

KEY TAKEAWAYS

-US credit delivered mostly positive performance, with high yield (HY) and investment grade (IG) posting positive returns and Treasuries declining on the back of higher rates. European credit markets delivered mixed returns in June. Emerging Markets (EM) returns were positive this month with EM HY as the best performer for global credit markets in June

-US economic data during the month generally showed a resilient economy with moderating inflation, a strong US consumer, and a robust job market

-The Federal Reserve (Fed) chose to pause at the June meeting but highlighted that two additional rate increases could be possible this year

-Closing out a month of persistently sticky inflation, the key data point was the Eurozone core inflation index, which showed some modest re-acceleration in June, confirming the concerns of European Central Bank President Christine Lagarde that we have yet to see proof that core inflation is moving down

HIGH YIELD AND LEVERAGED LOAN TECHNICALS

US Retail Fund Flows

US\$2.7 billion in high yield inflows, US\$0.1bn billion in leveraged loan retail outflows MTD (through 06.30)

| HY New Issuance* | US | EUROPE |
|------------------|-------------|-------------|
| YTD | US\$95.6 bn | US\$30.6 bn |
| MTD | US\$14.1 bn | US\$2.7 bn |

| Loan New Issuance* | US |
|--------------------|--------------|
| YTD | US\$136.8 bn |
| MTD | US\$22.9 bn |

Main Market Driver

Macro: Rates

Micro: Solid high yield technical

| Default Rates** | US | EUR |
|-----------------|------|------|
| LTM | 3.1% | 2.7% |

US New Issuance Names (500 mn and above) MTD

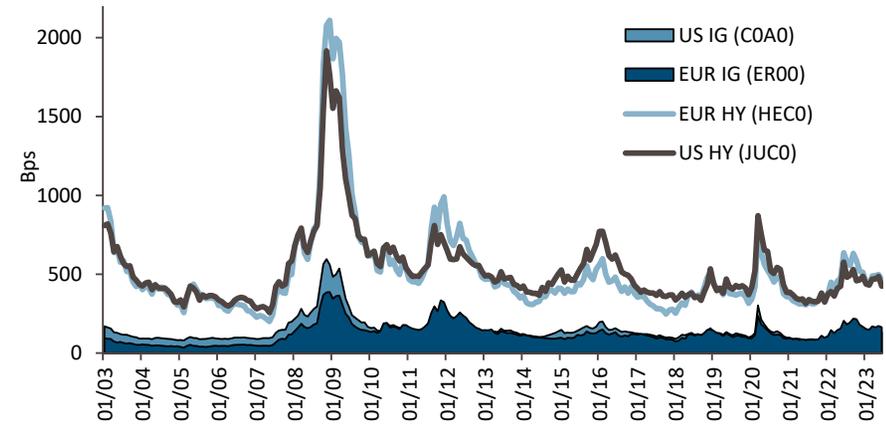
Hub International Ltd, Fortrea Holdings Inc., OneMain Finance, Civitas Resources, Univar, Viking Cruises, Earthstone Energy, Howard Midstream Energy

US New Issuance Pipeline (Announced)

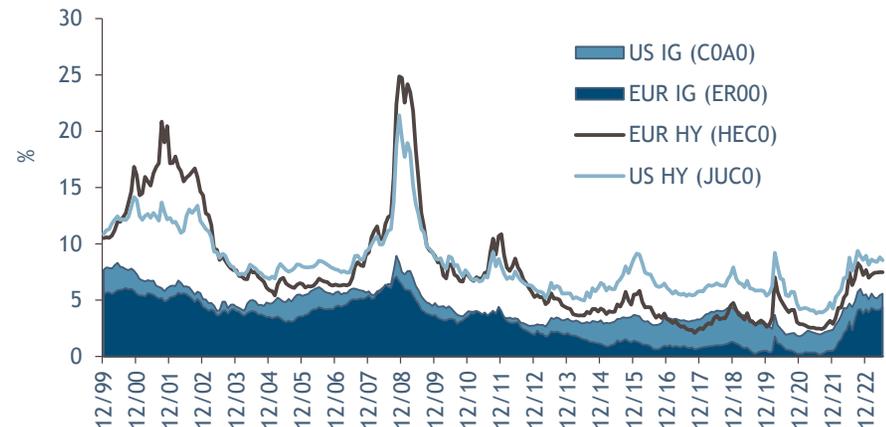
Aventiv Technologies, HighPeak Energy Inc

