2Q 2024
Bank Loans Strategy

Newfleet
ASSET MANAGEMENT
A Virtus Investment Partner

Strategy Description

- Flexible investment approach that provides prudent exposure to the bank loan market and strives to outperform the Credit Suisse Leveraged Loan Index over a market cycle.
  - Prioritizes mitigating risk (i.e., volatility, capital loss) predominantly through rigorous fundamental credit analysis and active portfolio management.
  - Identifies and invests in creditworthy issuers—companies with competitive advantages, sustainable capital structures, stable cash flow, and an ability to de-lever.
- Effectively captures the attractive attributes of the bank loan market—material yield, low interest rate sensitivity, low correlation to fixed rate debt, downside protection.
- Strategy benefits from the formal knowledge sharing across all global fixed income asset classes provided by Newfleet's multi-sector platform.
- Investment guideline: minimum 80% in bank loans/securities, maximum 15% in non-U.S. issuers, maximum 25% in a single industry.

About Newfleet Asset Management

Newfleet Asset Management is a fixed income specialist with a legacy of dynamic, multi-sector investing since 1992. We offer a range of mandates that vary in duration, credit quality, and return/risk profile.

Strategy Facts

AUM: $529 million
Inception: 3/1/2008
Index: Credit Suisse Leveraged Loan Index

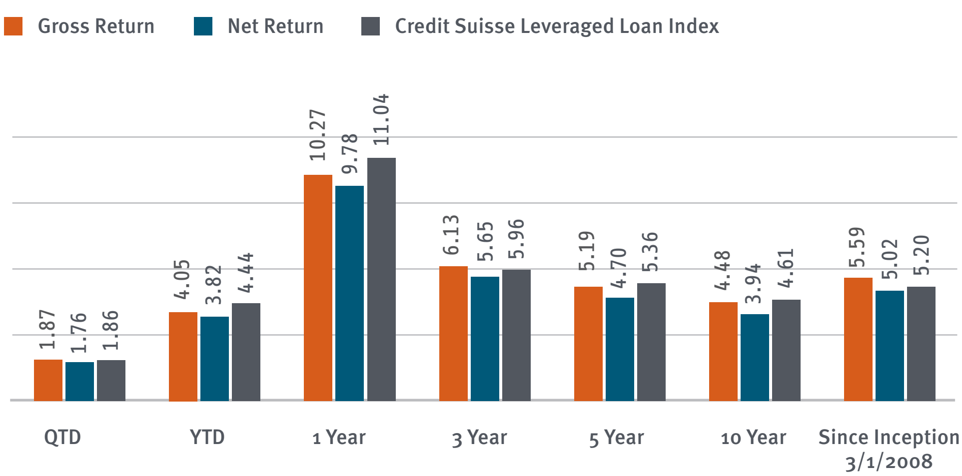
Portfolio Management

David L. Albrycht, CFA
President and
Chief Investment Officer

Kyle A. Jennings, CFA
Senior Managing Director and
Head of Credit Research

Francesco Ossino
Senior Managing Director,
Senior Portfolio Manager, and
Bank Loan Sector Head

Performance (%)



Periods ended 6/30/2024. Time periods over one year are annualized. **Past performance is not indicative of future results.** Net return is shown net of maximum management fees.

Portfolio Characteristics*

	Portfolio	Index
Option Adjusted Spread	400.51	514.13
Coupon	8.80	9.29
Yield-to-Maturity	8.33	9.39
Effective Duration	0.12	-0.07
Weighted Average Life	3.56	3.55
Average Credit Quality	B2	B2
Number of Holdings	262	1,497
Average Price	98.62	93.61

Risk Metrics

	Portfolio	Index
Volatility (5-years)	7.31	7.10
Volatility (10-years)	5.58	5.40
Sharpe Ratio (5-years)	0.42	0.45
Sharpe Ratio (10-years)	0.54	0.58

Calendar Year Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross	12.43	0.38	5.35	1.17	8.86	-0.05	4.08	9.64	0.53	1.76
Net	11.92	-0.08	4.84	0.66	8.32	-0.55	3.56	8.99	-0.08	1.15
Index	13.04	-1.06	5.40	2.78	8.17	1.14	4.25	9.88	-0.38	2.06

Past performance is not indicative of future results.

