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MULTI-ASSET CREDIT: A COMPLETE APPROACH

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Executive Summary

A Multi-Asset Credit portfolio (MAC) offers an investor the opportunity to gain exposure to a diversified and large opportunity set focused within credit but with a broad array of characteristics. These can include differences in coupon types, credit quality, duration, industries, issuers and region, which can be combined with the goal of creating specific solutions to garner attractive relative performance in a multitude of environments and for varying investment goals.

The global below investment grade credit markets offer robust differentiation in characteristics which can create a MAC portfolio for fixed income investors. This paper will outline why we believe a MAC strategy is superior to a single strategy and can be utilized to potentially create attractive risk-adjusted returns and fairly low correlations with large traditional investment grade benchmarks.

Active management in a MAC strategy allows a manager to shift portfolio positioning to potentially exploit market movements, as these market changes have been occurring much more rapidly in recent years.

An active manager can utilize asset allocations, tactical tilts and bottom-up credit selection with the goal of exploiting these market movements and to create a portfolio that can potentially blend a stream of predictable income and opportunities for principal appreciation. Traditional bonds and loans tend to have an asymmetrical risk-reward profile, as the upside in principal is constrained by call prices and maturities. This results in interest income accounting for most of the return. A MAC strategy can shift this symmetry of returns by balancing income with opportunistic capital appreciation.

Managing a diverse below investment grade strategy in one portfolio can allow the asset manager to see holdings from a holistic point of view to potentially identify risk exposures and return opportunities. A single management team can actively coordinate the aggregate exposures to credits, industries, regions, credit quality, interest rates, and market volatility.

We believe an asset manager should have a strong platform and have expertise across all the asset classes in which they invest within MAC. Further, they should have a disciplined, repeatable process spanning asset allocation through credit selection and risk monitoring. This process should reap the benefits of collaboration across the entire firm.

In our view, this approach can produce a diversified portfolio that has a low correlation with investment grade "aggregate index" style portfolios, attractive relative return and risk characteristics, and may offer many enhancements over single-strategy below investment grade strategies.

Shenkman Capital is an investment manager with approximately $29 billion of AUM and over 37 years of experience. Our firm is focused on below investment credit markets with a dedication to deep disciplined credit research.

We manage co-mingled and separately managed accounts in strategies including Multi-Asset Credit, High Yield Bond, Leveraged Loans, Opportunistic and tactical Credit, Collateralized Loan Obligations, Collateralized Bond Obligations Global Leveraged Credit, and Short Duration High Yield.

Multi-Asset Credit: A Strategic Way to Access Credit

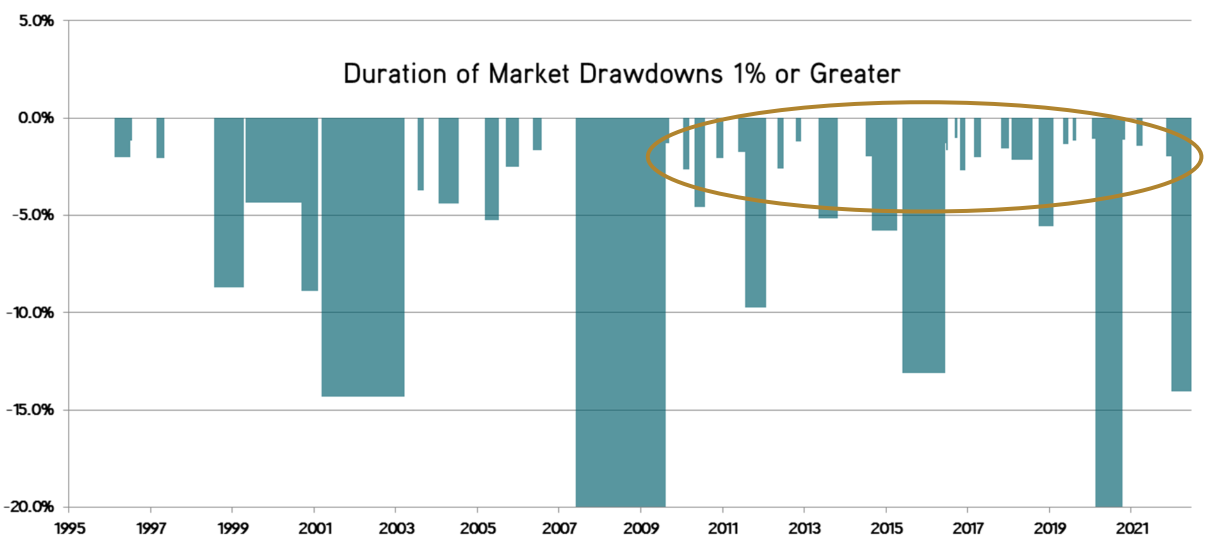
Multi-Asset Credit strategies (MACs) can provide investors with a robust opportunity set from which to produce investment results. While the asset classes used in MACs can vary greatly, we believe a MAC portfolio focused on global below investment grade credit assets offers a broad array of characteristics that can potentially produce attractive relative performance in periods of varied credit and interest rate cycles.

