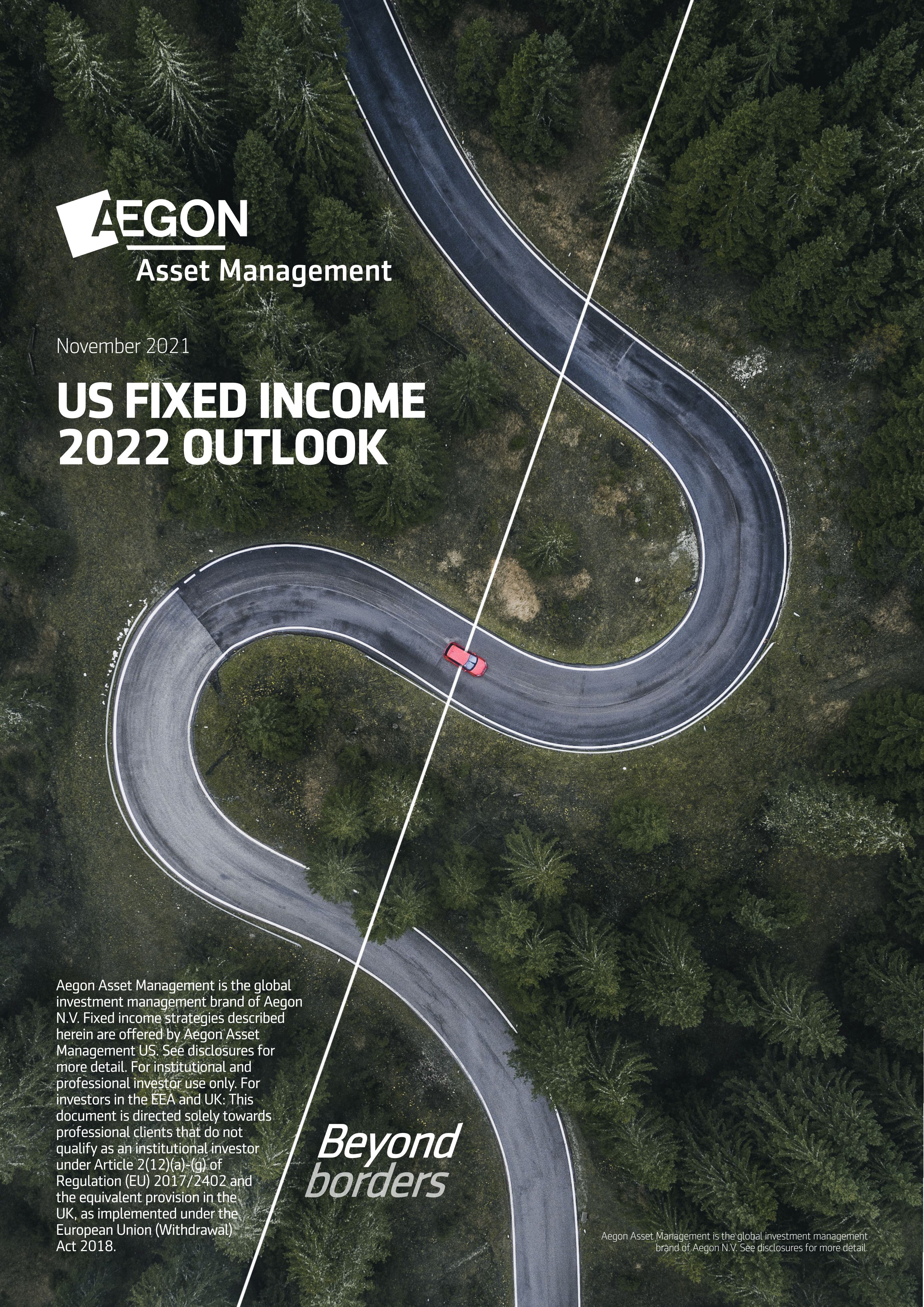

Asset Management

November 2021

US FIXED INCOME 2022 OUTLOOK

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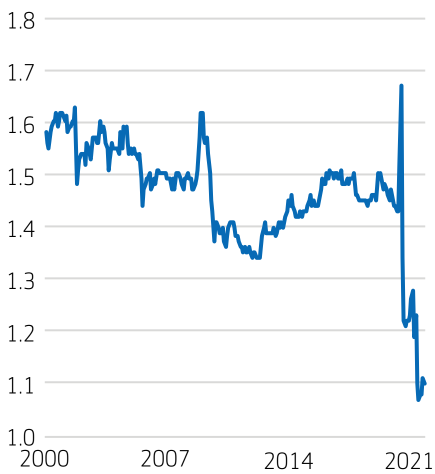
Macro and rates

