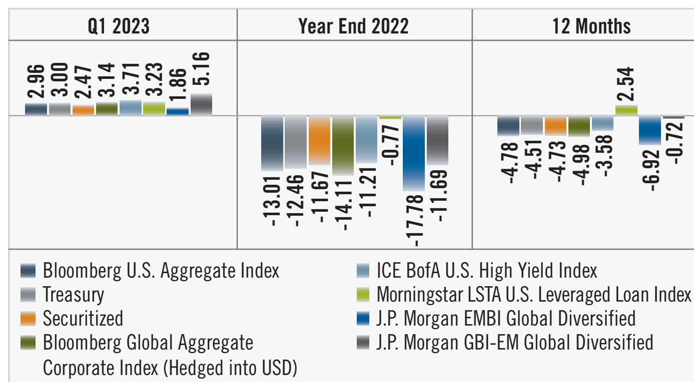
Q1 23 MULTI-ASSET CREDIT
MARKET REVIEW AND OUTLOOK

Newfleet
ASSET MANAGEMENT
A Virtus Investment Partner

MARKET REVIEW

The quarter opened with strong gains as lower-than-expected inflation data drove spreads tighter and U.S. Treasury yields sharply lower due to renewed expectations that the Federal Reserve (Fed) could pause following the March meeting and declining near-term recession risks. However, later in the quarter, improving macro data showing stickier inflation and a resilient labor market sparked a more hawkish Fed tone. Markets priced in additional Fed interest rate hikes and fueled concerns that the higher-than-expected interest rates could lead to a "delayed" hard landing. The banking crisis at the end of the quarter sparked hope for cuts and brought recession worries back to the forefront as investors became concerned that financial conditions would tighten as banks pulled back lending due to depositor outflows.

1Q23 FIXED INCOME RETURNS (%)



Past performance is no guarantee of future results.
As of March 31, 2023. Source: Bloomberg Finance LP.

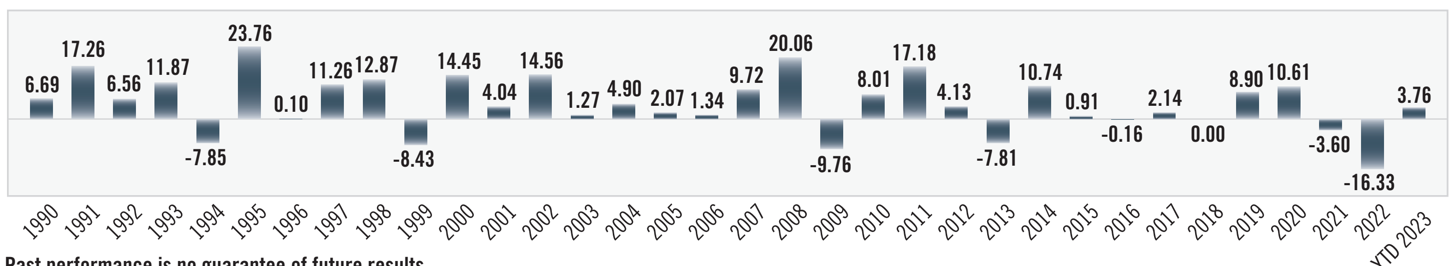
U.S. INVESTMENT GRADE

The U.S. Treasury yield curve shape was virtually unchanged over the quarter as 2-year and 10-year maturities declined 40 bps and 41 bps, respectively. Performance was positive across the term structure, with the Bloomberg U.S. Treasury Bellwethers 10 Year and 30 Year Indexes posting corresponding gains of 3.76% and 5.99%. After suffering the worst returns on record in 2022, U.S. government bonds recovered to some degree during the period, although volatility ran high, driven by widely shifting forecasts for the trajectory of interest rates.

U.S. government debt began the year on strong footing, with bonds rallying across the curve as rate hike expectations softened. The December Federal Open Market Committee (FOMC) minutes reiterated the central bank's commitment to maintaining elevated rates to tame inflation but acknowledged that risks to the overall outlook appear more balanced. Downward yield pressure was sustained as the December jobs report showed moderating wage growth and ISM manufacturing data fell into contraction territory. Duration firmed further as headline inflation cooled for the sixth consecutive month – an encouraging indication to investors that the peak was likely in the rear view. Treasuries extended gains as weaker economic data, including a slump in retail sales and manufacturing output, reinvigorated recession worries and cast a cloud over hopes for a soft landing. The march higher in U.S. government debt prices took a pause as jobless claims declined and GDP growth surprised to the upside, expanding 2.9% (revised to 2.6%) in Q4.

