

Q3 2019

# Credit Market Monitor

MULTI-ASSET CREDIT TEAM

**E|V|M**

An Eaton Vance Company



## Important information and disclosure

The views expressed in this update are those of the Eaton Vance Multi-Asset Credit Team and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance fund. Eaton Vance does not provide legal or tax advice. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness. Individuals should consult their own legal and tax counsel as to matters discussed.



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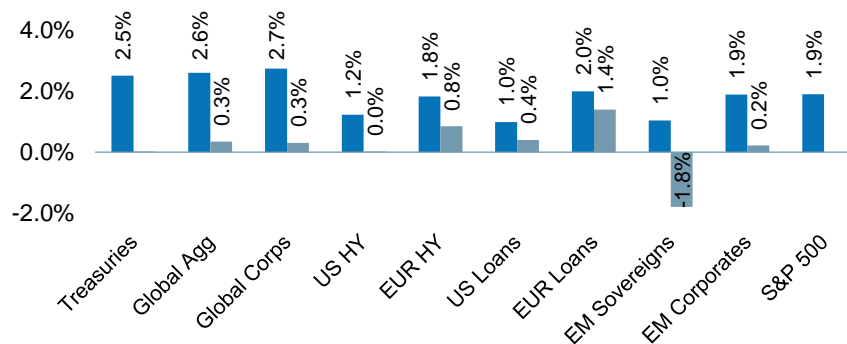


## Interest rate duration drives strong total returns in income markets in Q3

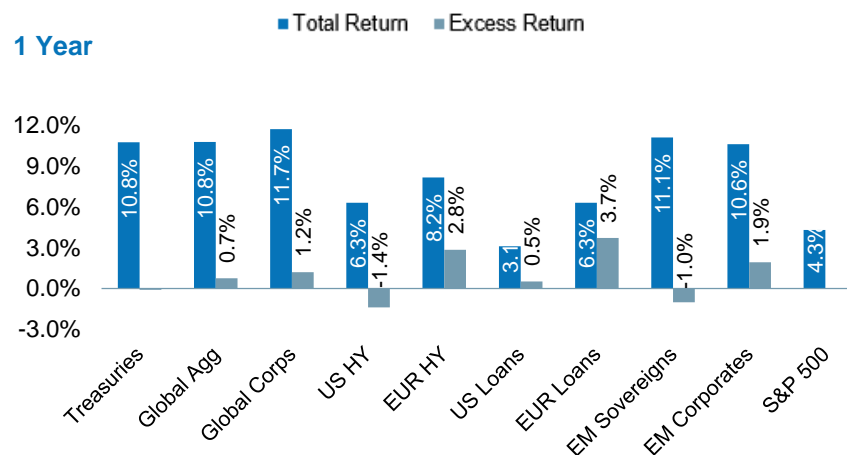
### Market Review

- Geopolitical headlines dominated Q3 2019
  - Potential impeachment proceedings in the US
  - Attack on Saudi oil facility
  - British PM ruled to have broken the law
  - Trade tensions rumble on
- Government bond yields fell precipitously and credit spreads tighten across most markets....
- .... as policy rates moved lower in the US and Europe, while the ECB announces more asset purchases
- Income markets continue to have an excellent year, with BB-rated credit performing particularly well within high-yield markets
- Default rates and distress ratios remained below historic averages across leveraged credit markets
- Issues in Argentina lead EM sovereign spreads to widen during the quarter

### 3 Months



### 1 Year



Source: ICE Data Indices, S&P LSTA, Bloomberg, as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Excess returns for a bond is the total return percentage of that bond minus the total return percentage of a risk-matched basket of government bonds. The excess return of an Index is equal to the average of its constituent security excess returns, weighted by their full market values as of the beginning of the period. Distress ratios measures the % of a high-yield index trading with a credit spread of greater than 1000bps, or the proportion of a floating-rate loan index trading with a price below \$80 (or equivalent currency). Indices used are ICE BofAML US Treasury Index (GOQ0), ICE BofAML Global Broad Market Index (GBMI), ICE BofAML Global Corporate Index (GOBC), ICE BofAML US High Yield Index (HOA0), ICE BofAML European Currency Developed Markets High Yield Excluding Subordinated Financials Constrained Index (HPSD), S&P LSTA Leveraged Loan Index (LLI), S&P LSTA European Leveraged Loan Index (ELLI), ICE BofAML Emerging Markets External Sovereign Index (EMGB), ICE BofAML Emerging Markets Corporate Plus Index (EMCB) and the S&P 500. Please see end of this presentation for important additional information and disclosures.



## Current Positioning



## Multi-Asset Credit Team Representative Allocation

	Underweight	Neutral	Overweight	
<b>Floating-Rate Loans</b>	◆			<b>Current Views on Asset Class</b> <ul style="list-style-type: none"> <li>No material changes to floating-rate loan allocation during the quarter</li> <li>Despite finding compelling opportunities away from leveraged credit markets, we see increasing value in the floating-rate loans market</li> </ul>
<b>High Yield Corporate Bonds</b>	◆			
<b>Securitized</b>			◆	
<b>EM Bonds</b>			◆	
<b>Cash</b>		◆		
<b>Other</b>			◆	
				<ul style="list-style-type: none"> <li>No material changes to high-yield allocation during the quarter</li> <li>Preference for single-B rated credit over BB-rated credit. The latter is approaching its historic lows from a credit spread perspective in Europe and the US</li> </ul>
				<ul style="list-style-type: none"> <li>Maintain a material overweight to securitized credit</li> <li>Increased allocation to Collateralized Loan Obligations (CLOs) during the quarter</li> <li>Positive view on select CMBS opportunities</li> </ul>
				<ul style="list-style-type: none"> <li>Adjusted positioning in this part of the portfolio, while maintaining an overweight with a strong positive view on a handful of sovereign issuers</li> </ul>
				<ul style="list-style-type: none"> <li>Used as source of liquidity for when value opportunities arise</li> </ul>
				<ul style="list-style-type: none"> <li>Maintain small allocation to BBB-rated investment grade corporate bonds</li> <li>Select exposure to corporate hybrids</li> </ul>

Source: Eaton Vance, September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Weighting is considered relative to a blended benchmark that is 50% ICE BofAML Developed Markets High Yield ex Subordinated Financial Index – Hedged USD (HYDF) and 50% S&P/LSTA Leveraged Loan Index. “Underweight” implies a holding more than 3% lower than the benchmark, while “overweight” implies a holding of more than 3% higher than the benchmark. Neutral implies that the strategy is neither overweight or underweight. Please see end of this presentation for important additional information and disclosures

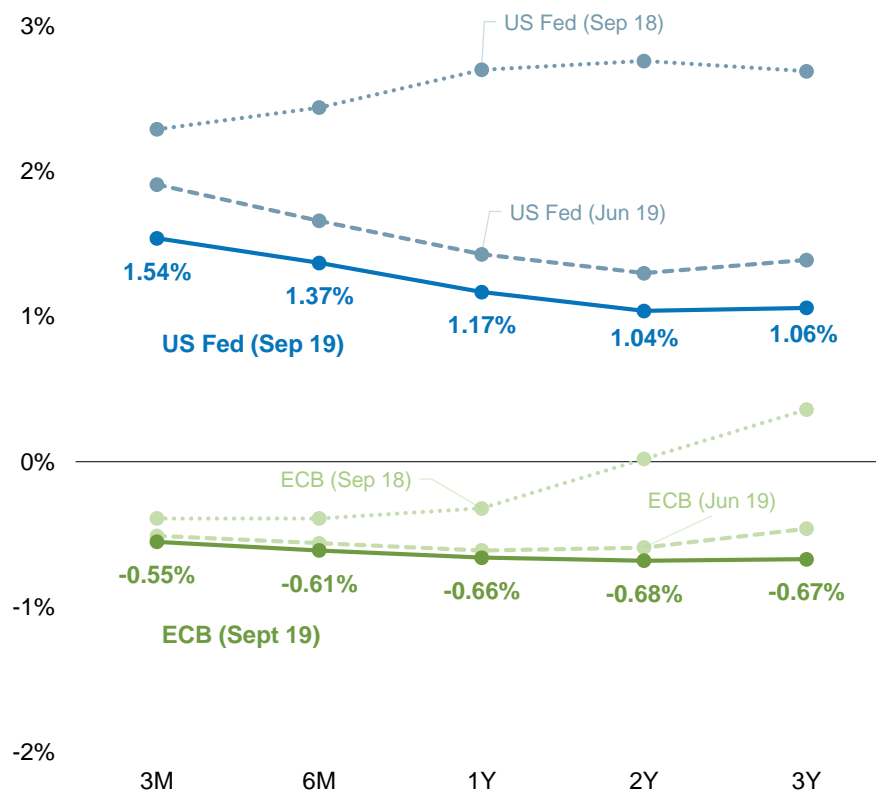


## Outlook and our current thinking

### Outlook

- Deciphering the impact of a swelling geopolitical storm remains challenging
- Central bankers are likely to remain as a very strong safety net for global economies and the financial markets (see chart)...
- ... but we remain focused on leveraged credit fundamentals and valuations as the key drivers of long-term returns
- The outlook for high-yield bonds versus floating-rate loans looks more finely balanced than it has all year
- If emerging market bonds continue to exhibit heightened volatility, it will present further opportunities for investors with diligent country selection
- We continue to find attractive opportunities in securitized credit markets, with CLOs offering compelling valuations relative to traditional corporate credit markets

### Market now expecting a materially lower future path of interest rates





## Macro Views

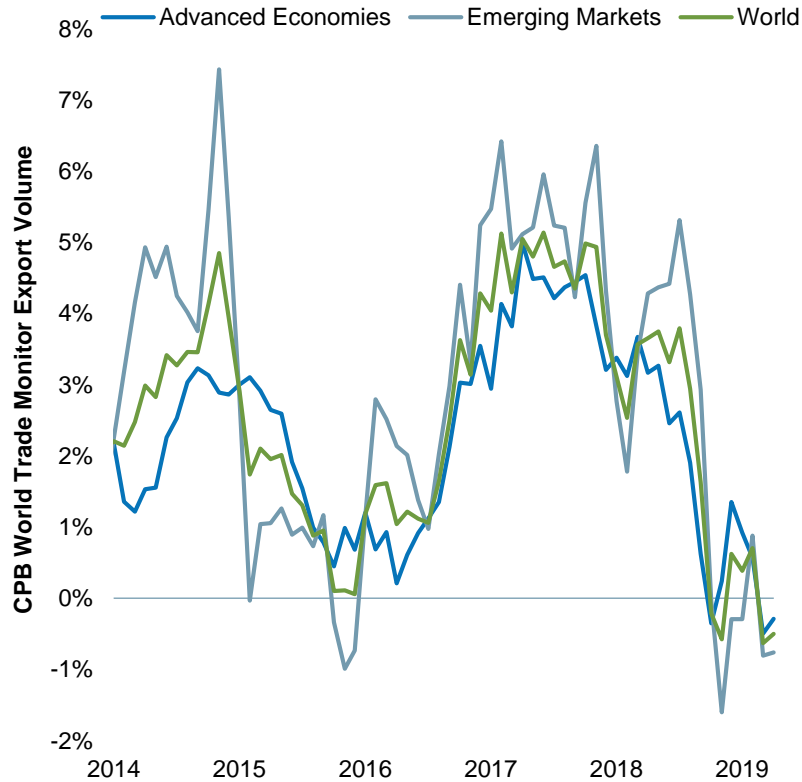
*Some positives amidst  
the noisy headlines*



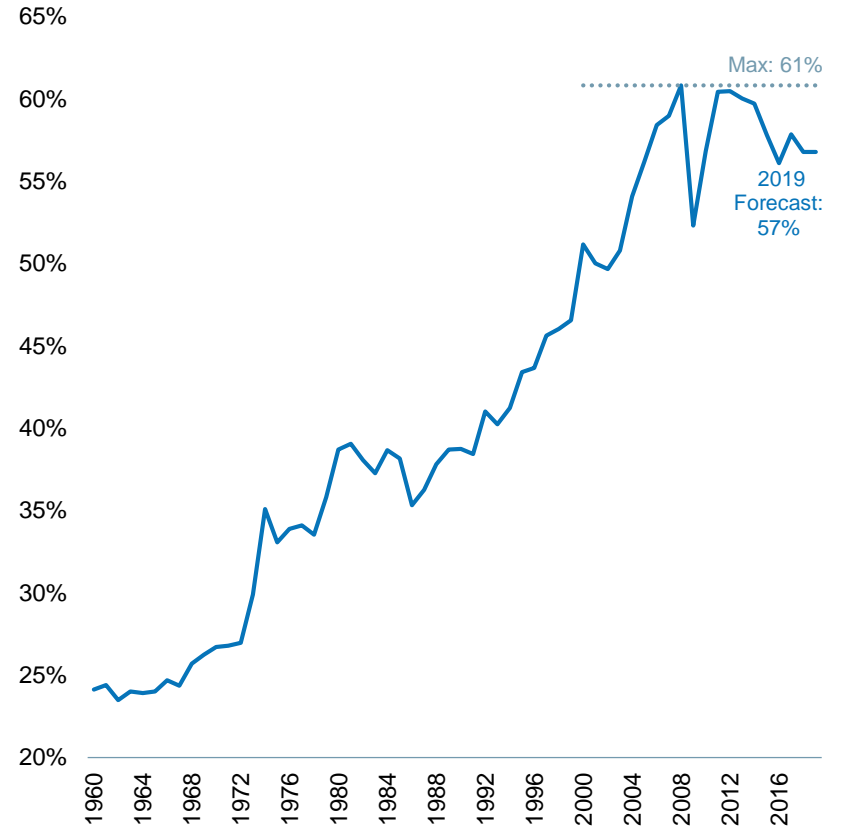


# Trade wars are having a clear impact on global growth outlook...

## Export Volume



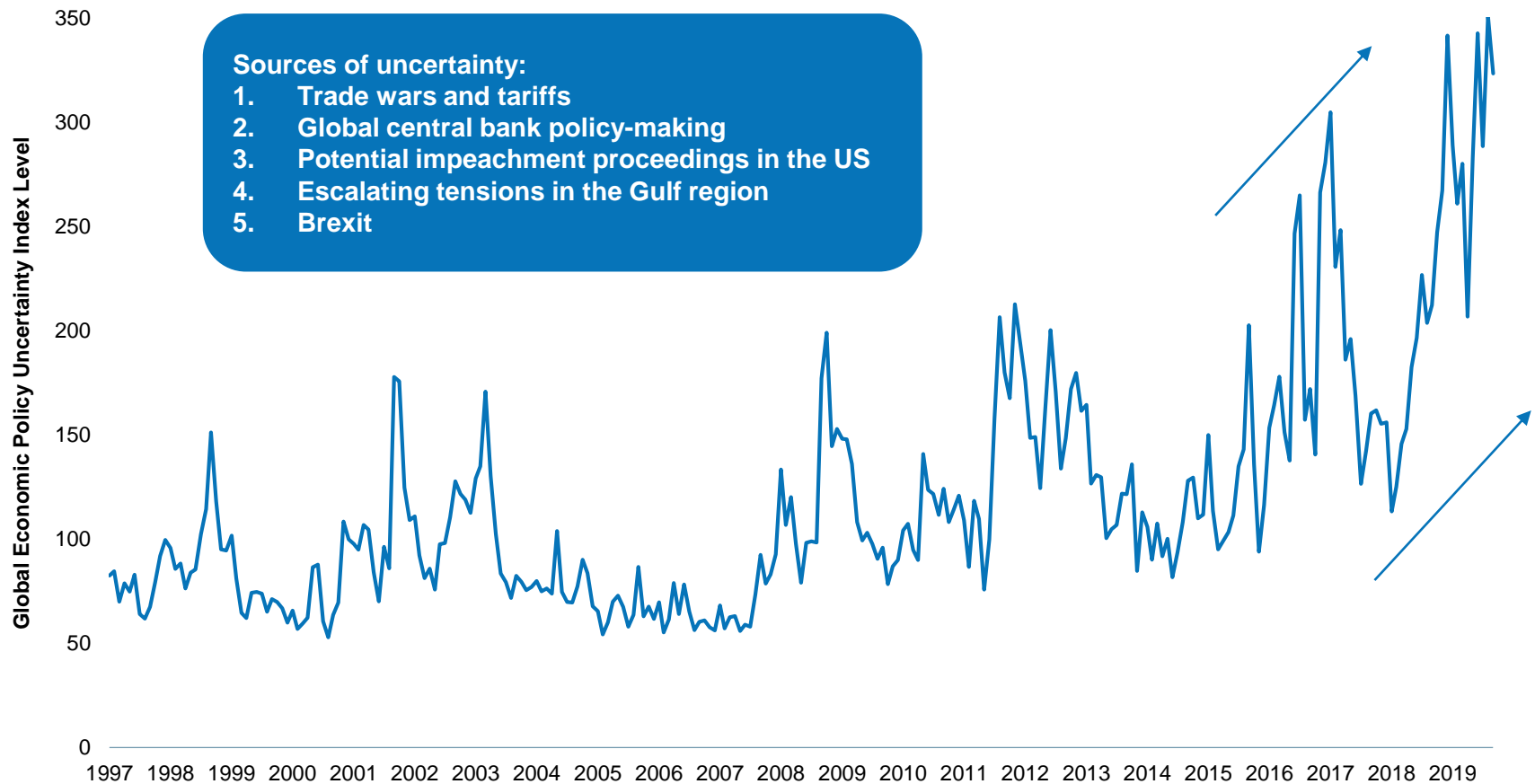
## Global Trade as a % of GDP



Source: Macrobond, Deutsche Bank, Haver, Klasing and Milionis. Trade monitor export data as of July 31, 2019. Global trade data as of December 31, 2018. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Published by the CPB Netherlands Bureau for Economic Policy Analysis, the trade monitor data measures the 3-month moving average year-over-year change of world trade export volume.