* Portfolio characteristics and allocations are based on a representative portfolio. All performance statistics, including risk metrics, are based on the strategy's composite.

Sector Distribution*

	Portfolio
Bank Loans	92.77
Cash	2.33
Corporate - High Yield	4.17
Corporate - Investment Grade	0.44
Equity	0.29

Ratings Distribution*

	Portfolio	Index
Baa	2.87	0.11
Ba	18.66	24.09
B	66.50	61.27
CCC and Below	6.66	8.78
Not Rated	2.98	5.76
Cash & Equivalents	2.33	0.00

Duration Distribution*

	Portfolio
Under 3 Years	98.29
3-5 Years	1.71
5-7 Years	0.00
Other	0.00

Top 10 Industries*

	Portfolio	Index
Healthcare	13.15	11.67
Information Technology	12.82	15.54
Service	11.16	12.33
Gaming/Leisure	7.66	4.78
Financial	5.80	8.07
Food/Tobacco	4.69	3.63
Manufacturing	4.65	4.19
Aerospace	4.25	3.50
Chemicals	3.79	4.51
Forest Prod/Containers	3.68	2.72

Top 10 Issuers**

	Portfolio
Transdigm Group Inc	1.29
Acrisure LLC	1.24
Sigma Topco Bv	1.08
Mozart Debt Merger Sub Inc	1.07
Peraton Corp	1.01
Ultimate Software Group Inc	0.99
Applied Systems Inc	0.98
Cablevision Systems Corp	0.95
Ineos Group	0.92
Westinghouse Electric Co	0.85

Maturity Distribution*

	Portfolio
Under 3 Years	17.06
3-5 Years	82.52
5-7 Years	0.42
Other	0.00

Sector and ratings distributions are subject to change.

* Results presented are that of a representative portfolio. Please see the GIPS Report on page 4 for additional information.

** Top issuers do not reflect any cash positions.

Index: The Credit Suisse Leveraged Loan Index is a market-weighted index that tracks the investable universe of the U.S. dollar denominated leveraged loans. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government's debt issues. The ratings apply to the fund's holdings and not the fund itself. Ratings are provided by Standard & Poor's, Moody's, and Fitch. For certain securities that are not rated by any of these three agencies, credit ratings from other agencies may be used. Where the rating agencies rate a security differently, Newfleet uses the higher rating. If a rating is not available, the bond is placed in the Not Rated category. Credit ratings are subject to change. Aaa, Aa, A, and Baa are investment grade ratings; Ba, B, Caa, Ca, C, and D are below-investment grade ratings.

Risk Considerations

Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Bank Loans**: Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **High Yield Fixed Income Securities (Junk Bonds):** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Leverage:** When a portfolio is leveraged, the value of its securities may be more volatile and all other risks may be compounded. Liquidity: Certain securities may be difficult to sell at a time and price beneficial to the portfolio. **Liquidity:** Certain securities may be difficult to sell at a time and price beneficial to the portfolio. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended.

MARKET REVIEW & OUTLOOK

- The loan market returned 1.86% for the quarter, outperforming other riskier asset classes such as high yield and emerging markets.
- Loan prices were bid up to and over par, driving opportunistic repricings and refinancings, with repricings constituting $378 billion in activity for 2Q while refinancings reached a record high of $94.3 billion.
- Borrowers also issued $35.4 billion in dividend recapitalization deals for 1H24, already surpassing combined totals for 2022 and 2023.
- Collateralized loan obligation (CLO) issuance reached $50 billion each quarter so far in 2024—the busiest this market has been since late 2021.
- Tightening spreads also drove more CLO refinancings and resets this year, with $72.7 billion in CLO deal resets and $39.1 billion in full or partial refinancings of CLO notes.
- Borrowers' interest coverage ratios show signs of stabilizing or even slightly improving as of 2Q.
- Default rates have stayed surprisingly low given the higher interest rate environment—it's currently at 4.3%, including out-of-court-restructurings.