A credit-specific MAC portfolio should aim to create alpha over high yield fixed income indexes and offer diversification and low correlations with investment grade oriented "aggregate" strategies while seeking an attractive relative return. Different coupons, security structures, credit quality, duration, industry and regional exposures can be combined with the goal of generating returns from a predictable stream of interest income and opportunities for principal appreciation and seeks to protect capital during many types of drawdowns.

We believe returns can be further enhanced with disciplined active management, where the manager is deeply embedded in the markets in which they invest and has the agility to shift positioning in the portfolio via asset allocations, tactical tilts within asset classes, and bottoms up credit selection. In our view, to maximize the outcome, it is important to actively manage the overall aggregate characteristics that are being created to optimize potential returns while monitoring exposures to risk factors such as specific industries, duration, and regions.

When creating an investment strategy in the current environment, we believe it is important to consider that economic and credit cycles have been moving more rapidly and frequently as seen in Exhibit 1. We believe a MAC strategy's ability to be nimble and act quickly is important to potentially capitalize on these shortened periods of volatility.

EXHIBIT 1: Market Drawdowns



Pictured are magnitude and duration of all high yield market drawdown periods of at least 1% or greater (duration is measured in peak to recovery). The 2008 and 2020 drawdown periods extend beyond the scale of this graph (-35.0% and -21.5%, respectively. Full data set available upon request). Data as of 6/30/2022. Source: ICE BofA (H0A0). For illustrative purposes only. Any trends depicted or described above may not continue. Past performance is not a guarantee of future results. Please see disclaimers for additional important information.

The Asset Classes

Multi-Asset Credit can be definied in a number of ways, encompassing the full range of fixed income products from investment grade through distressed emerging market bonds and in some cases equities. While we believe diversity within a MAC opportunity set is likely necessary to produce postive outcomes in varied market cycles, we do not believe this means "own everything". Too broad a portfolio can hinder the ability to create alpha, as even during the best investment environments, there are usually some areas of the markets that are suffering and, in our opinion, should be avoided.

We believe specialization is important since there are advantages to being in markets that offer inefficiences that can create more potential opportunites to differentiate performance. One sector which we believe deserves extra attention is global below investment grade credit. We believe this large market place offers ample diversification in seniority, credit quality, structures, industries, duration and region to create above market performance in a broad array of investment environments.

The list below highlights some of the differences in the below investment grade debt markets:

Asset Security: Bank loans and CLOs are typically secured whereas high yield and cross-over bonds are typically unsecured.

Coupons: Coupons on average are higher than in investment grade markets and offer a mix of fixed and floating.

- Loans and CLOs typically have floating rate coupons, offering more protection in a rising interest rate environment than bonds which typically have fixed rate coupons.
- Convertibles tend to have very low coupons, in part because they have an embedded equity option that can lead to greater principal gains than the asymmetric returns that callable bonds and loans have.

Call Protection: Bonds typically have more call protection than loans. Convertible bonds typically have very limited call features often related to the equity price or specific events.

Rate Duration: Rate duration is generally lower than what is seen in investment grade markets on average.

- Corporate loans and CLOs typically are low, under 1 year.
- High yield bonds duration has averaged about 4 years over the last decade (roughly 27% of the market is under 3 years, creating a large, short duration potential opportunity as well).
- Crossover market and IG has longer duration (averaging 6.2 and 7.6 years respectively).
- European bond markets have had modestly shorter duration than U.S. (averaging 3.6 years). It is worth noting that European interest rate cycles have often materially varied from the U.S.