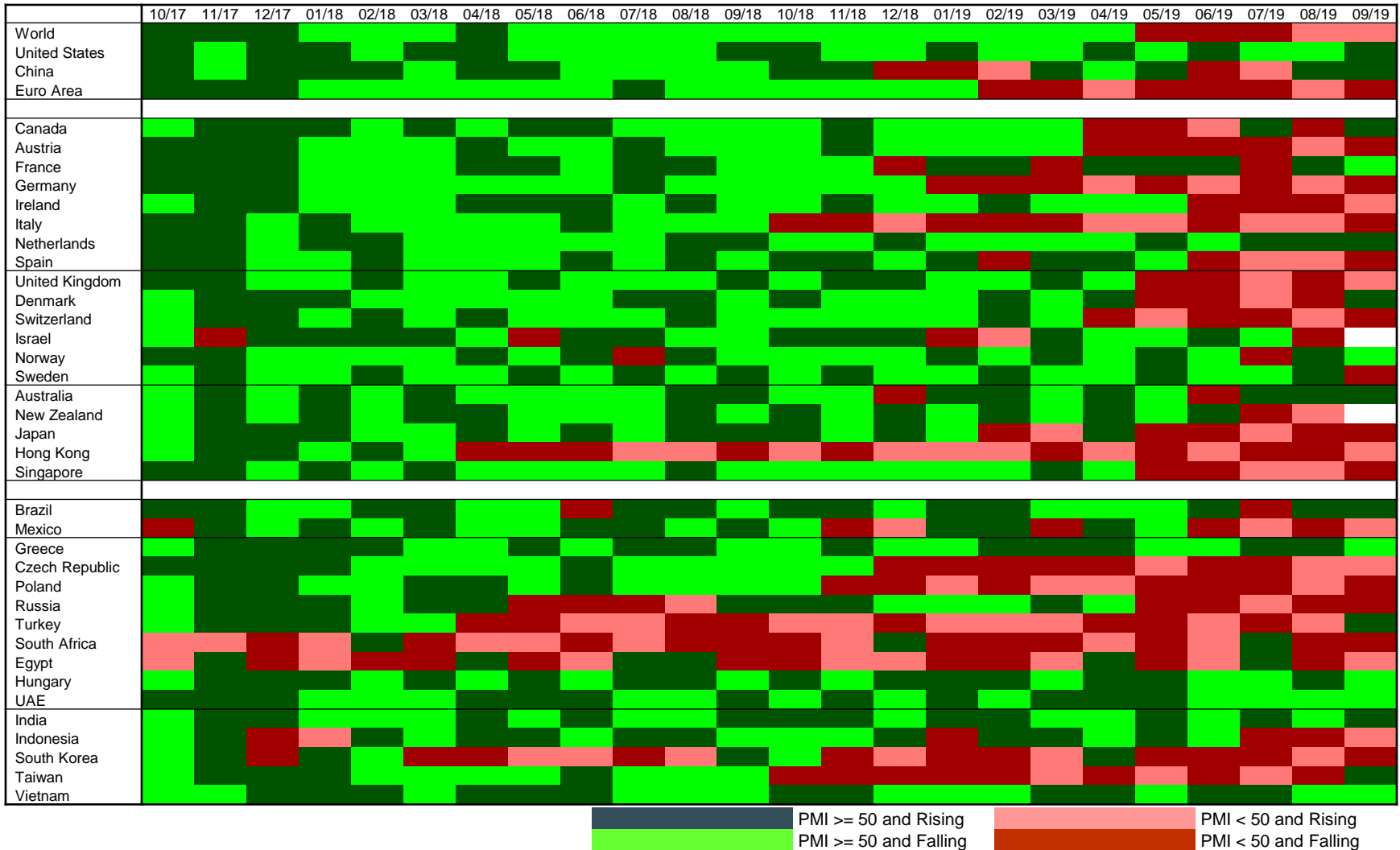
...which is driving the high levels of economic policy uncertainty



Source: Economic Policy Uncertainty as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. The GEPU Index is a PPP-adjusted, GDP-weighted average of national EPU indices for 20 countries. Each national EPU Index is renormalized to a mean of 100 from 1997 to 2015 before calculating the Global EPU Index.



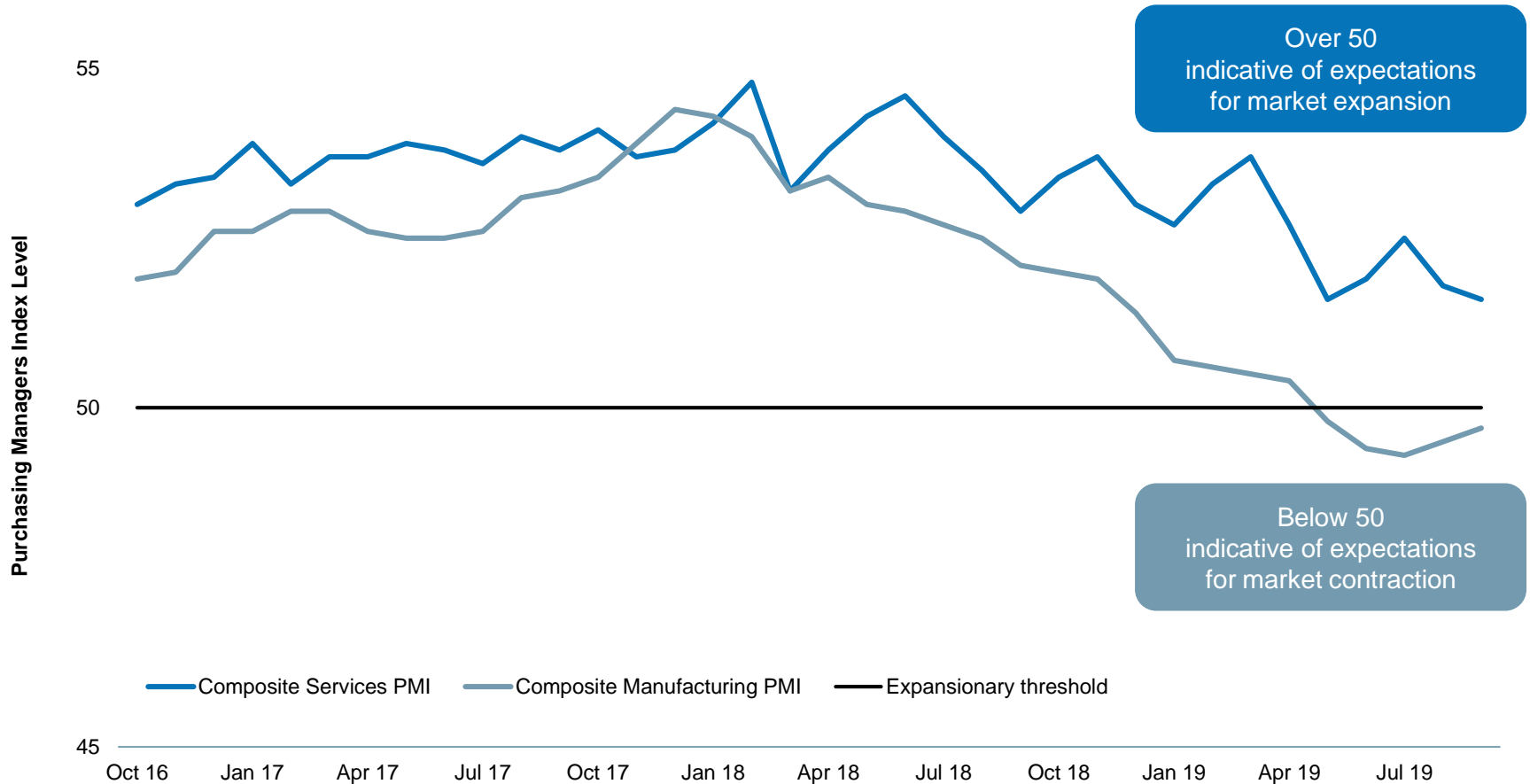
## PMIs – manufacturing data painting a negative picture in many places



Source: Macrobond as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing sector. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. If monthly data is not available, boxes are left empty.



## PMIs – services data paints a more positive picture

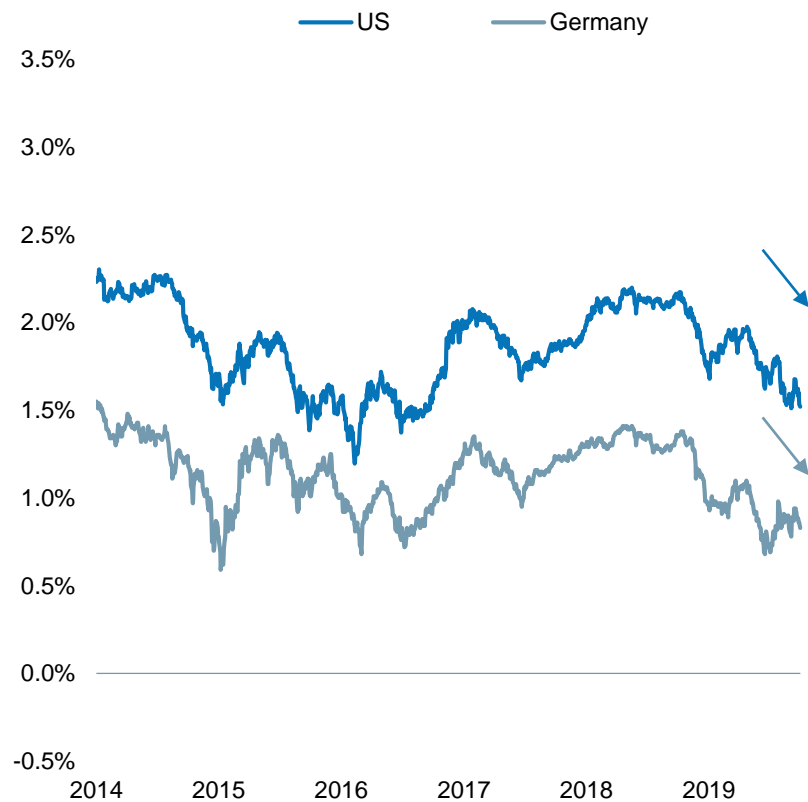


Source: Macrobond as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and services sector. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting.

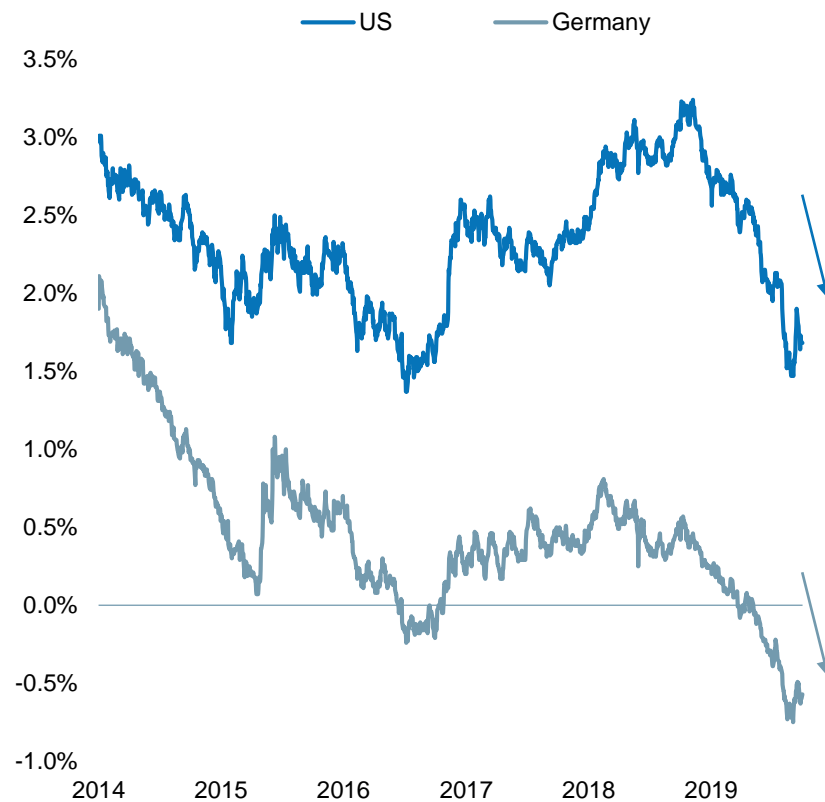


# Government bond yields fall with no signs of inflationary pressure...

10-Year Inflation Breakeven Inflation Rates



10-Year Nominal Government Bond Yields

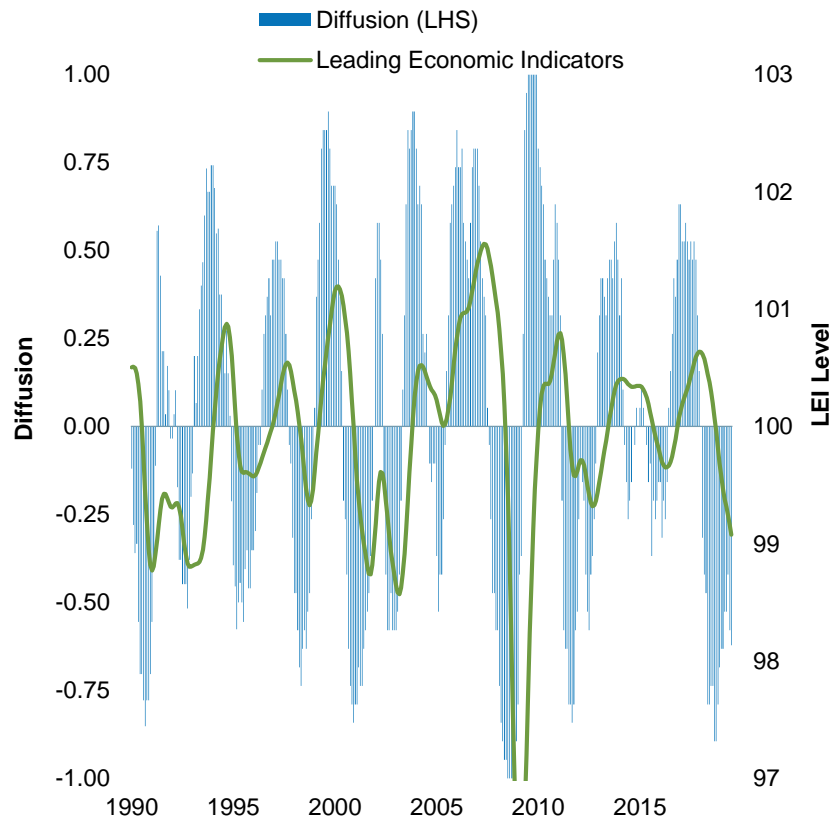


Source: Macrobond. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Breakeven inflation rates measure the difference between the yield of a nominal bond and a comparable-maturity inflation-linked bond and are reflective of market expectations for inflation.

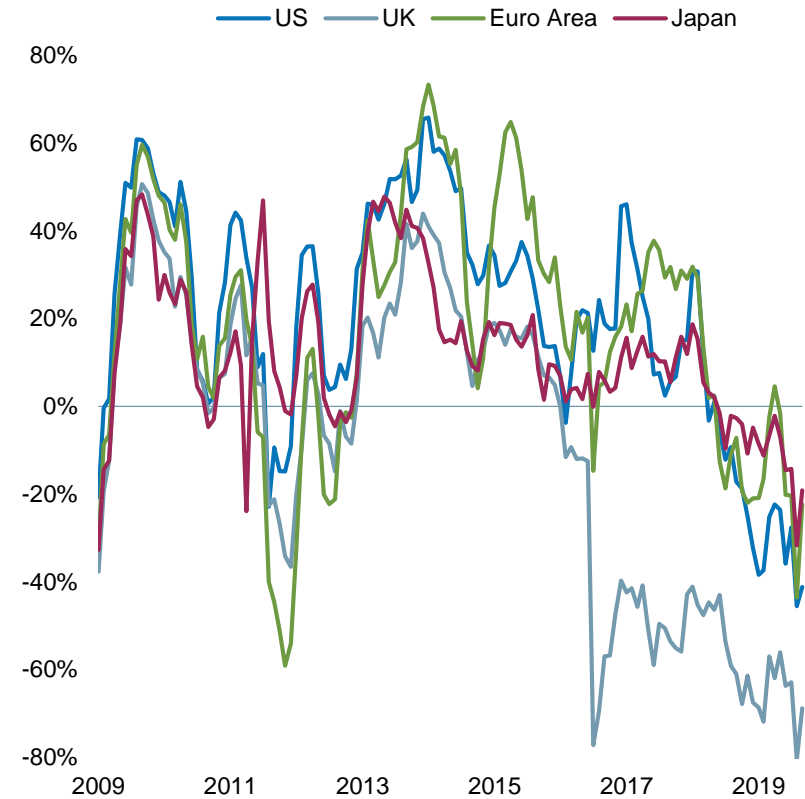


## ... as measures of economic expectations stay negative

### OECD Leading Indicators



### Economic Expectations

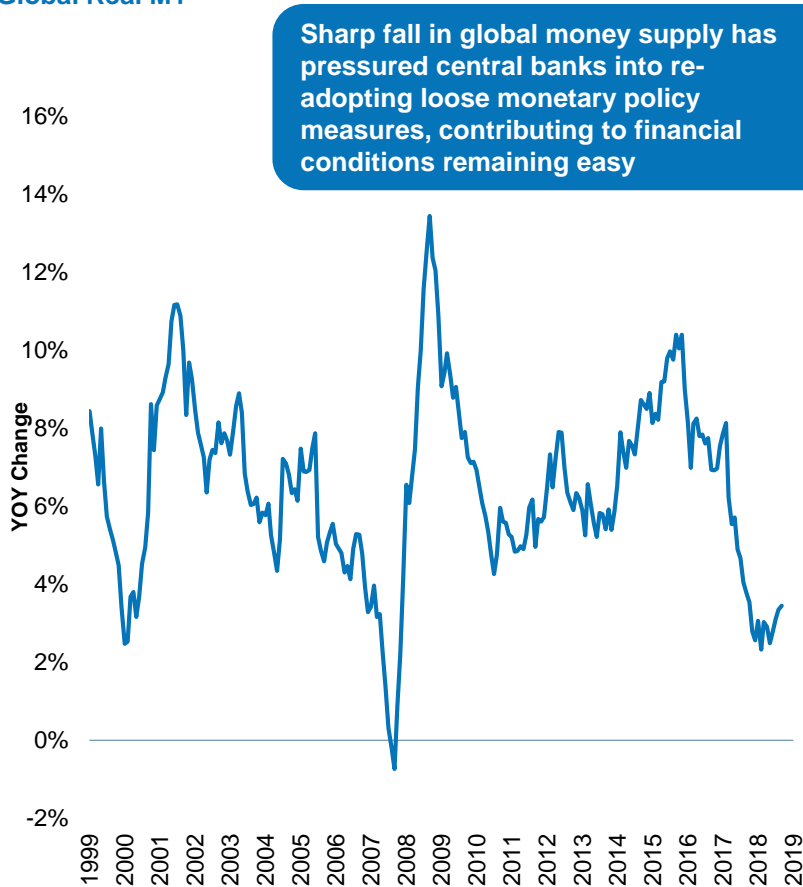


Source: Macrobond. Leading economic indicators data as of July 31, 2019. Economic expectations data as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Leading economic indicators provide signs of turning points in business cycles historically. Diffusion measures the percentage of OECD countries where leading indicators are increasing versus decreasing.

