

Special Report

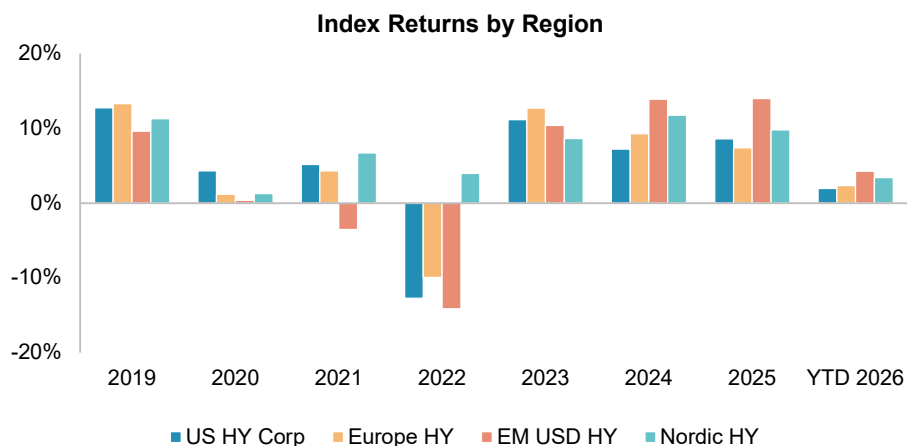
Nordic High Yield: Structural Spread Premium, Resilient Credit But Selectivity Matters



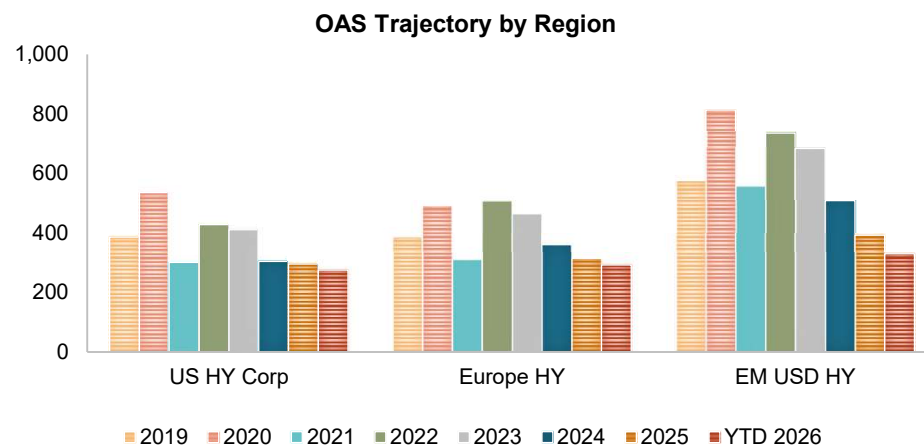
Nordic High Yield: Consistent Returns with Structural Spread Advantage

Wider spreads, lower drawdowns, and disciplined defaults set Nordic HY apart

Through-cycle returns - shallower drawdowns, competitive carry



Spread pickup over developed HY peers, cleaner carry than EM



- Nordic HY is built for structural carry, with floating coupons, shorter maturities, and collateral backing driving returns beyond simple price appreciation
- During the 2022 interest rate hikes, Nordic HY remained resilient offering positive returns (+4.0%) vs. losses reported in US (-12.7%) and Euro HY (-9.9%), and far above EM HY losses (-14.1%).
- In steady markets, Nordic returned over 11.8% in 2024, beating US (7.3%) and Euro (9.3%), without relying on a risk-on bounce.
- For YTD 2026 returns are tracking mid-single digits, behind EM HY's rebound but ahead of US and Euro HY; Nordic still offers ~250bps more spread than Euro HY, leaving room to earn even as spreads tighten.

