY 3% Issuer Const. x Fin TR Unhedged EUR index



Contained default rates and higher recoveries

The default rate of the European High Yield market is expected to remain relatively stable, rising modestly from 3.2% at year end to 3.75% in 2026[3].

Average European High Yield recovery rates have risen by 9 percentage points year on year, reaching approximately 62% due to a large proportion of restructured bonds being ranked senior secured and an increased use of distressed exchanges / amend-and-extend transactions.

Together these factors underpin a credit environment that appears still robust heading into 2026.

Sources : 1) Bloomberg, data based on Bloomberg Pan-European High Yield 2.5% as of 31.12.2025. 2) PitchBook Data, Inc. data as of 31.12.2025. 3) JP Morgan, data as at 31.12.2025. 4) Bloomberg, data as of 26.12.2025.

2026 outlook

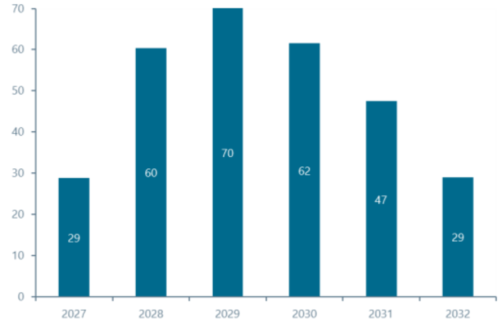
Issuance dynamic continues in 2026

The market continues to benefit from proactive refinancing ahead of the significant maturity wall expected in 2028-2029.

Issuers have strong incentives to refinance early, with early repayments providing an additional source of return for investors.

High Yield bond redemptions per maturity[5]

In EUR billion



The constructive backdrop persists

Despite a slight erosion in results, financial indicators across the European high yield market remain solid.

The European high yield market is relatively shielded from Trump's tariff policies, as many issuers have significant domestic operations (ex. the telecommunications sector accounting for 25% of the index).

High-beta credits names continue to appeal investors to secure attractive carry.

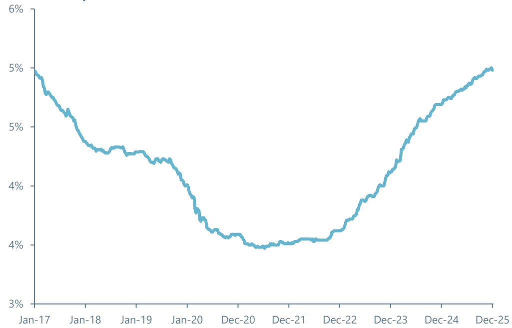
Opportunities remain on attractive coupon levels and on cash prices of distressed bonds

Selective opportunities continue to persist in distressed bonds. Cash prices on these instruments remain close to S&P recovery levels, helping limit downside risk in the event of default.

High coupons continue to increase carry returns.

High Yield weighted average coupon[6]

In % of par



Sources : [5] Bloomberg, data based on Bloomberg Euro HY 3% Issuer Constraint x Fin TR Unhedged EUR Index as of 31.12.2025.
[6] PitchBook Data, Inc. data as at 25.12.2025.

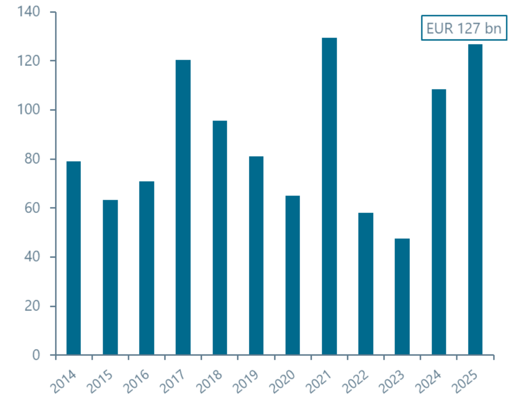
February 2026

Near-record volumes reflecting market resilience and investor appetite

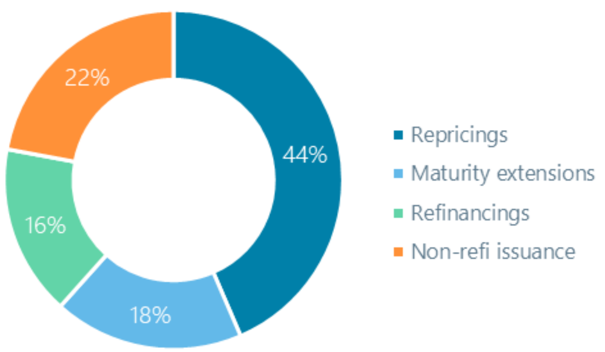
The European leveraged loan market maintained its dynamism in 2025, with a level of primary issuance close to the 2021 record level.