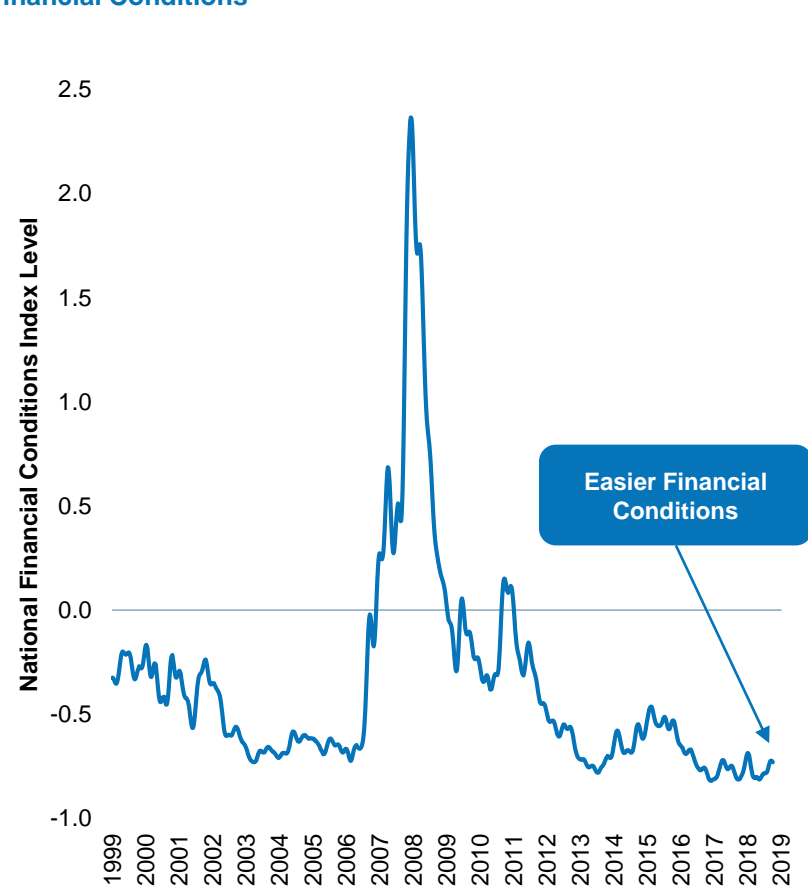


# Growth in money supply bottoms while financial conditions stay loose

Global Real M1



Financial Conditions

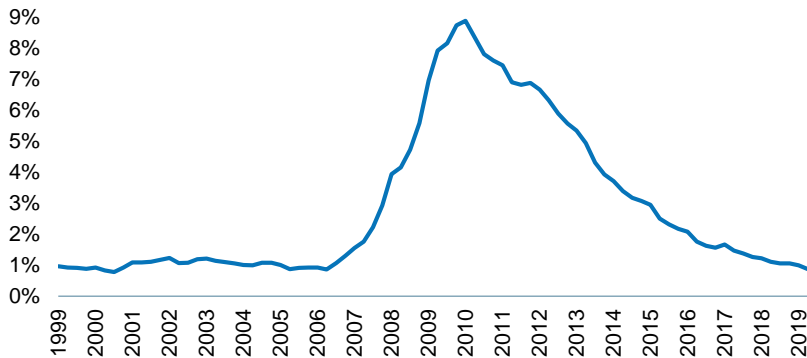


Sources: Macrobond. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Global Real M1 data as of August 31, 2019. Financial conditions as of September 30, 2019. M1 measures money supply as it includes the most liquid portions of the money supply, including currency and assets quickly converted to cash.



# The US consumer still looks much stronger than 2007 / 2008...

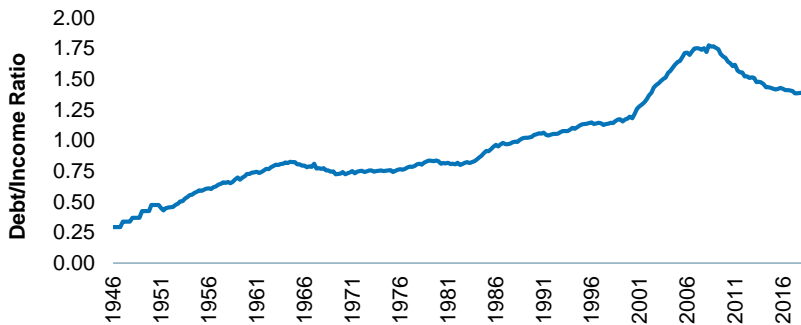
**U.S. Residential Mortgage 90+ Day Delinquent Rates**



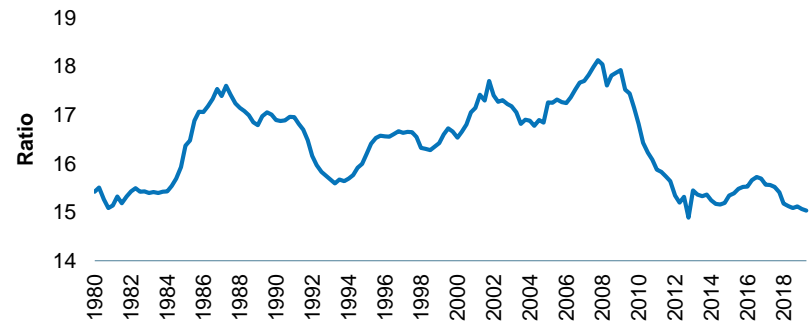
**Subprime Mortgage Originations**



**Household Debt/Income**



**Financial Obligation Ratios**



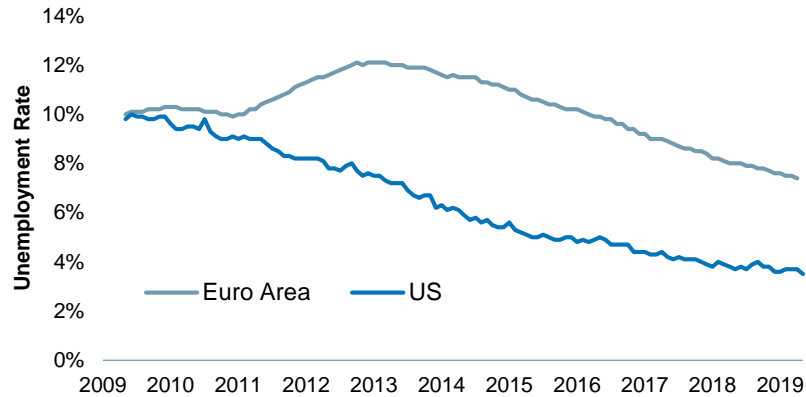
Source: Macrobond. As of June 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Subprime borrower defined as having a FICO score below 659.



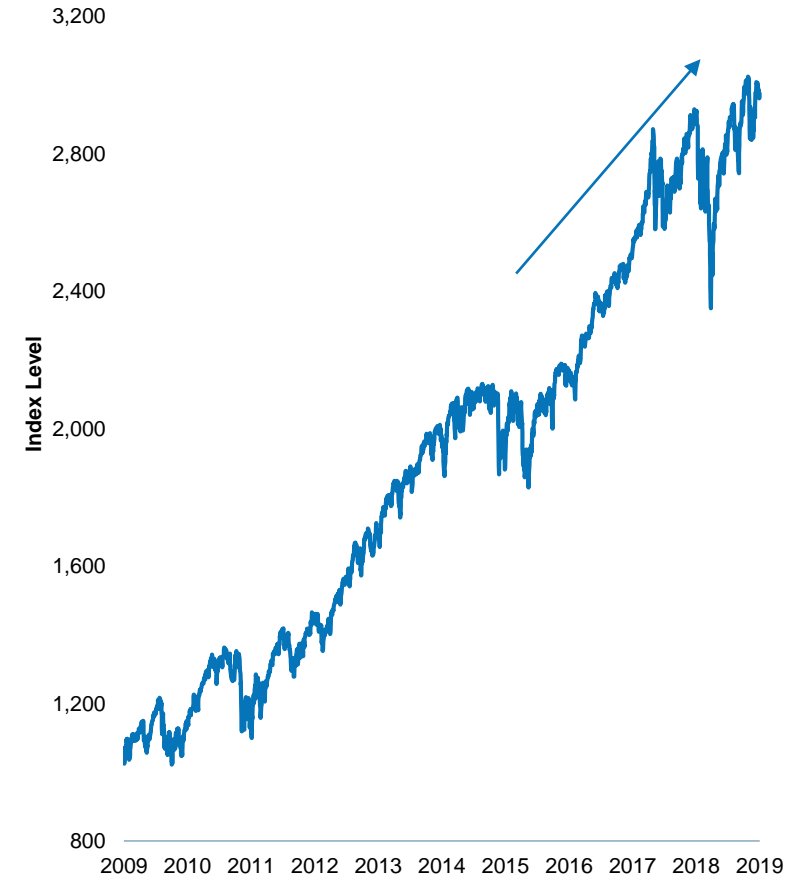


## ... while labor and equity markets continue to paint a positive picture

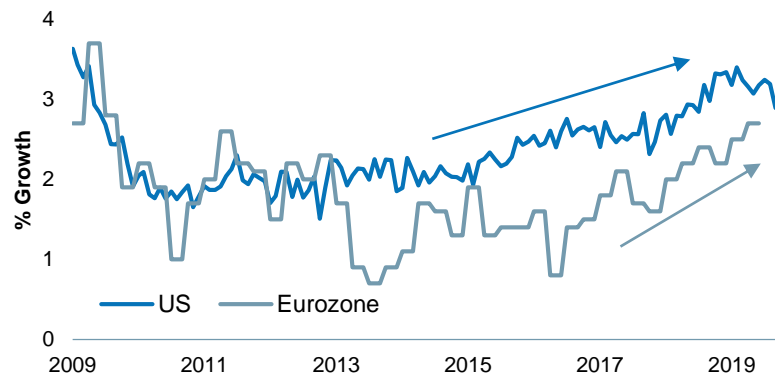
Unemployment Rate



S&P 500® Price Return



Average Hourly Earnings



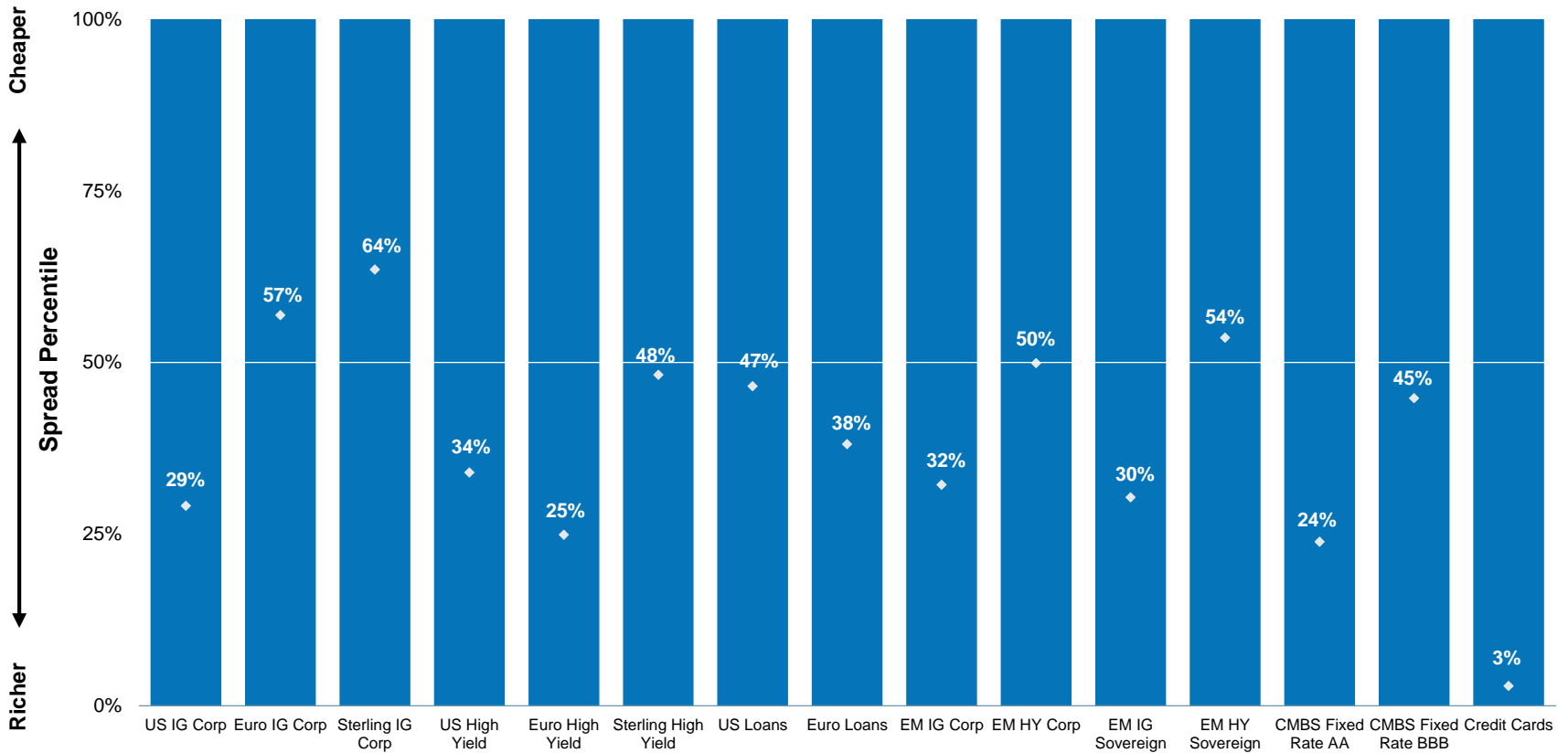
Source: Macrobond. Unemployment rates as of September 30, 2019. US average hourly earnings data as of September 30, 2019. Eurozone average hourly earnings data as of June 30, 2019. S&P 500® price return data as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.



# Valuations



## Credit spreads in leveraged credit remain tighter than historic averages

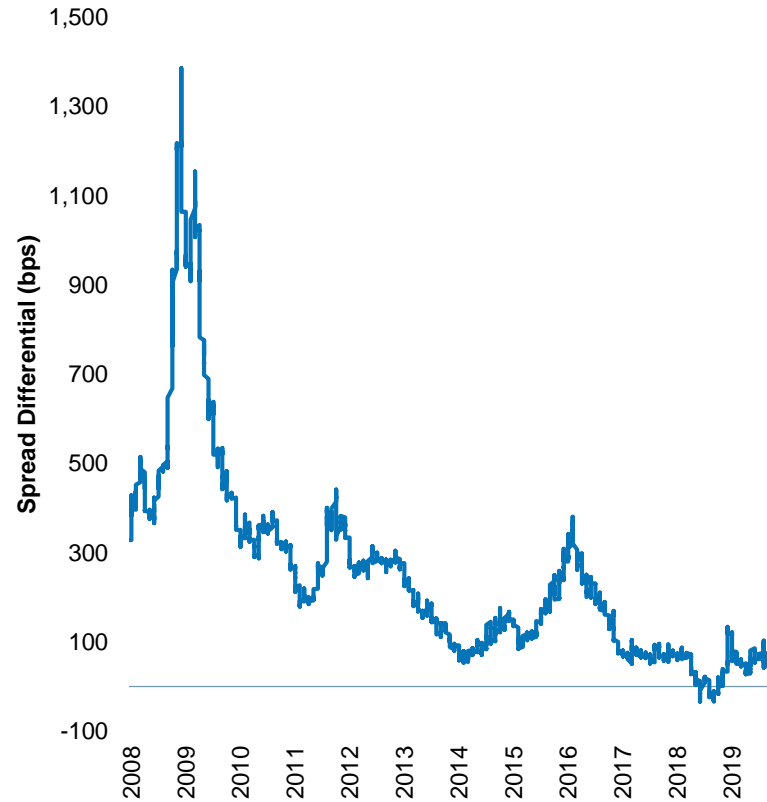


Source: ICE Data Indices, LLC, LCD, an offering of S&P Global Market Intelligence, J.P. Morgan as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. US IG Corp represented by ICE BofAML U.S. Corporate 1 – 10 year Index. Euro IG Corp represented by ICE BofAML Euro Corporate 1 – 10 year Index. Sterling IG Corp represented by ICE BofAML Sterling Corporate 1 – 10 year Index. US High Yield represented by ICE BofAML US High Yield Index. Euro High Yield represented by ICE BofAML Euro High Yield Index. Sterling High Yield represented by ICE BofAML Sterling High Yield Index. US Loans represented by S&P/LSTA Leveraged Loan Index. Euro Loans represented by S&P European Leveraged Loan Index. EM IG Corp and EM HY Corp represented by J.P. Morgan Corp. EM Bond Index (CEMBI) Broad Diversified. EM IG Sov and EM HY Sovereign represented by J.P. Morgan EM Bond Index (EMBI) Global Diversified. CMBS Fixed Rate AAA represented by ICE BofAML 7-10 Year AA US Fixed Rate CMBS Index. CMBS Fixed Rate BBB represented by ICE BofAML 7-10 Year BBB US Fixed Rate CMBS Index. Credit Card ABS represented by ICE BofAML US Fixed Rate Credit Card Asset Backed Securities Index.