Credit Ratings: For the past several years, the U.S. bond market has had a higher average credit rating than the loan market, despite having more CCCs outstanding.

- The European and emerging market corporate credit markets average rating is slightly higher than the U.S. high yield bond market.
- Converts tend to be non-rated, leaving significant value added from deep credit research, in our opinion.

Issuer Characteristics: The types of issuers in each of these markets vary greatly and the overlap of issuers in the asset classes are relatively low.

- This differentiation in issuers allows for significant ability to express investment opinions through industry and stylistic rotations. Over the years, we have observed the following:
    - The loan market tends to have more LBO-related issuance than other markets.
    - U.S. high yield bonds tend to have more commodity and traditional industries.
    - Cross-over and European markets tend to have more financials and industrial globally-oriented issuers (e.g., automotive).
    - Europe also often has differentiated business cycles from the U.S.
    - Emerging markets often has large exposure to infrastructure credits.
    - Converts tend to have more growth industries such as technology and bio-pharma.

A summary of key credit markets appears in Exhibit 2 on the following page.

EXHIBIT 2: Potential Asset Classes Included in a Multi-Asset Credit Portfolio

Global High Yield Bonds	($2.2T market)
Global Corporate Loans	($1.5T market)
Convertible Bonds	($0.1T market)
Crossover Corporate Bonds	($4.5T market)
Structured Credit	($0.7T market)[1]
Emerging Market Bonds	($0.4T market)

Source: ICE BofA Indexes, LSTA and Citibank Research, as of 7/31/2022. Indexes used: Global High Yield Bonds = HW00 ICE BofA Global High Yield Index; Global Corporate Loans = S&P Leveraged Loan Index plus S&P European Leveraged Loan Index; Convertible Bonds = Refinitiv U.S. All Cap Cvt Focus Index; Crossover Corporate Bonds = X0VR ICE BofA US Crossover Corporate Index; Structured Credit = JPM CLOIE Post-Crisis CLO Index; Emerging Market Bonds = EMHB ICE BofA High Yield US Emerging Markets Liquid Corporate Plus Index. For illustrative purposes only. Any trends depicted or described above may not continue. Future weightings may differ materially. Please see disclaimers for additional important information.(1) Represents the outstanding principal of U.S. and Euro CLOs.

We believe a mix of the asset classes shown above allows one to navigate market cycles and seek to create outperformance relative to broad market indexes. This universe can also be used to create a specific customized risk-reward profile that an investor may seek within a broader fixed income portfolio.

Exhibit 3 shows how different fixed income asset classes have outperformed in different economic and market environments over the last 10 years.

EXHIBIT 3: Annual Return by Asset Class

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
10-Y TREASURY 4%	10-Y TREASURY (8%)	10-Y TREASURY 11%	10-Y TREASURY 1%	10-Y TREASURY 0%	10-Y TREASURY 2%	10-Y TREASURY 0%	10-Y TREASURY 9%	10-Y TREASURY 11%	10-Y TREASURY (4%)
S&P 500 13%	S&P 500 30%	S&P 500 11%	S&P 500 (1%)	S&P 500 10%	S&P 500 19%	S&P 500 (6%)	S&P 500 29%	S&P 500 16%	S&P 500 27%
EURO HYB 29%	CONVERTIBLES 17%	CONVERTIBLES 8%	EURO HYB 2%	HIGH YIELD 17%	EMD 10%	SHORT DURATION 2%	CONVERTIBLES 19%	CONVERTIBLES 34%	DISTRESSED 16%
BBB CLOS 24%	DISTRESSED 14%	EMD 7%	SHORT DURATION 2%	DISTRESSED 15%	CONVERTIBLES 10%	LEVERAGED LOANS 0%	EMD 15%	DISTRESSED 12%	HIGH YIELD 5%
EMD 17%	EURO HYB 11%	EURO HYB 6%	EMD 1%	BBB CLOS 12%	BBB CLOS 9%	CONVERTIBLES 0%	EURO HYB 15%	HIGH YIELD 6%	LEVERAGED LOANS 5%
HIGH YIELD 16%	BBB CLOS 9%	HIGH YIELD 3%	BBB CLOS (1%)	EURO HYB 11%	EURO HYB 9%	EURO HYB (1%)	HIGH YIELD 14%	BBB CLOS 5%	BBB CLOS 4%
DISTRESSED 10%	HIGH YIELD 7%	SHORT DURATION 2%	LEVERAGED LOANS (1%)	LEVERAGED LOANS 10%	HIGH YIELD 7%	BBB CLOS (1%)	BBB CLOS 9%	EMD 5%	EURO HYB 4%
LEVERAGED LOANS 10%	SHORT DURATION 5%	BBB CLOS 2%	CONVERTIBLES (1%)	EMD 10%	DISTRESSED 6%	DISTRESSED (2%)	LEVERAGED LOANS 9%	EURO HYB 5%	SHORT DURATION 3%
CONVERTIBLES 9%	LEVERAGED LOANS 5%	LEVERAGED LOANS 2%	HIGH YIELD (5%)	SHORT DURATION 7%	LEVERAGED LOANS 4%	HIGH YIELD (2%)	SHORT DURATION 7%	LEVERAGED LOANS 3%	CONVERTIBLES (1%)
SHORT DURATION 8%	EMD (5%)	DISTRESSED (1%)	DISTRESSED (8%)	CONVERTIBLES 3%	SHORT DURATION 4%	EMD (4%)	DISTRESSED 3%	SHORT DURATION 1%	EMD (2%)