Full-year leveraged loan volumes totaled EUR 127 billion in 2025, an 18% increase year-on-year, driven by refinancing activity and issuer initiated opportunistic repricing, alongside selective M&A deals.

European leveraged loans volume of primary issuance[2]
In EUR billion



European institutional activity[1]
% of amount

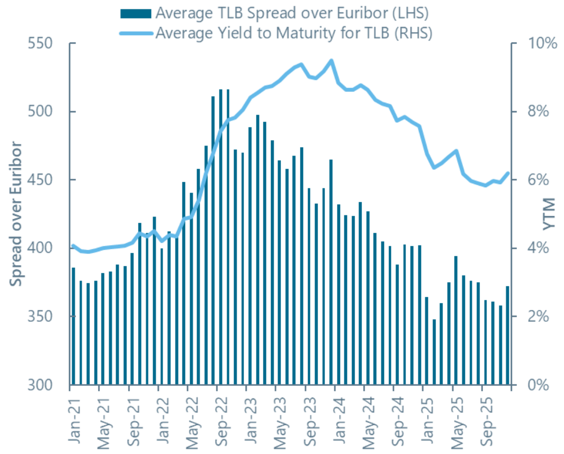


Credit spreads tightened amid price softening

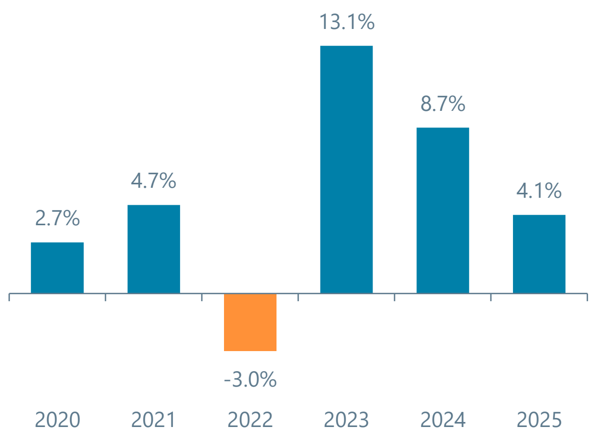
The Morningstar European Euro Denominated Loan Total Return index posted an annual return of 4.1%, well below 2024's 8.7%. Performance linked to average price changes remained negative at -1.7%, reflecting persistent price dispersion despite positive technical pressure linked to demand from CLOs[3], who are the main investors in the syndicated loan market.

Average discount spreads hovered near Euribor+450 bps, while more than 65% of loans traded above par, highlighting strong technical factors despite weaker economic fundamentals.

Term Loan B spread at issue & YTM[1]
Rolling three months, spread over Euribor



Morningstar European Euro Denominated Loan TR[1]
Annual performance



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[2] *Source : SCOR Investment Partners, Pitchbook, data as at 31.12.2025*

[3] *Collateralized Loan Obligations*

February 2026

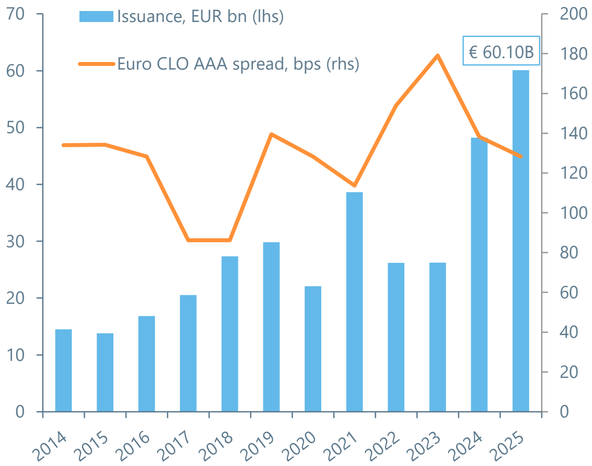
Exceptional European CLO activity

2025 was a record-breaking year for European CLO issuance, with EUR 60 billion new transactions. The market benefited from a broadening investor base, including increased participation from the US and Asia.