Playing second fiddle. That's how the 2022 economic forecasts feel when compared to 2021. For '22, we see real growth running about 4%, or two times trend. That's typically great performance, but when you're coming off a phenomenal growth year that saw the average growth rate close to three times trend, it's a tough second act. We believe labor markets will continue to heal, bolstering aggregate income and private consumption. We think the tailwind will come from inventories—due to supply chain bottlenecks they have been reduced to very low levels—just bringing the inventory/sales ratio back into line could add close to 100 basis points to annual GDP growth alone (exhibit 1).

Exhibit 1: Inventory/sales ratios: total retail SA



Sources: Census Bureau/Haver Analytics. As of August 31, 2021.

The Wildcard. The key factor to variability around this number will be the ultimate path of Covid-19. This was prevalent during the '21 recovery that witnessed a large hiccup when the Delta variant emerged. This is also what makes this cycle so different from others—while monetary and fiscal policy can tend to the symptoms of the pandemic, they cannot directly solve it, only herd immunity/eradication can do that.

What about inflation? The price pressures of 2021 are likely to bleed into the first half of '22. However, the pace is likely to be one that frustrates both sides of the inflation debate—too fast for the transitory crowd to call victory, and not hot enough for the inflation worrywarts. Why? The de-bottlenecking story was seriously delayed in the third quarter this year due to Delta. This means the supply chain log jam will remain in place longer than the transitory crowd had estimated keeping prices elevated, but not so elevated that it de-anchors inflation expectations in a major way.

A macro way to look at this is via the concept of aggregate supply curves (AS). When AS has a negative shock and shifts inward it results in quantity of goods falling/prices rising (i.e., what we have now). For the worrywart crowd to be correct, they are basically betting that the AS curve will not normalize—in other words, that the supply shortages/bottlenecks are permanent and the aggregate demand curve (AD) will adjust to the new normal. With modern medicine/vaccination and natural immunity both on the rise, these seem a challenging premise to make.

Policy. Fiscal policy is going to be experiencing a shift from massive income replacement measures during the pandemic to more traditional infrastructure and social spending. While details and ultimate price tag of both bills aren't final, it should be noted that the spending is over a 10-year window, so much less acute than the pandemic stimulus. To fund this step-increase in government spending, some type of tax increases will be needed to raise the required revenue to fund such spending.

We see real growth running about 4% for 2022. That's typically great performance, but when you're coming off a phenomenal growth year that saw the average growth rate close to three times trend, it is a tough second act.

Credit Fundamentals

Improving fundamentals

Fundamentals have continued to recover alongside vaccination efforts, reduced Covid-19 restrictions, and fewer new Delta variant cases, as well as fiscal and monetary accommodation driving increased general economic activity. We expect these factors to continue to support strengthening fundamentals going forward, but with lessening incremental impact, as various challenges stemming from the rapid recovery will moderate the pace of improvement.

Many companies have significantly cut costs and improved operating efficiencies which has been supportive of margins and helped move earnings back toward pre-pandemic levels in many sectors. Having said that, increased economic activity is leading to supply bottlenecks, as well as rising labor and input costs that are beginning to offset some of these gains. While many companies were able to pass through these higher input costs, we could see increased margin pressure in the year ahead. This will remain a key focus and concern in coming quarters, with varying degrees of impact across sectors. Capital spending growth has been muted overall but will likely pick up as the recovery continues.

Transition risks

The quick paced economic reopening has led to headwinds such as worker shortages/higher wages, inflationary pressures, rising interest rates, higher energy and commodity prices, and supply chain disruptions that continue to be felt in many sectors. Taken together, these factors are constraining throughput and growth, and could threaten the recovery. Uncertainty around the scale of additional fiscal support and timing of monetary tightening are also potential constraints. Several industrial and consumer sectors are experiencing depleted inventories, which is supporting pricing power, but many are also facing much higher input costs. While we expect most of these issues to be transitory, they will have varying degrees of impact on corporate earnings. The impacts could be a bit longer lasting for industrials, extending the duration of their recovery as they strive to meet rising demand. Similarly, commodity price volatility and balancing the role of traditional energy sources during the clean energy transition are longer term themes.

