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Market Commentary

2025 iBoxx EUR Corporates in Review

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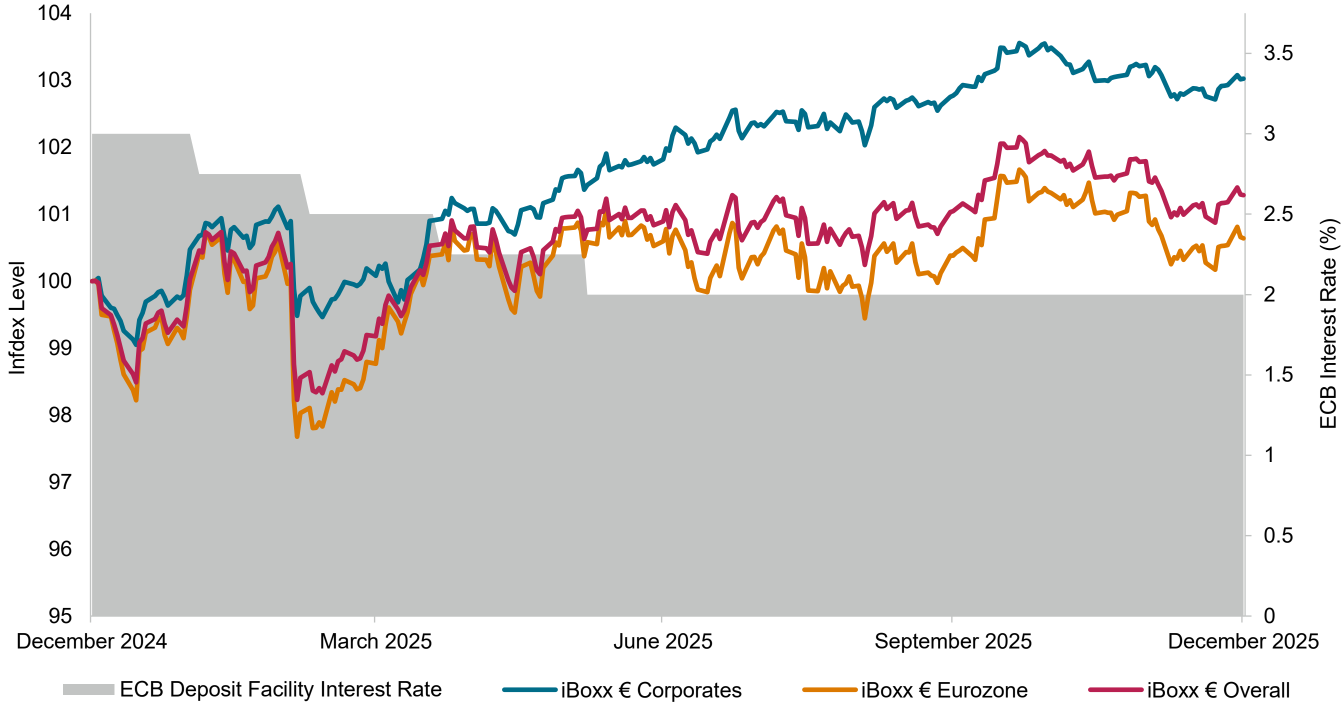
In 2025, the European Central Bank (ECB) noted signs of stabilization in economic conditions following the rate-cutting cycle of 2024, with growth, labor markets and financing conditions showing greater resilience than was previously anticipated. However, the current geopolitical volatility and persistent supply chain strains underscore the broader need for stronger competitiveness and greater economic resilience across the eurozone. The ECB also warned that forward-looking macroeconomic conditions remained highly uncertain, shaped by shifting trade policies, evolving tariffs, regulatory changes and broader geopolitical tensions, which could increase market volatility across sovereign and corporate segments.

