

European Broadly Syndicated Loans: analysis, characteristics and role within an asset allocation

Between high yield bonds and private credit, European Broadly Syndicated Loans occupy a unique risk-return profile within the credit markets. They combine floating rate exposure, seniority in the capital structure and market liquidity. This combination enables them to meet objectives of income generation, diversification and risk management at the same time, which makes Broadly Syndicated Loans a relevant component of a diversified asset allocation.

European Broadly Syndicated Loans: definition and key characteristics

Definition

Broadly Syndicated Loans are loans provided to companies and syndicated across a broad base of investors. Banks structure, arrange, and administer these loans, which primarily fund well-established companies, often under private-equity ownership.

Most Broadly Syndicated Loans are rated below investment grade, reflecting higher credit risk. Their senior secured position, which corresponds to the highest level in the capital structure, provides protections because lenders are prioritized in the capital structure and benefit from collateral over the borrower's main assets.

Companies generally use Broadly Syndicated Loans to finance mergers and acquisitions, support balance sheet recapitalizations such as dividends or share buybacks, or refinance existing debt.

Key characteristics

- **Coupon protected against rising interest rates**

Broadly Syndicated Loans have floating interest rates, typically referenced to 3-month Euribor. This means their coupon adjusts when interest rates change, helping to protect investors from interest rate risk, a key distinction from fixed-rate high yield bonds, whose coupons remain unchanged regardless of rate movements. This keeps returns aligned with current market conditions and reduces sensitivity to interest rate fluctuations.

On average, Broadly Syndicated Loans offer a spread of around 400bps above 3-month Euribor¹, making them a competitive source of income compared with many traditional fixed income investments. This attractive spread level aims to compensate investors for granting a loan to highly levered issuers.

- **High liquidity and tradability**

Broadly Syndicated Loans are actively traded over-the-counter (OTC), meaning they are exchanged directly between market participants. The buyer base is broad and well established, including banks, institutional investors and Collateralized Loan Obligation (CLO) managers.

Although Broadly Syndicated Loans are not listed securities, they benefit from daily pricing, supported by dealer quotes and an active secondary market. This provides investors with transparent valuations and the ability to buy or sell positions on a regular basis.

As a result, investors can manage their portfolios actively, in a

way that is comparable to high yield bonds, while still benefiting from the secured nature of Broadly Syndicated Loans.

- **Stable long-term investor base**

The stability and liquidity of the Broadly Syndicated Loans' market are further supported by the nature of its investor base. Market participants typically have a long-term investment horizon and maintain relatively stable strategic allocations.

For these investors, Broadly Syndicated Loans primarily represent a recurrent income source generated from credit risks. Their floating rate structure limits interest sensitivity. This long-term approach contributes to contained volatility and a return profile that is driven more by carry than by the "market timing".

This contrasts with fixed-rate high-yield bonds, which are exposed both to credit risk and to interest-rate movements, and where investor allocations can shift more significantly as interest rate expectations change.

- **Transparency**

Once a niche asset class, the Broadly Syndicated Loans' market has matured into a sizeable segment, now totalling EUR 337 billion outstanding across 316 issuers, reflecting a cumulative growth of 22% over the past three years². This expansion in both market size and participant base has supported deeper secondary market activity and enhanced price transparency. In addition, external ratings from agencies such as S&P and Moody's further improve credit risk transparency, with a rating coverage of more than 97% of the loans³.

- **High recovery rate**

Historically, Broadly Syndicated Loans' recoveries in default situations have been relatively high (around 70-75%⁴), significantly higher than those observed in unsecured credit markets.

This highlights the importance of holding a senior secured position in the capital structure, which gives investors priority over unsecured creditors such as high-yield bondholders.

In addition, Broadly Syndicated Loans are held by a well-identified institutional lender base, which allows for faster and more flexible refinancing discussions.

¹ Average Term Loan B spread at issue over the last 5 years. Source: PitchBook Data, Inc. as of 31.12.2025

² Growth between 2022 and 2025. Source: Pitchbook Data, Inc.

³ Morningstar European Leveraged Loan TR EUR, as of February 2026

⁴ Source: S&P Global

Key differences between high-yield bonds, Broadly Syndicated Loans, and direct lending

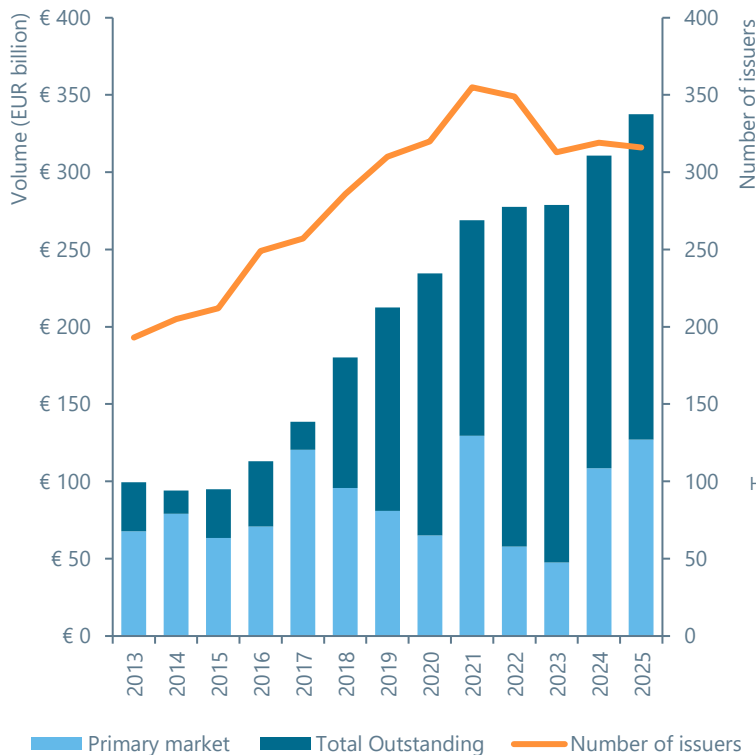
Broadly Syndicated Loans stand between high yield bonds and direct lending because they combine the liquidity and transparency of high yield bonds with the security and seniority associated with private credit