Note: Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

CORPORATE BOND SPREADS (STW) BY INDEX



CORPORATE BOND YIELDS (YTW) BY INDEX



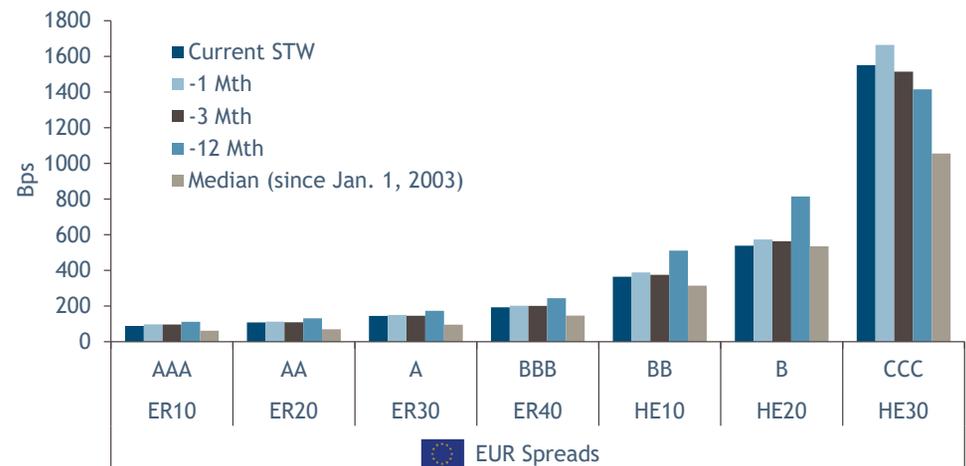
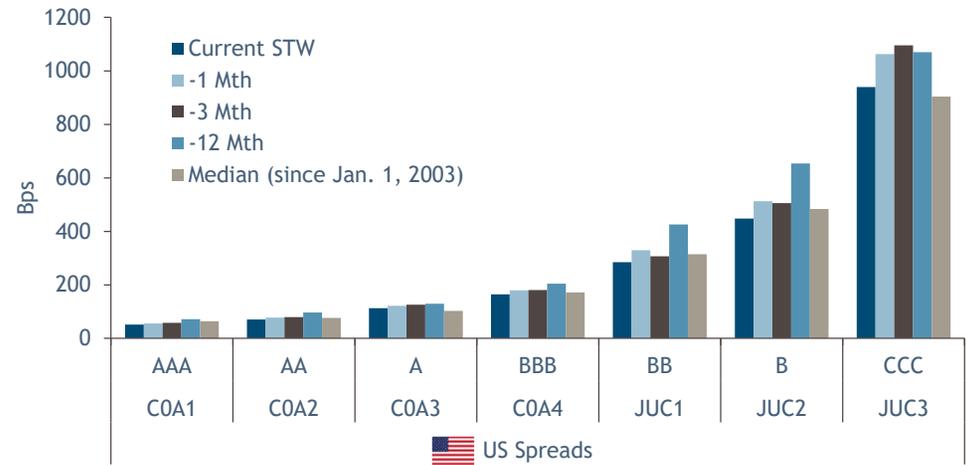
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**Moody's Default Report as of May 31st, 2023. Most recent data available used.