For more detail on the macroeconomic backdrop and specific sectors, see Newfleet's 2Q24 Market Review & Outlook on Newfleet.com.

STRATEGY PERFORMANCE

The Bank Loans Strategy (gross of fees) returned 1.87% in the second quarter versus the Credit Suisse Leveraged Loan Index return of 1.86%. For the last 12 months, the Strategy has returned 10.27% versus 11.04% for the Index. The following is a summary of the contributors and detractors of the representative account of the Strategy.

Current Quarter Contributors

- Strong issue selection within information technology, cable/wireless video, and healthcare contributed to performance, though this was partially offset by an overweight to cable/wireless video, which was negative.
- Strong issue selection within Split B-rated loans and distressed credits (CC, C and Default) contributed to performance. An underweight to distressed credits also had a positive impact.

Current Quarter Detractors

- Weak issue selection within gaming/leisure and wireless communications hurt performance. An overweight and issue selection within broadcasting detracted from performance. An underweight and issue selection within the financial sector was also negative.
- Weak issue selection within BB and single-B loans had a negative impact.

CURRENT POSITIONING & STRATEGY

In our view, we are closer to a rate cut than a rate hike. However, even if the Fed enacts two rate cuts this year, the coupon and yield advantage of bank loans would still enable it to outperform high yield and potentially provide attractive returns similar to that of long-term equities.

That said, recent macro indicators such as jobless numbers, GDP, and retail sales now suggest that the economy is starting to slow. While it's too early to de-risk, we continue to monitor economic indicators and various sectors within the loan market closely for signs of stress as we look toward the second half of the year.

- We plan to take advantage of irrational bids, and swap into lower dollar price loans that do not impact our risk positioning.
- We're still underweight cyclicals such as tech, autos, financials, housing and builders, and retail.
- We maintain our overweight to defensive industries such as healthcare, food, cable, and containers and packaging.
- We are overweight B plus and single-B rated loans, but are doing so with a focus on the less-risky credits within those ratings cohorts.
- This reflects our larger theme of adding risk over the last 18 months, but risk that is safer than that of the overall market.

		Composite Assets		Annual Performance Results					
				Composite			Benchmark†		
Year End	Total Firm Assets (billions)	U.S. Dollars (millions)	Number of Accounts	Gross	3 Yr Ann Std Dev	Net	Return	3 Yr Ann Std Dev	Composite Dispersion
2023	13.9	463	Five or fewer	12.43%	3.77%	11.92%	13.04%	3.72%	N.A.
2022	7.9	192	Five or fewer	0.38%	9.19%	-0.08%	-1.06%	8.88%	N.A.
2021	10.1	200	Five or fewer	5.35%	8.78%	4.84%	5.40%	8.46%	N.A.
2020	10.2	369	Five or fewer	1.17%	8.98%	0.67%	2.78%	8.63%	N.A.
2019	10.6	545	Five or fewer	8.86%	3.00%	8.32%	8.17%	2.63%	N.A.
2018	10.4	601	Five or fewer	-0.05%	2.80%	-0.55%	1.14%	2.75%	N.A.
2017	12.0	713	Five or fewer	4.08%	2.54%	3.56%	4.25%	2.63%	N.A.
2016	11.7	692	Five or fewer	9.64%	2.69%	8.99%	9.88%	2.78%	N.A.
2015	11.4	695	Five or fewer	0.53%	2.30%	-0.08%	-0.38%	2.07%	N.A.
2014	12.6	871	Five or fewer	1.76%	2.23%	1.15%	2.06%	1.92%	N.A.