Balance sheet strength, low default rates, ratings recovery

Corporate leverage ratios have improved across most sectors, reflecting much improved earnings rather than nominal debt reduction. Potential for further improvement is mostly limited to those companies which have not yet fully recovered from the pandemic. While debt levels are elevated due to heavy borrowing at low interest rates, companies continue to carry high cash balances relative to historical levels which provides an incremental buffer to any potential lapse in the recovery. However, increased share buybacks and mergers and acquisitions (M&A) activity will constrain the degree of overall improvement in credit fundamentals. With much improved liquidity, access to capital and economic activity, we continue to expect default rates will remain low. Rating agencies have responded with upgrades now outpacing downgrades, and we see the potential for several rising stars starting next year.

Recovery laggards, lasting impacts

While we expect most sectors will continue participating in the recovery, there remain pockets of weakness that will take longer to reach pre-pandemic levels. Vaccination efforts and easing restrictions have led to notable sequential improvements in leisure travel, but business and international travel remain subdued. There is also uncertainty within office real estate investment trusts (REITs) due to return to work being delayed. Clarity on temporary versus permanent changes in consumer confidence, buying and travel habits, and the future of work all will take time to develop. As a result, we remain focused on liquidity and the path to recovery for the most at-risk, lower quality companies.

While we expect most sectors will continue participating in the recovery, there remain pockets of weakness that will take longer to reach pre-pandemic levels.

Sector perspectives

Negative				Positive

	Fundamentals	Technicals	Sentiment	Valuations
Investment Grade Credit				
Private-Label Securitized				
Agency Mortgage-Backed Securities				
Emerging Markets Debt				
High Yield				
Bank Loans				
Distressed debt				

Overall, we think fixed income returns in the new year will mostly be driven by carry, and there are still various spread-based fixed income opportunities we see as the economy normalizes. Equity investors becoming more focused on cheap financing rather than robust balance sheets and rising rates will be the risks to watch in 2022.

It was easy to expect inflation this year given some of the base effects of 2020. However, 2022 will now be dealing with much higher base effects of pricing from 2021. As the economy decelerates and inflation likely slows as well, we think there is some room for the Treasury curve to steepen, but the path forward is clearly one where the Fed and other central bankers will be reducing accommodation, if not tightening in some markets. The benefits of rolling down a steep interest rate curve can help to mitigate some of the move higher in rates during 2022.

Having seen some of the largest monetary and fiscal stimulus of all time, it is easy to suggest that we will see less stimulus going forward. Changes in tax and spending policies are still risks and opportunities for the new year, but some of the most expansionary plans have been and are likely to continue to be curtailed.

Duration

Given how quick the economy recovered from its Covid-19-induced weakness, the Fed will likely hike rates in 2022 after it completely winds down its asset purchase program. Hiking rates does not mean that monetary policy will be restrictive, but it is clearly a start towards higher rates on the front end of the interest rate curve. While it seems clear that most of the Fed's goals on inflation have been met, the outlook for inflation's durability and the prospects for maximum employment will be a constant debate in the new year. The US Treasury market will likely continue to be attractive compared to much of the other lower yielding global developed debt markets, and central bankers generally are unlikely to want to see rates a lot higher until a more healthy, inclusive, and the right kind of inflationary economic growth is sustained.

Rate volatility is a regular occurrence and average durations of most benchmarks continue to extend, which could lead to bigger swings in Fixed Income markets. We favor short duration currently but will continue to monitor the outlook for inflation and the monetary policy response. We believe short and intermediate-dated credit/carry positions may offer a better risk-adjusted return profiles over Treasurys and Agency RMBS assets and over longer-maturity credit bonds for yield and return. An overweight to long-duration Treasury bonds can potentially offset some of the duration risk.

Risk positioning

For 2022, we expect excess carry to outperform in 2022. The high yield and private-label structured asset classes have the potential to produce some of the strongest excess returns and we have some of our largest risk overweights to these segments of the bond market. Within investment grade corporate credit, improvement has been generally experienced and is fully valued, but there are still interesting opportunities to work with our research teams and identifying attractive opportunities, mostly in intermediate credit and financials. Select emerging markets offer opportunities, but US dollar strength and a rising rate backdrop bear watching if they could dampen fundamentals or flows. While the monetary and fiscal policy makers are unlikely to try to kill the party in 2022, the policy backdrop will be less supportive going forward and could lend itself to greater volatility. Given a decent growth environment, there may be interesting spread-based fixed income opportunities, but we believe it is imperative to maintain a short duration position to help mitigate effects of a rising rate environment.

