

1Q 2024 High Yield Strategy



Strategy Description

- ▶ Flexible investment approach that provides prudent exposure to the high yield bond market and seeks to outperform the Bloomberg U.S. High Yield 2% Issuer Capped Index over a market cycle.
 - Prioritizes mitigating risk 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.
 - Seeks to add value through credit selection, optimizing relative value and diversification.
- ▶ Strategy benefits from the formal knowledge sharing across all global fixed income asset classes provided by Newfleet's multi-sector platform.
- ▶ Investment guidelines: minimum 80% in high yield bonds, 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: \$450 million
 Inception: 1/1/2012
 Index: Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index

Portfolio Management

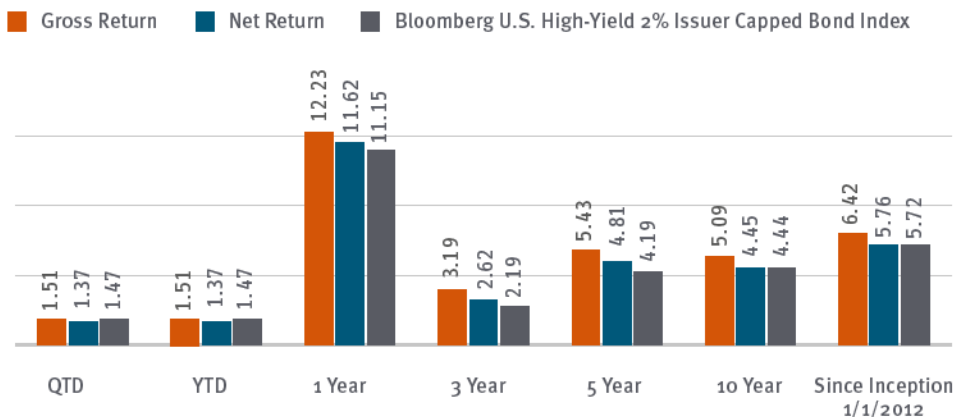
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Performance (%)



Periods ended 3/31/2024. Time periods over one year are annualized. **Past performance is not indicative of future results.** Net return is shown net of maximum management fees.

Calendar Year Returns

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Gross	14.40	-9.49	6.22	8.05	15.61	-2.26	7.25	14.46	-1.75	3.27
Net	13.77	-9.99	5.64	7.36	14.87	-2.89	6.56	13.73	-2.39	2.61
Index	13.44	-11.18	5.26	7.05	14.32	-2.08	7.50	17.13	-4.43	2.46

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.

Portfolio Characteristics*

	Portfolio	Index
Option Adjusted Spread	367.76	301.98
Yield-to-Worst	8.33	7.71
Yield-to-Maturity	8.52	7.84
Effective Duration	3.06	3.15
Weighted Average Life	4.25	4.33
Average Credit Quality	B1	B1
Number of Holdings	193	1,957
Average Price	95.28	94.94

Risk Metrics

	Portfolio	Index
Volatility (5-years)	9.55	9.33
Volatility (10-years)	7.57	7.60
Sharpe Ratio (5-years)	0.36	0.23
Sharpe Ratio (10-years)	0.49	0.41

Sector Distribution*

	Portfolio	Index
Bank Loans	2.33	0.00
Cash	1.10	0.00
Corporate - High Yield	81.20	99.56
Corporate - Investment Grade	14.98	0.44
Equity	0.38	0.00

Ratings Distribution*

	Portfolio	Index
A	1.28	0.00
Baa	13.70	0.44
Ba	23.59	47.33
B	42.34	38.78
CCC and Below	17.28	13.42
Not Rated	0.70	0.03
Cash & Equivalents	1.10	0.00

Duration Distribution*

	Portfolio	Index
Under 3 Years	50.96	47.34
3-5 Years	36.49	42.38
5-7 Years	11.04	8.17
7-10 Years	0.73	1.33
Over 10 Years	0.78	0.77
Other	0.00	0.00

Top 10 Industries*

	Portfolio
Energy	20.21
Financial Institutions	15.64
Consumer Cyclical	12.29
Consumer Non-Cyclical	12.06
Capital Goods	11.36
Communications	10.73
Basic Industry	7.04
Technology	4.04
Utility	1.96
Transportation	1.75

Top 10 Issuers**

	Portfolio
Charter Communications Inc	1.74
Ford Motor Credit Co LLC	1.60
Cablevision Systems Corp	1.49
Global Atlantic Fin Co	1.39
Echostar Communications Corp	1.25
Energy Transfer Partners Lp	1.18
Mozart Debt Merger Sub Inc	1.15
Regal Rexnord Corp	1.14
Carnival Corporation	1.13
Nationstar Mortgage LLC	1.12

Maturity Distribution*

	Portfolio	Index
Under 3 Years	32.19	27.20
3-5 Years	38.18	42.13
5-7 Years	18.52	22.85
7-10 Years	10.33	5.91
Over 10 Years	0.78	1.92
Other	0.00	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 Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index is a market capitalization-weighted index that measures fixed rate non-investment grade debt securities of U.S. and non-U.S. corporations. No single issuer accounts for more than 2% of market cap. 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.