# EM corporates are tight while sovereigns present some opportunities...

US High Yield – EMBI Spread Differential



EM Corp. Spread Over Sovereign (CEMBI)



EM Corp. Spread Over Sovereign

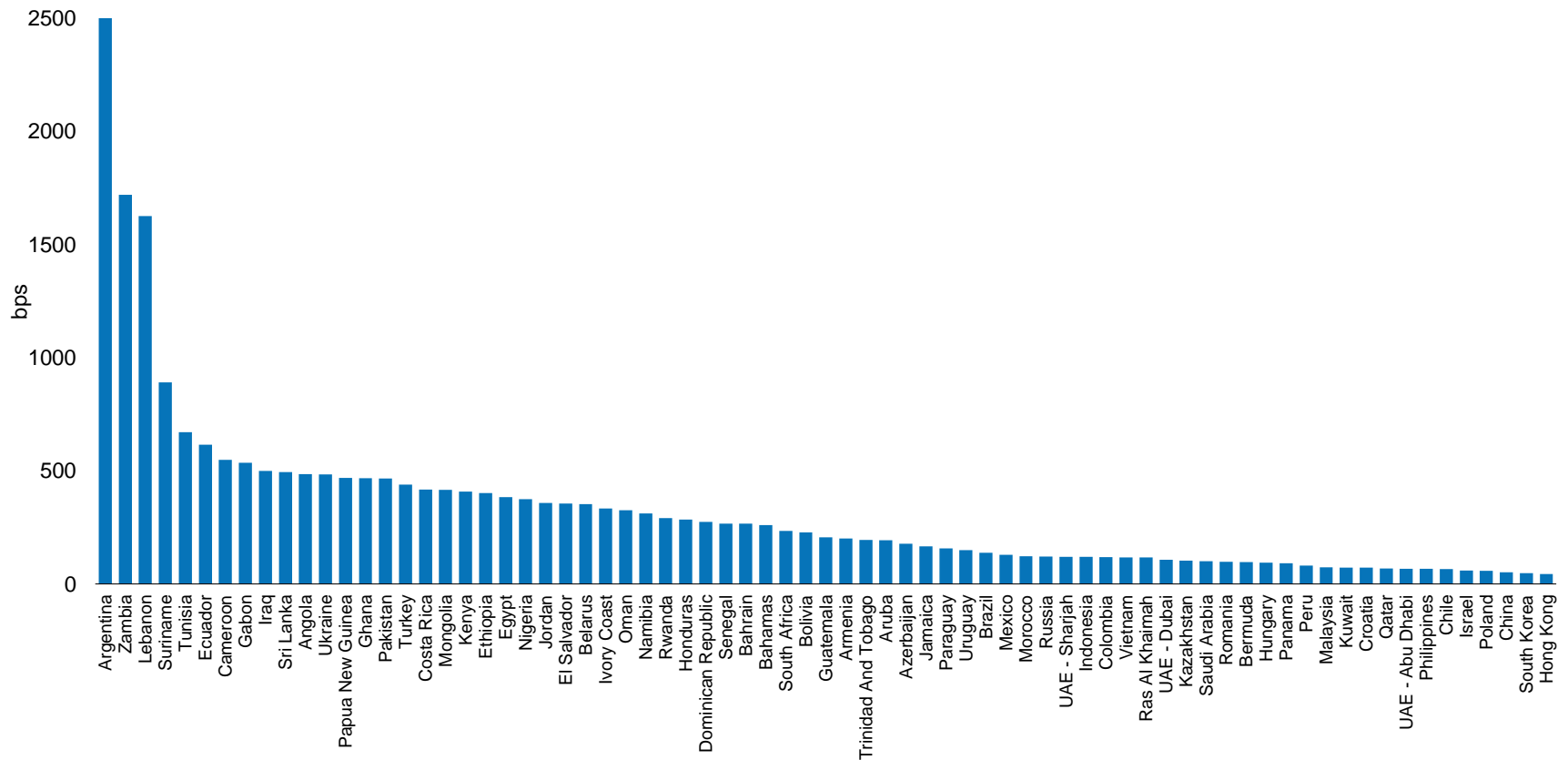
Max	271
75th	192
50th	164
25th	133
Min	79
Average	165
Last	81
Last Rank	2%

Source: ICE Data Indices, LLC, J.P. Morgan and Eaton Vance. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. US High Yield represented by ICE BofAML US High Yield Index. EM Corp Spreads Over Sovereign are modeled five year par equivalent spreads allowing for like for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities.



...however, country selection remains crucial amid wide dispersion

### 5-Year EM Sovereign Credit Spreads

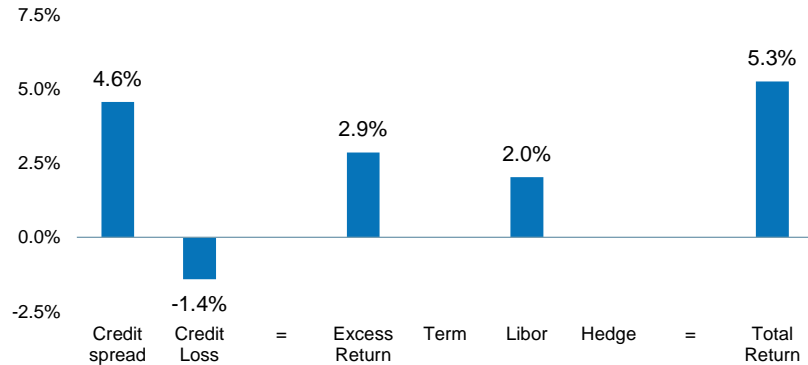


Source: Eaton Vance proprietary data and calculations at September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. All spreads are modeled five year par equivalent spreads allowing for like comparisons across countries and time. This differs from EMBI data which is comprised of discount and premium bonds with different maturities.

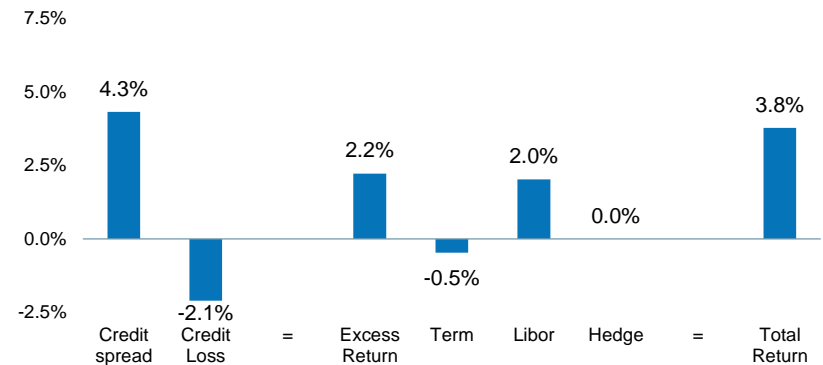


# 5-year forward-looking views: European high-yield prospects look better than US high-yield

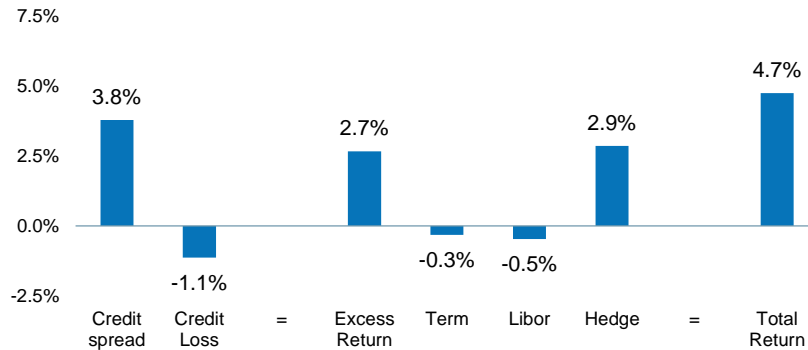
**Decomposition of US Loan Expected Returns**



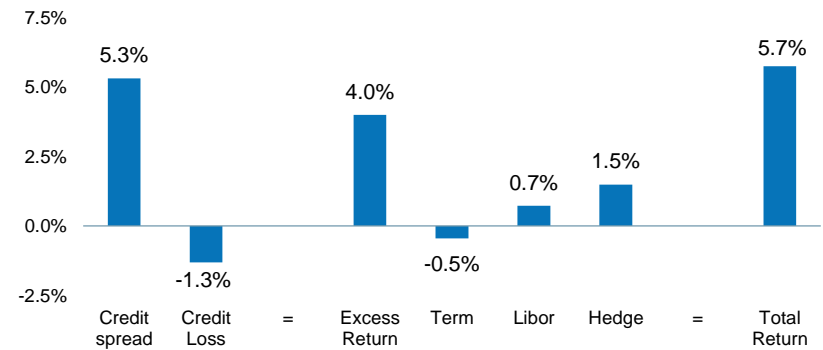
**Decomposition of US High Yield Expected Returns**



**Decomposition of Euro High Yield Expected Returns**



**Decomposition of GBP High Yield Expected Returns**

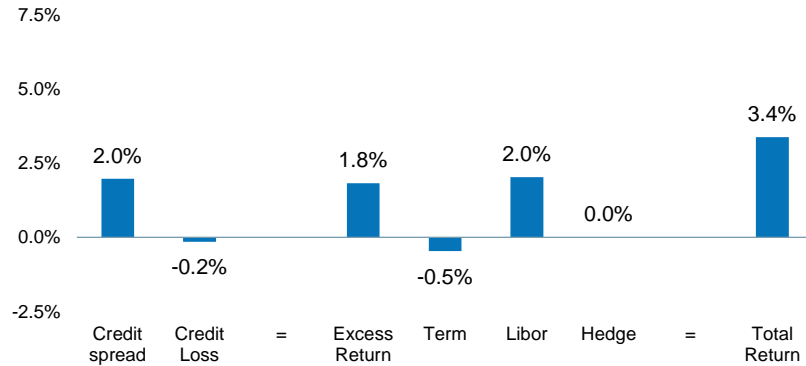


Source: Eaton Vance. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Simulated performance is for illustrative purposes only, and does not represent the actual returns of any investor/investment, and should not be considered or used for investment purposes. Investments are subject to loss. Simulated performance has been constructed based on the historical default and recovery rates in the various asset classes and Eaton Vance's assumptions of what future defaults and recoveries could be in a base, bull, bear scenario. Forecasts are based on index-level assumptions and do not make allowances for active management.

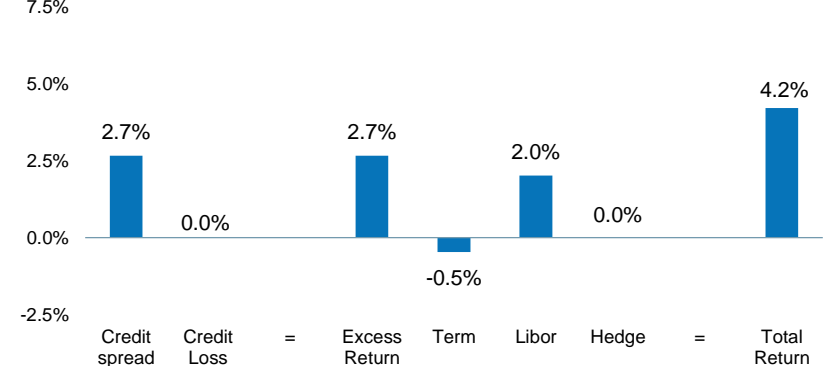


# 5-year forward-looking views: High-yield emerging market sovereigns look attractive

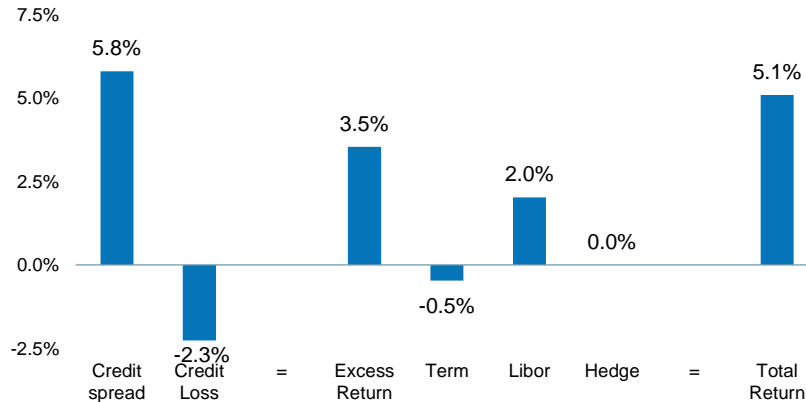
**Decomposition of EM IG Sovereign Expected Returns**



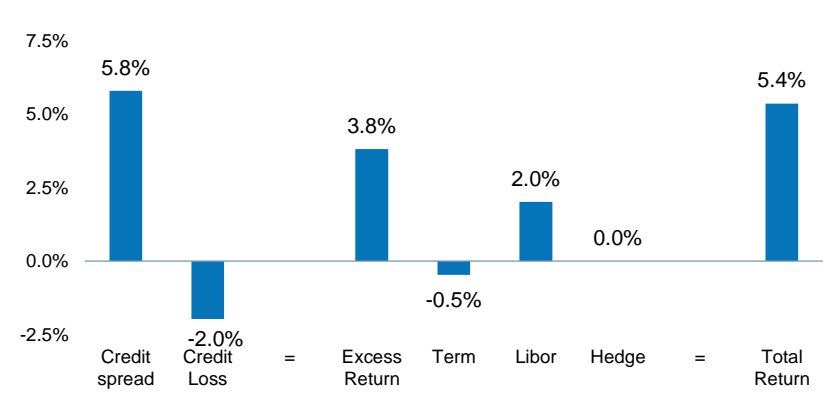
**Decomposition of CMBS (BBB) Expected Returns**



**Decomposition of EM HY Corp Expected Returns**



**Decomposition of EM HY Sovereign Expected Returns**

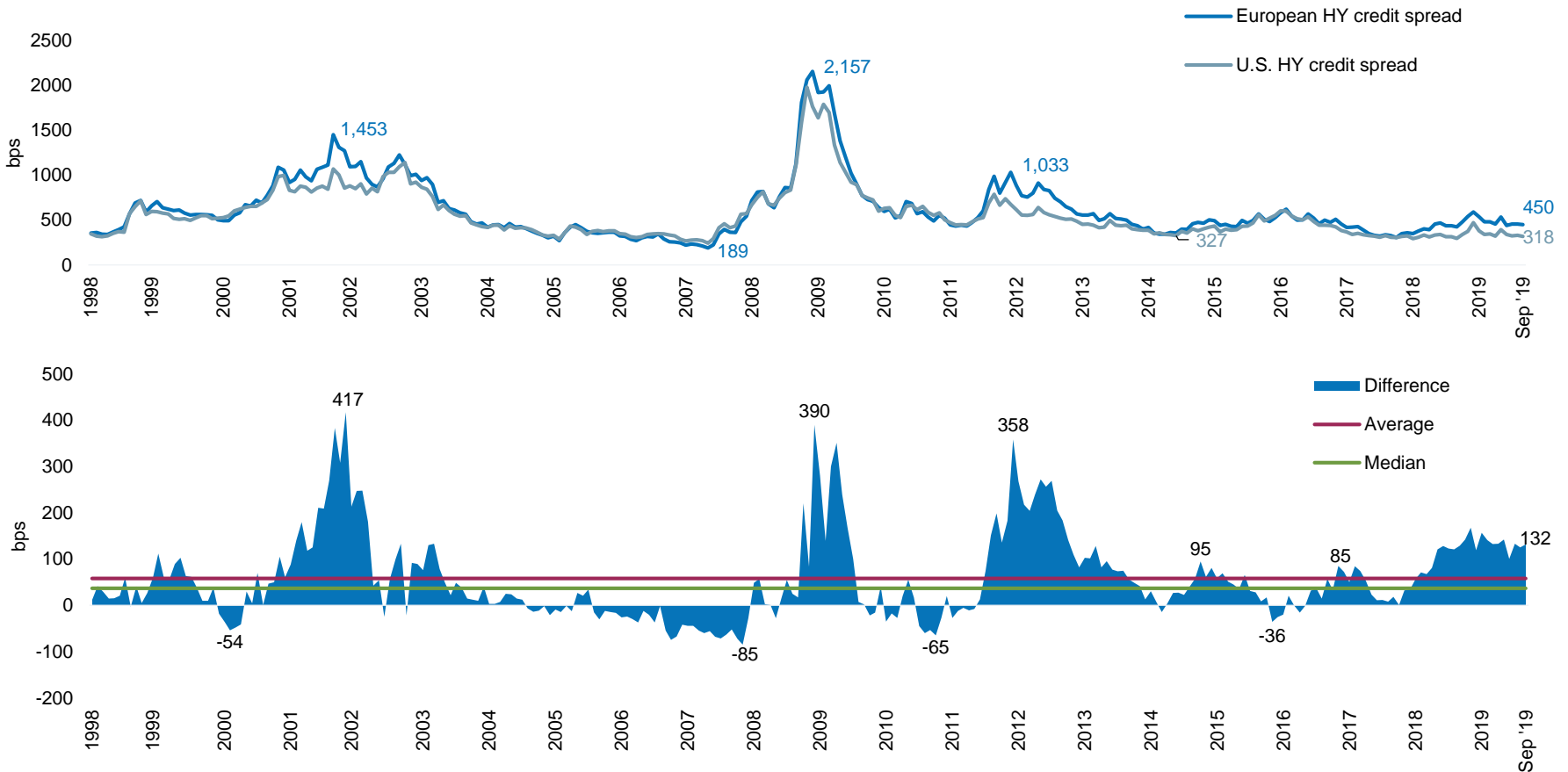


Source: Eaton Vance. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Simulated performance is for illustrative purposes only, and does not represent the actual returns of any investor/investment, and should not be considered or used for investment purposes. Investments are subject to loss. Simulated performance has been constructed based on the historical default and recovery rates in the various asset classes and Eaton Vance's assumptions of what future defaults and recoveries could be in a base, bull, bear scenario. Forecasts are based on index-level assumptions and do not make allowances for active management.