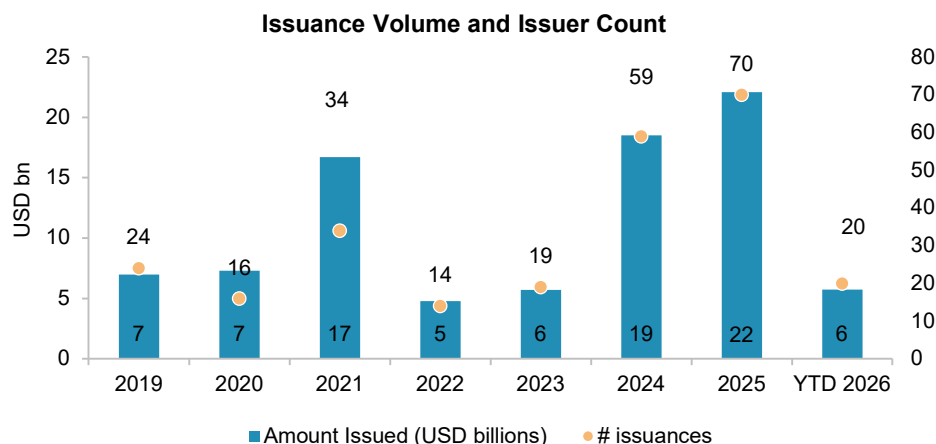
- Smaller issuers, lower liquidity, and more unrated bonds drive a premium, while stronger recoveries on secured Nordic paper point to market structure not weaker credit quality.
- Nordic HY offers meaningfully better spreads (540bps¹) than its developed peers, with US HY offering 275bps and Euro HY at 292bps.
- Nordic defaults are the lowest of the major HY markets and falling. The Nordic HY first-time default rate ended 2025 at 2.6%², below US (~4.2%) and Europe HY (~3.8%), where defaults are still rising.
- With US and European HY near cycle-tight spreads, Nordic's ~250bps pickup offers a more attractive entry point for income, without stepping down the rating curve or reaching into EM risk.

Source: Federal Reserve Economic Data, Bloomberg | *Includes returns (gross of currency hedging costs) for NBP Nordic HY Aggregated Index which is a market-value-weighted benchmark of Norwegian and Swedish HY corporate bonds (NOK/SEK/EUR/USD denominated) | 1. Per Pareto Securities Nordic Bond Market Q1 2026 report . 2. Nordic Trustee Corporate Bond Market Report 2025

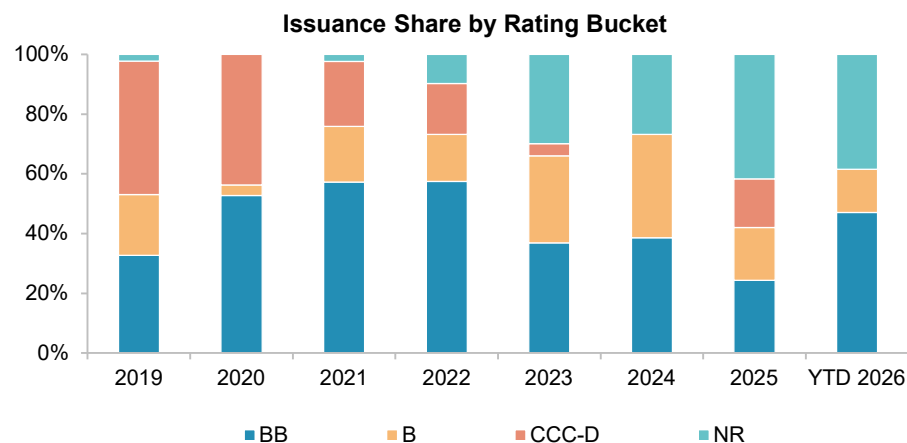
Issuance Activity and Credit Mix: A Market Finding its Range

Primary volumes at cycle highs and a broadening rating mix reflect that Nordic HY is deepening and diversifying

Structural deepening from 24 issuers in 2019 to 70 in 2025



Broadening credit mix after multi-year single-tier issuance



- Market has tripled in a decade as issuers grew from 24 (2019) to 70 (2025); volume increased from USD 7bn to a record USD 22bn driven by broad-based growth.
- Nordic HY has proven its resilience with Covid and rate-shock slowdowns reversed quickly, with annual issuance above USD ~22bn increasingly looking like the new normal.
- The market reopened in 2024-25 with USD 19bn, driven by refinancing, private-equity sponsors, and rising international demand.
- The momentum continued in 2026, with USD 6bn from 20 issuers YTD, with a strong 2Q–3Q pipeline pointing to another active year.