CLO issuance is expected to remain robust in 2026, with estimates ranging from EUR 50–65 billion, though arbitrage conditions may deteriorate on further syndicated loan spread tightening.

CLO new-issue volume[4]

In EUR billion



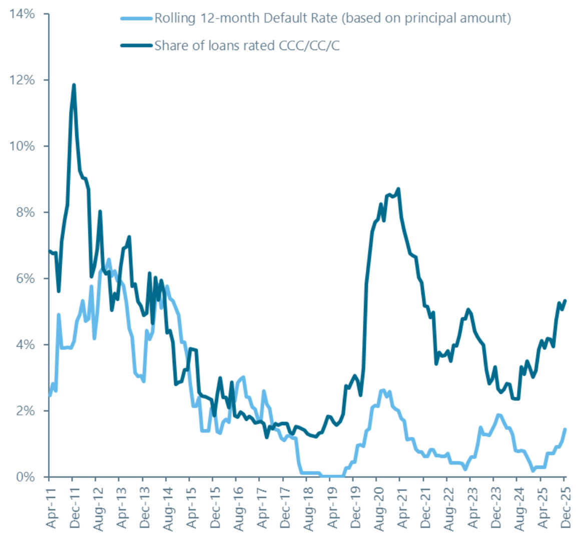
Fundamentals: default rates contained

From a fundamental perspective, credit quality softened through the year with downgrades outpacing upgrades by a ratio of 2.7x. In addition, triple-C exposure within the index doubled to 5%.

Although defaults remain contained, the 2028 maturity wall will be a major focus for market participants. It amounts to EUR 70 billion, mainly consisting of highly leveraged 2021 vintages.

Default rate vs Share of loans rated CCC/CC/C[2]

Morningstar ELLI



2026 outlook

Market forecasts primary volumes equivalent to or even higher than those of 2025, with a growing share of new financing as M&A pipelines rebuild. Primary activity in the first quarter will continue to be driven by refinancing. Technicals should remain supportive, nevertheless weakening fundamentals call for greater selectivity. Opportunities will emerge amid sector bifurcation, particularly in chemicals and other challenged industries.

Even with spreads expected to remain tight, however, we believe that the syndicated loan market continues to offer attractive potential returns of around 5-6%.

[4] *Source: SCOR Investment Partners, Pitchbook, data as at 31.12.2025*

Real asset financing

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February 2026

2026: solid market momentum for infrastructure debt

Infrastructure needs driven by supportive structural trends

European Infrastructure debt enters 2026 with a set of tailwinds strengthening its long-term outlook. Financing needs remain significant, supported by structural trends such as the decarbonization of energy systems, the acceleration of renewable energy (including battery storage), the rapid expansion of data centers, the modernization of electricity grids, increasing digitalization and the development of urban mobility. These dynamics support a steady pipeline of new projects and refinancings.

An asset class offering stable spreads

Historically, infrastructure debt delivers a complexity premium comparable to corporate debt, reflecting the project structure, detailed cash-flow modelling and the contractual frameworks associated with essential assets. This premium has remained relatively stable over time (between 280 and 300 basis points on average for senior debt), while the premium offered by corporate debt has tightened continuously in recent years, to reach its lowest level since the financial crisis, at 80 basis points. Infrastructure debt returns are therefore frequently higher than corporate debt, with the additional benefit of a risk profile that is better controlled, thanks to the essential and regulated nature of many assets.

Rebound in financing accompanied by monetary stabilization

After a period marked by a sharp rate rise between 2022 and 2024, policy rate normalization led to a strong rebound in financing activity at the end of 2025. The lower cost of capital is reviving new project activity, while sponsors seek to secure their long-term needs in an environment where conditions have become more predictable. This improvement in the macro-financial backdrop should support a sustained level of activity in 2026.