# Relative value continues to favor European high-yield bonds

Like-for-like comparison of credit spreads in European and US markets

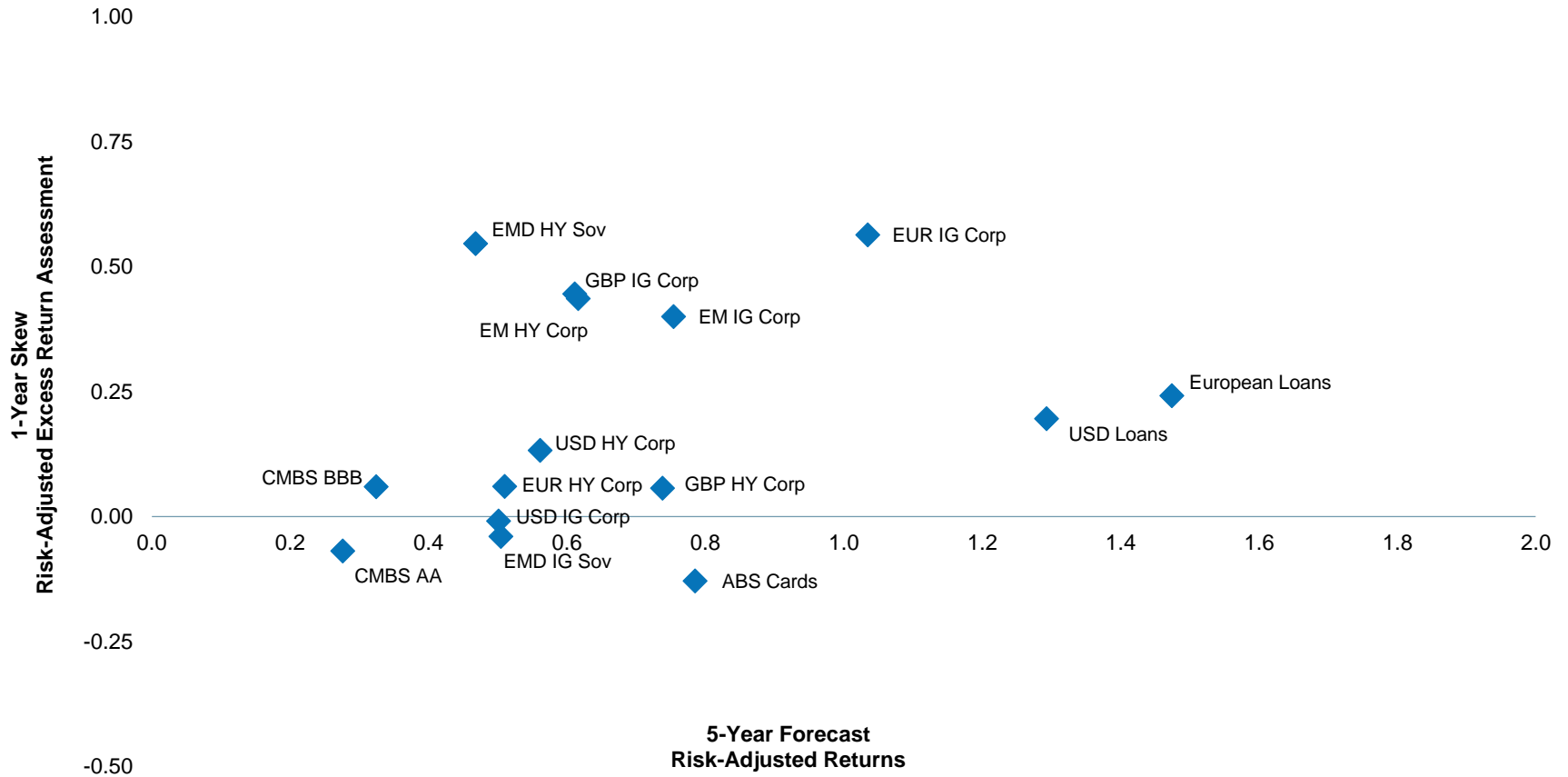


Source: Eaton Vance, ICE Data Indices LLC. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. US and European High Yield Spread data is option-adjusted, ratings-normalized, and excludes energy and commodities.





# Skew finely balanced in leveraged credit with EM offering opportunities



Source: Eaton Vance, LCD, an offering of S&P Global Market Intelligence, and ICE Data Indices, LLC. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Please see slide 20 for the indices used.

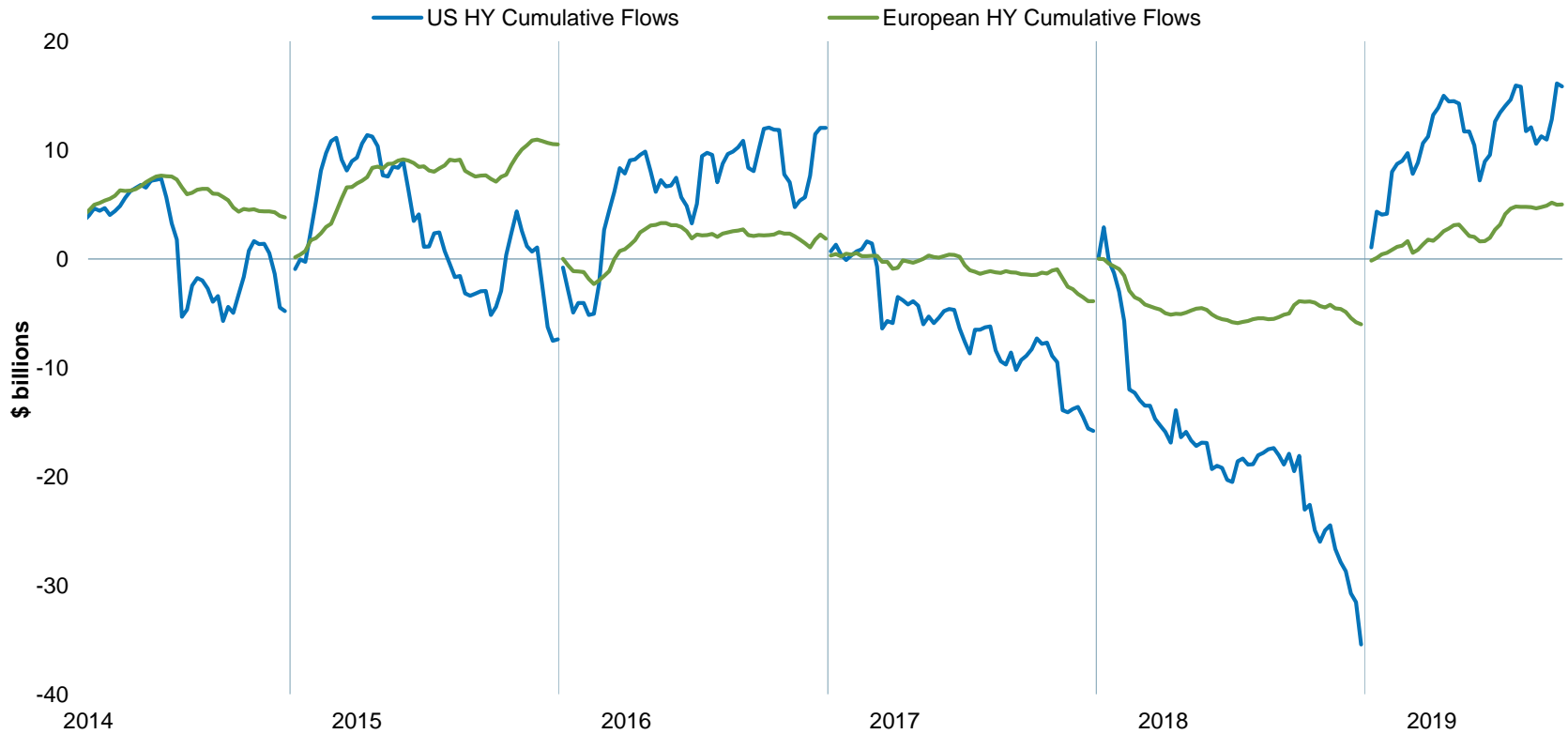


# Corporate Credit



# The pace of high-yield fund inflows rebounded sharply in Q3

Cumulative US and European High Yield Flows

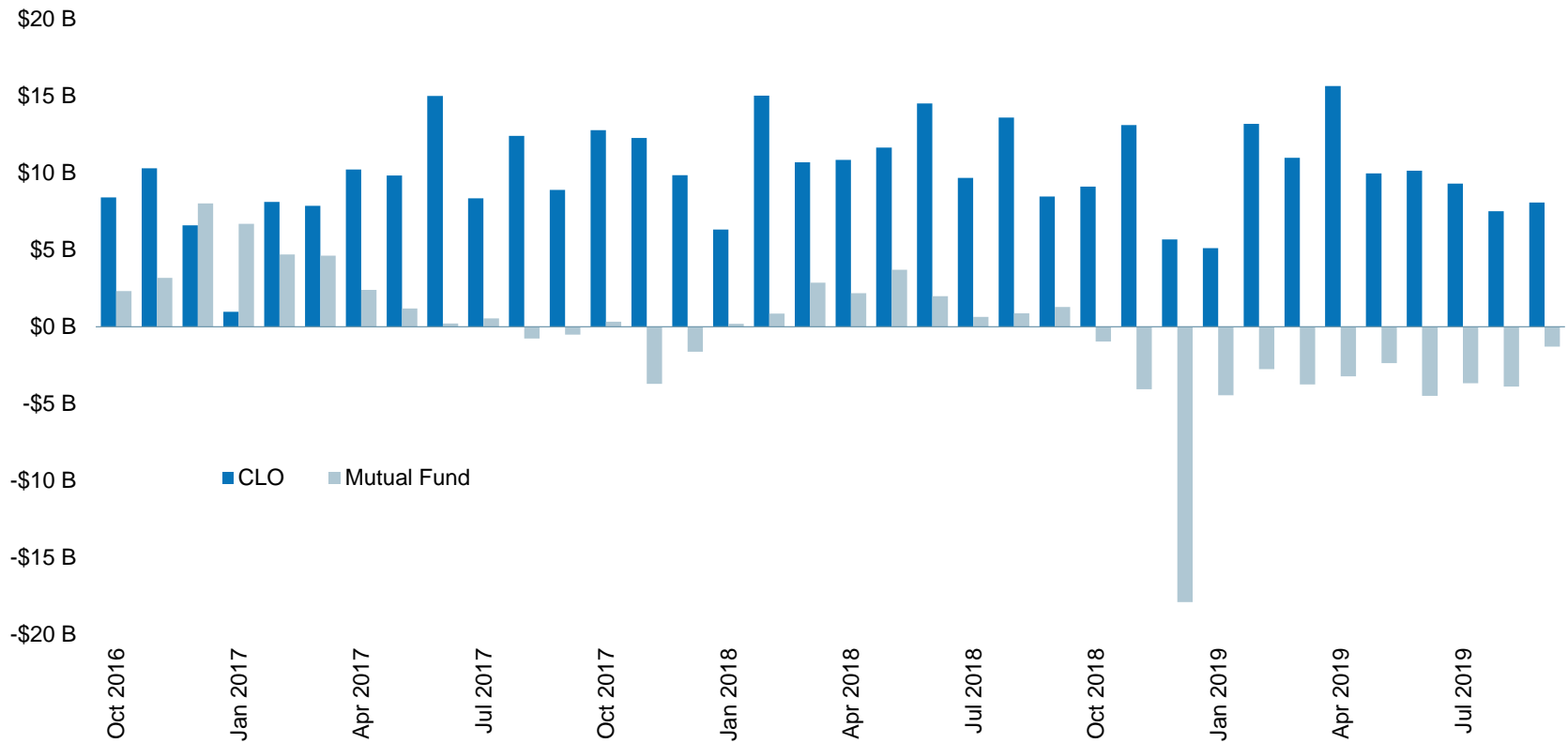


Sources: J.P. Morgan and Lipper as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.



# Outside of CLOs, demand for loans remains much weaker than in 2018

Monthly CLO Volume and Loan Flows

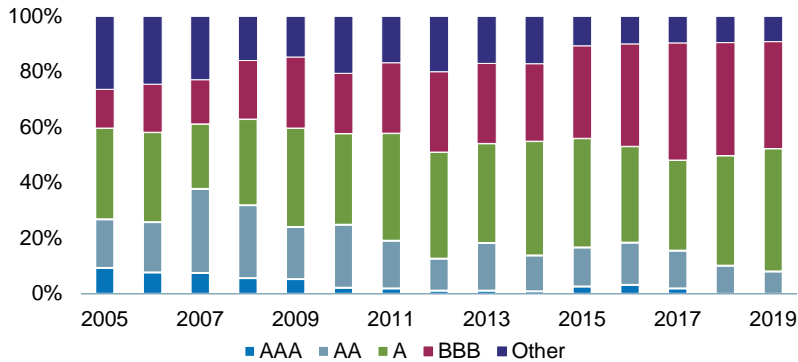


Source: LCD, an offering of S&P Global Market Intelligence as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

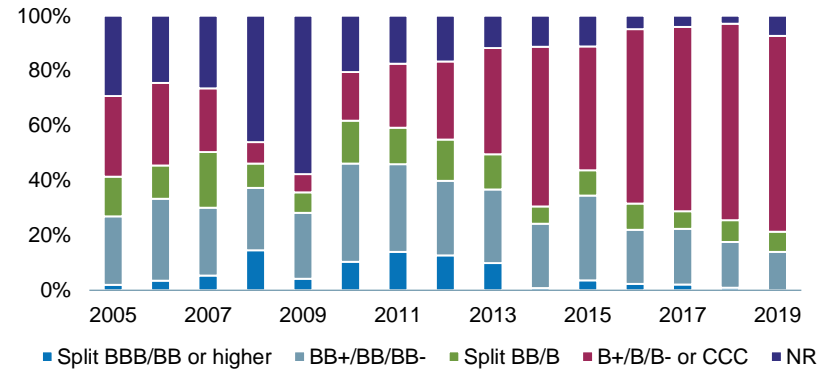


# Quality of primary issuance deviates between loan and bond markets

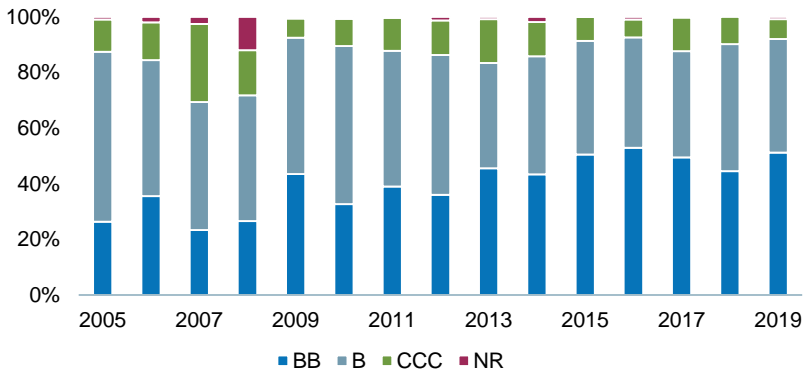
## US Investment Grade



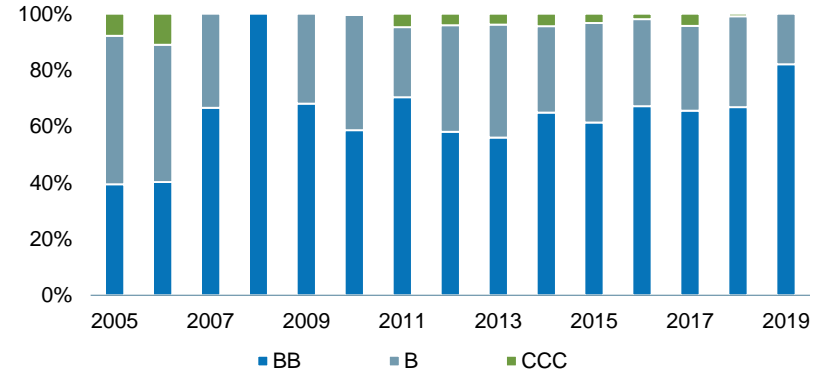
## Leveraged Loans



## US High Yield



## Euro High Yield

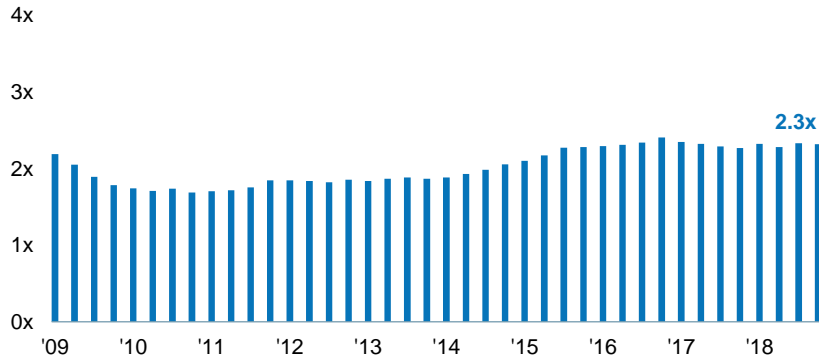


Sources: Dealogic, Bondradar, Morgan Stanley, LCD, an offering of S&P Global Market Intelligence, as of September 30, 2019. Euro High Yield data as of June 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

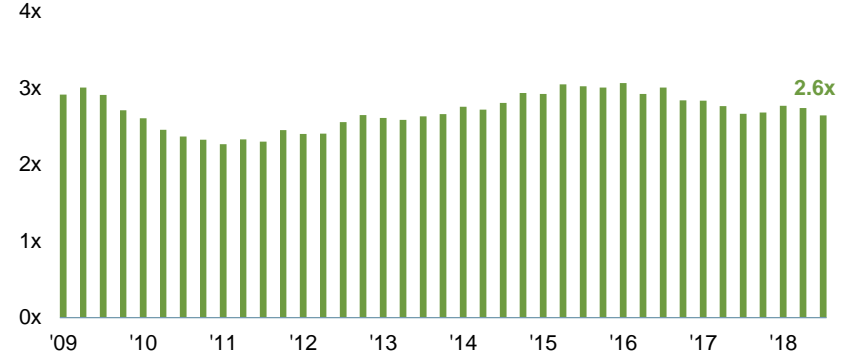


# Investment grade fundamentals remain steady in the US and Europe

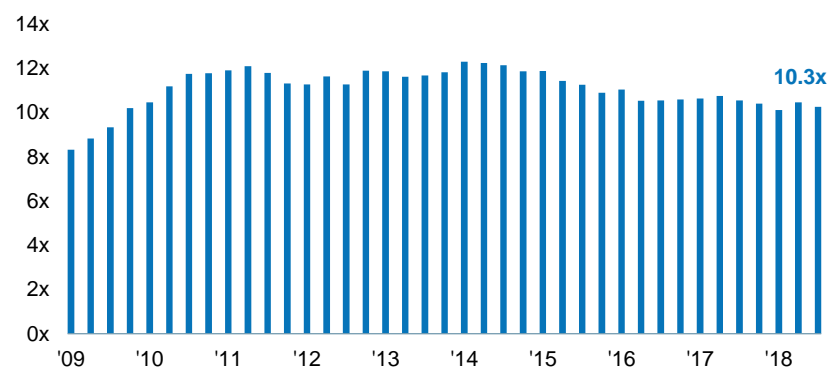
US Investment Grade Gross Leverage



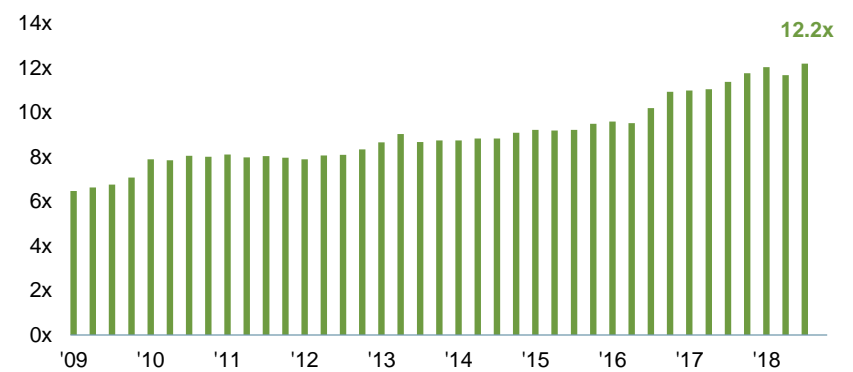
European Investment Grade Gross Leverage