Yields fell at the start of February following the conclusion of the first FOMC meeting of the year. As expected, the central bank boosted the federal funds rate by a quarter percentage point. While the policy statement had a hawkish bias, hopes grew of a pivot to rate cuts this year as the post-meeting press conference progressed, with the market reacting bullishly to Fed Chair Powell's acknowledgment that the disinflationary process has begun. The second part of his message that the unwinding of elevated price pressures is in its "very early stages" and has a "long way to go," was taken in stride. Momentum fully retraced in response to a blockbuster jobs report that sent the unemployment rate to 3.4%, its lowest level since May 1969. Inflation showed a less pronounced downward trend compared to the last few months, and consumer spending surged due in part to unseasonably mild temperatures, reinforcing the likelihood of the Fed maintaining a restrictive monetary policy.

10-YEAR TREASURY – TOTAL RATE OF RETURN (%)



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As of March 31, 2023. Source: Bloomberg Finance LP.

Newfleet Asset Management is a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser.

The bond selloff extended into March amid generally robust economic data that continued to signal a resilient economy that could endure additional rate hikes. In his Congressional testimony, Fed Chair Powell cautioned that the central bank would consider a reacceleration in the pace of tightening against the backdrop of strong growth, and that interest rates could reach higher-than-anticipated levels. The 2s10s inversion deepened to a multi-decade low of -107 bps in response. Yields sharply retraced as the sudden collapse of Silicon Valley Bank (SVB) and Signature Bank, along with the associated concerns around the possible implications for systemic risk to the banking sector, drove a flight to quality. The 2-year note experienced the largest three-day decline – over a full percentage point – since the 1987 stock market crash. U.S. sovereign debt stabilized briefly as investors digested the latest CPI print, which was in line with expectations, bringing the annual rate to 6% from a year ago. Demand for safe haven assets came rushing back after Credit Suisse and First Republic shares tumbled despite receiving massive financial lifelines. Market volatility moderated as UBS acquired its embattled rival and focus shifted to the March FOMC. The Committee voted to raise the fed funds rate by 25 bps to 4.75%-5.00%, the highest range since 2007. The statement and ensuing Q&A hinted at a potential pause in hikes, modifying the Committee's stance from "ongoing increases in the target range will be appropriate," to "some additional policy firming may be appropriate." Treasuries traded within a tighter range into quarter-end as positive developments in the banking sector eased crisis concerns and market participants assessed the outlook for the U.S. economy.

Corporate Investment Grade

Investment grade corporates showed mixed results during the quarter with spreads wider by 8 bps, leaving excess returns only modestly positive by 20 bps while total returns were up 3.5% given the rapid move down in Treasury yields. January's performance started the year off on a strong note, with credit spreads tighter by 13 bps. Lack of supply from money center banks was the catalyst that started the rally, catching many investors offsides as they were under-risked coming into the new year. Positive macro and economic news coupled with strong market technicals carried performance through the rest of the month. February saw spreads widen by 6 bps, mostly on account of higher Treasury yields and elevated supply. However, investors continued to pour money into the sector given its attractive yields. Corporates took a step back in March as spreads fell under heavy pressure earlier in the month as a result of the two bank failures and the collapse and takeover of Credit Suisse by UBS. Panicked investors drove spreads wider across all sectors, with material weakness in banks spreads as Treasury rates rallied sharply, especially in the front end of the curve. Spreads recovered briskly once the markets calmed down, but recovery was not evenly distributed across issuers and curves. Spreads ended the month wider by 14 bps, leaving the option adjusted spread at the end of the quarter at +138 bps.

BLOOMBERG U.S. CORPORATE IG OPTION ADJUSTED SPREAD VERSUS TREASURY INDEX

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As of March 31, 2023. Source: Bloomberg Finance LP.

During the quarter, the best performing sectors were media entertainment (+213 bps), home construction (+130 bps), aerospace/defense (+119 bps), wirelines (+116 bps), and lodging (+110 bps), while the worst performing sectors were office REITs (-628 bps), life insurance (-205 bps), brokerage (-96 bps), gaming (-90 bps), and retail REITs (-70 bps). Single A-rated bonds modestly underperformed BBB-rated issues as investors sought higher quality, while bonds with maturities greater than 10 years outperformed bonds with maturities under 5 years. However, the best performance came from bonds maturing between 5 and 10 years.