CORPORATE BOND SPREADS (STW) - June 30, 2023

| | Index | Rating | Current STW | -1 Mth | -3 Mth | -12 Mth | Median (since Jan. 1, 2003) |
|------------|-------|--------|-------------|--------|--------|---------|-----------------------------|
| US | COA0 | IG | 134 | 145 | 148 | 163 | 132 |
| | JUC0 | HY | 424 | 486 | 470 | 577 | 462 |
| | JUC4 | BB/B | 359 | 413 | 397 | 518 | 392 |
| | COA1 | AAA | 52 | 56 | 58 | 72 | 64 |
| | COA2 | AA | 71 | 78 | 80 | 97 | 77 |
| | COA3 | A | 113 | 122 | 126 | 130 | 103 |
| | COA4 | BBB | 165 | 180 | 181 | 205 | 172 |
| | JUC1 | BB | 285 | 330 | 307 | 426 | 315 |
| | JUC2 | B | 448 | 513 | 506 | 654 | 484 |
| | JUC3 | CCC | 940 | 1063 | 1096 | 1070 | 904 |
| EM | EMCL | ALL | 274 | 303 | 313 | 369 | 310 |
| EUR | ER00 | IG | 164 | 172 | 170 | 205 | 116 |
| | HEC0 | HY | 464 | 498 | 489 | 636 | 432 |
| | ER10 | AAA | 89 | 98 | 97 | 112 | 62 |
| | ER20 | AA | 108 | 113 | 109 | 132 | 70 |
| | ER30 | A | 145 | 150 | 146 | 174 | 96 |
| | ER40 | BBB | 193 | 202 | 201 | 244 | 147 |
| | HE10 | BB | 365 | 389 | 375 | 511 | 315 |
| | HE20 | B | 539 | 574 | 564 | 815 | 535 |
| | HE30 | CCC | 1551 | 1665 | 1515 | 1416 | 1056 |

CORPORATE BOND SPREADS (STW)



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MARKET PERFORMANCE % AND STATISTICS - June 30, 2023

| | | Performance Summary (%) | | | | Characteristics | | | Performance History (% annualised) | | | | |
|--|--------------------------|-------------------------|---------|-------|-------|-----------------|-----------------|-----------|------------------------------------|--------|--------|--------|--------|
| High Yield | | MTD | Pr. Mth | QTD | YTD | DTW (yrs) | YTW (%) | STW (bps) | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year |
| JUC0 | US HY | 1.62 | -0.97 | 1.61 | 5.34 | 3.95 | 8.55 | 424 | 8.88 | -2.44 | 3.19 | 2.09 | 3.17 |
| JC4N | US HY BB-B | 1.35 | -0.93 | 1.23 | 4.88 | 4.02 | 7.86 | 356 | 8.58 | -2.30 | 2.64 | 2.05 | 3.30 |
| HEC0 | Euro HY | 0.53 | 0.65 | 1.66 | 4.36 | 3.14 | 7.48 | 464 | 8.83 | -3.73 | 1.09 | 0.32 | 1.36 |
| HEC5 | Euro HY BB-B | 0.64 | 0.50 | 1.59 | 4.67 | 3.27 | 6.91 | 409 | 9.68 | -3.54 | 0.93 | -0.10 | 0.98 |
| Investment Grade | | | | | | | | | | | | | |
| COA0 | US IG | 0.28 | -1.33 | -0.21 | 3.23 | 6.93 | 5.57 | 134 | 1.41 | -6.52 | -3.25 | -0.26 | 1.82 |
| C4NF | US BBB Corporates | 0.53 | -1.44 | -0.16 | 3.73 | 7.09 | 5.74 | 155 | 2.62 | -6.78 | -2.79 | -0.07 | 2.06 |
| ER00 | Europe IG | -0.42 | 0.18 | 0.46 | 2.03 | 4.56 | 4.39 | 164 | -0.01 | -6.57 | -3.32 | -2.61 | -1.18 |
| EN40 | Europe BBB | -0.39 | 0.14 | 0.56 | 2.47 | 4.57 | 4.52 | 178 | 0.83 | 0.42 | 0.28 | 0.21 | 0.17 |
| Governments (7-10 Year Indices) | | | | | | | | | | | | | |
| G402 | US Treasuries 7-10 Yrs | -1.27 | -1.44 | -1.86 | 1.61 | 7.51 | 3.85 | 0 | -3.28 | -6.82 | -5.99 | -1.64 | 0.59 |
| G4L0 | UK Gilts 7-10 Yrs | -1.67 | -2.99 | -5.83 | -3.29 | 7.26 | 4.37 | -8 | -12.41 | -10.93 | -8.56 | -5.06 | -3.00 |
| G4D0 | German Fed Govt 7-10 Yrs | -1.08 | 0.58 | -0.32 | 1.90 | 7.69 | 2.39 | 0 | -6.40 | -9.20 | -6.75 | -4.92 | -2.88 |
| Equities | | | | | | | | | | | | | |
| S&P | S&P 500 incl. Dividends | 6.61 | 0.43 | 8.74 | 16.88 | | | | 19.56 | 3.37 | 14.58 | 12.76 | 12.29 |
| DAX | DAX Index | 3.09 | -1.62 | 3.32 | 15.98 | YTM (%) | Discount Margin | | 26.32 | 1.97 | 9.46 | 6.83 | 5.58 |
| Loans | | | | | | | | | | | | | |
| | | bps (3yr life) | | | | | | | | | | | |
| CS Leveraged Loan Index | | 2.24 | -0.09 | 3.12 | 6.33 | 10.04 | | 581 | 10.10 | 3.52 | 6.16 | 3.99 | 4.02 |
| CS Western European Leveraged Loan Index | | 0.95 | 0.83 | 3.02 | 6.68 | 9.35 | | 557 | 10.68 | 2.42 | 4.74 | 3.01 | 2.96 |