†Benchmark: Credit Suisse Leveraged Loan Index

Composite Dispersion: N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

TThe Bank Loans Composite contains all fully discretionary, fee paying floating rate (bank loans) accounts. Emphasis is on investments in fixed income across multiple sectors of the fixed income market with the following restrictions: maximum below investment grade securities 100%, average credit quality is at least B and non-US exposure 0-5%. The strategy may invest up to 20% in high yield bonds. Leverage may be utilized to achieve the investment objective or to meet repurchase requests and for temporary, extraordinary or emergency purposes. The strategy seeks total return and income by investing in non-investment grade bank loans.

As of August 1, 2023, the Floating Rate Composite was renamed the Bank Loans Composite. Effective January 28, 2019, the composite's benchmark is the Credit Suisse Leveraged Loan Index, replacing the previous benchmark, the S&P/LSTA Leveraged Loan Index. This benchmark change is retroactive since inception. The Credit Suisse Leveraged Loan Index is a market-weighted index that tracks the investable universe of the U.S. dollar denominated leveraged loans. It has been selected for the benchmark because it is more widely used within the industry and the manager believes that the new index provides investors with a better correlated statistical tool for investment analysis and research than the prior index. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Effective January 1, 2023, the Multi-Asset Credit (MAC) team from Stone Harbor Investment Partners joined Newfleet Asset Management (Newfleet). Effective July 1, 2022, Newfleet became a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser. Prior to July 1, 2022, Newfleet Asset Management, LLC was a registered investment adviser and an indirect wholly owned subsidiary of Virtus Investment Partners. The minimum account size for this composite is $15 million. The Bank Loans Composite was created on April 1, 2012. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

Returns are presented gross and net of management fees and include the reinvestment of all income. Net returns are calculated by reducing the gross returns by the maximum fee charged to any account in the composite for the respective period. The maximum fee for the respective period could be different than the current fee schedule Effective 10/1/21, net of fee performance was calculated using 1/12 of the highest fee of 0.45%, applied monthly. For the period 2/1/17 to 9/30/21, the fee was 0.50%, and included performance based fees. Prior to 2/1/17 the fee was 0.60%. Performance Fee: For accounts associated with a performance fulcrum fee, the fee rate will vary by up to +/- 0.18% and the performance fee shall be added to or subtracted from the base fee to arrive at the total fulcrum fee. The comparative index is the Credit Suisse Lev. Loan Index over the applicable measurement period. The performance fee rate will increase/decrease by 0.01% for each 0.0972% of outperformance/underperformance of the index over a trailing 12-month period. The total fulcrum fee (base fee +/- performance fee) is paid monthly in arrears. Actual investment advisory fees incurred by clients may vary. The management fee schedule is as follows: $50 to $100 million – 0.35%, over $100 million – 0.30%. The composite inception date is 3/1/08. Effective 2/1/24, a significant cash flow policy of 15% was implemented. The policy requires the temporary removal of any portfolio incurring a client initiated significant cash and/or securities inflow or outflow of 15% or greater of portfolio market value. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs. The account re-enters the composite at the beginning of the next month where the account meets the standard composite inclusion requirements. Additional information regarding the treatment of significant cash flows is available upon request. Gross returns are used to calculate the composite three-year annualized ex-post standard deviation and the annual composite dispersion. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

Newfleet claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Newfleet has been independently verified for the periods January 1, 1990 through December 31, 2023. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Bank Loans Composite has had a performance examination for the periods June 2, 2011 through December 31, 2023. The verification and performance examination reports are available upon request. A list of composite descriptions, a list of limited distribution pooled fund descriptions, and a list of broad distribution pooled funds are available upon request.

For more information on the Newfleet Fixed Income strategies, please contact:
Mike Sebesta, Managing Director, Head of Institutional Client Service
Newfleet Asset Management
O: 404.845.7664 | C: 407.963.4740
mike.sebesta@newfleet.com
www.Newfleet.com

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