Supply for the quarter came in at $390 billion. This was a bit bifurcated between a highly active January and February versus a sluggish March. Supply in January surprised to the upside, with $146 billion issued during the month, making it the fourth largest January on record. February supply also surprised to the upside, bringing a record $147 billion which was well above average estimates at the time and above the prior February record. March supply surprised to the downside, printing only $97 billion. This is far below street estimates and down 57% versus March 2022. The supply for the first quarter was 2.5x greater than the fourth

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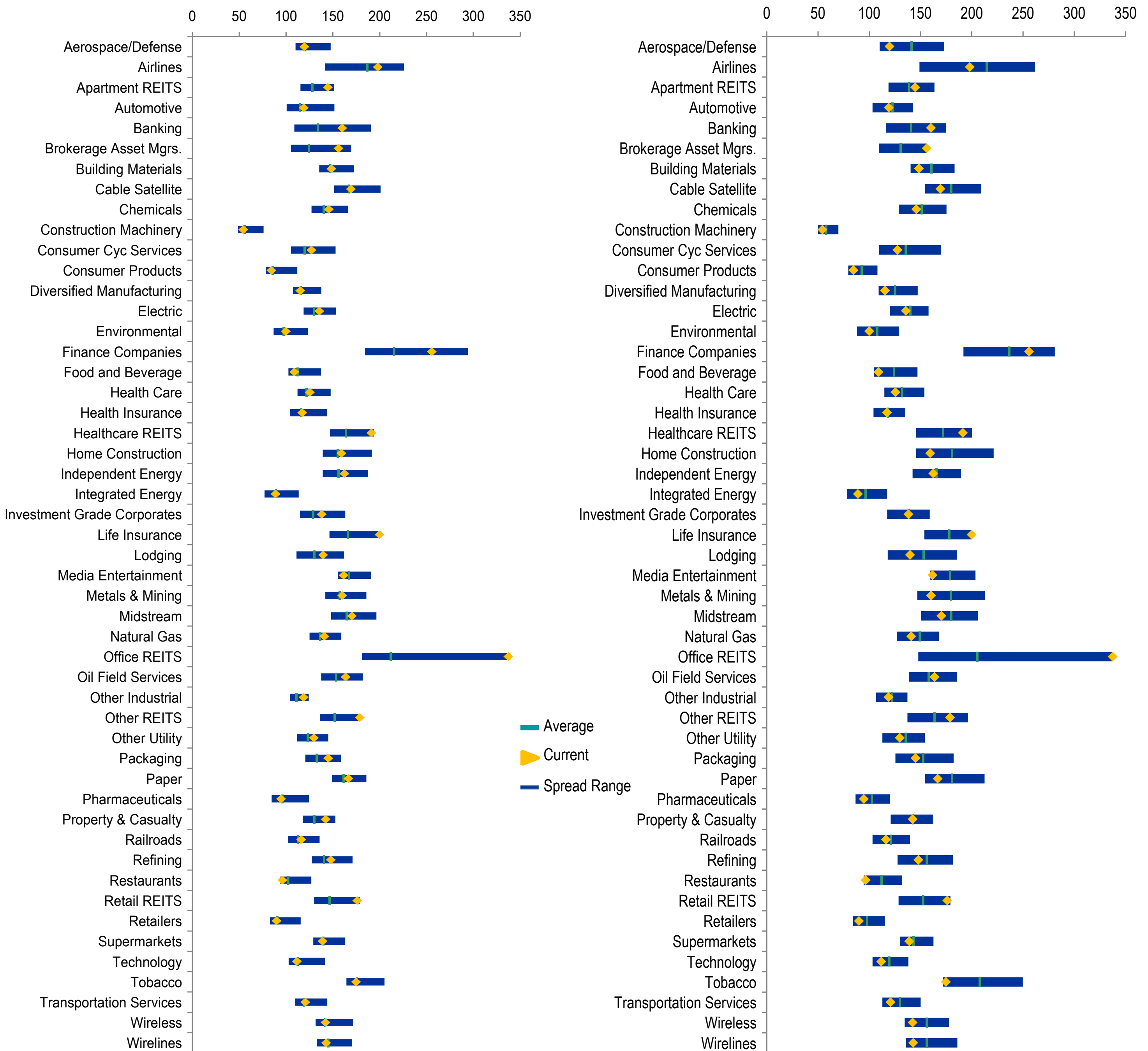
quarter of last year, partially due to December 2022 being the second lowest month for supply on record, while the first quarter's supply was down 15% versus the first quarter of 2022. Markedly absent during the quarter was supply from the financial sector, which was down over 39% versus this time last year, while supply for industrials and utilities were up 45% and 2%, respectively.