Structural refinancing

Infrastructure projects financed between 2016 and 2020 are now gradually reaching a key phase in their financial cycle: refinancing. This dynamic results from initial debt structures set with maturities, renegotiation clauses or interim deadlines that naturally lead to a review of financing arrangements after seven to ten years. Such refinancings are considered structural because they are not limited to a simple extension of maturity. Indeed, they often involve complete debt reconfiguration tailored to assets that are now mature, operational and supported by an established cash-flow track record.

With the construction or ramp-up risk no longer present, the risk profile is clearer, allowing for optimization of the financial structure, adjustment of leverage and changes in the type of lenders participating. It is also important to highlight that, unlike corporate financing, this refinancing dynamic is not akin to a “refinancing wall” that could trigger systemic stress linked to rising rates. The infrastructure assets concerned benefit from contractual or regulated revenues, often indexed, and high cash flow visibility, enabling them to absorb higher rate levels without jeopardizing their financial sustainability. This structural resilience limits the risk of forced refinancing or sudden deterioration in credit quality.

A wave of institutional reallocation

Institutional investors continue to reallocate towards infrastructure debt. This shift primarily concerns the high-income segment as a complement to infrastructure equity and/or as an alternative to private debt and the investment-grade segment. This dynamic reinforces the position of infrastructure debt as a strategic allocation combining visibility, stability and attractive long-term carry.

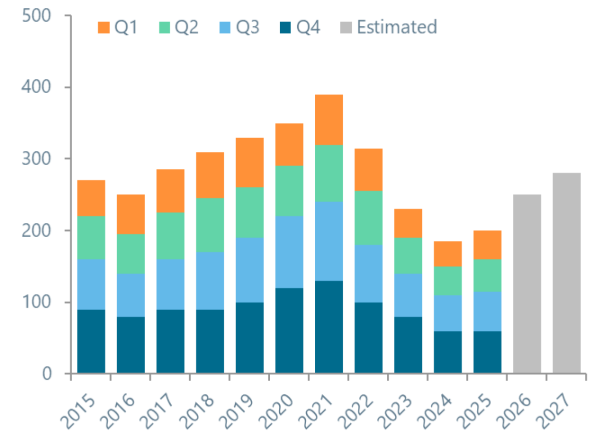
February 2026

2025, a year of recovery for investment

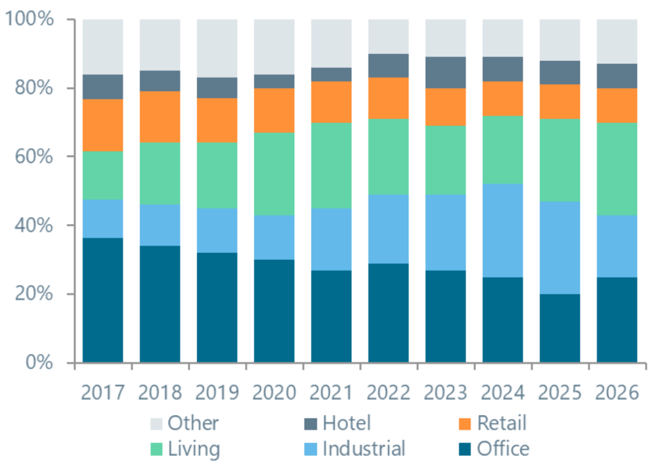
The year 2025 is expected to record investment volume growth of around 9% in Europe. Although this trend is positive, it fell short of expectations at the start of the year, mainly due to declines in the United Kingdom and Germany. In this context, France is in line with the European trend, with an 8% increase driven in particular by investments in the greater Paris region, which rose by more than 44% compared with 2024.

Rebalancing between sectors is now complete, with strong growth in recent years in residential, logistics and hospitality, at the expense of offices. Last year also saw the return of large-scale transactions, a sign of investors' renewed appetite for real estate.