Investment grade credit

	Negative				Positive
Fundamentals			X		
Valuations	X				
Technicals				X	
Sentiment			X		

The compression trade for investment grade credit spreads is likely behind us and we expect attention to shift from playing offense to playing defense going forward. While the economic backdrop should remain supportive for credit spreads, the upside in spreads has been removed and any stumbles by companies in the future will likely lead to spread widening. A smooth transition by the Fed to a less accommodative monetary environment will be required to maintain current valuations.

From a fundamental perspective, many companies have capitalized on the recent fiscal and monetary stimulus and have restored their balance sheets. While leverage metrics are back to pre-Covid levels, only about half of the average index rating decline has been retraced, implying that the current ratings upgrade cycle has further to run. Supply chain disruptions are expected to continue to impact company earnings, although they should lessen as time passes. We are keeping a watchful eye on cost inflation and the impact on profit margins. So far most companies have been able to pass these costs on to the consumer, but with the removal of fiscal stimulus this will become more difficult.

Supply/demand technicals remain supportive for investment grade credit. The global search for yield continues and the US has continued to provide incremental yield, even after hedging for currency risk. An accommodative global monetary policy was one of the main reasons for the supply/demand imbalance (too much demand) and it's possible that removal of such policy could temper demand in the future. The old saying "don't fight the Fed" applies in both directions. Outsized issuance in 2020 and 2021, combined with a manageable M&A backlog, should keep next year's supply from swelling to intolerable levels. All in all, we see the technical environment deteriorating but remaining positive and supportive for the market.

Valuations are stretched nearly any way you look at them, currently trading one standard deviation rich to long-term averages. If you adjust for today's lower credit quality and higher duration of the index, credit spreads look even less appealing. Next year is looking like one where improving fundamentals play catch-up with lofty valuations. We see little upside in spreads, and potential for minor spread widening if we experience hiccups along the way.

Private-label securitized

	Negative				Positive
Fundamentals				X	X
Valuations	X	X			
Technicals				X	
Sentiment			X		

Securitized debt should continue to offer an attractive relative value proposition into 2022 despite the significant spread tightening that has occurred since the depths of the pandemic. This is particularly the case when evaluating the sector on a risk-adjusted basis and assessing it in conjunction with the low leverage and robust structural support commonly found in the structures. With that said, we believe the primary driver of alpha heading into 2022 will be excess carry rather than spread tightening as we believe we will be in a more range-bound spread environment. While the economic backdrop should remain supportive, we believe credit selection will be key and additional prudence is required to achieve the best risk-adjusted returns given the tighter level of spreads. As the Fed moves toward the removal of accommodation and ultimately rate normalization, we see attractive opportunities in floating rate transactions and believe excess carry can be added with minimal interest rate risk.

Fundamentals in private-label securitized sectors remain favorable. Consumer balance sheets are extremely strong, resulting in delinquencies and losses that are at or near record lows for consumer-related collateral. Secondary vehicle values remain elevated as demand has continued to outweigh available supply. This dynamic has been very supportive of auto ABS transactions via higher recovery values on defaulted receivables. We expect residual values to return to more normal levels as supply chain disruptions and chip shortages ease. Although this reversion will take time, we do not expect an impact to overall deal performance.

The confluence of low interest rates, steady credit availability, inventory shortages, elevated demand and rising rental rates have all supported robust home price appreciation not seen since 2006. We expect fundamentals in the housing market to remain strong but anticipate home price appreciation will slow from its staggering pace as rising rates will impact affordability over time. While we remain cautious that collateral performance could soften as economic stimulus subsides, securitization structures today generally exhibit lower leverage, higher debt service capacity and increased credit enhancement compared to pre-Global Financial Crisis levels. These added protections were designed specifically to shield investors from credit performance deterioration and provide more ratings stability.