Foreign & Emerging Markets: Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **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. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the portfolio. **High Yield-High Risk Fixed Income Securities:** There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities. **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

- ▶ High yield markets had a total return of 1.47% and stronger excess returns of close to 1.6% for 1Q.
- ▶ Already at low levels, credit spreads tightened more by 20 basis points (bps) to +303 bps after hitting a low of +292 bps mid-March. Factors driving this move:
 - 1) Soft landing becoming a base case.
 - 2) Steady fundamental performance.
 - 3) Strong technical environment.
- ▶ High yield saw over \$6.2 billion of inflows year-to-date, though most of the issuance went towards refinancing existing debt.
- ▶ New issue pricing has generally tightened multiple times from the initial guidance and allocations are well below order size.
- ▶ While fundamentals are broadly stable and earnings are consistent with last quarter, the same industries that were experiencing weakness last year, such as cable and chemicals, are still seeing softer results.
- ▶ Better-performing industries are retail, due to bonds rallying on takeover rumors for Macy's and Nordstrom, and energy, which has rallied back with stronger commodity prices after lagging late in 2023.

For more detail on the macroeconomic backdrop and specific sectors, see [Newfleet's 1Q24 Market Review & Outlook](#) on Newfleet.com.

STRATEGY PERFORMANCE

The High Yield Strategy (gross of fees) returned 1.51% in the first quarter versus the Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index return of 1.47%. For the last 12 months, the Strategy has outperformed, returning 12.23% vs. 11.15% 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 contributed to overall performance, particularly in the healthcare, home builders, building products, E&P, food/bev/tobacco, and midstream sectors.
- ▶ An overweight to bonds rated BBB & above combined with a substantial underweight to BB-rated bonds had a positive impact.
- ▶ An underweight in media cable and an overweight to E&P were positive contributors.

Current Quarter Detractors

- ▶ Weak issue selection in media other, transport other, and industrial other detracted from performance. Issue selection and an overweight to retail non-food/drug was also negative.
- ▶ Weak issue selection in CCC-rated bonds had a negative impact, though this was partially offset by an overweight to CCCs, which was positive.

CURRENT POSITIONING & STRATEGY

The Strategy is positioned with a higher level of risk and yield than the benchmark, as we think the macro environment more than offsets relatively rich valuations and is supportive of risk. In an environment of stable to mildly widening credit spreads, a carry advantage should drive outperformance.

The primary risk is persistently high inflation, which prevents the Federal Reserve from cutting elevated rates and even runs the chance of requiring further rate hikes. These higher rates will pressure more highly levered borrowers, particularly those with large amounts of floating rate debt.

- ▶ We're overweight CCC-rated bonds where credit spreads are below long-term averages, but relatively cheaper than the higher-rated tranches, which hover near all-time tights.
- ▶ We've also been adding BBB-rated credits where we again find better relative value than BB-rated alternatives.
- ▶ Industry overweights include commodity-related sectors—especially oil and gas, where fundamentals are strong given the high price environment and as management teams remain cautious about leveraging balance sheets.
- ▶ We're also overweight financials, where valuations are attractive.

Past performance is not indicative of future results.

Year End	Composite Assets			Annual Performance Results					
	Total Firm Assets (billions)	U.S. Dollars (millions)	Number of Accounts	Composite			Benchmark [†]		Composite Dispersion
				Gross	3 Yr Ann Std Dev	Net	Return	3 Yr Ann Std Dev	
2023	13.9	429	Five or fewer	14.40%	7.59%	13.77%	13.44%	8.35%	N.A.
2022	7.9	45	Five or fewer	-9.49%	11.39%	-9.99%	-11.18%	11.12%	N.A.
2021	10.1	57	Five or fewer	6.22%	9.93%	5.64%	5.26%	9.00%	N.A.
2020	10.2	61	Five or fewer	8.05%	10.22%	7.36%	7.05%	9.24%	N.A.
2019	10.6	60	Five or fewer	15.61%	4.19%	14.87%	14.32%	4.02%	N.A.
2018	10.4	57	Five or fewer	-2.26%	4.03%	-2.89%	-2.08%	4.59%	N.A.
2017	12.0	69	Five or fewer	7.25%	4.64%	6.56%	7.50%	5.56%	N.A.
2016	11.7	73	Five or fewer	14.46%	5.18%	13.73%	17.13%	5.99%	N.A.
2015	11.4	72	Five or fewer	-1.75%	5.19%	-2.39%	-4.43%	5.25%	N.A.
2014	12.6	85	Five or fewer	3.27%	4.94%	2.61%	2.46%	4.50%	N.A.

[†]Benchmark: Bloomberg U.S. High-Yield 2% Issuer Capped Bond Index

Composite/Benchmark Standard Deviation: N.A. - The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

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

The High Yield Composite contains all fully discretionary high yield accounts. Emphasis is on seeking diversification and the potential rewards associated with investing in high yield fixed income securities. The strategy seeks to invest across multiple sectors of the fixed income market with a maximum of 100% below investment grade securities. The average credit quality is at least B and non-US dollar exposure is between 0-5%.

For comparison purposes, the composite is measured against the Bloomberg U.S. High Yield 2% Issuer Capped Bond Index. The index is a market capitalization-weighted index that measures fixed rate non-investment grade debt securities of U.S. and non-U.S. corporations. No single issuer accounts for more than 2% of market cap. 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.

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. Effective January 1, 2014, the minimum account size for this composite is \$10 million. Prior to January 1, 2014, the minimum account size for this composite was \$15 million. The High Yield 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. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

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 12/1/2020, net of fee performance was calculated using 1/12 of the highest fee of 0.55%, applied monthly. Prior to 12/1/2020, the highest fee was 0.65%. Actual investment advisory fees incurred by clients may vary. The management fee schedule is as follows: \$25 to \$50 million – 0.30%, \$50 to \$100 million – 0.25%, over \$100 million – 0.20%. The composite inception date is January 1, 2012. 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.

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, 2022. 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 High Yield Composite has had a performance examination for the periods January 1, 2012 through December 31, 2022. 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.

The commentary is the opinion of the manager. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

For more information on the Newfleet Fixed Income strategies, please contact:

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