Investment volumes in Europe
EUR bn



Investment by asset class

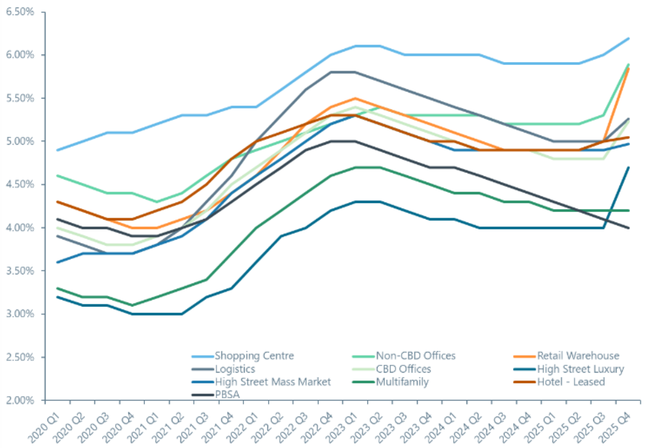


Source : Savills

Stabilization of values supports the recovery

After the sharp rise in real estate yields between 2022 and 2023, from 2024 the market found a new equilibrium. This stability has enabled investment to resume, as it offers greater visibility for investors and lenders. In addition, interest rates (Euribor and swaps) have fallen significantly since their peak in 2023, which also supports real estate values.

Prime Yield



Source: Savills

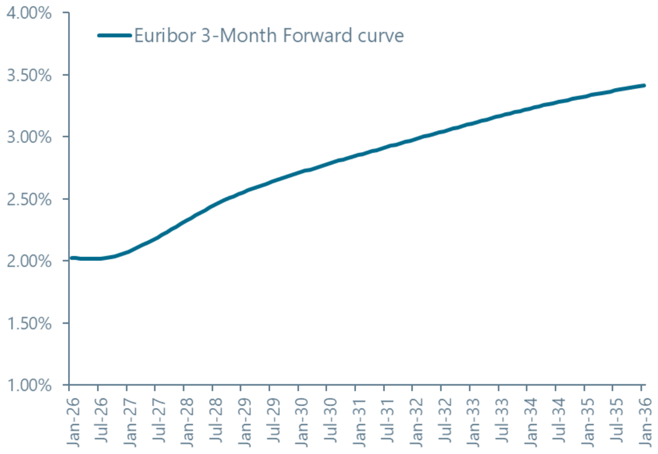
Real estate debt market

The financing market is keeping pace with developments in the investment market. Banks are very busy refinancing their existing clients. We have seen renewed appetite for core assets, with margins tightening by around 50 bps in this segment of the market.

In the value-add and development segments, although bank appetite is higher than last year they remain more measured when moving away from the residential market or prime locations. Additionally, banks are very cautious regarding leasing risk in logistics, despite solid market fundamentals.

Leverage levels increased only moderately in 2025 and remain reasonable. In addition, with the decline in underlying asset values, debt-per-square-meter ratios are conservative.

Euribor forward curve



Source: Chatham Financial

2026 outlook

Investment volumes are expected to continue growing, fueling the flow of debt transactions. The residential sector, due to its defensive nature and limited supply, is the preferred market segment of investors. The normalization of the office sector in central locations, which began in 2025, is expected to continue.

However, the current level of interest rates leaves little room for yield compression. With Euribor close to 2% and a slightly upward-sloping forward curve, we anticipate current yields above 5% on value-add debt and IRRs around 6%.

Furthermore, the structural trend toward improving ESG standards for all types of buildings will continue and is a powerful tailwind for investment in value-add strategies.