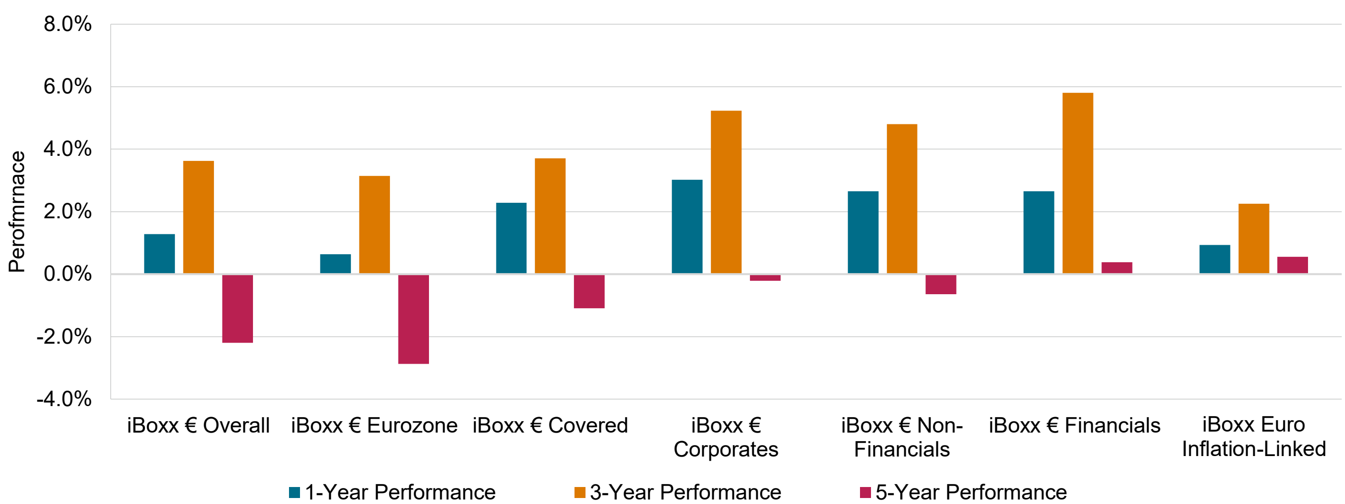
Sovereign bonds have historically been more reactive to interest rate changes and sudden economic shifts, given their longer duration. This pattern was evident in March 2025, when the iBoxx € Eurozone declined relative to the iBoxx € Corporates following the ECB's 25 bps policy cut from 2.75% to 2.50% in early March, as markets began pricing in fewer future rate cuts and a potential end to the easing cycle. In the second half of the year, returns were more stable, and the iBoxx € Corporates consistently outperformed the iBoxx € Eurozone. This coincided with tightening credit spreads, while sovereign bond performance was constrained by elevated eurozone fiscal deficits and greater government bond issuance as countries continued to increase their structural spending on areas such as defense. This divergence was further supported by markets pricing a higher probability of additional ECB policy easing in 2026. Over the whole year, the iBoxx € Corporates reported a 3.0% gain, outperforming the iBoxx € Eurozone by 2.4 percentage points.

Exhibit 1: 2025 Performance



Source: S&P Dow Jones Indices LLC. Data from Dec. 31, 2024, to Dec. 31, 2025. Indices were rebased to 100 on Dec. 31, 2024. Index performance based on total return in EUR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 2: Recent and Long-Term Index Performance



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Across the iBoxx EUR Series, all headline indices delivered positive performance in 2025, ranging from 0.6% (iBoxx € Eurozone) to 3.0% (iBoxx € Corporates). The iBoxx € Corporates delivered the strongest performance, surpassing the iBoxx € Overall by 1.7% and 1.6% for the one- and three-year periods, respectively. Within the corporate space, iBoxx € Financials outperformed the iBoxx € Non-Financials across all time horizons.

Corporate bond performance benefited from tightening credit spreads and improved risk sentiment, while the iBoxx € Eurozone was held back by weaker sovereign performance amid elevated deficits and increased government bond issuance. Performance was also weighed down by sovereign rating downgrades, including France from AA to A. These factors explain the more recent outperformance of the iBoxx € Corporates, although longer-term periods also reflect broader rate-cycle and duration effects that have affected sovereigns.

All listed indices, excluding the iBoxx € Financials and the iBoxx Euro Inflation-Linked, posted negative five-year performance. Overall, the negative five-year performance reflects the impact of the rate-hiking cycles over the years on duration-sensitive segments, whereas the iBoxx Euro Inflation-Linked was cushioned by the 2021-2023 inflation surge, which compensated market participants and offset the subsequent increase in real yields. Similarly, the iBoxx € Financials benefited from earlier monetary policy tightening which supported issuer profitability across the sector.