Some of the hardest hit segments of the commercial real estate market continue to heal but the magnitude and rate of recovery varies by property type and geography. Hospitality fundamentals have improved drastically driven by consumer and leisure consumption, but questions persist about potential secular shifts in business travel and possible impacts. Retail fundamentals are also on the mend but have further room to improve. Longer term, Covid-19 accelerated the shift to ecommerce, which will almost certainly have a lasting effect on non-dominant retail locations, but the overall fundamental trends have improved. Leasing activity for office commercial real estate has come under pressure from pandemic-induced disruptions. Utilization rates remain low as return to office plans get delayed but vacancy is showing signs of stabilization. Low-leverage positioning in single asset/single borrower (SASB) CMBS secured by class A office properties with long-term leases and low turnover should continue to outperform.

Loan leverage remains elevated but low rates and a strong appetite for loans from CLOs have been supportive of interest coverage ratios. Further, while CLO portfolios remain in worse shape than pre-pandemic, we continue to see improvement in the overall ratings composition. Looking over the next year, we see a benign credit environment for loans which should allow CLO portfolio managers to continue to repair the damage inflicted by Covid-19.

In terms of technicals, we expect the supply/demand environment to remain supportive for private-label securitized moving into 2022. While the overall technical environment could deteriorate slightly given the return of issuance to near or above historical levels combined with the removal of monetary accommodation, we still expect demand to continue to outweigh supply driven by the ongoing global hunt for yield. Dealer secondary inventory levels have been suppressed for some time given the overwhelmingly strong technical, which adds incremental support to the asset class. We anticipate dealers to take advantage of any spread widening to re-stock, minimizing the magnitude of any movement.

From a valuation perspective, relative value still exists for private-label securitized when compared to other fixed income risk assets, but spreads are tight. Cross-sector, private-label securitized spreads in many sectors have approached their historic tights and the search for yield has led to significant credit curve flattening. While fundamentals have supported these tighter levels, we believe careful focus needs to be placed on evaluating lower-rated, subordinate tranches on a risk-adjusted basis as the differential versus more senior tranches are at their historic tights in many sectors. We believe fundamental credit research and selection can still uncover attractive opportunities, yet specific expertise is needed as many of the more macro re-opening trades have run their course or overshot their fundamental values in certain instances. We see value in floating rate opportunities, which can be prevalent in the private-label securitized market. CLOs spreads remain elevated and attractive as a result of elevated primary market activity. We also see floating rate opportunities in the SASB CMBS market where issuance is robust now that commercial real estate capital markets have re-opened. While the carry offered by these floating rate opportunities is attractive, historically, they also serve investors well in a rising interest rate environment.

Emerging markets

	Negative				Positive
Fundamentals			X		
Valuations			X		
Technicals				X	
Sentiment				X	

Our outlook for emerging markets debt (EM) is cautiously favorable and, although the balance of risks moderated through midyear, growth slowed in 2021 relative to earlier expectations and has the potential to be more muted in 2022. The cause of the slowdown has been primarily driven by the increased spread of the Covid-19 delta variant, causing many of the Asian countries to shut down their economies for meaningful portions of the third quarter. Fortunately, the remaining emerging markets regions have been able to remain open; however, growth numbers have moderated in those regions as well. Overall, we believe spreads in emerging markets debt are closer to fair value and offer compelling value on a relative value basis, but spreads could widen if the slowdown in growth continues.

Next to slowing growth, additional concerns heading into 2022 surround the fallout from the likely default of the Evergrande Group in China. The company missed their coupon payments starting in September, however, they have been making the grace period payments near the end of the 30-day grace allowance, staving off an actual default for now. Bonds still trade in the mid-20s indicating the market belief that a default will eventually come. There have been some additional high yield property issuers who have since defaulted which is expected in the riskiest credits within the below-investment grade developers.

Fortunately, we believe there will be limited fallout from this event, and we have seen very limited contagion in the market. Evergrande sold off from 80 cents to 25 cents while other high yield property names moved from roughly 80 cents to 50-70 cents, and high-quality investment grade Chinese names have fallen roughly three to five cents.

Outside of China, signs of contagion have been even more difficult to observe, which is a testament to the market's ability to discern risks across the asset class. Looking ahead, the main risk of the Evergrande fallout will likely be the potential slowdown in property sales, which are a meaningful contributor to growth in the country. We expect growth to slow; however, the Chinese government has signaled their support to limit the impact and we expect them to further stimulate the economy through liquidity operations and infrastructure spending.