BLOOMBERG U.S. CORPORATE IG INDEX VALUATIONS VS. LONG TERM AVERAGES

Industry Spreads Year-To-Date (bps) **Industry Spreads Last 12 Months (bps)**



As of March 31, 2023. Source: Bloomberg Finance LP.

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Securitized Debt

Mortgages underperformed on market volatility brought on by both Fed uncertainty and the banking crisis. Lower coupons were hit by fears that forced sales of their mortgage portfolios would emerge. As we head into the spring home buying season, prepayments are turning up on seasonal factors.

ABS and CMBS underperformed this quarter, with spreads widening 23 bps and 9 bps, respectively. The banking crisis brought volatility and illiquidity to the markets and a pullback from new issuance. Given the weakness in banks, credit is expected to tighten. The office sector continues to be a concern, with some major borrowers choosing to write down investments or to default.

Investment Grade Outlook

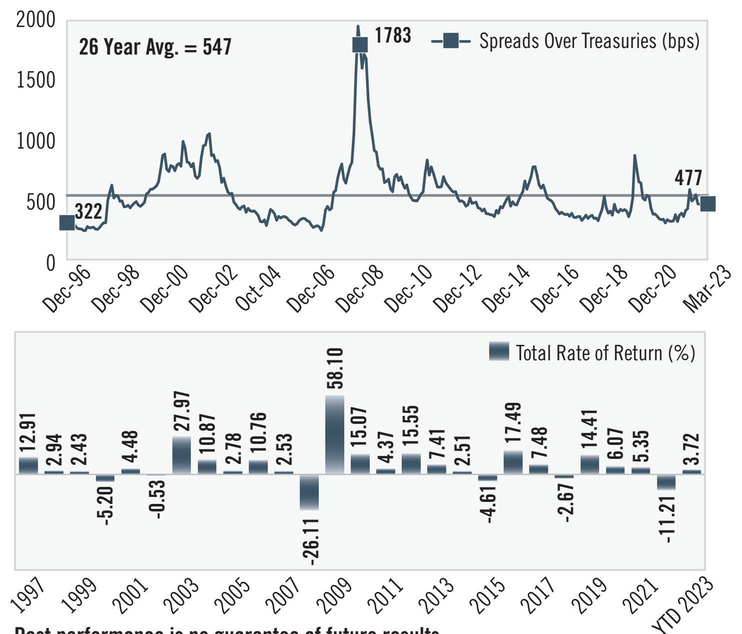
While the significant market disruption caused by banking system problems in March are fading in the rearview mirror, fixed income investors remain wary of the longer-term implications. The deposit runs hitting selective regional banks have slowed considerably, thanks mostly to action by the Federal Reserve. However, the potential for credit contraction hitting small- to medium-size businesses, the primary customers of many regional and community banks, adds weight to an already building case for recession. The U.S. market currently projects a 25-bps hike at the May 3rd meeting followed by three rate cuts prior to the end of 2023. We think the rate cuts priced in will need some ratification of the start of a recession to come to fruition. The story in European markets is not as aggressive – the current pricing points to three additional hikes in 2023 without accompanying rate cuts. The transition in central bank leadership in Japan will remain closely watched for any signs of policy change, although market expectations for change have been frustrated thus far.

The stabilization of the banking sector post-SVB and post-Credit Suisse has helped to reset the investment grade corporate bond market after March's volatility episode. The broad industrial segment of the market is, on average, unchanged for 2023 year-to-date, with limited dispersion in terms of credit spreads. In contrast, the broad financial sector still bears some wounds as average spreads are 25 bps wider. We believe this ongoing dislocation will continue to provide opportunities in select financial sub-sectors and issuers. We would highlight regional banks as a source of excess return opportunities, although the very top tier (PNC and USB as examples) doesn't offer a lot of value at current levels, in our view. The U.S. GSIBs have acted to some extent as a flight to quality. That, combined with restrained new issue supply, limits near term options. While much focus has been on the banking sector, we believe the segment currently most under pressure in the corporate market are office REITs. We would not add directly to that sector given the challenges ahead, but would rather look to other REIT sectors that have been tarnished disproportionately.

U.S. HIGH YIELD

The U.S. High Yield (USHY) market returned 3.72% and spreads tightened 16 bps in 1Q23 as USHY spreads and returns fluctuated based on growth expectations, monetary policy, and recession expectations.