Insurance-linked securities

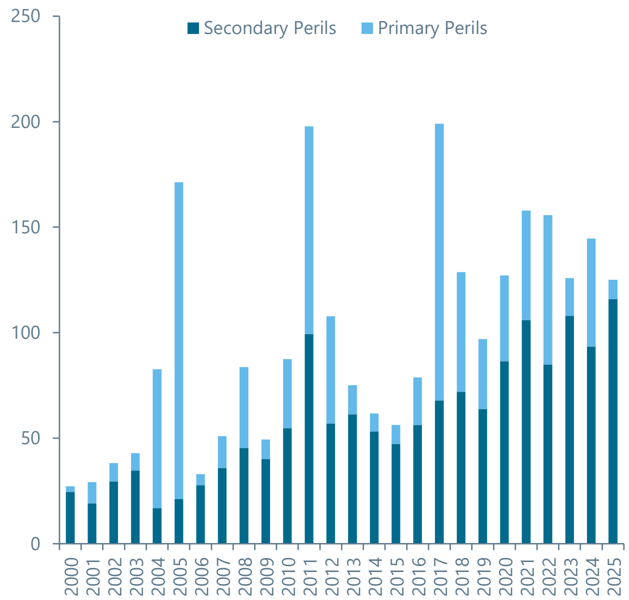
SCOR INVESTMENT PARTNERS

February 2026

2025 natural catastrophe loss events: predominance of secondary perils

2025 was active and costly for the insurance industry, with USD 127 billion insured losses from natural events, slightly below 2024 but above the 10-year average of around USD 115 billion. Losses were concentrated in the United States, mainly due to the Los Angeles wildfires, which generated about USD 41 billion in claims, and a very intense season of severe convective storms that caused more than USD 50 billion in losses. In contrast, the US hurricane season was benign, with no US landfall for the first time in a decade. Asia and Europe saw no major industry-wide loss events.

Annual insured losses



Source: Aon 2026 Climate and Catastrophe Insight

The main exception late in the year was Hurricane Melissa which struck Jamaica in October. It generated around USD 2.5 billion of insured losses and triggered a full loss on a USD 150 million Jamaica catbond. A striking feature of 2025 was the dominance of secondary perils, accounting for roughly 95% of annual insured losses, continuing an eight-year pattern of secondary perils exceeding primary perils.

This backdrop validated a cautious stance on frequency risk and secondary perils. Potential wildfire subrogation recoveries, most notably litigation against Southern California Edison related to the Eaton Fire, could partially offset industry losses over time if settlements materialize, although timing remains uncertain.

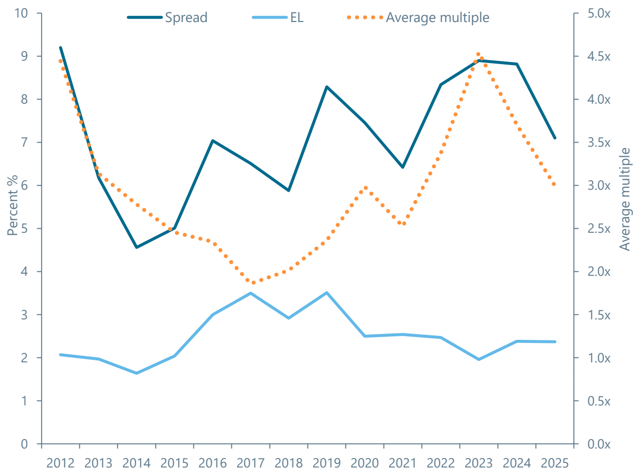
Record issuance in catbonds as pricing normalizes

Q4 continued the exceptional issuance momentum, making 2025 a record-breaking year. After an already-record H1 over USD 17 billion, activity picked up again in October, November and December. USD 7 billion of property-cat catbonds were issued across more than 40 classes of notes from 24 different programs, making a new record for Q4. For the full year, issuance reached USD 25 billion with close to 100 issuances from 70 cedants, including 15 first-time issuers. This brought the outstanding market size to roughly USD 60 billion, marking its fastest ever expansion. Today, the investment universe of the catbond market comprises 370 transactions issued by over 120 different sponsors. The increasing demand for alternative capacity is evident across both established and emerging issuers, which reflects a positive trend for the market.

Primary market issuance: spread normalization

Spreads have tightened for 2025 issuances, what we are effectively witnessing is a normalization of spreads and multiples. The market has moderated from the unusually high levels seen in recent years and has largely returned to pre-Hurricane Ian conditions. Levels are broadly comparable to those observed in early 2022 and close to long-term averages (around 6%).