US Investment Grade Interest Coverage



European Investment Grade Interest Coverage

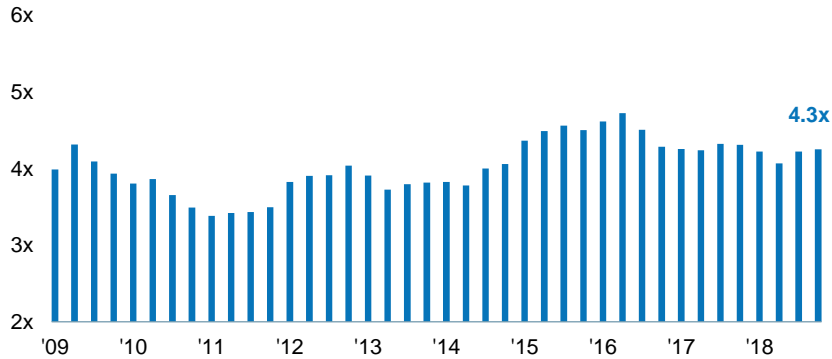


Sources: Morgan Stanley. US data as of Q2 2019, European data as of Q1 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

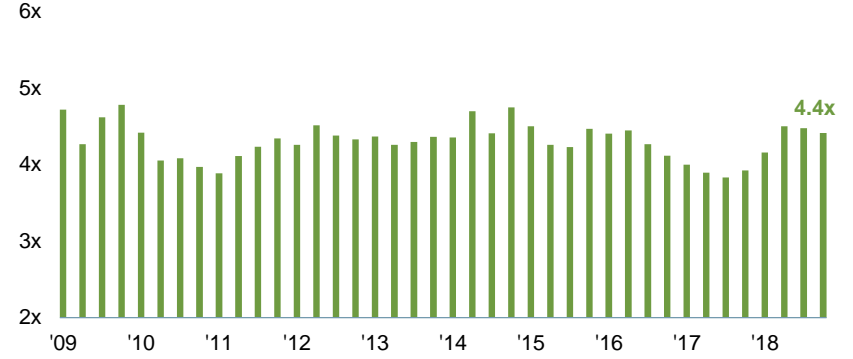


# High-yield fundamentals resilient in the face of economic headwinds

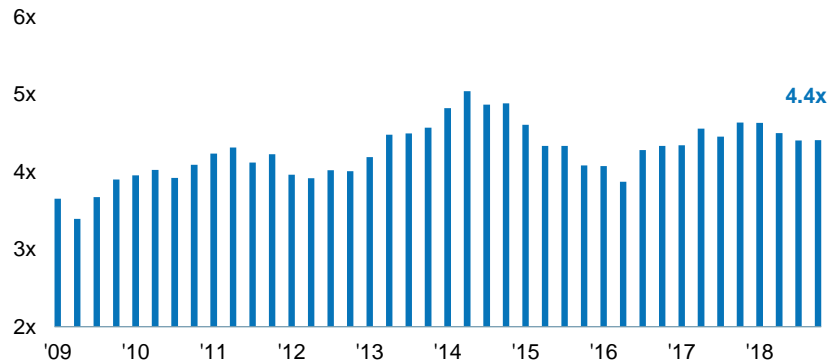
US High Yield Gross Leverage



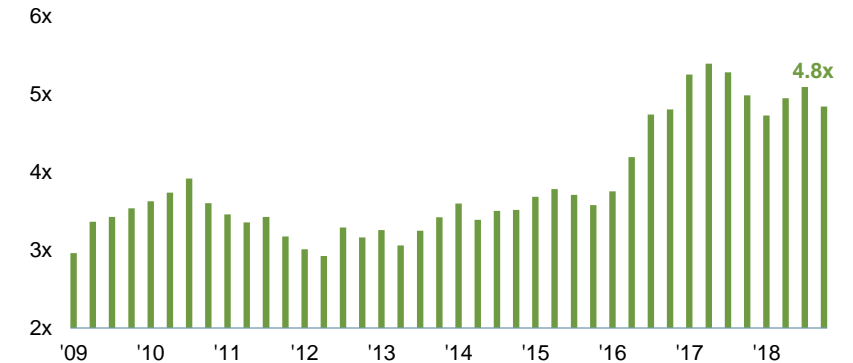
European High Yield Gross Leverage



US High Yield Interest Coverage



European High Yield Interest Coverage

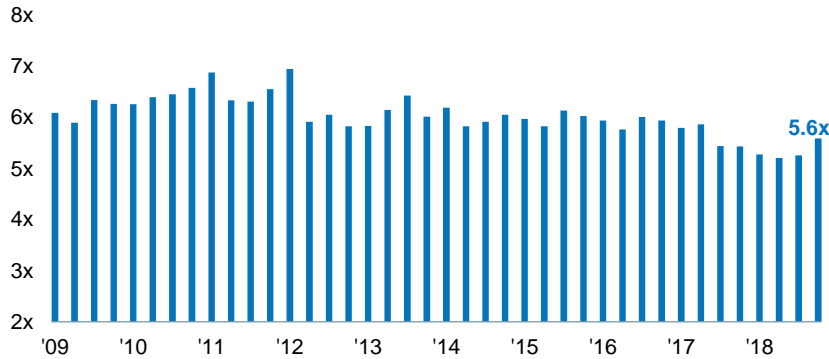


Sources: Morgan Stanley. US data as of Q2 2019, European data as of Q1 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.

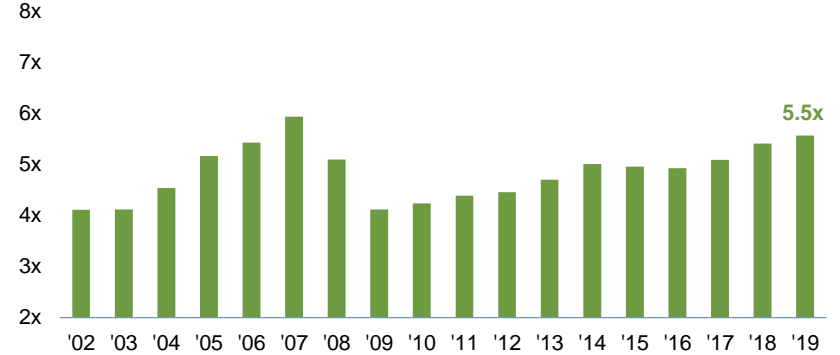


# US loan market fundamentals remain better than in Europe

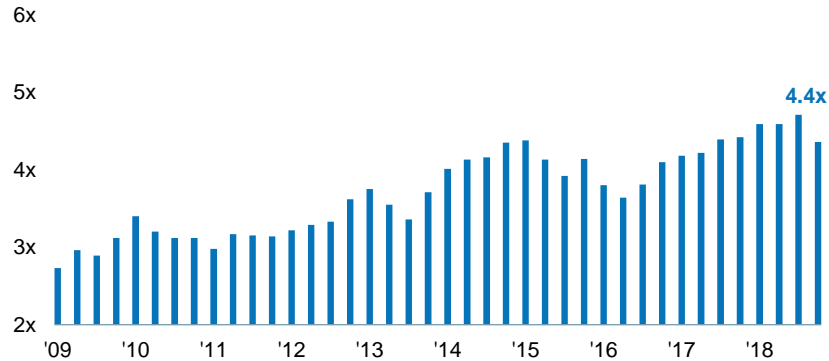
US Loan Total Leverage



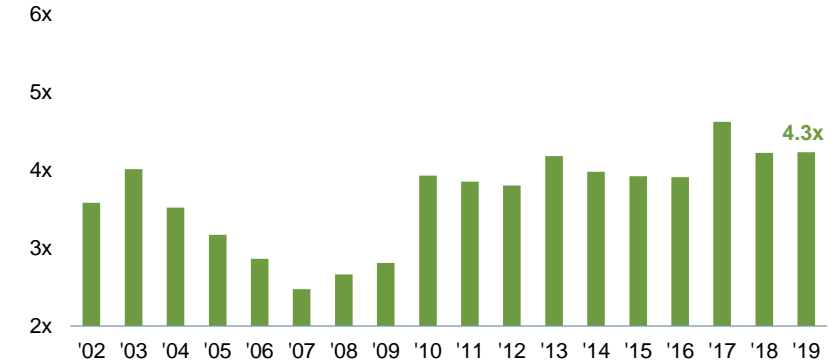
European Loan Total Debt/EBITDA



US Loan Interest Coverage



European Loan Cash Flow Coverage



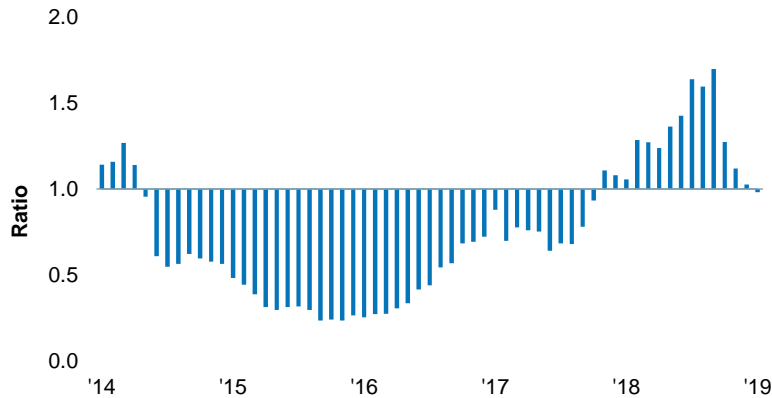
Sources: LCD, an offering of S&P Global Market Intelligence. US data as of Q2 2019 and are based on approximately 180 public issuers included in the S&P/LSTA Leveraged Loan Index. European data as of Q2 2019 and are based on new issued loans (primary market) and includes both private and public issuers. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.



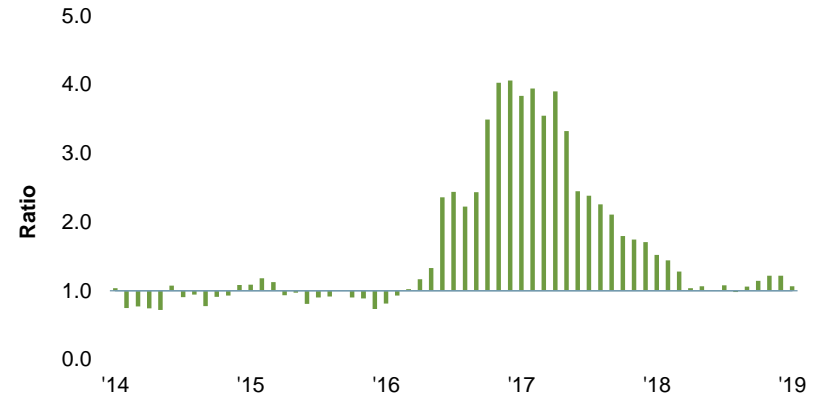


# Upgrade / downgrade ratios not showing cause for concern

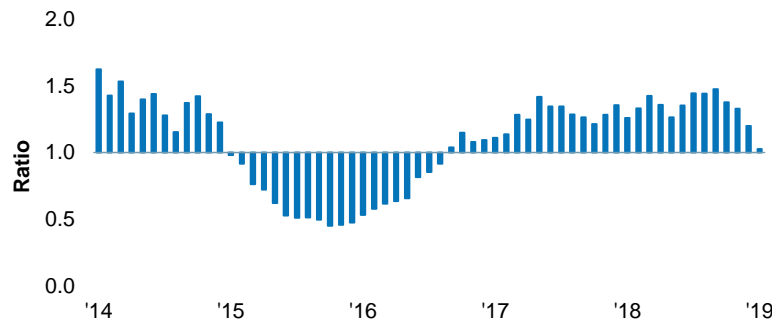
US Investment Grade Sum of Up/Down Ratio



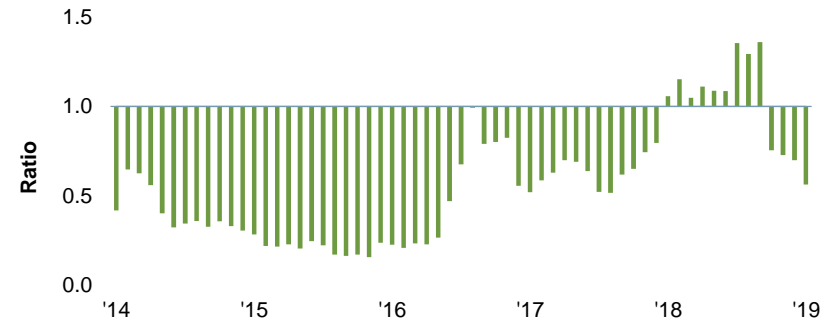
Euro and Sterling High Yield Sum of Up/Down Ratio



US High Yield Sum of Up/Down Ratio



EM Corporates Sum of Up/Down Ratio

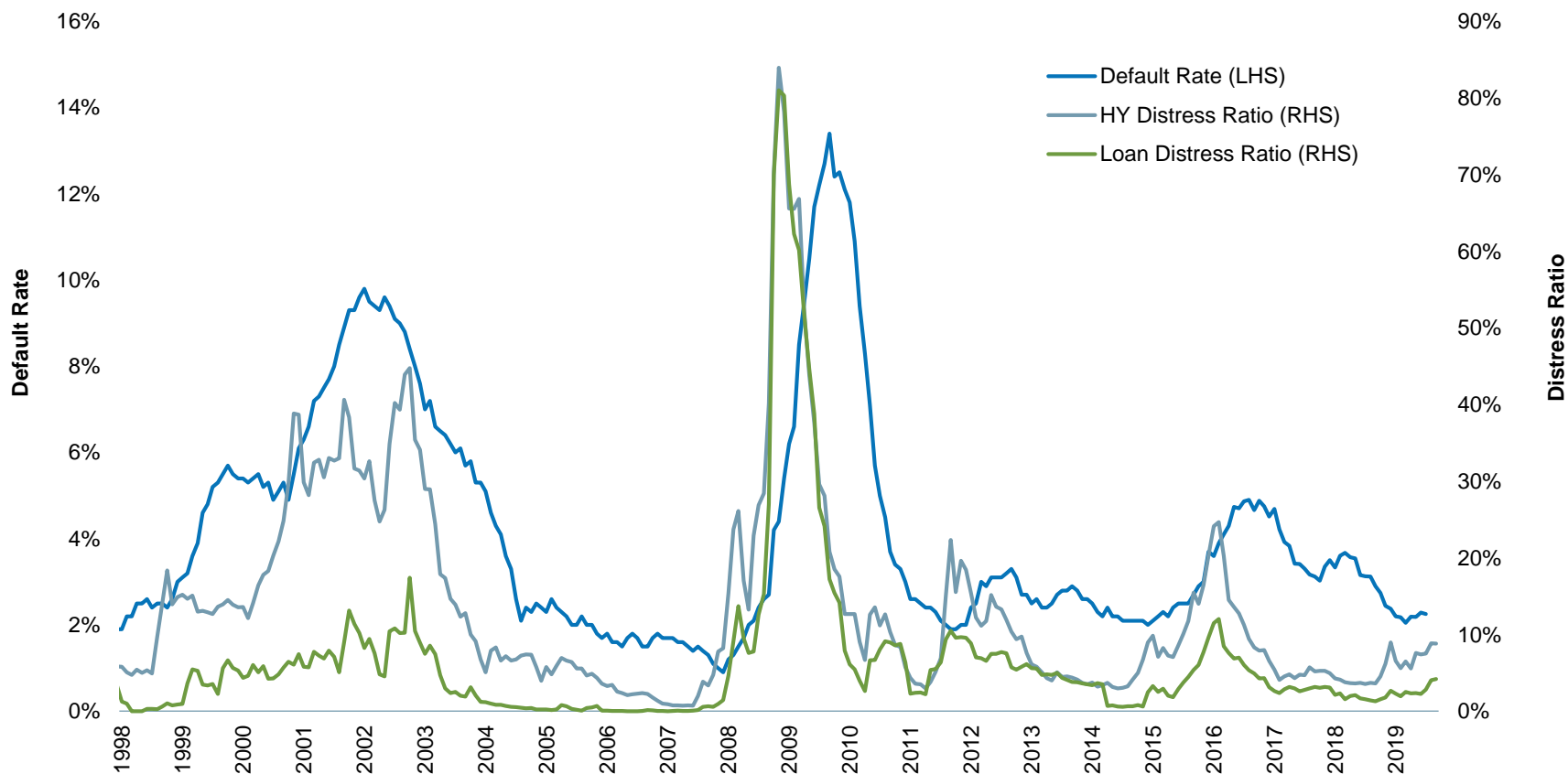


Source: ICE Data Indices, LLC as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. US Investment Grade represented by the ICE BofAML US Investment Grade Corporate Bond Index. US High Yield represented by the ICE BofAML US High Yield Index. Europe High Yield represented by both the ICE BofAML Euro High Yield Index and the ICE BofAML Sterling High Yield Index. EM Corporates represented by the ICE BofAML Emerging Markets Corporate Plus Index.



## Default rates stay low while distress ratios creep higher

### Global Default Rates and Distress Ratios



Sources: Moody's, S&P / LSTA, ICE Data Indices, LLC. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Default rate data as of July 31, 2019. Default rates are trailing 12-month figures weighted by issuer. Distress ratio data as of September 30, 2019. Distress ratio measured as percentage of ICE BofAML Developed Markets High Yield Excluding Subordinated Financial Index (HYDF) with spreads over 1000 based on par value and the percentage of the S&P / LSTA Leveraged Loan Index trading below \$80



## Ample compensation for default risk, despite tighter credit spreads

### Global HY and US Loans Annual Implied Default Rate



Sources: Macrobond. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Global HY measures the ICE BofAML Global High Yield Index. US loans measures the S&P/LSTA Leveraged Loan Index. Recovery rates determined using historical averages for the respective asset classes.