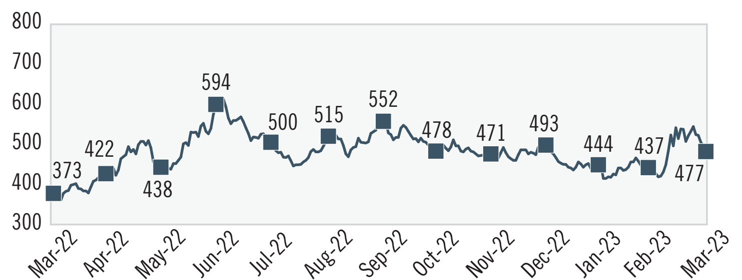
HISTORICAL SPREADS AND RETURNS – ICE BofA U.S. HIGH YIELD CONSTRAINED INDEX



Past performance is no guarantee of future results.
As of March 31, 2023. Source: Bloomberg Finance LP, ICE BofA.

Lower-quality bonds outperformed in the quarter as they rebounded from a very weak fourth quarter. During the period, BB, B, and CCC credits returned 3.33%, 3.87%, and 5.04%, respectively. Spreads tightened by 16 bps, with BB, B, and CCC spreads tightening 14 bps, 18 bps, and 33 bps. The yield-to-worst (YTW) ended the quarter at 8.52%.

SPREAD-TO-WORST – ICE BOFA U.S. HIGH YIELD CONSTRAINED INDEX (BPS)



Past performance is no guarantee of future results.
As of March 31, 2023. Source: Bloomberg Finance LP, ICE BofA.

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The best performing sectors were leisure, building products, and food, which returned 8.93%, 5.92%, and 5.23%, respectively. The worst performing sectors were wirelines (-3.13%), publishing (0.09%), and media (0.97%).

During the quarter, four issuers defaulted for $7.4 billion, compared to only 7 defaults for $12.2 billion in 2022. The default rate moderated slightly, with the trailing 12-month par value default rate 1 bps lower to 1.27%, or 21 bps lower to 1.91%, including distressed exchanges. We expect the default rate to trend higher towards the long-term average of 3.2% (2.9% excluding distressed exchanges). On an issuer basis, the default rate declined 10 bps to 0.97%. The distress ratio increased from 7.5% to 9.5%.

For the quarter, 85 issuers have been upgraded for a total of $147 billion, while 90 issuers were downgraded for a total of $141 billion. The upgrade to downgrade ratio was 1x for the quarter. On an issuer basis, the quarterly ratio was 0.9x. During the period, there were five rising stars for $21.6 billion and two fallen angels for $13.5 billion.

Market technicals were mixed as the macro volatility drove sizeable retail outflows, but also contributed to a slowdown in the primary calendar. Retail funds reported an outflow of $16 billion in the quarter. The new issue market priced only $5.6 billion of new issuance in March and $40.5 billion in the quarter compared to $11 billion the prior March and $40 billion the prior quarter. Refinancing continued to be the primary use of proceeds.

European High Yield

The European high yield market rallied 3.27% during the quarter and spreads tightened 29 bps due to an improving growth outlook in Europe and the reopening in China. CCC credits underperformed with a gain of 0.63% compared to returns of 3.16% and 3.93% for BBs and Bs.

By industry, home builders, leisure, and paper outperformed for the quarter. Underperforming industries included financials, metals/mining, and retail food/drug.

Technicals improved as inflows returned and new issuance rebounded. In the quarter, €16.3 billion of bonds priced – the highest volume since 4Q21. Almost 60% of issuance was BB-rated, and no CCC bonds priced due to the market volatility. Fund flows were strong, with inflows of €617 million. Prior to the banking stress, inflows for the quarter exceeded €1.5 billion.

Distress and default rates in Europe remained near historically low levels, with only three defaults for €1.1 billion during the quarter. The 12-month par default rate was unchanged at the end of March at 0.4% and the issuer default rate ended at 1.1%, according to J.P. Morgan. The distressed ratio increased 250 bps to 10%.

Leveraged Loans

After a strong start to the year, we ended the first quarter on weaker footing as the Morningstar LSTA U.S. Leveraged Loan Index delivered its first negative return (-0.09%) in six months due to recession fears and concerns over a banking crisis. We saw a material slowdown in secondary market activity as volatility spiked, as well as pull-back in primary markets as issuers and arrangers withdrew deals given the increased cost of capital and lack of investor demand. During this period, we saw the market post its second largest single-day decline since April 2020. This negative sentiment permeated across all ratings categories during the month and was most pronounced in the lower-rated CCC (-0.16%) portion of the market. For the quarter, the favorable sentiment early in the year cushioned some of the losses in March, leading to the second-strongest quarterly return in the last 10 years (3.11%). Given the volatility following the SVB, we saw loan prices retreat 159 bps from the end of February only to recover 82 bps from the lows and finish the quarter up 94 bps to $93.38. At quarter end, the average bid price of the index was 133 bps below the year-to-date high. As a result of these price declines, we saw the percentage of loans priced between $99 to par and above par decline 550 bps and 140 bps, respectively, to 27% and 2%. Most of those loans moved into the $98-$99 price bucket, with 19% of the index falling in that category, which is up from 15% at February month-end and 14% at January month-end. From an industry sector performance perspective, we saw strength in the commodity sectors during the quarter as well as strength in the leisure and satellite sectors. Laggards during the quarter were primarily driven by idiosyncratic credit events within the wireline and media sectors.