We do not expect the Evergrande situation to impact the broader emerging markets, but the events warrant further monitoring and add to concerns on the outlook if the fallout were to be more severe. The three primary signals of contagion and broadening of market stress beyond Evergrande and the Chinese property sector we are monitoring are: 1) excessive deviations in credit spreads on high-quality property developers, 2) excessive deviations in credit spreads of large systemic banks, and 3) signs of material currency intervention by the People's Bank of China. To date, we have seen no noticeable signs of contagion within these three metrics.

Emerging markets debt spreads have been range bound most of the year. Incremental spread has helped the asset class outperform US Treasury securities; however, lack of tightening has made returns more muted in 2021. Many EM corporates have outperformed their developed market counterparts year-to-date, and we expect that trend to continue given the comparable levels of leverage to developed markets and the incremental spread pickup available in EM corporates. Overall, we expect spreads to remain mostly range bound with a risk to widening; however, should spread widening occur, it would likely impact all credit markets, with emerging markets poised to outperform developed markets unless the slowdown is markedly slower than currently forecasted.

High yield

	Negative				Positive
Fundamentals				X	
Valuations	X				
Technicals				X	
Sentiment			X		

As the economic recovery continues, we maintain a reasonably positive outlook on the high yield asset class. Many factors that supported solid high yield performance in 2021 are likely to persist with improving company fundamentals and supportive market technicals. Despite these tailwinds, we are watching evolving risks that could separate the winners from the losers in the next phase of the recovery.

After the rapid economic rebound and surge in consumer demand, most high yield companies are in a healthy fundamental state, with earnings back to pre-pandemic levels. Given the improvement in fundamentals, default rates are historically low with expectations for sub-2% default rates to continue in 2022. However, as economic growth normalizes and margin pressures increase, earnings improvement momentum may stabilize.

From increased commodity prices and higher labor costs to labor shortages and supply chain bottlenecks, companies are facing a myriad of issues. Many high yield companies were able to pass these higher input costs through to end consumers during 2021 and post strong earnings. However we could see increased margin pressure and a more moderated earnings environment in 2022. Broadly, we expect inflationary pressures to be transitory over the long term. However, in the interim, these cost pressures and shortages could cause more dispersion across companies in the year ahead, with potential earnings surprises to the downside. In this environment, idiosyncratic factors are likely to drive returns, providing attractive opportunities to generate alpha through security selection.

Similar to 2021, we expect technicals to remain supportive with a steady new issuance pipeline and robust demand. Refinancing activity is likely to continue, however the pace may slow relative to 2021. Debut high yield issuers may also continue to tap the markets at an accelerating pace, which could add an interesting dynamic to the high yield market. Given yields are low across the fixed income market, we expect strong demand for high yield to persist, with bouts of spread widening attracting more buyers.

While solid fundamentals and supportive technicals paint a positive outlook, valuations are full as prices largely reflect recent fundamental improvement. With spreads inside long-term averages, high yield total return potential may appear lackluster based on historical standards. However, context is key as low default rates, healthy fundamentals and the higher-quality credit composition of the high yield market may help rationalize tight spread levels. Further, high yield continues to offer attractive return potential relative to most other fixed income asset classes. Nonetheless, given full valuations, we do not believe this is the environment to stretch for unnecessary risk as current spreads offer little room for error. As a result, we favor a more defensive positioning stance and remain focused on credit selection to generate performance in 2022.

Bank loans

	Negative				Positive
Fundamentals				X	
Valuations			X		
Technicals				X	
Sentiment					X

Our outlook for bank loans is fairly positive. With a starting average coupon of around 4.0% for the Credit Suisse Leveraged Loan Index, we see some additional room for price appreciation from the lower-quality segment of the market and potential for the overall coupon to rise by year's end if the Federal Reserve starts to increase rates. While fundamentals are mixed for reasons outlined below, the positive technical backdrop, strong investor sentiment around floating rate debt and reasonable valuations are leading to Aegon Asset Management's positive outlook for the asset class.

Fundamentally, we expect to see a fairly stable earnings environment, although it's worth watching rising input costs that are impacting margins in certain sectors. Most companies have the ability to pass through prices given the strong top-line environment, supply chain constraints that are resulting in shortages and the fact that basically every company is dealing with the same issues. This has resulted in less pushback than normal for firms to raise prices. Still, there can be a lag effect on matching the cost inflation. Companies are also dealing with a difficult labor environment and rising energy prices, which can be margin headwinds.