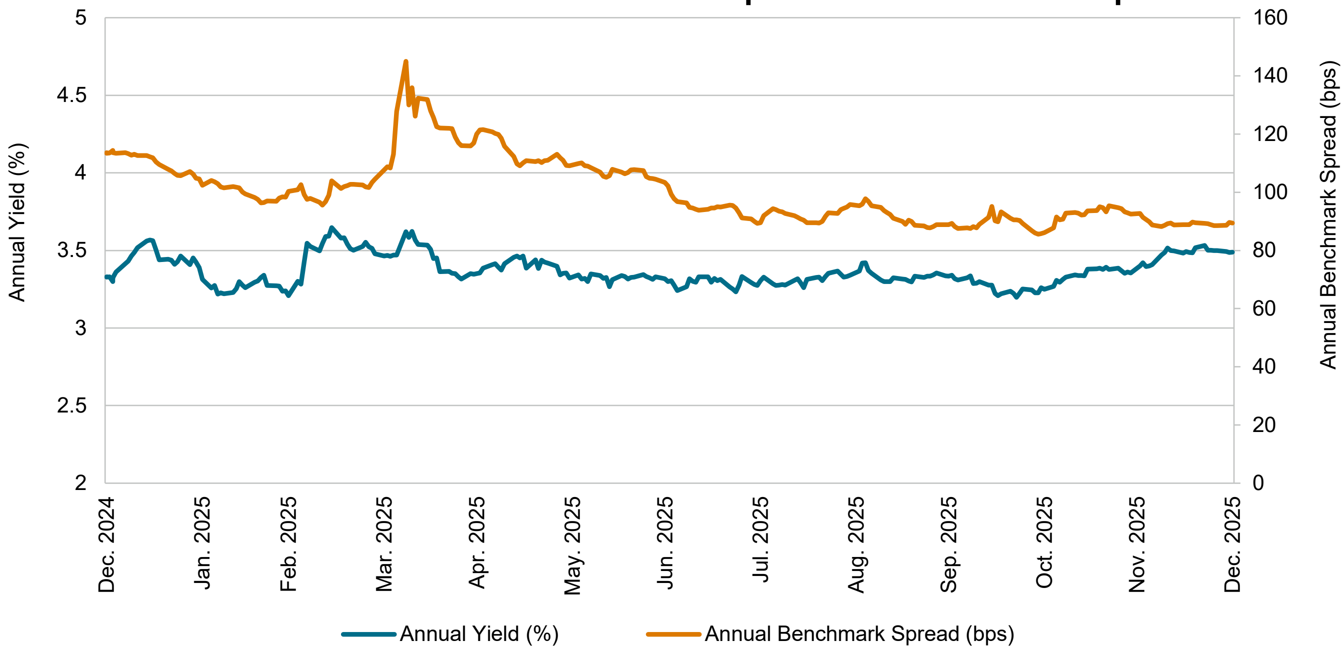
Exhibit 3: Key Analytics of the iBoxx € Overall, iBoxx € Corporates and iBoxx € Eurozone

Index	Number of Bonds	Market Value (EUR Billions)	YTD Performance (%)	Yield (%)	Δ Yield (bps)	Duration (Years)	Δ Duration (Years)
iBoxx € Overall	6788	14387.0	1.3	3.4	3.7	6.0	1.6
iBoxx € Corporates	4162	3096.8	3.0	3.5	16.0	4.4	0.0
iBoxx € Eurozone	532	8032.1	0.6	3.4	3.2	6.8	2.4

Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Index performance based on total return in €. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

The yield of the iBoxx € Corporates started the year at 3.3% before reaching a peak of approximately 3.6% in April 2025. This coincided with widening spreads (see Exhibit 4) following the announcement of additional U.S. trade tariffs in April 2025. As markets began to calm down and ECB rates remained stable at 2% in the second half of the year, yields stayed flat for most of the rest of the year, coinciding with an environment of improving sentiment and relatively tight credit spreads, before inching up to 3.5% in December. During the same period, duration remained broadly stable with only marginal changes (see Exhibit 3).