Source: ICE Data Indices as of 12/31/2021. Indexes used: High Yield = H0A0 ICE BofA U.S. High Yield Index; Short Duration = H42C ICE BofA U.S. 0-2Yr Duration BB-B Index; Leveraged Loans = S&P | LSTA Leveraged Loan Index; Convertibles = Refinitiv U.S. All Cap Cvt Focus Index; Distressed= HFRIDSI Hedge Fund Research Dist/Restr Index; BBB CLOs = JPM CLOIE Post-Crisis BBB CLO Index; EMD = JPEIDIVR J.P. Morgan EMBI Global Diversified Index; Euro HYB = HP00 ICE BofA European Currency High Yield Index 100% Hedged to USD; S&P 500 = S&P 500 Index; 10-Y Treasury = G1A0 ICE BofA Current 10-Year U.S. Treasury Index. For illustrative purposes only. Any trends depicted or described above may not continue. Past performance is not a guarantee of future results. Please see disclaimers for additional important information.

MAC Within a Broader Fixed Income Context

Broad fixed income portfolios are often benchmarked off of an "aggreagate" index that is typically made up of investment grade debt issues. An allocation to a below investment grade MAC portfolio can help create less-correlated return profiles and add differentiated characteristics from the broad investment grade aggregate mandates. These include higher coupons, the potenetnial for increased floating rate coupon exposure, shorter duration, and broad industry and regional diversification. Additionally, as demonstrated below, we believe that within these non-aggregate markets, credit selection has the potential to create outsized returns through alpha, as there is greater dispersion and more inefficiencies in lower rated markets.

Exhibit 4 shows the historic correlations between investment grade asset classes such as investment grade corporates, CMBS and broad aggregate indexes all tend to be highly correlated with each other and with Treasuries. Meanwhile, core components of a MAC portfolio - highlighted in green - have much lower correlations with these investment grade asset classes and less sensitivity to Treasuries.

EXHIBIT 4: Historical 5-Year Correlations of Returns

Data as of 7/31/2022

	High Yield	Leveraged Loans	CLOs	Convertibles	Europe HYB	Emerging Markets	Bloomberg U.S. Aggregate	10-Y Treasury Index	U.S. Corporate Index
Leveraged Loans	0.85								
CLOs	0.76	0.95							
Convertibles	0.82	0.74	0.69						
Europe HYB	0.87	0.71	0.64	0.77					
Emerging Markets	0.87	0.75	0.75	0.70	0.86				
Bloomberg U.S. Aggregate	0.42	0.12	0.15	0.32	0.40	0.54			
10-Y Treasury Index	(0.03)	(0.30)	(0.23)	(0.06)	(0.02)	0.12	0.87		
U.S. Corporate Index	0.76	0.60	0.60	0.63	0.72	0.84	0.83	0.49	
S&P 500	0.81	0.65	0.55	0.81	0.78	0.68	0.26	(0.10)	0.57