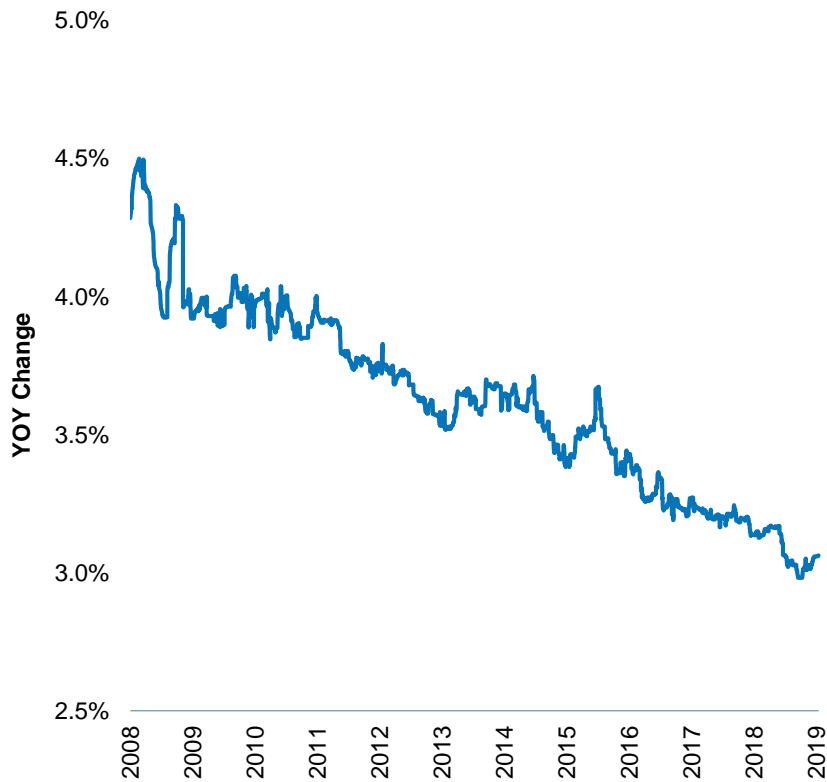


# Emerging Markets

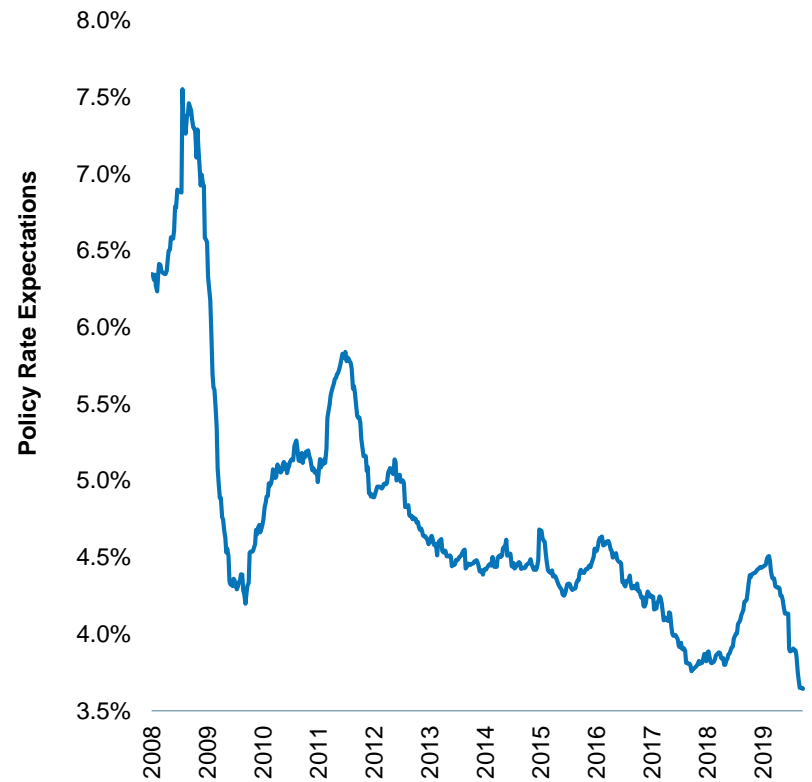


# With inflation at post-crisis lows, EM policy rate expectations drop

EM Consensus CPI Expectations\*



EM Consensus Policy Rate Expectations\*\*

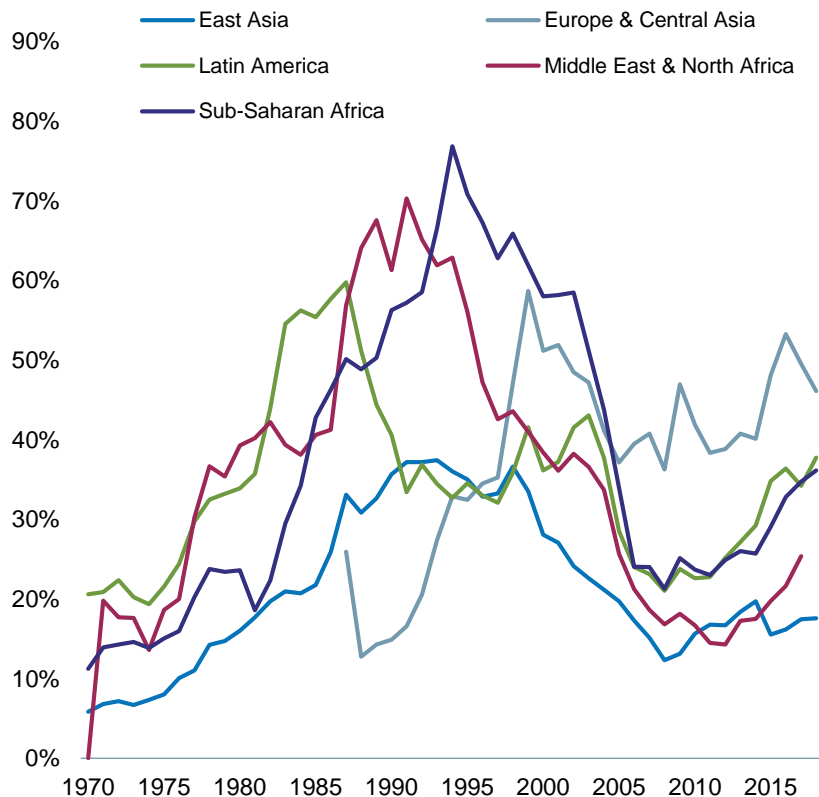


Source: Bloomberg, Eaton Vance. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. \*Data is the equal weighted average of headline inflation expected in 18-30 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified, except Argentina. \*\*Data is the equal weighted average of expected policy rates in 12 months by economists surveyed by Bloomberg, which includes all countries in the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified, except Argentina.

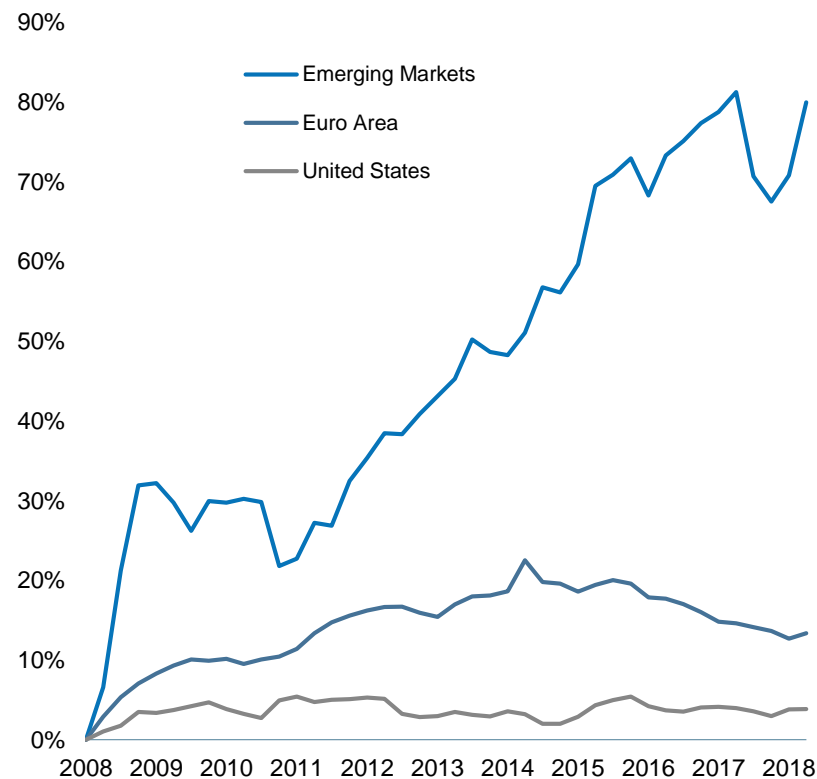


# Divergent fundamental performance among emerging markets

EM External Debt Stocks (% of GNI)



Growth of Debt to GDP since 2008 (non-financials)

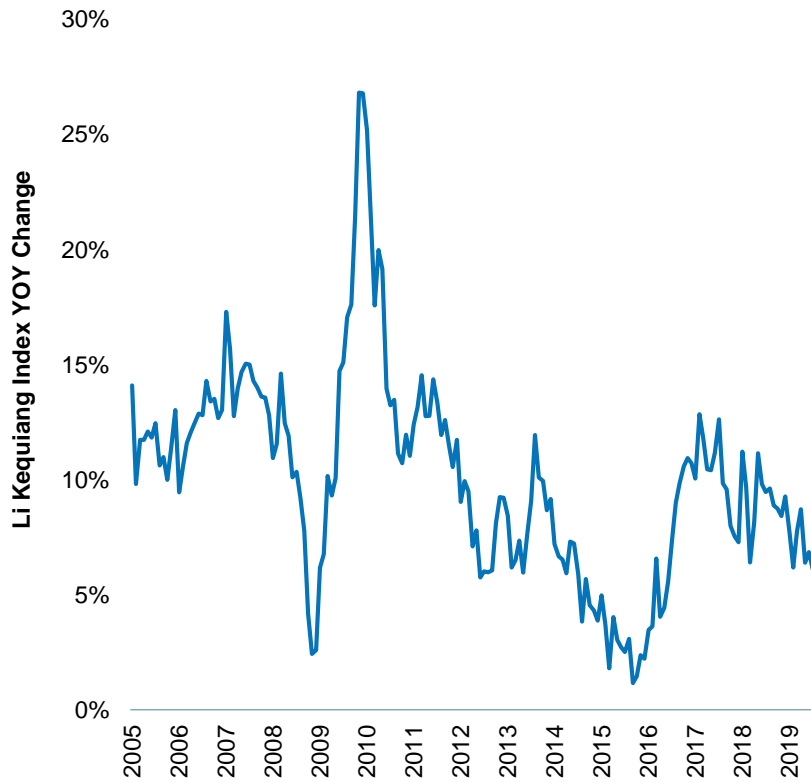


Source: Macrobond. EM external debt stock data as of December 31, 2018. Growth of debt data as of March 31, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Compiled by the World Bank, EM External Debt Stock data measures the total external debt owed to nonresidents as a percentage of gross national income. Growth of Debt to GDP data measures the market value (adjusted for breaks) of BIS credit to non-financial sectors as a percentage of gross domestic product.

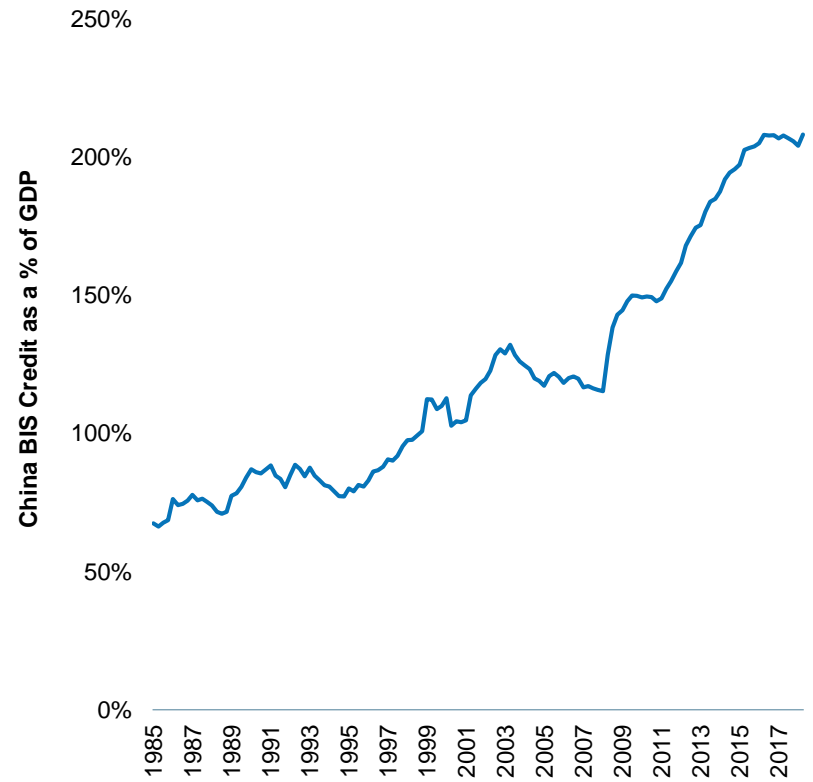


# Chinese economy feels the impact of ongoing trade wars

Li Keqiang Index



China Debt Growth



Source: Macrobond. Li Keqiang Index, data as of August 31, 2019, measures China economic activity using electricity usage, railway cargo and loans from banks. China debt growth data as of March 31, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.



## Securitized Credit



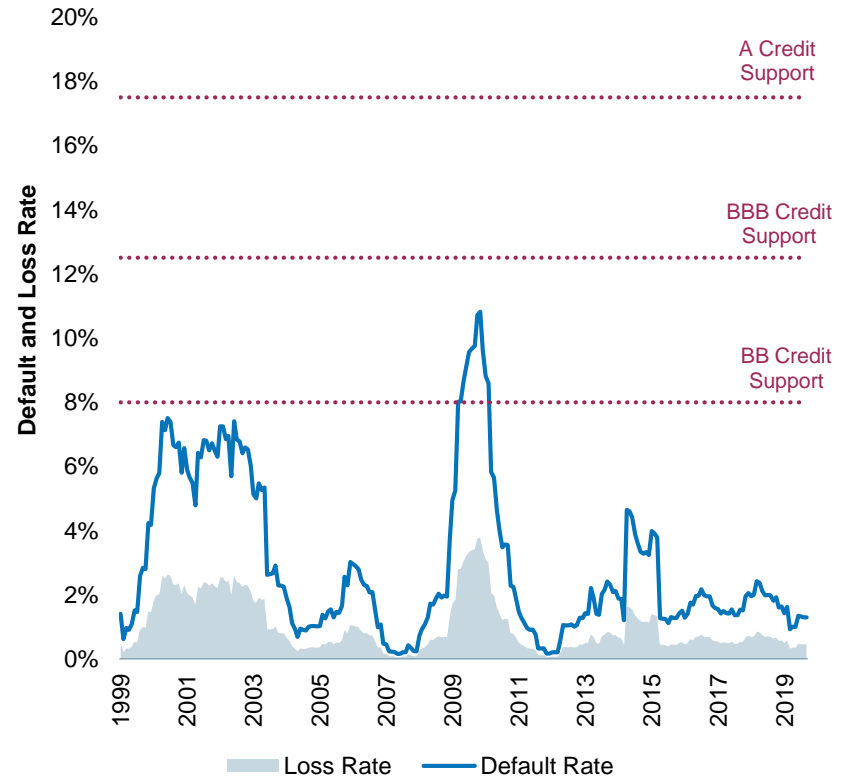


# CLO markets offer attractive valuations with low prospective loss rates

## Illustrative capital structure for US CLO

Credit Rating	Credit Enhancement	Credit Spread	Wtd Avg Life (yrs)
AAA	35%	90 – 135	3.0 – 5.5
AA	25%	160 – 190	4.5 – 7.0
A	17%	220 – 280	5.0 – 7.5
BBB	12%	330 – 420	5.5 – 8.0
BB	7%	685 – 785	6.0 – 8.5
B	5%	1000 - 1150	6.5 – 9.5

## CLO Tranche Support

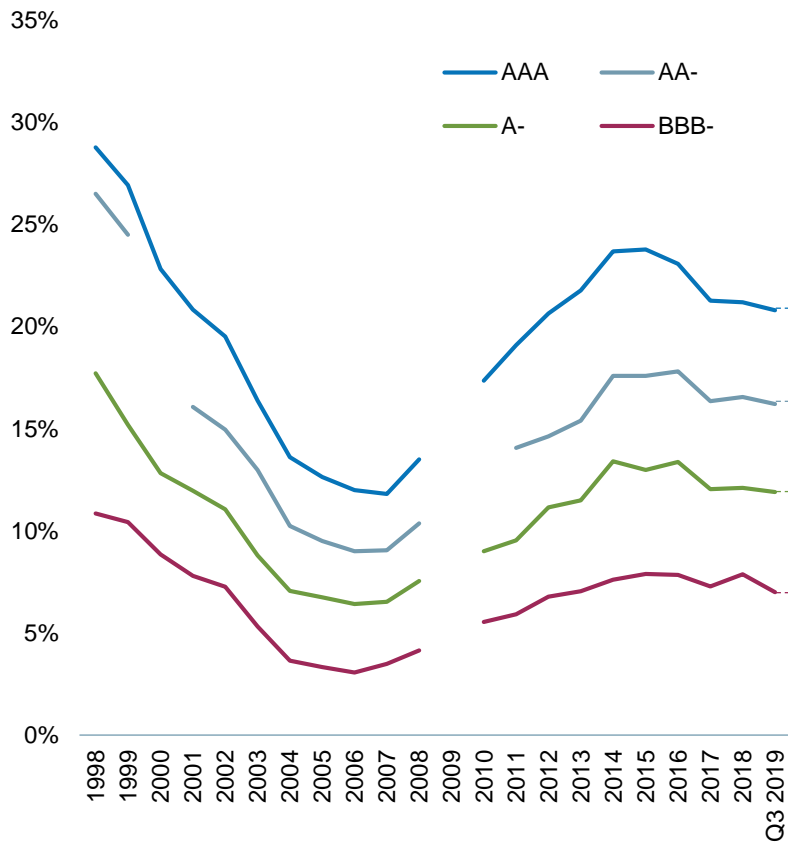


Source: Citi, S&P/LCD. CLO spread data as of September 27, 2019. Default and loss rate data as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. Default rate measures the 12-month trailing default rate by par amount of the S&P/LSTA Leveraged Loan Index. Loss rate assumes 65% recovery rate.