Covid-19 case counts and hospitalizations have ebbed and flowed but remain an important risk. While the worst of the pandemic is clearly behind us, there are still credits and sectors that aren't fully back to pre-pandemic levels in terms of revenue and EBITDA. In fact, many of the lower-priced loans in the index have some level of Covid-19 taint tied to their business model. A sense of finality to the pandemic would greatly help those credits and lead to higher returns for bank loans in 2022, holding all else equal.

To sum up our fundamental view, it's one of cautious optimism, as decent GDP expectations for 2022 and an expectation that some of this cost inflation is transitory should help most companies manage through any short-term dislocations in 2022, especially when factoring in the strong starting liquidity positions and limited maturity wall that exists in the market. That fundamental backdrop feeds into our low default expectations. We see defaults ending below historical averages, or in the 1%–2% range on a par-weighted basis. As mentioned, issuers are awash in liquidity after raising incremental debt or equity in 2020 and have largely pushed out maturities to 2024 and beyond. As always, idiosyncratic issues will pop up and the fallout from the supply chain tumult we are currently experiencing could lead to some defaults in the coming months.

The fundamental recovery that played out in 2021, stable spread environment, and much lower collaterized loan obligation (CLO) liability spreads than in 2020 has helped the CLO market roar back to strength with new CLO creation hitting all sorts of records in 2021. In all, CLOs account for more than 70% of the buyer base, so that strength has led to a strong underlying bid for bank debt this past year and we expect that to continue into 2022. There is some downside risk around CLO creation in the first part of the year as the market transitions from LIBOR to SOFR, but we expect that to be a modest speedbump and bank loans to be largely unaffected from a return standpoint.

Technicals and sentiment should remain supportive as demand for loans is expected to outpace supply in 2022. Retail inflows should stay positive as rate hike discussions will likely dominate the Federal Reserve next year, which should lead asset allocators and retail investors to continue gravitating toward floating-rate debt as an inflation hedge and expectation of receiving higher coupons down the road. As previously mentioned, CLO demand is strong and should hold up through the SOFR transition. Lastly, it's hard to imagine the primary calendar being any larger in 2022 than in 2021 (which surprised to the upside), but visibility into the 2022 calendar is admittedly low at this point. Regardless, we aren't overly worried about technicals or sentiment becoming headwinds to the loan market in 2022 and this is a key cog in our steady total return expectation for the asset class.

Lastly, from a valuation standpoint, we see loans as fairly valued heading into 2022. Spreads are likely to be stable as there is expected to be enough incremental primary supply to match the demand side of the ledger. LIBOR/SOFR can't go much lower, so there is really only upside to the average coupon of the index as we see potential rate hikes in the back half of the year. However, a key valuation risk could appear if the loan market overheats and that could come from re-pricing activities. There is very little call protection that exists in the loan market, so if demand is too strong, borrowers will be able to re-price their spreads lower, which would hurt the average coupon. So that bears watching. Overall, we see bank loans as a decent place to invest in 2022 as an expected coupon clip with a little bit of price appreciation potential should result in a slightly above-average year for bank debt.

Distressed debt

	Negative				Positive
Fundamentals				X	
Valuations	X				
Technicals			X		
Sentiment				X	

After a material decline in distress and defaults in 2021, we expect default rates will continue to decline year over year in 2022 amid a sustained economic recovery and robust capital markets. Our expectation is for the default rate for both US high yield and leveraged loans to settle in the lower end of the 1%–2% range in 2022 on a par-weighted basis. While general sentiment is improving, there are notable concerns beginning to emerge that should be monitored closely against our view, including: Covid-19 variants, raw material and input cost inflation, price inflation, semiconductor chip shortages, labor shortages, freight cost increases, supply chain bottlenecks, geopolitical flare-ups, the pace and timing of Fed policy changes and political agendas ahead of US mid-term elections.

Distressed investors may find it challenging to generate outsized returns in 2022 as the near- to medium-term backdrop of low interest rates, manageable default rates, and lofty equity valuations are likely to create more limited investment opportunities. However, for diligent investors with patient and flexible capital, we expect opportunities over the course of 2022 will continue to span four key segments: dislocated secured loans of stressed and distressed middle-market companies; liability management exercises within over-levered capital structures; opportunistic European special situations; and restructured equities.

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