Source: ICE Data Indices, S&P, Bloomberg, J.P. Morgan, Refinitiv. Indexes used: High Yield = H0A0 ICE BofA U.S. High Yield Index; Leveraged Loans = S&P | LSTA Leveraged Loan Index; Convertibles = Refinitiv U.S. All Cap Cvt Focus Index; CLOs = JPM CLOIE Post-Crisis TOTAL CLO Index; Emerging Markets = JPEIDIVR J.P. Morgan EMBI Global Diversified Index; European HYB = HP00 ICE BofA European Currency High Yield Index; S&P 500 = S&P 500 Index; 10-Y Treasury = G1A0 ICE BofA Current 10-Year U.S. Treasury Index; Bloomberg U.S. Aggregate = LBUSTRUU Bloomberg Barclays Capital U.S. Aggregate Bond Index; U.S. Corporate Index = C0A0 ICE BofA U.S. Corporate Index. For illustrative purposes only. Any trends depicted or described above may not continue. Past performance is not a guarantee of future results. Please see disclaimers for additional important information.

Exhibit 5 helps support our belief that below investment grade markets are more diverse, more heavily impacted by idiosynchratic differences in credit, and that credit selection can make a bigger impact in these markets. As a proxy for the below investment grade credit market, we used the ICE BofA U.S. High Yield Index (H0A0) and compared it to the ICE BofA U.S. Corporate Index (C0A0). Exhibit 5 shows a greater variation by yield and spread in the leveraged debt markets. This implies that there is greater opportunity for credit research to make a difference in performance and volatility and that, perhaps, the credit ratings are a less effective way to measure risk in below investment grade than in the investment grade markets, making it less efficient. This is also notable when one removes some of the more extreme tails and examines individual rating categories that are just one step away from each other, as can be seen in the single rating categories shown in the BBB and

BB rating columns, where there is greater dispersion within yields and spreads in BBs than BBBs. Duration dispersion remains greater in investment grade.

EXHIBIT 5: Dispersions and Averages of Selected Market Statistics

Index data as of 7/29/2022

	C0A0 (IG)	H0A0 (HYB)	C0A4 (BBB)	H0A1 (BB)
Standard Deviation Of:				
Effective Yield	0.8	6.5	0.8	1.4
OAS	81	651	83	136
Effective Duration	5.1	2.0	4.6	2.4
Average Of:				
Effective Yield	4.5	7.3	4.7	5.8
OAS	141	425	192	329
Effective Duration	7.4	4.2	7.3	4.6

Source: ICE Data Indices (C0A0 ICE BofA U.S. Corporate Index, H0A0 ICE BofA U.S. High Yield Index, C0A4 ICE BofA BBB US Corporate Index, H0A1 ICE BofA BB US High Yield Index) For illustrative purposes only. Any trends depicted or described above may not continue. There is no assurance that any portfolio construction objectives can be achieved or that any such portfolio will be profitable. Diversification does not eliminate the risk of loss. Past performance is not a guarantee of future results. Please see disclaimers for additional important information.

This broader dispersion of yields in below investment grade credit also can potentially create the opportunity to reap a greater return if investments with improving credit trends are identified. In our view, this highlights the greater impact that credit research can have in the below investment grade market. Using the indexes' characteristics as proxies for the bonds:

- The average Effective Yield on the ICE single A index was 4.03% as of July 29, 2022. Comparing this to the BBB data in Exhibit 5, if an upgrade from BBB to single A occurred, a tightening of 70 bps in yield could occur. With an average BBB duration of 7.3 this results in an implied price gain of 5.1 points.
- The average single B was trading at a yield of 8.08%, so an upgrade to BB would equate to a 225bp tightening in yield, with a duration of 4.6 it would theoretically equate to a gain of 10.4 points.
- Of course, getting a credit wrong with a downgrade in this hypothetical example would result in a comparable loss.

Approaches to MAC Vary

There are differentiated approaches to MAC, some with major emphasis on macro themes and some with more focus on micro-selection. We believe a balance should be struck between micro and macro inputs. As different investment themes seem to dominate different investment cycles, a MAC strategy should be able to take advantage of these shifts.

We also believe investors should be focused on areas of the market where they have deep knowledge and that the aggregate portfolio should be constructed with a discpilined, repeatable process. This should result in a diversified portfolio that can, hopefully, produce returns that are differentiated from broad market aggregate indexes.

