LEVERAGED FINANCE MARKET PERSPECTIVE LETTER

An Eerie Calm

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40 YEARS OF CREDIT INVESTING

SHENKMAN™

Mark R. Shenkman, Founder & President

Investor expectations were defied again during what has historically been a tumultuous month for the markets, as the S&P 500 posted its best September return in 15 years. The markets seemed to shrug off labor market softening, stubbornly high inflation, unknown ramifications from new tariffs, rising geopolitical tensions, a deeply fractured domestic political landscape, and still-restrictive Fed policies. Ultimately, the Fed begrudgingly cut rates by 25bps during the month, boosting investor and consumer sentiment. Equity markets seem priced to perfection but may be showing early signs of fatigue. Concurrently, the credit markets continue to generate solid returns as spreads hover near historic tights. Meanwhile, risk appetites have been growing as a lack of market turmoil has given investors the fortitude to increase allocations to riskier assets. On the surface, the U.S. economy appears healthy, with GDP growing at a 3.8% annual rate in the second quarter. However, beneath this figure, some segments of the economy are showing signs of strain; notably, higher credit card delinquencies, weaker freight volumes, contracting manufacturing activity, and housing affordability constraints. Despite these concerning trends, the markets are in a state of eerie calm with Halloween approaching as investors await a new catalyst for market trajectory.

Please reach out to InvestorRelations@ShenkmanCapital.com for the full letter.

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The Morningstar LSTA US 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 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 Dow Jones Industrial Average is a price-weighted average of thirty blue-chip stocks that are generally the leaders in their respective industries.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

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.

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The MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries. With 1,398 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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