Pricing of primary issuance



Source: SCOR Investment Partners, Artemis as of 31.12.2025

February 2026

Spread widening again in the secondary market

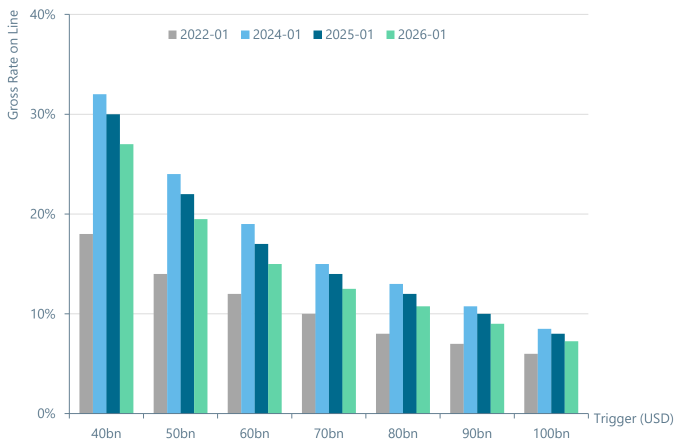
Toward year-end the trend reversed as spreads widened due to a combination of selling flows in the secondary market and seasonality dynamics. The recent widening should materialize further as the market approaches the summer months, a trend observed in 2023, 2024 and 2025. Adjusted for this seasonal effect, current spreads would stand roughly 100bps higher.

In absolute terms, spreads are also drifting back toward their long-term equilibrium, signaling a broader normalization of the market and a return to pricing levels last seen in early 2022, before Hurricane Ian reshaped the landscape.

ILW market: healthy renewal

The ILW market reflected similar patterns. ILWs remain reactive throughout the year, and pricing trends aligned closely with those observed in catbonds. As illustrated in the graph below, spreads have decreased by roughly 10% in 2025 following the steep increases of the 2022 to 2024 period, yet they still stand higher than their 2022 levels.

ILW market: average gross rate-on-Line %



Source: SCOR Investment Partners' internal research

Renewals across the broader ILW market generally traded between 10 and 15% lower. Despite the tightening observed in the final quarter, ILW rates ended the year at levels that remain higher relative to long term norms.

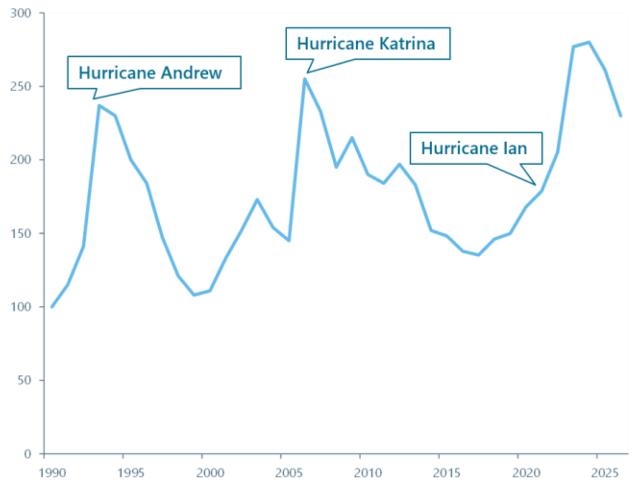
Reinsurance market: some softening

The graph below shows the US property cat rate-on-line (equivalent of the spreads for Catbonds). Following Hurricane Ian in 2022, the alternative capital market attracted new money and grew significantly in 2023 and 2024. By 2025, traditional reinsurers capital has reached a record high, supported by strong underwriting results.

The combination of abundant capacity and a quiet hurricane season pushed the market off its recent peak, resulting in a noticeable softening in conditions. Despite a decline from an all-time high, premium rates are still at historically high levels, as evidenced by the Guy Carpenter index.

U.S. Property Catastrophe Rate-On-Line Index

Guy Carpenter index



Source: SCOR Investment Partners' internal research, Guy Carpenter, as of 05.01.2026

Market Insight
INSURANCE-LINKED SECURITIES

February 2026

Outlook for 2026: strong ILS momentum

The ILS market remains constructive as both the catbond and private ILS segments enter the new year with strong momentum. On the catbond side, the pace of issuance has already accelerated sharply. January alone brought close to USD 3 billion in new transactions across 9 deals, an unprecedented start that points toward another highly active first half. Broker indications suggest that the pipeline remains robust, raising the possibility that issuance volumes could match or surpass last year's record of USD 17 billion. This sustained primary activity, supported by strong global demand for protection, should help maintain current spread levels across the market.

On the private ILS front, premium rates in reinsurance and retrocession are expected to adjust downward year on year at the April renewals in Japan and the June renewals in the United States, largely to align with conditions seen at the January season in an environment of abundant available capacity.

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