In many MAC structures, investors have at least three broad levers that can be utilized to create positive results:

i. Asset class allocation decisions (e.g. loans versus bonds, U.S. versus Europe);
ii. Tactical tilts within each asset class (e.g. overweight short duration in high yield, invest in higher delta converts);
iii. Credit selection (e.g. which credits to own and where to overweight in the capital structure).

A balance of these macro and micro levers is key. Many conversations about MAC investing focus on the allocation process. However, we believe credit selection and monitoring are still paramount in any form of credit investing. Especially in a below investment grade strategy, a disciplined process in both credit selection and credit monitoring are as important as the allocation methodology. We also believe investors require necessary tools that monitor and manage the aggregate output of the MAC portfolio to create characteristics that aim to outperform in the current investment environment. Therefore, aggregate yields, spreads, durations, industry, regional and credit exposure all must be considered when making strategic decisions and while monitoring the portfolio.

Exhibit 6 shows how shifting one lever – asset allocation – in a MAC portfolio can alter aggregate statistics. To do this, we utilized indexes representing some of the major asset classes in a below investment grade MAC portfolio. In MAC Scenario 1, we weighted the portfolio based on market value of the indexes and showed selected characteristics for this simplified hypothetical MAC portfolio on an aggregate basis. In Scenario 2, we shifted the allocation with the goal of reducing duration without sacrificing yield. While this is a realtivey simplified example, we believe it highlights the flexibility of a MAC strategy and the important benefits of considering aggregate characteristics when constructing and allocating a MAC portfolio, as opposed to simply bundling assets together. In reality, the management of exposure and characteristics should involve a number of other items such as credit quality, industry exposures, and the weight of fixed versus floating coupons. These characteristics can be used to position the portfolio to seek to maximize performance in various environments.

EXHIBIT 6: An Illustration of the Impact on Portfolio Statistics of an Asset Reallocation

Data as of 7/31/2022

	Scenario 1 Market Weight Allocation	Scenario 2 Hypothetical Allocation
U.S. HY Bonds	41%	35%
Leveraged Loan	41%	48%
Convertibles	3%	7%
CLOs (BBB – BB)	2%	5%
Europe HYB	13%	5%
YTW	7.2%	7.1%
OAS	504	480
OAD	2.37	1.96

Source: Shenkman, ICE Data Indices, S&P, J.P. Morgan, Bloomberg. Weightings based on estimated market weight for following indexes: US HY Bonds: H0A0 ICE BofA U.S. High Yield Index, Leveraged Loan: S&P | LSTA Leveraged Loan Index, Convertibles: Refinitiv U.S. All Cap Cvt Focus Index, CLOs (BBB – BB): J.P. Morgan Collateralized Loan Obligation Indices BBB and BB, Europe HYB: HP00 ICE BofA European Currency High Yield Index. YTW OAS and OAD based on same indexes except for JPM CLOI, which does not publish rate duration and assumed same as loans. For illustrative purposes only. Any trends depicted or described above may not continue. There is no assurance that any portfolio construction objectives can be achieved or that any such portfolio will be profitable. Diversification does not eliminate the risk of loss. Past performance is not a guarantee of future results. Please see disclaimers for additional important information.

We believe successfully combining knowledge, structure and process in managing a MAC strategy is critical to the portfolio's success. In our view, one should design a portfolio to seek consistent income, reduce drawdowns, and offer the potential for meaningful upside from principal appreciation. We believe that these outcomes can be achieved by utilizing the tools available in below investment grade credit.

Exhibit 7 shows a market weighted "static" allocation of key below investment grade asset classes as we have shown in Exhibit 6 and involves passive management. We have compared these results over various periods with those of a broadly used fixed income "aggreegate" index. While there are some categories where the Aggregate has stronger results (e.g. Volatility, Maximum Drawdown), the "static" market-weighted MAC produces better returns, higher Sharpe and Sortino ratios, and less frequent drawdown periods compared to the Aggregate. We believe these metrics show how additive and differntiating a MAC portfolio can potentially be versus an Aggregate-focused portfolio.

