ROBECO
The Investment Engineers

DECEMBER 2025

Beauty in the AI of the bondholder?

AI enthusiasm is adding real momentum to credit, though shifting technicals and tight spreads mean a thoughtful approach remains essential.

KEY INFORMATION

- **Fundamentals remain broadly supportive for credit,** but fading technical strength and tight spreads mean selectivity is becoming increasingly important.
- **AI optimism is boosting sentiment and helping to support risk appetite,** yet supply risks and shifting market dynamics suggest investors should stay disciplined and cautious.
- **With valuations offering limited cushion,** even small surprises could move spreads wider, making risk management key as we head into 2026.

OPPORTUNITIES

AI-driven leaders remain well-positioned: Large hyperscalers start from strong balance sheets, making them well placed to absorb elevated capex needs.

Europe continues to offer relative value: Supportive fundamentals and conservative corporate behavior help EUR credit remain attractive versus the US.

Banks stand out as a source of resilience: Bank credit metrics remain very strong and the sector is less exposed to the coming surge in corporate supply.

RISKS

Tight spreads offer limited protection, leaving credit vulnerable if heavy AI-related supply or macro surprises hit.

The labor market remains a key downside risk; any softening could challenge the growth outlook and heighten spread volatility.

Private credit stresses may keep emerging, and while not systemic, they risk unsettling sentiment and spilling over into public markets.

PORTFOLIO POSITIONING

PREFER EUR OVER USD CREDIT: Supportive fundamentals, steeper curves and more conservative corporate behavior keep Europe relatively attractive versus the US.

STAY SHORT ON SPREAD DURATION AND UP IN QUALITY: We maintain an underweight in the long end of USD markets and continue to favor high-quality issuers.

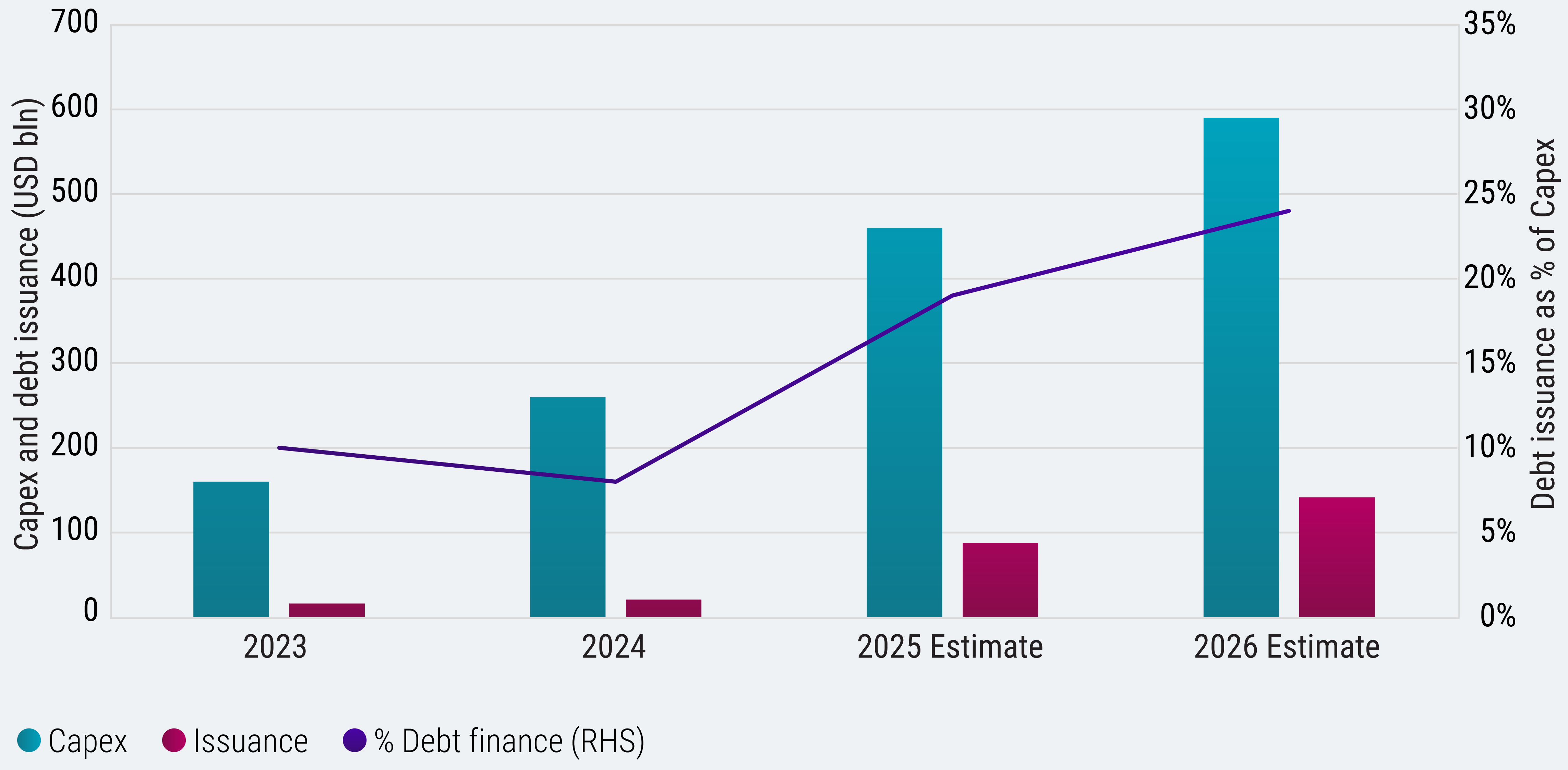
REMAIN SELECTIVE IN HIGH YIELD: We focus on BB/B names with solid fundamentals and avoid weaker CCCs, where dispersion remains high.