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future performance and should not be the sole factor of consideration when selecting a product or strategy.

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CREDIT MARKET UPDATE

US:

US credit delivered mostly positive returns, with high yield (HY) and investment grade (IG) posting positive performance and Treasuries declining on the back of higher rates. Economic data during the month generally showed a resilient economy with moderating inflation, a strong US consumer, and a robust job market. The Federal Reserve (Fed) chose to pause at the June meeting but highlighted that two additional rate increases could be possible this year. Maintaining that drumbeat throughout the month, the Fed has messaged that the economy can likely keep moving forward for longer than many forecasters believed earlier this year. The Fed appears to believe that “higher for longer” will be necessary to slow the economy and return to a more normalized 2% inflation rate, a level that Chairman Powell believes will not be achieved until 2025. Credit spreads in the US ended the month inside of the longer-term averages for HY and closer to average for IG credit, though on an absolute basis, yields are well above any recent “strong economy” averages.

Europe:

European credit markets delivered mixed returns in June. European investment grade declined on the back of higher rates, while high yield posted positive returns. Excess returns were positive across all credit markets as spreads tightened in the face of increasing interest rates and higher risk appetite from investors. In the UK, after consumer price data were released for May that surprised to the upside for the fourth consecutive month, the Bank of England increased the speed of tightening, hiking policy rates by 50 basis points this month; a move that was followed by several other central banks to varying degrees. Closing out a month of persistently sticky inflation, the key data point was the Eurozone core inflation index, which showed some modest re-acceleration in June as the cost of services continued to pick up. This confirmed the concerns of European Central Bank President Christine Lagarde that we have yet to see proof that core inflation is moving down. At the same time, unemployment for the region remained at an all-time low of 6.5% (Reuters, 30th June 2023).

EM:

Emerging Markets (EM) returns were positive this month with EM high yield as the best performer for global credit markets in June. A relatively robust global risk appetite has been reflected in a substantial rise in US equity prices and healthy net capital flows (ex. China) into EM. In Asia, China exhibited lackluster growth momentum, despite high tourism volumes over the Dragon Boat Festival holiday. Conversely, strong tech gains led to surprisingly positive

industrial production data from Korea and Taiwan. In Latin America, the start of easing cycles has been pulled forward in recent weeks with an anticipated July cut in Chile and expectations of easing from central banks in Brazil, Peru, and Mexico in subsequent months. In Turkey, following President Erdogan’s re-election, appointments to the cabinet and central bank suggest that Turkey will drop the unorthodox credit growth model that led to an overvalued currency and consequential pressures, with indications that the country will return to a more market-based approach.