EXHIBIT 7: Return Comparison Aggregate Index versus a Static Market Weighted MAC Portfolio

1-Year Data Ending 7/31/2022

	Annualized Return	Annualized Volatility	Maximum Drawdown	Average Drawdown	% Of Down Periods	Sharpe Ratio	Sortino Ratio
Market Weight Allocation [1]	-5.45%	8.23%	-11.87%	-2.07%	50.19%	(0.70)	(0.79)
Bloomberg Aggregate [2]	-9.12%	5.77%	-11.28%	-1.42%	75.00%	(1.62)	(1.66)

3-Year Data Ending 7/31/2022

	Annualized Return	Annualized Volatility	Maximum Drawdown	Average Drawdown	% Of Down Periods	Sharpe Ratio	Sortino Ratio
Market Weight Allocation[1]	0.61%	10.76%	-16.06%	-2.60%	31.99%	0.12	0.14
Bloomberg Aggregate[2]	-0.21%	4.78%	-11.91%	-0.98%	52.78%	(0.15)	(0.20)

5-Year Data Ending 7/31/2022

	Annualized Return	Annualized Volatility	Maximum Drawdown	Average Drawdown	% Of Down Periods	Sharpe Ratio	Sortino Ratio
Market Weight Allocation[1]	2.87%	8.81%	-16.06%	-1.90%	32.44%	0.20	0.24
Bloomberg Aggregate[2]	1.28%	4.17%	-11.91%	-0.85%	46.67%	0.06	0.09

Source: Shenkman, ICE Data Indices, S&P, J.P. Morgan, Bloomberg.
1) Weightings based on estimated market weight for following indexes: US HY Bonds: H0A0 ICE BofA U.S. High Yield Index, Leveraged Loan: S&P Leveraged Loan Index, Convertibles: Refinitiv U.S. All Cap Cvt Focus Index, CLOs (BBB – BB): J.P. Morgan Collateralized Loan Obligation Indices BBB and BB, Europe HYB: HP00 ICE BofA European Currency High Yield Index. 2) Bloomberg Aggregate: Bloomberg Barclays Capital US Aggregate Bond Index (LBUSTRUU). For illustrative purposes only. Any trends depicted or described above may not continue. There is no assurance that any portfolio construction objectives can be achieved or that any such portfolio will be profitable. Diversification does not eliminate the risk of loss. Past performance is not a guarantee of future results. Please see disclaimers for additional important information.

Conclusion

Over the last few years, many traditional bonds and loans allocations have been evolving toward a MAC strategy as the single strategy approach has an asymmetrical risk-reward profile. Because the upside in principal is constrained by call prices and maturities, it is often difficult to shift exposures. This results in interest income accounting for the majority of return. A MAC strategy can alter this symmetry of returns by balancing the consistent income stream with opportunistic capital appreciation. We believe a well-managed MAC strategy can generate a better risk-reward profile than stand-alone credit strategies by dynamically shifting weighting between factors such as fixed versus floating rate coupons and increasing or decreasing equity correlations. We believe a MAC strategy creates both resiliency and flexibility to perform well in varied and changing market conditions and therefore can potentially enhance performance within the credit asset class.

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The ICE BofA U.S. High Yield Index (H0A0) has an inception date of August 31, 1986 and tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA Global High Yield Index (HW00) has an inception date of December 31, 1997 and tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic and Eurobond markets.

The S&P European Leveraged Loan Index (ELLI) is a market-value-weighted index designed to measure the performance of the European institutional leveraged loan market. On a real-time basis, the ELLI tracks the current outstanding balance and spread over EURIBOR for fully funded term loans. The facilities included in the ELLI represent a broad cross section of leveraged loans syndicated in Europe.

The S&P/LSTA Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. leveraged loan market based upon weightings, spreads and interest payments.

The ICE BofA All U.S. Convertible ex. Mandatory Index (V0A0) is a subset of the ICE BofA All U.S. Convertibles Index (VXA0), has an inception date of January 1988 and is broadly representative of the U.S. convertible securities market, consisting of publicly traded issues, denominated in U.S. dollars, of all credit qualities, and excluding mandatory (equity-linked) convertibles. The ICE BofA All U.S. Convertibles Index (VXA0) has an inception date of December 31, 1987 and is comprised of approximately 700 issues of only convertible bonds and preferreds of all qualities.

The J.P. Morgan Collateralized Loan Obligation Indices (CLOIE) are designed to track the market for US dollar denominated broadly-syndicated, arbitrage CLOs. CLOIE is divided by period of origination (pre versus post crisis, or CLO 1.0 v CLO 2.0), as is common market convention and further broken out into five original rating classes (AAA, AA, A, BBB, BB). This provides users with unique benchmarks that mirror the unique markets for specific tranches. All together, 10 separate sub-indices comprise CLOIE.