As we look at asset class technicals, the backdrop remains broadly supportive. Starting with supply, dynamics remain difficult, and net new money continues to get pushed to the sidelines. We saw the overall size of the Morningstar LSTA U.S. Leveraged Loan Index decline $2.2 billion this past month and $14.5 billion year-to-date to $1.39 trillion. Since the 2022 peak, the size of the overall index has declined $30 billion – the largest decline in a six- month stretch since 2016. This is being driven by subdued new issuance, with new issuance for the quarter down 56% to $49.6 billion. Most of the activity centered around refinancings, which comprised 68% of all activity, while M&A/LBO accounted for 11% of all activity. Issuance was down 88%

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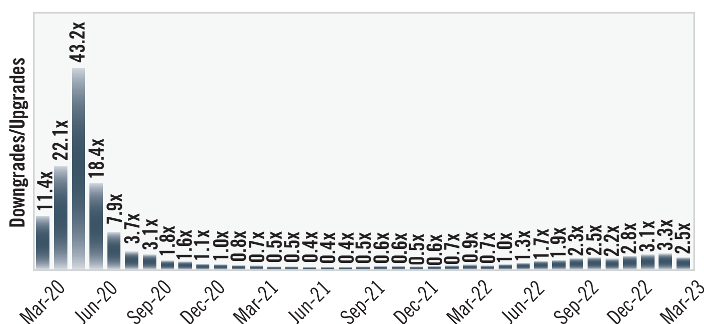
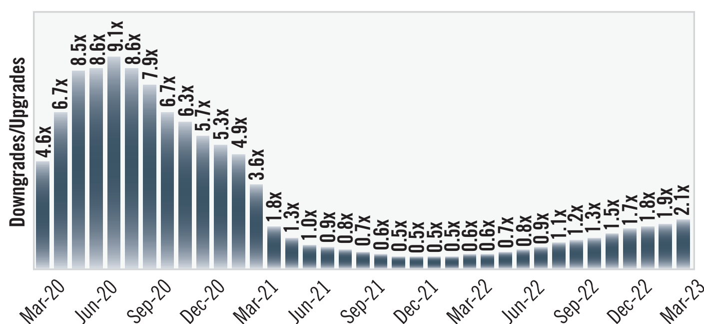
year-over-year. Turning to demand, we continue to see relatively strong demand from Collateralized Loan Obligation (CLO) investors and manageable outflows from retail loan mutual funds and Exchange Traded Funds. On the CLO front, 25 deals priced for $10.9 billion, which is sequentially down, but still relatively healthy. Though the volatility caused by SVB pushed some CLO issuance to the sidelines, 77 deals for $33.5 billion priced over the quarter, which was modestly ahead of last year's quarter. Meanwhile, the market continues to face persistent outflows that saw an uptick in the weeks surrounding the SVB episode. For the month, approximately $6.8 billion left the asset class, bringing the year-to-date outflow figure to $11.4 billion, which is greater than all of FY22.

RATIO OF DOWNGRADES TO UPGRADES – 3-MONTH MOVING AVERAGE



As of March 31, 2023. Source: Morningstar LSTA U.S. Leveraged Loan Index and S&P's LCD.

RATIO OF DOWNGRADES TO UPGRADES – 12-MONTH MOVING AVERAGE



As of March 31, 2023. Source: Morningstar LSTA U.S. Leveraged Loan Index and S&P's LCD.

During the quarter, the trailing 12-month default rate increased 63 bps to 1.35% – its highest reading since May 2021. For the year, we've seen nine defaults for a total of $10.05 billion. Of note, the default of Diamond Sports Group LLC was the largest default year-to-date as the company has dealt with an over-leveraged balance sheet and secular headwinds for several quarters. For the quarter we saw 86 downgrades and 35 upgrades, which brings the downgrade to upgrade ratio to 2.46x – a modest sequential and year-to-date decline. Lastly, we saw a moderate uptick in the level of distress, as measured by the percentage of names trading below $80 in the market. The distress ratio ended the month at 6.30%, up 92 bps sequentially, but down 110 bps from year-end.