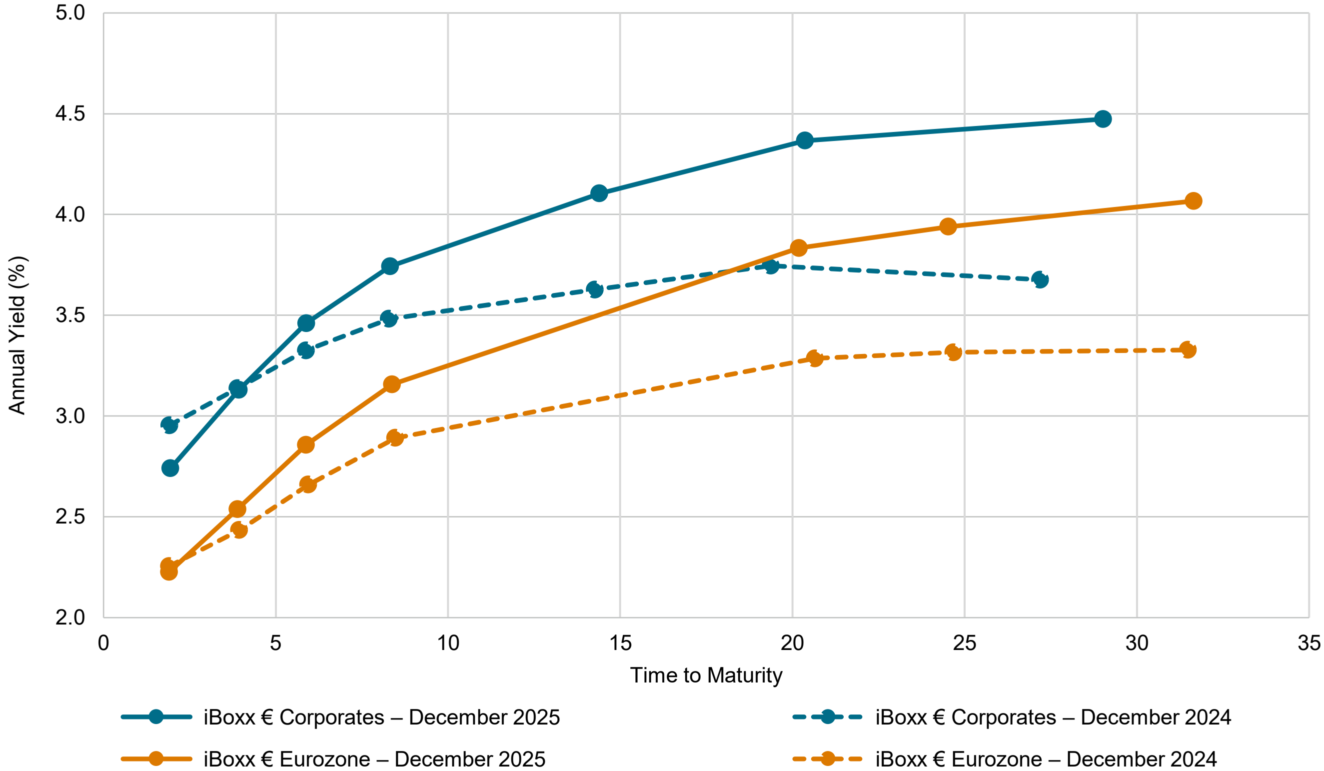
Exhibit 4: Annual Yield and Annual Benchmark Spread of the iBoxx € Corporates



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

In Exhibit 5, at the short end of the curve, both the iBoxx € Corporates and iBoxx € Eurozone exhibited an upward shift relative to December 2024, although the change was relatively muted. The limited movement at the front end of the curve, despite the ECB rate cut in March, indicates that markets expected a shallow easing cycle, leaving short-dated yields unchanged. Nevertheless, we observed a broad increase in yields across maturities in 2025, highlighting the shift in market expectations regarding inflation and the timing of prospective ECB rate cuts. Although the spread appears to widen toward the long end of the curve, this move may call for cautious interpretation, as EUR corporate issuance beyond 10 years is limited and concentrated, which could leave this segment particularly sensitive to liquidity distortions. Nevertheless, the overall steepening of both curves is clear, reflecting market concerns about widening eurozone fiscal deficits and uncertainty related to tariff-driven cost pressures, leading for a demand of higher risk premiums for longer-dated corporate and sovereign bonds.