- Between 2020-22, BB-rated names dominated (>50% of issuance) indicating investors favoured safety as rates rose and volatility picked up.
- Since 2023, the mix has widened across single-B, CCC, and unrated issuers, showing renewed appetite for risk and a deeper, more diverse opportunity set for investors.
- BB fell to its lowest share (~25%) in 2025 as lower-rated and unrated supply grew, reflecting both stronger risk demand and more first-time and smaller issuers tapping the market.
- 2026 started with quality-led (BB and B only) issuance; the usual early-year pattern of lower-rated issuance is likely to return as the year progresses to gauge the risk appetite.

Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds

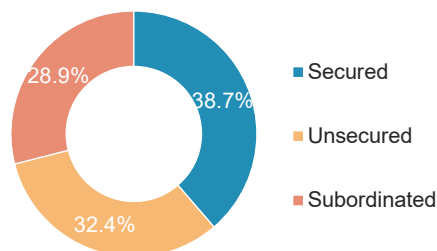
Nordic HY Primary Market: Issuance Profile

Sweden-led, EUR-denominated, and secured-led - issuance mix points to a refinancing-driven primary market

Secured leads a balanced stack; subordinated share runs high

- Secured issuance remains prominent, driven by collateral-heavy real estate and shipping borrowers, and reinforced by post-2022 caution around weaker credits.
- The 28.9% subordinated share is high vs. broader European HY, largely indicating Nordic bank Tier 2/AT1 and corporate hybrid supply.

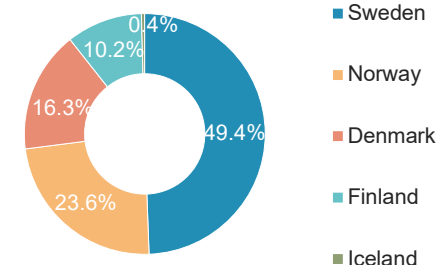
Payment Rank



Sweden dominates; Norway underweight vs. historical share

- Sweden leads, with Denmark punching above its size, highlighting SEK market depth and a cluster of large Danish utility/shipping issuers.
- Norway sits below its typical 25–35% share of Nordic HY stock - likely an issuance-window timing effect rather than a structural shift.

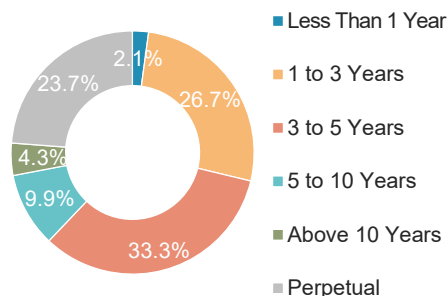
Country



Issuance clusters in the 3-5Y belly, with a sizeable perpetual tail

- A refinancing-led market with nearly 29% of bonds mature within three years, as issuers avoid locking in high long-end coupons.
- Long-end exposure is hybrid-heavy, not bullet-heavy. The ~38% beyond five years is largely explained by perpetual AT1/Tier 2 and corporate hybrids.

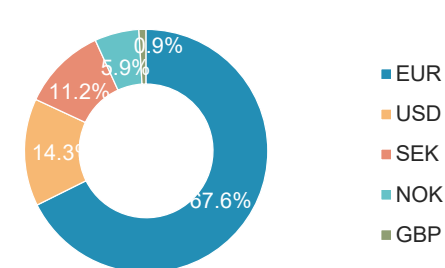
Maturity Bucket



EUR dominates; Swedish issuers print cross-border, not local

- At 67.6%, it signals deeper European investor access, stronger liquidity, and lower reliance on local-currency funding.
- The gap between Sweden's issuer share and SEK issuance confirms that many borrowers prefer EUR markets, widening access without Nordic FX exposure.