Leveraged Finance Outlook

Recent turmoil in U.S. regional banks will likely lead to tighter financial conditions even while the Fed continues to raise interest rates. This has led to increased recession concerns despite resilient labor markets. The Fed's interest rate path remains uncertain, with a greater risk of recession the longer the Fed waits to begin cutting rates. Though corporate profits have been resilient, weakness in Europe, Asia, North American housing, and lower-income consumers has been noted. Corporate balance sheets are healthy, with leverage at pre-pandemic levels and high cash balances. However, financial conditions have tightened considerably and point to slower growth and deteriorating credit metrics ahead. Risks remain around the pace and scale of global interest rate hikes, tighter lending conditions, geopolitical events, inflationary pressures, supply chain and labor constraints, the ability of industries to successfully recover lost demand, and COVID.

EMERGING MARKETS DEBT

Tracking indices for the three sectors of EM debt – hard currency sovereign debt, local currency sovereign debt, and hard currency corporate debt – delivered positive total returns of 1.9%, 5.2%, and 2.2%, respectively. However, EM credit on balance underperformed U.S. fixed income credit alternatives, moving EM bond valuations to more attractive levels both in absolute and relative terms. Inflation eased in many EM countries but remained elevated.

TOTAL EM RETURNS BY SECTOR, Q1 2023

	Sector	Return
Emerging Markets	EM Local Currency Debt	5.2%
	EM Corporate Debt	2.2%
	EM FX	2.2%
	EM Sovereign Debt	1.9%
Developed Markets	US HY Corporate	3.7%
	US IG Corporate	3.5%
	5-7yr US Treasuries	3.0%
	US Agg	3.0%
	US Dollar Spot	-1.0%

Past performance is no guarantee of future results. As of March 31, 2023.
Sources: J.P. Morgan, Stone Harbor Investment Partners, Bloomberg.

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Lower food and oil prices in February and March contributed to a reversal of a January spike in headline consumer price index readings, while core inflation flattened in EMs on average, with disinflation in China and more broadly in Asia. Forward markets suggested that policy interest rates, on average, peaked early this year. Stress in developed country bond markets further contributed to declining inflation and growth expectations. Accordingly, short term interest rates in most EM bond markets declined, leading to capital gains in many domestic bond markets in Q1. Monetary policy tightening, or the continuation of elevated policy interest rates, combined with currency strength, supported real yields in many domestic bond markets.

External Hard Currency Debt

Investment Grade: The EM investment grade sovereign benchmark posted a total return of 2.8% in Q1. All IG country bond markets delivered positive returns as falling U.S. Treasury yields enhanced performance. The largest contributors to index gains were Indonesia, China, and Qatar, with total returns of 3.06%, 2.89% and 2.28%, respectively. Investment grade sovereign spreads widened by 19 basis points on average, and widened in each country bond market except for China, Croatia, Kazakhstan, and Malaysia. Accordingly, excess returns relative to U.S. Treasuries were negative in eight of the 19 benchmark countries. Romania, Mexico, Malaysia, China, and Hungary outperformed, generating excess returns over comparable maturity U.S. Treasuries of 1.7%, 1.5%, 1.3% 0.6%, and 0.5%, respectively. The Philippines, Panama, Uruguay, and Saudi Arabia posted the largest negative excess returns for the quarter, ranging between -1.3% (Philippines) to -2.2% (Saudi Arabia).

Sub-Investment Grade: The total return of the sub-investment grade segment was 0.9%, comprising a wide range of returns at the country level. The top ten highest total returns ranged from 4.4% (Brazil) to 24.1% (El Salvador). Two of these top performers – Lebanon (+11.4%) and Sri Lanka (+19.7%) are currently in default and negotiating with creditors on debt restructurings. Venezuela's debt, which remains in default and has been excluded from benchmark return calculations since 2020, continued to post standout returns. The average return of debt of the Republic of Venezuela and Petroleos de Venezuela was +16.3% in Q1. The largest detractors from returns were Ecuador and Egypt, which returned -25.7% and -9.8%, respectively. Political instability rather than weakness in macroeconomic factors, we believe, led to the downturn in Ecuador bonds, which sold off sharply after elections on 5 February. In Egypt, large external financing needs weighed on the macroeconomic outlook for the country. While Egypt secured a $3 billion 48-month Extended Fund Facility with the IMF in December 2022, the need for extensive structural reforms, combined with restrained capital inflows, raised concerns about Egypt's external funding gap and dampened demand for Egyptian bonds. Nevertheless, in the final weeks of the quarter, Egypt secured additional funding from the World Bank ($7 billion) and is likely to pass the first review of the IMF program early in Q2.