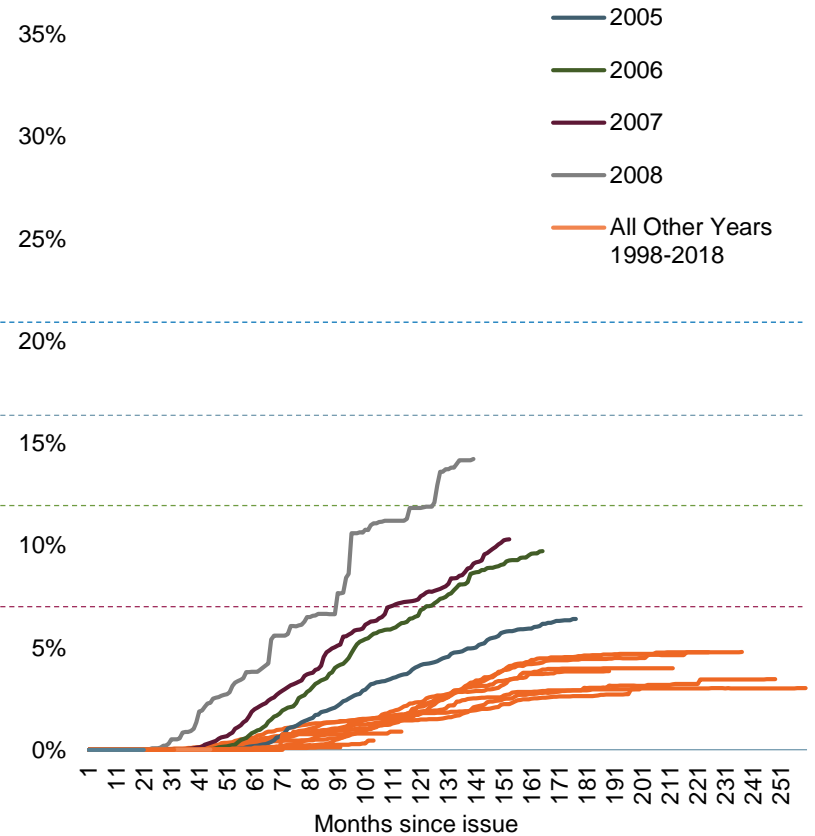


# U.S. CMBS appears to offer value with improved credit enhancements

Credit Enhancements



Cumulative Losses By Vintage

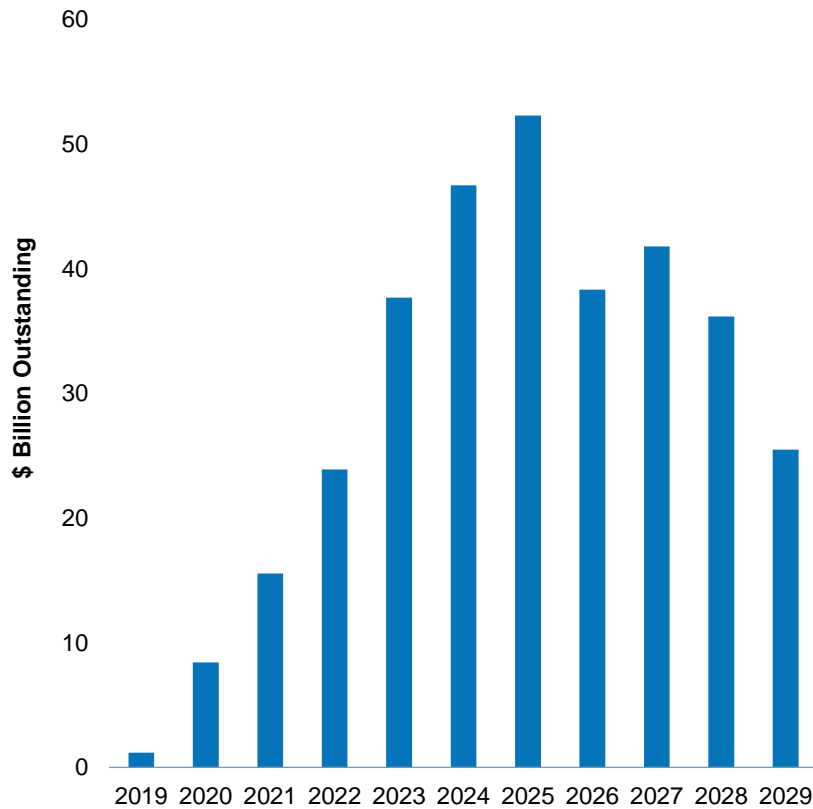


Source: Wells Fargo Securities, Deal Documents, Intex Solutions, Inc. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures. Gaps indicate a lack of issuance by credit tier during that calendar year.

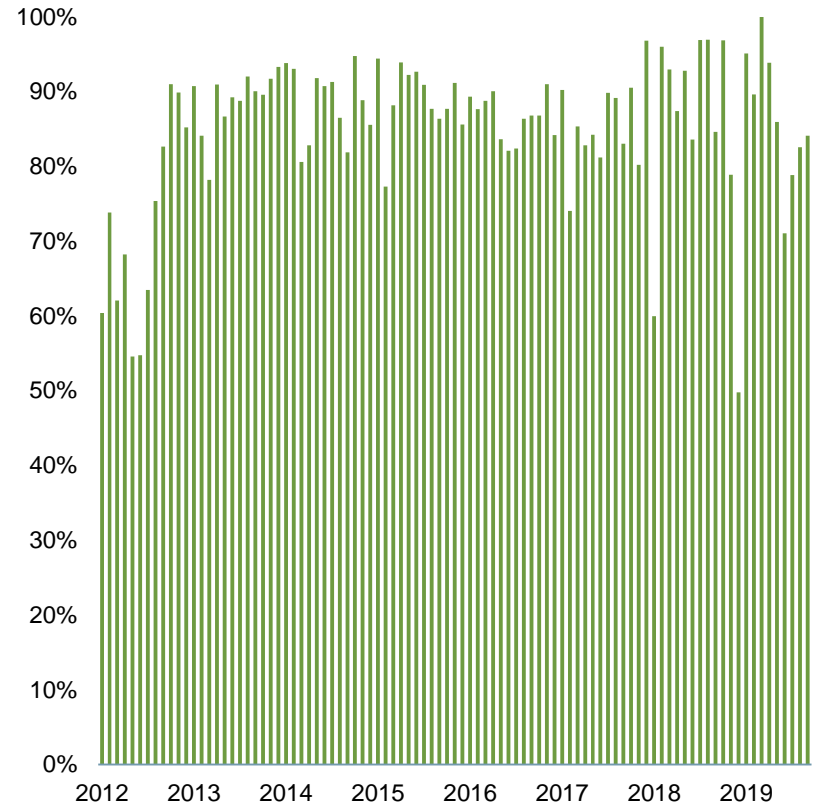


# Repayments are high in CMBS while maturity wall has been extended

CMBS Maturity Wall



CMBS Payoffs At or Before Maturity



Source: Wells Fargo Securities. As of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. See end of material for important additional information and disclosures.



# Global Credit Snapshot



## Global investment-grade characteristics

Index	Averages							
	Price (\$)	Coupon / Nominal (%)	Duration (yrs.)	OAS (bps)	YTW (%)	Face	Market	Weight
Investment-Grade Corporate USD – AAA 1-10 year	103.3	2.7	4.1	33	2.0	48,889	50,804	1.0%
Investment-Grade Corporate USD – AA 1-10 year	103.2	2.9	3.5	42	2.1	416,311	432,505	8.8%
Investment-Grade Corporate USD – A 1-10 year	104.3	3.4	4.2	75	2.4	1,882,340	1,979,258	40.4%
Investment-Grade Corporate USD – BBB 1-10 year	104.9	4.1	4.4	124	2.9	2,304,031	2,438,951	49.8%
<b>USD Investment-Grade Total</b>	<b>104.5</b>	<b>3.7</b>	<b>4.2</b>	<b>96</b>	<b>2.6</b>	<b>4,651,571</b>	<b>4,901,518</b>	<b>100.0%</b>
Investment-Grade Corporate EUR – AAA 1-10 year	110.1	1.6	5.2	62	-0.1	6,900	7,687	0.3%
Investment-Grade Corporate EUR – AA 1-10 year	106.8	1.7	4.2	69	-0.1	228,176	245,538	10.5%
Investment-Grade Corporate EUR – A 1-10 year	106.2	1.6	4.6	90	0.1	846,213	904,836	38.7%
Investment-Grade Corporate EUR – BBB 1-10 year	106.0	2.1	4.5	133	0.6	1,100,527	1,177,664	50.4%
<b>EUR Investment-Grade Total</b>	<b>106.1</b>	<b>1.8</b>	<b>4.5</b>	<b>109</b>	<b>0.3</b>	<b>2,181,816</b>	<b>2,335,725</b>	<b>100.0%</b>
Investment-Grade Corporate GBP – AAA 1-10 year	105.5	2.5	4.0	75	1.0	2,825	3,018	1.3%
Investment-Grade Corporate GBP – AA 1-10 year	105.1	2.3	3.6	67	1.0	23,850	25,316	10.6%
Investment-Grade Corporate GBP – A 1-10 year	110.2	3.5	5.0	117	1.5	72,501	81,017	33.9%
Investment-Grade Corporate GBP – BBB 1-10 year	110.3	4.7	4.5	183	2.2	115,413	129,737	54.3%
<b>GBP Investment-Grade Total</b>	<b>109.7</b>	<b>4.0</b>	<b>4.6</b>	<b>147</b>	<b>1.8</b>	<b>214,589</b>	<b>239,087</b>	<b>100.0%</b>

Source: Eaton Vance, ICE Data Indices, LLC and Standard & Poor's as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. High-yield and investment-grade corporate bond data reflect all bonds tracked by ICE BofAML, excluding subordinated financial debt. Leveraged loans data reflect various sub-indices of the S&P/LSTA Leveraged Loan Index.



## Global high yield and leveraged loan characteristics

Index	Averages						Face	Market	Weight
	Price (\$)	Coupon / Nominal (%)	Duration (yrs.)	OAS / 4YR DM (bps)	YTW / 4YR (%)				
High Yield Corporate USD - BB	103.8	5.5	3.8	232	4.2	567,685	596,312	49.3%	
High Yield Corporate USD - B	100.5	6.7	3.1	415	6.0	459,219	468,560	38.7%	
High Yield Corporate USD - CCC	80.6	8.1	3.1	1,059	12.3	176,049	145,350	12.0%	
<b>USD High Yield Total</b>	<b>99.8</b>	<b>6.3</b>	<b>3.4</b>	<b>402</b>	<b>5.9</b>	<b>1,202,954</b>	<b>1,210,221</b>	<b>100.0%</b>	
High Yield Corporate EUR - BB	104.9	3.5	3.5	254	1.9	190,741	202,708	71.3%	
High Yield Corporate EUR - B	98.7	5.1	2.4	525	4.6	64,848	64,933	22.8%	
High Yield Corporate EUR - CCC	86.4	6.6	2.5	1,102	10.5	18,857	16,576	5.8%	
<b>EUR High Yield Total</b>	<b>102.4</b>	<b>4.0</b>	<b>3.2</b>	<b>365</b>	<b>3.0</b>	<b>274,446</b>	<b>284,217</b>	<b>100.0%</b>	
High Yield Corporate GBP - BB	108.4	5.7	3.9	326	3.7	16,511	18,210	57.4%	
High Yield Corporate GBP - B	97.1	6.2	2.6	637	6.8	11,592	11,412	35.9%	
High Yield Corporate GBP - CCC	82.0	7.1	2.7	1,506	15.4	2,532	2,122	6.7%	
<b>GBP High Yield Total</b>	<b>102.6</b>	<b>6.0</b>	<b>3.3</b>	<b>517</b>	<b>5.6</b>	<b>30,635</b>	<b>31,744</b>	<b>100.0%</b>	
S&P/LSTA Leveraged Loans – BBB	100.1	4.0	5.0	198	4.0	111,973	112,106	10.1%	
S&P/LSTA Leveraged Loans – BB	99.4	4.7	5.1	283	4.9	297,806	295,880	26.5%	
S&P/LSTA Leveraged Loans – B	96.9	5.8	5.1	471	6.8	659,589	639,387	57.3%	
S&P/LSTA Leveraged Loans - CCC	79.6	7.7	4.1	1,354	16.1	85,017	67,646	6.1%	
<b>LSTA Total</b>	<b>96.8</b>	<b>5.5</b>	<b>5.0</b>	<b>447</b>	<b>6.6</b>	<b>1,154,384</b>	<b>1,115,019</b>	<b>100.0%</b>	
S&P European Leveraged Loans - BB	100.1	2.7	5.2	309	2.6	32,148	32,192	17.5%	
S&P European Leveraged Loans - B	98.8	3.7	5.2	453	4.1	153,248	151,471	82.5%	
<b>ELLI Total</b>	<b>99.1</b>	<b>3.5</b>	<b>5.2</b>	<b>428</b>	<b>3.8</b>	<b>185,396</b>	<b>183,663</b>	<b>100.0%</b>	

Source: Eaton Vance, ICE Data Indices, LLC and Standard & Poor's as of September 30, 2019. **Past performance is not a reliable indicator of future results.** Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures. High-yield and investment-grade corporate bond data reflect all bonds tracked by ICE BofAML, excluding subordinated financial debt. Leveraged loans data reflect various sub-indices of the S&P/LSTA Leveraged Loan Index.



Eaton Vance  
Multi-Asset Credit Team



## Eaton Vance Multi-Asset Credit Investment Team



**Justin H. Bourgette, CFA**

- Portfolio Manager, Global Income Group
- Member of EVM asset allocation working group.
- 14 years experience in researching capital markets and asset class allocations
- Managing MAC strategies for 5+ years



**Jeffrey D. Mueller**

- Portfolio Manager, High Yield Group
- Lead manager for Global High Yield and member of EVM asset allocation working group
- 15 years of managing Global High Yield, Floating-Rate Loans and Investment Grade credit portfolios including long only and long/short



**John P. Redding**

- Portfolio Manager, Floating-Rate Loan Group
- One of the pioneers in the floating-rate loan asset class with over 34 years of experience
- Built Eaton Vance's European Floating-Rate Loan business



**Kelley Baccei**

- Portfolio Manager, High Yield Group
- Portfolio manager for Eaton Vance's suite of US High Yield mutual funds
- 19 years experience in fixed-income and high-yield distressed research and analysis





## Important Information & Disclosure

### INDEX DEFINITIONS:

**ICE BofAML U.S. Corporate Index** tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market.

**ICE BofAML Euro Corporate Index** tracks the performance of EUR denominated investment grade corporate debt publicly issued in the eurobond or Euro member domestic markets.

**ICE BofAML Sterling Corporate Index** tracks the performance of GBP denominated investment grade corporate debt publicly issued in the eurobond or UK domestic market.

**ICE BofAML US High Yield Index** tracks the performance of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market.

**ICE BofAML Euro High Yield Index** tracks the performance of EUR denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets.

**ICE BofAML Sterling High Yield Index** tracks the performance of GBP denominated below investment grade corporate debt publicly issued in the sterling domestic or eurobond markets.

**ICE BofAML US Treasury Index** tracks the performance of US dollar denominated sovereign debt publicly issued by the US government in its domestic market.

**ICE BofAML European Currency Developed Markets High Yield Excluding Subordinated Financials Constrained Index** contains all securities in The ICE BofAML European Currency High Yield Index provided they are not subordinated financials and have a developed markets country of risk.

**ICE BofAML Global High Yield Index** tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic or eurobond markets.

**S&P/LSTA Leveraged Loan Index** is an unmanaged index of the institutional leveraged loan market.

**S&P European Leveraged Loan Index** is an unmanaged index of the European institutional leveraged loan market.

**Standard & Poor's 500 Index** is an unmanaged index of large-cap stocks commonly used as a measure of U.S. stock market performance

**ICE BofAML US Fixed Rate Credit Card Asset Backed Securities Index** tracks the performance of US dollar denominated investment grade fixed rate asset backed securities publicly issued in the US domestic market including all asset backed securities collateralized by credit card receivables

**ICE BofAML 7-10 Year AA US Fixed Rate CMBS Index** tracks the performance of US dollar denominated investment grade fixed rate commercial mortgage backed securities publicly issued in the US domestic market including all securities with an average life greater than or equal to 7 years and less than 10 years and rated AA.

**ICE BofAML BBB US Fixed Rate CMBS Index** tracks the performance of US dollar denominated investment grade fixed rate commercial mortgage backed securities publicly issued in the US domestic market including all securities with an average life greater than or equal to 7 years and less than 10 years and rated BBB1 through BBB3, inclusive.

**ICE BofAML Developed Markets High Yield Ex-Subordinated Financial Index (Hedged)** is an unmanaged index of global developed market below investment grade corporate bonds, USD hedged.

**ICE BofAML Global Broad Market Index** tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities.

**ICE BofAML Global Corporate Index** tracks the performance of investment grade corporate debt publicly issued in the major domestic and eurobond markets.

**ICE BofAML Emerging Markets External Sovereign Index** tracks the performance of US dollar and euro denominated emerging markets sovereign debt publicly issued in the major domestic and eurobond markets.

**ICE BofAML Emerging Markets Corporate Plus Index** tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets.

**J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI) Broad Diversified** is an unmanaged index of USD-denominated emerging market corporate bonds.

**J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified** is an unmanaged index of USD-denominated bonds with maturities of more than one year issued by emerging markets governments.

**J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified** is an unmanaged index of local-currency bonds with maturities of more than one year issued by emerging market governments



## Important Information & Disclosure

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### ABOUT ASSET CLASS COMPARISONS:

Elements of this report include comparisons of different asset classes, each of which has distinct risk and return characteristics. Every investment carries risk, and principal values and performance will fluctuate with all asset classes shown, sometimes substantially. Asset classes shown are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. All asset classes shown are subject to risks, including possible loss of principal invested.

The principal risks involved with investing in the asset classes shown are interest-rate risk, credit risk and liquidity risk, with each asset class shown offering a distinct combination of these risks. Generally, considered along a spectrum of risks and return potential, U.S. Treasury securities (which are guaranteed as to the payment of principal and interest by the U.S. government) offer lower credit risk, higher levels of liquidity, higher interest-rate risk and lower return potential, whereas asset classes such as high-yield corporate bonds and emerging market bonds offer higher credit risk, lower levels of liquidity, lower interest-rate risk and higher return potential. Other asset classes shown carry different levels of each of these risk and return characteristics, and as a result generally fall varying degrees along the risk/return spectrum.

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For more information:

Eaton Vance Management  
Two International Place  
Boston, MA 02110  
800-225-6265  
617-482-8260

Eaton Vance Management (International) Limited  
125 Old Broad Street  
London  
EC2N 1AR  
+44 0 203 207 1900

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