Outlook

The underlying global economy continues to show resilience and we are finding attractive yields in corporate credit. We expect potential spread volatility through the summer due to low seasonal staffing levels around the summer holiday season which could exacerbate unexpected news events, earnings, or Fed rhetoric or decisions. Q2 economic activity that exceeds expectations (following an upwardly revised Q1) could set the stage for the Federal Reserve (Fed) to hike rates on July 26th. The market seems to increasingly believe in the Fed’s two-hike rhetoric, providing the central bank with cover to hike at the next meeting. It is difficult to determine how the second half of 2023 will end. Will the economy remain stable, and the recession still 6-months out result in continued vindication for the bulls? Will the Fed’s rate hikes finally take hold and slow growth as the bears predict? Being too bearish (defensive) could result in being stampeded by the bulls of Pamplona. Being too bullish (aggressive) could result in an implosion if the economy hits the skids. In our view, we must be mindful of the limitations of macro analysis as this economy is simply moving at its own pace. As such, we believe the best positioning remains staying neutral on risk and not overly extended on duration. We remain invested in liquid areas which can be rotated quickly if the economic direction becomes clearer. We are focused on diversification within portfolios, and we believe that adding yield to a portfolio can help mitigate both rate and risk volatility.

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Important Information

The following indices referenced in the snapshot are ICE BofA indices:

JUC0 - ICE BofA US Cash Pay High Yield Constrained Index
JUC1 - ICE BofA BB US Cash Pay High Yield Constrained Index;
JUC2 - ICE BofA Single-B US Cash Pay High Yield Constrained Index;
JUC3 - ICE BofA CCC and Lower US Cash Pay High Yield Constrained Index;
JUC4 - ICE BofA BB-B US Cash Pay High Yield Constrained Index;
JC4N - ICE BofA BB-B US Non-Financial Cash Pay High Yield Constrained Index;
HEC0 - ICE BofA Euro High Yield Constrained Index;
HE10 - ICE BofA BB Euro High Yield Index;
HE20 - ICE BofA Single-B Euro High Yield Index;
HE30 - ICE BofA CCC & Lower Euro High Yield Index;
HEC5 - ICE BofA BB-B Euro Non-Financial High Yield Constrained Index;
COA0 - ICE BofA US Corporate Index;
COA1 - ICE BofA AAA US Corporate Index;
COA2 - ICE BofA AA US Corporate Index;
COA3 - ICE BofA Single-A US Corporate Index;
COA4 - ICE BofA BBB US Corporate Index;
C4NF - ICE BofA BBB US Non-Financial Corporate Index;
ER00 - ICE BofA Euro Corporate Index;
ER10 - ICE BofA AAA Euro Corporate Index;
ER20 - ICE BofA AA Euro Corporate Index;
ER30 - ICE BofA Single-A Euro Corporate Index;
ER40 - ICE BofA BBB Euro Corporate Index;
EN40 - ICE BofA BBB Euro Non-Financial Index;
G402 - ICE BofA 7-10 Year US Treasury Index
G4L0 - ICE BofA 7-10 Year UK Gilt Index
G4D0 - ICE BofA 7-10 Year German Government Index;
EMCL - ICE BofA US Emerging Markets Liquid Corporate Plus Index.

S&P 500 - The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. DAX - The German Stock Index is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

CS Leveraged Loan Index - The CS Leveraged Loan Index is designed to mirror the investable universe of US dollar denominated leveraged loan market. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have a minimum outstanding balance of \$100 million for all facilities except TL A facilities (TL A facilities need a minimum outstanding balance of US\$1 billion), issuers domiciled in developed countries, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

CS Western European Leveraged Loan Index - The CS Western European Leveraged Loan Index is designed to mirror the investable universe of the Western European leveraged loan market. Loans denominated in US dollar or Western European Currencies are eligible for inclusion. The index is rebalanced monthly on the last business day of the month instead of daily. Qualifying loans must have minimum outstanding balance of \$100 million (in local currency), issuers with assets located in or revenues derived from Western Europe, at least one year long tenor, be rated "5B" or lower, fully funded and priced by a third party vendor at month-end.

All performance, duration, yield and spread data downloaded from Bloomberg. Markit iBoxx USD Leveraged Loan (IBOXLTRI), S&P 500 incl. Dividends, and DAX figures from Bloomberg. You cannot invest directly into an index.

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