Local Currency Debt

Currencies: EM currencies appreciated this quarter by 2.2% relative to the U.S. dollar. In March, the decline in U.S. Treasury yields removed some of the support for the U.S. dollar relative to high yielding EM currencies. We believe the recent strength in EM currencies may also reflect stronger growth fundamentals and higher real interest rates in many EMs than in many advanced economies. Lower foreign participation in local currency bond markets may also have dampened selling pressure on EM currencies despite the global market volatility.

Interest Rates: At the end of the quarter, policy interest rates, adjusted for one year forward inflation forecasts, were positive in at least 12 developing countries. Brazil had the highest real policy interest rate at 8.3%. Colombia and Russia both had real interest rates of approximately 2.8%, while rates in Peru and Indonesia were around 2.2%. On the other hand, Turkey's real interest rate of -23.6% indicated a high level of risk and uncertainty for investors in Turkish assets. Poland and Romania both maintained negative real interest rates, but not as low as Turkey's, at -3.8% and -1.9%, respectively.

Hard Currency Corporate Debt

In EM corporate debt, fourth quarter earnings reported earlier this year weakened after several quarters of growing profitability. However, credit fundamentals remained largely intact as many companies used free cash flow generation in 2022 to deleverage balance sheets. Q1 2023 new issuance in the international markets was higher than in the first quarter of 2022, but still well below historical levels as companies faced higher interest payments than they have for the past several years.

EM Outlook

Our base case macroeconomic scenario is a softish landing, with tighter financial conditions induced by higher Fed policy rates and a fading rebound from COVID-19, meaningfully slowing growth. Under this scenario, we assume that growth in emerging markets recovers as the

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impact of China's reopening offsets the drag from developed markets, while commodity exporters still benefit from strong terms of trade. We think U.S. growth will remain positive but anemic, and eurozone growth will be close to zero. We also assume Western sanctions on Russia and war in Ukraine will continue. We expect the Fed to increase its policy interest rate by 25 bps in May but pause to assess as growth slows. We think the European Central Bank's hiking pace will remain at 50 bps for the next meeting before dropping to 25 bps. Finally, we expect China's growth to accelerate, driven by reopening, though the continuing housing slump and weak global growth may prevent a more dynamic rebound.

Authored by:

The Newfleet Multi-Asset Credit Team

Our experienced team has been managing multi-sector credit portfolios since 1993. We combine an asset allocation process tested through various market cycles with market selection expertise from experienced asset class specialists.

The **Bloomberg U.S. Aggregate Bond Index** measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. The **FTSE US Treasury Index** includes fixed rate U.S. Treasury bonds with $5 billion public amount outstanding and greater than one year to maturity. The index excludes Federal Reserve purchases, inflation-indexed securities and STRIPS. The **ICE BofA High Yield Constrained Index** is a market value-weighted index designed to measure the performance of below investment grade rated corporate debt publicly issued in the U.S. domestic market, but caps issuer exposure at 2%. The **J.P. Morgan CEMBI Broad Diversified** tracks total returns of U.S. dollar-denominated debt instruments issued by corporate entities in emerging market countries and consists of an investable universe of corporate bonds. The minimum amount outstanding required is $350 mm for the CEMBI Broad Diversified. The CEMBI Broad Diversified limits the weights of those index countries with larger corporate debt stocks by only including a specified portion of these countries' eligible current face amounts of debt outstanding. The **J.P. Morgan EMBI Global (EMBIG)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging markets sovereign and quasi-sovereign entities: Brady bonds, loans, and Eurobonds. The **J.P. Morgan EMBI Global Diversified (EMBI Global Diversified)** limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global. The **J.P. Morgan GBI-EM Global Diversified** consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure. The **Morningstar LSTA U.S. Leveraged Loan Index** is a daily total return index that uses LSTA/LPC Mark-to-Market Pricing to calculate market value change. On a real-time basis, the index tracks the current outstanding balance and spread over LIBOR/SOFR for fully funded term loans. The facilities included in the Index represent a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers. The weightings among the countries are more evenly distributed within this index. The indexes are unmanaged, returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

LIBOR: London Interbank Offered Rate. **SOFR:** The Secured Overnight Financing Rate.

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