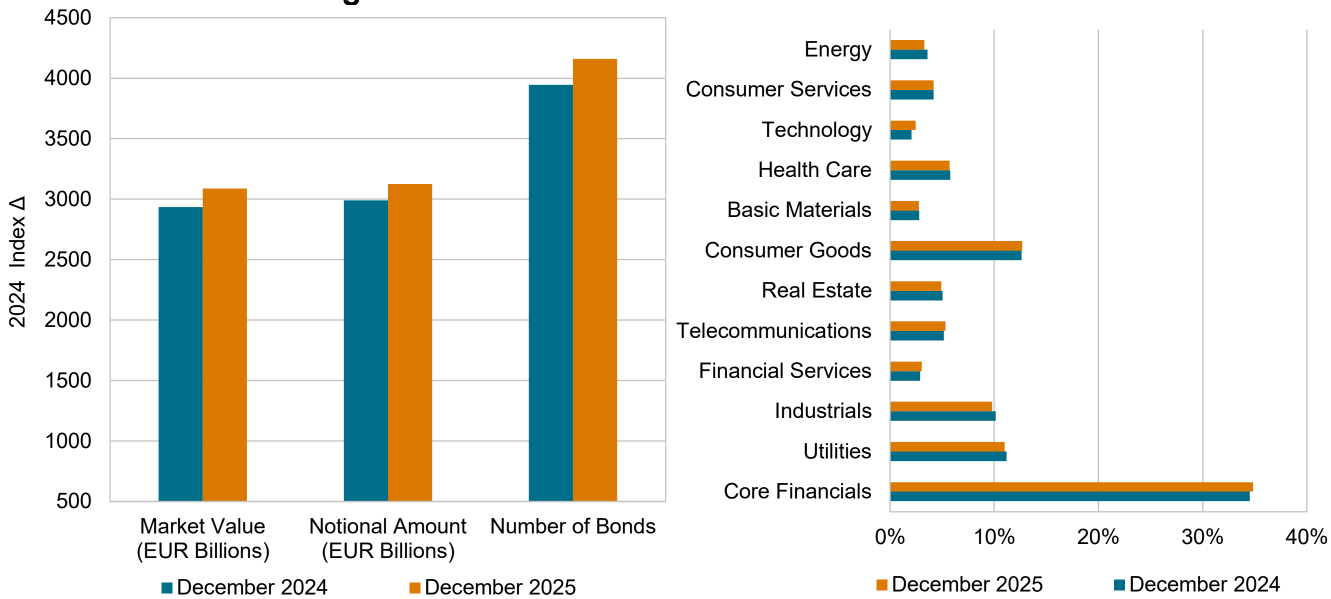
Exhibit 5: Changes in Yield Curve – iBoxx € Corporates and iBoxx € Eurozone



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

The iBoxx € Corporates continued to expand over the year, with total market value and notional outstanding rising as steady issuance persisted. A relatively stable rate environment supported this growth, allowing issuers to refinance existing debt and issue new bonds without facing significant shifts in funding conditions. Despite the increase in overall size, the sector composition of the index remained broadly unchanged. Movements across sectors were marginal, with the most notable shift in Technology, which saw a modest increase of approximately 0.40% (see Exhibit 6). This marginal increase in Technology reflects higher corporate issuance to fund investments in artificial intelligence, particularly IT software for fraud detection and long-term technology upgrades, most notably from Fiserv Funding.

Exhibit 6: Sector Changes between December 2024 and December 2025



Source: S&P Dow Jones Indices LLC. Data as of Dec. 31, 2025. Past performance is no guarantee of future results. Charts are provided for illustrative purposes.

To conclude, in 2025, the iBoxx € Corporates outperformed the iBoxx € Eurozone, supported by tighter credit spreads and stable funding conditions. In contrast, sovereign performance was dampened by larger fiscal deficits, increased bond issuance and lingering duration effects from earlier rate-hiking cycles. Yield curves for both indices shifted higher as markets reassessed views on inflation and the timing of ECB interest rate cuts, with higher-risk premiums demanded at the long end of the curve. Overall, the iBoxx € Corporates delivered comparatively resilient performance despite the persistence of macroeconomic uncertainty.

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