	European high yield bonds	European Broadly Syndicated Loans	European direct lending
Rate structure	Fixed rate	Floating rate	Floating rate
Collateral structure	Mostly unsecured	Senior secured	Senior secured with tighter covenants
Recovery rates	Low	High	Rarely disclosed
Liquidity	Daily	Daily	Not liquid
Transparency	High	High	Low
Average rating	BB-	B	Not rated
Market size ¹	EUR 345 billion	EUR 336 billion	EUR 300 billion (estimate)
Main issuer/borrower	Corporates rated sub-investment grade	Corporates rated sub-investment grade, heavily PE-backed	Mid-market, privately held companies

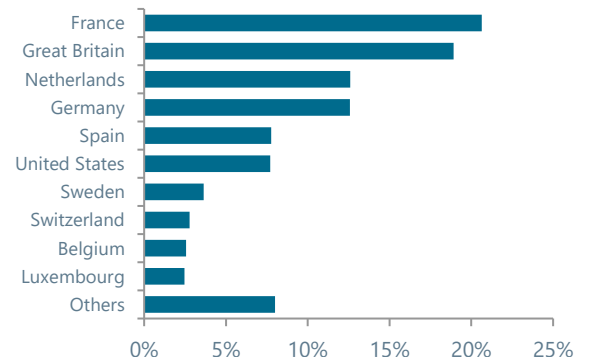
A Large and Diversified European Market

The European Broadly Syndicated Loan market offers broad and diversified exposure both by country and by sector.

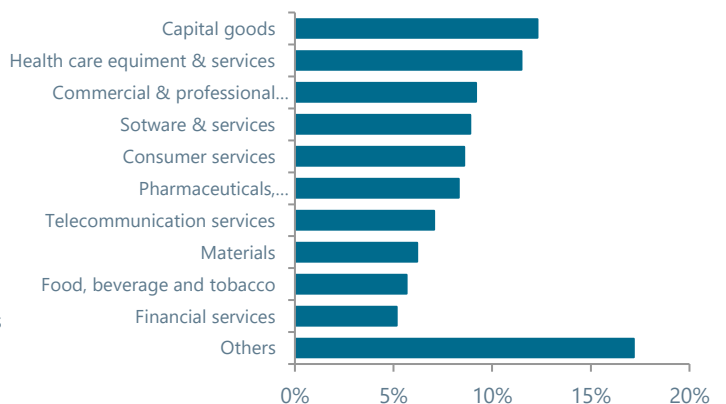
European Broadly Syndicated Loans volume¹



Country breakdown²



Sector breakdown²



¹ Source: PitchBook Data, Inc. as of 31.12.2025

² Morningstar European Leveraged Loan TR EUR index, as of February 2026

Role of Broadly Syndicated Loans in an allocation

Within a diversified allocation, European Broadly Syndicated Loans play a structuring role by enabling investors to capture a high level of carry while limiting exposure to duration risk.

- **A liquid and flexible investment solution**

Broadly Syndicated Loans benefit today from a deep secondary market liquidity and daily liquidity, making them an appealing alternative to high yield bonds..

Compared with private credit, Broadly Syndicated Loans play a complementary role, providing greater flexibility, portfolio adjustment capacity, and transparency. They present protective features through their senior position in the capital structure and the presence of collateral.

As such, they help to optimise the risk-return profile of portfolios.

- **Increased relevance in the current environment**

In an environment characterized by interest rate volatility, driven by macroeconomic and geopolitical uncertainties, Broadly Syndicated Loans fully benefit from their floating rate indexation. This allows them to generate recurring income while offering relative resilience in the event of a deterioration in the credit cycle.

Key risks and considerations

Like any credit asset class, Broadly Syndicated Loans entail risks that must be assessed as part of a holistic asset allocation approach.

Credit risk remains the central factor, as issuers are predominantly rated in the speculative-grade category and may be affected by a deterioration in their economic environment.

Furthermore, while the syndicated loan market is deep and active, liquidity may decline during periods of market stress, potentially impacting price volatility. The quality of legal documentation and valuation methods in an over-the-counter market also represent specific areas of attention.

In this context, rigorous fundamental analysis, careful credit selection, and active monitoring of exposures are key elements to fully benefit from the characteristics of Broadly Syndicated Loans while keeping associated risks under control.

When Broadly Syndicated Loans fully come into their own

European Broadly Syndicated Loans are now firmly established as a balanced investment solution, addressing the needs of institutional investors in terms of recurring income, flexibility, and risk management.

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