Currency

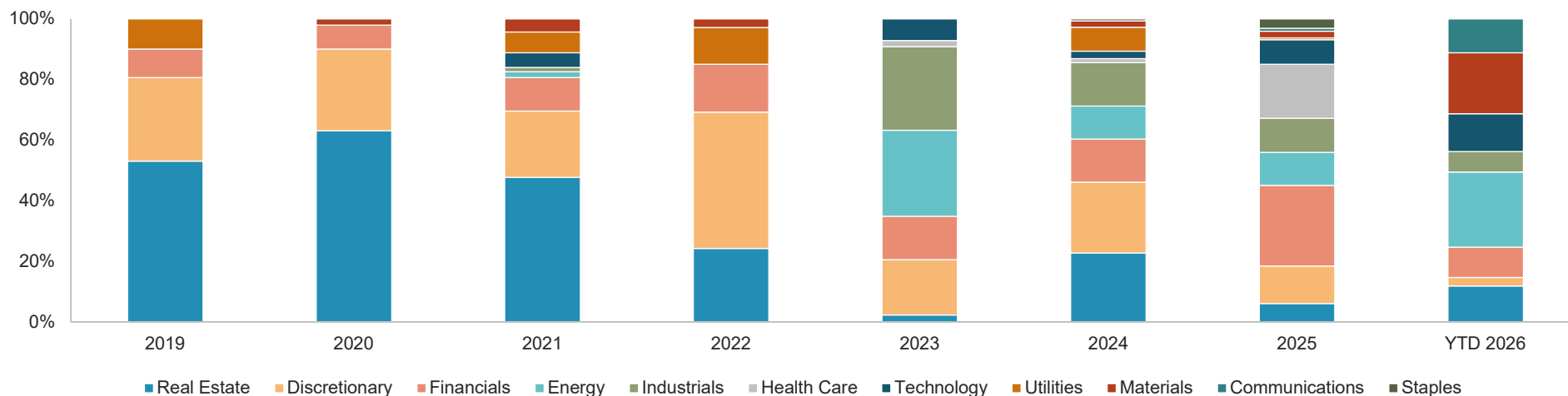


Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds

Nordic HY: From Single-Sector Concentration to Diversified Mix

A seven-year shift from single-sector to multi-sector issuance signals a maturing market

Nordic HY Primary Issuance by Sector (2019 – YTD 2026)



Sector breadth has widened materially - concentration risk has structurally declined

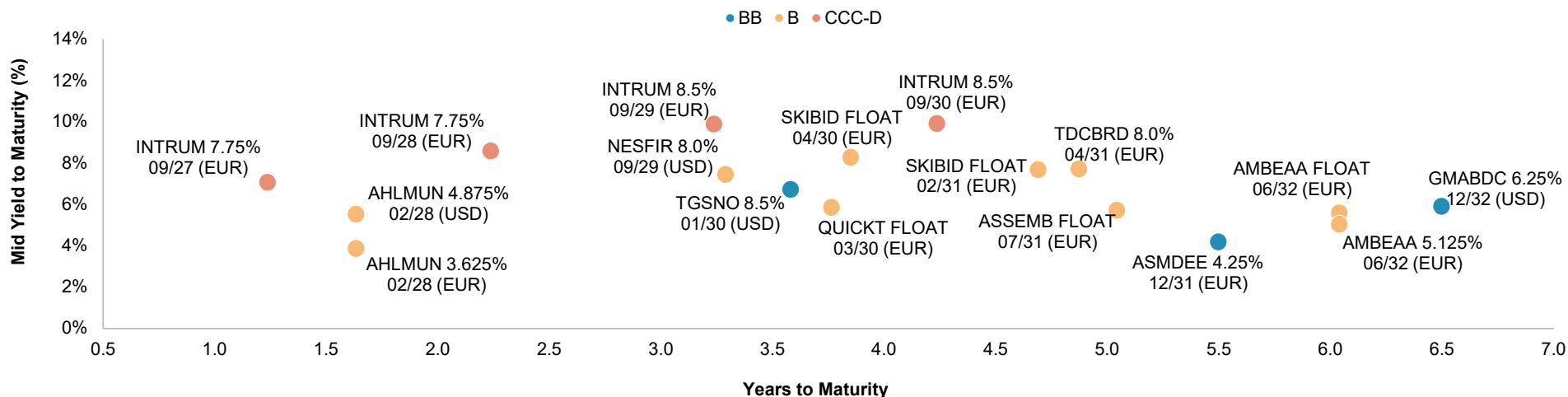
- **Between 2019-2020, the distribution was narrow and Real Estate-led:** Real Estate made up roughly half to two-thirds of issuance (53.1% in 2019, 63.1% in 2020), with only 2–3 sectors active, highlighting little diversification within the asset class.
- **2021-2023 witnessed sector classification broadening:** Energy (~14%), Industrials (~14%), Financials (~15%), and Technology (~4%) entered in size; by 2023, Industrials (27.6%) and Energy (28.4%) were among the largest bands, sharply cutting Real Estate's dominance.
- **In 2024-2025, the diversification widened:** Issuance now spans 6+ sectors a year with no single one dominant. Real Estate's share fell to roughly 14% by 2025, the most balanced mix on record.
- **As of YTD 2026, the issuance has been dominated by Energy, while remaining broadly dispersed:** Energy leads (24.7%) on high oil prices and Norwegian E&P refinancing, followed by Materials (20.2%), Technology (12.4%), and Communications (11.1%), indicating early-year concentration, but far wider than the 2019-20 base.

Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds

Credit Selection Over Curve Positioning in Nordic Secured HY

Yields span ~4% to ~10% within a 1–7Y window - idiosyncratic credit, not duration, drives returns

Yield to Duration - Secured¹ Nordic Universe



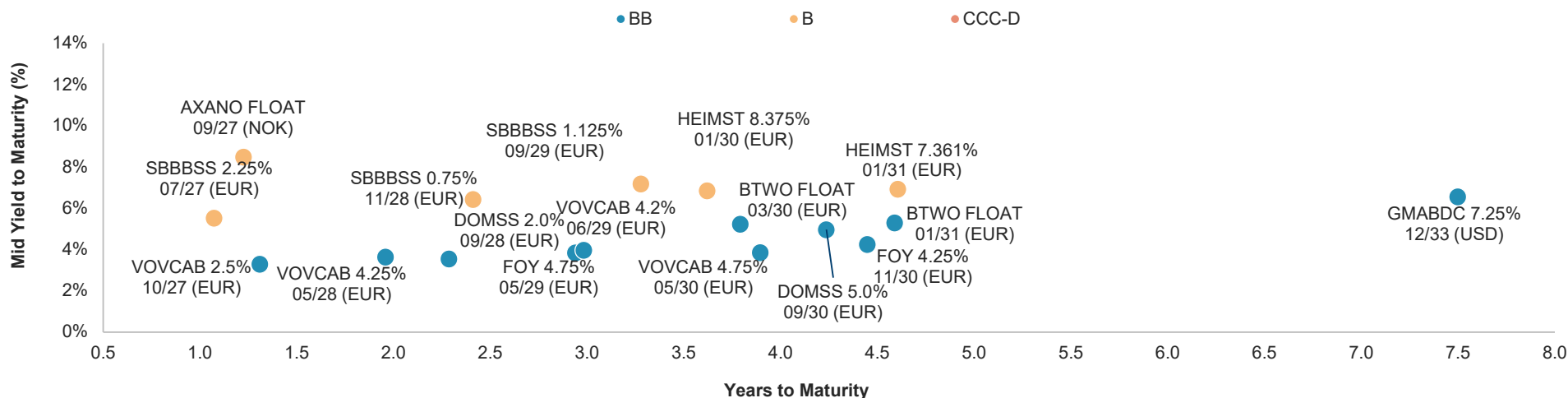
- **BB tranche - the quality anchor, with one value name:** Asmodee 4.25% '31 (4.19%), Genmab 6.25% '32 (5.92%, 1L), and TGS 8.5% '30 (6.74%) define the high-quality end. Asmodee prices closest to investment grade; TGS is the relative-value name, trading ~255bps wide of Asmodee at an identical rating - compensation for energy-sector and USD exposure rather than weaker credit.
- **B tranche - the most attractive on a risk-adjusted basis, but selectively:** Yields span 3.9%–8.3%, and the value lies in distinguishing credit premium from illiquidity premium. TDC 8% '31 (7.73%) and Nes Fircroft 8% '29 (7.46%) out-yield even the cheapest BB on genuine credit, whereas SGL FRN '30 (8.29%) is compensated largely for illiquidity (liquidity score 33 vs 74–76). The better-supported upper-B names therefore screen most favourably.
- **CCC tranche - short-dated carry, not distress:** Intrum's CCC '27 (7.08%) yields below several B-rated names; its 1.2-year maturity limits exposure ahead of repayment, making it a maturity-driven carry position rather than a yield-for-risk trade.
- **BOTTOM LINE:** Relative value favours the upper-B tranche, where yield reflects credit or sector premium rather than illiquidity - with TGS the standout at BB and short-dated CCC offering defensive carry.

Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds | 1. Includes Secured and First Lien bonds

Unsecured Nordic HY: Sector Stress Sets the Yield

From near-IG consumer names to higher-yielding real estate, credit quality sets the spread

Yield to Duration - Unsecured¹ Nordic Universe



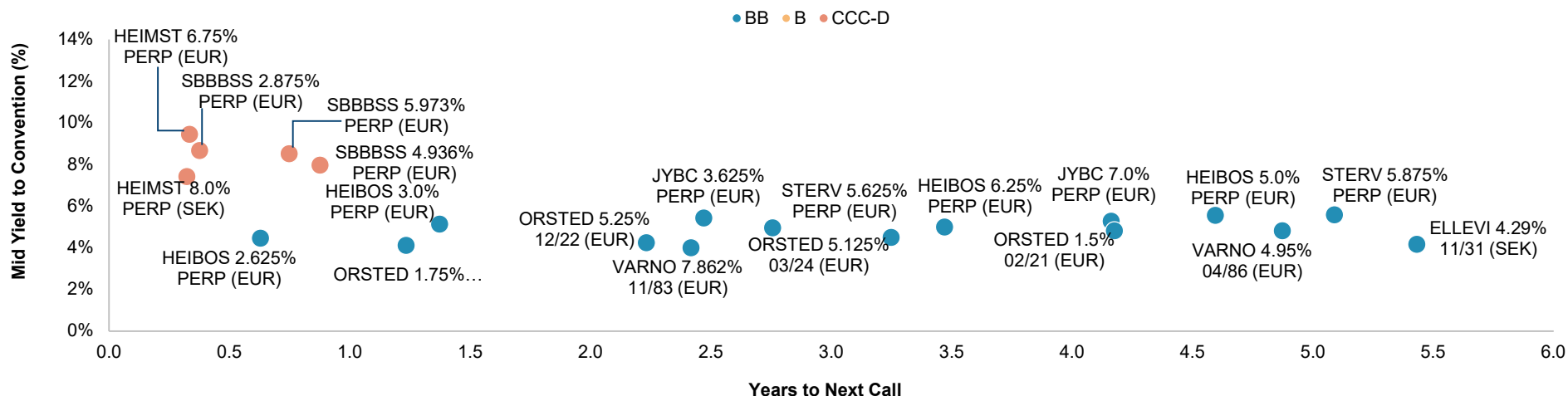
- **BB tranche - high quality, but priced tight:** Consumer credits (Volvo Car, Dometic, Finnair) yield 3.3%–5.0% on stable cash flows, with Volvo Car 2.5% '27 tightest at 3.29%. The market underwrites these unsecured on credit quality alone, but at these levels limited spread remains to capture.
- **B tranche - the more attractive segment, where the real estate premium sits:** Property issuers (SBB, Heimstaden) yield 5.5%–7.2%, a 200–350bps pickup over BB that prices sector-specific risk - elevated rates, refinancing needs, and soft valuations - rather than broad credit deterioration. Within SBB, yields rise with tenor (5.52% at ~1Y to 7.18% at ~3Y), compensating investors to extend into a recovering credit. For those able to underwrite real estate risk, this is where the carry concentrates.
- **Outliers reflect business model and currency, not maturity:** Axactor (NOK debt purchaser) is widest at 8.49% despite a sub-1.5Y maturity, compensating for business-model and currency risk. Genmab 7.25% '33 (6.55%) screens rich for a BB but reflects long tenor (~7.5Y) and USD denomination; its ~60bps over its own secured note quantifies the cost of giving up collateral.
- **BOTTOM LINE:** Yields are governed by sector, seniority, and currency rather than duration - comparable maturities diverge by more than 300bps (Volvo Car 3.96% vs SBB 7.18%, both ~3Y). With no collateral to support recovery, selection carries more weight than in the secured market: the best risk-adjusted value sits in the B real estate tranche for investors who can underwrite the sector, while BB serves capital preservation rather than carry.

Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds | 1. Includes Senior Unsecured, Senior Preferred, Senior Non-Preferred, and Unsecured bonds.

Nordic Subordinated HY: A Barbell of Quality and Distress

Issuer solvency, not subordination, splits the universe into quality hybrids and distressed names

Yield to Convention vs Years to Next Call - Subordinated¹ Nordic Universe



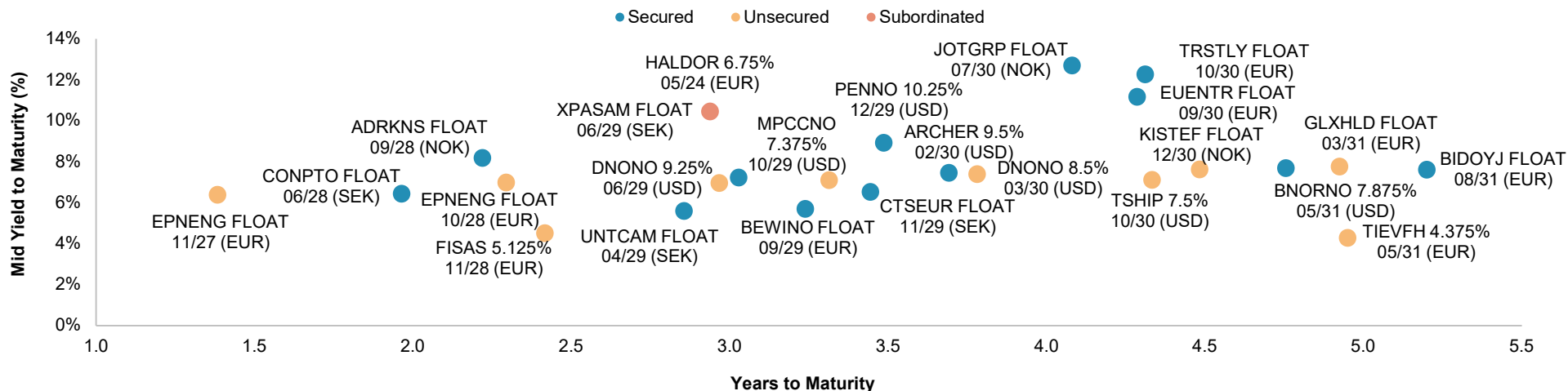
- **The subordinated universe is barbelled:** Yields separate into a tight BB band (4.0%–5.6%) and a distressed cluster (7.4%–9.5%, SBB and Heimstaden AB), with almost no single-B middle, exposure is effectively binary; IG-backed junior debt or a recovery play.
- **BB hybrids are the attractive tranche:** Ørsted, Var Energi, and Stora Enso hybrids yield 4.0%–5.6% despite their low ranking, reflecting investment-grade issuer quality. This is the efficient entry point - most of the universe's dependable carry without distressed-credit risk.
- **The high-yielders are distress pricing, not carry:** SBB (C) and Heimstaden AB (DDD) trade at 7.4%–9.5%, but as flat-trading distressed perpetuals these yields price recovery uncertainty rather than income, and warrant separate screening.
- Real estate sits at both extremes, confirming the story is name-specific. Heimstaden Bostad (BB) prices at ~4.5%–5.6% while parent Heimstaden AB (DDD) sits at 7.4% and SBB trades above 8% - same sector, same brand, yet capital-structure position drives the outcome.
- **BOTTOM LINE:** Risk-adjusted value concentrates in the BB hybrid tranche - IG issuers paying a modest premium for subordination - while the distressed cluster is a separate, event-driven exposure, not a carry proposition.

Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds | 1. Includes Senior Subordinated, Subordinated, and Junior Subordinated bonds.

Nordic Non-Rated HY: The Market Prices Each Name on Its Own

Secured yields alone span 5.6%-12.7% - issuer quality and liquidity, not payment rank, drive the gap

Yield to Duration - Non-rated Nordic Universe



- **Widest dispersion of any slice - payment rank is only a rough guide:** Secured non-rated bonds span 5.6%–12.7% (~700bps). With no rating to anchor pricing, each name trades on its own fundamentals, so rank weakly predicts yield.
- **Secured is the attractive rank where the yield is credit, not illiquidity:** Secured Trustly (12.27%) and Hawk Infinity (12.70%) out-yield unsecured Fiskars (4.52%) and DNO (7.40%), offering collateral plus higher yield. But much of that pickup is liquidity-driven (scores 30–40), so value sits in the better-traded secured names, and not the widest-yielding.
- **The tight end is ‘unrated by choice,’ not weak credit:** Fiskars (4.52%) and Tietoevry (4.28%) are large corporates that never sought a rating - yet price like crossover names. These are the capital-preservation holdings of the slice.
- **The lone subordinated name caps the range:** Haldor Topsoe's junior hybrid (10.44%) pairs the lowest capital-structure position with no rating - together commanding the widest premium.
- **BOTTOM LINE:** Secured offers the best risk-adjusted entry - collateral plus yield - once illiquidity-driven outliers are screened out; unrated-by-choice names (Fiskars, Tietoevry) anchor quality, while subordinated and thinly-traded secured paper sits at the speculative end.

Source: Bloomberg; includes USD, EUR, NOK, GBP and SEK denominated corporate bonds

The Case for Nordic High Yield; Where to Stay Cautious

A compelling HY risk-return profile, with liquidity and concentration as the key watchpoints



Why Nordic HY: The Core Case

- **Spread Premium:** Nordic HY trades ~540bps, roughly 250bps wide of US (~275bps) and Euro HY (~292bps), a structural pickup from smaller, less-liquid, often-unrated issuers, not weaker credit.
- **Lower Defaults:** First-time defaults ended 2025 at 2.6%, below Europe's 3.8% and US HY's 4.2%, and are declining even as peer markets trend higher.
- **Resilience:** Short duration and floating coupons cushioned the 2022 drawdown far better than fixed-rate US/Euro HY, and Nordic returned over 11.8% in 2024 without a risk-on rally.
- **Deeper Market:** issuer count roughly tripled (7 to 22) from 2019 to 2025 alongside a broadening sector and rating mix - a wider, more investable opportunity set under-covered versus US and Euro HY.



Risks and What to Watch

- **Stress Liquidity Risk:** In a smaller, partly unrated market, liquidity can evaporate quickly during risk-off periods. The 2020 shock saw several Nordic HY bonds fall ~25%, underscoring the importance of disciplined position sizing and rigorous name selection.
- **Refinancing Wall:** Heavy 2026-2028 maturity schedule plus a large ~24% perpetual/hybrid tail leaves the market sensitive to funding conditions and rate moves.
- **Sector and Name Concentration:** Real estate and energy remain large weights, and distressed credits (e.g. SBB, Heimstaden AB, Intrum) sit in the index - screen them out rather than chasing headline yield.
- **FX and Entry Point:** Most bonds are EUR/NOK/SEK, so hedging costs erode the pickup for some investors, and spreads are already tight by historical standards - selectivity beats broad exposure here.

Source: Pareto Securities Nordic Bond Market Q1 2026; Nordic Trustee Corporate Bond Market Report 2025; DNB Asset Management; Bloomberg; ICE BofA via FRED. For information and screening purposes only; not investment advice or a recommendation to buy or sell any security.