FAVOR RESILIENT FINANCIALS: Banks remain a core overweight: credit metrics are strong and rating momentum is positive.

CHART OF THE QUARTER

Hyperscaler capex is set to surge through 2026, and debt financing is rising as companies lean more on bond markets to fund AI-driven infrastructure growth. Issuance remains a small share of total spend, but its climb signals a growing opportunity.

Hyperscaler capex and issuance



Source: UBS, December 2025

STRATEGY INSIGHTS

How the outlook influences our strategies

Active credit strategies

CREDIT INCOME

Maintain low spread duration (3.6 years) to limit rate and spread volatility. Keep cyclical exposure low while still maintaining sizeable bank debt. Added BB EM bonds in Asia for value and increased AAA securitized debt. We took some profit from subordinated bank debt and corporate hybrids.

Aims to generate income by adapting quickly to change, seeking the most attractive opportunities through the credit cycle. Companies that negatively impact the UN Sustainable Development Goals (SDGs) are excluded.

EURO CREDIT BONDS

The strategy keeps overall risk close to the index, but is overweight European banks, where fundamentals are supportive, and underweight cyclical sectors, where valuations are less appealing. We hold some exposure to European securitized debt backed by mortgages or loans, providing a measure of defensive positioning.

This strategy focuses on the European investment grade credit market, identifying opportunities in corporate and financial bonds. It has the flexibility to move beyond the standard index when opportunities emerge.

GLOBAL CREDITS

Keeping overall risk close to the index while maintaining an overweight in European markets. The strategy remains overweight financials, where relative value is stronger than in corporates. The strategy is underweight long-dated US credit and favors up-in-quality positioning in the current environment.

A global corporate bond portfolio with the flexibility to invest across investment grade, high yield, and emerging markets. The strategy captures regional and economic value, aiming to balance stability and growth.

Please visit the Robeco Credit strategy page for more information.

IMPORTANT INFORMATION – CAPITAL AT RISK