The ICE BofA High Yield Emerging Markets Corporate Plus Index (EMHB) has an inception date of December 31, 1998 and is a subset of The ICE BofA Emerging Markets Corporate Plus Index (EMCB) including all securities rated BB1 or lower. The ICE BofA Emerging Markets Corporate Plus Index (EMCB) has an inception date of December 31, 1998 and tracks the performance of U.S. dollar and euro denominated emerging markets non-sovereign debt publicly issued in the major domestic and eurobond markets.

The J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI® Global Diversified) is a uniquely-weighted version of the EMBI Global. It limits the weights of those index countries with larger debt stocks by only including specified portions of these countries' eligible current face amounts of debt outstanding. The countries covered in the EMBI Global Diversified are identical to those covered by the EMBI Global.

The ICE BofA 0-2 Year Duration BB-B U.S. HY Constrained Index (H42C) is a subset of the HUC4 that consists of all securities that have a duration-to-worst of 2 years or less. The ICE BofA U.S. High Yield, BB/B Rated, Constrained Index (HUC4) has an inception date of December 31, 1996, and is a subset of the ICE BofA U.S. High Yield Index (H0A0) that consists of all securities rated BB1 through B3, based on an average of Moody's, S&P and Fitch, but caps issuer exposure at 2%. The ICE BofA U.S. High Yield Index (H0A0) has an inception date of August 31, 1986 and tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

ICE BofA US Crossover Corporate Index (XOVR) has an inception date of December 31, 1988 and tracks the performance of US dollar denominated BBB and BB corporate debt publicly issued in the US domestic market.

The Refinitiv US All-Cap Focus Convertible Bond Index has an inception date of December 1993, is a subset of the Refinitiv US Convertible Bond Index, and includes securities that have a price between 60 and 140 and a conversion premium of < 100%, among other criteria. The Refinitiv US Convertible Bond Index includes convertible securities that are denominated in USD, have a market value of over $300mm, and have underlying stocks that trade on US equity markets.

The HFRI Distressed/Restructuring Index ("HFRI Distressed Index") is designed to represent strategies which employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings. Managers are typically actively involved with the management of these companies, frequently involved on creditors' committees in negotiating the exchange of securities for alternative obligations, either swaps of debt, equity or hybrid securities. The HFRI Distressed Index returns are estimates and are subject to change for up to four months following the reporting period.

The ICE BofA European Currency High Yield Index (HP00) has an inception date of December 31, 1997 and tracks the performance of EUR and GBP denominated below investment grade corporate debt publicly issued in the eurobond, sterling domestic or euro domestic markets.

The S&P 500 Index is designed to reflect the U.S. equity markets and focuses on the large-cap sector of the market, which includes the 500 leading companies in leading industries of the U.S. economy.

The ICE BofA Current 10-Year U.S. Treasury Index (GA10) is a one security index comprised of the most recently issued 10-year U.S. Treasury Note.

The Bloomberg Barclays Capital U.S. Aggregate Bond Index was created in 1973 (LBUSTRUU) and covers the USD-denominated, investment grade, fixed rate, taxable bond market of SEC-registered securities, and includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed rate and hybrid ARM passthroughs), ABS and CMBS sectors. It is a component of the Bloomberg Barclays Capital U.S. Universal Index in its entirety.

The ICE BofA U.S. Corporate Index (C0A0) has an inception date of December 31, 1972, and tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA BBB US Corporate Index (C0A4) has an inception date of December 16, 1988, and is a subset of the ICE BofA US Corporate Index (C0A0) including all securities rated BBB1 through BBB3, inclusive. The ICE BofA U.S. Corporate Index (C0A0) has an inception date of December 31, 1972, and tracks the performance of U.S. dollar denominated investment grade corporate debt publicly issued in the U.S. domestic market.

The ICE BofA BB US High Yield Index (H0A1) has an inception date of December 31, 1996, and is a subset of The ICE BofA US High Yield Index including all securities rated BB1 through BB3, inclusive. The ICE BofA U.S. High Yield Index (H0A0) has an inception date of August 31, 1986 and tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

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